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To: Friends of Democracy Corps and Greenberg Quinlan Rosner

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The Economy and Politics of 2010

Job Creation Now, Deficit Reduction in Future Could Restore Democratic Edge

With unemployment now above 10 percent and still rising, a new survey by Greenberg Quinlan Rosner Research and Democracy Corps reveals a country more pessimistic than at any point since the earliest days of the Obama presidency. An increasing number of voters think the country is on the wrong track, and after months of slow but steady improvement, pessimism on the economy is again on the rise. Voters' frustration with the economy, bailouts for elites, bonuses and spending, and the seeming partisan gridlock is fueling an increasingly anti-incumbent mood that is impacting everyone in Washington. But as the party in power, Democrats are suffering disproportionately.

This is about the economy, and it is not pretty. The Democrats' biggest loss has come on who would do a better job handling the economy.

The country is looking for their national leaders to act on the economy starting with jobs – seen as far and away the biggest problem facing the economy. Confronting the deficit and spending are very important too, but when forced to choose, voters embrace a bold jobs initiative over a long-term deficit reduction program by two-to-one. That is true of independents too. Voters want immediate action on jobs and serious action on the deficit starting a year later.

Despite lower marks for Democrats and President Obama, Republicans are far from being seen as an acceptable alternative -- a unique feature of this period. The Republicans and Republicans in Congress' favorability ratings are stable from September, keeping them only slightly above their all-time low in Democracy Corps polling. The actual Republican members of Congress, however, have seen their favorability ratings drop faster than Democratic incumbents in that same time period. And, overall, the Republican brand remains less popular than the Democratic.

This tarnished Republican Party has not been able to fully capitalize in the congressional races. Democrats retain a 2-point lead in our named congressional vote (47 to 45 percent) among 2010 likely voters, mostly stable since September. In the larger universe of those who voted in 2008, the Democrats maintain a 5-point lead – just 3 points off their actual vote margin last year. That means half of the 6-point slippage in margin has come from erosion of the De-



mocratic brand, with the other half produced by Republican determination to vote in an off-year election. Republicans are maintaining a 10-point lead among independent likely voters.

While Democrats can expect losses next November, this does not yet look like a wave election, even when we compare it to similar points in the lead-up to the 1994 and 2006 elections when the majority lost large numbers of seats and control of the House. President Obama remains much more popular than either President Clinton or President Bush at this point in the election cycle. And most important, the Republican brand remains far weaker than that of the out party in either the 1994 or 2006 cycle. In 1993, the two parties had identical thermometer ratings and in 2005 the Republicans were viewed less favorably than the out-of-power Democrats. Today, the Democrats remain more popular with voters than Republicans.¹

Though President Obama's job approval and favorability rating have slipped, voters still want to support him. In a potential 2012 matchup with Republican Mitt Romney and third-party candidates Lou Dobbs and Ralph Nader, Obama receives 47 percent of the vote and maintains a 10-point lead over Romney, while Dobbs captures 5 percent. Obama even leads by 6 points among independents. Voters are in a rebellious mood, but they do not want to go back.²

Economy Driving Increasingly Pessimistic Mood

After a slight decrease following President Obama's address to a joint session of Congress on health care, pessimism is again on the rise, with 58 percent of voters saying the nation is "pretty seriously off on the wrong track." This represents a 5-point increase from late September.³ While the continued bickering, gridlock and lack of action in Washington are certainly contributing factors, the rising pessimism is being driven by continued frustration over the economy and the lack of progress on jobs and unemployment above all.

After rising steadily from 9 to 21 points over the course of the year, the percent of voters rating the state of the economy favorably dropped back down to 18 percent in this survey. Meanwhile, nearly two-thirds rate the state of the economy negatively, including 41 percent very unfavorably.

¹ 2005 data from a survey conducted November 16-20, 2005 by Democracy Corps of 1,001 voters. 1993 data from survey conducted November 1-2, 1993 by Greenberg-Lake Analysis Group for the Democratic National Committee of 1,120 adults. See appendix A for full comparison of 1993, 2005 and 2009 data.

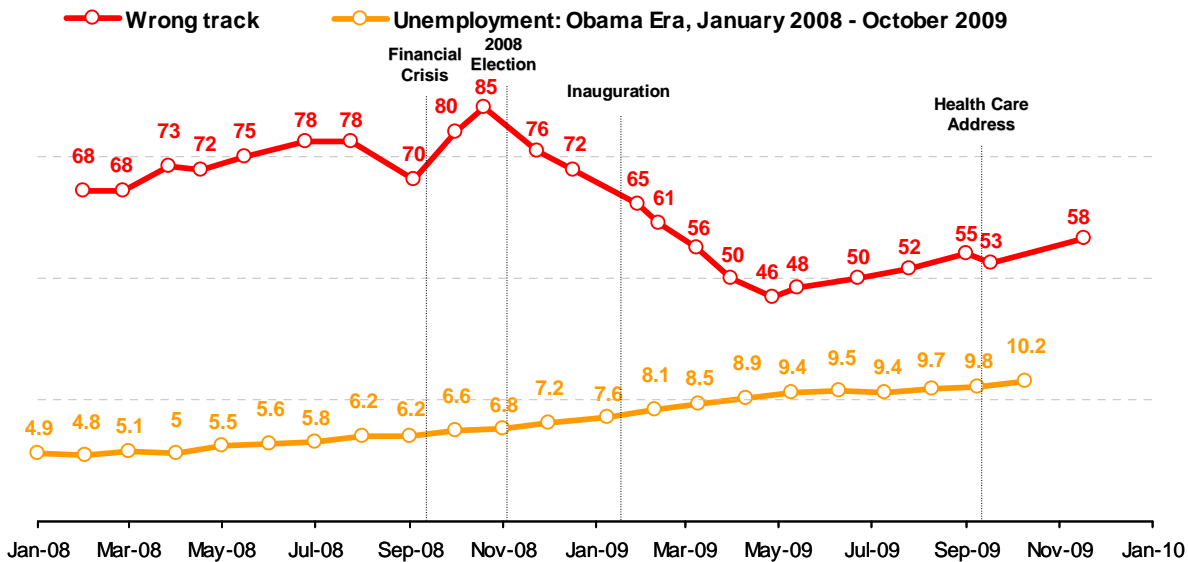
² This memo is based on a Democracy Corps survey among 1,000 2008 voters conducted by Greenberg Quinlan Rosner Research from November 12-16, 2009. Data reflects 847 likely 2010 voters unless noted otherwise. Margin of error for these voters is 3.3 percent.

³ From a national Democracy Corps survey of 1,200 2008 voters conducted September 12-16, 2009. The data referenced reflects the results from 1,044 likely 2010 voters.



Wrong track falls after election, slowly on rise with unemployment

Generally speaking, do you think things in the country are going in the right direction, or do you feel things have gotten pretty seriously off on the wrong track?



*Note: From Democracy Corps surveys conducted over the last several years. Data reflects likely voters. After 2008 election, data reflects likely 2010 voters. Unemployment numbers from BLS. No numbers yet available for November. Unemployment numbers on different scale to better show change.

The State and Politics of the Economy

While a slight plurality of 45 percent say that the economy is better than it was six months ago, just 36 percent think it has turned a corner and is starting to improve, unaffected by the quarter of positive GDP growth in the interim.⁴ Voters are more optimistic about the current state of their personal finances, with 50 percent rating them favorably, compared to just 25 percent rating them unfavorably. But, not surprisingly, a majority says their family's finances have gotten worse in the last year.

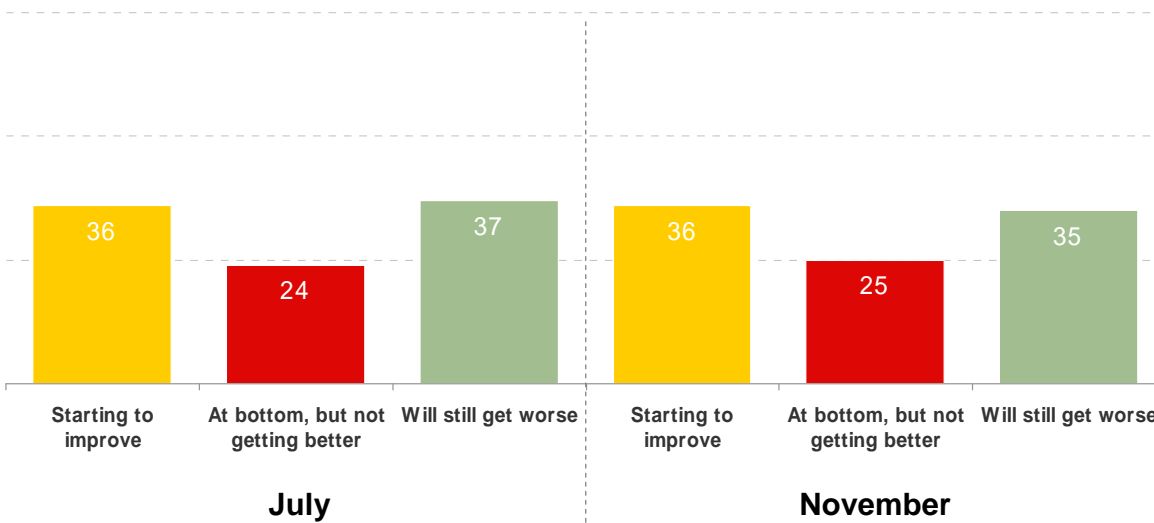
⁴ From a national survey of 850 likely voters conducted July 22-26, 2009 by Greenberg Quinlan Rosner Research in conjunction with Public Opinion Strategies for National Public Radio.



No change in percentage saying economy has turned corner

Now, thinking about the nation's economy, do you believe the economy has already bottomed out and is starting to improve, is at the bottom but is not yet getting any better or has not yet bottomed out and will still get worse?

■ Starting to improve ■ At bottom, but not getting better ■ Will still get worse



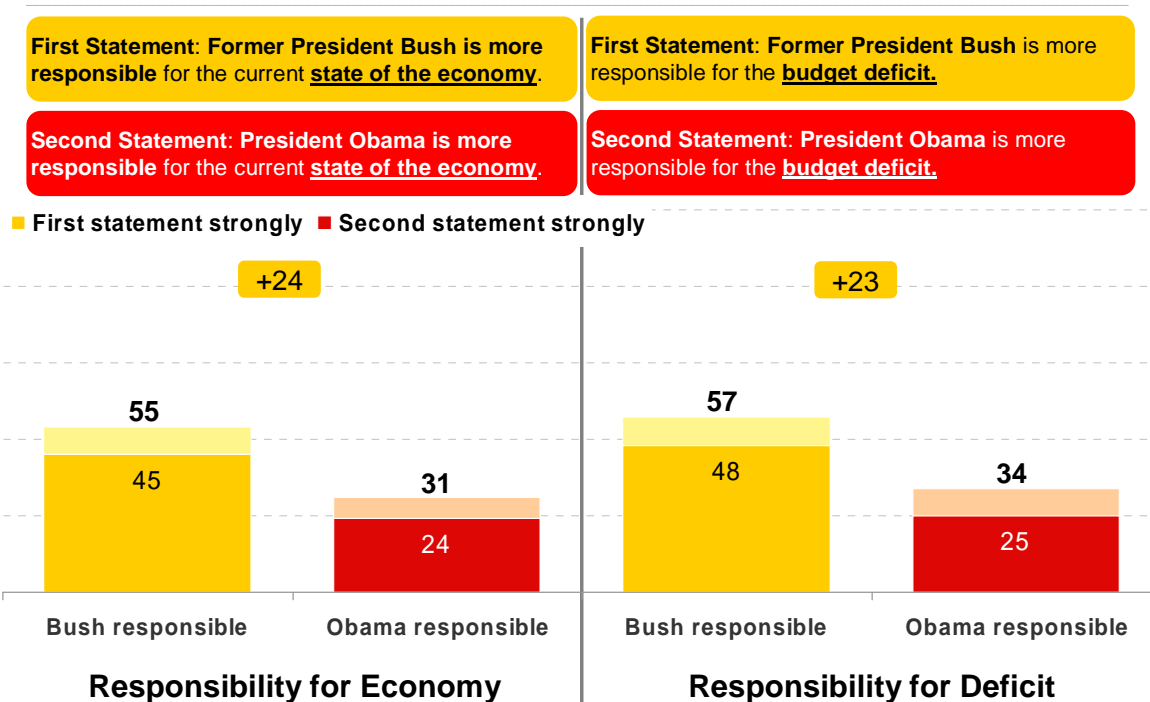
*Note: July data from NPR survey of 1,000 2008 voters nationwide conducted July 22-26, 2009. Data reflects 850 likely 2010 voters.

Voters are more optimistic about where both the economy and their own family's financial situation will be in a year. Fully 61 percent say the economy will be better a year from now and a 51 percent majority says the same thing about their family's finances. They could be disappointed.

Voters have not rushed to the Republicans because they still mostly blame George Bush and the Republicans for both the state of the economy and the deficits. By 55 to 31 percent, Americans continue to say former President Bush, rather than President Obama, is more responsible for the current economy, unchanged since July. And by a similar 57 to 34 percent, Bush is seen as more responsible for the current budget deficit, with even 30 percent of Republicans agreeing.



Bush responsible for economy and budget deficit



Nonetheless, voters are pretty uncertain about whether Obama’s policies are going to work. By 50 to 44 percent, voters now say that Obama’s policies have run up a deficit while failing to end the recession or slow job losses, rather than help avert an even worse crisis and lay the foundation for eventual recovery. That could change if there were signs of a recovery.

And by a 3-point margin (42 to 45 percent), voters now say that Republicans would do a better job on the economy. This is a turnabout from a 16-point Democratic lead in May and is the first time Republicans have led on the issue since 2002. Democrats do hold leads on who would be better on jobs and employment (+ 5 points) as well as looking out for the middle class (+ 9 points) and standing up to elites (+16 points), which suggests a potentially successful economic frame for Democrats moving forward.⁵

We tried to get voters to imagine a range of economic scenarios over the next year in the lead up to the election, and they are potentially consequential, particularly for Democratic incumbents. A majority are more likely to support their named incumbent member of Congress for reelection if, in a year, unemployment is below 10 percent and beginning to fall each month, the deficit is falling each year, the stock market and 401(k) values are increasing, or home values

⁵ Throughout the year, our polling has indicated that an economic contrast that pits Democrats as defenders of the middle class and working Americans with Republicans on the side of elites, the wealthy and corporate interests is among the most believable and effective for Democrats.

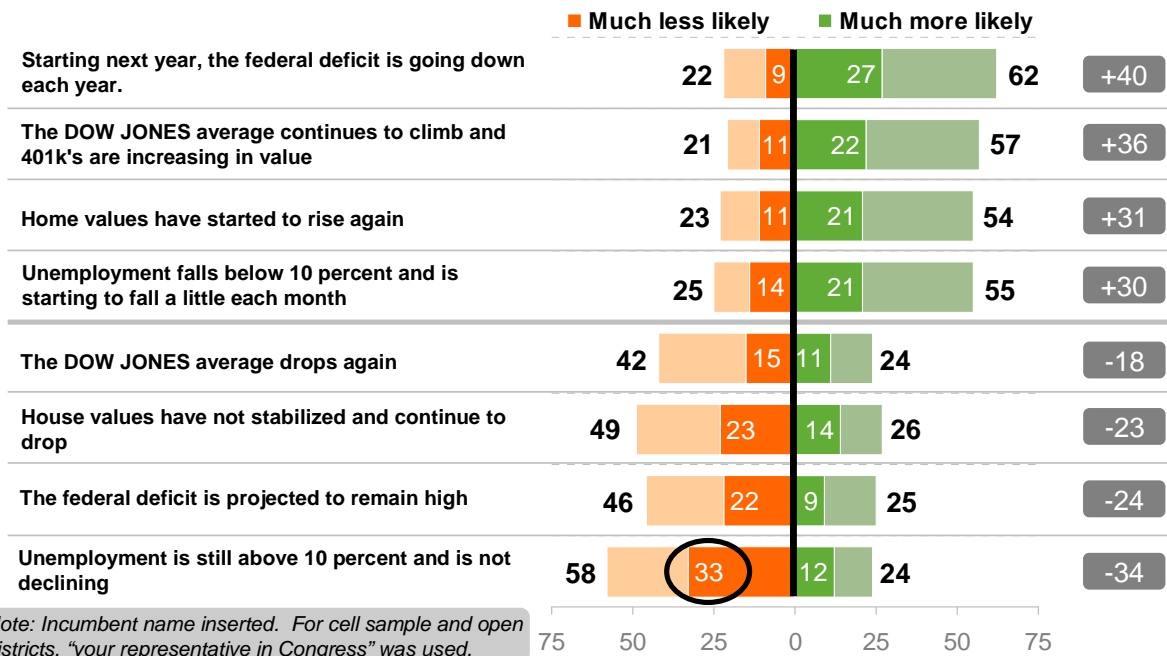


are rising again. A plurality are less likely to support their incumbent when the scenarios turn negative, including the deficit being projected to remain high, the stock market dropping again, or home values continuing to drop. And when asked what kind of impact it would have on their decision to reelect their current congressman, a striking 58 percent say they are less likely to vote to support their member, 33 percent much less likely, if unemployment is above 10 percent and not declining each month.

Impact of economic developments in 12 months ahead

Now I am going to read you several statements that may be true a year from now. For each statement, please imagine that statement is true a year from now and tell me if it would make you more or less likely to support (HOUSE INCUMBENT) for reelection next year?

More – Less Likely



The punishing of incumbents for negative economic scenarios is most pronounced in Democratic-held seats, particularly on continued unemployment, where 62 percent say they would be less likely (37 percent much less) to support their member.

The Voter Revolt

The economy stands as the backdrop to voters' rising anger about the bailouts of Wall Street, GM and Chrysler, and big bonuses for executives while the middle class is struggling to survive. This anger about the government takeovers is matched by anger over excessive spending and deficits.

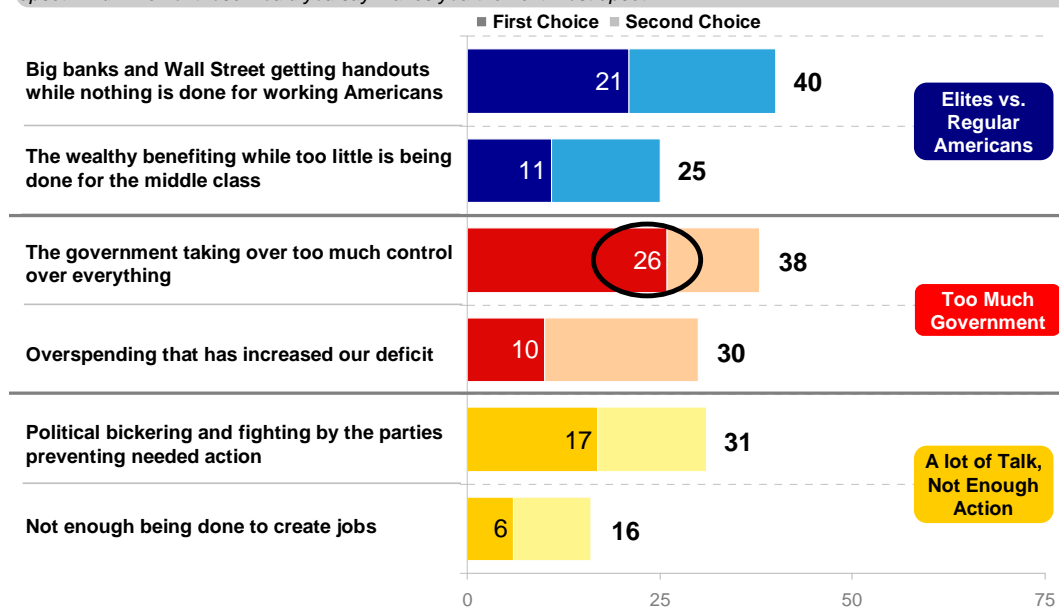
When asked what they find most upsetting about "the way our corporate and political leaders are handling the economy," Democrats are most upset about bailouts (49 percent rating



this as one of their top two choices) and political bickering in Washington preventing needed action (36 percent), while, not surprisingly, Republicans overwhelmingly cite increased government control (64 percent) and overspending (43 percent). Independents are much more divided, with at least 28 percent citing five of the six choices, but they are most intense about government control and political bickering.

What upsets? Big bank handouts and government takeover

Now I am going to read you a list of things that some people say upsets them about the way our corporate or political leaders are handling the economy. After I read this list I'd like you to tell me which ONE makes you personally the most upset. And which of those would you say makes you the next most upset?



Anti-Incumbent Mood Disproportionately Impacting Democrats

This pessimism is driving an anti-incumbent mood that is keeping ratings for everyone in Washington down but is having an uneven impact on Democrats as the party in power. Favorability ratings for the Democrats have dropped a net 11 points since September with more voters now rating the party more unfavorably than favorably (46 percent unfavorable, 38 percent favorable) for just the second time all year. Since mid-June, Democrats have lost a net 17 points on their favorability rating with some of their bigger losses coming from white voters in their 40's, white baby boomers, white non-college voters and voters in the South. All of these more traditionally conservative-leaning groups, which had been giving the Democrats the benefit of the doubt for most of the first half of the year, have moved away.

These losses for the Democratic Party leave their mean thermometer score at 45.6 degrees on our zero-to-100 thermometer scale, still 2 points higher than the 43.7 for Republicans. Though there is still a favorability advantage, this is down from a 5-degree advantage in September. The rating of "the Democratic Congress" has gone from an even proportion of warm and



cool responses to much more negative (36 percent warm and 49 percent cool) and have now fallen below “Republicans in Congress” for the first time this year.

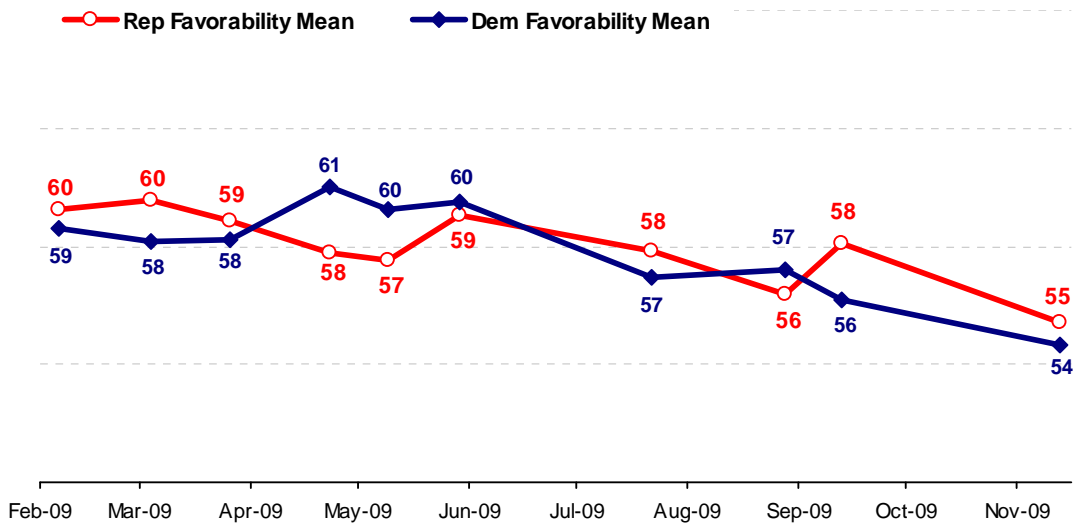
Ratings for Republican Brand Remain Incredibly Low

Despite the Democratic losses on favorability over the past several months, Republicans have not seen any reciprocal gains, and their standing remains mired near its all-time low. Voters may be pulling back from Democrats, but they are not turning to Republicans.

The low marks that voters give the Republican Party are nearly identical to September, and remain very close to their all-time lows in our polling. And Republican incumbent members are also feeling the sting of the anti-incumbent mood. Republican incumbents hold safer seats and in most cases, have served longer and thus have higher ratings in their own districts, but they are falling faster than the Democrats. Since September, the Republican incumbents have suffered a more significant decline than their Democratic counterparts, dropping by 3.3 degrees while the Democratic incumbents fell 1.9 degrees.

Both Republican and Democratic members fall in own districts

Now, I'd like to rate your feelings toward some people and organizations, with 100 meaning a VERY WARM, FAVORABLE feeling; zero meaning a VERY COLD, UNFAVORABLE feeling; and 50 meaning not particularly warm or cold.



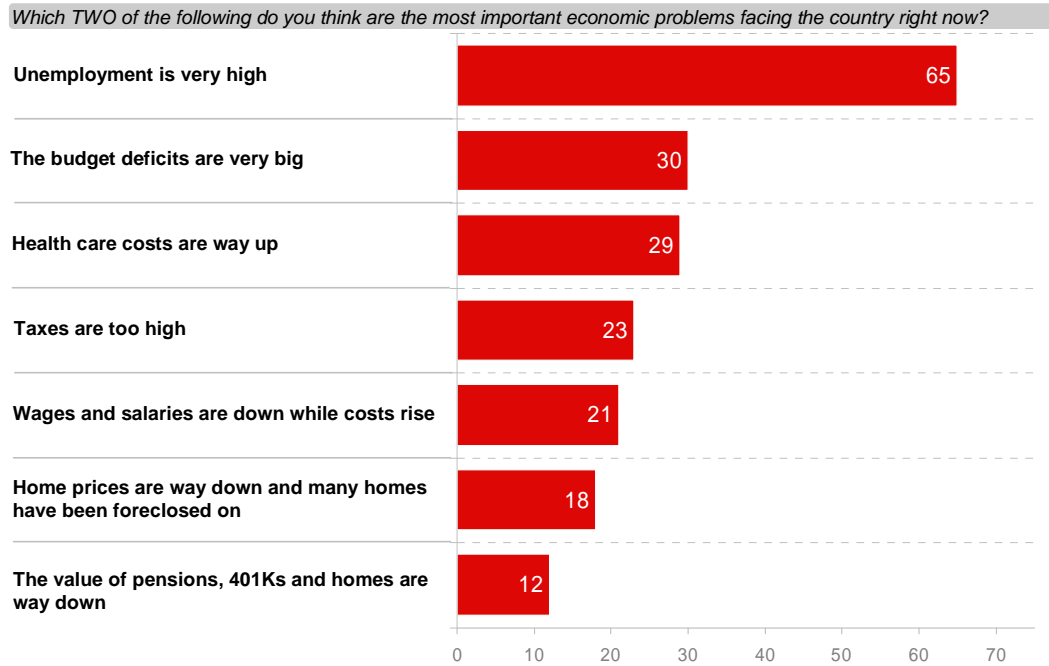
**Note: Data from Democracy Corps surveys conducted over the past five months.*

Addressing the Economy: Jobs are Priority Number One

When asked which two of seven economic problems are the most important, almost two thirds choose unemployment, more than double big budget deficits at 30 percent. This holds true across the political spectrum with at least 62 percent of Democrats, independents and Republicans citing unemployment as one of their top two economic concerns.

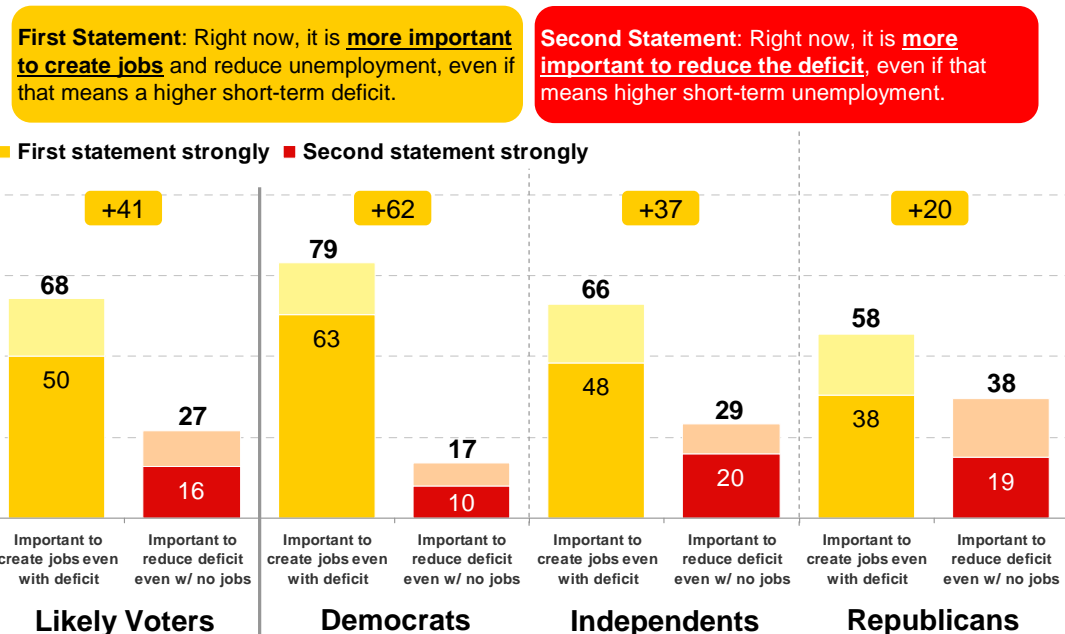


Unemployment most important economic problem



Moreover, voters across party lines agree by large margins that it is more important to create jobs, even if that means a higher short-term deficit, than it is to reduce the deficit, even if that means higher short-term unemployment. This includes independents, who chose creating jobs over reducing the deficit by a more than two-to-one margin.

Across the parties, it is more important to create jobs





Voters' assessment of the problem is reflected in the policies that they support, though the tension between their desire for immediate job creating actions and policies that will bring down the deficit and reduce spending is apparent. Indeed, there are fairly large majorities for almost any action, with the highest support registering for extending unemployment benefits for families that have recently lost their income and the implementation of a new job creation tax credit. But voters also voice strong support for broad and immediate spending cuts to reduce the deficit, demonstrating their desire to deal with both jobs and the concern over government spending.

Not surprisingly, Democrats are most enthusiastic about extending unemployment insurance, creating a "green bank" to provide more credit for alternative energy projects and putting the unemployed back to work in public-service jobs. Republicans strongly back spending cuts, but also support the job creation tax credit and unemployment benefits. Independents mostly track the overall numbers, with unemployment benefits and the job creation tax credit at the top of their list.

Various job creation, deficit reduction policies popular

Economic Proposal	Total Favor
Extend unemployment benefits for families that have recently lost their income.	85
Pass a new job creation tax credit for businesses that create jobs in the United States in the next two years.	79
Enact an immediate and broad range of cuts in federal spending to reduce the deficit.	73
Develop an infrastructure bank modeled after development banks around the world to provide loans to invest over ten years in infrastructure for transportation, clean energy and other areas to create jobs.	72
Develop a "green bank" to open new credit markets and provide stable financing for businesses to invest in new alternative and efficient energy technologies to create jobs.	70
Put unemployed people back to work at government-funded public service jobs that meet important community needs.	71
Create a deficit reduction commission that would provide recommendations of ways to cut the deficit which would have to be quickly passed or rejected by the House or Senate as a package.	64
Provide increased federal assistance to state and local governments to prevent additional layoffs of government employees like teachers, police and firefighters.	65
Cut tax rates this year for all taxpayers and cut corporate taxes to stimulate consumption and investment.	59
Temporarily eliminate the payroll tax for employers and employees.	51



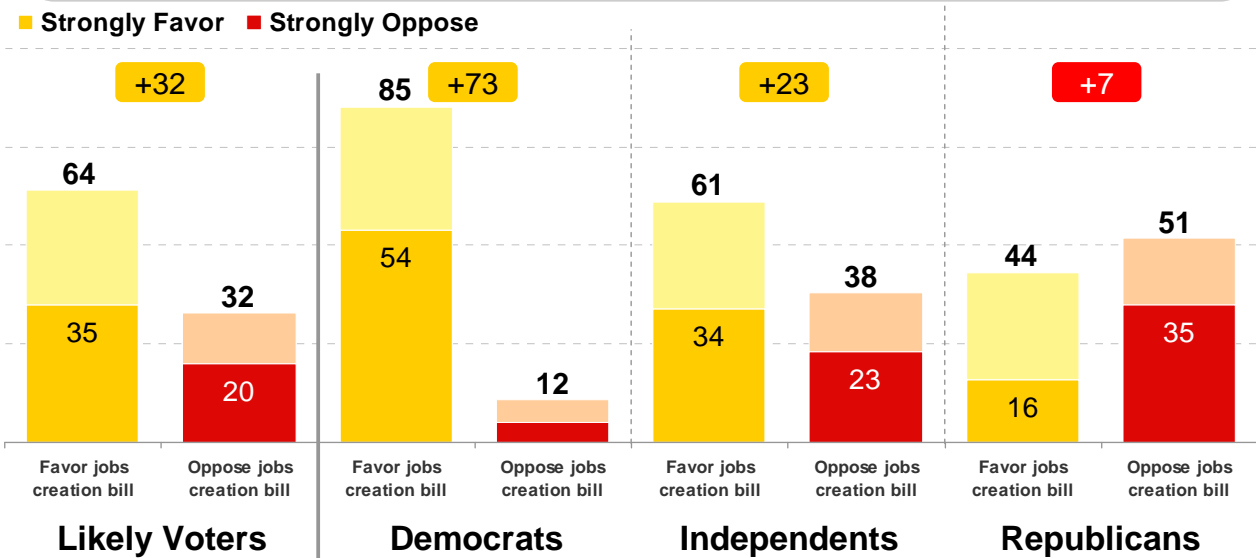
Bold Economic Initiatives: First Jobs, Then the Deficit

As is apparent above, voters put a high priority on both jobs and the deficit, but if forced to choose, they want jobs. We developed two different expansive economic initiatives for the president and Congress. The jobs initiative included a job creation tax credit, investments in infrastructure, direct government jobs for the unemployed, increased assistance to the states, and extended unemployment insurance. The deficit reduction initiative sought long-term growth by cutting the deficit in half in five years and, starting next year (allowing job creating investments this year), mandating lower deficits every year.

Voters favor the jobs plan by a two-to-one margin (64 to 32 percent), even though the description of the plan acknowledges that it would mean higher deficits over the next two years. Meanwhile, the deficit reduction plan receives similar support (64 to 28 percent), even though the description of the plan acknowledges that it could require higher taxes, cuts in government programs or lower entitlement spending and could mean lower growth in the short-term.

Job creation plan: large majority favors

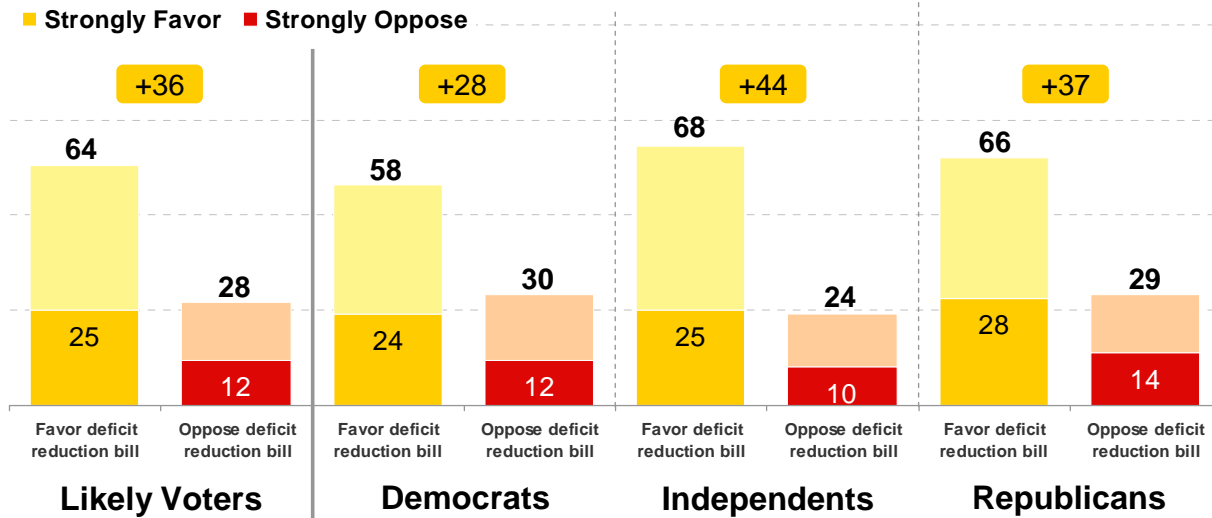
Some people in Congress are proposing a new jobs creation bill that would reduce unemployment by creating a tax credit for businesses that create jobs in the U.S.; investing in infrastructure like alternative energy, school modification and roads to create jobs now and in the future; putting unemployed people back to work in government-funded public service jobs; providing assistance to local governments to prevent additional layoffs of employees like teachers, police and firefighters; and extending unemployment insurance for the long-term unemployed. The bill would aim to create millions of new jobs, but would increase the deficit this year and next.





Deficit reduction plan liked across the board, but less intensity

Some people in Congress are proposing a new deficit reduction plan to cut the deficit in half in five years so we can make long-term growth and new jobs possible in the future. The plan allows job-creating investments over the coming year and then mandates lower deficits every year after that. The plan would require Congress to meet the deficit reduction goals by reducing spending or raising taxes and would create an independent commission to recommend major cuts in government programs, reduced growth in entitlement spending, and the elimination of tax loopholes. While this plan could mean slower growth in the short-term, by reducing the deficit it would aim to create higher incomes in the long-term.



While the overall numbers of the two plans are similar, the partisan breakdown in their support has important implications. The jobs plan generates more intensity and polarization, with Democrats strongly in support. The deficit reduction package, on the other hand, generates less intensity overall and less enthusiasm among Democrats.

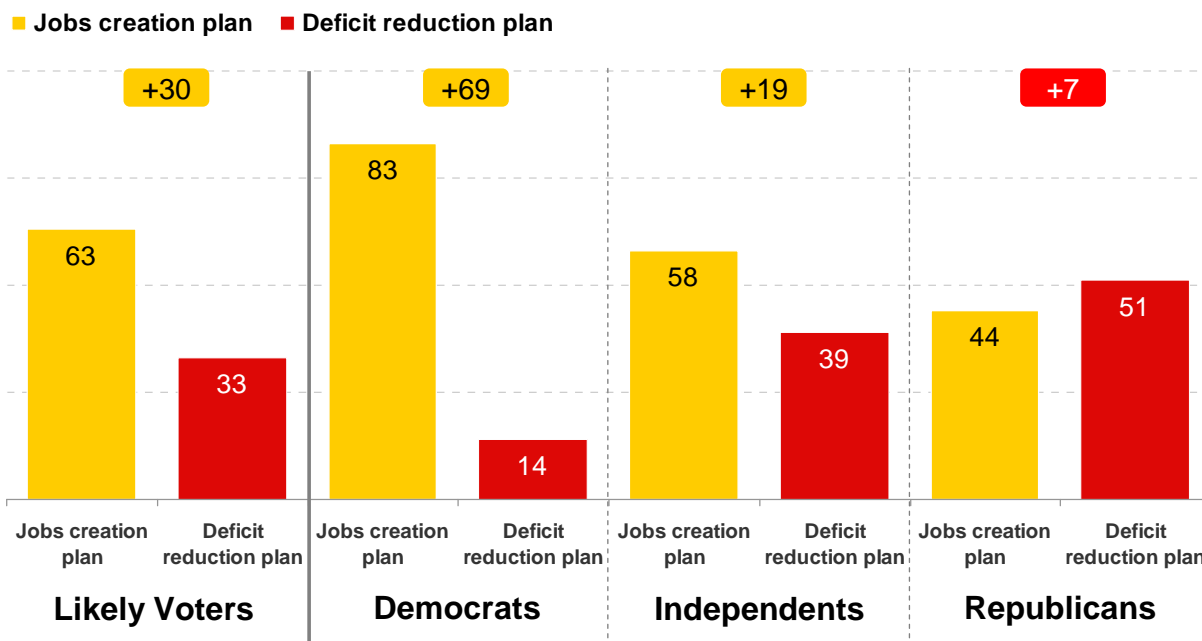
Over 60 percent of independents support both initiatives, but this reaches 68 percent for the deficit package – higher than either Democrats or Republicans. Still, independents are more intensely supportive of the jobs initiative.

Indeed, when voters are asked to choose between the jobs or deficit plans, they choose the jobs plan 63 to 33 percent, nearly a two-to-one margin. Independents share the Democrats’ job priority by 58 to 39 percent because the larger intensity of support for the jobs plan leads those who support both to prefer the jobs plan over the deficit package by a huge margin.



In forced choice, jobs creation plan preferred over deficit reduction

Now let me ask you, after hearing descriptions of both the jobs creation plan and the deficit reduction plan, if you had to choose to do just one, which would you choose, the jobs creation plan, or the deficit reduction plan?



The slow recovery and continued job losses, combined with Wall Street bailouts, big bonuses, government takeovers, deficits and possible gridlock are an ugly brew. While former President Bush is still blamed for the economy and deficits, incumbents are taking a big hit, with Democrats on the front lines.

Scenarios that produce economic gains, like positive job growth each month, can change the mix. However, 10 percent unemployment with no monthly declines will likely make it more problematic.

For Democrats to reverse the slide in their standing, they need to focus with urgency on jobs (hopefully with effect) with intentions and direction that restore voter support for their party on the economy. Their priority has to be jobs, though voters, particularly independents, also want to see a credible commitment to reduced spending and deficits – even it takes a year to kick in after a jobs package. Democrats have spent many years building their credibility on the economy and low deficits, and they need to take both very seriously. First jobs, then the deficit.