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To: Friends of the Economy Media Project and Democracy Corps

From: Stanley Greenberg and James Carville, Democracy Corps

New Take on the New Economy **The national survey by the Economic Media Project**

The state of the American economy looms over the public creating long-term pessimism about the state of the country, making the economy, wages and jobs the biggest factor in people's vote in the last national election and the next. People are very aware of improvements in the macro economy and in the labor market, but they are even more aware that new jobs pay less and people have not seen a raise in a very long time. They continue to struggle to deal with prices, piece together multiple jobs and have restructured their lives to survive financially, even as they watch CEO compensation, Super PAC spending and inequality soar.

That is the starting finding of this new survey for the Economy Media Project and Democracy Corps.¹ And since people have barely heard from President Barack Obama, the Democratic Party and liberal economists on this new economy – Republicans are more trusted on the economy by a lot and conservatives are at parity with liberals on the intellectual arguments. Without progressives really attacking the core economic problems, austerity is still preferred to investment and full-employment spending.

That is true, despite an American public very focused on what jobs pay and helping working families, very critical of the top 1 percent and CEOs, determined to see something done about inequality and supportive of long-term plan to invest in new industries and rebuild the country. But this new survey shows that the average voters and even the growing progressive base of minorities, Millennials, and the unmarried have yet heard an economic narrative to rally around, but they clearly want to. The stakes are high and so are the opportunities at this pivotal moment.

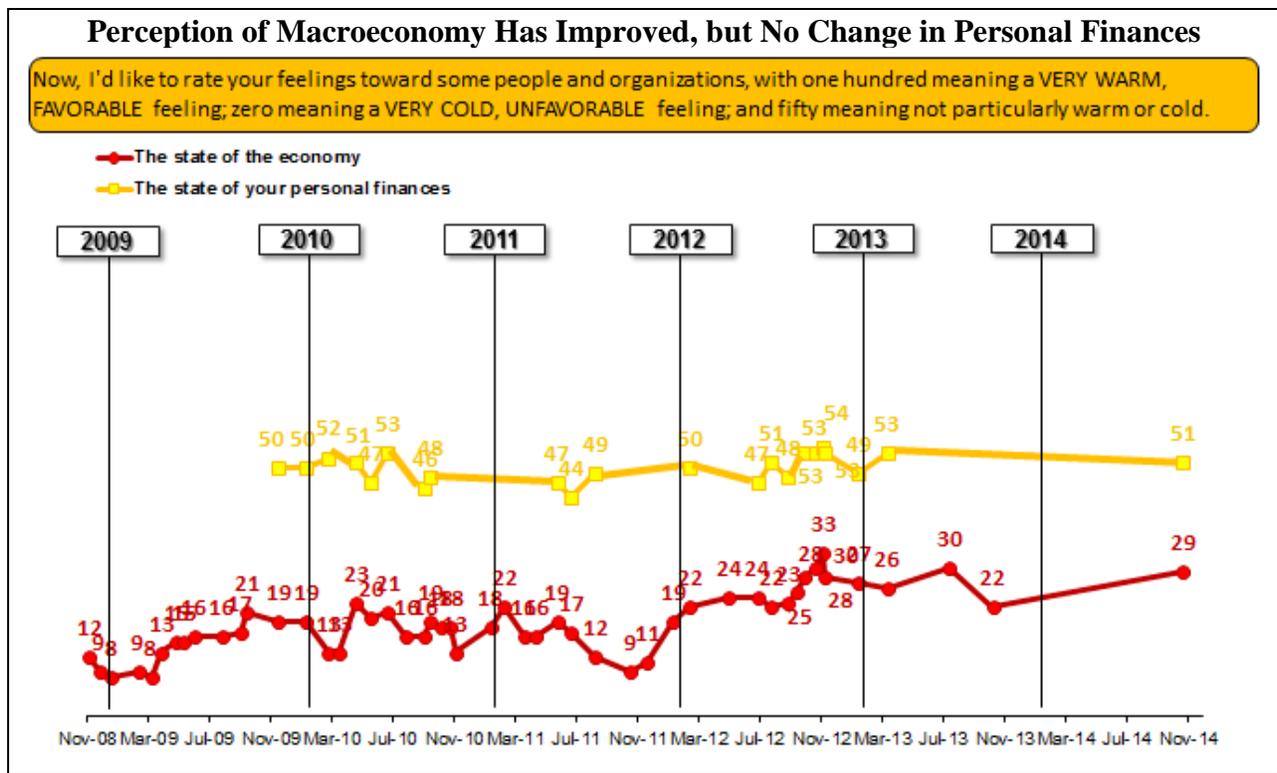
¹ The survey of 950 2012 voters including 698 likely 2014 voters nationwide was conducted from October 16-21, 2014 by Greenberg Quinlan Rosner Research for the Economy Media Project and Democracy Corps. Voters who voted in the 2012 election or registered since were selected from the national voter file. Likely voters were determined based on a combination of vote history and stated intention of voting in 2014. Unless otherwise noted, margin of error for the full sample= +/-3.2 percentage points at 95% confidence. Margin of error for likely 2014 voters= +/-3.4 percentage points. Fifty percent of respondents were reached by cell phone, in order to account for ever-changing demographics and trying to accurately sample the full American electorate.



The State of the Economy

The economy is the largest contributor to an abiding pessimism about the country as a whole, with about two-thirds saying the country is headed in the wrong direction for decades. The economic cloud hangs over the nation’s politics, as both Senate and House battleground polls demonstrate where 55 percent of voters in Senate battleground states said “their position on the economy, creating jobs and improving wages” was the biggest factor in their vote.²

There is some improvement in the perceptions of the macro economy, but the proportion giving a warm or favorable rating has barely hit 30 percent. But much more powerful are feelings about “the state of your personal finances,” which are unchanged in the past year, indeed since the crash.

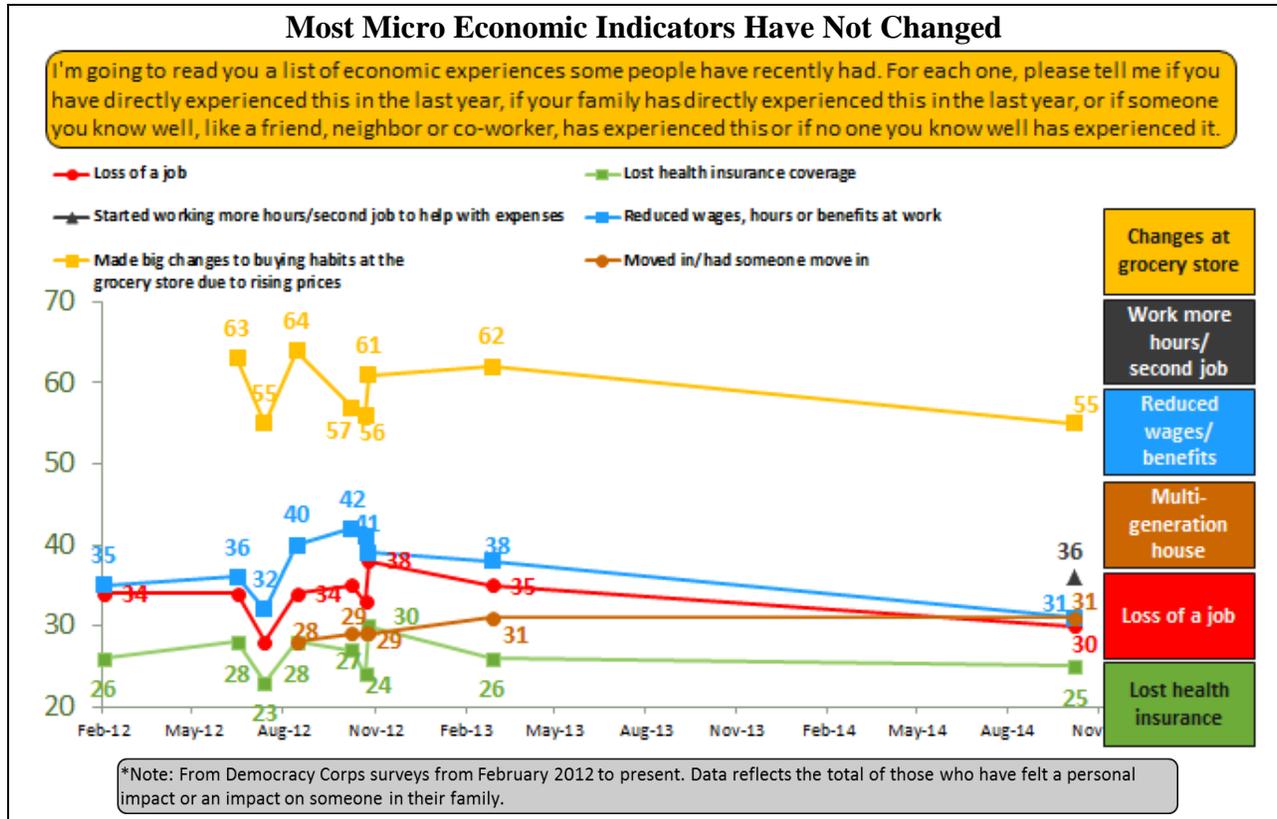


The personal labor market has improved to some extent over the last 18 months, reflecting overall unemployment data. Fewer people are losing their jobs and fewer are receiving reduced benefits, a restructuring that has begun to set in.

² Survey of 1,000 likely 2014 voters (unweighted 2200) in the most competitive Senate races in the country conducted by GQR for Democracy Corps from September 20-24, 2014 and a survey of 1,105 likely 2014 voters in the most competitive Congressional seats across the country, conducted by GQR for Democracy Corps from October 4-9, 2014.



The behavioral changes to manage this long-term stagnation are producing what may be permanent changes in economic and social adaptations. While somewhat fewer report struggling with prices at the grocery store, more than half still report making big changes to buying habits due to rising prices. With jobs paying less, 36 percent report they are working more hours or took second job to make ends meet. A quarter still face the loss of health insurance, which may relate to unsettled attitudes about the Affordable Care Act that are still more negative than positive. And 31 percent have moved to multi-generational home to deal with cost of living. That is unchanged and dominant among Millennials and Gen X'ers.



This grinding micro personal economy continues to take a big toll with the growing parts of the electorate that have rallied to Democrats in recent years – African Americans and Hispanics, Millennials and unmarried women are very economically vulnerable and open to a government role on the economy and social insurance. Among this Rising American Electorate, 69 percent changed their grocery-buying habits, 65 percent are more likely to have taken a second job, 46 percent have fallen behind on their mortgage, and 38 percent moved to a multi-generational household³.

³ This data reflects the total of those who have felt a personal impact or an impact on someone in their family.



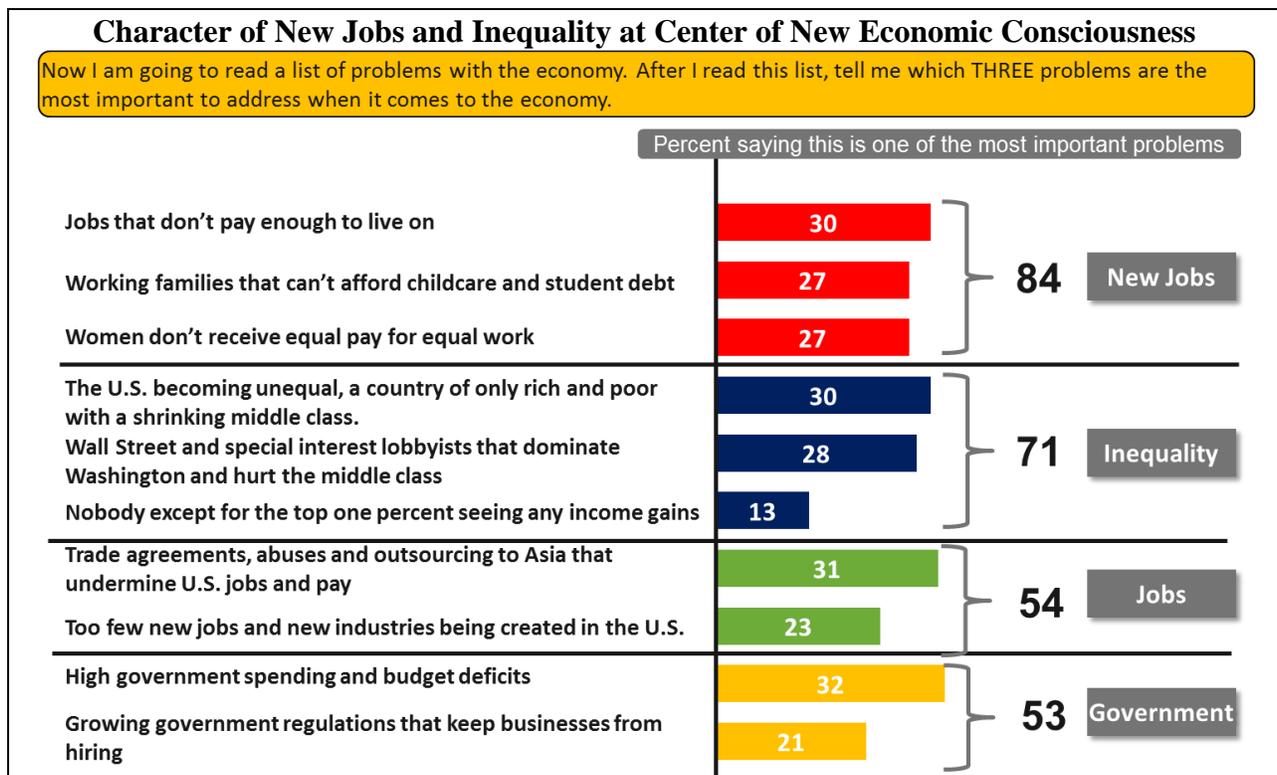
The lack of progress on these everyday economic experience leads many to question whether an economic recovery is actually even occurring—48 percent say “The national economy is recovering and more people are getting work” against a nearly equal 47 percent who report that “There is no economic recovery because individuals aren’t seeing any improvement.”

The New Economy Changes What the Main Economic Problems Are

This economy that produces sub-par job growth, few income gains and increased inequality is changing what people see as the main economic problems to be addressed. And that is everything if you are building an economic narrative and message and building an agenda. The public is pretty smart it seems about this new economy.

The problems fall into four substantive areas: the character of new jobs, inequality, lack of U.S. jobs, and a real concern about government spending and deficits.

Topping the list is the character of new jobs, above all, jobs that do not pay to live on and everything that follows from that. This understanding and grouping emerged in the focus groups that we conducted for the EMP and other non-profits over the last year, but they also tested in electoral surveys as the strongest economic message when combined together. Jobs that do not pay enough to live on leave people at the edge financially, threatened by inexplicable expenses like child care and student debt, and leaves women determined to get equal pay.





Inequality has emerged as a huge concern as well – and indeed, the two top responses in the inequality cluster of problems test as highly as the two top problems in the cluster around the character of jobs. The public is paying a lot of attention to the United States becoming an unequal country of only rich and poor and shrinking middle class.

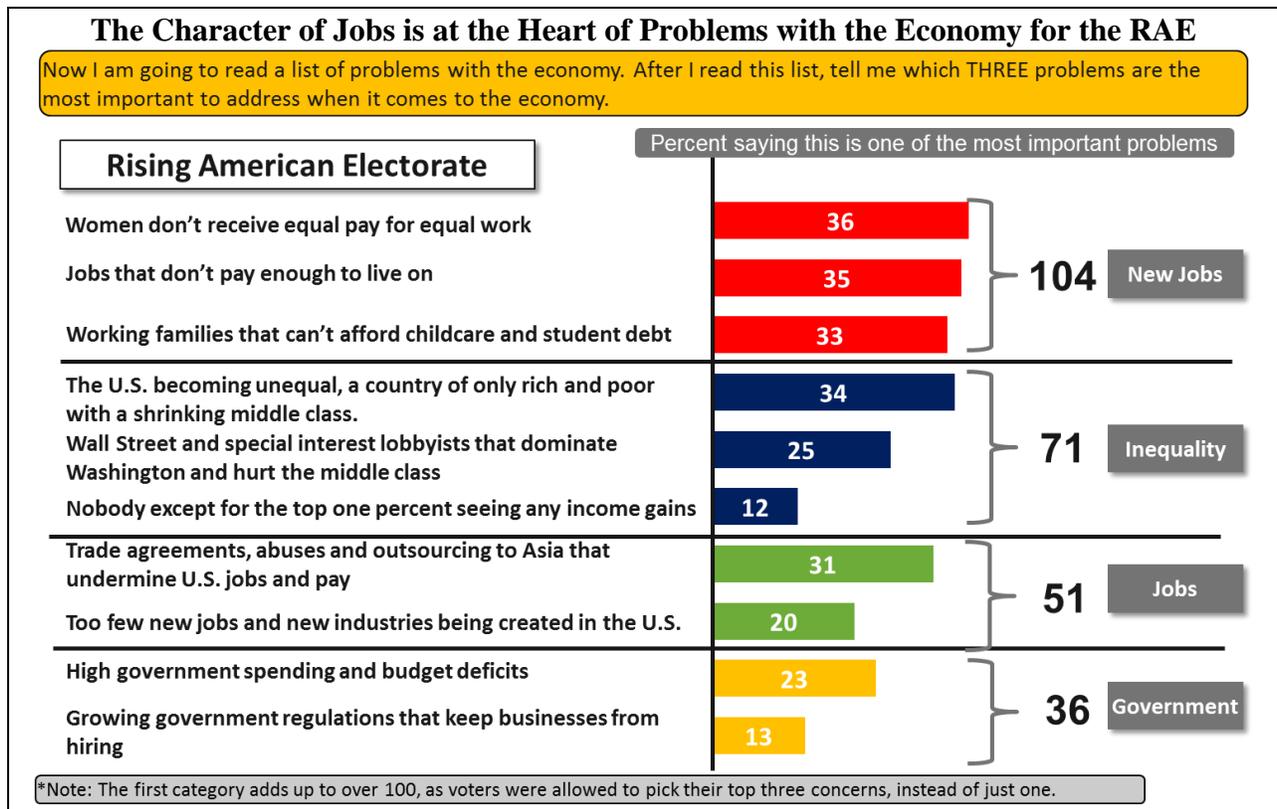
Interestingly, the focus on economic inequality tends to be highest among the college-educated; the non-college educated and working class are singularly focused on jobs not paying enough to live on, and everything that follows from that. People in the East are most highly concerned about the character of jobs theme, while in the GOP Conservative Heartland focus primarily on government spending and deficits and regulation.⁴

Following the character of new jobs and inequality is the notion that there is a lack of U.S. jobs, due to trade agreements and outsourcing that undermine U.S. jobs and pay, and too few new jobs and industries being created here at home. Trade agreements and outsourcing on its own tops the list of concerns (along with jobs not paying enough to live on and the United States becoming unequal), particularly among likely 2014 voters, independents, and older women.

There is also a real concern about high government spending and budget deficits, as well as growing government regulations that keep businesses from hiring. One third of voters rate government spending as one of the top problems to address with the economy, though this is primarily driven by white voters, men, conservative Republicans, and white Gen X'ers and Baby Boomers.

The concern about the changing character of work dominates the consciousness of the Rising American Electorate in particular. For them, equal pay for women is the number one economic problem to be addressed. Fundamentally, this is the economic agenda of the Millennial Generation and the minority populations, with concern about making ends meet. But the issues of making ends meet are also of big concern among college-educated women, who are growing in numbers and are increasingly part of the Rising American Electorate and are key to any progressive or Democratic majority.

⁴ GOP Conservative Heartland: Alabama, Alaska, Arkansas, Georgia, Idaho, Kansas, Kentucky, Louisiana, Mississippi, Montana, Nebraska, North Dakota, Oklahoma, South Carolina, South Dakota, Texas, Tennessee, Utah, West Virginia, Wyoming.



The Economic Debate

The public understands that the country faces huge new economic challenges, and yet, they do not at this point turn presumptively to Democrats to address them, nor do they embrace liberal and progressive arguments centered on these issues. Despite Democrats holding a five point partisan identification advantage, people believe by a 43 – 38 percent margin that Republicans are better than Democrats on the economy, a 10 point deficit based on the presumptive partisan orientation. The public really has pulled back from Democrats on the economy.

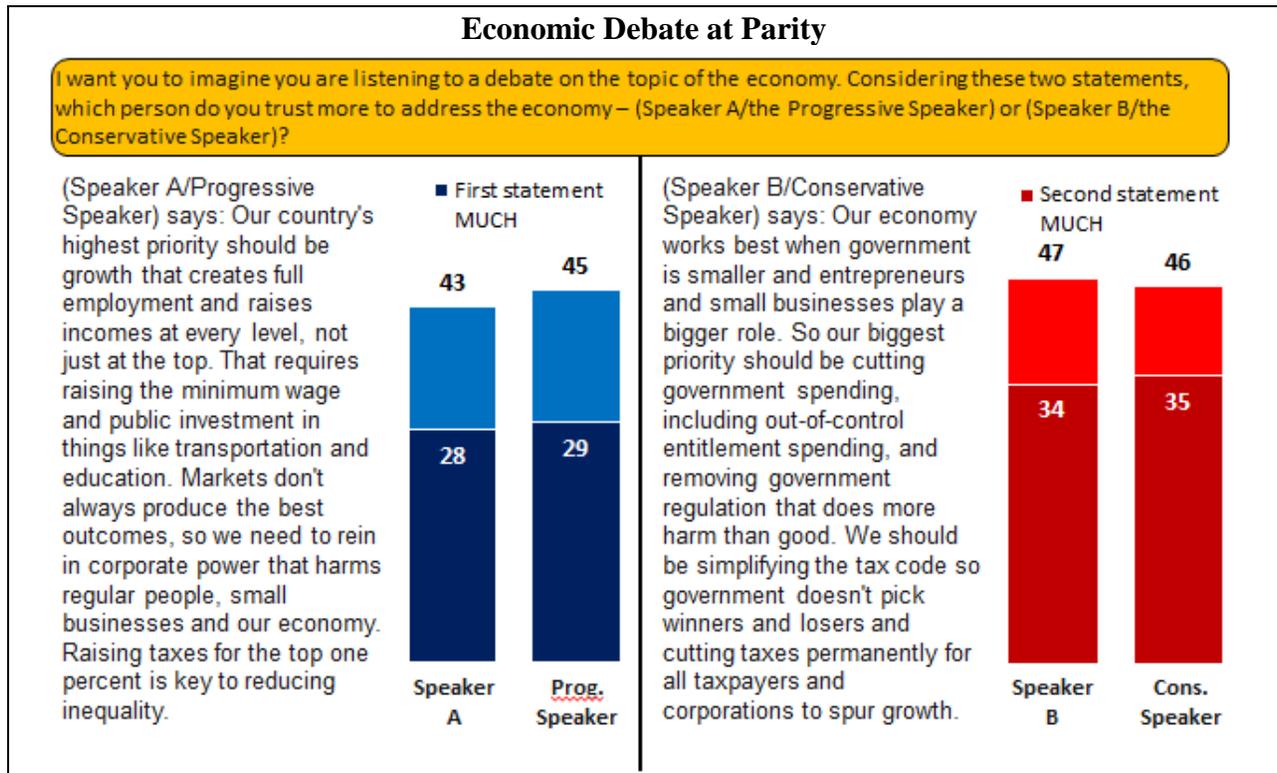
The progressive-liberal economic approach centered on creating full employment, raising incomes at every level, and public investment stands only at parity with a conservative approach that stresses reductions in the size of government and level of spending, cutting taxes, and making entrepreneurship easier. Conservatives are not dominating this space, but liberals must begin to win these debates in order to have a real impact on policy change.

There is no overall difference in these economic approaches when tested unbranded (“Speaker A” and “Speaker B”) versus branded (“Progressive Speaker” and “Conservative Speaker”), but branding does impact some key groups. Both statements are at parity among independents when unbranded, but they favor the conservative approach by 15 points when branded as such. The

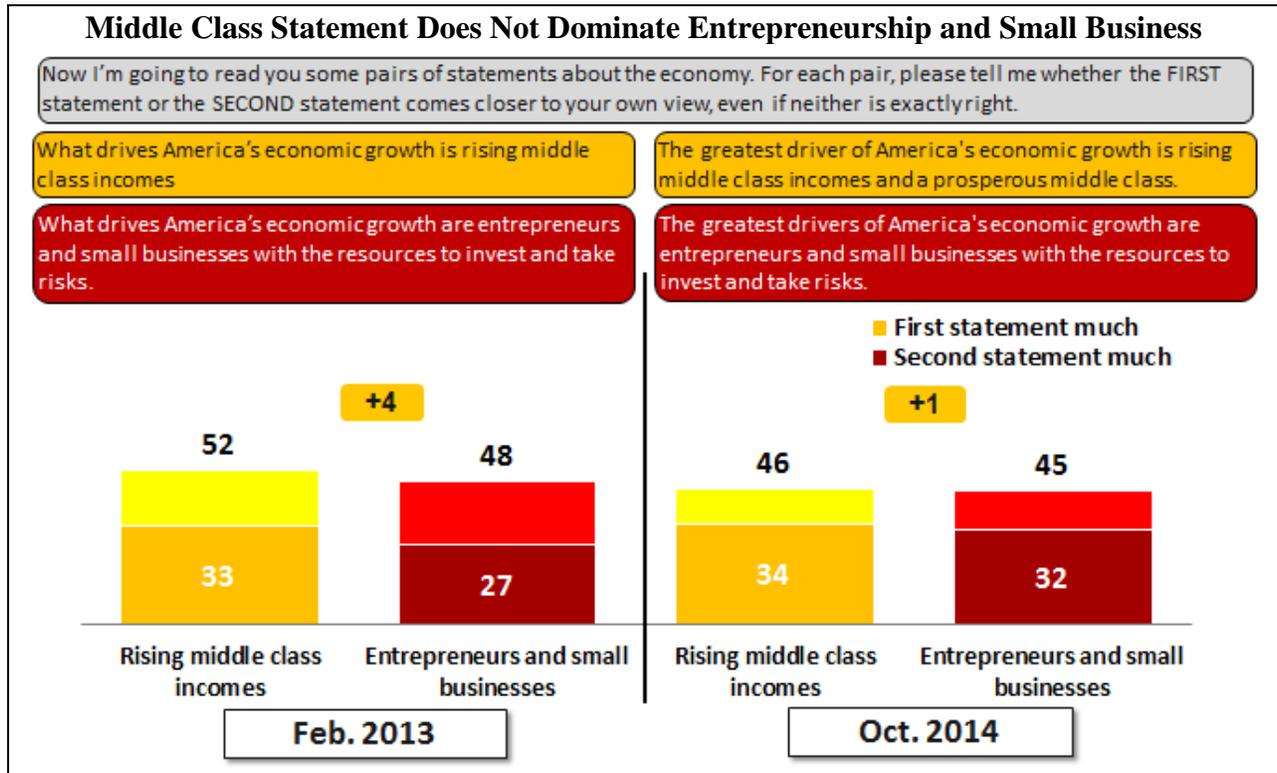


Rising American Electorate favors the progressive-liberal approach by 24 points when branded, compared to just two points when unbranded.

That the public does not embrace liberal economics needs is a huge problem – and needs to be addressed. Perhaps there is not enough focus on the character of work and markets, and perhaps the public does not trust government to pay enough attention to small business and changes in the labor market.



The country splits evenly on key elements of the economic debate that you would expect progressives to win. People are divided on (and increasingly unsure about) whether rising middle class incomes or a better environment for businesses will have a more beneficial impact on the economy. It is possible that the stagnation of incomes has robbed the purely middle class argument as an economic tenet to support key income producing policies. It is possible that the progressive argument has to address what is happening with independent contracting and freelancing and small business. Perhaps a third of people are employed in such jobs, and small business has become even more a way out of this grueling economy, but only conservatives are speaking to that aspiration.



We know that austerity brought by gridlock suppressed economic growth and increased unemployment. We also know that austerity threatens further recession and deflation in Europe, yet the public remains very cautious about investing and spending increases to achieve full employment that will raise wage levels. The country may require a much higher level of spending and tolerance for inflation to really bring the economy back, but progressives are not even in the debate as they approach increased spending and investment.

By a 17 point margin, voters favor austerity over more spending, saying that the biggest economic problem our country faces is not a lack of investment to grow the economy, but too much government spending and interference in markets. This is particularly true among white non-college voters (46 point margin), white seniors (40 points), independents (21 points), and white unmarried women (19 points).

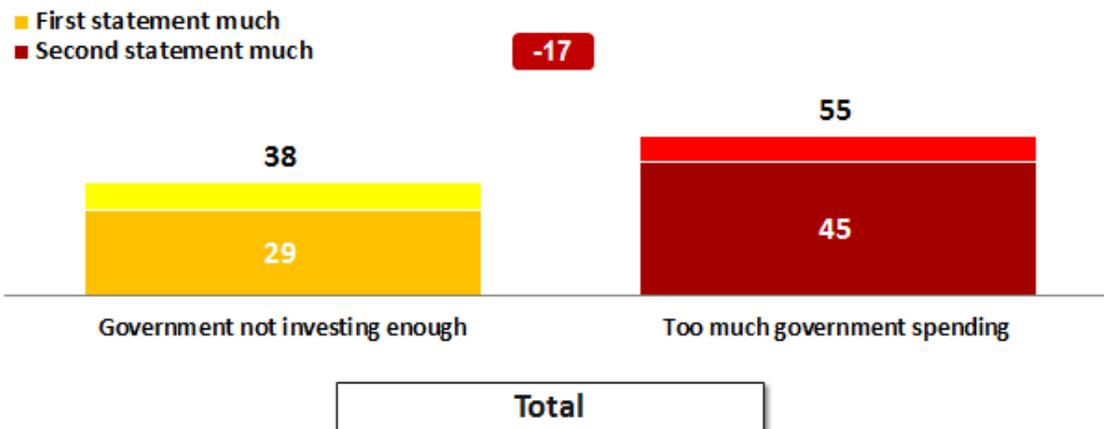


Austerity Still Prevails Over Full Employment Spending

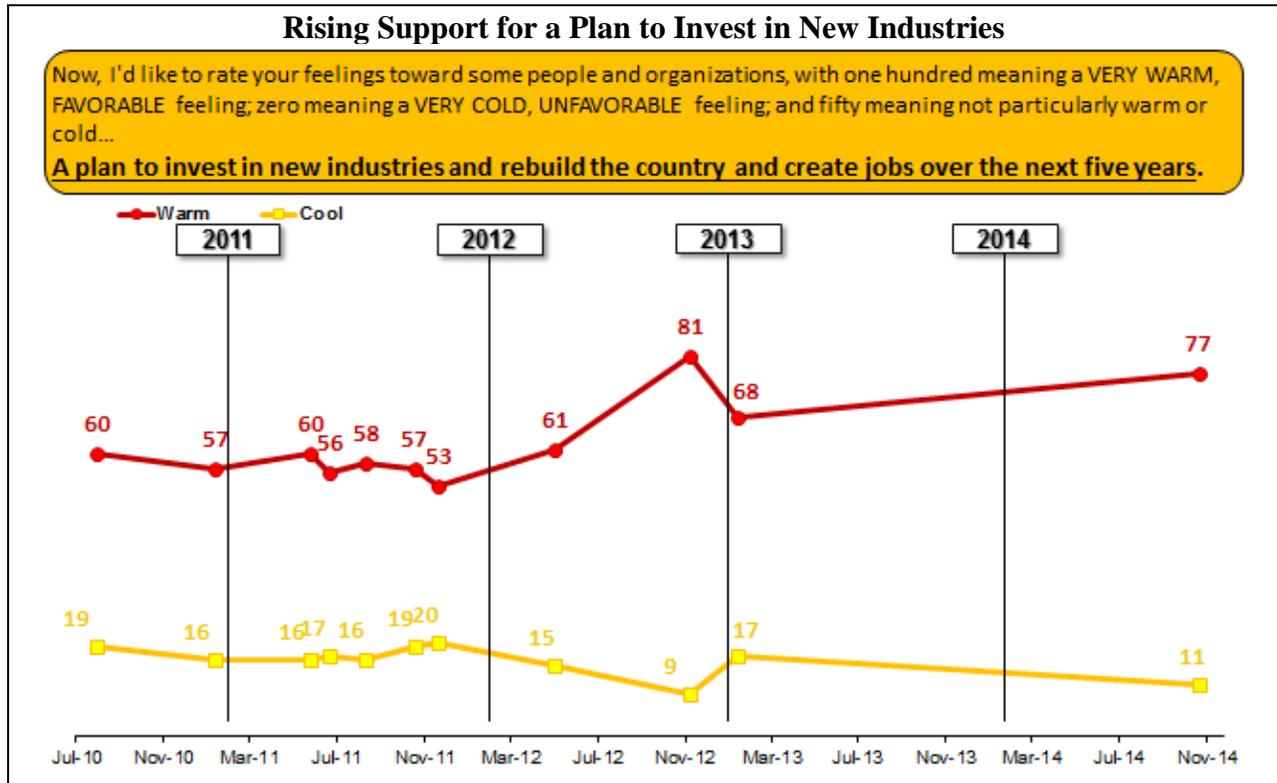
Now I'm going to read you some pairs of statements about the economy. For each pair, please tell me whether the FIRST statement or the SECOND statement comes closer to your own view, even if neither is exactly right.

The bigger economic problem our country faces is that government is not investing enough to grow the economy and get to fuller employment that produces higher wages.

The bigger economic problem our country faces is that there is too much government spending and interference in markets which prevents companies from creating jobs.



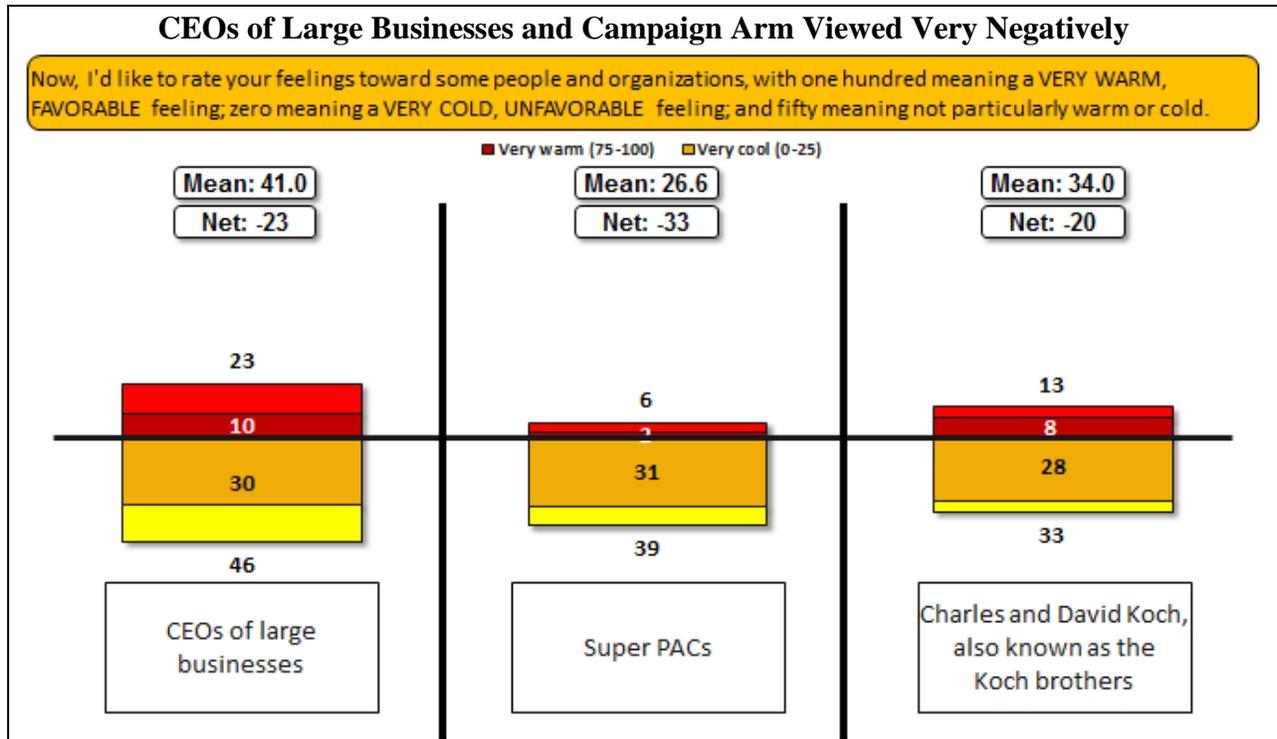
But keep in mind, there is overwhelming and rising support for a plan to invest in new industries and rebuild the country and create jobs over the next five years. It is fair to say that people do want to embrace that big a national economic vision, but progressives have not yet built the intellectual framework to support.



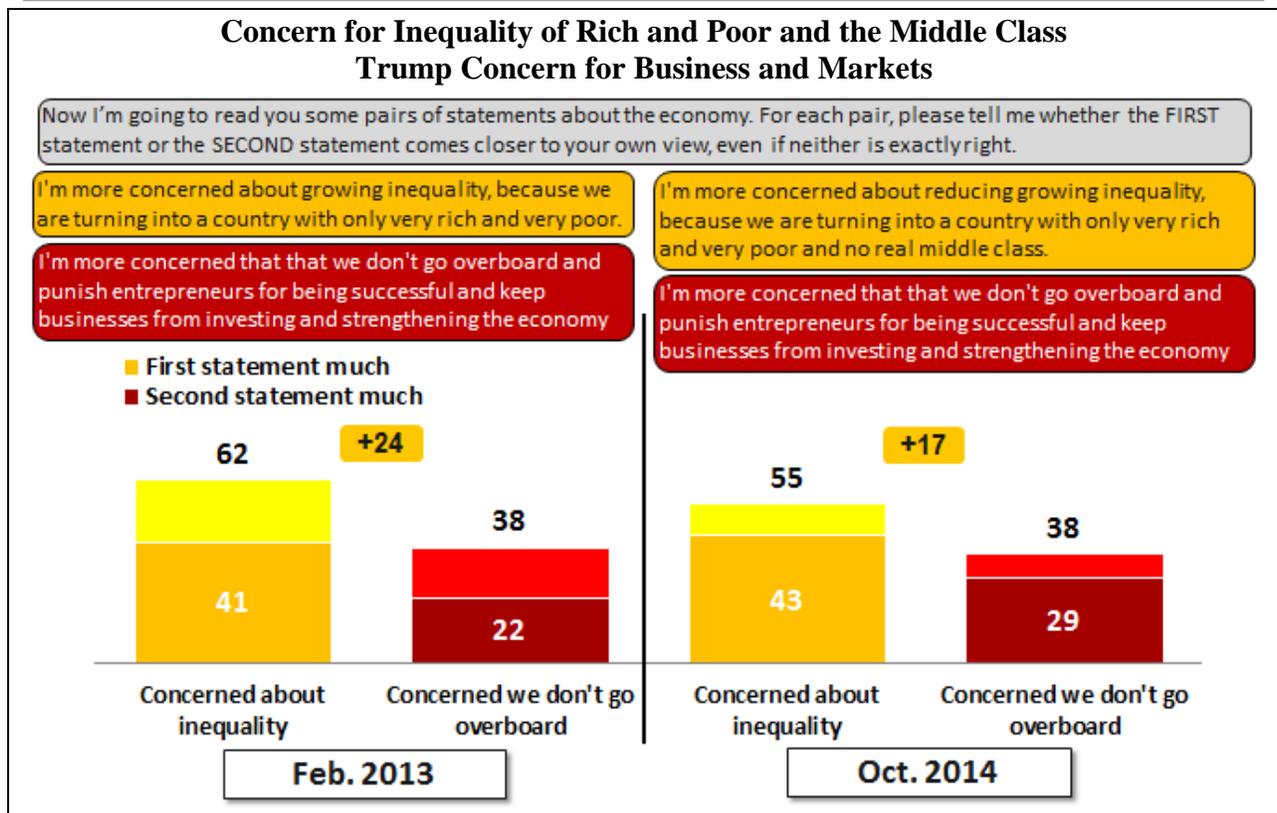
Tackling Inequality

Inequality is another matter. The public knows who are the villains of the piece, view the problem as central, and are not put off by arguments in favor of entrepreneurs, job-creators and markets. And they have pretty good ideas on how to begin addressing the problem, starting with investing in education, taxing the top 1 percent so they pay their fair share, and raising pay, starting with raising the minimum wage.

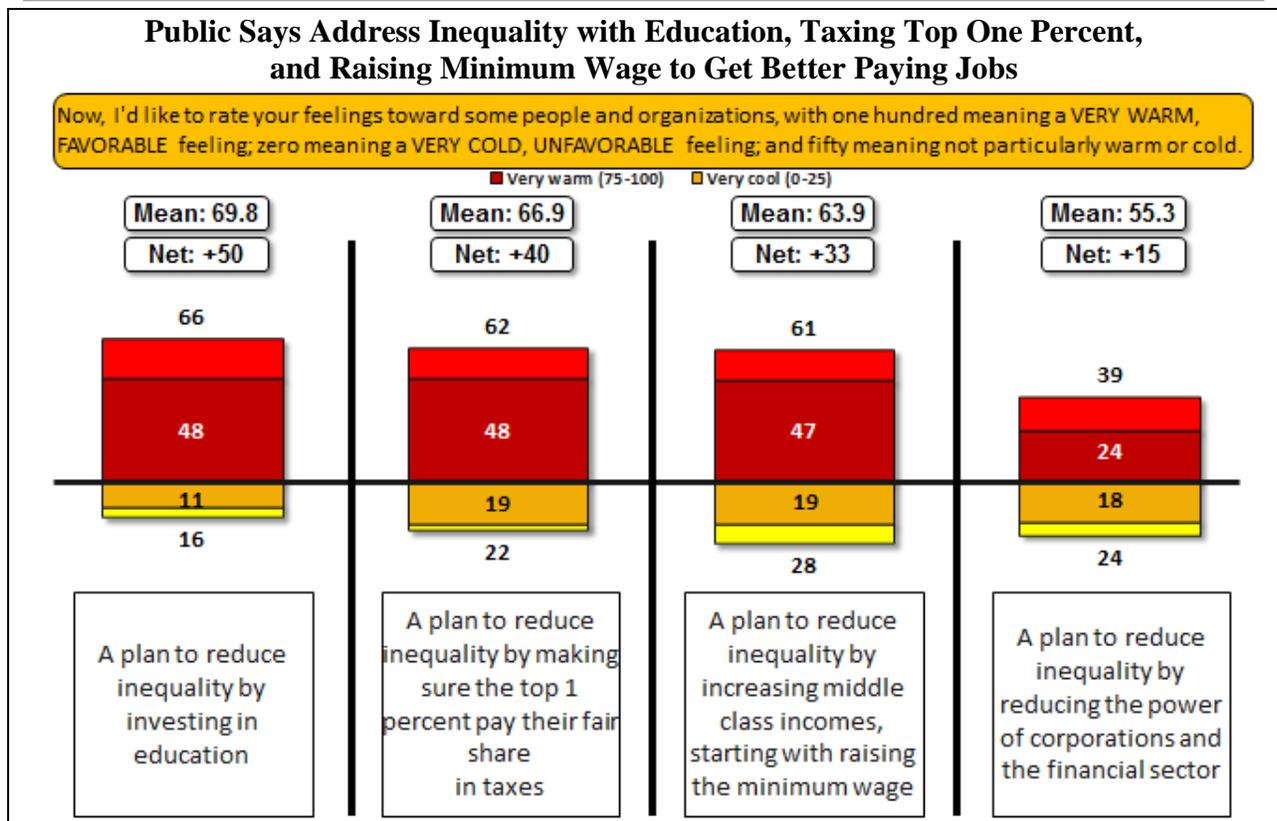
This is rooted in a public distaste for a whole range of bad actors that voters feel play a central role in the current economic dispensation. CEO's of large businesses earn intensely negative ratings as the result of being seen as irresponsible, disloyal to employees, and as primary beneficiaries of the system that has collected wealth in the hands of the top one percent. They are viewed negatively by almost every demographic group in the electorate, including white working class voters and independents. Barely a plurality of Republicans gives them favorable ratings (39 to 30 percent). But the Rising American Electorate is particularly averse to CEO's of large companies; 51 percent rate them unfavorably, and there is strong intensity behind these numbers – 36 percent feel very unfavorable.



The public’s concern about growing inequality also trumps a worry about punishing entrepreneurs and keeping businesses from investing. Despite a slight overall softening from 2013, this remains a deep concern for voters that carries strong intensity. Of the 55 percent majority that list inequality as a bigger concern, 43 percent feel this way very strongly. Millennials and younger women, self-ascribed moderates, young non-college voters, and those in the West are particularly concerned about reducing the growing inequality in this country.



This survey also tested four approaches to building a plan to address inequality, and there is powerful support for three of them: investing in education, making sure the top 1 percent pay their fair share in taxes, and increasing middle class incomes, starting with raising the minimum wage. Each produces a similar level of overall and intense public support; nearly half give very favorable ratings to each, and six in ten or higher support each plan overall. It is important to note that the notion of reducing the power of corporations and the financial sector, while supported overall, fares much less well than the other approaches, suggesting the context for the populist argument is going after the wealthy elite rather than the financial sector as a whole.



Inequality is on the public agenda, and voters come to this debate with distinct priorities informed by their understanding of the new economy. The public is ready for the debate to be joined and for the country to address them with interventions to bring reform.

Afterward

With this pre-election survey of the public’s feelings on the economy in hand, it should not be surprising that voters punished Democrats when voting on the economy and many of those struggling chose not to vote – an election with the lowest turnout since the 1942 midterm election during World War II.

The economic message articulated by the president during the last rallies before the election spoke about the economic progress that Democrats and the administration had achieved. These were his remarks at a rally for Governor Dan Malloy in Bridgepoint, Connecticut:

“You think about when I came into office, we were seeing the worst economic crisis in our lifetimes. Unemployment was about 800,000 per month we were losing jobs. And over the past four and a half years, America has created more than 10 million new jobs. We’ve created more jobs than Japan, Europe, and all the advanced countries combined. (Applause.) Over the past six months, our economy has grown at the fastest pace in more



than 10 years. There's almost no economic measure where we are not doing better now than when Dan took office or when I took office."⁵

When the president held his press conference after the wave election, he remained firm, even though he acknowledged that people were not yet feeling the gains.

"This country has made real progress since the crisis six years ago. The fact is, more Americans are working. Unemployment has come down. More Americans have health insurance. Manufacturing has grown. Our deficits have shrunk. Our dependence on foreign oil is down, as are gas prices. Our graduation rates are up. Our businesses aren't just creating jobs at the fastest pace since the 1990s. Our economy is outpacing most of the world. But we've just got to keep at it until every American feels the gains of a growing economy where it matters most, and that's in their own lives."⁶

There were some progressive commentators after the election who regretted that Democrats did not spotlight the economic progress and argue we need to give the president a majority in Congress to "keep things going." Another critic argued that progressives do not really know how to produce wage growth and so Democrats may as well take credit for the macro economy and attack the Republicans for offering no more than European austerity.⁷

With the public aggrieved about the new economy and demanding big changes in direction, Democrats and progressives will only get heard when they join the economic debate with a very different voice.

⁵ Remarks by the President at Rally for Governor Dan Malloy at Central High School in Bridgeport, Connecticut, November 2, 2014.

⁶ Remarks by the President in a Press Conference in the East Room of the White House, Washington, D.C., November 5, 2014.

⁷ Jonathan Capehart, "The falling jobless rate and spineless Democrats," *Washington Post*, November 7, 2014; John Marshall, "Forget the Chatter, This is the Democrats' Real Problem," *Talking Points Memo*, November 10, 2014.