

Date: March 11, 2010
To: Friends of Democracy Corps
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The Challenge of Getting the Real Economy Right

Report on the Democracy Corps Baseline Survey on the Economy

The biggest challenge facing Democrats in 2010 after passing health care is getting the economy right – and this is even more important than health care. While economic growth is better than contraction and stagnation, it poses immense problems for progressives wanting the support of voters – starting with the growing gap between improving macro-level indicators and lagging micro-level ones, like job and wage growth. There is reason to believe – confirmed by this survey – that progressives are losing many blue collar and non-college voters as elites focus on “economic success.”

The second big and growing challenge is the gap between the hopes of the new progressive base voters who created a progressive majority in the country in the last four years – African-Americans and Latinos, young voters and unmarried women – and their own experiences in this economic crisis – loss of employment, wages and health care and cutbacks in state services. These voters are dominantly the “drop-off” voters – those who voted in the 2008 election but are not likely to in 2010.

Democrats and progressive groups will have to craft an effective narrative – as the economy unfolds and these gaps potentially widen.

Democracy Corps' January survey – updated in late February – shows in depth the character of this economy and how different segments of the electorate are experiencing it and the conclusions they are drawing about the country's leadership and direction. In January, nearly 50 percent of likely voters were ready to cast a protest vote against the Democrats on the economy; among white blue-collar men, it topped 70 percent.

The key findings are summarized below:

- 1. View of the economy worsens after one-year anniversary of the ‘stimulus.’**
Our key measures on the macro economy remain very negative – and declined further in our survey after all the publicity around the one-year anniversary of the stimulus that underscored the success in bringing the country back from the brink. That should be a wake-up call on how difficult it is to get the economic narrative right.



2. **The real economic indicators – job loss, reduced wages, and cuts in state services and state assistance – could fuel the blue-collar protest and demoralize the new base.** While the nation’s 5.9 percent economic growth in the first quarter was encouraging, we all understand that does not capture the real experience: 35 percent of likely voters have been impacted by job losses and 41 percent by reduced wages (either personally or through a member of their family). With states in the middle of new rounds of budget cuts, the new progressive base voters will take their own added economic hit.

3. **Knowing how people experienced the economic crash will help us understand how to reach them during the recovery.**

- Reduced wages and hours had the greatest impact on younger women (under 50), younger college graduates and those earning over \$75,000.
- Job losses had their greatest impact on those earning less than \$30,000, non-college and non-union voters, and those in the industrial Midwest and large metropolitan areas.

4. **The real economic indicators do show some gains and progressives must figure out how to use them effectively.** While views of the overall economy are very cool, people are warmer about “the state of my personal finances,” with a mean thermometer of 57.1 degrees in February, and positive outnumbering negative assessments by 29 points. For the first time we have seen an increase in voters saying the economy has hit bottom in January. That is being reflected in the job market: 60 percent report rejoining the job market, with a little more than half (52 percent) of respondents and families who lost a job in the past year finding a new one. That is probably normal churning of the economy, but we will monitor the progress. There is a significant correlation between re-entering the job market and presidential job performance and congressional vote.

5. **But always remember, the most important groups for this election may be experiencing and viewing all this differently.** While college-educated voters are perking up to these economic changes, it is just not true for white non-college and blue-collar voters and many in the new Democratic base groups.

6. **Lack of confidence in Democratic approaches to the economy.** The country is split on whether the president’s recovery plan will work, which could change as the economy improves. But more important is the sharp fall of confidence in Democrats versus Republicans on who would do a better job on the economy: from a 16-point advantage in mid-2009 to no advantage now. The same is true for who would do better with “jobs and employment.” That should be a wake-up call. Concern with deficits and spending, with whether Democrats know how to create jobs in the real economy, and the efficacy of the stimulus clearly erode the progressive position. At the same time, a plurality believes Obama and the Democrats are more concerned about bailing out Wall Street than in creating jobs for Main Street. This is not a healthy combination.



In January, the experience and attitudes on the economy were tipping voters to cast a protest vote by 51 to 44 percent, rather than vote to continue the Democrats' direction and not jeopardize the recovery. The goal of progressives must be to advance a viewpoint on the economy, a characterization of Republicans and a choice for the election that tips the scales on that key question.

This initial survey of 1,001 2008 voters (836 likely voters), nationwide, was conducted by Democracy Corps, January 7-11, 2010. This memo also reflects findings from two pairs of focus groups conducted by Democracy Corps in Florida and Ohio in mid-January,¹ and looks at political tracking measures from our survey conducted February 20-24, 2010, in conjunction with Third Way.²

The Cold Economy: Unfavorable Attitudes and Tremendous Uncertainty

The cool attitudes toward “the state of the economy” have remained consistent in our tracking from May 2009 to January 2010, with the mean favorability score standing at 34.6 degrees in January on our 100-point thermometer scale. But since then, ratings of the economy have fallen further despite determined and legitimate efforts by the White House and Congressional Democrats to underscore the success of the stimulus bill on its one-year anniversary. The mean score for the “state of the economy” is down nearly 5 points to 29.7 degrees, the lowest such rating since March 2009 during the depths of the recession. And as rating of the economy have fallen, so has overall optimism about the direction of the country with just 31 percent saying the country is heading in the right direction, down 5 points since January.

These and other feelings on the economy are driven by partisanship, with Democrats viewing the economy somewhat favorably and independents and Republicans much less so. Voters' feelings about their own personal finances, however, are more optimistic (with a mean rating of 57.1 degrees), having not declined along with feelings toward the economy and are consistent across the partisan spectrum.

Voters are highly uncertain about the prospects for improvement in the economy overall and in the employment situation. About even numbers believe that the economy will or will not improve this year, while slightly more people are pessimistic about the employment situation getting better. These ratings are extremely polarized along party lines, with independents leaning somewhat more toward Republican pessimism on both measures, particularly the employment situation.³

¹ Also cited in this memo is a January 20-21 and 23, 2010, survey of 800 likely voters conducted for National Public Radio by Public Opinion Strategies in conjunction with Greenberg Quinlan Rosner. Neither NPR nor POS are responsible for the views and findings expressed in this memo. As well as findings from a focus group of 50 swing voters in Nevada who gave their real time reactions to President Obama's State of the Union Address using perception analyzing devices (also known as “dials”).

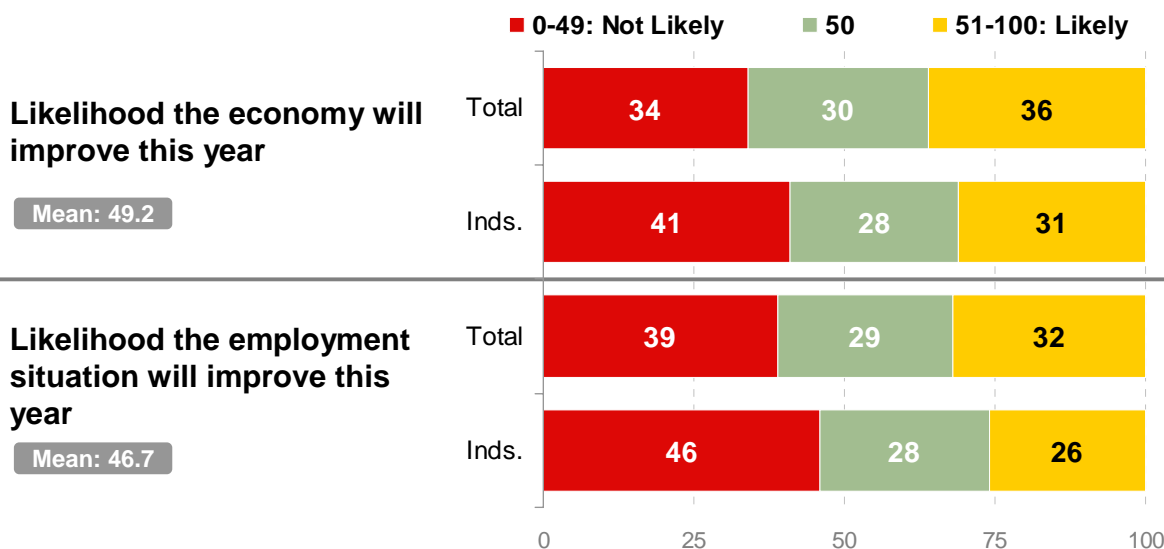
² February survey of 1,001 2008 voters (851 likely 2010 voters) nationwide, conducted February 20-24, 2010, by Democracy Corps in conjunction with Third Way.

³ It should be noted our regression modeling shows that voters' levels of optimism on the economy and the employment situation are significant drivers of President Obama's approval rating, even when controlling for partisanship. However, the models show no relationship between economic optimism and congressional vote.



Probability that economy will improve this year

Please rate how likely you think it is that **the economy/the employment situation will start to improve this year** on a scale from zero to one hundred, where zero means that you think there is no chance that the economy/employment situation will start to improve this year and 100 means you think that it is absolutely certain that the economy/the employment situation will start to improve this year. 50 means that you think there is a 50/50 chance that the economy/the employment situation will start to improve this year. You can use any number from zero to one hundred.



It is difficult to overstate the importance of our employment situation data. A survey conducted for National Public Radio just before the State of the Union showed that voters overwhelmingly wanted the Congress to focus on jobs in 2010, and our dial groups during Obama’s address saw some of their highest ratings of the evening when President Obama promised to make jobs his top priority this year. But voters do not yet perceive the president and congressional Democrats giving the required focus to this top issue or even having the right approach.⁴ Democracy Corps focus groups indicate a growing frustration with the employment situation, reflected strongest in the comments of one non-college-educated woman in Columbus, OH:

“I guess I don't feel [Obama has helped] because I have been out of work for a year and I don't understand that. I have never had to go through this before and he says they are trying to create jobs but I don't see it.”

Indeed, when looking at our real economic indicators, which will be discussed later in the memo, job loss and reduced wages have affected the most people.

While the overall electorate is divided almost evenly on the prospects of an improving economy this year, blue-collar voters are dramatically more pessimistic in all our measures, from general outlook and assessment of the economy to the primary economic and employment

⁴ Note, these surveys and focus groups were conducted well before the Senate passed its Jobs Bill.



arguments. Their resentment may rise if they do not see or experience the economic openings, as elites and others do.

Right now, a plurality of white college voters say the economy “has already bottomed out and is now improving” – 12 points higher than for white non-college voters, who are as likely to say the economy is still getting worse. The sharp difference in optimism between college and non-college voters is evident on all of the measures in the table below.

Table 1: White Non-College Voters More Pessimistic On Economy

Group	Economy Will Improve	Employment Will Improve	Economy improving minus getting worse ⁵
Total Likely Voters	49.2	46.7	+9
White Non-College Men	39.2	43.5	-6
White Older Non-College	41.0	39.6	-1
White Non-College	45.2	41.5	+2
White Younger Non-College	50.8	45.3	+5
White Non-College Women	50.6	38.9	+11
White Younger College	46.6	53.6	+17
White College Women	48.5	48.8	+18
White College Men	49.4	51.0	+18
White College	48.9	50.0	+19
White Older College	51.7	46.5	+19

The new Democratic base – including those under thirty, Latinos and African-Americans, and unmarried women⁶ – is different. While they too face a tough economy, they are much more optimistic than the white non-college voters. Their optimism is likely driven primarily by partisanship, as these groups are overwhelmingly Democratic-leaning and voted for Obama and

⁵ 1st and 2nd column shows the mean score, on a 0 to 100 scale, of each group’s opinion of the likelihood that the economy or the employment situation, respectively, will start to improve this year. The 3rd column shows the difference between the percentage of each group saying the economy has already bottomed out and is starting to improve and the percentage saying the economy has not yet bottomed out and is still getting worse.

⁶ Because of low sample size and high percentage of drop-off voters within these groups, the “new Democratic base” numbers are taken from the full sample of 2008 voters (1,001 respondents) unless otherwise noted.



congressional Democrats by vast margins in 2008. But could this be eroded if they do not share in the gains in the coming months?

Table 2: Optimism Higher Among New Democratic Base Voters

Group	Economy Will Improve MEAN	Employment Will Improve MEAN	Experiencing Job Loss (You or Family) ⁷
Total 2008 Voters⁸	49.7	46.9	36
Minorities	55.9	52.6	42
Unmarried Women	49.8	50.6	40
Youth	51.4	50.3	40
Union Households	54.7	46.7	37
White Union Households	53.9	48.7	36

Union households share some of this optimism for the overall economy, but with perhaps greater realism, have less for employment.

The Personal Economy: Key Groups and the Real Economic Indicators

While the unemployment figure is a strong headline gauge, it fails to wholly capture the full personal impact on many Americans because, while it accounts for unemployment, it does not consider the underemployed – those who have seen reduced wages or hours, loss of health insurance, nor does it include those who have given up finding work. Indeed, though participants in our focus groups were largely optimistic that the economy would eventually pull through, nearly all of them indicated that they were still feeling acute economic pressures as a result of the crisis. This was particularly true for blue-collar participants, as summed up by this non-college man from Orlando:

⁷ 1st and 2nd column shows the mean score, on a 0 to 100 scale, of each group's opinion of the likelihood that the economy or the employment situation, respectively, will start to improve this year. The 3rd column the percentage of each group who have either personally or had a member of their family experience job loss in the last year.

⁸ Because of low sample size and high percentage of drop-off voters within these groups, the “new Democratic base” numbers are taken from the full sample of 2008 voters (1,001 respondents) unless otherwise noted.



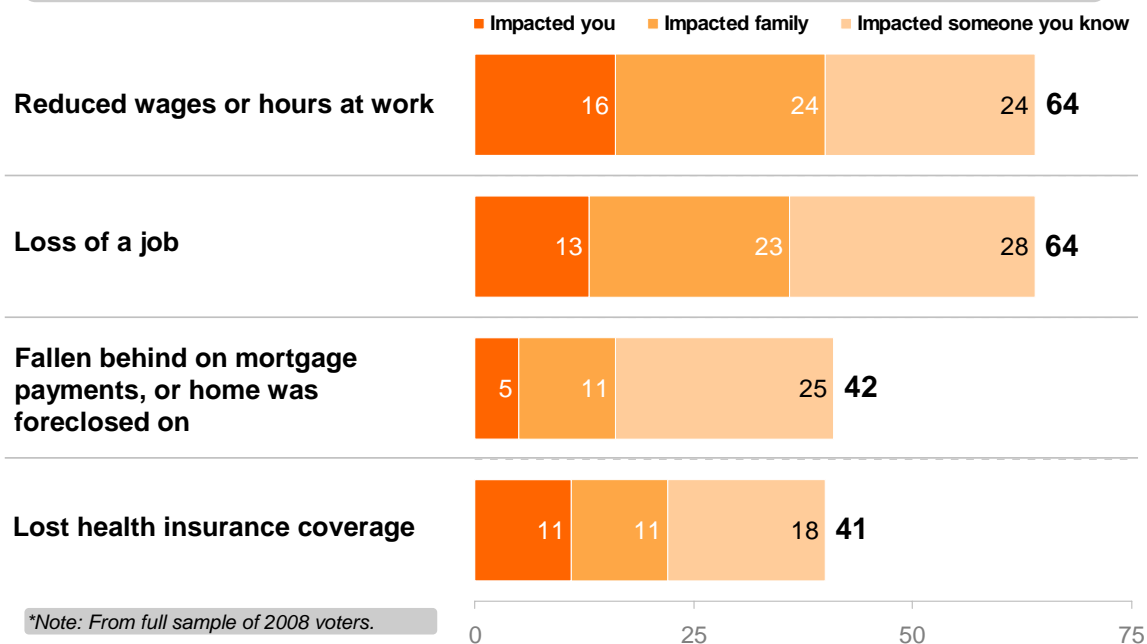
“Because, like at my job, I’ve been with the company almost 5 years but, you know, back 2 or 3 years ago they were hiring people left, you know, you could find a job anywhere. These days now it’s hard to find a job and companies know it and they’re like okay you can quit, whatever. We’ll find somebody better who’ll appreciate it and you’re losing, I lost my 401K. I’ve lost a lot of things. I’m like what next? What’s next? I could be unemployed.”

To better get at this dichotomy, we asked each respondent in our survey whether they, a member of their family, or a close friend or colleague had experienced a number of economic events in the last year.⁹ The most widely shared aspect of this recession has been reduced wages or hours: 40 percent feeling the impact directly or within their own family. Interestingly, it has been younger women (under 50), younger college graduates, and those with higher incomes (over \$75,000) who took the brunt of this aspect of the downturn.

Losing a job was right behind this: 36 percent either personally lost (13 percent) or had a member of their immediate family lose (23 percent) a job in the past year, and that number rises to nearly two-thirds when adding close friends or colleagues.

Negative real economic indicators

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.



Of those who have experienced job loss personally or in their immediate family, nearly four in five have reentered the job market (79 percent), with half (51 percent) succeeding in

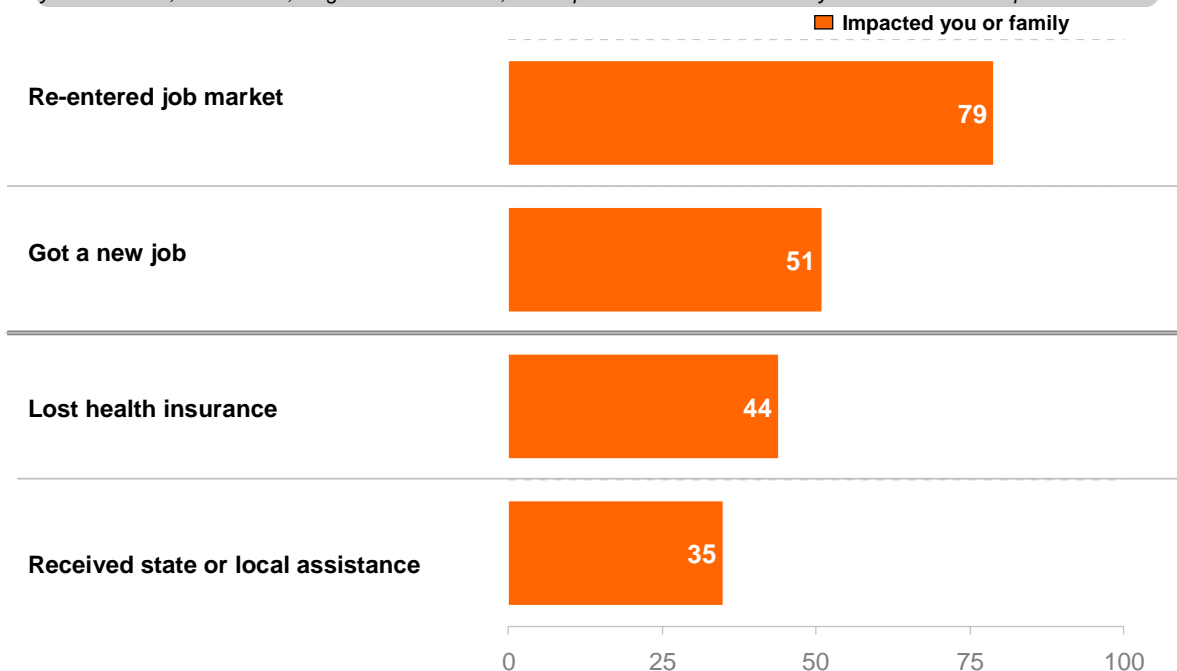
⁹ Economic indicator data comes from the full sample of 1,001 2008 voters unless otherwise noted.



getting a new job. Losing a job has a big personal impact: 44 percent have lost health insurance and 35 percent received state benefits in the last year. Indeed, this job-loss group makes up 61 percent of those receiving state benefits. A different part of society has lived with more of the job losses, felt most dramatically by those earning less than \$30,000, non-college and non-union voters, and those in the industrial Midwest and large metro areas.

The fate of those who have lost jobs

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.



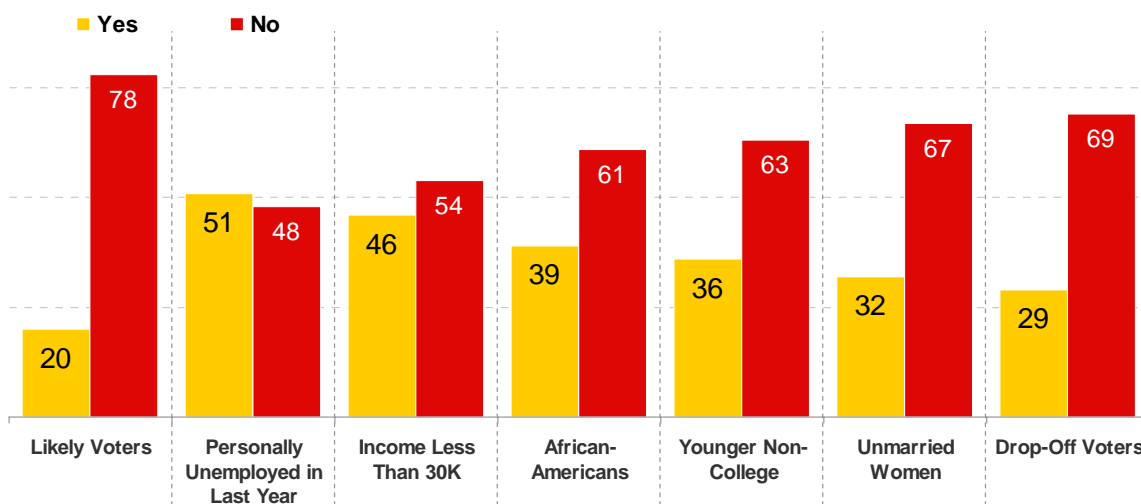
**Note: From full sample of 2008 voters. Result from those who have had at least a family member lose a job.*

The new Democratic base voters have been hit even harder by job losses, with 18 percent experiencing this personally and 40 percent when considering a family member. Because of the high job losses among the groups that make up the new base – particularly minorities and unmarried women – they are among the most likely to receive and rely on government benefits. While only one-fifth of 2008 voters overall report to be receiving state benefits, that number rises to nearly 30 percent among new base voters.



1/5 receive state assistance

Please tell me whether you have received or not received any of these benefits from your state or local government in the last year – food stamps, unemployment benefits, state children’s health insurance benefits, Medicaid, or reduced school lunches.



So, while these are among the most optimistic and Democratic, they have been hit hardest economically. This group is among the most likely to “drop-off”¹⁰ and is less enthusiastic about voting in 2010.

All of this adds up to a potential problem – base voters, already less than enthusiastic, becoming more dispirited if current expectations for an improved economic situation are not met, particularly as state support gets further cut.

Mixed Judgment on Obama, Democrats on the Economy

Right now, voters are split evenly on the likely success of President Obama’s economic policies with 45 percent agreeing that they “helped avert an even worse crisis” and laid the groundwork for recovery against the 49 percent who say they have “run up a record federal deficit while failing to end the recession” or slow the pace of job loss.

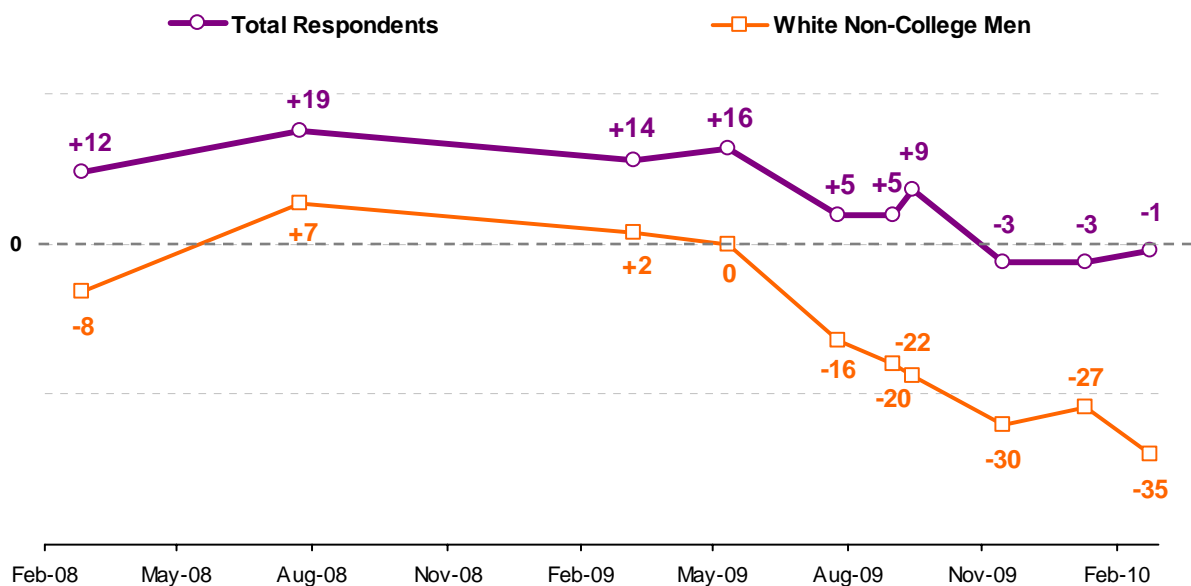
That is part of a mixed judgment on Democrats overall, as likely voters prefer Democrats over Republicans on jobs by just 2 points, while drawing about even with Republicans on the broader issue of the economy. Democrats held a significant advantage over Republicans on handling the economy in the last decade until November 2009 when Republicans closed this gap. Today’s 1-point gap on handling the economy is a significant decline from the 16-point lead the Democrats enjoyed as recently as May 2009.

¹⁰ Drop-off voters are those 2008 voters who are not likely to vote in 2010 based on self-reported past-vote history and 2010 vote intention.



White non-college very critical of Dems on the economy

Now I am going to ask you something different. I am going to read a list of issues and I want you to tell me whether, overall, you think the Democrats or the Republicans would do a better job with this issue. If you do not know, just tell me and we will move on to the next item... **the economy.**



*Note: Data from Democracy Corps surveys since February 2009. Shows "Democrats Better – Republicans Better" net.

Democrats losing their advantage on the economy will likely be stymied by growth in the economy, but also by a sense that Democrats have ideas or plans on how to bring growth and employment. That parity is an important warning sign as Democrats craft their future direction.

There is also clearly a problem with white non-college and blue-collar voters, particularly the men. The more conservative blue-collar voters trend heavily in favor of the Republicans, coming in against Democrats on the economy and jobs by 35 and 14 points, respectively. The gap on the economy exceeds the margin McCain got among those voters in 2008.

The trend away from the Democrats in these marginalized groups is stunning. In combined Democracy Corps data over the past two years, white non-college voters have moved from a 3-point advantage preferring the Democrats on the economy to a 25-point deficit.

The Democrats' problem on the economy has been hurt by doubts about for whom they are really working. A plurality of likely voters believe that "Obama and the Democrats are more concerned with bailing out Wall Street" than they are "with creating jobs for ordinary Americans" (49 to 41 percent).¹¹ White non-college voters are even more certain that Democrats side with Wall Street (53 to 36 percent).

¹¹ Our dial group analysis of Obama's State of the Union address found that the president's strong message and tone in support of greater accountability for the banks went a long way toward reversing this view. <http://www.democracycorps.com/focus/2010/01/obama-resonates-with-swing-voters/>



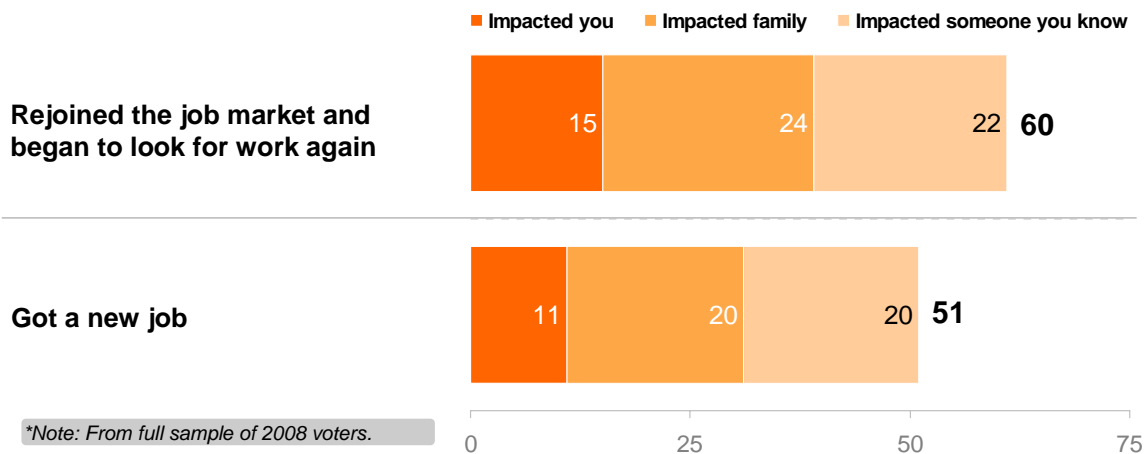
Some Initial Indicators of Perceived Improvement

Despite this atmosphere, there is some evidence that voters are starting to believe that the economy has at least hit bottom. Both the Democracy Corps and NPR surveys showed the first uptick in the percent of voters who say that the economy, “has already bottomed out and is starting to improve” since we began tracking that question in July.

And while attitudes toward “the state of the economy” have remained low, attitudes toward “the state of my personal finances” remain positive, with a mean score of 57.1 degrees. This tracking measure has even seen a slight uptick since our survey in November, revealing an electorate with significantly more confidence in their own financial position than they have in the country’s. In addition, many have actively begun to seek employment again: where a person or family has lost a job in the past year, 79 percent have reentered the job market; 51 percent have found a job. Our regression analysis shows that, while the correlation is not strong, re-entering the job market is a significant driver of Obama’s approval and a vote for the Democratic candidate for Congress.

Positive real economic indicators

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.



But it is important to stress that voters are experiencing the real economy differently:

- The groups that make up the new Democratic base are facing the highest unemployment but also are among the highest rate of rejoining the job market of any demographic groups in our survey. A cause for optimism.
- However, the new Democratic base voters also show one of the biggest gaps between “rejoining the job market” and “got a new job.” They are searching, but not yet finding much success. A cause for concern.

White non-college and blue-collar voters are in a similarly difficult position. Although the percentage among this group who have rejoined the job market is roughly 10 points less than the



Democratic base voters (35 percent), the gap is very similar and, in the case of some subgroups, even larger.

By contrast, the college-educated upscale groups are operating within a “surplus” job environment – more people in these groups report to have gotten jobs in the last year than have lost them, furthering the gap existing between these two spheres.

This makes these blue-collar voters extremely resistant to optimistic characterizations about the economy, such as those that President Obama made in his State of the Union address. Despite the robust economic growth in the first quarter, Democrats run the risk of getting far ahead of voters if they take too much credit for an improving economy. As the dial focus groups we conducted among white swing voters (college- and non-college-educated) in Nevada during Obama’s address showed, most voters are not ready to hear about economic success stories because the real economic indicators – those like jobs and wage growth, which impact them directly – still show a struggling American middle class.¹²

A Blue-Collar Protest Vote and Decreased Enthusiasm from the Base?

The pessimism and frustration felt by the electorate overall, and blue-collar voters especially – even as the economy begins to improve on a macro level – needs to be recognized and addressed by progressives and Democrats as the election ramps up into November. As it now stands, voters are at a tipping point with a bare majority (51 percent) saying that based on what is happening with the economy, they are “leaning toward voting for the Republicans to protest the direction the economy is heading” versus 44 percent who say that they are leaning toward “voting for the Democrats so we don’t jeopardize the chance of an economic recovery.”

This “protest vote” is an important indicator going into the election, particularly among the white non-college voters who have turned against Obama and the Democrats on the economy. These voters are leaning strongly toward using their vote in November to protest the direction of the economy (by a 26-point margin), a particularly troubling sign for Democrats since this eclipses the sizable 18-point margin by which McCain won these voters in 2008.¹³ White non-college men and older white non-college voters are particularly problematic for Obama and the Democrats. These voters overwhelmingly lean toward a Republican protest vote on the economy and strongly believe Obama’s economic policies have failed.

¹² Full analysis on the economic portions of President Obama’s speech can be found [on the Democracy Corps site](#).

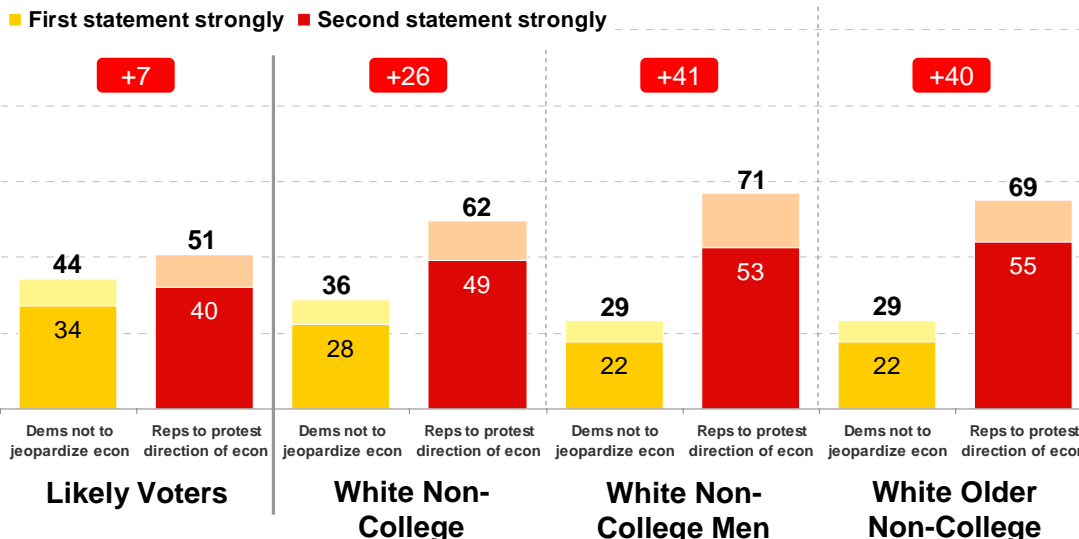
¹³ According to official exit polls as reported by [CNN](#).



Tipping point on economy reached among white non-college voters

First Statement: Looking at what is happening with the economy, I am leaning toward voting for the Democrats so we don't jeopardize the chance of an economic recovery.

Second Statement: Looking at what is happening with the economy, I am leaning toward voting for the Republicans to protest the direction the economy is heading.



In fact, these blue-collar voters are much more pessimistic about Obama and the Democrats on nearly every economic measure we tested. They reject the notion that Obama’s policies have helped avert a worse crisis by 22 points and believe that Democrats put Wall Street ahead of Main Street by a 17-point spread. White, college-educated “elites,” for comparison, are divided over whether Obama’s policies have helped avert worse crises, and they lean toward a Republican vote in protest by just 9 points, a small deficit in comparison, and less daunting when considering Obama only lost this group by 4 points in 2008.



■ **Table 3: White Non College Voters Skeptical of Democrats on Economy**

Statement	White College		White Non College		White Non College Men		White Older Non College	
	Total Each Statement	Net	Total Each Statement	Net	Total Each Statement	Net	Total Each Statement	Net
President Obama's economic policies helped avert an even worse crisis, and are laying the foundation for our eventual economic recovery.	46		37		30		34	
OR President Obama's economic policies have run up a record federal deficit while failing to end the recession or slow the record pace of job losses.		-2		-22		-38		-29
	48		59		68		63	
Looking at what is happening with the economy, I am leaning toward voting for the Democrats so we don't jeopardize the chance of an economic recovery.	43		36		29		29	
OR Looking at what is happening with the economy, I am leaning toward voting for the Republicans to protest the direction the economy is heading.		-9		-26		-42		-40
	52		62		71		69	

Unsurprisingly, the new Democratic base voters have the opposite reaction on these measures. They lean toward voting Democratic in 2010 “so we do not jeopardize the chance of an economic recovery” (rather than voting Republican to protest the direction of the economy) by 23 points. The problem for Democrats here, of course, is not that these voters are likely to cast protest votes but that they may not cast votes at all. These voters are already among the least enthusiastic about voting in 2010, particularly youth and unmarried women.

With such a disparity between the macro-level economic growth being reported by the experts and micro-level changes that are yet to be felt in most homes across America, progressives have a powerful incentive to figure out an economic narrative that can touch and capture these voters still waiting to catch up to the economic recovery.