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1 – THE DEMOCRATS’ DILEMMA: MIDDLE-CLASS NO LONGER

A major shift in the composition of the American economy has transformed the Democratic Party and poses deep challenges to its future. So writes Joel Kotkin in a recent issue of *The American*.

THE BASE TRANSFORMED

His thesis is that the Democratic base, which had traditionally represented middle and working classes, now consists of the post-industrial new class, African-Americans, young “net-roots” activists, and the elites of the information age. But this is not the foundation of successful, sustainable political advantage, writes Kotkin, simply the “other side” of the culture wars coming to the fore. If these constituencies actually achieve power and implement their predilections, the author predicts, they will quickly limit the Democrat party’s appeal and future success.

In other words, middle and working classes still represent the most important constituencies in America. The political party that wins their allegiance will govern; the party that alienates them will be shunned.

As Kotkin explains, the old working- and middle-class base of the Democrat party – shopkeepers, skilled industrial workers, and small farmers – are constituencies that have struggled as the economy has globalized and been transformed by the information revolution. In contrast, the post-industrial new class has thrived and expanded. (Almost one-third of American adults now have college degrees, whose incomes have advanced far further and faster than non-graduates.)

Even though many of these people have benefited from Republican economic policies, they vote for Democrats on the basis of culture and ideology. Academia and the news media constitute the nerve center of the new class. But this leftward shift extends well beyond academia. In the mid-1990s high-income voters preferred Republicans by 20 percentage points; in 2008 they appear to be decisively favoring the Democrats. Already, the most affluent districts in the country are also among the most solidly Democrat. Writes Kotkin:

At the highest level of this new class stand the reigning elites of the Democratic Party – top university administrators and academics, venture capitalists, media and Internet barons, the “stars” of Hollywood, and the cutting-edge firms on Wall Street. Unlike the corporate bosses of yesteryear, their expertise does not depend on their ability to produce mass goods and control or cajole large numbers of lesser skilled white-collar and blue-collar workers. Instead, their wealth derives from the successful manipulation of images, ideas, and trends; most of the workforce they manage consists of people with widely similar educations and cultural persuasions. Their main experience with the less educated lies with immigrant employees who watch over their properties, pets, and, in some cases, offspring.

These factors may make it difficult for Democrats to govern as the party of what used to be called “economic justice,” even given the presence of a widening gap between the rich and the middle class.

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BUT THE MIDDLE CLASS STILL RULES

The origins of the new Democratic Party can be traced to at least the 1960s, continues Kotkin. Yet even then, the party's base remained very much with the white working class, urban ethnics, and a smattering of rural populists. The Republicans remained very much the predominant party of big money and corporate power.

The Democrats who succeeded in the largely conservative epoch after 1968 were those who figured out how to win over middle- and working-class Americans. This group included not only urban voters but people in small towns and the vast, largely nondescript suburbs that grew around the major cities. Jimmy Carter got enough of their support to defeat Gerald Ford in 1976; Bill Clinton did it twice, in 1992 and 1996.

Fundamentally, the Obamaized Democratic Party is less about bread-and-butter issues – trade, energy prices, and competitiveness – and this is problematic. Also, since the new class for the most part has little connection to the military, they are less likely to be overly concerned with national security issues. They instead tend to be energized either by an antiwar message or by cultural issues – abortion, affirmative action, gay rights.

Perhaps more critical for many of these voters, notes Kotkin, may be environmental issues such as global warming and suburban sprawl. Unfortunately for the Party's prospects, policies proposed or enacted to deal with such issues will further alienate working class voters from post-industrial new class voters.

THE NEW CULTURE WARS

The new class's disdain for suburbia and middle-class lifestyles could produce a new version of the cultural warfare exercised by the Republicans in recent years, believes Kotkin. Under the political strategy developed by Karl Rove, millions

of Americans – gays, singles, ex-hippies, non-Christians, urbanites, single parents – often saw themselves as ostracized by a party that embraced, at least publicly, what felt to them like a vaguely menacing set of “family values.” In the end, this exclusionary approach drove millions of Americans to the Democrats; cultural shifts, such as greater tolerance for gay rights among the young, increasingly have worked against the exclusionary strategy.

Now the Democrats could soon be in danger of duplicating the Republican mistakes. The Clintons won by “triangulation” and appealing to the broad range of middle-class voters. But Obama's Democrats could become the mirror image of “culture war” Republicans, extolling the superiority of their base and its values over those of other, less “enlightened” populations.

This becomes a real possibility in an administration staffed with people shaped by sophisticates from Chicago, Manhattan, Austin, San Francisco, and Boston. These are likely individuals who *do* agree with Senator Obama's unfortunate comments about “bitter” small-town residents, guns, and God. They could well see it as their duty to stamp out suburban sprawl and force other Americans to live, as they do, like good urbanites, even if they ignore the fact that most, particularly those with children, lack the wherewithal to do so comfortably.

This conflict could come to the fore very quickly, as Democrats generally believe in using government to achieve goals more fully than their political rivals do.

Thus, the Democrats' dilemma: the Party needs a middle-class agenda to hold power (if not to win an individual election), yet its new core constituencies are now based outside of it.

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2 – THE REPUBLICAN CHALLENGE: INEQUALITY

David Frum is a resident fellow at the American Enterprise Institute and author of *Comeback: Conservatism That Can Win Again*. He agrees that winning the middle class is the key to winning elections and to governing. He writes in the *New York Times* that conservatives and Republicans have tended not to worry very much about the widening of income inequalities, but as America becomes more unequal, it also becomes less Republican. What to do?

The trend toward inequality is not new, and it is not confined to the United States, writes Frum. It has manifested itself just about everywhere in the developed world since the late 1970s, and for the same two reasons: the revolution in family life (so that we have become increasingly divided between families earning two incomes and those getting by on one at most), and the great shift from a national to a planetary division of labor (so that skilled Americans can sell their services in a worldwide market while less-skilled Americans now face hundreds of millions of new wage competitors).

As long as all Americans were becoming better off, few cared that some Americans were becoming better off than others. But since 2000, something has changed. Incomes at the middle have ceased to rise. The mood of the country has soured. Conservatives who disregard the mood of unease, Frum warns, may forfeit their power to defend the more open and productive American economy they did so much to build.

As Kotkin, Frum notes that Democratic preference is typical of upper America. There is a long list of reasons for this anti-Republican tilt among the affluent: social issues, the environment, an ever more internationalist elite's distaste for the Republican Party's assertive nationalism. Maybe

the most important reason, however, is that by returning to the center on economic matters in the 1990s, the Democrats emancipated higher-income and socially moderate voters to vote with their values rather than with their pocketbooks.

Republicans still claim the support of the upper-middle, but by dwindling margins. Till now, conservative strength in the vast American middle more than compensated for any losses at the top and for the immigration-driven expansion of the bottom. But that has all changed.

Out of their flat-lining incomes, middle-class Americans have had to pay more for food, fuel, tuition and out-of-pocket health-care costs. In the past few months, they have suffered sharp tumbles in the value of their most important asset, their homes. Their mood has turned bleak. It's this pervasive economic unease that is capsizing the Republican Party, even as Americans have arrived in recent months at a somewhat more optimistic assessment of the progress of the Iraq war.

Republican economic management since 2001 has not yielded many benefits for middle-income America, writes Frum. It's widely understood that abundant low-skilled immigration hurts lower America by reducing wages.

Middle-class Americans surely share in the cost-lowering benefits of immigration. But the middle class also pays the higher local tax bills that can result from immigration.

It is also clear that immigration thickens the ranks of the American poor. The poverty rate for post-1970 immigrants and their native-born children is almost 50% higher than for the native born. No mystery why this should be so: one-third of adult new immigrants have not finished high school. And there is reason to fear that this poverty will

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become entrenched: barely half of Latino students complete high school on time; 48% of births to Latino women occur outside marriage.

In short, the trend to inequality is real, it is large and it is transforming American society and the American electoral map. Yet the conservative response to this trend verges somewhere between the obsolete and the irrelevant. What does Frum prescribe?

Conservatives need to stop denying reality, he says. The stagnation of the incomes of middle-class Americans is a fact. And only by acknowledging facts can they respond effectively to the genuine difficulties of voters in the middle. Republicans keep offering them cuts in their federal personal income taxes – even though two-thirds of Americans pay more in payroll taxes than in income taxes, and even though a majority of Americans now describe their federal income tax burden as reasonable.

What the middle class needs most is not lower income taxes but a slowdown in the soaring inflation of health-care costs. If health-insurance costs had risen 50% rather than 100% over the Bush years, middle-income voters would have enjoyed a pay raise instead of enduring wage stagnation. John McCain's health plan, which emphasizes tax changes to encourage employees to buy their own insurance rather than rely on employers, is a start – but only the very beginning of a start. Some Republicans have brought great energy to this problem. But it remains unfortunately true that the Republican Party as a whole regards health care as “not our issue” – and certainly less exciting than another round of tax reductions.

Unlike liberals, conservatives are not bothered by the accumulation of wealth as such. They should be more troubled that the poor remain so poor. With all due respect to the needs of employers, Republicans need to recognize that the large-scale import of unskilled labor is part of the problem.

At the same time, writes Frum, conservatives need to ask themselves some hard questions about the trend toward the Democrats among America's affluent and well educated. Leaving aside the District of Columbia, 7 of America's 10 best-educated states are strongly “blue” in national politics, and the others (Colorado, New Hampshire and Virginia) have been trending blue. How is it that we arrive at a weird situation in which the party that identifies itself with markets, with business and with technology cannot win the votes of those who have prospered most from markets, from business and from technology?

Republicans have also been badly hurt in upper America by the collapse of their onetime reputation for integrity and competence. Upper Americans live in a world in which things work. The packages arrive overnight. The car doors clink seamlessly shut. The prevailing Republican view – “of course government always fails, what do you expect it to do?” – is not what this slice of America expects to hear from the people asking to be entrusted with the government.

CONCLUDES THE AUTHOR:

It is probable that the trend to inequality will grow even stronger in the years ahead. Speaking to his fellow Republicans and conservatives, Frum concludes:

Equality in itself never can be or should be a conservative goal. But inequality taken to extremes can overwhelm conservative ideals of self-reliance, limited government and national unity. It can de-legitimize commerce and business and invite destructive protectionism and overregulation. Inequality, in short, is a conservative issue too. We must develop a positive agenda that integrates the right kind of egalitarianism with our conservative principles of liberty. If we neglect this task and this opportunity, we won't lose just the suburbs. We will lose America.