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Mastering the New Political Arithmetic: Volatile Voters, Declining Living Standards, and Non-College-Educated Whites
Ruy A. Teixeira and Joel Rogers

American voters have become notably volatile in the 1990s. First, in 1992, they shattered the Republican presidential coalition, with George Bush registering the third-largest decline in support for an incumbent president in history. Then in 1994, they took fifty-two seats away from the Democrats and gave Republicans control of Congress for the first time in forty-two years. Finally, in 1996 they easily reelected a Democratic president who had been massively unpopular only a short time before. Thus, in the space of only three elections, the bastions of both parties—presidential for the Republicans and congressional for the Democrats—have crumbled.

Some interpret this volatility as suggestive of big ideological swings in the electorate; others say changing values are behind these electoral shifts; still others point to the increased role of religion in politics. In this chapter, we argue that these explanations are only partial and that the chief cause of voter volatility lies in declining living standards and the persistent failure of either political party to successfully address this problem.¹

Perot Voters and the 1992 Election

Although the drop-off in Republican support in 1992 was of historic proportions, Democrats were not the direct beneficiary. Clinton received only 43 percent of the popular vote, actually down slightly from the 45 percent Dukakis received in 1988. The “party” that gained was Ross Perot—who claimed 19 percent of the vote, the most for a third party or independent candidate since 1912. Voters thus not only rejected the incumbent president in historic numbers but also embraced a maverick candidate outside of the two-party system at almost unprecedented levels.

Those who made these choices most directly—Perot voters themselves—provide a privileged point of entry for understanding current electoral dynamics. Who were these people who deserted the Republicans but failed to attach themselves to the Democrats? What were their demographics, material circumstance, attitudes, and beliefs?

Reflecting the basic structure of the U.S. electorate,² Perot voters were overwhelmingly (76 percent) non-college educated—as were the supporters of Bush and Clinton (both over 70 percent). More significantly, Perot’s supporters were drawn heavily from the ranks of non-college-educated whites (NCEWs). Sixty-seven percent of Perot’s overall support came from this NCEW group, compared to 63 percent of Bush’s support and just 48 percent of Clinton’s. A second characteristic of Perot voters was their rapidly deteriorating economic position. Analysis of Current Population Survey (CPS) wage data merged with the 1992 VRS exit poll reveals that although both Clinton and Perot voters came from groups that experienced wage losses in the 1980s and early 1990s, Perot voters’ losses were uniformly larger.³ A third characteristic of Perot voters was their gloomy outlook on the economy and its likely future path. In the 1992 exit poll, 70 percent of Perot voters said they thought the economy was in long-term decline rather than experiencing a temporary downturn. And in terms of prospects for the future generation, Perot voters were easily the gloomiest: Fifty percent said they thought life for the next generation would be worse, compared to 40 percent for Clinton voters and 28 percent for Bush voters.

A fourth characteristic of Perot voters was their economic nationalism. The 1992 exit poll showed that Perot voters, by a 55 percent to 40 percent margin, believed that trade lost more jobs than it gained, a view they shared with Clinton voters. Later polling, especially around the time of the NAFTA vote, confirmed this economic nationalism; indeed, it suggested that it had strengthened, since Perot voters/supporters were easily the most adamantly opposed to the free trade agreement.⁴

The final key characteristic of the Perot voters was the one most widely cited in the press and in political discussion: their relative conservatism on both values issues and the role of government. But a close reading of the data suggests that Perot voters were hardly conservative ideologues on either the sanctity of traditional values or the wonders of the market. Instead, their “conservatism” was largely driven by a sense that middle-class values were no longer being rewarded and that operationally the
government was not doing its job and was therefore a waste of tax money (as opposed to not having a job to do, as free market ideologues would contend). Thus, although Perot voters tended to agree with Bush voters on the desirability of a government that provides less in services but costs less in taxes (72 percent and 79 percent support, respectively) and were most likely to cite the budget deficit as a voting issue, their views on the utility of government activism tended to be midway between those of Bush and Clinton voters. Asked if government neglect of domestic problems (as opposed to a values breakdown) could be held responsible for social problems in the country, for example, 50 percent of Perot voters blamed government neglect compared to 25 percent of Bush voters and 70 percent of Clinton voters. Similarly, 50 percent of Perot voters agreed that government should do more to solve national problems, a view held by 36 percent of Bush voters and 73 percent of Clinton voters.

And in the traditional “culture wars,” Perot voters looked very much like Clinton supporters. For example, Perot voters’ support for abortion rights was comparable to that of Clinton voters. In addition, a majority of both Perot and Clinton voters endorsed a “hands off” posture for government in promoting values. But on issues of middle-class values—particularly in the sense that those who cleave to those values and work hard are not being rewarded properly—Perot voters and Bush voters were of the same mind. For example, in the 1993 Greenberg/DLC poll, 76 percent of Perot voters and 75 percent of Bush voters (compared to 59 percent of Clinton voters) agreed that “it’s the middle class, not the poor, who really get a raw deal today.” By 69 percent and 70 percent, respectively, Perot and Bush voters also endorsed the view that “too many of the poor are trying to get something for nothing” (compared to 53 percent of Clinton voters).

Taken together, these demographic, economic, and attitudinal data help explain the worldview and behavior of Perot voters. They were, again, primarily non-college-educated whites who objectively were experiencing, and recognized themselves to be experiencing, a sustained erosion of their living standards. This erosion had come despite their hard work and substantial tax contributions—leading to the view that the first was un.rewarded (“middle-class values in decline”) and that current government policies were not particularly beneficial to them. If this is a “conservative” view at all, it was driven less by ideological commitment than by a need to make sense of their life experience as NCEWs in America over the last fifteen to twenty years. Their electoral behavior followed. Fed up with Bush and the Republicans because their administration had only seemed to accelerate the decline in living standards but unable to embrace the Democrats because that party was implicated in promoting both values and government that did not seem to benefit them, they struck out on their own and embraced what seemed a radical alternative.

The 1994 Election

What led from the Democrats’ 1992 election victory to their catastrophe in 1994? We believe that basic economic trends, and the failure to even appear to want to confront them through a coherent legislative or policy agenda, were the key.

Despite some healthy economic indicators, voters in the 1994 election had much to be concerned about. Between 1992 and 1994, the median wage fell 3.3 percent, even as the economic expansion continued. Consistent with post-1979 economic trends, this wage decline was not equally distributed, with wages for the non-college educated declining in line with the median wage trends while wages for the college educated actually increased. Comparing wage and income levels in 1994 with 1989—the peak of the last business cycle—makes the numbers clearer. Over the period, the wage losers were high-school dropouts (down 5 percent; men down 9 percent); high-school graduates (down 2 percent; men down 4 percent); and those with some college (down 6 percent; men down 7 percent). The qualified winners were four-year college graduates (up 2 percent; women up 6 percent) and those with advanced degrees (up 4 percent; women up 9 percent). With losers vastly outnumbering winners, however, median household income was still 6.6 percent below its 1989 prerecessionary peak. Thus, despite the economic recovery touted by the Clinton administration, the situation of the average voter had failed to improve. Coming on top of the particularly severe income and wage losses of the 1990–1991 recession, not to mention the overall deterioration in living standards since 1979, this was a bitter pill for the average voter to swallow.

Clinton campaigned in 1992 on an economic populist program of “Putting People First.” The administration promised a deliberate reversal of misfortune for average Americans, led by an ambitious program of domestic investment. But this investment program was abandoned under Wall Street pressure—prompting James Carville to announce his hope to come back in the next life as “the bond market”—and there was little economic populism in 1992–1994. And with little positive news offered economically, the divisive cultural issues that Clinton had deliberately pushed off the agenda in his campaign entered as an exploitable distraction. The cultural issues—for example, the brouhaha over the appointments process and “gays in the military”—arose almost immediately. They did damage to Clinton’s reputation as a cultural conservative, an injury probably not helped by later administration activity around gun
control and abortion rights, despite the relative popularity of these as individual issues.

More centrally, however, beginning with the titanic struggle around the 1993 budget, the image of Clinton as an economic populist became blurred to near extinction. He backed off from a tax cut and instead passed gas and general tax increases. And even though the latter applied only to the upper 2 percent of households, the lack of an explicit connection to any populist, job-oriented initiatives facilitated the tax hike’s portrayal as another “middle-class” soak. Instead, virtually the entire administration justification for the budget, and its associated taxes and spending cuts, was to cut the deficit—a policy priority that essentially made such initiatives impossible. Rhetorically, the ceaselessly probusiness justification for cutting the deficit—that it would calm the bond markets, keeping interest rates low and thereby promoting business investment and expansion—suggested a “trickle-down” economic approach at odds with the “Putting People First” rhetoric of Clinton’s campaign.

The waters were further muddied by the struggle over NAFTA. The North American Free Trade Agreement was never popular with the public, particularly the non-college educated, who remained opposed to it until the end. The only way the treaty passed was through an astounding mobilization of elite opinion and “vote buying” in the House. More to the point, Clinton’s full-bore pressing of the issue damaged his populist credentials. Although NAFTA itself never became a voting issue, Clinton’s behavior sent a clear negative signal to the voting public about administration interest in protecting people’s jobs and wages. And, although the administration has sought to remedy this damage through its familiar “in the long run” story (since trade is good for business, and business is the source of wages and income, things will work out all right in the end), the public does not believe that story. In October 1995, almost two years after the passage of NAFTA, poll respondents told Times-Mirror pollsters by a 55–36 percent margin that more free trade treaties would be likely to hurt, not help, the job situation.

Finally, it would be hard to overemphasize the deleterious, antipopulist effect of the administration’s failed health care reform effort. A series of tactical blunders culminated in an extremely complicated plan that the public did not understand or see clear benefits from. This confusion allowed the Republican opposition and its allies in the health insurance industry to successfully portray the reform plan as yet another big government program that would do little for the middle class.

Given this combination of declining wages and incomes in the midst of economic growth, perceived social liberalism, and elitist economics, the Democrats were extraordinarily vulnerable to a Republican counterattack based on populist antigovernment themes. The Republicans argued, in essence, that the Democrats were more interested in promoting big government than in solving the public’s problems and pointed as “evidence” to the fact that little good had come from the first years of Clinton’s term. The non-college-educated public, still suffering declining standards, was open to this argument. If government could not do any better than it had, why not at least reduce its size and quit wasting tax money? And if Republicans could not be looked to for any real solution to large-scale economic and social problems, could they not at least be counted on to reduce taxes and the size of government?

Data from the 1994 election confirm this essentially negative populist rejection of the Democrats. Non-college-educated voters, specifically NCEW voters, deserted the Democrats in droves. Compared with 1992, support for Democratic House candidates declined 10 percentage points among high-school dropouts, 11 points among high-school graduates, and 12 points among those with some college. It held steady among those with college degrees. The shift away from the Democrats in 1994 was most pronounced among non-college-educated whites; black support for Democrats actually went up slightly. Among white men with a high-school education, Democratic support declined 20 percentage points (to 37 percent), and among white men with some college, Democratic support declined 15 points (to 31 percent). But non-college-educated white women also deserted in droves: Among both white women with a high-school diploma and those with some college, Democratic support dropped 10 percentage points. Thus, to ascribe the falloff in Democratic support to “angry white men” misses a good part of the picture.

Thus, desertion of the NCEWs was the story behind the Democratic debacle in 1994—a pattern of desertion that is consistent with the differential effects of economic trends in the 1980s and 1990s. For some, however, this close correlation between declining living standards and Democratic desertion may seem paradoxical. Why would those comparatively disadvantaged by the economy desert the Democrats, who had historically taken the part of the common man and woman, for the Republicans, traditionally the party of the relatively well-off and privileged? To desert the Democrats for Perot is one thing; to leave for Republicans might seem something entirely different.

Who takes the political blame for adverse changes in the economy and in society, however, depends not only on timing—on who was in power when the changes occurred—but on the story the average person believes about the causes and nature of the changes. This is particularly true for long-term changes of the sort that concern us here. Whereas changes in the business cycle (booms and recessions) generally simply benefit (or hurt) the incumbent party, such secular shifts as declining living standards may affect either the incumbent or the challenger party, de-
pending on where the finger of blame is pointed. Thus, the incumbent Democrats, the "party of the common man," got hurt by declining living standards in 1994 because the story much of the public believed about this long-term change cast the Democrats as the villain.

Indeed, at least as far back as the late 1970s, the dominant story among the general public has been that long-term decline in living standards is caused—directly or indirectly—by useless government spending (especially on the poor and minorities), inefficient and obtrusive public administration, high taxes, selfish behavior by interest groups, and excessive social tolerance and valuelessness. This viewpoint is richly illustrated by a recent Washington Post/Kaiser Family Foundation/Harvard University survey. The study (1996) shows that the public blames both government action and inaction for the decline in living standards, especially including widening inequality and the lack of good jobs.

Since the Democrats are the party of government, as well as the party of poor people, liberal interest groups, and social tolerance, it is therefore the Democrats who tend to be blamed for declining living standards. And accepting this blame means that the Democrats start most elections with two strikes against them. This disadvantage does not mean they cannot win under the right circumstances; although this version is generally dominant, the antigovernment story does not always take this form. Thus, it was possible for Bush to be defeated in 1992 because his administration had become identified with declining living standards and for Dole to be defeated in 1996 because he was identified with Republican attacks on popular programs. But under normal circumstances, with the antigovernment story dominating, the Democrats are severely handicapped, no matter what the rate of economic growth; hence, they were trounced in 1994 despite being at a relatively favorable point in the business cycle. Whatever the precipitant effect of decent aggregate economic growth was—again, it did not show up as wage and income increases for much of the population—it was swamped by the anti-Democratic effect of long-term decline in living standards, a situation blamed on the government.

From the 1994 Election to Mid-1996

From the 1994 election to the middle of 1996, yet another stunning reversal took place. The Republican revolution swept into Washington with Bill Clinton’s approval ratings in the low forties and Clinton losing out to Dole in trial presidential heats by five percentage points or more. By the middle of 1996, Clinton claimed approval ratings in the low to mid-fifties and was decisively beating Dole in trial heats by fifteen to twenty points. Furthermore, Democrats were beating Republicans in generic congressional trial heats, while job approval of the Republican-dominated Congress had declined up to 20 points since spring 1995. Finally, the public reported disagreeing more than agreeing with what the Republicans were doing in Congress (the percentage disagreeing was up 21 points since early 1995) and judged the Republican Congress as more a failure than a success (the percentage saying failure up 14 points from early 1995).

To understand this shift, we again look to basic wage and income trends and the key legislative and policy battles that are refracted through them. The economy continued to grow in the 1994 to mid-1996 period. Indeed, from the perspective of 1996, the economy was in the sixth year of a recovery that officially began in March 1991. Reflecting this growth, the economy had now easily met the administration’s goal of 8 million new jobs in the 1992–1996 period. In addition, inflation had been low and the unemployment rate had also been relatively low, in the 5.3–6 percent range.

Unfortunately, the continued expansion of the economy in this period (quite weak by historical standards) did not do much for the living standard of the average American. For example, wages continued to decline, with the wage of the median worker declining 1.2 percent in the 1994–1995 period. This left the wage of the median worker 4.6 percent behind its level in 1989, the last business cycle peak (the median male worker was down 6.3 percent; the median female worker was down 1.7 percent). Moreover, this post-1989 wage decline/stagnation has not been equally distributed. The non-college educated have fared worse (losing 5 percent in real wages in the 1989–1995 period) than those with college degrees (up 2 percent) or more advanced degrees (up 3 percent). By sex, non-college men lost 7 percent in wages, male college graduates held steady, and men with advanced degrees gained 4 percent; non-college women lost 2 percent; female college graduates and those with advanced degrees each gained 6 percent.

To be sure, household incomes did rise in this period, despite the continuing wage decline. This is because families—particularly non-college-educated families—could take advantage of an expanding economy by increasing work hours and having more household members work. But even the resulting gains—2 percent in 1994–1995 among the non-college educated—were not nearly enough to bring these families back to where they were in 1989. Indeed, at the end of 1995, median household income among the non-college educated was still 6 percent below its 1989 level.

Thus, despite the continued expansion of the economy after the 1994 election, living standards for the typical voter did not improve much and remained substantially below 1989 levels. Declining living standards combined with continued and widely publicized downsizing at many
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prominent companies was more than enough to make most voters nervous about their economic future.

In retrospect, however, it seems clear that Newt Gingrich and the congressional Republicans overestimated their mandate. But it was not obvious at the time. Many observers seemed to believe as profoundly as the victorious Republicans that U.S. voters had taken a distinctly ideological turn against government and would support wholesale deregulation and dismantling of government programs. Yet, with respect to the 1994 election, this view was fundamentally mistaken. Rather than taking an ideological turn against government, voters turned on the Democrats because, operationally, government did not seem to be working: Living standards continued to decline and other social problems worsened, even as government expenditures continued apace. Given this assessment, it was time, reasoned the voters, to get rid of the Democrats and their style of government and try something different.

But "different" in their view did not mean getting rid of, or even significantly trimming, government programs they liked. Once it became apparent that such cuts would be included in the Republican drive to balance the budget, voters began to lose their enthusiasm for budget balancing in particular and for the Republican revolution in general. This loss of enthusiasm then set the stage for the Democratic comeback in late 1995.

It is important to stress that this comeback was driven by confrontation with Republican budget-balancing plans rather than by conciliation with the overall goal of a balanced budget. Examination of poll data convincingly shows that Clinton's embrace of the balanced-budget goal in June 1995 did little to increase support for Clinton and the Democrats. It was only later, in the period shortly before the government shutdown on November 14, that the poll numbers started turning in favor of Clinton and the Democrats and against the congressional Republicans and their proposals. And this, of course, was the time that the White House finally joined congressional Democrats in a united front against the Republicans' plan. Evidently, confrontation was the key to the Democrats' rise in popularity—not any shift in thinking on the desirability of a balanced budget or the proclamation of the "end of the era of big government."

In light of the economic trends just reviewed and the earlier analysis of the 1994 election, it is easy to see how this confrontation strategy worked. Voters essentially "fired" the Democrats in 1994 because they had failed to make significant progress in solving the voters' economic and other problems. But the Republicans, instead of solving these problems, were now threatening to make things even worse. On top of continued deterioration in living standards, they were proposing to remove environmental safeguards; defund education programs, including school lunches; and, most important of all, cut Medicare, a critical part of most voters' economic security (current or future). To add insult to injury, they were proposing to reward the rich with new tax cuts.

This was simply unacceptable to most voters. Indeed, what the Republicans succeeded in doing was to point the finger of blame for declining living standards at themselves and their wealthy allies rather than at the Democrats and government, where it had previously been. And as long as this judgment continues and voters tend to see Republicans as the greater threat to their living standards, the Democrats will continue to have the upper hand.

The results of the 1996 election support this analysis of the swing back toward the Democrats. Exit poll results identified the economy/jobs (21 percent), Medicare and Social Security (15 percent), and education (12 percent) as the key issues that moved voters into the Clinton column (three-fifths to three-fourths of voters who said these issues were their most important concerns voted for Clinton). This compares very favorably to voters motivated by New Democrat–style issues, where, among Clinton voters, crime/drugs garnered just 40 percent (7 percent of the electorate) and the budget deficit gathered only 27 percent (12 percent of the electorate).

A postelection survey conducted by Stanley Greenberg for the Campaign for America's Future (CAF) found similar motivations among Clinton voters. Almost three-fifths (59 percent) of Clinton voters in this survey cited his support of domestic programs (education, Medicare, and the environment), compared to less than one-third (31 percent) who cited his support of New Democrat–style positions (welfare reform, anticrime measures, balanced budget, moderation).

Combined with evidence presented earlier on the timing of Clinton's popularity surge in 1995, these data suggest that Clinton may have moved to the "center" (the conventional interpretation) and that doing so helped win him the election but that the center had more to do with not so-new Democrat issues (protecting Medicare, Medicaid, education, and the environment, referred to as "M2E") than New Democrat issues. Now, this does not mean that some New Democrat issues may not have helped Clinton add on to his lead at the margin, but it did not create the basic advantage that Clinton rode to his reelection. Instead, his stalwart defense of "M2E" should be credited. By doing so, he was able to tap public commitment to the basics of the welfare state and connect to public sentiment that the Republicans were extreme and only likely to make things worse, if allowed to have their way. Combined with substantial improvements in public perceptions of the economy in the months immediately prior to the election (attributable to continuing increases in household income), this political stance gave him an insuperable advantage in the election campaign.
The class-divided nature of Clinton’s increase in support in 1996 provides further support for the critical role of the non-college educated. Analysis of exit poll data reveals that Clinton’s increased support came overwhelmingly from non-college-educated voters, particularly those with just a high-school diploma (up 8 points) and those with some college (up 7 points). In contrast, college-educated voters increased their support of Clinton by just 3 points.21

These figures suggest that increased support from non-college-educated voters accounted for about three-quarters of Clinton’s overall increase in support.22 Indeed, this could easily be an underestimate, given the apparent (and traditional) exit poll overstatement of college graduate representation in the electorate.23 For example, if the representation of four-year college graduates was really 43 percent of the voting electorate, as implied by the exit polls, this would imply essentially 100 percent turnout of college graduates in the 1996 election—hardly a plausible scenario. Based on census data and historic patterns of exit poll overrepresentation, a better estimate for the college graduate proportion of voters is about 30 percent. This would, in turn, imply an even heavier contribution to Clinton’s victory from non-college-educated voters.

By giving the Democrats another chance in 1996, however, those voters were not saying they now believe that Democrats have the solution to declining living standards or that they have lost their suspicion of government. On the contrary, these voters are unimpressed the Democrats can make things much better, and they remain wary of the government and government activism. This, of course, could provide the basis for a Republican comeback in future elections.

The potential for volatility and a swing away from the Democrats is thus very much present; indeed, in the longer run, another large swing away from the Democrats seems almost inevitable. The combination of continued economic anxiety and strong antigovernment sentiment will provide fertile ground for an aggressive Republican attempt to reindict the government and Democrats for persistently declining living standards. And assuming that the current lack of progress on living-standards issues continues, non-college-educated voters—especially non-college-educated whites—are likely to be listening.

**Mastering the New Political Arithmetic**

The evidence presented in this chapter suggests that capturing the loyalty of electorally volatile white non-college-educated Americans suffering long-term and uninterrupted declining living standards is the central challenge of U.S. politics today. Whichever party meets this challenge, thereby mastering the new political arithmetic, should dominate politics for many years to come. And yet the Democrats, who seem well situated to represent these voters’ interests, have had tremendous difficulty capturing their loyalty for more than brief periods. Why can the Democrats not do the new math?

There are several reasons for the Democrats’ difficulties. First, as long as the antigovernment story about declining living standards remains generally dominant, the political terrain favors the Republicans. The Democrats can occasionally shift blame in the Republicans’ direction, but the underlying view of politics held by most Americans, and the policies that follow from this antigovernment viewpoint, intrinsically favor the Republicans.

The second reason is that the current Democratic approach to countering that story and shifting the political terrain is weak. Consider the following elements of that strategy. Perhaps the best-known element is the New Democrat approach, popularized by the Democratic Leadership Council (DLC). This approach focuses obsessively on the idea that Democrats need to improve their negative image—to convince voters that the Democrats are not the party of wasteful government spending, inefficient public administration, high taxes, selfish liberal interest groups, opposition to family values, and so on. Although such an image improvement is obviously desirable, it cannot, by definition, shift the political terrain in the Democrats’ favor since it leaves untouched—indeed, implicitly accepts—the dominant, antigovernment story about the decline in living standards.

This is why the New Democrat approach is ultimately limited to helping Democrats, at the margin, in already favorable situations. For example, the Democrats in 1992 faced an incumbent president who was taking the blame for a bad economy and deteriorating living standards. Given this situation, Clinton’s New Democrat stance probably helped voters move away from Bush, since it “inoculated” Clinton, in the words of Chairman Al From of the DLC, from charges of being soft on crime, against family values, in favor of wasteful spending, and so on. But it did not create, or even decisively shape, that favorable situation.

Similarly, in 1995–1996, it was the Republicans’ errors in attacking Medicare and other popular programs, and a confrontational stance by the Democrats toward those attacks, that shifted voter support away from the Republicans. A New Democrat stance may be helping Clinton and the Democrats add to that lead at the margin. But it did not create that lead and will not forestall a decline if and when the Republicans re-unite economic anxiety and antigovernment sentiment.

Another element of current Democratic strategy is to blame declining living standards on a neutral process of globalization and technological change about which little can or should be done. This process, the Demo-
The third reason that the Democrats have not been able to shift the political terrain in their favor is that they have ceded so much ground to the Republicans that there is very little they can do—or even talk about doing—to raise living standards. Indeed, they have imprisoned themselves, along with the Republicans and most of the economics profession, in an “iron triangle” of economic policy principles that effectively exclude any active attempt to improve the lot of the average American.\textsuperscript{38} The first vertex of the triangle is support for the high-unemployment, high-interest rate, slow-growth macroeconomic policy favored by Chairman Alan Greenspan of the Federal Reserve Board, Wall Street bond traders, and other economic elites. The second vertex is commitment to a fiscal policy centered on reducing the deficit, up to and including balancing the budget. The third vertex is commitment to expanding free trade, including more free-trade treaties, unimpeded by labor standards and other “peripheral” issues.

Staying within this triangle, however, rules out any serious attempt to improve living standards. Reduce unemployment far enough that labor markets tighten and wages rise? No, that would produce an explosion of inflation, the inflation fighters say. Lower interest rates and push for faster growth? No, the economy cannot grow more than 2.5 percent per year without tightening labor markets, again leading to disastrous inflation. Spend more money on infrastructure and research and development to boost demand and the long-run productivity of the economy? No, this cannot be done without increasing the deficit, which must be avoided at all costs. How about more money for education and training, which current Democratic strategy says is necessary for workers to adapt to the “new economy”? No, same problem: It is still too expensive to do while trying to reduce the deficit. Try to reduce trade deficits to improve the jobs and wages of American workers? No, too much pressure on our trading partners interferes with free trade. And so on.

But without tangible progress on improving the living standard of the average American, it will be hard to convince non-college-educated voters that Democrats and activist government are worth their loyalty. Of course, current Democratic thinking asserts that over the long run, staying within this iron triangle will produce growth in living standards.

Voters, however, may not be willing to wait, especially since they are far less committed than Democratic policymakers to the iron triangle’s economic principles. To begin with, there is no evidence that voters understand, much less endorse, the concept that low unemployment leads to accelerating inflation. But they know, and do not approve of, the resulting economic environment in which “no matter how good a job you do for your company, there’s always someone else waiting to take your job for less pay.” Nor do voters believe the balanced budget will pay off...
for them personally. By 55 percent to 40 percent, they believe a balanced budget would either hurt or have no effect on their family financial situation.\textsuperscript{29} And it will probably be hard to convince them otherwise when the government’s own analysts predict a growth rate dividend of an underwhelming one-tenth of a percentage point from a balanced budget.\textsuperscript{30} Finally, most Americans have been and remain skeptical about the benefits of free trade.\textsuperscript{31} For example, two recent NBC/Wall Street Journal polls found that the public believes by more than a two to one margin that free trade treaties, on balance, cost the United States jobs.\textsuperscript{32} This simply underscores a long-standing viewpoint within the U.S. public.

These factors help explain why the Democrats have not been able to retain the loyalty of non-college-educated white voters for any length of time. The antigovernment story is still dominant, the Democratic counterstory, centered around New Democrat image management and platitudes about the new economy, is weak, and the party has imprisoned itself within an iron triangle of economic principles that preclude any efforts to raise living standards. The result is what we see: occasional Democratic successes in a climate of intense electoral volatility.

Conclusion

For Democrats to have a chance at long-run success, they must build a political alternative that breaks out of the iron triangle, raises living standards, and consolidates support among non-college-educated, particularly white, voters. Recent developments suggest a promising direction for the Democrats. To begin with, the evolution of public opinion around the budget battles of 1995–1996 suggests the softness of public commitment to balancing the budget as a policy goal. Although the public supported (and still supports) balancing the budget in the abstract, it consistently chooses preserving Medicare, Social Security, and other programs it deems worthy over balancing the budget. The problem, then, is not to change the entire structure of public opinion about government spending, taxes, deficits, and balanced budgets but rather to find other government programs and causes the public deems equally worthy.

What might motivate the public to find such programs and causes worthy? The answer lies in the emergence of a strand of public thinking about declining living standards that is challenging the dominance of the antigovernment interpretation. This new strand of thinking focuses on the ways in which corporations and other dominant interests are taking advantage of economic change to enrich themselves and break down the norms that previously enabled ordinary workers to prosper.

This “new economy populism” is now so powerful that it sometimes outweighs antigovernment sentiments in polling results. For example, a recent survey asked people how responsible different factors were for the nation’s current economic problems.\textsuperscript{33} Whereas “government taking too much in taxes from working people” ranked second as a “very responsible” factor (44 percent), the only factor selected as “very responsible” by a majority of respondents was “corporations have become too greedy” (53 percent). Similarly, when asked to select the biggest problem with government economic policies today, 48 percent chose “government is too concerned with what big corporations and the wealthy special interests want, and does not do enough to help average working families,” compared to 35 percent who chose “government spends too much, taxes too much, and interferes too much in things better left to individuals and business.”\textsuperscript{34} Such relatively strong support for new economy populism is an important change from the public opinion climate of the early 1990s.

Here, then, is a way to motivate public support for government programs. The public is well aware that the country is going through a vast economic transformation, but it believes this transformation is destroying old rules to the advantage of those with economic power. Instead of arguing with the public (i.e., “things really are getting better” “all you need is a little bit more education,” “some pain is inevitable but will usher in a bright tomorrow”), politicians might be well advised to agree with the public’s belief that “the old rules are being destroyed and you really are being taken advantage of by those with the most economic power.”

This view provides a compelling rationale for breaking out of the iron triangle and asserting the centrality of government action to raise living standards. If government does not help set new rules and prevent those with the most economic power from taking advantage, who will? If government does not spend money on helping workers and communities become more productive and gain from the new economy, who will? Put in this way, the public can potentially be won over to the idea that government actions and programs specifically designed to raise living standards, even if they involve regulation and cost money, are necessary for a better future.\textsuperscript{35} Conversely, if the public is not convinced of this necessity, a jaundiced view of government action and programs will continue to prevail. This in turn will make action to raise living standards impossible, ensuring that Democratic victories are episodic and unstable.

But if this new economy populism provides a potentially effective rationale for government action and programs, it runs the risk of seeming detached from the basic values that animate so many voters and anchor their lives. As argued earlier, for most voters, economics is a values issue and must be dealt with in those terms. Such a new synthesis of economics and values, of economic program and moral statement, is not difficult, in principle, to envision. After all, the economy and its ordering reflect polit-
ical decisions—an old notion that the current administration tends to dismiss—and lurking behind politics are not only material interests but competing moral visions of social order. That morality can and should be pluralist and should accommodate a wide range of more specific views, but it does need to have a universalist core. That core is readily available in the belief systems of average Americans, who value contribution, responsibility, and loyalty, as well as democracy and fairness—and who find those values violated at least as much by irresponsible corporate interests (against whom no one stands as their advocate) as by the sins of the welfare state, real and imagined. A broadly populist economic program that declares itself as rooted in those values, and willing to do battle for them against all assailants, is the key to returning large numbers of NCEWs to the Democratic Party.

Of course, the approach just sketched here does not tell us precisely what policies to advocate in these areas and precisely how to advocate them. But it is less important than clarity on the basic project: framing living standards as a values issue so that every policy dispute can be seen through that prism. Does a given policy choice raise living standards and defend the values of the center against elites or not? If that question becomes routine in the American political conversation, it could give the Democrats a built-in advantage over the Republicans in every election.

And it would have other beneficial effects as well, chief among them that it would provide a popular rationale for active government and allow the pursuit of policies that would materially improve the lives of the non-college-educated women and men at the heart of the electorate. This, in turn, would further build support for active government and allow the implementation of additional policies to raise living standards. Thus, a sort of “virtuous circle” would be created that could consolidate a stable electoral majority for the Democrats.

This contrasts with the current situation, where a vicious circle obtains: Concessions to the Republicans undermine support for active government, which prevents pursuit of policies to materially improve voters’ lives, which further undermines support for active government, leading to more concessions—and so on. The Democrats are progressively left with less and less room in which to maneuver, while a volatile electorate waits impatiently in the wings to throw them out once again. No new majority is possible under such circumstances.

Instead, the political terrain must be shifted toward a broad national program to raise American living standards, as described here. Lacking such a program, current Democratic strategy seems adrift—designed to push away the very non-college-educated voters on whom a new majority depends. Unless Democrats believe that Newt Gingrich and Bob Dole, or their equivalents, will always be there to bring them back, the case for forging a new approach and making living standards a values issue seems compelling.

Notes

1. This chapter is based on our more extensive analysis found in Ruy A. Teixeira and Joel Rogers, Volatile Voters: Declining Living Standards and Non-College-Educated Whites (Washington, DC: Economic Policy Institute, 1996).


3. Those with a four-year college degree.

4. For some comparative data on Perot and Clinton voters’ wage losses over various time periods, see Teixeira, Politics of the High Wage Path, table 3.


6. 1992 VRS exit poll results.


9. According to a Gallup-CNN poll on the eve of the final House vote, non-college-educated Americans opposed it by a 43–34 percent margin.

10. Poll conducted October 25–30, 1995. This almost exactly reverses the results of a March 1994 Times-Mirror poll in which, in an initial burst of post-NAFTA optimism, 52 percent of respondents felt more free trade treaties would help the job situation, compared to 32 percent who thought such treaties would hurt. Note also that the NBC/Wall Street Journal poll found, in both January and March of this year, that about three-fifths of the public thought free trade agreements with other countries cost the United States more jobs than they created.

11. For a detailed recounting of this episode, see Theda Skocpol, Boomerang: Clinton’s Health Security Effort and the Turn Against Government in U.S. Politics (New York: W. W. Norton and Company, 1996).

12. This analysis helps explain the recent failures of election forecasting models driven by business cycle indicators of overall economic growth. For example, because the economy was already recovering before the 1992 election, many of the leading presidential forecasting models predicted a Bush victory (for example, Yale economist Ray Fair’s model). And in 1994, because of the continued business cycle expansion under Clinton, a leading House forecasting model predicted very modest Democratic losses—just five seats (Michael Lewis-Beck and J. M. Wrighton, “A Republican Congress? Forecasts for 1994,” Public Opinions [Fall...
1994]. These models are obviously leaving out some important factors, chiefly, we would argue, the political effects of declining living standards.

13. For more on how people blame the government for favoring the wealthy and failing to act to promote the economic welfare of the average citizen, see Hart/Mellman/AFL-CIO poll (April 19–22, 1996). See also the Business Week/Harris polls, reported in the March 13, 1995, and March 11, 1996, issues of the magazine.


16. All wage data based on Mishel, Bernstein, and Schmitt, *State of Working America*.

17. Even given our attention to the “story” that people believe, our interpretation of the 1994 election may strike many as insufficiently ideological. Some would argue that the relationship observed between living standards and Democratic decline is spurious, that the real driving force behind the pro-Republican surge was increased ideological conservatism among voters. At first blush, the argument has some plausibility, as the proportion of self-identified conservatives in the 1994 electorate did rise over 1992 levels—from 30 percent to 37 percent—as did the rate at which they voted Republican, from 72 percent to 81 percent. For the most detailed explication of this viewpoint, see Fred Steeper, *This Swing Is Different: Analysis of the 1994 Election Exit Polls* (Southfield, MI: Market Strategies, 1995). However, closer examination of these data makes the ideology claim less impressive. Our analyses show that the shift in the share of conservatives in the electorate did make a contribution to the decline in the Democratic vote in 1994, explaining about 18 percent of it. But it also shows that the anti-Democrat shift among economic pessimists made a much larger contribution and that an anti-Democrat shift among conservatives—that is, their increased rate of Republican voting—made no contribution at all. For a more detailed discussion of this debate as well as a critique of views that focus on values and turnout, see Teixeira and Rogers, *Volunteer Voters*. For a detailed discussion of these points concerning the 1980 and 1984 elections, see Thomas Ferguson and Joel Rogers, eds., *The Hidden Election: Politics and Economics in the 1980 Presidential Campaign* (New York: Pantheon, 1982); and Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986).


19. See, for example, the data in the November 6–8, 1995, CNN/USA Today/Gallup poll.

20. Interestingly, another clear demonstration of the relative importance of M2E2 comes from a distinctly underpublicized result from a Democratic Leadership Council (DLC) postelection poll. That poll, conducted by Mark Penn, asked voters several questions on what “this election was about.” The clear winner was “preserving Medicare, Medicaid, education and the environment” over such...