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## The Role of the Economy in the 2006 Elections By Celinda Lake and Daniel Gotoff

“The income gap between the rich and the rest of the U.S. population has become so wide, and is growing so fast, that it might eventually threaten the stability of democratic capitalism itself.”

Alan Greenspan  
Federal Reserve Chairman  
June 2005

“The way to win a presidential race against the Republicans is to develop the class warfare issue. To divide up the haves and have nots and to try to reinvigorate the New Deal coalition.”

Lee Atwater  
1988 Campaign Manager for  
George H. W. Bush

“It’s the economy, stupid.”

James Carville  
1992 Campaign Manager for  
**Bill Clinton**

Despite Americans' dissatisfaction with the national economy, the issue – as a focus of *political* debate – is taking a backseat in the 2006 elections, as it has for the past several cycles. An outsider analyzing the “air wars” being waged on television in targeted House and Senate districts could be excused for concluding that the biggest problem with the economy is the high cost of prescription medications for seniors.

Taking the long view, this is a relatively new dynamic in American politics. But the history of recent political campaigns shows that, for well over a decade now, Democrats have failed to advance a credible vision for a prosperous 21<sup>st</sup> century economy that works for all Americans; not since Presidential *candidate* Bill Clinton made the economy a centerpiece of his campaign in 1992 have national Democratic leaders addressed the issue with success. At the same time, a number of Democratic Governors have won – even in red states (e.g., Wyoming, Arizona, Montana, West Virginia) – by articulating a strong economic vision. To become a majority Party in 2008, Democrats must offer a strong vision for the American economy.

Since the mid-1990's, the Democratic Party's economic prescription for the country – a limited social democracy propelled by globalization and business-friendly deregulation – has failed to excite the public animus or, more important, produce its intended results. (It worth remembering that this was devised as a political strategy for *keeping* Clinton in office; the economic message that helped to elect him in the first place was far more compelling and audacious.)

More recently, economic proposals offered by the Democratic Presidential nominee in 2004 – vague pledges to stop outsourcing and create 10 million new jobs – while ostensibly popular, never constituted a persuasive economic narrative. In 2000, the Democratic economic narrative was constrained by the Presidential nominee's desire to distance himself from Bill Clinton. In 2004, exit polls showed that in the economically depressed battleground state of Ohio, voters gave Bush higher ratings on the economy than Kerry. Our own focus groups found that voters tended to blame both parties for global trade policies and the outsourcing of American jobs overseas. Today, a majority of voters have a difficult articulating what the Democratic economic alternative time is.

Republicans, for their part, offer little in the way of economic prescriptions for the nation other than additional tax cuts tilted heavily toward those at the top and continued deregulation of industry. The conservative economic narrative no longer has the purchase in public opinion that it once enjoyed; the specters of “big government” and profligate spending are now as likely to conjure up images of the Iraq war and Republican bureaucracy and incompetence as anything else. And most voters now view Republican tax cuts as neither a short-term fix for their families nor or a long-term solution to the country's economic challenges. Noticeably, this issue is used more as a political cudgel against Democrats than as a piece of Republicans' positive agenda.

This is not to suggest that Americans are not ready for a real debate on the direction of the nation's economy. The public is, in fact, deeply concerned about the direction in which the country is being steered, and the state of the American economy

specifically. In the recent bi-partisan GWU Battleground 2006 Poll, 61 percent of voters say the country is headed pretty seriously off on the wrong track, with more than half (51 percent) feeling this way strongly.<sup>1</sup> And voters overwhelmingly believe the U.S. economy is in bad shape. Sixty percent of voters say the current state of the economy is just fair or poor. Just forty percent believe the economy is in a good or excellent shape, including only 5% who rate it as excellent.<sup>2</sup>

An ABC NEWS poll conducted in September showed the economy on par with Iraq as the single most important issue for voters in the midterm elections (22 percent and 21 percent, respectively).<sup>3</sup> Another 18 percent chose as their top concern health care (13 percent) or gas prices (5 percent), the rising costs of which play directly into voters' fears over the economy. In fact, rising health care costs are the most pressing personal economic concern for Americans.

Pessimism colors Americans' economic outlook, with fully 61 percent saying economic conditions in the country as a whole is getting worse. Just 31 percent believe the economy is getting better, and 6 percent volunteer that it is doing about the same.<sup>4</sup> More personally, voters do not see their own economic situations improving over the coming year. A majority expects their own financial situations either to stay the same (51 percent) or worsen (8 percent) in the next 12 months. Just over one-third of Americans (36 percent) expects their personal financial situations to improve in that time.<sup>5</sup> Most important, in a recent survey of working Americans, we found that 52 percent believe their children will be worse off than they are.<sup>6</sup> For the first time this included a majority of both college educated and non-college educated Americans. This dynamic represents a fundamental violation of the American Dream, plays heavily into public pessimism about the direction of the country, and is a strong catalyst for voters' desire for change.

Champions of the current administration point to improved employment figures, increased productivity, and economic growth as signs of a healthy economy. But the challenges facing individuals and the country as a whole are no fiction. The American middle class today finds itself caught between a rapidly increasing cost of living, a decline in real income and job security, and record levels of debt. The Republican economic program over the past 6 years, centered almost solely on deficit-financed tax cuts and dramatic deregulation of industry, has produced a host of pernicious consequences. Among them is this indisputable and devastating fact: the income gap between multimillionaires and the American middle class has widened dramatically over the past 6 years. This can no longer be easily dismissed as the hyperbolic rantings of a Marx and Engels-toting student movement. To the contrary, it is a development that has caught the attention of such capitalist stalwarts as the current *and* former Federal Reserve

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<sup>1</sup> George Washington University Battleground 2006 Poll, N= 1000 likely voters, 9/24-27/06

<sup>2</sup> ABC News/ Washington Post Poll. October 2006; surveyed 1,000 adults.

<sup>3</sup> ABC News Poll. Conducted 9/5-7/06; surveyed 1,003 adults, including 863 registered voters.

<sup>4</sup> Gallup Poll. Conducted 9/7-10/06; surveyed 1,002 adults;

<sup>5</sup> Los Angeles Times/Bloomberg Poll. Conducted 9/16-19/06; surveyed 1,517 adults.

<sup>6</sup> Change to Win Poll. N = 800 non-supervisory workers nationwide, August 14-20, 2006.

Chairmen under President Bush, both of whom have warned of the inherent threat to the nation of this growing disparity.

Despite the perplexity among some at the public's reluctance to revel in news of economic growth, the simple truth – one that Americans are increasingly coming to recognize – is that the United States has not experienced a disparity in wealth on this scale in nearly a century, not since the age of the Robber Barons that preceded the Great Depression. A recent study of non-managerial American workers starkly underscores the problem. Fully 81 percent agree (56 percent strongly agree) with the statement, “No matter what you hear about the economy, working families are falling behind.”<sup>7</sup>

When it comes to the economy, the irony for Democrats is not subtle. Americans afford the Democratic Party a growing advantage over Republicans on the issue, but Democrats have struggled to capitalize on that advantage. In the GWU Battleground 2006 Poll, Democrats are viewed as better equipped to improve the economy by a 9-point margin, and Democrats hold even stronger advantages on the related issues of dealing with health care (+30), making prescription drugs affordable (+35), strengthening Social Security (+26), achieving energy independence (+14), and creating jobs (+8). The only economic issue on which voters provide Republicans an advantage (+8) over Democrats is holding the line on taxes.

Yet while Democrats are viewed as better than Republicans on the economy, they have been unable to convert that advantage into political gains. Indeed, even voters who give Democrats the benefit of the doubt on the economy have a hard time articulating what Democrats would actually do if in power. Voters' own perspective on the economy is of a middle class in decline – if not in crisis – badly squeezed between rising costs, reduced benefits, and stagnant earnings. But without any coherent, compelling narrative, voters are short on their own solutions to the economic problems facing the country.

The vacuum of big ideas from either Party on the country's economic future, particularly in the context of globalized economy, is increasingly leaving voters with the impression that the United States and its elected leaders are relatively powerless to determine the country's future. The sense of possibility among the American public – that the American people, through their government, can effect a prosperous, enduring economy – is dwindling. This loss of hope not only fuels the prevalent distrust in federal government, but also encourages a politics of fear, both of which figure prominently in the Republican playbook.

In the absence of a compelling national Party platform, the political debate over the economy has once again turned to siloed messages related to personal, pocket-book economics. Without definition from their Party, and individual Democratic Congressional candidates can hardly be blamed. Swing voters in our focus groups complain that too often Democrats offer only criticism of the economy; they observe that they could hear the same thing from their neighbors. What these voters want to know from Democratic leaders is, “What are you going to do about it?”

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<sup>7</sup> Change to Win Poll. Ibid.

It has already been established that rising prescription drug prices, wildly fluctuating gas prices, the affordability of health care in America, and declining job and retirement security are pressing concerns; and concerns that feed voters' sense that the middle class is failing to keep pace with the rising cost of living in America, while an elite few are doing very well (though most voters do not understand how well). But rarely are the individual issues connected in a comprehensive narrative about the state of the nation's economy, and even more rarely are they used to make the case for an enduring solution. And recent history, however, tells us that the ability of siloed messages (e.g., on prescription drug costs; rising health care and gas prices; decreased job and retirement security) to deliver Democrats' political victories at the ballot box is limited. As such, the economy takes a backseat again in 2006 to the more dominant themes of war and security.

As we look toward 2008, the stakes could not be higher. Yet the Democratic Party cannot win the Presidency until it gains the public's confidence in its ability to create and sustain a prosperous national economy. So where do we go from here?

The terrain for Democrats is fertile; issues of energy independence and national health care offer Democrats broad, popular policy initiatives that can re-invigorate the national economy. Energy independence is the strongest economic proposal for men. Voters in general believe that investing in renewable and sustainable energy development will create good-paying jobs and exportable technology; reduce energy prices; and create a safer, more independent foreign policy. This is a big economic idea whose time has come.

As previously discussed, Americans now see skyrocketing health care costs as directly threatening their families' ability to stay in the middle class and achieve the American Dream. Our survey of working Americans found that affordable health care is considered one of the five pillars of the American Dream (along with being proud of your job, ensuring your children's future, owning your own home, and having a secure retirement).<sup>8</sup> Voters also believe that health care costs are a major impediment to starting one's own small business, which 48 percent of American want to do.<sup>9</sup> 2008 could easily shape up to be the health care election.

A secure retirement is another top concern of Americans and another pillar of the American Dream. Out of a host of progressive economic initiatives tested in a June 2005 survey, the most popular focused on protecting retirement pensions from being raided or taken away by corporate CEOs.<sup>10</sup> In the survey of working Americans, 55 percent expected they would have to retire later than they had planned.<sup>11</sup> **A solid majority of Americans believe Social Security is not secure.**

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<sup>8</sup> Change to Win Poll. Ibid.

<sup>9</sup> The Polling Company and Lake Research Partner for *What Women Really Want*. Conducted March 2005; surveyed 1200 adults.

<sup>10</sup> Lake Research Partners Survey. Conducted June 2005; surveyed 963 likely voters.

<sup>11</sup> Change to Win Poll. Ibid.

Finally, Americans believe that investing in education is the best long-term investment in the nation's economy. Ironically, Republicans talked more about education than Democrats in the 2000 and 2004 Presidential campaigns. In fact, in 2000 Bush neutralized the Democrats' advantage on the economy. Successful Democratic Governors, however, have made education a central plank of their economic platforms. The education agenda including investing in quality pre-kindergarten through secondary schools and expanding the affordability of college and post-high school job training.

Good-paying, secure jobs are still at the center of any economic platform. At a time when American workers are forced to compete against workers who earn 30 cents an hour and work seven days a week, sensible proposals to level the playing field for American workers by revising free trade agreements also hold promise – and not just as sound policy. To wit, 65 percent of Americans view increased trade between the United States and other countries as mostly hurting American workers.<sup>12</sup>

But Democrats must be mindful that these issues – as expansive and politically popular as they are – do not, in and of themselves, amount to a compelling economic narrative. The Party requires a *political* strategy around the economy that tells the story of the resurgence of the American people and the American Dream under responsible Democratic governance. Central to this story is redressing the dramatic disparity in incomes that has taken place under Republican control. This is by no means a novel strategy; but it is one that secured Democratic victories for the first two-thirds of the 20<sup>th</sup> century. Equally important, it is also a strategy recognized by Republicans as the most effective line of attack Democrats have in their arsenal (Republicans' fierce efforts to define as "class warfare" any Democrats' allusions to the redistribution of wealth under Republican governance from the middle class to those at the very top is as telling as Lee Atwater's open admission of this point). In short, the issue is not only substantively important for the Democrats to tackle, but also an approach that offers the Party the promise of rich political rewards and a return to majority status.

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<sup>12</sup> Gallup/USA Today. Conducted 4/7-9/06; surveyed 1,004 adults.