

September 30, 2008

TO: Interested Parties
FROM: Jim Kessler, Vice President for Policy and Tess Stovall, Policy Advisor
RE: Are You Better Off? Economic Framing for the Remaining Weeks

In 1980, America was going through a period of treacherous economic times. Interest rates, unemployment, and inflation were soaring. But even with all of the economic indicators pointing south, the race for president was essentially tied heading into the final week. In fact, Ronald Reagan's advisors felt he was heading for defeat.

Then, on October 28, 1980, in their lone presidential debate, Ronald Reagan used his closing statement to introduce what would become the central focus of the race for president: "Are you better off?" The economy—always a complicated array of numbers, tables, and indices—suddenly became comprehensible to average people.

Now we are in the midst of perhaps the most complicated economic situation in nearly a century. With the stock market whipsawed in different directions every day, bailout measures rising and falling, and midnight meetings with genuflecting Treasury Secretaries dominating the news cycle—how can progressives refocus the debate from Wall Street to Main Street?

By taking a page from Ronald Reagan.

In partnership with the Democratic Governors Association, Third Way has released a new report, *Are You Better Off?*, which provides an accurate, data-driven, yet simple analysis of the state of the middle class. In it, we analyzed nine measures of economic success and security for working age Americans and nine corresponding measures for the general economy. In 16 of 18 measures, the past eight years have failed the *better off* test for America and Americans when compared to the previous eight years (go to www.thirdway.org for the entire report).

Our recommendation to progressives is simple: Do what Ronald Reagan would do—frame the economic question in a way that makes sense to regular people. That question is: *Are You Better Off?*

Are Americans better off?

Have Americans moved ahead?

One word best describes the economic state of average families over the past eight years: stuck. Using wages and investments, the typical family in America has made virtually no progress over the past 8 years.

- They typical working age family (a family headed by someone between the ages of 25 and 59) will earn about \$68,640 in 2008. That's \$96 more than they earned in 2000 in inflation adjusted numbers—or enough to pay for about a tank and a half of gas, if you're lucky.¹
- And if Americans had done as well during the Bush years as they had done during the Clinton years, the typical family would have over \$90,000 more in income and wealth.²

Is college more affordable?

College is a necessity that is now priced like a luxury. A four-year degree from a public college or university costs \$7,290 more today than it did eight years ago, even when inflation is taken into account.³

Is it harder or easier for people to invest for the retirement they deserve?

For the typical American family, investments have not paid off. A family that put \$200 a month into a retirement account that followed the S&P index earned \$17,374 in interest and earnings between 1993 and 2000. The same family that put the same amount into the same retirement fund lost \$3,633 in stock price declines between 2001 and 2008.⁴ That's a difference of over \$21,000.

Have necessities like gasoline and groceries become harder to afford?

While grocery prices have actually held reasonably steady, the price of gasoline has nearly tripled. In 2000, it cost \$35.55 to fill up the tank of a Ford Explorer in today's dollars. In 2008, it cost \$91.80.⁵

Have home values increased or fallen?

For the first time in more than half a century, Americans owe more on their homes than they own. Net equity has actually declined by \$1,293 per home over the past 8 years after rising by more than \$10,000 in the previous eight.⁶ This figure only goes as far as March 2008, so the actual net value of people's homes is even less. The net value is derived by the value of the home multiplied by the share of equity that the typical homeowner holds.

Is America better off?

Are we creating enough good jobs at home?

Unemployment has been rising steadily over the last eight years, and job growth has been half what it was in the 1990s. In 2000, the unemployment rate stood at 4.0%, in August of 2008 it stood at 6.1%.⁷

Between 1993 and 2000, the total number of American jobs increased by 18.6 million, including approximately 8.1 million new office jobs and 3.3 million new manufacturing jobs. From the end of 2000 through 2007, the number of American jobs increased by only 9.5 million, including 4.1 million new office jobs and 3.2 million *fewer* manufacturing jobs. The economy has shed nearly 600,000 jobs

in 2008.⁸

Are we more or less dependent on foreign oil and energy than before?

The nation's dependence on foreign oil has grown along with rising energy prices. In 2007, the United States imported 350 million barrels of oil more than in 2000.⁹

Is the nation's fiscal house in order? Are we running healthy budget surpluses or chronic budget deficits?

President Bush entered office with a surplus of over \$200 billion. He'll be leaving after racking up the biggest deficits in U.S. history.

According to the Congressional Budget Office, the federal deficit this year is expected to be \$408 billion. That's nearly the same as the record deficit of \$412 billion experienced in 2004 when President Bush pledged to cut the deficit in half in five years.¹⁰

Is America getting the most out of our trade deals?

Between 2000 and 2007, America's trade deficit increased by \$335.2 billion—from \$365.1 billion to \$700.3 billion. The 2007 trade deficit was the largest in history.¹¹

Conclusion

Everyone is nervous about the economy, but that doesn't mean they can articulate their anxiety. The task for progressives is to articulate it for them.

Our advice to progressives is to ask the question, "*are you better off?*" Then ask it again, and ask it again.

Appendix—Are You Better Off Balance Sheet

Are You Better Off?

Household Income		-\$58,945
Gas Prices		-5,069
Health Care Costs		-3,113
College Tuition		-7,290
Child Care Costs		-2,622
Groceries/Food		-482
Investment Income		-22,207
Home Equity		-1,293
Consumer Debt	+\$3,470	
NET TOTAL		-\$94,929*

* This net total does not include child care costs because it assumes a household with one child in

college and no children in child care. It is rare for a family to have children in college and in child care at the same time. If the net total assumes a household with one child in child care and no children in college, the net total would be \$90,261.

Endnotes

¹ The income figures are derived from the Census Bureau's Survey of Consumer Finances from 1992 to 2007 and adjusted to conform to a family of three. The 2008 income figure is based on personal income and inflation data through July 2008.

² Ibid.

³ College Board, "Trends in College Pricing—2007," and "Trends in College Pricing—2006," available at www.collegeboard.com.

⁴ S&P growth rate established using "The S&P 500 at Your Fingertips." Political Calculations. Dec 6, 2006 (with updates). Accessed May 28, 2008 from <http://politicalcalculations.blogspot.com/2006/12/sp-500-at-your-fingertips.html>; Simulated account balances figured using Savings Calculator. Accessed May 28, 2008 from <http://www.planningtips.com/cgi-bin/savings.pl>; 2008 calculations made by Third Way using S&P data from <http://finance.yahoo.com/q/hp?s=%5EGSPC>

⁵ Department of Energy, Energy Information Agency, tabulated in June 2008 and adjusted to 2007 dollars.

⁶ S&P/Case-Schiller Home Price Index from May 27, 2008 (average value of home) combined with The Federal Reserve Board Flow of Funds Data, Table B100 "Balance Sheets of Households and Non-Profit Organizations," June 5, 2008.

⁷ Bureau of Labor Statistics, August 2008 and historical data.

⁸ An analysis of Bureau of Labor Statistics data through 2007 performed by economist Stephen Rose for Third Way. 2008 data from the Bureau of Labor Statistics, Employment Situation Survey, August 2008.

⁹ Department of Energy, U.S. Energy Information Agency, "Petroleum Navigator," July 31, 2008.

¹⁰ Patrick Yoest, "Budget Deficit Likely Double for '08," *Wall Street Journal*, September 10, 2008.

¹¹ Census Bureau, Foreign Trade Statistics.