

January 25, 2010

TO: Interested Parties
FROM: Third Way
RE: Economic Narrative for 2010

If there is a silver lining to the Massachusetts results, it is that we have nearly eleven months to adjust and prepare. In 1994, Democrats didn't realize the wave was upon them until the August recess. So what should be done?

There are two models for this type of election: 1994 (a disaster for the majority party) and 1982 (essentially, a draw for the majority party). Economically, 2010 looks a lot like 1982. In October 1982, Reagan faced 10.4% unemployment, 6.2% inflation, a declining GDP, and a doubling of the deficit over the previous year. America seemed to be slipping and Japan was the China of today. Reagan's approval rating that month was below 40%. Still, he went to bed on Election Night with 54 GOP Senate seats and woke up the next morning with 54. He lost about two dozen House seats, typical for a mid-term, and many of those due to redistricting. He went on to win 49 states two years later.

What did he do and what can we learn?

1. He didn't obsess about bad economic numbers. Reagan understood that there was virtually nothing he could do about the state of the economy in any given month, quarter, or year. (In fact, he believed there were things that needed to be done that would make the short term economy worse, like Fed Chairman Volcker's raising of interest rates.) He focused instead on the nation's long term economic possibilities.
2. He obsessed about destination. He had a very clear destination for where he wanted to take the country and the American people. He made certain that people knew about it and bought into it. His vision was optimistic, muscular, and played to the notion of American Exceptionalism. This was Reagan's "city on a hill," "morning in America," and his inaugural day promise to not "preside over the dissolution of the world's strongest economy," as well as his belief that "we are too great a nation to limit ourselves to small dreams."
3. He charted an easily understandable course. People knew exactly what route Reagan would take to reach the destination. He would reduce taxes, abolish regulations, and shrink government. Not everyone agreed with it, but all could explain it.
4. He focused on success. He understood that the American people wanted success in their own lives. He saw that the essence of the American Dream is doing better, not simply the absence or unlikelihood of falling behind.

On November 2nd, 1982, the American people looked out of the window of the bus they were on and the neighborhood looked horrible, the weather was bleak, and the road was bumpy. But they believed enough in the destination of the journey, had confidence enough in the route they were taking, and faith enough in the driver taking them there that they stayed on board.

Now, let's look at 2010.

- We've been obsessed with the desultory jobs numbers (something that is completely out of anyone's short-term control).
- Americans would be hard-pressed to succinctly and easily describe where the President and Democrats really want to take this country – our *vision*.
- Americans would have difficulty articulating what route the President and Democrats want to take to get us there.
- There is no success narrative. Our narrative is overly descriptive about people's economic hardships and short on their aspirations. And the middle class are fundamentally optimistic and success-focused.

We have ideas about how the Congress and Administration can offer a narrative that wins over the trust and allegiance of the middle class and moderates. It is based on the concept of "middle class success."

1. A Vision. We need a clear destination and vision that is about more than jobs, which are unpredictable in the short term and run up against skepticism that government can rapidly create them. We suggest a larger vision that taps into American Exceptionalism – that of *America as the economic world leader with the middle class leading the way as its engine for growth*.
2. A Story. We must tell a story about success. Even today, the root of anxiety for most of the middle class is rooted less in the fear that they will fall into poverty than in the fear that they will not achieve the economic *success* that they imagined for themselves. The middle class are at core aspirational.
3. A Clear Route. Democrats should offer and promote a *Middle Class Success Compact* that serves the vision and story. It should include micro items that help the middle class get ahead - affording college, building retirement wealth, having stable and secure health care, increasing their job marketability and earning potential, and dealing with work and family pressures. It should include macro items that put the economy on solid footing like clean energy opportunities, export promotion, tax reform, and fiscal responsibility.
4. A Voter Anger Strategy. As tempting as it may seem, if blaming banks and insurers for America's ills worked, Coakley would be Senator and health care would be enacted. Reagan successfully labeled the 1982 downturn as "the Carter recession" and blamed the economy on a *liberal economic worldview*. Democrats need to lay blame for this downturn on a harmful conservative worldview - one that believes that opportunity will trickle down from the top.

Last year, voters rejected George Bush and the GOP, but that's not enough. We must show the middle class, Independents, moderates, and our base that we have a vision and a plan that keeps America the world economic leader in this century with the middle class reaping the benefits. Policies aside - that's what Reagan would do.