

On welfare, Indiana and Michigan are proving that states can still be ‘labs of democracy’

For more than 80 years, the U.S. states have been considered by commentators to be ‘laboratories of democracy’. Now, there is increasing concern that the states are becoming less and less likely to generate innovative policies. Looking at the growing role of federal waivers **Donald F. Kettl** *suggests that the truth isn’t so simple. He writes that in exchange for working with the Obama administration on issues such as healthcare, conservative-led states like Indiana and Michigan have been able to push their own pathbreaking proposals to merge policy ambitions from the left with market tactics from the right.*



Writing recently in *The New York Times*, Duke University business professor Aaron Chatterji recently painted a discouraging picture of the states’ current status as “laboratories of democracy.” He [argued](#) that “just when we need their innovative energies, the states are looking less and less likely” to be generating new ideas for federal policy. Has the flame of state creativity somehow gone out?

That would be a tough case to make to Michigan Governor Rick Snyder, who is proposing a massive remake of federally funded job training, social welfare and health programs. Snyder has set out a “river of opportunity” plan that he hopes will make Michigan first in the nation in training for skilled trades, lift all third-graders to proficiency in reading and launch what he calls “Medicaid expansion done right.” To accomplish his aim, Snyder has created a new department designed to weave together an assortment of federal grant programs and to combine state programs dealing with health, welfare and families.

Key to the plan are federal waivers. Snyder estimates that his program [could require 145 different waivers](#) of federal rules — “the mother of all waivers,” as he told the editorial board of *The Detroit News*. If he can pull it off, Snyder’s “river of opportunity” plan will unquestionably be the next big thing in intergovernmental policy.

Michigan is certainly not alone in challenging federal programs with requests for waivers. Indiana Gov. Mike Pence rolled out his Healthy Indiana Plan 2.0, which expands Medicaid to cover 350,000 Hoosiers without health insurance — but which requires them to pay for some of their health-care costs. Depending on income, participants in the plan would be required to contribute between \$1 and \$27 per month.

The efforts of these two Republican governors, along with a handful of others around the country, pose tough challenges for team Obama.



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Regardless of the Supreme Court's decision on Obamacare, the administration needs to get the states on board if the program is going to work. Some GOP governors have simply refused to join, but through the end of January, four Republican-led states, including [Indiana](#) and Michigan, had successfully negotiated waivers as the price for cooperation.

Some supporters of the Obama health plan worry that the administration has been too flexible on waivers. Timothy Jost, a Washington and Lee University law professor and health policy expert, has [said](#) that waivers are “pretty much pushing the limits of how far they should go, if it's not beyond it.” Meanwhile, many conservative leaders have fought against signing up for any part of the plan.

In the middle are pragmatists such as Pence and Snyder, who have sought the sweet spot, counting on the administration's need to enlist the states while advancing a conservative take on social policy.

These governors are reenacting some of the arguments that surrounded President Clinton's 1996 welfare reform, and the efforts of conservative Republican governors of that era, such as Wisconsin's Tommy Thompson, to use waivers to implement their own brand of welfare policy. Thompson sought to redefine welfare by requiring recipients to seek jobs and by restructuring government programs to help them do it. That necessitated waivers from existing federal programs, and Thompson struggled for years with the Clinton administration to get them. The result was a fundamental remaking of federal welfare policy that emanated from the policy lab in Wisconsin.

Since Justice Louis Brandeis coined the “laboratories” metaphor in a 1932 U.S. Supreme Court case, there's been an ongoing battle between those on the left, who have seen the states as workshops where bold policy ideas can be tested and brought to Washington, and those on the right, who have looked on the states as places where overreaching federal policy can be constrained.

Behind all of the rhetorical posturing, however, is a very interesting experiment. Most federal grant programs include mandates that state and local governments must follow in exchange for the cash. For several decades, however, the federal government has allowed states the flexibility to launch experimental or demonstration projects in pursuit of the goals of the programs. It turns out that some of the most fascinating experiments have come when Republican governors have challenged Democratic presidents.

Presidents Clinton and Obama have needed to get Republican governors on board in order for their initiatives to have traction. Republican governors like Pence, Snyder and Thompson have taken advantage of this by pushing pathbreaking proposals to merge policy ambitions from the left with market tactics from the right.

Obama can't move far on his social agenda without the governors, since state capitols have become the front lines in implementing so many social programs. But cash-strapped governors can't get far without federal cash in advancing their agendas, even if the dollars come with strings attached.

The two sides need each other. The battles over waivers have certainly broken some test tubes, but they've increasingly become the way the laboratories of democracy work.

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