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To: Friends of Democracy Corps
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A Path to Democratic Ascendancy on the Economy Report on the Economy Project

Despite acting boldly to address the economic crash, the voters lost confidence in the Democrats on the economy in the years since the heady days of the 2008 presidential election -- and that is mostly still true. That loss of confidence is the principal reason why Democrats lost control of the House in 2010 and why the election for President and the Congress in 2012 could be competitive.

This wave of research shows a path for Democrats to gain the ascendancy on the economy.¹

No incumbent President since Roosevelt has won reelection with greater than 8 percent unemployment. Current Democratic narratives too often fail to meet voters where they are in how they perceive and experience the economy and, even more importantly, do not speak to voters' aspirations and goals when thinking about the economic future. They do not take the voters economic understanding seriously when indeed, they are dead serious.

In the first two years of Democratic governance, the Democrats have offered a jumble of messages, without a consistent framework that explains why and what Democrats are doing. The White House metaphor of getting the car out of the ditch on to level ground and not giving the

¹ The Economy Project is a major multi-stage research project to understand the economy and to shape messages for this new environment. This memorandum reports on findings from the first stage of research, which includes:

- State of the Union – In-time dial meter research and follow-up focus groups on the economic portions of the State of the Union address.
- In-depth interviews –30 one-on-one interviews about economic experiences with individuals from key groups: white non-college voters in the Midwest, Latino voters, and youth voters from March-April 2011
- Focus groups – four focus groups conducted in Columbus, Ohio with white non-college educated men and college educated women on May 10, 2011 and with white non-college educated women and college educated men in Denver, Colorado on May 12, 2011. All participants were swing voters aged 18-68.
- National survey conducted by Greenberg Quinlan Rosner Research for Democracy Corps and Women's Voices, Women Vote: 1481 likely 2012 voters (1000 weighted) May 21-25, 2011. Unless otherwise noted, margin of error= +/- 2.5 percentage points at 95% confidence.



car back to the guys who drove it into the ditch was unconvincing, too light-hearted, backward-looking and out-of-touch. People thought they were still in the ditch.

The Democrats' messaging and fate have been tethered to the recovery – hoping that once the recovery really kicked in, voters would make a judgment about the success of Democratic governance. To be honest, both Democrats and Republicans leaders believe that – and so did I before this project.

This report shows that Democrats can win in 2012 if they focus on the new tough economic realities, offer a way to a better future, and show how different the choices are that progressives and conservatives will make. *Paradoxically, Democrats must forget the past and the financial crisis.* That is counter-intuitive and painful because conservative policies were so destructive and Democrats did right and brave things. Voters understand this more than you appreciate, but that is at least three years ago now, and voters think a focus on that misses the country's urgent current reality.

'The economy' is not the recovery, but a set of powerful on-going realities: a middle class smashed and struggling, American jobs being lost, the country and people in debt, and the nexus of big money and power that leaves common people excluded.

If Democrats get it and embrace that reality as their mission, there is potential for immense dividends. As we will see, voters are desperate for leaders who understand the scope of what is happening to them, the middle class and America. They want serious plans, not triumphalism about jobs reports.

Of course, three quarters of 3.5 percent growth, falling unemployment and rising incomes will produce great relief in the country. If so, go for it. Any economic narrative will stick.

And regardless of economic developments, Democrats will make some gains with parts of their broad new base – young voters, African Americans and Hispanics, large metropolitan areas – where about half of the voters already see a recovering economy and where there is more confidence in Obama himself. But for broad swaths of the electorate – from white non-college voters and women (married and unmarried), to suburbanites and Midwesterners, this economy is tough going and Obama and Democrats do not get a pass. But nor do the Republicans, and they are already living with the same new rules.

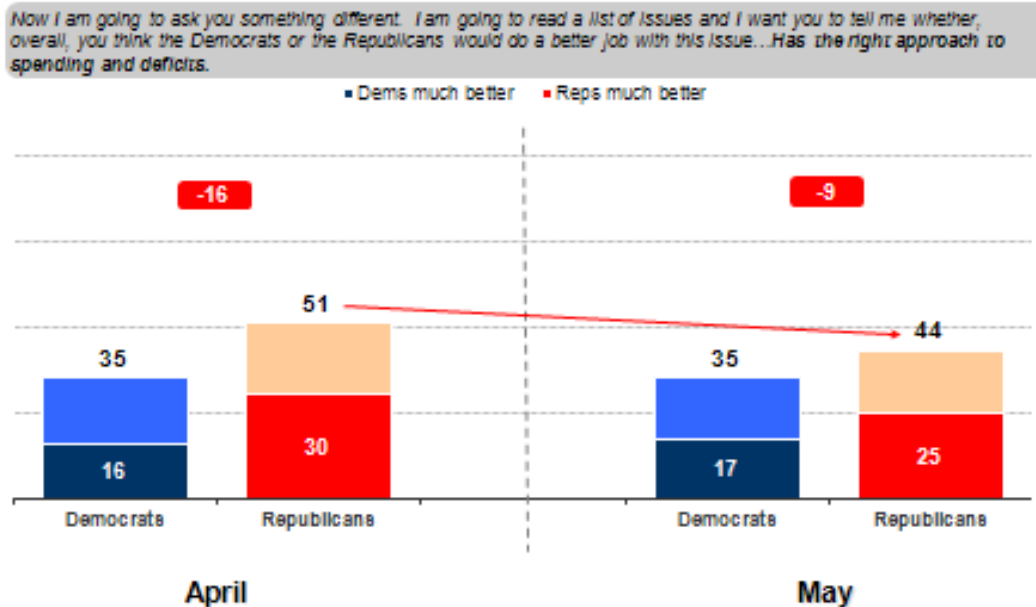
Republican Crash Without Democratic Gains

Voters were initially attracted to the Republican offer to address the debt and get spending under control, but they have already crashed on the economy, having the right approach to deficits and spending, jobs and the economy. As we saw in our exit poll with Campaign for America's Future, voters never wanted austerity—and attacking Medicare cut right to the heart of middle class financial security.



Since January, disapproval of the House Republicans has jumped from 48 to 59 percent, including among seniors who led the revolt against the Democrats just months ago. On their signature issue and rationale for being in office, Republicans have lost voters on how they approach the budget and debt. The Tea Party has lost almost 30 percent of its strong supporters.

Collapse of confidence in GOP having right approach to spending/deficits



This has translated into a pull back from the Republicans presidentially and congressionally – the President has taken a clear lead and Democrats have erased the 8-point deficit from 2010 and are now competitive in the 87 new Republican seats.

But this is still much more a Republican crash than a Democratic gain. Obama is still at 48 percent of the vote and stuck at 44 percent on handling the economy. Democrats have not gained a point on trust to deal with spending and deficits; while gaining 4 points on handling the economy and jobs, the two parties are stuck at parity on the economy. Democrats have not even started down the road to greater confidence on the economy.

The Real Economy

Democrats can start to make progress – if they give voice to what is really happening in the economy.

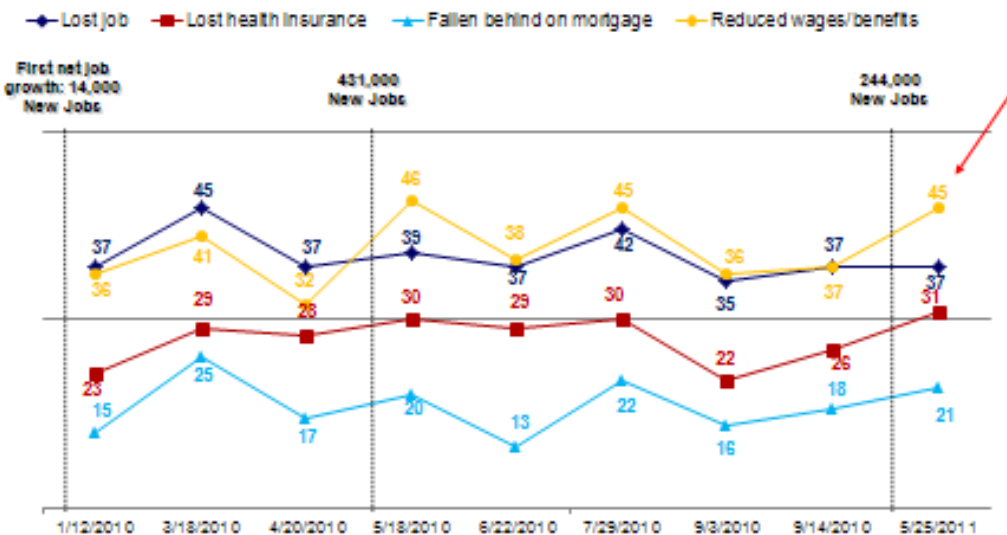
Since the spring of 2009, two-thirds of the country have rated the ‘state of the economy’ negatively. That is an unchanging backdrop to life in America right now. What is going on?



Try reality. Our tracking on people’s own and immediate family experience shows a stable 35 percent who have lost a job in the last year and shows a worsening situation on health care, foreclosures and particularly reduced wages and benefits. That is particularly true for white non-college and working class voters.

Particularly for white non college and blue collar voters

I'm going to read you a list of economic experiences some people have recently had. For each one, please tell me if you have directly experienced this in the last year, if your family has directly experienced this in the last year, or if someone you know well, like a friend, neighbor or co-worker, has experienced this or if no one you know well has experienced it.



**Note: Data from Democracy Corps surveys prior to March 2010. Based on research for Citizen Opinion. Data reflects the total of those who have felt a personal impact of an impact on someone in their family. Data reflects full sample.*

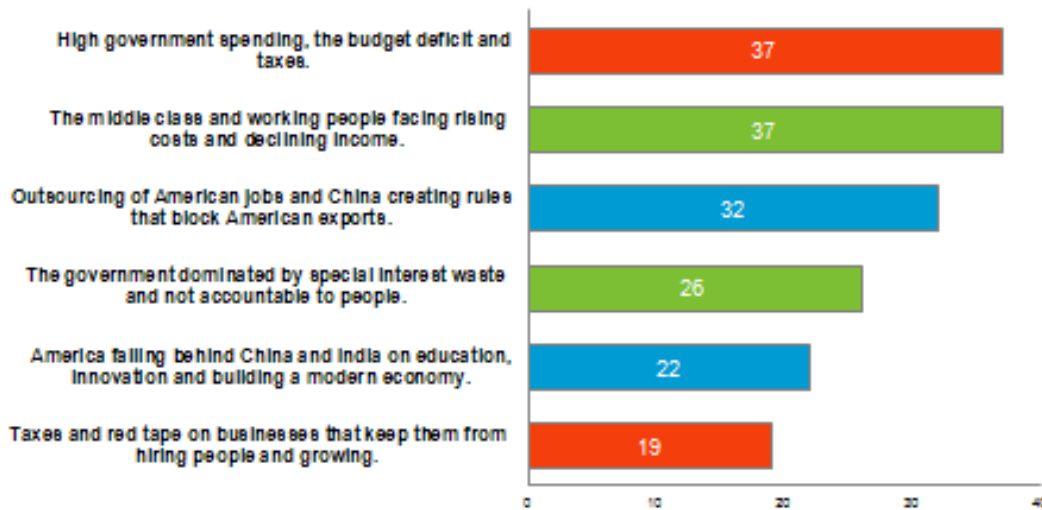
As it turns out, we see in all aspects of this in-depth and quantitative research, people have an acute analysis of what is the character of the current economy – and it is not pretty. This is so much bigger and more enduring than the notion of recovery and it centers on four powerful currents.

We asked voters what is the problem that needs to be addressed to get a better economy, and they gravitated to what is happening to the middle class (37 percent), American jobs and China (54 percent, combining two aspects), government spending and debt (37 percent) and a government corrupted and not accountable to people (26 percent).



What are the main economic problems to be addressed?

Which ONE of the following problems do you think is the most important to be addressed when it comes to the economy?
(FOLLOW UP) Which one of the following problems do you think is the SECOND most important to be addressed when it comes to the economy?



Note: The data represents the combined first and second most important problems.

Element One: The middle class crushed

The economic discussion in the real America begins with what is happening to the middle class. That is the window into the world where it is perceived, accurately, that people are struggling to get any financial space, with traditional concepts of the American dream downsized.

For some, “middle class” now means living like you’re poor but being taxed like you’re rich. As one college-educated man in Denver noted, in this economy, “*People have to work hard just to be poor.*” As another said, “We need to re-create an America where people can work hard and do well” without “hav[ing] to struggle constantly.” Nearly all of those in the face-to-face interviews describe themselves as working class at best, not middle class: “*Well that’s the ultimate goal is to be middle class... But you have to really work for your money and nothing really comes easy, it seems like everything is tough.*”

The one-on-one interviews reveal Americans who have devised personal strategies to get by. They have re-adjusted expectations for personal financial success, and re-oriented their lives to suit the times. They must be prepared to weather any bump in prices, from gas to groceries—the precarious balance of household budgets can easily be offset by a bump in prices at the pump or a setback at work.

That is produced by the recession but by a more serious sense that jobs are offering less pay and benefits – a pervasive topic in the focus groups. Indeed, 43 percent report that that this has happened to their own family in the last year. That led them to a derisive response to reports of



240,000 new jobs in each of the last two months: “Are these jobs that people can live on? Or are they jobs you take because you have to?”; “Or there’s two million applying for the 240,000.”

The American Dream used to mean homeownership and a better outlook for our children’s futures, but for these Denver voters in focus groups, it means more than scraping by and is a poignant window on this new economy.

“Well, the old American dream was the white picket fence. Today’s American dream is – Everything’s different. Just not having to worry about how much you spend at the store.”

“The American Dream is not worrying constantly...to be able to just stay afloat and have a little money here and there.”

“I’d like to own a house. I mean, or live in an apartment which is an upgrade from my brother’s basement, especially when I’m married.”

“Well, now my husband has to work every holiday. So we don’t see him on Christmas morning. My American dream would be to have him home once for Christmas.”

Element Two: Lost American jobs and patriotism

Voters are simmering at the loss of American jobs that can support a decent life, even as business leaders are rewarded with big bonuses and political leaders stand idly by. ‘Outsourcing’ is not a bad word in elite circles, but in the real economy, it is what makes for a bleak American future. Corporate CEOs get golden big bonuses when they downsize, outsource and move jobs overseas.

“[We] were the middle class. [We] built a home, raised kids and had a way of life and I think that’s gone...it’s disappearing and it’s very, very sad. I think maybe with outsourcing...taking all this stuff over to foreign countries is just destroying us and it saddens me but I think this country now has hit a peak and it’s on the downslide.” – Columbus, OH Non college man

“Everything in the United States is made in China and we’re shipping all of our jobs overseas, I mean even our customer service jobs have all gone to India. So yeah, I mean we need more work here in the States and we need more manufacturing here in the States and it’s all going overseas so it can be part of the solution but right now it’s definitely part of the problem.” –White non-college man

With a full understanding of the new rules, voters speak passionately about a lack of corporate accountability and patriotism. They speak of an America that does not make anything, while we casually allow ourselves to be dependent and controlled by the Chinese.



“It seems to me that you're outsourcing more positions than you're creating, which is a problem with our population and what are all the blue collar level people to do here? You're leaving a lot of people very frustrated... On the individual level I think that everyone should be able to have a job and make money and provide for their families.” – Young woman

People just have trouble imaging how job growth returns, given the new rules.

Element Three: America weighed down by debt

People believe the debt weighs down the country, puts programs and jobs at risk, slows future growth and makes America more vulnerable. Leverage, greed and debt were the rules that operated at all levels in the lead into the recession and now it is only worsening. That was produced by a culture of debt and irresponsibility that pervaded corporations, government and even their friends and neighbors – all of whom bear some responsibility for this state of the country. Debt creates a very insecure future.

“Budgets, debt, and spending...we've gone through unbridled greed. It's insane. There's too much greed.” – Columbus man

“It's a very, very fragile economy and especially when we took all the restrictions off...people...got greedy...people thought they could buy a \$100,000 house... and it was worth it because the neighbor's was \$150,000.” –Non-college man

“For a long time there, everybody was using their credit cards like crazy and borrowing money like crazy. And I always thought, man this is all going to crash somewhere. And so I guess it finally did.” –Denver woman

While they have struggled with their own finances, Washington acts like nothing has changed, borrowing and spending. *“We all have our own budgets... But for some reason the federal government doesn't have a budget,”* a Denver man points out. That has produced public debt that will be passed on to their children, with the country left to the mercy of the Chinese:

“I just think it speaks to the things that I want to do for my family. I don't want to hand the bill to my grandchildren. If not we're going to be speaking Chinese. It's just a reality.” –Columbus woman

“But I feel concerned because the debt concerns me, looking at where China is as a rising economic power that concerns me. We owe a great deal and we keep spending and spending.” – Columbus woman

“Yeah, I think what it goes back to for me is I want my children to have better than I had. I don't want my children to take a step backwards in their climb.” – Denver man



Element four: money and power; Wall Street and Washington

TARP is the symbol of what went wrong but also how the political economy really works. The irresponsible and greedy were bailed out, while the ordinary citizen was left to struggle through the crisis. That was not an accident. A nexus of money and power means there are secret rules that determine what government will do and disempower ordinary democratic politics. Spending becomes illegitimate because by definition it will not be used to help ordinary citizens or the country.

“I don't think they're considering most people on the street. I think the people they're concerned with most are the rich people, the people who, corporations that pretty much dominate most of the country and I think they're concerned more with their problems than with most of our problems.” –Young man

“I don't know who to believe anymore as far as whether it's Republican or Democrat, because I think that it's so far out of control... you've really got to be on the inside to know the truth” –White non-college man

While voters are not so interested in hearing messages centered on the crash, voters are incredibly sophisticated about the financial crash, as if many had read *Too Big to Fail*. *“The mortgage bailout—how much did we spend and people still lost their homes. It's the greed factor and corrupt government. Corrupt.”* –Columbus man

For them, it shows what are the house rules when it comes to government and the big banks.

This creates a government in Washington that is uniquely out of touch with the real world of voters and not able to bring economic change. The emerging economic patterns gain durability from the inability of democratic politics to empower people and hold the political and economic leaders accountable.

The long recession has also produced a sense of being a “self-survivor” – somebody who has survived terrible times through self-reliance and grit. Two years ago, in our face-to-face interviews, nearly all spoke of receiving some kind of outside support, from public assistance to help from organizations or family. While many now still talk about friends helping them out, most answered “no one” or “myself.”

“Nobody helped me out. I'm a self survivor, I do things on my own... Everybody else is more or less out for themselves.” –Young woman

“The answer to that question is nobody. I'm the only one helping myself here.” –Young woman

“The way that the rules are starting to play out, it's going to be every man for himself really, because I don't think that people have much confidence anymore in the powers



that be, the people who run this country, the people are losing faith everyday in our system as a whole.” –White non-college man

This sense of surviving on your own while “the powers that be” work for somebody else no doubt contributes to the rising distrust of government.

Building a Message Framework

So to build an effective message framework you have to start with this deep understanding of the economy that will be as relevant 18 months from now as it is today.

Republican messages

The Republicans’ focus is almost entirely on the scale of the debt problem, the need for government to live within its means and the need for urgent action. Their messages test quite strongly in this survey (56 percent more likely to support the Republican), though not as strongly as the Democratic messages discussed later. Their strongest messages are more positive and focus on the future. Their policy is smaller government and not passing on big debts to our children, lower taxes that grow small business and create middle class jobs. They are centered in one element of people’s current understanding of the economy but they are suggesting they can raise incomes and create jobs too. It shows they ‘get it’ – or at least until they introduce ending Medicare, not introduced in their message.

Their messages that focus on the past – the failed stimulus and the health care bill – test dramatically (10 points) weaker. Voters no more want to hear this from the Republicans than from the Democrats – when there is the immediate and future economy to cope with.

Democratic messages

Every Democratic message focused on the past tested dismally. We tested one message that reminded people of what was handed to the president and then the struggle to get America back, including getting the deficit down, getting rich to pay their fair share, and then, educating, innovating and building to create jobs. Those policies are popular, as we shall see below, but it is dragged down by the discussion of the past. Only 44 percent said they would be more supportive of such a candidate.

When the message really focused on the financial crisis, Wall Street abuse, and economic recovery effort, along with the observation that policies have “started to bring the economy back” and not going back to those who caused the mess, the results were disastrous, as measured



in our post-election poll with Campaign for America’s Future.² Even though it is an infinitely sensible observation, just a third of the electorate says that message makes them more likely to be supportive of a Democratic candidate.

Democratic messages grounded in the past and crisis – falter badly

Please imagine that Barack Obama or a Democratic member of Congress made this statement describing what is happening with the economy. After hearing this, are you much more likely to support this Democrat, somewhat more likely, just a little more likely, no more likely or less likely to support them?

Handed a mess but working to get back

In January 2008, America was losing 750,000 jobs a month, the deficit was surging, banks were making irresponsible loans and the economy was on the brink of collapse. It will take years to get America back, but at least we are struggling to get America back on the right path with reduced deficits, the wealthiest paying their fair share of taxes, investing in education, innovation, and building to create jobs.

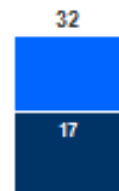
• Much more likely



Don't go back, and started to bring economy back

Republicans hope you forget. It was their policies that hurt middle class incomes, lost 8 million jobs and put us in the hole. They obstructed every effort to help get us out. The Recovery Act has started to bring the economy back and we've curbed Wall Street abuse. And now they want to go back to same policies that caused the mess in the first place. America has to move forward.

• Much more likely



*Note: "Don't go back" message is from the Democracy Corps/CAF Post election survey, Nov. 2-3, 2010

In fact, voters are so anxious not to talk about the past, one of our strongest messages rejects that debate as ‘blame game’ and ‘old politics’ – and then proceeds to talk about the same set of future policies. There is no credit-taking, only a firm determination to “start working together to meet these “economic challenges.” A stunning 60 percent say they are more likely to support that candidate, 38 percent strongly – the most intense response in the survey. Voters are ready for Democrats to move beyond the past to engage this economy and offer a future course.

(OLD POLITICS) *Half the country blames George Bush for the state of the economy and the other half blames Barack Obama. But that blame game will not help create new jobs. We face immense economic problems that will take years to solve. We need to start working together to reduce spending and the deficit and ask the richest to pay their fair share of taxes. We need to support education, innovation and new American industries.*

² This “don’t go back” message comes from the Democracy Corps and Campaign for America’s Future post-election poll, November 2-3, 2010. This specific message focuses on the progress that has already been made in improving the economy, a message that does not appeal to voters.



This “Old politics” message was second strongest among Democratic voters and the strongest message for the new Obama voters, independents and white non-college voters.

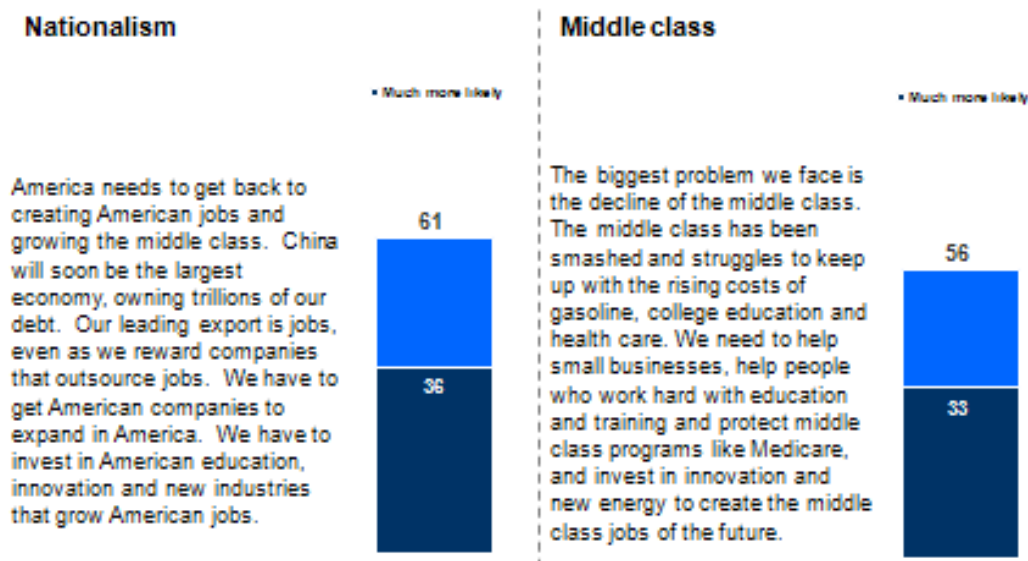
Nearly as strong were two messages that centered on the other key elements of the current economy – the loss of American jobs and the state of the middle class. That has to be the heart of any successful Democratic message.

The nationalist message is the strongest but links the two – an America that gets back to creating American jobs and growing the middle class. While the President’s message on global competitiveness was pro-exports and the China challenge, this message clearly laments China’s ownership of our debt and companies outsourcing jobs. The future policy focus is on getting companies to invest in America and also investing in our own people with education and new industries. This gets the highest overall score (61 percent more likely to support, 36 percent strongly).

There is some evidence in the regressions that this message has more of an impact than others. It is very strong with swing voters – independents, white non-college and suburban voters.

Messages on China/American jobs and middle class strongest

Please imagine that Barack Obama or a Democratic member of Congress made this statement describing what is happening with the economy. After hearing this, are you much more likely to support this Democrat, somewhat more likely, just a little more likely, no more likely or less likely to support them?



In the focus groups, there was a lot of evidence of voters feeling motivated by the challenge and offer:

“Job training... compete and win in the future. We’re getting our ass kicked by China.” – Denver man



“Those are important to me. Invest in job training, investing in our education. That’s the future. That’s really important to me.” – Denver woman

“We have schools that don’t have money anymore, they don’t have funding. And everything – but we can’t – they should pull it from something else other than schools. These are the people who will be running the country and they need to know how the hell to do it...” – Denver woman

Close in level of impact and intensity is a message centered wholly on what is happening to the middle class and the struggles to keep up with rising costs (56 percent more likely to support, 33 percent strongly). The future focus is on investing in education, protecting Medicare and investing in innovation and energy to create the middle class jobs of the future. This message was strongest with the new Obama voters and suburban voters.

It is striking that the reform message that addresses the corruption of politics tests almost identically to the middle class message (54 percent more likely to support, 33 percent much more). The message highlights how lobbyists got the bailout they paid for and says, “the middle class won’t catch a break until we confront the power of money and the lobbyists.” It then offers lobby reforms and major tax reform to remove loopholes and diminish their power.

(REFORM) *Washington is dominated by big banks, big donors and corporate lobbyists. So politicians rush to bailout Wall Street. Big oil keeps its tax breaks and companies still get breaks for exporting jobs. The middle class won't catch a break until we confront the power of money and the lobbyists. Expose their meetings, clean out tax loopholes, and limit donations. Getting the economy back for the middle class starts with changing politics.*

In the focus groups, this message got the most traction, striking a chord with voters in our groups of all incomes and political perspectives. Even conservative voters found something compelling in this construction. As one former McCain voter noted, “*I don't believe I am saying this, but I don't disagree with anything in that (Democratic) statement.*” A Denver man summarized for the group:

“It’s hard for middle class people to relate to politicians now a days because you have to have a lot of money to run for president. You have to have millions of dollars, supporters and you know, interest groups that are funding you. It’s hard to know who that person is even if he does seem honest. You know, what do those interest groups want from him for running?” – Denver man

The energy around these topics suggests that they have a traction missing in other messages – as voters may see this kind of reform as a precondition for government working for the middle class again.



Strongest messages to reach the new Obama voters (Rising American Electorate)

Please imagine that Barack Obama or a Democratic member of Congress made this statement describing what is happening with the economy. After hearing this, are you much more likely to support this Democrat, somewhat more likely, just a little more likely, no more likely or less likely to support them?

- **Old Politics**
Much more likely: 49%
Much/smwt more likely: 71%

Half the country blames George Bush for the state of the economy and the other half blames Barack Obama. But that blame game will not help create new jobs. We face immense economic problems that will take years to solve. We need to start working together to reduce spending and the deficit and ask the richest to pay their fair share of taxes. We need to support education, innovation and new American industries.
- **Middle Class**
Much more likely: 44%
Much/smwt more likely: 70%

The biggest problem we face is the decline of the middle class. The middle class has been smashed and struggles to keep up with the rising costs of gasoline, college education and health care. We need to help small businesses, help people who work hard with education and training and protect middle class programs like Medicare, and invest in innovation and new energy to create the middle class jobs of the future.
- **Help**
Much more likely: 44%
Much/smwt more likely: 65%

People are still hurting and need help. This is not the time to allow people to lose their homes and savings. We have helped the big banks but we need to help Main Street too. Let's help people get back on their feet with job training and education for people displaced by the current economy and extending, not cutting health clinics and health care for working families.

Strongest messages to reach Independents

Please imagine that Barack Obama or a Democratic member of Congress made this statement describing what is happening with the economy. After hearing this, are you much more likely to support this Democrat, somewhat more likely, just a little more likely, no more likely or less likely to support them?

- **Old Politics**
Much more likely: 31%
Much/smwt more likely: 56%

Half the country blames George Bush for the state of the economy and the other half blames Barack Obama. But that blame game will not help create new jobs. We face immense economic problems that will take years to solve. We need to start working together to reduce spending and the deficit and ask the richest to pay their fair share of taxes. We need to support education, innovation and new American industries.
- **Nationalism**
Much more likely: 26%
Much/smwt more likely: 54%

America needs to get back to creating American jobs and growing the middle class. China will soon be the largest economy, owning trillions of our debt. Our leading export is jobs, even as we reward companies that outsource jobs. We have to get American companies to expand in America. We have to invest in American education, innovation and new industries that grow American jobs.
- **Reform**
Much more likely: 25%
Much/smwt more likely: 47%

Washington is dominated by big banks, big donors and corporate lobbyists. So politicians rush to bailout Wall Street. Big oil keeps its tax breaks and companies still get breaks for exporting jobs. The middle class won't catch a break until we confront the power of money and the lobbyists. Expose their meetings, clean out tax loopholes, and limit donations. Getting the economy back for the middle class starts with changing politics.



The path to Democratic ascendancy on the economy begins with taking voters seriously and identifying with their struggle to survive and do better. Voters really do understand the huge head winds facing their families and the country – a weakened middle class, exported American jobs, huge personal and public debt and a corrupted democratic politics. To get to a winning posture on the economy, Democrats have to battle for the future – underscoring the fateful choice between the approaches of the two parties.

At the end of the survey, we re-asked a number of questions on which party was better on the economy, deficits and jobs and did not see any real shifts. The near parity at the beginning was still in place, meaning we need to make further message advances in the next step of the process. In the web survey, we will be able to make much cleaner and distilled tests, including judging the impact of beginning with reforming government messages, giving more attention to debt and above all, making the choice much clearer.