

Republican wins in state elections move US policy to the right, imperil reconciliation bill

Blog post by Ben Bassett, 3 November 2021

The November 2nd US election results represented a wake-up call to President Joe Biden and other Democratic leaders, and will push near-term policy in Congress toward the moderate end of the spectrum. Tuesday's gubernatorial races were the most impactful. In Virginia, Republican newcomer Glenn Youngkin defeated Democrat Terry McAuliffe by a two-point margin in a state in which Biden defeated Trump by 10 points a year ago. In New Jersey, Democrat incumbent Phil Murphy is in a too-close-to-call race with Republican challenger Jack Ciattarelli, an outcome that belied polls indicating a comfortable win for Murphy. While liberal Democrats notched some wins in local elections, progressive candidates and issues had a poor showing, including a loss for a socialist mayoral candidate in Buffalo and the failure of a ballot initiative to overhaul the police department in Minneapolis, the city in which George Floyd was murdered by police last year, sparking the Black Lives Matter movement.

Key Results from US Elections November 2nd

Virginia gubernatorial race

<i>Candidate</i>	<i>Party</i>	<i>Percentage</i>
Youngkin	Republican	50.7%
McAuliffe	Democrat	48.6%

New Jersey gubernatorial race (currently too close to call)

<i>Candidate</i>	<i>Party</i>	<i>Percentage</i>
Murphy	Democrat	49.78%

Ciattarelli	Republican	49.48%
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Minneapolis, MN proposal to replace the Minneapolis Policy Department with a new Department of Public Safety

No	56.17%
Yes	43.83%

Buffalo mayoral election

<i>Candidate</i>	<i>Party</i>	<i>Percentage</i>
Write-in (incumbent Mayor Byron Brown)	Democrat	59%
India B. Walton	Democrat	41%

What are the policy implications of the elections? With President Joe Biden’s national approval ratings having dropped significantly since the problematic pull out of US troops from Afghanistan this summer, Tuesday’s election results will move policy toward the center. Before Democrats can think about 2022 and holding on to their slim majorities in both houses of Congress, they must figure out what to do with the \$1.9 trn bipartisan infrastructure bill and their Build Back Better Act, the latter of which Democrats are attempting to pass using a legislative vehicle that would permit approval without Republican support. Virginia and New Jersey drastically shifted the calculus for both bills. There will be intense pressure to pass the bipartisan infrastructure bill, while Build Back Better looks to be on thin ice, or at best to be passed with even more scaled-back ambition (just last week Biden agreed to reduce the bill’s target spending to \$1.85 trn over 10 years from an initial goal of \$3.5 trn).

President Biden campaigned on being able to strike bipartisan deals, and the Senate delivered him one in August in the form of a \$1.9 trn infrastructure bill. Not only did the bill play up Biden’s bipartisan bona fides, it also gave him a legislative win that had eluded the Trump administration for four years. However, progressive holdup of the bill in the House (where Democratic Members said they would not vote on the infrastructure bill before reaching agreement on the infrastructure bill) fuelled concerns about whether Democrats could really get the infrastructure bill passed. As polls in Virginia began to show McAuliffe’s polling lead slimming in recent weeks, moderates pressed progressives to pass the infrastructure bill and trust that the party would deliver on the Build Back Better Act later. Now, it is too late for McAuliffe, and Biden desperately needs a win.

With key elements of the Build Back Better Act still up in the air, the pressure will be on progressives to capitulate and deliver for Biden.

While progressives will be feeling the heat on infrastructure, the Build Back Better Act's future just became murkier. Inflation concerns have already dominated negotiations (with even some prominent Democrats worrying that additional fiscal stimulus could accelerate inflation further). Youngkin's campaign, which ran on a traditionally pre-Trump Republican platform focused on strengthening the economy and lowering taxes, is a sign that the American electorate may not actually have the appetite for another massive spending bill. Further complicating matters is the fact that there are a number of critical provisions that progressives and moderates continue to - reinstating the SALT tax; whether Medicare should be expanded to cover dental, hearing and vision; and immigration reform. Put simply, the Build Back Better Act has a long way to go.

If negotiations over the Build Back Better Act do continue, moderate Democrats seemingly have greater leverage at this point. This suggests that the already reduced \$1.85 trn price tag, could be cut further. A number of key progressive asks could be the first to go - Medicare expansion to include hearing benefits, universal pre-kindergarten, and certain climate provisions all come to mind. The Virginia and New Jersey election results have also suddenly called major tax provisions such as a 15% corporate minimum tax, a 1% excise tax on corporate stock buybacks and surtaxes on adjusted gross income for multimillionaires and billionaires into question.

Another important area to watch will be what Democrats do with their \$550 bn in climate-related provisions. Climate change was a central pillar of President Biden's campaign, and the historic investments that are included in the Build Back Better Act is arguably the only legislative progress the administration will make in the next four years. Progressives voiced their disappointment that the vast majority of the \$550 bn is targeted at tax credits and incentives, but the absence of major programs such as the \$150 bn Clean Electricity Performance Program (CEPP) suggests that any major cuts will be made elsewhere.