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To: Friends of Democracy Corps and Campaign for America's Future
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The Big Decisions Ahead on Economic Renewal and Reduced Debt

A research study on investment and deficit reduction

At this difficult moment for the struggling economy and country, voters show an uncommon common sense about the choices ahead. For sure, they are concerned about deficits and what impact that will have on future job creation and key obligations, like Social Security. But they are as intent on learning politicians' plans for investing in new industries and rebuilding the country as they are on learning their plans to reduce the deficit over the next five years. They think they know how we got into this mess – foreign wars and bailouts – and are determined that the highest income earners and big banks finance deficit reduction, not the middle class through Social Security and Medicare cuts or a national sales tax.

Voters take the long view, seeing the need for *both* a commitment to a 21st century economy and long-term strategies to reduce the deficit. These are complimentary, not exclusive goals. Progressives need to show they are serious about the deficits, but once they do, voters turn to them, not conservatives, for the right spending priorities and answers.

Voters are united on this key point: Social Security and Medicare are off-limits as a way to reduce the deficit. It is the threat to Social Security that leads many voters to prioritize deficit reductions. Voters instead want to see higher taxes on top income earners and big corporations.

As Social Security celebrates its 75th anniversary this week in the midst of this troubled economy, voters across the political divide want these programs defended.

At a point when deficits are very high and after almost two years of increased national spending, it is not surprising that there has been a reaction – particularly as unemployment remains high, Washington seems unreformed and bailed out Wall Street banks are paying out million dollar bonuses again.

But what is surprising is voters' support in the short-term to fund states to prevent service cuts and lay-offs, particularly when informed of the scale of the problem. What is more surpris-



ing is that voters are thinking about the long-term response with equal enthusiasm to a larger narrative of investment and economic renewal, with an aspiration to rebuild America with a new industrial revolution.

Some of the key findings from the latest poll from Greenberg Quinlan Rosner¹ for Democracy Corps and Campaign for America's Future include:

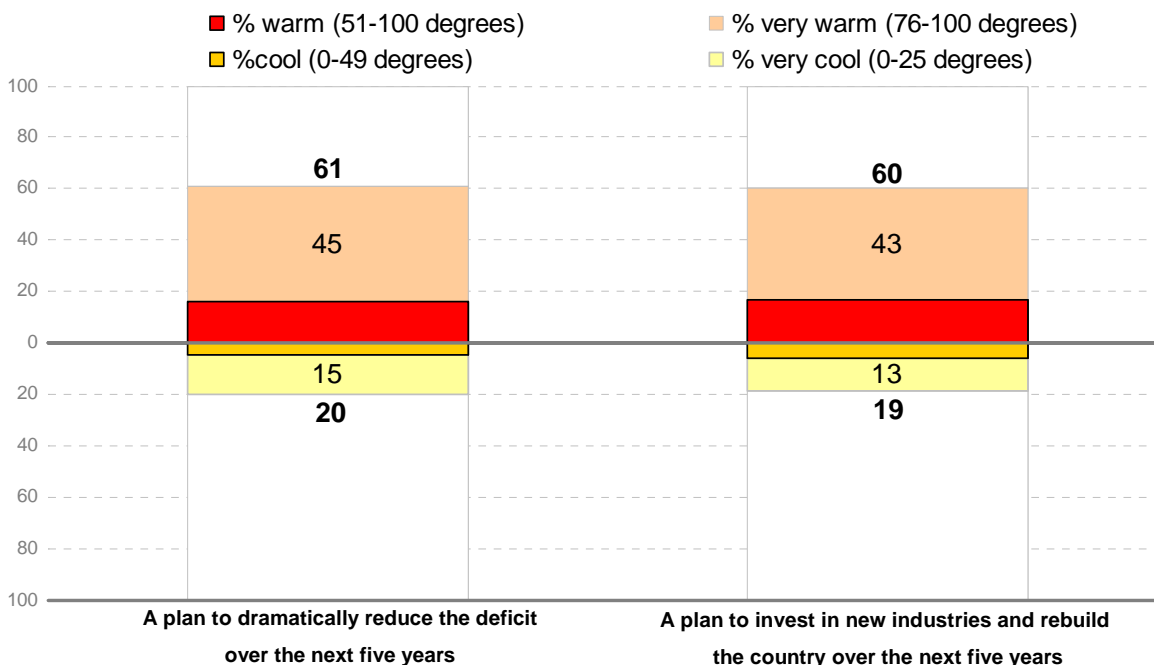
- Right now, a plurality of 49 percent support providing more funding to states to prevent lay-offs – jumping to 62 percent when told about the scale of public sector lay-offs due to the recession.
- Just as many, six-in-ten, give a favorable rating to a plan to invest in new industries and rebuild the country over the next five years as to a plan for dramatically reducing the deficit.
- Voters say spending cuts for Social Security and Medicare should not be part of any deficit reduction plan by a wide 68 to 28 percent margin.
- Progressive proposals for deficit reduction – ending tax breaks for corporations, raising taxes on Wall Street and repealing the Bush tax cuts for those earning more than \$250,000 – win large majority support.
- By 52 to 42 percent, more voters prefer investing in the future over an alternative proposition for bold cuts in spending – so long as it is combined with deficit reduction over time.
- Six-in-ten voters respond positively to a broad narrative focused on resolving our public investment deficit in infrastructure. This message focuses on investments in “roads, sewers, schools, trains, renewable energy and other basic parts of our communities.” Such investments would “create jobs, help business compete, improve our communities and generate revenues to pay down the deficit.” This message tests better than any other progressive message on investment as well as more conservative messages focused on spending cuts.

¹ This memo is based on a poll conducted by Greenberg Quinlan Rosner for Democracy Corps and Campaign for America's Future with support from MoveOn.org Political Action, AFSCME and SEIU. The poll was conducted July 26-29, 2010 among 2008 voters nationwide. All data shown reflects results from 866 likely 2010 voters (910 unweighted; margin of error of 3.2 percentage points) unless otherwise noted.



Support for action: Investment and deficit reduction equal imperatives

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



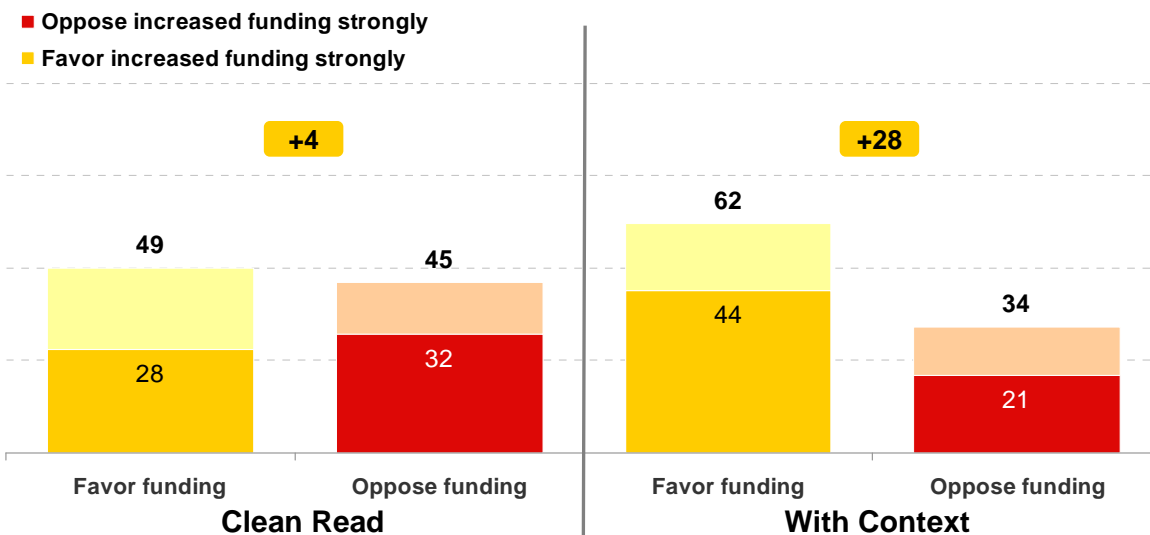
The pieces are in place to tell the right story and engage voters in a new view of a modern economy based on investments in human capital and long-term deficit reduction. At the same time, there is a reserve of support for short-term government action, even though long-term deficit reduction is crucial.

At a time when voters are instinctively cautious about spending, 49 percent support increased funding to states and localities – which just passed in Congress. But the measure wins by nearly two to one, 62 to 34 percent, when informed that 300,000 teaching positions would potentially be cut if the federal government does not provide funding to ailing state budgets. The difference comes especially from independents and Republicans. Democrats are highly supportive regardless of information. That is a prima facie argument for engaging and informing to build support for job-centered initiatives.



Short term: help now with layoffs and service cuts

Over the past year, 45 states have had to layoff teachers, police, fire fighters and other employees due to the recession. Next year, states will face continued revenue shortfalls as a result of the weak economy, with some 300,000 teachers and other education workers potentially facing layoffs. Would you favor or oppose the federal government providing more funding to the states to prevent further service cuts and layoffs?



**Note: The full question with context was asked of one-half the sample, while the section that is not underlined/in bold was asked of the other half of the sample for comparison.*

A Tough Moment for Big Choices

The political backdrop to this debate is challenging. Two-thirds say the country is on the wrong track, now at its highest point since President Obama’s inauguration. Republicans are seen as better able to handle the economy and the federal deficit, the leading issues of the day.

The president’s lower job approval at 43 percent is linked to beliefs that his economic policies have run up a record federal deficit while bailing out Wall Street banks, without creating a significant number of jobs. At this moment, people are reporting more problems with jobs, wages and home foreclosures. That has eroded confidence in Democrats on the economy and budget issues. By 47 to 35 percent, voters believe that Republicans are better able to make “the right choices in deciding how and when to reduce the federal budget deficit.” But this is less an endorsement of Republican policies, than an expression of the failed confidence in Democrats.

This is obviously a challenging moment to make big choices, but the electorate can sort through the short-term politics.



A 52 percent majority prefer investing to foster new skills and industry in concert with long-term deficit reduction. Just 42 percent prefer immediate bold cuts. This is the crux of the issue. People want investment if progressives are dealing with deficits too. The voters flip on the choice if progressives are silent on deficits.

On nearly all the choices posed in this survey between some form of investment or deficit reduction, the electorate divided fairly evenly – with Democrats strongly for investments and independents leaning against, for the moment.

Understanding Deficits

Voters have a pretty clear view of how the country got into the deficit problem – and it is not entitlement spending or structural deficits. The deficits are the consequences of political decisions:

- Nearly half (47 percent) point to the wars in Iraq and Afghanistan as the primary reasons for the increased deficit.
- 36 percent point to the bailouts of big banks and auto industry.
- 32 percent point to lobbyists getting unneeded spending in the budget.

So, it is not surprising that voters are looking for different priorities and a cultural change in Washington.

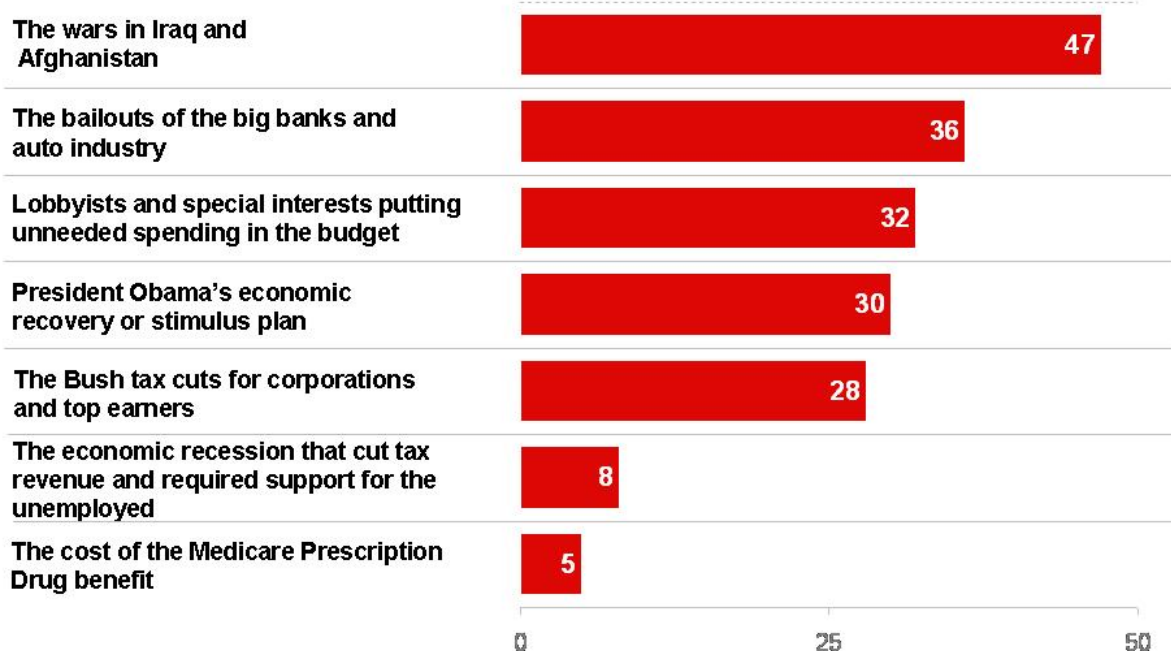
What is so frustrating for voters is their belief that the debt will have consequences for them and the country. Above all, they believe an economy weighed down by debt cannot create jobs. And then, they worry about how the debt impacts Social Security, as well as cutbacks in government services and employment. They also worry about the next generation, but the main focus is on jobs and key government functions. For voters, addressing the deficit is necessary to addressing the economy and jobs. That is why they are looking for a balanced approach.

In virtually all public polls, voters place a higher priority on the economy and jobs than the federal budget deficit. That is right, but a touch misleading. Many voters are concerned about the deficit because they think it weighs down the economy and slows job growth. In fact, almost half believe reducing the deficit will lead to lower unemployment. Similarly, majorities support messages that argue that investments that put people to work will reduce the deficit.



What caused debt: wars and bailouts

Now I'd like to read you a list of things that some people say have caused the national deficit to grow over the past several years. After I read this list, please tell me which TWO, in your opinion, are most responsible for the federal deficit growing significantly over the past several years.



Policy Option for Reducing the Federal Deficit

The public's policy priorities are revealing – and progressive. Eleven items were tested and the top three items all were supported by over 60 percent, almost half strongly – and all were focused on raising revenue from corporations, Wall Street banks and top income earners.

We are approaching a bi-partisan world: 64 percent, including majorities of both Republicans and Democrats, favor a proposal to limit tax breaks for corporations that outsource jobs, and 63 percent favor eliminating the cap on Social Security payroll taxes.

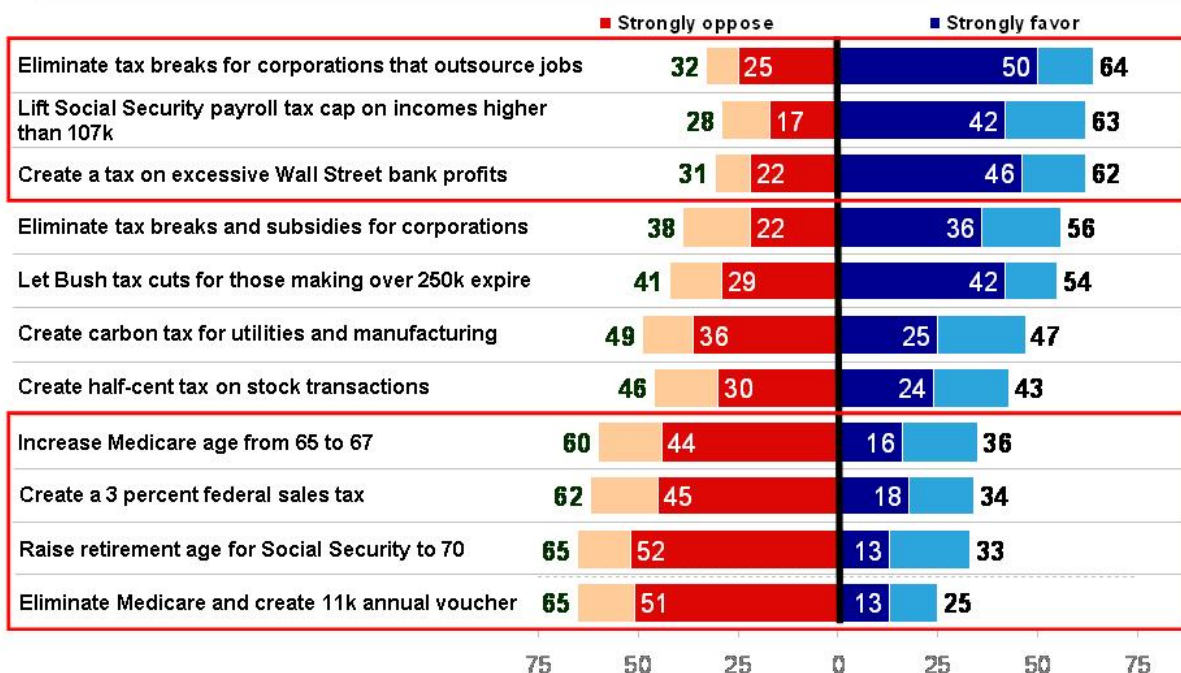
Large majorities also support eliminating tax breaks and subsidies for corporations and for letting Bush's tax cuts expire for those making over \$250,000. Both Democrats and independents give these proposals majority support, but it slips under half for Republicans.

Two tax proposals get plurality but not majority support – instituting a carbon tax for utilities and manufacturing companies and creating a small tax on stock transactions. Each of these gets majority support from Democrats, but not from others.



Deficits: Oppose cutting Social Security, support progressive taxes

Now I'd like to read you a list of proposals to help close the federal budget deficit. After I read each item, please tell me whether you FAVOR or OPPOSE that proposal.



The most unpopular policy option is to reduce the deficit by focusing on entitlements. Only 25 percent favor a proposal to change Medicare from defined benefits to a system of vouchers that max out at \$11,000 per year, a policy especially unpopular with seniors. Only a third of voters favor raising the retirement age for Social Security to 70 and just 36 percent favor increasing the age to receive Medicare from 65 to 67.

For those fascinated by Paul Ryan's plans, one should note that broad majorities oppose them, nearly half of the electorate strongly.

For those fascinated by new tax options, like creating a 3 percent federal sales tax, similar to a Value Added Tax, one should note that six in ten stand opposed to it, 45 percent strongly. A fuller debate on progressive income tax versus a national sales tax, leaves a 54 to 31 percent majority opposed to going down this road.



A Progressive Narrative on the Future Economy

Progressive arguments about government investment elicit more positive reactions from voters than do conservative arguments about spending cuts and deficit reduction. That is pretty surprising and points to voter receptivity to a larger narrative about the economy. We tested four progressive and four conservative narratives. All of the progressive ones had majorities saying they felt more positive toward a leader who would make such statements. But only two of the conservative arguments on spending cuts achieved a similar level of support.

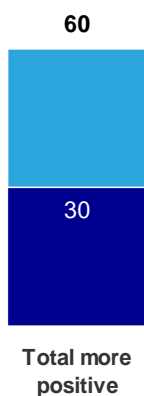
Strongest investment messages: modernizing infrastructure

Now I'm going to read you some things a leader is saying about government investment, the economy and deficits. Please tell me if each of this leader's statements makes you much more positive, somewhat more positive, a little more positive, no more positive, or more negative about this leader?

Investment deficit

We have a budget deficit, but the fact is we also have a massive public investment deficit – in roads, sewers, schools, trains, renewable energy, and other basic parts of our communities. To be competitive, we need to rebuild the infrastructure that is vital to our economy. This will create jobs, help business compete, improve our communities and generate revenues to help pay down the budget deficit.

■ Much more positive



New foundation

A recovery to the old economy isn't possible or desirable. That economy was based on personal debt, the housing bubble, trade deficits, stagnant wages, and a growing gap between CEOs and the rich, and everyone else. We have to build an economy on a new foundation, by investing in education and training in 21st century infrastructure, capturing a lead role in the new green industrial revolution, and balancing our trade so we make products and create jobs in America.

■ Much more positive



The most successful progressive narrative focuses on addressing our “massive public investment deficit.” Six-in-ten voters feel more positive after hearing an argument about investments in roads, sewers, schools, trains, and renewable energy vital to our economy. Such investments would create jobs, help business compete, improve communities and generate revenues to pay down the deficit.

Three other progressive arguments tested well, winning more than majority support. A majority of 54 percent were more positive after hearing a narrative about putting our economy on a new foundation, less debt and bubbles and more investment in a 21st century infrastructure.



Progressive taxes, historical context also earn majority positive feelings

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Progressive deficit reduction

Reducing the deficit is very important to our future economy and preserving critical public benefits for ordinary people, like teachers and police, Social Security and Medicare. We can reduce the deficit by cleaning up what got us in this mess. Restore the higher tax rates for those earning over 250 thousand dollars a year and for excessive CEO bonuses, institute a small transaction tax on stock trades, and wipe out the lobbyist-created special corporate interest subsidies. That is the right way for us.

■ Much more positive



FDR and the Great Depression

When the economy crashed, banks and business and consumers held on for dear life – and only the government could get the economy moving, just as FDR had done in the Great Depression. And it is still true, with unemployment over 9 percent. We need to act now to put people to work and help those who have lost their jobs through no fault of their own. We need government investment in jobs, education, and infrastructure in the short-term, while being mindful of reducing the deficit over the long-term.

■ Much more positive



About half of the electorate supported a progressive deficit narrative – focused on prioritizing higher top-end rates, excess profits and a financial transaction tax. About half responded positively to a narrative that recalled the role of government investment during the Great Depression.

Two of the conservative arguments on spending cuts won majority support; one focused on reducing the government’s role in the economy and one rejecting government bailouts. Two other narratives tested relatively poorly. Just 47 percent said they felt more positive after hearing a message focused on maintaining the Bush tax cuts. The least successful message won just 32 percent support, focused on broad spending cuts even including Social Security.

We set up a final test of our basic questions on investment versus deficit reduction after people heard these big narratives. The biggest movement occurred on the basic choice; voters went from a 51 to 42 percent margin favoring bold spending cuts at the beginning of the survey to a 48 to 47 percent split immediately after hearing the arguments. The narrowing occurred among Democrats who moved from 68 percent support for investment to 76 percent. Independent and Republicans were not moved by the new information.



The New Progressive Base

The progressive majorities in 2006 and 2008 were produced in part by the growing segments of the electorate – unmarried women, young voters, African Americans and Latinos – we call the Rising American Electorate (RAE). They constitute nearly a majority of the presidential electorate and voted overwhelmingly for both President Obama and the Democrats.

These voters have been hit hard by the economy and their level of engagement will matter – and in particular, they will weigh in on these economic choices.

Members of this progressive base were far more likely to support investment over austerity: 58 percent selected the investment option while 38 percent remained more concerned with deficit reduction. This commitment to investment is far different than the closer divide in the overall electorate.

More than any other group, the RAE is open to the notion that government investment in these key sectors (particularly education and jobs creation) will grow the economy, correct the current trade imbalance, and increase the tax base, thus resulting in a *long-term and sustainable solution* to the nation's year-on-year budget deficit.

Over three quarters of this new progressive base embraced a narrative that said we need a new foundation: “A recovery to the old economy isn’t...desirable... We have to build an economy on a new foundation by investing in education and training, in 21st century infrastructure, capturing a lead role in the new green industrial revolution, and balancing our trade so we make products and create jobs in America.” These voters are at the heart of the new progressive coalition and respond strongly to these economic revival narratives.