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**Date:** June 25, 2004

**To:** Friends of Democracy Corps

**From:** Stan Greenberg  
James Carville

**RE: THE ECONOMY AND FOREIGN AFFAIRS**  
A Report on a Changing World but Unchanging Message

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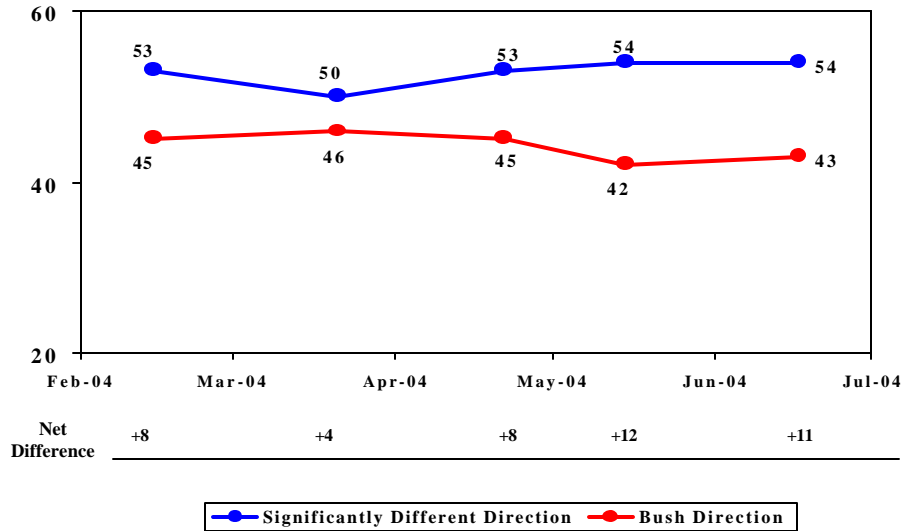
This memorandum focuses on Iraq, foreign relations and security, and on the economy – two areas where big events are shaping the public mood and where the campaigns will devote much of their energies. The report draws on the most recent Democracy Corps national poll conducted between June 14-17, which like most other polls, shows the race for president even. But despite the interlude closed by the Reagan funeral, this is hardly a period of stability or peace. The world is changing, but for now, not the frameworks that people are using to interpret the future or judge the president. As we shall see later, it is even more important now for John Kerry and the Democrats to articulate their view of the domestic economy and international imbroglio.

### **The Bush Interlude**

The sharp fall in mood and Bush's standing in May was interrupted by two weeks of largely benign coverage: visit to the Pope, new Iraqi government, UN resolution, D-Day, the jobs report, G-8 meetings in Georgia, new Iraqi president thanks America, and the eight days of news surrounding Reagan's passing. That did stop the slide for a moment. The wrong track numbers edging over 60 edged back to the mid-fifties. Some voters unsure about the direction became more comfortable, and the percent saying "right direction," moved up from 37 to 41 percent. Bush's approval ratings and vote – according to the NPR poll and the Democracy Corps poll edged up about 2 points.

Obviously, we shall see what happens now, but that was a very modest bounce. In this poll, 55 percent still think the country is off track – the same result over the last three months. His approval is at 49 percent and essentially tied with Kerry in a two-way (49 to 48 percent, with Kerry ahead by 1) or three-way contest (45 to 45 percent). Overall, thinking about the direction Bush has taken the country is unchanged, 54 percent want to move in a "significantly different direction." Voters are still ready to vote for change.

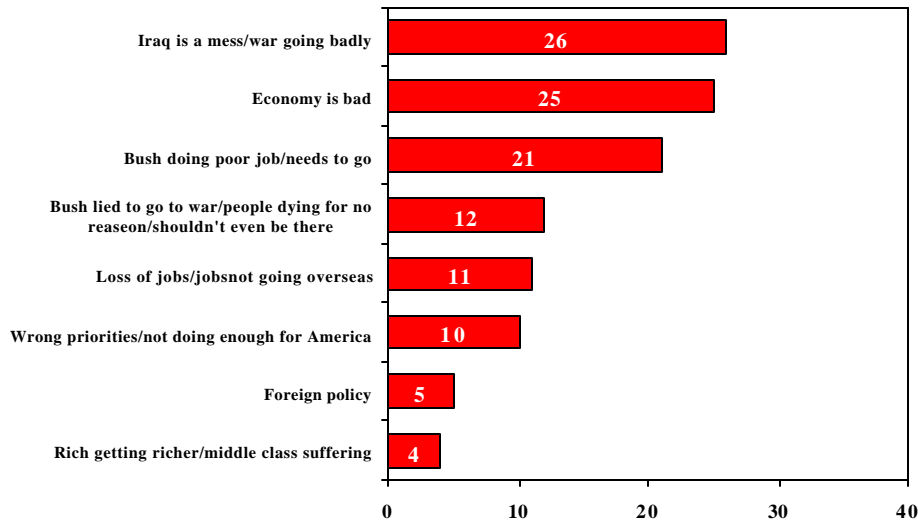
**Bush Direction vs. Significantly Different Direction**  
Overall



For the 41 percent who think the country is headed in the right direction, they are overwhelmingly focused on an improving economy, according to their open-ended responses, followed by greater confidence in Bush’s leadership.

For the 55 percent who think the country is headed off track, they are equally focused on Iraq being a mess and going badly and an economy that is not good, followed by people who lack confidence in Bush’s leadership.

**Reasons Country on Wrong Track**  
Open-ended



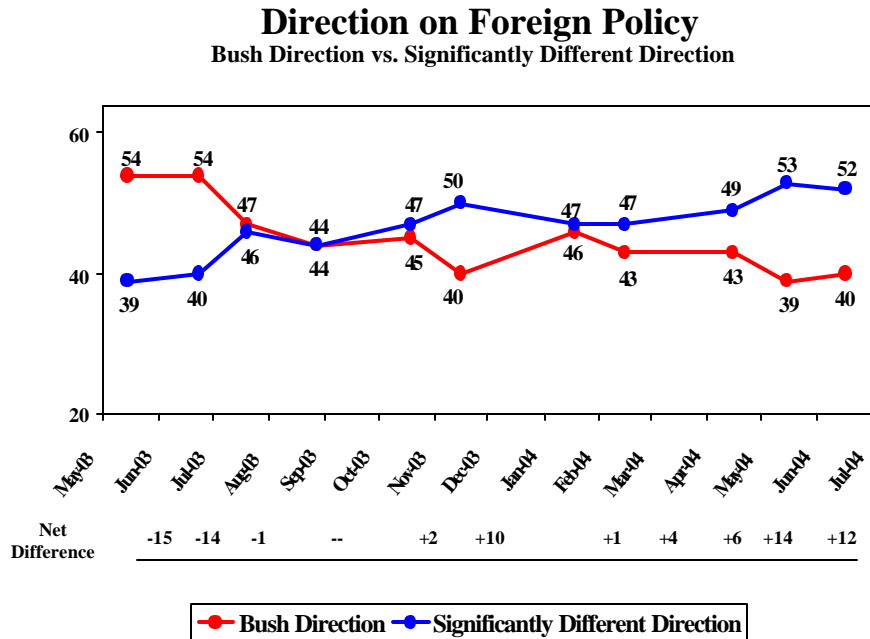
*“Why do you feel things are off on the wrong track?”*

**Iraq, the World, and America’s Security**

For all the stability of the race, there is a lot going on in the world. The pushing of negative stories out of the news over the previous two weeks and the anointing of Iraqi leaders, with UN sanction, did produce a marginal increase in perceptions of progress in Iraq. But that had absolutely no impact on the general assessment of the Bush foreign policy and world view. Indeed, the Kerry approach for achieving security defeats the Bush approach with even larger numbers this month. Democrats should have no trepidation about stepping into the national security debate.

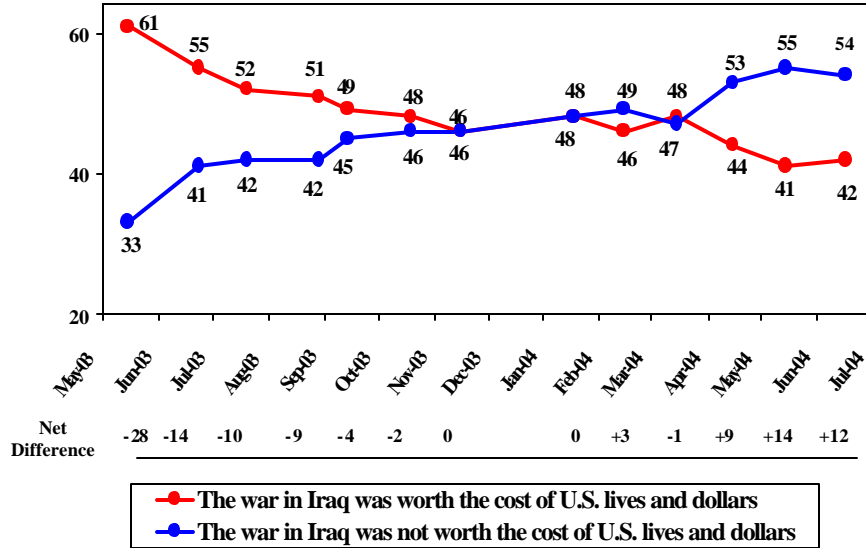
This is a very special election. The two strongest predictors of presidential vote are assessments of Bush on Iraq and on his foreign policy.<sup>1</sup> On the former, voters want to go in a new direction by a net 7 points; on the latter, by 12 points. While Bush has regained some of his standing on the war on terrorism, that is not the basis upon which people are voting. Bush is being judged by progress in Iraq, whether it makes us more or less secure, and by Bush’s handling of America’s relations with the rest of the world.

<sup>1</sup> Based on regression analysis that showed the strongest predictors of the Presidential vote, behind party identification, were the direction voters wanted to go in on Iraq and foreign policy.



The number believing America is making progress in Iraq is up from 41 to 47 percent in the last month, which means voters are paying attention. But that is not leading to a conclusion that the war was worth it or, more importantly, that the war made us more secure. By 51 percent to 43 percent, voters say Iraq has made us less, not more secure – a very big conclusion and unchanged from a month ago. A sizeable majority (54 percent) say the war was not worth the cost in U.S. lives and dollars.

### Was the War in Iraq Worth it?

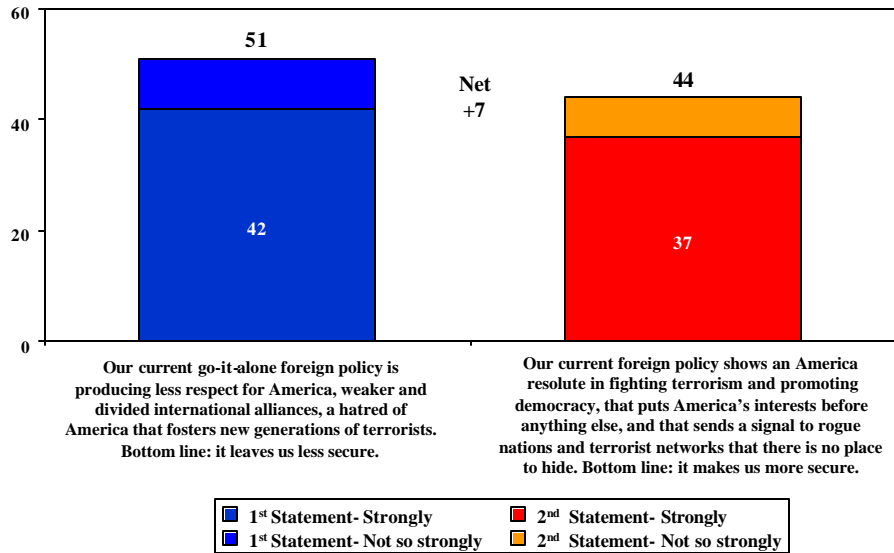


Voters have drawn some very big conclusions, not just about the cost and consequences of the Iraq war, but how best to make America more secure in the future. People believe a go-it-alone foreign policy weakens America and our alliances, fosters terrorism and makes us less secure. As a national security argument, Bush’s resoluteness in fighting terrorism and determination to take on rogue states and terrorist networks is not nearly as convincing.

We posed the debate set out in the graph below. A month ago, Kerry and Bush were even in this national security exchange, which we thought was impressive, given the president’s determination to make this election about national security. But in this month of so-called progress, Kerry’s position has gained significant ground, leading in the exchange 51 to 44 percent.

That argues for Kerry cheering for progress in Iraq, but making his argument confidently that an America engaged and respected in the world is more likely to achieve security. Bush’s current foreign policy has made it harder to make America secure, which is the ultimate critique of his stewardship.

## The National Security Debate



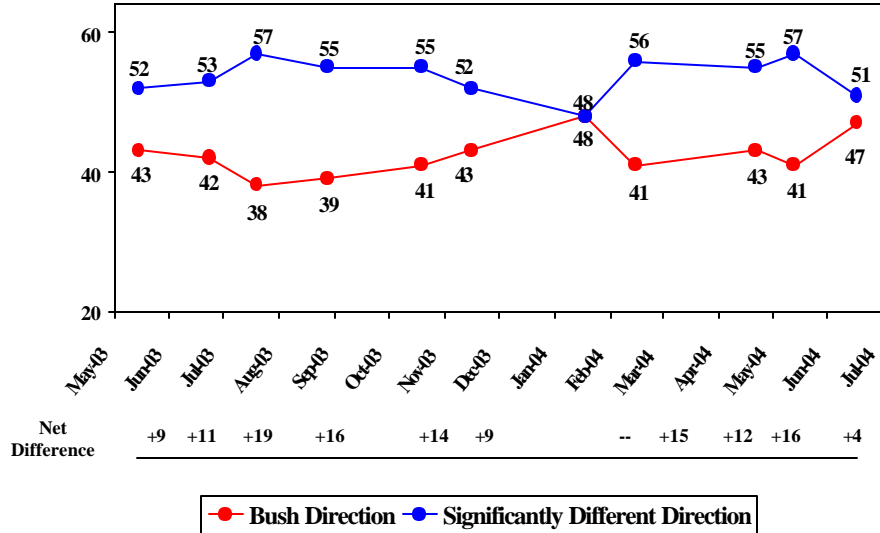
*"Now I'm going to read you some pairs of statements. As I read each pair, please tell me whether the FIRST statement or the SECOND statement comes closer to your own views, even if neither is exactly right."*

## Economic Change

The economy is growing and impacting perceptions of Bush's economic stewardship and the direction of the economy and job situation, though it has not altered yet people's perception of their personal and family economy nor changed the structure of the economic debate. If anything, it has raised the stakes for Democrats, who must articulate their critique – on how this uneven and unequal economy has failed the middle class. When we are articulate about the economy, we win the vote by 12 points, despite the perceptions of economic change.

Make no mistake about it, people are noticing the macro economic changes. It is most apparent on whether voters want to continue Bush's economic direction or have significant change. The net margin for change dropped from a net +17 points to only +4 (51 percent significant change and 47 percent continuing the Bush direction). There was also a sharp change on the job situation in America, with the net margin for change dropping from 20 points last month to 11 today (53 to 42 percent).

**Direction on the Economy**  
 Bush Direction vs. Significantly Different Direction



It is possible in this environment for Bush to get heard on the positive developments. The following statement about the “facts” of the recovery was believed by three-quarters, with 26 percent believing there is a great deal of truth.

<b>Economic Recovery Statement</b>		
<i>Percent Responding</i>		
	<b>A great deal of truth</b>	<b>Total truth</b>
<i>Official U.S. government agencies report that several important aspects of the American economy are getting stronger. There have been 1.4 million new jobs created in the last 10 months and disposable income has risen 3 percent. The stock market is up 14 percent over the last 2 years, and the economy grew by an average of 5 percent over the past year which is double the previous year. Interest rates are at record lows and homeownership is at the highest level in U.S. history as 72 million families now own their home.</i>	<b>26</b>	<b>74</b>

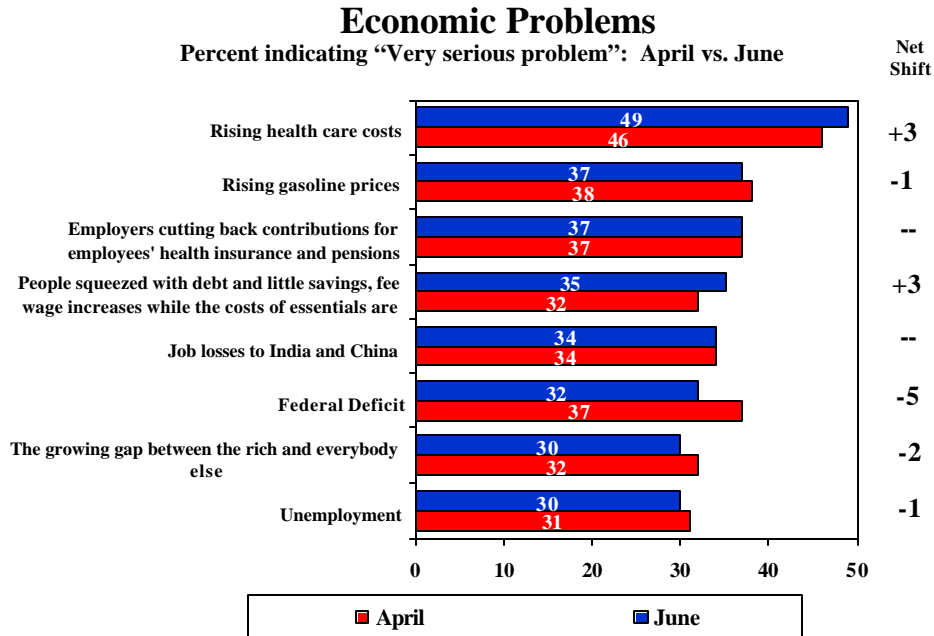
But the fact that those facts have some credibility has increased the need for Democrats to present the other facts, focused on what is happening to the majority of Americans in their own experiences. About three-quarters of the country believe comparable statements that show that most are not sharing in the benefits or that people are worse off economically under Bush.<sup>2</sup> About 36 percent find “a great deal of truth” in these statements – about 10 points higher than the Bush description of reality.

<b>Economic Statements: Most Not Sharing in Benefits and Economy Worse Off</b>		
<i>Percent Responding</i>		
	<b>A great deal of truth</b>	<b>Total truth</b>
<p><b><u>Most Not Sharing in Benefits</u></b></p> <p><i>Those at the very top of the ladder may be doing well, but most Americans are not sharing in the benefits of their economy. The average income has grown by 5 percent over the last year, which lags behind the 14 percent increase in health care costs, 14 percent increase in college tuition, and 28 percent increase in the price of gas. The unemployment rate has fallen, but there are hardly any new manufacturing jobs after years of losses in this sector. The new jobs that are being created pay 8,000 thousand dollars less than the average job that was lost in the previous two years, and a large portion of the new jobs do not offer the same health and retirement benefits.</i></p>	<b>36</b>	<b>74</b>
<p><b><u>Economy Worse Off</u></b></p> <p><i>Those at the very top of the ladder may be doing well, but even with recent jobs gains, people are still worse off economically than they were since Bush became president. 2.9 million jobs were lost during his presidency and will not be made up by the end of his term. 48 of the 50 states have lost manufacturing jobs for a total of 2.7 million nationwide. And while the average family income fell by over one thousand dollars, the cost of health insurance rose 36 percent and college tuition is up 28 percent.</i></p>	<b>37</b>	<b>73</b>

These message work because of the everyday experience of people, which does not show the changes that have been highlighted at the macro-level. In a national survey

<sup>2</sup> In May, we conducted a survey for *Mother Jones*, which asked people about all aspects of their lives. In virtually every area, people believe things have gotten worse over the past three years. For the full poll, see [www.motherjones.com](http://www.motherjones.com)

conducted one week earlier for Democracy Corps, well after the new job reports, we found no perception of change in area after area.<sup>3</sup> This was true for rising gasoline prices, employers cutting back on contributions for employees' health insurance and pensions, people being squeezed financially, job losses to India and China, and unemployment. Indeed, there was an increased worry in the last month about health care and financial pressures. Obviously, we will monitor these feelings, but they provide Democrats with a strong reality to make their economic case.

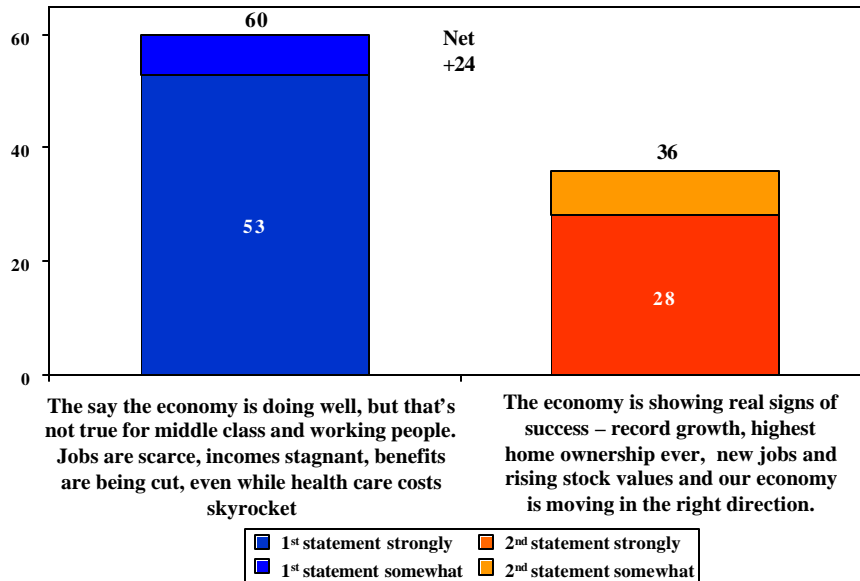


*"For each one, I'd like you to tell me whether you think the issue is a very serious problem?"*

Frankly, there is strong consciousness about the unevenness of the gains and the realities bearing down on the middle class that leads voters to reject the administration's characterization of progress. We win the debate on economic progress, when poised in these terms, by 24 points (60 to 36 percent). That is unchanged from the previous month, despite the points that the administration have put on the macro board. That is too far away from people.

<sup>3</sup> Poll of 1,016 likely voters, conducted June 6-10, 2004. All Democracy Corps polls are available at [www.democracycorps.com](http://www.democracycorps.com)

### Middle Class Left Behind vs. Economy Improving



We took the debate to the next level, with Bush making the case for economic progress and his tax cuts, and with Kerry offering his overall economic message and framework for the campaign:

*John Kerry says, a strong country starts with a strong middle class. We need to cut middle class taxes, keep jobs in America with good wages and benefits, make health care affordable, and cut the deficit in half so that Social Security is protected. Today, more than ever, the middle class is squeezed, and American families have seen only a 15 percent rise in their income over the last 25 years, actually losing ground over the last three years. My plan offers a new direction that stands up for the middle class.*

This message scores stronger than Bush’s success stories and tax cut-centered economic policies. More importantly, we asked voters after the economic debate, whether you agreed more with Bush or Kerry on the economy. Kerry won it by 12 points, 54 to 42 percent.

The bottom line is that the economy is changing and people are noticing. But there is every reason to believe that progressives’ interpretation of the economy and our middle class focus is much more compelling. With the media and elites focused on the macro changes, it becomes even more important for Democrats to make their economic case.