

THE BROOKINGS INSTITUTION
Brookings Cafeteria Podcast:
A big election year for states in the 2018 midterms
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CONTRIBUTORS

FRED DEWS
Host

AMY LIU
Vice President and Director, Metropolitan Policy Program

DEWS: Welcome to a special midterm elections edition of The Brookings Cafeteria, a podcast about ideas and the experts who have them. I'm Fred Dews. Voters in November will not only be choosing members of Congress, but governors and state representatives as well. Joining me to talk about some of the key state-level electoral and policy issues is Amy Liu, the Vice President and Director of the Metropolitan Policy Program here at Brookings. A national expert on cities and metropolitan areas, Amy also holds the Adeline M and Alfred I. Johnson Chair in Urban and Metropolitan policy. You can follow the Brookings Podcast Network on Twitter @policypodcasts to get the latest information about all of our shows and visit us online at [Brookings.edu/podcasts](https://brookings.edu/podcasts). For more analysis from Brookings experts on the upcoming elections, go to [Brookings.edu/2018-midterms](https://brookings.edu/2018-midterms). And now, on with the interview. Amy, welcome back to the Brookings Cafeteria.

LIU: I'm glad to be here.

DEWS: Can you first talk about what your view is on the landscape of state races this fall?

LIU: Sure. Listen, there's a lot of attention right now on Trump and the balance of power in Congress. But 2018 is going to be a big election year for states. You've already mentioned it. There's 36 governor's races and 80 percent of all state legislative seats that are up for election or re-election. And one of the things that we need to be mindful of is that the party most vulnerable this fall is Republicans. That's primarily because they currently dominate state governing. Of the 36 governor's races, 26 seats are held by Republicans and Republicans also currently have unified control in 25 states which means they control the governor's mansion and both of the legislative chambers. And right now according to Real Clear Politics, there is an estimate that the Dems may pick up four of the governorships such as in Illinois, Michigan, and there are about eight seats currently held by Republicans that are considered toss-ups. So I think in general is always talk about how the party in power and the White House tends to lose seats in the midterms, you're

going to see some of that play out at the state level as well.

DEWS: So what are some of the big issues that state officials are going to be confronting when they come into office regardless of which side wins these races? What are the issues that they face?

LIU: Right. So you know eight years ago, the last time there was a large class of incoming governors, those governors entered office during the Great Recession. So the good news is that the economy has stabilized. Yet there are some major structural issues that these new governors and state legislatures are going to have to confront if they want to continue to do their bread and butter work of job creation and economic opportunity. So, what are they? First, we know that new technologies are disrupting industries. They're eliminating jobs, they're changing the nature of work including more contingent labor. And job growth today is mostly high end or low pay with very few that pay middle class wages. So what that means is there's huge implications for what states need to do to continue to grow high quality jobs, help businesses integrate new technologies so they can survive during this period of disruption, they have to think about ways to train workers in the jobs of the future, and frankly they're going to have to figure out a way to provide better programs to help dislocated workers transition to other work.

The other thing I want to mention that states are going to have to confront is that the new economy also favors big cities over smaller towns. So every single state's going to have to grapple with how do we continue to help all of our communities grow, closing the urban rural divide that's really paramount right now in the national discourse. And the other thing that we can't ignore is that the population in our states are aging and diversifying. And so what we're hearing from a lot of the governors is that they are now having to deal with rising pension costs, how to provide affordable health care and income supports for retirees, while also being more leaning in to the fact that we have to remove historic structural barriers to opportunities for blacks, Hispanics, and other students and workers of

color. And all this is happening at a time when Washington is absolutely unpredictable. So states are grappling with a lot more political uncertainty when it comes to global trade, the future of the ACA, threats to cuts to safety net programs that matter the working poor. So in general I think a lot of the new covers are going to come into office amid big economic and political tumult.

DEWS: Yeah no matter what party they are, they're going to face this set of issues up for their constituents. So you and your program, Metropolitan Policy Program, primarily work with local and regional leaders. I mean my experience over the years is you've got a lot of very strong partnerships with leaders in cities and metropolitan areas across the country. I mean Louisville comes to mind, Pittsburgh, Denver, you can probably name 50 of them or so. But, how do states play a role in the issues that you study focusing on the kind of local, regional, metropolitan level?

LIU: Well you're right Fred. Our program has really strong relationship with a network of leaders in dozens of cities and metropolitan areas in the country. But we've also done a lot of work with governors, and that's because there is a major interdependence between states and their cities. So first, states are composed of a network of cities, suburbs, small towns, and rural areas. So state economic prosperity is wholly dependent upon the economic health and governing capacity of all its varying local jurisdictions. So states need cities to innovate and to be partners. Yet cities can't problem solve and innovate without their states. And I think this is one thing we have to remind people is at the core, cities and counties are creatures of their states. They do not have legal authority or recognition in the US Constitution, their rights depend on state constitutions. As a result, local leaders have to seek state authorities for a lot of things, like raising revenue, sharing service delivery with other governments, or pursue certain laws.

The other reason why states matter to cities is that states oversee the majority of the safety net programs, health care, unemployment insurance that help the vulnerable

families and their communities navigate change. And then states set a lot of the big terms of policies that also matter to economic competitors and opportunity for cities so they govern infrastructure rules, higher education and community college, standards for K through 12 education, workforce training, and economic development. So in short, states matter a great deal to cities and metropolitan areas. And honestly vice versa.

DEWS: One of the issues I think is very fascinating, and it keeps coming up a lot lately, is this issue of state preemption over local decision makers. It's a continuing concern for local leaders. What does it mean? What is preemption, and how does it affect American democracy?

LIU: Right. So let me explain what state preemption is first. Essentially, state preemption is when states impose limits or rules for local action including saying that state law overrides local ones. Now I want to say that there are times when state-wide standards make sense. You know, civil rights protections of workers by race, gender, sexual orientation for instance, those should be state standards. And a minimum wage that is family sustaining is also better statewide, rather than having a city or a suburb issuing different minimum wage rates which can distort business location decisions. However, the issue is if states fail to create standards that match the needs of local residents, such as employers discriminate, or refuse to provide job benefits, or if wages are too low for families to make ends meet, or if the civil rights of immigrants are being violated, then cities are motivated to step up and act and make things better. And what we have right now is 28 states that preempt local governments from raising the minimum wage. We have 23 states that preempt them from requiring employers to provide base paid sick or family leave and then we have a number of states that ban sanctuary cities. And then on top of that, there are 42 states that impose tax or expenditure limitations at a time when cities and their partners are trying to step up and respond to a whole host of policy challenges in this environment, whether it's about jobs or skills or affordable housing, racial segregation.

So we do best when local leaders can innovate.

In fact I heard today someone say that counties and local jurisdictions are feeling a lack of incentive now to creatively solve these really hard problems because of the state preemption. And I have to say that while state and local tensions have always existed, I do think things have gotten worse, and maybe part of it is because of the intensifying partisanship at the national level, perhaps because of unified GOP control and many states right now that tend to be anti-urban. You know, the funny thing is people ask me what's the flip side of that? What are positive examples? And interestingly the two examples I can think of are in blue states, which you know [laughs]. One example we found is that New York State, for instance, has set a statewide minimum wage. But they also said if municipalities want to increase the minimum wage above their threshold they can. California also set a base line for paid leave, requiring paid leave offered by employers. But they also said if local paid leave laws conflict, businesses should fall the more generous criteria. So they're setting state standards, but saying if localities want to improve upon it they can. And so I think that those are the kind of relationships and co-problem solving we need to see more of today.

DEWS: And that sounds like the classic model of federalism that I grew up learning about, where the federal government would set standards say for the speed limit, for environmental standards, and they would say to state governments in order to qualify for whatever part of federal money, you have to meet this as a minimum standard but you're free to impose tougher standards if you want to. And it sounds like it should work the same way from the state government to its local municipalities, but....

LIU: Right, Fred, that's always a balancing act of what's a proper standard at the state level, and then balancing what could be customized or better customized at the local level. The more important thing is the tenor of the collaboration. As the economy continues to change, the rules for opportunity are shifting. Can states and cities actually have these

conversations about what each can do best? There are times when cities would prefer states to say require affordable housing because the local politics, right. So how did this problem solving happened between these two levels of governing is really important.

DEWS: Another area of political tension between state governments and cities is something you mentioned a few minutes ago, the urban-rural divide. Can you talk about what that divide is and how that relates to policy?

LIU: Sure. I do think the urban-rural divide is primarily a political and a cultural one. And I think it's being fanned by President Trump and his administration. So let me give you an example what I mean by political and cultural. Let's look at the last presidential race. There are over 3,000 counties in the United States. Hillary Clinton won the popular vote with less than 500 counties that generate 64 percent of the nation's economy. Trump won the Electoral College with more than 2,600 counties which represent just one third of the U.S. economy. So in short, what happened is Trump is in office because of low-density, less economically dynamic communities, and he has energized that base. So that's the political side.

The knowledge economy, meanwhile, favors large urban centers. Cities and counties with more than 1 million people have added jobs in recent years, while small towns and rural counties continue to stagnate or lose population jobs, so that's adding more fervor to the urban-rural divide. And then there is this cultural issue, which is that rural areas tend to be more conservative and they tend to hold different values than their bluer and more urban counterparts. And what happens is this then plays out in the states because state legislators tend to be dominated by rural districts that are building coalitions with conservative, suburban districts, even as a states urbanize. So it makes governing between state local leaders really complicated for the issues we've been talking about. You know the one thing I'll say is that if you stick to economic issues, urban rural areas actually share a lot of common concerns. Old urban or rural communities want to diversify

their economy, both of them want broadband and modern infrastructure. They both want ways to figure out affordable education and skills training. They want access to capital for their small businesses and they want local control. That's like uniform. Both urban and rural places want local control, not top down decision making to guide their communities forward. So if states can forge a common ground around bottom-up economic opportunity, I think we can bridge the urban-rural divides.

DEWS: So looking ahead into November, what advice should candidates running for state offices keep in mind in these elections?

LIU: Well I would tell state candidates right now, that as they move from campaigning to governing, that they have to tackle these major economic and social challenges head-on because Washington is not going to be the source of breakthrough policy ideas anytime soon. And what we know is that our nation desperately needs modernized policies around helping to upgrade our manufacturing services sectors in a period of tumult, how to give workers tools and skills they need in this digital economy so they can support their families. We need to figure out a way to provide critical supports to workers if they lose their jobs due to automation and digitalization. We need to figure out how to close the racial wealth gaps in the country, and help families of all races enter and stay in the middle class. Those are the issues that are confronting states and cities almost every day and the conversations that we're in. So the next generation of solutions to these really tough challenges are going to have to come from states. And states in order for them to come up with these solutions, will need to cooperate and build trust with local and regional leaders. So to me, that is the opportunity is to continue to have states and cities be the laboratory of innovation and policy ideas from which our country can galvanize around him from which Washington can find ideas.

DEWS: So, looking ahead also to the day after the election, what do you hope will be the outcome of these subnational races?

LIU: I'm definitely going to look for how new governors are going to come in and build coalitions around their first term agenda. The other thing is our program is tracking ballot initiatives and there are a lot of ballot initiatives up to voters this fall, and they will signal other policy priorities that voters care about, whether round again minimum wages, infrastructure, financing, other education supports. So we're going to look for again, signals for what matters to voters and new leaders as they come into office.

DEWS: I'd like to finish with a quote from one of your recent pieces that's on the Brookings website. I think it really captures a lot, and I'd like for you to expand a little bit. This is from something you wrote for our Web site, "The Limits of City Power in the Age of Trump", and I'll quote

"This November, voters will go to the ballot box to choose new governors, state legislatures, and members of Congress. It's time to reset the federal, state, and local dynamic. While cities alone can't save us, they can be the foundation on which we build a restored democracy."

How are cities the foundation on which we build and restore democracy?

LIU: We live in an urban age globally, and in the United States. So cities are the center of growth and innovation and the places where people go to seek jobs and opportunity and raise their families. And cities are also the centers of problem solving. It's where people have the greatest trust in governing, and given the complexity of the economic and social challenges today, they're also the places where leaders across business, philanthropic, government, and nonprofits can come together to solve our challenges. So for our democracy to be strong, we need our federal and state partners to support city problem solving.

DEWS: Well Amy, I want to thank you for sharing your time and expertise with us today on the 2018 midterms.

LIU: Thank you Fred. I've enjoyed the conversation.

DEWS: You can learn more about Amy Liu and the research of the Metropolitan Policy Program on our website. And also for more analysis from Brookings experts on the upcoming elections [Brookings.edu/2018-midterms](https://www.brookings.edu/2018-midterms). "The Brookings Cafeteria" podcast is the product of an amazing team of colleagues, including audio engineer and producer Gaston Reboredo, with assistance from Mark Hoelscher. The producers are Brennan Hoban and Chris McKenna. Bill Finan, Director of the Brookings Institution Press, does the book interviews, and Jessica Pavone and Eric Abalahin provide design and web support. Our interns this semester are Churon Bernier and Tim Madden. Finally, my thanks to Camilla Ramirez and Emily Horne for their guidance and support. "The Brookings Cafeteria" is brought to you by the Brookings Podcast Network, which also produces "Intersections" hosted by Adriana Pita, "5 on 45", and our events podcasts. E-mail your questions and comments to me at BCP@Brookings.edu. If you have a question for a scholar, include an audio file and I'll play it and the answer on the air. Follow us on Twitter [@policypodcasts](https://twitter.com/policypodcasts). You can listen to "The Brookings Cafeteria" in all the usual places. Visit us online at [Brookings.edu/podcasts](https://www.brookings.edu/podcasts). Until next time, I'm Fred Dews.