

Stanford SOCIAL INNOVATION^{Review}

Leadership Supplement
The Progressive Resurgence of Federalism
By Lenny Mendonca & Laura D. Tyson

Stanford Social Innovation Review
Winter 2018

Copyright © 2017 by Leland Stanford Jr. University
All Rights Reserved

The Progressive Resurgence of Federalism

With a US federal government divided and unable to address key social problems, state and local government leaders have a critical role to play in fostering local social innovation.

BY **LENNY MENDONCA & LAURA D. TYSON**

At the political level, the United States seems inexorably divided. There are heated ideological divisions among red and blue states; among cities, states, and the federal government; and among citizens. These divisions reflect deep fissures in underlying beliefs about the appropriate roles for the federal government and about basic standards of social justice. But are we doomed to the inevitable results of more federal gridlock? Or will state, city, and local leaders from the public and private sectors, drawing and building on the principles of federalism, step up to offset the damage by becoming more powerful cross-sector champions of social change?

Under President Trump, most federal government programs (with the notable exception of those related to the military) are on course to be slashed. But the major social and economic problems addressed by federal programs will not disappear; they will only intensify. The market alone can't solve these problems; indeed, it sometimes causes or exacerbates them. Nor can nonprofits, philanthropic organizations, or social sector organizations fulfill these public sector responsibilities, though they can play important partnership roles in researching, catalyzing, advocating, innovating, and delivering programs. Government action at the federal, state, or local level is essential in such critical areas as education, climate change, and health insurance.

The answer to a deadlocked and divided federal government is "progressive federalism"—the pursuit of progressive policy goals using the subnational governments in the US federal system.

LENNY MENDONCA is co-founder and board chair of FUSE Corps, former senior fellow at the Presidio Institute, and former senior partner emeritus at McKinsey & Company.

LAURA D. TYSON is a distinguished professor of the Graduate School and faculty director of the Institute for Business & Social Impact at the University of California, Berkeley, Haas School of Business. She chairs the Blum Center for Developing Economies Board of Trustees. Tyson served in the Clinton administration as the chair of the Council of Economic Advisers (1993-1995) and as director of the National Economic Council (1995-1996).

This solution is embodied in the 10th Amendment: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." The Constitution explicitly recognizes the rights of individual states to function as what US Supreme Court Justice Louis Brandeis called "laboratories of democracy," experimenting with innovative policies without putting the rest of the country at risk.¹ And states have the authority to delegate many of their powers to cities and other local governments.

Federalism is not intrinsically conservative or progressive—yet it can be a powerful tool for progressive change now. As Heather Gerken, distinguished scholar of progressive federalism, argues, progressives can respond to President Trump and congressional gridlock by using the substantial powers of federalism both cooperatively to shape national policies, and uncooperatively to resist national policies at odds with progressive goals.²

THE RATIONALE FOR FEDERALISM

There are several compelling rationales for a federalist approach to policy design and delivery, and for the role of government in cross-sector efforts for social impact. The first is administrative capacity. The federal government, with three million workers and a 2016 budget of \$600 billion, relies on state and local governments, with 14 million workers and combined budgets of \$2.5 trillion, to administer many of our most important national policies—such as health care and education.

The second rationale is that a federalist approach can encourage the local sourcing of ideas and partnerships with nongovernmental actors. Local pilots and experimentation allow for innovation and fast pivots, enabling rapid closure of approaches that don't work and scaling up those that do. Although there are deep political disagreements on the responsibilities

of government, there is strong agreement that there should be a shift from top-down programs to community-based programs and that programs should be evaluated and changed on the basis of their results.

The third rationale is that it can enable a more transparent and accountable delivery of programs and services, bolstering citizen trust in government institutions and elected officials. Even as trust in the federal government has plummeted, annual Gallup polls show that a majority of Americans trust their state governments and their local governments to handle problems.

COLLABORATIVE EXPERIMENTS, COLLABORATIVE SOLUTIONS

In a progressive federalist approach, the federal government can act as a venture capitalist, soliciting, supporting, and scaling innovative solutions developed by state and local governments. As a venture capitalist, the federal government has many tools at its disposal to sponsor innovation, including waivers, conditional challenge grants, pay-for-performance contracts, competitions, and prizes.

The Obama administration used all of these tools to encourage innovation and local design in the delivery of federal programs—linking billions of dollars of federal funding to programs that demonstrated success in maternal and child health, preschool and K-12 education, and skill development in colleges and work programs.

Progressive federalism has a long, rich history of successful experiments. State and local governments were leaders in establishing public primary and secondary education systems as well as state colleges and universities. Today, there are numerous examples of progressive federalism in red and blue states and localities, as governments collaborate with data-driven philanthropists such as the Laura and John Arnold Foundation and Ballmer Group and innovative nonprofits such as FUSE Corps and Social Finance.

The 2016 election year may be remembered as the year when distrust in the US federal government triggered a resurgence of populism. But it may also be remembered as the start of a new era of progressive federalism and resistance, championed by state and local governments, trusted by their citizens, and working in cross-sectoral partnerships to achieve progressive goals. ✕

NOTES

- 1 US Supreme Court, *New State Ice Co. v. Liebmann*, 1932.
- 2 Heather K. Gerken and Joshua Revesz, "Progressive Federalism: A User's Guide," *Democracy: A Journal of Ideas*, Spring 2017, no. 44.