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Keeping the Focus on the Struggle of Everyday People: 2010 Edition

This memo is the third in a series of memos NDN has released around the theme of "keeping the focus on the struggle of every day people." The first was released August 17, 2008, and the second was released September 3, 2009. This memo, updated to take in account recent developments, includes an appendix with additional data and charts.

While the bad news of the last few months is easy to find, the good news is that the challenges, and therefore the opportunities, facing this president and his party are just as clear. The roadmap ahead consists of a shift in rhetoric and policy toward defining, implementing, and selling an economic plan that focuses on the struggle of everyday people. This struggle has been more virulent than at any time in recent memory and comes in the context of a much more competitive global economy that has left Americans uncertain about their ability to get ahead. The American people have the straightforward expectation that their government should be responsive to their needs, understands their economic struggles, and has a compelling, serious plan, commensurate to the size of the economic challenges we face, to improve their standard of living and chances for life success.

1) The Lack of Income Growth for Average Families is the Greatest Domestic Challenge Facing America Today. There can be no doubt that everyday Americans have just been through a lost decade, the defining feature of which was the stagnation of wages and decline of incomes. Even in the Bush recovery, which was, by many measures, robust, median incomes declined, poverty levels increased, debt loads exploded, and job creation was anemic. The typical American family ended the Bush era making over \$2,000 less than at the beginning.

Both per capita GDP and productivity historically have been reliable indicators of prosperity. Productivity increases -- the ability of a given worker to produce more, per hour -- are supposed to lead to higher wages; and GDP growth is supposed to yield more job creation and prosperity that translates into higher living standards. In the Bush era, however, this did not happen, and the stagnation of wages in a time of surging productivity meant that workers were failing to get ahead, even as they produced more. This breakdown of

understood economic relationships has led us here at NDN to argue that there is a large structural change being brought about by globalization that is making it harder for the American economy to create jobs and raise the standard of living of every day people.

That median income dropped during a robust economic recovery made the Bush recovery different from any other recovery in American history, and has made the current Great Recession different from other recessions. The American consumer was already in a very weakened state before the current recession, which is why the recession has been more virulent than many predicted, and why the "recovery" is slow to come and anemic. The economy seems to be going through profound, structural change, making old economic models anachronistic. We are literally in a "new economy" now, one that is not well understood, and one that is confusing even the president's top advisers.

Simply put, getting people's incomes up is the most important domestic challenge facing those in power today. It is not surprising that other issues like health care, energy policy and climate change are being seen through a prism of "will this make my life, my economic struggle better today?" because so many families have been down so long, and things have gotten an awful lot worse over the last year. Regardless of what they hope to be graded on by the public, the basket of issues that will do more to determine the success of the president and his Party is both the belief that things are getting better and the reality that they are for most people.

2) The Public Believes the Economy Is By Far and Away the Most Important Issue Facing the Nation Today. In poll after poll and election after election, the public has made it clear that the economy is their most important issue, with really nothing coming in a strong number two. Exit polls from 2006 and 2008 provide clear evidence that the economy was by far the number one issue that helped elect the Democrats in those years. Nationally in 2008, 63% of voters said the economy was their top issue, while only 9% said the same for health care.

A Pew poll in August, at the height of the health care debate, despite ad nauseam media coverage and paid advertisements on the subject, still affirmed the primacy of the economy: mid 50s say the economy is number one; 20 percent of the American people say health care is their number one concern; and literally "zero" pick energy.

While one could mount an argument that one should not govern by polls, recent events show that one can ignore them at one's own peril. The country wants their leaders focusing on what is their number one concern -- their ability to make a living and provide for their families in a time of economic transformation -- which also happens to be, in this case, the most important domestic issue facing the country.

Is it any surprise, then, that the president and the Democrats have seen their poll numbers drop and taken electoral defeats when they devoted the lion's share of their time talking about issues of lesser concern to people while the economy has gotten worse? The president and the Democrats have taken their eye off the economic ball, and are paying a price for it. This doesn't mean the president should not be talking about health care, climate change, education, and immigration reform, but they must be addressed in ways that reflects both their perceived and actual importance; and as much as possible discussed in the context of long term and short term benefit for every day people and not abstract concepts like "recovery," "growth," "prosperity," which in the last decade are things that have happened to other people.

We have long believed that the lack of a sufficient governmental response to the increasing struggle of every day people has been the central driver of the volatility in the American electorate in recent years. Given the poll, economic, and now electoral data of recent months, it is clear that the conditions which have created this volatility remains, and simply have been ignored for too long.

3) The Way Forward - Have a Plan that Focuses on the Struggle of Every Day People. The great domestic challenge facing President Obama is to ensure that, in this new age of globalization and the "rise of the rest," the country sees not "growth" or "recovery" but prosperity that is broadly shared. Until incomes and wages are rising again, fostering broad-based prosperity has to be the central organizing principle of center-left politics. It is a job we should be anxious to take on given our philosophical heritage, and one that we simply must admit is a little harder and more complex than many have led us to believe.

While Congress considers a "Jobs" bill, an acknowledgment that what the first stimulus has not done enough to stop the current economic deterioration, it must come with the awareness that, while there is no silver bullet on job creation and meaning that the way forward must be much more comprehensive than just one-off "Jobs" legislation, there are reasonable steps that can be taken in the near term. Specifically, Congress should act quickly on a proposal like the one NDN's Rob Shapiro and now Senators Chuck Schumer and Orrin Hatch have been advocating -- a payroll tax exemption for new hires. While this and other steps are necessary and responsible, it is also crucial that this jobs legislation not be oversold -- the employment situation for the next year is mostly out of the hands of policymakers. Promising Jobs and failing to deliver is a problem Democrats should not make for themselves.

Luckily, the president has the power to change the narrative and do more. He can use upcoming events to re-knit together his argument into a coherent, cohesive plan, weaving in health care, energy/climate change, immigration, and reforming Wall Street and the Banks along the way. For there is no broad-based prosperity in 21st century America without health care costs coming down (which has to happen to allow us to cover more people), a successful transition to a low-carbon economy, a functioning financial sector, and a reformed immigration system, which will bring new revenues into the federal and state governments while removing some of the downward pressure on wages at the low end of the workforce. Additionally, the recovery and reinvestment act should not be just considered "done." Rather, a continued emphasis on the potentially game changing investments, especially in infrastructure and innovation, including establishing ARPA-E and additional R&D funding, can play an important role in this new narrative.

The president can also do more by acting aggressively against foreclosures, capping credit card rates and a rolling back actions taken by credit card issuers in the last few months, speeding up 2010 stimulus spending, amplifying his rhetoric and focus on innovation policy, and moving America forward in the 21st century global economy by completing the Doha trade round and working aggressively with the G20 effort to produce a more successful global approach to the global recession. He can also continue the important work that he has started on education through community colleges and the Race to the Top by making a national commitment to ensuring that all American workers and children have facility with and connectivity to the global communications network. And of course any plan must include an evaluation and alignment of federal government revenue and expenses over time.

4) Lead One National Conversation.

Even though the Congressional committee and legislative process requires these to be separate conversations, in fact they are one conversation, one strategy for 21st century American success, one path forward for this great and mighty nation. The piecing together of this narrative is crucial. Leadership does not happen in boxes, and the small-bore message events that this White House has grown fond of do not create an overarching narrative or rationale for governing. Rather, they seem schizophrenic, tangential, and petty. The Presidency does not need to succumb to the same divisions that exist in Congress. Indeed, it must rise above them.

Whatever plan the President and Congressional Democrats offer -- and it must be the same plan -- it must be about going forward and not back, and it must be credible. It must defeat the old conservative narrative tax cuts alone cause greater growth, when it is clear that the comparatively higher taxes of the Clinton years allowed for a decade of unparalleled broad-based prosperity and fiscal surplus; while the tax cuts of the Bush years contributed to fiscal ruin and correlated with a decade of declining median household income. The American people should not be offered and will not buy false populism or anger. Rather, the plan, effort, and rhetoric offered by this President should feel and actually be commensurate with the size of the challenge.

The bottom line -- the recent decline in the president's poll numbers and the struggles his Party has seen at the polls are reversible. The key is for him and his Party to make the struggle of everyday people their number one rhetorical and governing concern. A "new economy" is emerging in America, and it is not has been kind to everyday Americans. Getting incomes and wages up in this new economy of the 21st century is in fact the most important domestic challenge facing the country, and one for which the American people are demanding a new national. It is time for the President to make it clear to the American people that he understands their concerns, has a strategy to ensure their success in this new economy, and will make their success the central organizing principle of his administration until prosperity is once again broadly shared.

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