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To: Friends of Democracy Corps
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The New Middle Class Populism

An Economic Message Strategy for Democrats

Voters are deeply worried about the economy, the exodus of jobs, and rising costs with stagnant incomes that threaten to wipe out the middle class in the country. Nonetheless, the Democratic presidential candidates trail an out-of-touch John McCain. The Democrats' 12-point advantage on the economy, although significant, largely speaks to their overall partisan advantage as it reaches only a 3-point margin among independents. Despite their deep concerns about the economy, voters are not turning to Democrats like they are on health care; instead, Republicans receive a serious hearing on their platform of cutting spending and taxes.

Democrats can win this election by making gains on the two big issues – national security, as described in last week's memo, and the economy. Regression modeling shows that making gains on the question "which party will do a better job on the economy" has the biggest impact on improving the Democrats' presidential prospects.

The latest survey by Democracy Corps and Greenberg Quinlan Rosner shows that to really make this a change election, Democrats need to shift their approach on the economy to advance a new middle class populism. Keys to that strategy are Democrats –

1. Recognizing that government is part of the problem and that cleaning out the corporate special interests in Washington is the starting point,
2. Putting the squeezed and disappearing middle class as the main object of their work,
3. Focusing on policies that address rising costs (health care and gas) and outsourced jobs as the central economic problems,



4. Advocating tax cuts not as a “for-or-against” proposition but as a for *whom* proposition, and
5. Demonstrating a surprising openness to break with convention and gridlock – to work with businesses and both parties – to get things done for the country.

We do not offer this advice casually, as it is based on key themes that have emerged in the national survey of 1,000 likely voters, as well as dozens of focus groups over the last few months.¹

- **Voters are looking for *urgency* on addressing the economic troubles that middle class Americans face *now*.** They are looking not for actions for future generations, but for the present. The policies that get the strongest support in the survey address rising “costs,” as well as the outsourcing of jobs. Urgency and immediacy are particularly important for the non-college audiences for whom economic issues are paramount. This is not a question of short-term stimulus versus long-term investment, but rather that immediate action must be part of any agenda.
- **The middle class at risk.** In focus group after focus group, we are struck by the frequency with which voters refer to the “middle class being left behind” and the “disappearance of the middle class.” Voters are moved by messages that talk about the middle class being squeezed by rising costs for gasoline and energy, health care, and college tuition. In this survey, the strongest recollection of the Democratic messages centers on the advocacy noted by phrases like “middle class” and “for people.” Again, this message rings particularly true for the non-college voters who are contested in a race with McCain.
- **Most effective economic policies reduce costs and invest in jobs, particularly alternative energy.** Voters are consumed with rising costs and lost jobs, and they believe the most effective economic policies will reduce energy and gas prices, health care costs, and will invest in industries that create jobs, particularly those developing alternative energy. Investing in alternative energy is a critical part of any effective economic plan, as we will see below.
- **Money spent in Iraq is seen to be draining the American economy.** Voters increasingly view the Iraq War through the lens of how the billions spent there could be used to help America. Spending less money in Iraq is seen as one of the more effective policies for addressing the economy.
- **Corporate special interests dominate government and voters are demanding accountability for results.** The focus of people’s anger are the corporate special

¹ Results based on Democracy Corps surveys conducted by Greenberg Quinlan Rosner of 1000 likely voters nationwide each on February 20-26 and March 25-27, 2008. Results for each survey are subject to a margin of error of ± 3.1 .



interests that dominate government, producing a demand that politicians make it a priority to take back government for middle class Americans. The backbone of this requires the cutting of wasteful spending and a redirection of misguided policies. The fact that a majority believes that the government mostly gets in the way of the economy and job growth speaks powerfully to the challenge at hand.

- The swing independents and non-college voters react most strongly to critiques that center on big business special interests
- Democrats who need to be consolidated and engaged react strongly to critiques focused on the few at the top.

The character of voter uncertainty and frustration requires *a new middle class populism* if Democrats are to break through on the economy. It is “new” because of its determination to take back government, its advocacy for the middle class, its focus on the corporate special interests, its demand for middle class tax relief, and its openness to work with business and both parties to get urgent things done on the economy.

1. A new politics where government helps the middle class, not the corporate special interests. Throughout this survey, it is clear that voters see special interests taking over government as the central problem, rather than government incompetence or bloated government. Thus, the goal is to change who government works for --

- Unfathomable tax breaks for big oil companies who make record profits while middle class Americans face ever-increasing costs at the gas pump
- Egregious handouts to big drug companies while middle class Americans struggle to pay for medication
- And it’s about tax breaks for companies that export American jobs overseas.

Barack Obama’s message about a new politics that goes beyond the special interest and partisan fighting of the past carries resonance in this survey, but it is incomplete. A more powerful Democratic message in this survey gives voice to the middle class in ending the old special interest politics.

2. Tax cuts for the middle class. If Democrats allow voters to make their electoral choices on the question of whether there should be tax cuts, they cede a significant part of the economic debate to Republicans. In the survey, middle class tax cuts stands out as the second most memorable component of the Democratic messages and ranks first with non-college white women and non-college white voters under age 50. That message was premised on this tested reality:



In the seven years since the Bush tax cuts, which included handouts for oil companies, drug companies and those who send American jobs overseas, middle class Americans have seen their incomes drop, while health care, gasoline and college tuition costs have skyrocketed.

Americans understand that Bush's policies have not spelled relief for the middle class, but have resulted in an even greater need for relief. Democrats should support middle class tax cuts because the debate shouldn't be about whether there are tax cuts—it should be about whether we give handouts to oil companies or a hand-up to the squeezed middle class.

3. A willingness to partner with business and build unconventional alliances to get things done. The single strongest proposal tested in this survey centers on working with new businesses and industries to create jobs in the U.S. Democrats must offer an economic agenda that partners with businesses to help them grow and create jobs, while still protecting Americans from big corporations, like oil companies, which take advantage of people. While voters support investment to create jobs, they also believe that business is the engine that drives economic success. The Democratic message must demonstrate a willingness to build new alliances with business and transcend conventional partisan politics in order to produce results for the middle class.

To summarize, the core economic message Democrats and progressives should offer is built off this narrative:

We need urgent action on the economy to get prices down and keep jobs in America so the middle class can prosper. We have to retake government from the big business special interests that assure wasteful spending on tax breaks for oil and drug companies while the middle class is squeezed by rising costs for gas, health care and college. It is critical that we break with convention and take action on the economy. We have policies that will get gas prices and health care costs down, and we will partner with businesses that want to create jobs here. We will work with both parties to invest in emerging industries and American jobs, particularly alternative energy, solar, wind and bio-fuels. We need new economic policies that work for the middle class.

Growing Economic Frustration Centered on Costs

America's economic discontent is rising, a fact confirmed in many major studies. In this survey for Democracy Corps, 74 percent of Americans believe the economy is seriously off track. This includes 80 percent of independent voters and a startling 96 percent of "Democratic Wanna-Ds" – Democratically-inclined voters who are holding back from the Democratic



candidates. A February Pew survey reports that 45 percent of Americans believe the economy is in poor shape, a 17-point increase from January.²

While several factors contribute to Americans' growing economic unease, the combination of increasing costs and stagnant incomes represents the driving force. In the Pew survey, 58 percent of Americans said that their incomes are falling behind the cost of living, a 14-point increase from five months earlier. In addition, 79 percent said prices have increased a lot in the last five years, 16 points higher than when the same question was asked in June 2001.³

In fact, when the Pew survey asked voters the biggest economic problem facing the nation, 24 percent noted gas, energy, and health care costs, or the cost of living generally, while another 13 percent pointed to the housing crisis. Jobs were mentioned by 18 percent. The war in Iraq and government spending (or the deficit more broadly) were also cited as problems, garnishing 10 percent and 11 percent respectively.⁴

The Democrats' Modest Advantage on the Economy

Democrats are more trusted than Republicans on the economy by 51 to 39 percent but that almost exactly tracks the Democrats' generic vote for president. Moreover, the Democratic advantage is built largely on consolidation among Democrats who trust their party to handle the economy by a 90 to 5 percent margin. Independents, on the other hand, only give Democrats a marginal 3-point advantage on the economy, quite lackluster.

Additionally, voters trust Republicans more than Democrats by 5 points on taxes. Given the Republicans' historical dominance on this question, that is manageable. Still, after major Democratic gains on taxes between 2003 and 2006, we now observe a retreat over the last two years. Most disconcerting, independent voters trust Republicans by 16 points on taxes, while white non-college men favor Republicans by a stunning 35 points on the issue and white younger non-college voters do so by 23 points.

² Pew Research Center for the People & Press polls of 1,515 adults and 1,502 adults. Polls conducted Jan. 9-13, 2008 and Jan. 30 – Feb. 2, 2008.

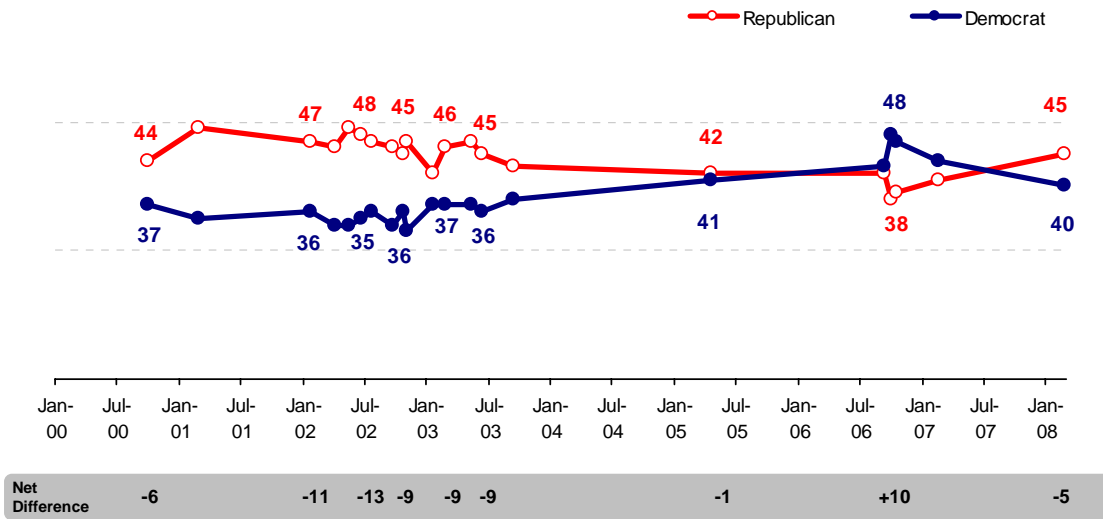
³ Pew Research Center for the People & Press polls of 1,501 adults and 1,502 adults. Polls conducted Sept. 12-16, 2007 and Jan. 30 – Feb. 2, 2008.

⁴ Pew Research Center for the People & Press poll of 1,502 adults. Poll conducted Jan. 30 – Feb. 2, 2008.



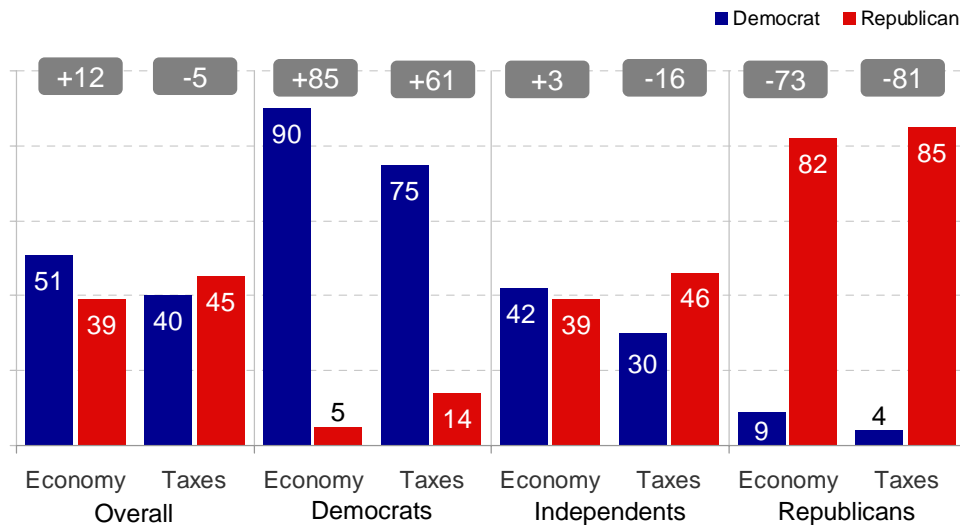
Voters' trust on taxes

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... Taxes.



Voters' trust regarding the economy and taxes, by party ID

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 the this issue. If you do not know, just tell me and we will move on to the next item...the economy...taxes



On government spending, voters trust Democrats over Republicans by 7 points, an edge that can grow if Democrats are willing to take on the government's wasteful spending at the behest of special interests.



Given that Republican control of government replaced a budget surplus with the largest deficit in history, that the Bush tax cuts have resulted in declining incomes and increased costs for the middle class, and that the housing market crashed under Republican control, a 3-point advantage on the economy among independents and a 16-point deficit on taxes is hardly acceptable. Simply put, Democrats must make their case more aggressively on the economy, taxes and government spending.

The Disappearing Middle Class

As noted earlier, in dozens of focus groups conducted by Greenberg Quinlan Rosner Research and Democracy Corps this year, voters focus on the middle class being left behind. The Pew survey confirms that the rise in the percent of Americans who feel their incomes are falling behind the cost of living has come largely among middle and lower income Americans.

Along with the populist message, the strongest message tested in this survey is a message focused squarely on the middle class. An impressive 41 percent of voters find this populist stance a very convincing reason to support a Democrat. Moreover, the highest recall about a Democratic candidate after the messaging centers on advocacy for the middle class.

Middle class messaging creates strong support for Democrats

<i>Now I am going to read you some things that the Democratic presidential candidates are saying about the economy. After each one please tell me whether it would make you much more likely, somewhat more likely, a little more likely, or less likely to support the Democratic candidate for President...</i>	Much More Likely	Much/Smwt More Likely	Much/Smwt/Little More likely
The economy is in trouble and the middle class is struggling just to stay afloat. Washington has forgotten the middle class and needs to act now to relieve the financial pressures on families. We need to cut taxes for the middle class by making the child tax credit permanent so they can keep more of what they earn. We should invest in health care to make insurance more affordable and invest in new energy sources to bring down the costs of gas. And we must invest in education so families can give their children the education to succeed.	41	59	72

Winning the taxes debate is central to the mission of winning the economic argument among middle class voters. As noted in the Democracy Corps January memo, Democrats should not shrink from a debate on taxes. In fact, they should relish the debate, but they must do so with a position that advocates middle class tax cuts. Democrats will not win a debate about whether there should be tax cuts, but they must win the debate about who should be the beneficiaries of those cuts – big oil companies making record profits, or middle class Americans whose hard-



earned money gives those oil companies their record profits. After hearing a range of Democratic messages, voters recall middle class tax cuts as the most compelling Democratic idea and tax cuts rank first among non-college white women and non-college whites under age 50.

If Democrats do not get the message right, Republicans win some of these debates by articulating cuts in government spending and taxes.

The Battle for Change Begins with the Battle to Change Government

This survey reveals a profound tension between Americans’ desire for their government to invest in the right priorities and their skepticism that government will do the right thing—a concern primarily due to its blind obedience to the special interests. By a 55 to 39 percent margin, voters believe that government mostly gets in the way of job growth, rather than stimulating it.

A few key points stand out in voters’ skepticism of government:

- Distrust in government centers less on incompetence and more on government catering to special interests and wasting money.
- Economic investment arguments only work effectively when tied to businesses and job growth.

Voters’ skepticism towards government driven by special interests and wasting money

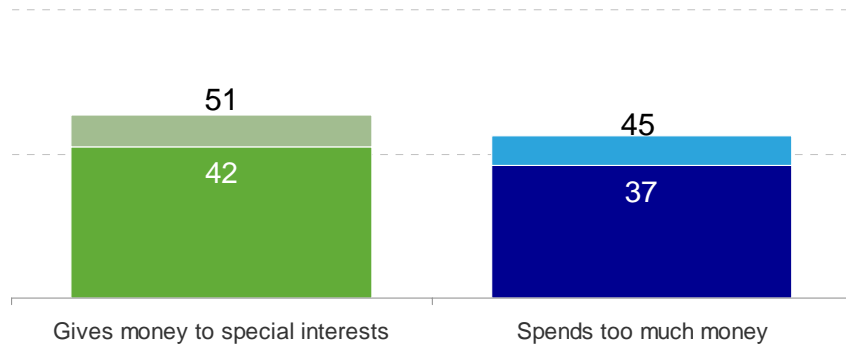
Now I'm going to read you some pairs of statements. As I read each pair, please tell me whether the FIRST statement or the SECOND statement comes closer to your own views, even if neither is exactly right:

Statement 1: The bigger problem with government is it gives too much money to special interests and allows them to do whatever they want.

Statement 2: The bigger problem with government is it is too big and spends too much money

■ First statement strongly ■ First statement not so strongly
■ Second statement strongly ■ Second statement not so strongly

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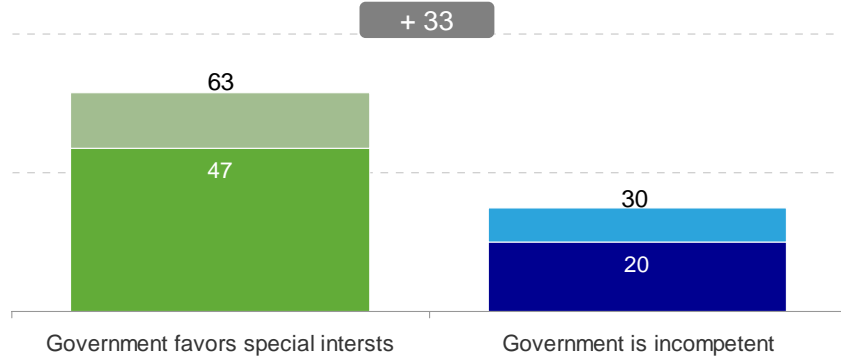
Voters more concerned with special interests than government incompetence

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

Statement 1: The bigger problem is government favors big business and special interests

Statement 2: The bigger problem is government is incompetent and cannot do anything right.

■ First statement strongly ■ First statement not so strongly
■ Second statement strongly ■ Second statement not so strongly



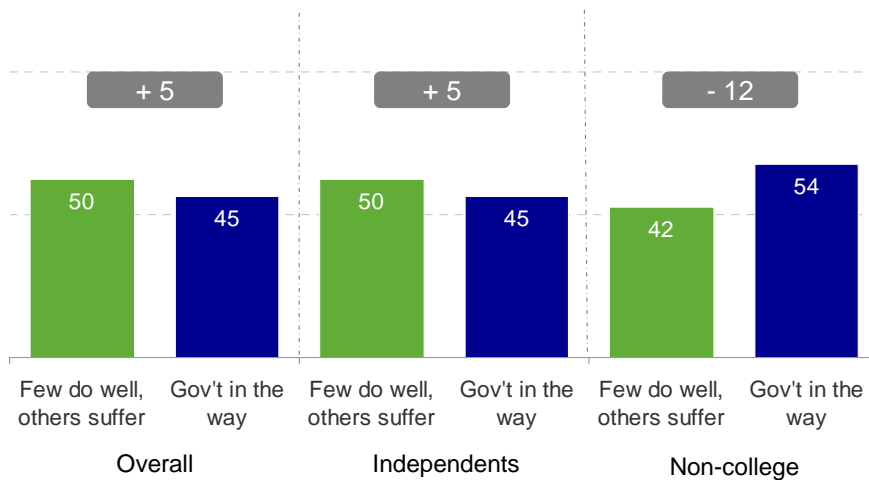
The core critique of government should be that the corporate special interests get their way. This is the most powerful framework among the middle of the electorate – independents and non-college voters. But this year the Democratic Party must also target Democrats, particularly older moderate Democrats who more often pull back from the Democratic presidential candidates. For them, the message about the few at the top resonates equally strongly as the special interest message.

Voters divided over biggest problem with the economy

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

Statement 1: The biggest problem with our economy is the few at the top do very well and everyone else loses ground.

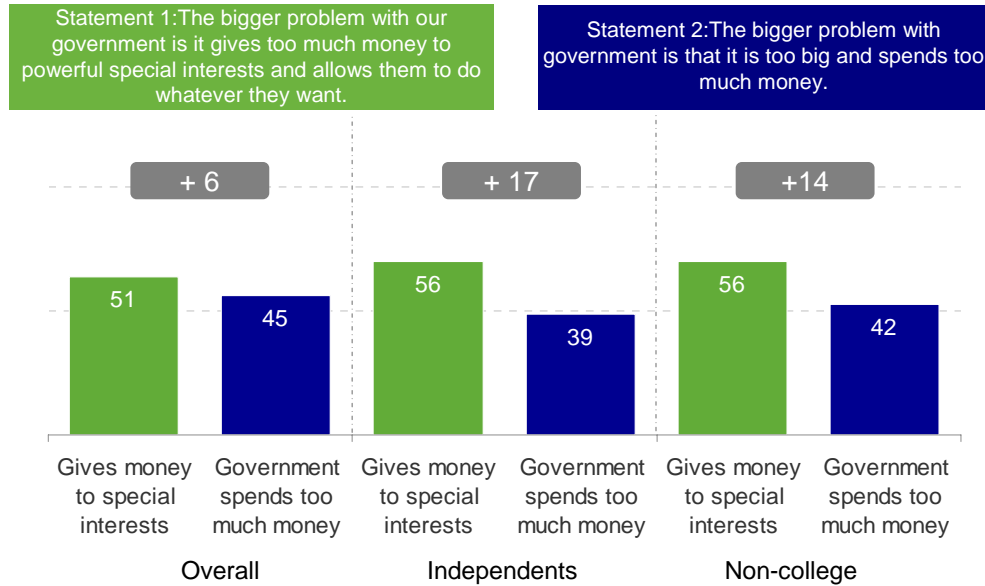
Statement 2: The biggest problem with our economy is government gets in the way and makes it harder for people to make it.





Messages on special interests strong with independent and non-college voters

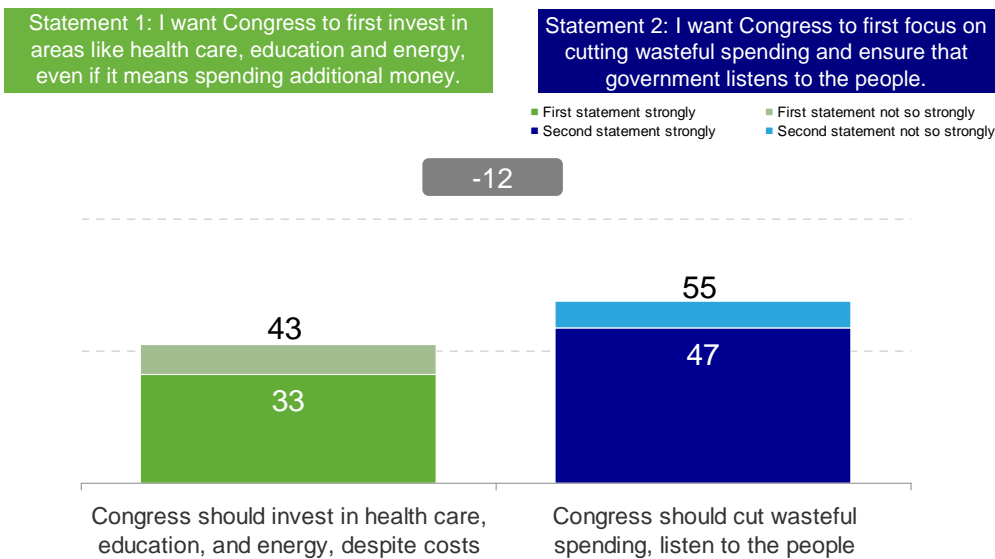
Now I'm going to read you some pairs of statements. As I read each pair, please tell me whether the FIRST statement or the SECOND statement comes closer to your own views, even if neither is exactly right:



Skepticism towards government results in a cutting waste argument trumping an investment argument by 12 points, 55 to 43 percent. Voters want to invest in health care, alternative energy and education, but the government's waste of resources and misplaced priorities push voters to support cutting waste before investing.

Voters respond positively to cutting government spending

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





However, when the argument is reformulated to include investment in businesses in order to create jobs, the investment argument prevails over the cutting waste argument. Most noteworthy, the formulation that includes businesses prevails among non-college white men (by 11 points) – the only framework on the government’s role in the economy that succeeds with this audience – as well as among independents (by 8 points) and white non-college women (by 5 points).

A Progressive Economic Agenda

Top economic policy proposals

<i>Now I want to read you some actions that the next President and Congress might take to improve the economy. For each one, tell me if you think it will improve the economy a lot, improve the economy somewhat, improve the economy a little, make no difference or make the economy worse.</i>	Improve a lot	Improve lot/Smwht	Improve lot/smwt/little
Invest in new businesses and industries that create jobs in the U.S.	59	86	93
Reduce energy and gas prices	57	82	92
Reduce the cost of health care	54	76	87
Develop alternative energy in the U.S. and use less oil	53	76	87
Cut government spending	50	74	84
Spend less money in Iraq	48	65	74
Invest in education to build schools and raise performance	47	73	84
Eliminate subsidies to big oil companies and invest in new energy sources	47	70	82
Cut prescription drug prices	46	68	80
Cut taxes for the middle class	39	71	84
Reduce the cost of college for families	37	69	81
Crack down on illegal immigration	37	61	73
Raise the minimum wage	31	59	75

The principles for a new progressive economic agenda outlined above are buttressed by a set of specific policy proposals. The following are the core policy elements that emerge from the survey:

1. **Invest in new businesses and industries that create jobs in the U.S.** No proposal receives stronger support than investing in new businesses and industries that create jobs (59 percent say this will improve the economy a lot). This can be combined with investment in alternative energy and partnering with business.
2. **Reduce gas, energy and health care costs.** A large majority (57 percent) says that reducing energy and gas prices will improve the economy a lot, with almost as many saying the same about health care costs and drug prices. As discussed earlier, rising costs coupled with stagnant incomes stand at the core of the economic pressure Americans feel.



3. **Develop alternative energy in the U.S. and use less oil.** Voters are enamored with the idea of developing alternative energy and reducing oil use through the innovation of more affordable energy-efficient technologies. They see this not only as a way to reduce dependence on foreign energy, but also as an engine for the new economy (53 percent say this will improve the economy a lot). An impressive 47 percent say eliminating the subsidies for oil companies and investing in new energy sources will help the economy a lot, indicating that they see a way to pay for this investment.
4. **Invest in education to build schools and raise performance.** Nearly half (47 percent) feel this will improve the economy a lot. The link between education, opportunity and success in the global economy is critical and a core part of a progressive economic agenda.
5. **Tax cuts for the middle class instead of oil companies.** While tax cuts for the middle class do not score individually as high as the items above, this survey in its totality speaks to the importance of Democrats supporting tax cuts for the middle class. As noted earlier, Democrats cannot let the tax issue be about whether they are for tax cuts, but instead about to whom the tax cuts should go.
6. **Audit government agencies so money is spent on producing results for people, not on special interest giveaways.** As illustrated in the Democracy Corps memo, [*Getting the Public to Listen*](#), Democrats need to take seriously the mission of creating a government that produces results while cutting waste. Cutting government spending is an effective way to improve the economy, and this increases the importance of driving out the special interests to achieve an accountable government.

These policies underscore the new middle class populist message. They address the big business special interests, such as the oil companies, which profit at the expense of the middle class. At the same time, these policies show a new willingness to work with businesses to get things done for the middle class. This agenda invests in alternative energy and the education that Americans need to succeed in the global economy. At the same time, it provides tax cuts for the middle class that is being left behind. And perhaps most importantly, the agenda takes seriously the need to bring change to America by changing government.