



Beyond “Living Within Our Means”

Findings from TalkBack Testing of Messages
on Deficit Spending and Federal Aid to States

*Produced by the Topos Partnership
for the Ford Foundation*

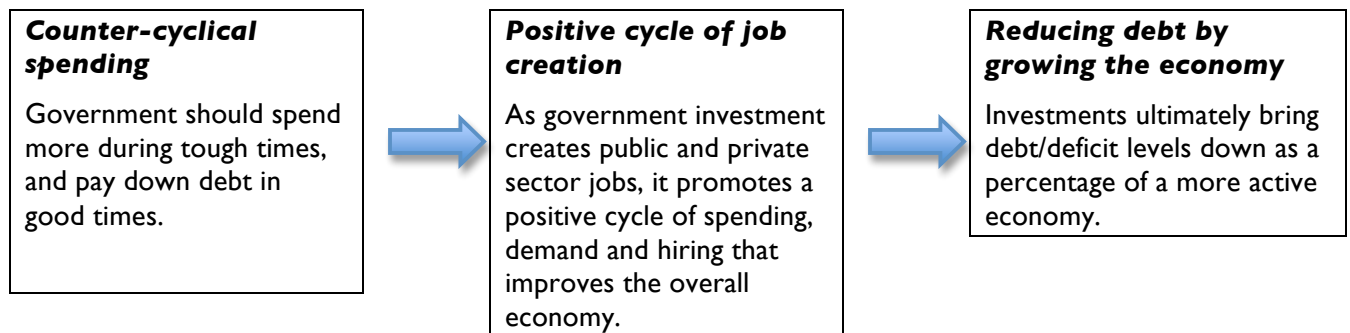
October 2010

Executive Summary

The Topos partners (in work commissioned by Public Works) have previously developed a set of tools and strategies for dealing with fundamental problems in how Americans think about the role of government in our lives, and specifically in economic matters. Communications that focus on the value of “public structures,” on the government’s role in promoting the common good, on the idea of an intentionally-built middle class, and so forth, help create constructive conversations about a number of topics.

But the economic slowdown, the election of Barack Obama, and strong campaigns of conservative messaging have combined to create a new environment that requires additional tools. How do advocates deal with widespread perceptions that the *deficit* is one of the scariest problems we face, and that *overspending* of one kind or another is what has created a bad economy and a bad budget situation, at both the state and federal levels?

TalkBack testing of a number of messaging approaches – and building on Topos’s meta-review of recent public opinion data, “Reframing Responsible” – concludes that the following core set of ideas is most helpful for dealing with the extremely challenging context communicators find themselves in:



Messages focusing on this core set of points can be expressed and combined in a variety of different ways. Here is one example that combines several of the key points.

Sample language:

According to economists, government budgets and household budgets work the opposite in one simple way: Governments can and should spend more when times are tough. Government spending makes up for lack of spending by families and businesses, and it helps end a recession by getting people back to work, keeping businesses open and so forth. Households spend more once times are good again, but that’s when government focuses on balancing its books: once the slowdown has ended, people are back at work and tax revenues are back up. For instance, after World War II debt was significantly higher as a proportion of the economy than it is today. But as the economy improved, debt came back down to OK levels.

Messages that focus on this key set of points are more engaging than others for a number of reasons: They offer hope about positive steps that can help; they empower listeners by helping them understand the situation more clearly; and very importantly, they offer a new way to understand the relationship between deficits, spending and future prosperity – and help people see that there are other responsible, common sense stances besides “live within our means.”

Other message focuses proved much less effective in testing – including explanations of how the recession causes deficits, explanations of how further cuts would be harmful, descriptions of states’ dire situation, explanations of how the recession was created, and so forth. While all of these points have some role in the discussion, they are ineffective as lead points because they easily end up triggering a “Live Within Our Means” response (e.g. States should simply spend more responsibly), or end up triggering various other counterproductive responses, such as a general condemnation of politicians and government.

The more effective approach clarifies – in common sense, user-friendly terms – how increased spending in tough times can improve the situation through smart investments in job creation and so forth, and will ultimately end up growing the economy and shrinking debt.

Other particular ideas that help make this case include the following, among others:

- The deficit has been higher in the past (as a percentage of the economy).
- Concrete explanations of how government spending creates and saves jobs – both directly and by supporting small businesses
- Discussion of the economic benefits of investing in “public projects” and public structures
- Explanation of how future generations will suffer if we allow further deterioration – e.g. the middle class will be weakened

Importantly, the testing suggests that it is critical to address general perspectives about spending and deficits before conversations about States can be effective. While the term “aid” should not be used, one of the messages that helps make the case for federal help most effectively is the idea that states simply have fewer options, due to legal barriers to deficit spending, plus lower per capita tax revenues to work with.

While the current context is daunting, communicators do have the opportunity to make an effective case for deficit spending and state aid – essentially by taking the most “aggressive” path and arguing directly for *more* spending, using common sense stories and explanations that engage people, offer them hope, and establish new understandings of the situation.



Founded by veteran communications strategists Meg Bostrom of Public Knowledge, and Axel Aubrun and Joe Grady of Cultural Logic, Topos has as its mission to explore and ultimately *transform the landscape of public understanding* where public interest issues play out. Our approach is based on the premise that while it is *possible* to achieve short-term victories on issues through a variety of strategies, *real change* depends on a fundamental shift in public understanding. Topos was created to bring together the range of expertise needed to understand existing issue dynamics, explore possibilities for creating new issue understanding, develop a proven course of action, and arm advocates with new communications tools to win support. For more information: www.topospartnership.com.

Introduction

Fundamental tools

The Topos partners (in work commissioned by Public Works) have developed a set of tools and strategies for dealing with fundamental problems in how Americans think about the role of government in our lives, and the role of government in economic matters. Each of the following ideas, when treated as an important focus, helps Americans take a more constructive attitude towards government, its role in our lives and in the economy – and even predisposes them more positively towards taxes and public investment:

"Public Structures": Systems and structures we have built together (from school systems to water systems to the legal system) are foundations of our wellbeing and prosperity.

"A strong middle class doesn't happen by accident.": Policy choices – from the G.I. Bill to decisions about mortgage insurance, healthcare and student loans – make the difference between having and not having one.

"Common good": In a variety of ways, government's distinctive role is to promote the common good.

"Paving the way": In various concrete ways, government paves the way for economic progress (e.g. by building necessary infrastructure, providing the initial market for new technologies).

These tools and strategies help combat some basic, longstanding misperceptions and biases – such as the idea that government has only a very limited, "policing" role in the economy, that government is chiefly about politicians fighting for power, and that the economy is primarily shaped by individual actors making their own self-interested (and moral or immoral) decisions.

Note: These default perspectives are so strong – even among Democratic voters – that combating them is a high-priority challenge for communicators hoping to make a significant difference on issues related to policy and economy. It is important to remember that messages that elicit "agreement," or even enthusiasm, are ineffective in the long run if they don't help people get past these basic biases.

(More generally, "agreement" or even enthusiasm can be misleading yardsticks by which to measure a message's effectiveness, unless complemented by evaluation of how a message is understood. An immediate, emotional response doesn't indicate a shift in basic perspective – and, even worse, messages can be *misinterpreted* in ways that lead to energetic but counterproductive responses.)

Because the previously developed tools address deeply established patterns of thinking, they will presumably be useful for years to come.

The current context

While the tools mentioned above help deal with fundamental patterns in how people perceive government's role in our lives and the economy, the context of 2010 (explored in the Topos Partnership's "Reframing Responsible" meta-review of recent public opinion) presents some very specific challenges that require additional tools.

In particular, the economic crisis, the election of Barack Obama, and strong campaigns of conservative messaging, have combined to make deficits and "overspending" key themes that many advocates and organizations must successfully contend with. This round of research has been designed to identify approaches that are specific to the current environment. In particular, how do advocates deal with widespread perceptions that the deficit is one of the scariest problems we face, and that overspending of one kind or another is what has created a bad economy and a bad budget situation, at both the state and federal levels?

The testing discussed here looks specifically at the arguments/narratives that can successfully navigate this context and help audiences see the wisdom in continued federal efforts to stimulate the economy (in spite of deficits), as well as to shore up state budgets to allow the recovery to continue and succeed.

Importantly, however, the testing concludes that communicators will not succeed by treating these as separate questions. Rather, communications must all take account of the same underlying pattern – the perception that overspending is at the root of our current problems.

Messages about public structures and so forth will maintain their effectiveness indefinitely, but some current contexts may require that communicators lead with other points that address specific concerns and (deliberately promoted) biases, that can otherwise reduce the effectiveness of the more general conversations.

Research Approach

Developed over a decade of close collaboration between its three principals, Topos' mission is to transform the landscape of public understanding by studying and rethinking a given public interest issue from the ground up. A basic premise of the Topos approach is that, while it is possible to achieve short-term victories on issues through a variety of strategies, real change depends on a fundamental shift in public understanding. Only when people see an issue in a new way, can they begin to act accordingly. In this way, our work seeks to *lead the public to new understanding, rather than just follow what the public already values or believes to be true.*

The approach is designed to deliver communications tools with a proven capacity to shift perspectives, as well as giving advocates a deeper picture of the issue dynamics they are confronting, and of the fundamentally different alternatives available to them.

For this project, research has included both individual interviews and “talkback” testing of messages – all of which builds on a companion effort, a meta-review of recent public opinion research (see “Reframing Responsible”).

Mini-Elicitations

The first stage of investigation consisted of a series of 20-minute, one-on-one, semi-structured, recorded interviews (“cognitive mini-elicitations”) with a diverse group of 12 individuals from around the country in September of 2010.

The goal of the elicitations methodology, adapted by Topos principals from methods of psychological anthropology, is to approximate a natural conversation while also encouraging the subject to reason about a topic from a wide variety of perspectives, including some that are unexpected and deliberately challenging. A key goal is to identify the underlying patterns that persistently guide reasoning and which shape people’s intake of new information, even if subjects may have very little factual knowledge about the topic beforehand.

In particular, the mini-elicitations were designed to give the researchers a preliminary glimpse at the “baseline” of understandings and dynamics that currently shape thinking on the topic.

TalkBack testing

In the TalkBack method, subjects are presented with brief texts (roughly 80-120 words) and then asked several open-ended questions, focusing in part on subjects’ ability to *repeat the core of the message, or pass it along to others.*

TalkBack texts generally focus on conveying a few key concepts, such as a particular aspect of a complex issue like the broad issue of deficit spending. New terms are often introduced as well (usually identified as terms that “experts” use), in order to test their clarity, memorability and other properties.

Importantly, one of the purposes of TalkBack – and the Topos approach in general – is to explore *what is taken away from a message, as opposed to what is intended.* It is often the case that listeners hear something quite different from what the speaker meant to convey. (One of the shortcomings of testing approaches that focus on “agreement” or

enthusiasm is that they can be measuring responses to *a point that was heard but not intended.*)

Parameters of success include subjects' ability to remember, explain, use and repeat the explanatory ideas (as well as key terms). The testing is designed to assess whether a given idea has the capacity to become an organizing principle for thinking and communicating in a new way about the issue – as well as its overall effects on reasoning and engagement.

An important advantage of the TalkBack approach – which involves large pools of subjects, and very rapid response times – is that it allows for the testing of a large number of messages, which can be refined numerous times from day to day throughout the message development process.

For this project, it was important to test messages in the context of common perspectives that work against progressive goals. Each participant was asked two questions intended to trigger challenging mindsets – to determine whether messages could still have good effects in this context:

What do you say to the idea that we simply have to cut spending and live within our means?

How should we think about the U.S. Government's current trillion-dollar deficit?

TalkBack subjects included a diverse group of over 600 individuals representing 42 US states. The sample was made up of 57% women and 43% men; 33% identified as Republicans, 38% Democrats and 29% Independent; and included a wide range of ages, educational levels and ethnic backgrounds.

Key Obstacles To Overcome

In the course of TalkBack testing, several patterns of response rose to the top as key obstacles communicators should keep in mind.

“Living within our means” vs. Overspending

The folk model of “living within our means,” and a very skeptical attitude towards spending, is perhaps the chief obstacle to more productive understanding of wise policy choices in the face of our current economic challenges. **Americans of all political persuasions tend to be angry and/or worried about large deficits, and very hesitant (at best) to accept the idea of more spending.** Virtually all the current economic and budget problems are easily blamed on overspending of one kind or another, whether in the form of government programs or consumers buying houses they can’t afford. This is the most common objection that people have to any proposal, and what seems to resonate with them most deeply.

Living Within Our Means is shared common sense – just as familiar to Democrats as Republicans, but obviously much more resonant with the Republican emphasis on spending cuts. Overcoming this main obstacle – so that people don’t reflexively judge situations and proposals against this misguided yardstick – is one of communicators’ chief challenges.

It is very simple. As every family knows, you must only spend as much as you take in. Otherwise, you will go bankrupt. Government needs to learn to live within their means.

Republican man, 43, Arizona (Stimulus #23)

Why should we spend money that we don't have? That will simply leave us indebted rather than ahead.

Democratic woman, 20, California (Stimulus #28)

People living beyond their means is causing so much debt and taking the country down, and the middle class suffer from it the most!

Independent voter, 26, Louisiana (Stimulus #3)

It is necessary to cut spending and live within our means. If we do not live with what we can afford then it causes the same effects of debt and hardship.

Democratic woman, 27, Ohio (Stimulus #24)

The imperative for communicators is to find messages that justify additional spending but that sound like solid common sense – just as “live within our means” does now.

Trap: Anger at Politicians

Several other patterns observed in the research also qualify as “traps” – counterproductive responses it is all too easy to trigger by accident.

Note that because of these traps, messages might elicit strong agreement while actually steering people in counterproductive directions – e.g. if a message is primarily heard as a condemnation of all politicians.

It is very easy to trigger default skepticism (or worse) about politicians' competence and motives, or about government in general, by focusing on the policy errors that led us into a recession. While of course communicators need to be able to discuss those lessons, they need to be handled very carefully since a focus on this type of criticism easily evokes counterproductive attitudes.

They spend, spend and spend like they have a bottomless money bucket. They spend on what they want and don't really care about the future.

Republican woman, 52, California

I say give the money to the people let them fix things. They would sure do a better job than the government has.

Democratic man, 53, Florida

Trap: Tax and spend

Naturally, many points are rejected because it is so easy to sound like “the same old liberal message.”

More spending by government; more taxes. Don't you guys ever have a non-liberal thought?

Independent voter, 66, New York (Stimulus #13)

We simply must become unified in cleaning up our financial mess and refuse to accept business as usual . . . If this is the best our representatives can do then it's time to rethink how we govern.

Independent voter, 47, Illinois (Stimulus #18)

The problem is all the spending has not led to an economic recovery. In fact, the current level of debt is contributing to our economic downfall! . . . Governments can spend their way out of recessions? Oh, and monkeys can fly and hell just froze over!

Republican man, 35, Illinois (Stimulus #31)

To avoid this trap, communications must offer *new insights* about how and why spending can be effective at this time.

Trap: “Moral hazard”

The idea that a given policy is about helping for helpings' sake (a common interpretation of “aid”) easily triggers objections based on the idea that individuals, families, businesses, states

should all live within their means. Default attitudes towards “redistribution” don’t tend to be favorable, and easily trigger the “moral hazard” perspective – i.e. the idea that giving people help makes them behave less responsibly.

Furthermore, the idea of “state aid” works against a focus on the big-picture dynamics that can help in the current situation.

States that haven't spent their money wisely like Chicago, New York and California will be bailed out by the other states who have been responsible.

Democratic man, 54, Kansas

I think them sending money [to the states] is wrong. Who sends us money when we have problems? We need to stop trying to help others and worry about ourselves.

Independent voter, 36, California

Eliminate the handouts: foreign aid, state aid, subsidies.

Independent voter, 43, Minnesota

Trap: He says, she says

While it often comes naturally to clarify the positions we are arguing against, communications that promote the idea that “some people think X while others think Y” easily go wrong in two ways:

- They can imply that “no-one really knows.”
- They can seem to offer audiences a *choice* between two views – a choice that often goes in the wrong direction, as people gravitate towards the idea they are more familiar with, for instance (e.g. “live within our means”).

It's a big problem that needs to be addressed. Everyone seems to be passing the buck and no one is doing anything . . . There are conflicting ideas and beliefs on how this problem needs to be solved.

Democratic man, 32, California

In the next sections we discuss points that do and do not help navigate these communications obstacles.

A Story With (Too) Many Parts

Communicators might be inclined to focus on different parts of the very complex situation we find ourselves in. TalkBack testing explored the effectiveness of particular messages, but also more general questions about what happens when we focus on different pieces of the communications puzzle, including the following:

We shouldn't cut spending

E.g., because the elderly would suffer.

We can and should raise revenue.

E.g. because Wall Street should help pay for the mess they have created.

States are struggling.

I.e. they have massive deficits and have already made huge cuts.

Current governments didn't cause the recession or deficits.

I.e. previous government and businesses did.

Increased spending creates important, big-picture benefits.

E.g. because we can create a positive cycle of job growth.

The deficit isn't as bad as it seems.

E.g. because it was proportionately higher following World War II.

The Federal Government should aid States.

E.g. because they can't legally run deficits.

Ideally, communicators would effectively make all these points. But real communications contexts require choices, and it is never possible to simultaneously focus on all the ideas we would like to get across.

Fortunately, the research demonstrates that not all these general points have equally positive effects as starting points for communications. Some are much more likely than others to open the door to a constructive conversation.

The rest of the discussion focuses partly on what the testing tells us about the role of each of these broad points.

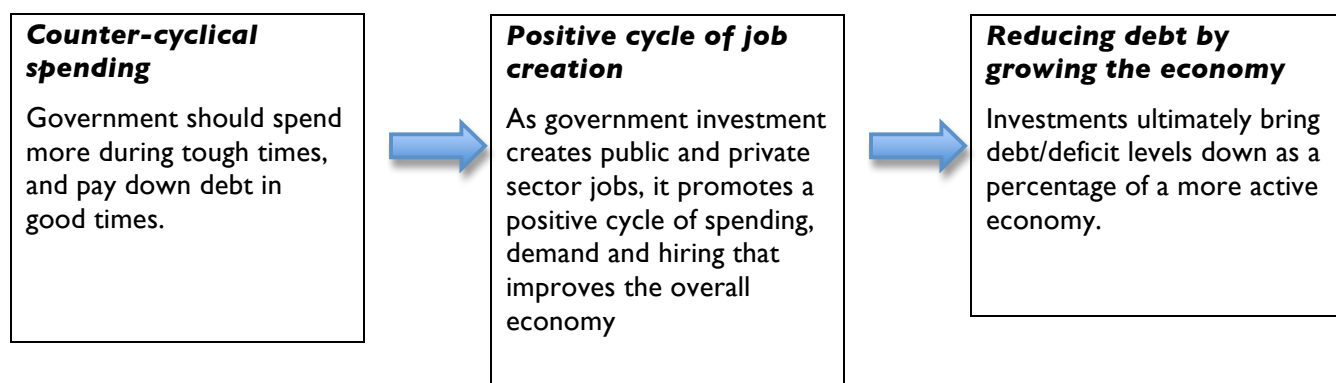
The Most Promising Direction

Increased spending creates important, big-picture benefits.

The most promising of the seven directions we tested is that a focus on how *increased spending creates important, big-picture benefits*.

More specifically, there are several key ideas that – when expressed well – can work together to create a new perspective, and help inoculate against the “live within our means” dynamic.

Note that the following are conceptual descriptions rather than tested language.



Messages focusing on this core set of points can be expressed and combined in a variety of different ways. Here is one example that combines several of the key points.

Sample language¹:

According to economists, government budgets and household budgets work the opposite in one simple way: Governments can and should spend more when times are tough. Government spending makes up for lack of spending by families and businesses, and it helps end a recession by getting people back to work, keeping businesses open and so forth. Households spend more once times are good again, but that’s when government focuses on balancing its books: once the slowdown has ended, people are back at work and tax revenues are back up. For instance, after World War II debt was significantly higher as a proportion of the economy than it is today. But as the economy improved, debt came back down to OK levels.

¹ Communicators should bear in mind that the sample language is intended to illustrate how one might make a particular point. (Most points are attributed to economists, in order to find out what the effects would be if economists *did* actually talk in these terms.) In reality, communicators will make different choices about the exact language, examples etc. to use.

Messages that focus on this key set of points (countercyclical spending – job creation – deficit reduction) have a number of very helpful effects:

- **Positive, engaging, hopeful:** They are more engaging than many other messages because they offer the sense that there are positive steps that can really help the situation.
- **Understanding and empowerment:** As on many other issues, people who understand the topic are likely to feel empowered, and to have a new ability to reason constructively about next steps.
- **Avoiding “live within our means”:** Crucially, they directly take on the question “where’s the money going to come from?” and imply a new basic attitude towards spending and deficits – we need to spend in order to reduce deficits over the long term. In other words, these messages were most effective at inoculating against “live within our means” as the guiding and dominant common sense.

Fleshing Out the Story

The story about Countercyclical Spending – Job Creation – Deficit Reduction can be told in a variety of different ways, using different language, examples, and support points.

This section lays a number of specific points that help flesh out the story and make the case that *spending helps*. None is sufficient by itself, but all contribute to establishing a new, more constructive perspective.

(Note, though, that the terrain is exceedingly tough. No messages are “slam dunks,” though the ones in this section have considerably more effect than other candidates.)

Government must spend more in tough times, unlike households. Government spending compensates for lack of private spending.

Explaining an explicit distinction between how household budgets and government budgets work appears to be one of the most effective ways of encouraging new perspectives on deficit spending – presumably because it offers a common sense picture of why/how deficit spending can make sense.

Variants of this message were among the few points that succeeded in persuading some Republicans that additional deficit spending at this time may be warranted (though we should balance the books later).

[The government] should at least balance the budget when the recession ends. ... Government spending to get out of a recession isn't a bad thing.

Republican man, 58, Indiana

The deficit will get bigger, but in the long run the deficit will get smaller. This increase in spending to help stimulate the economy will help the people now and when we can afford it taxes will be raised to reduce the deficit. ...

Republican man, 35, New Jersey (Stimulus #17)

The point was also one of the most effective with Democratic voters.

The idea is that when times are good, we work on paying it down, and when times are hard, we do all we can to stimulate the economy and keep the poorest people working and in a job. ... The economy needs to be stimulated by the govt in order to thrive. ... I think the spending needs to be carefully controlled, but that it does need to happen.

Democratic woman, 34, Alabama (Stimulus #17)

The idea of government spending as “backup power” that kicks in when needed proved a memorable way of expressing countercyclical spending, but was ultimately not as *persuasive* as the government vs. household contrast.

Sample language:

Economists say one important function of government spending is that it provides “backup power” to the economy. In good economic times, the energy driving the economy is mostly private spending – families buying things, companies hiring people or buying supplies, etc. But in a recession, that energy dramatically drops, and government provides backup power by hiring people for public projects, contracting companies to build infrastructure etc. so that demand, confidence and spending pick back up. Economists say that the ability to provide “backup power” is one of the capacities an advanced economy like ours has, that developing economies don’t have.

The current deficit isn’t historically high.

This point helps substantiate the idea that it is possible to lower the deficit over time, and reassures people that the current situation isn’t hopeless.

Sample language:

Less tax money coming in because of the current recession means that in order to pay for everything from schools to the military we have to borrow to make up the shortfall. But we should keep this in perspective: For example, debt (as a percentage of the economy) was bigger after WWII than it is today, but as our economy grew, our debt declined. The United States is still the wealthiest nation on earth; we have the biggest economy on earth (\$14 trillion), and every other country wants to buy dollars because the dollar is so stable.

This point was another of the very few able to persuade Republicans to take a less negative attitude towards deficits and/or deficit spending.

As history shows us, the deficit will eventually lessen as time goes by. We need to focus the most attention to our country now more than ever

Republican man, 23, New Jersey

My feelings are mixed. I feel a little better knowing that we were in worse shape during WWII than we are now. And we built our economy back up.

Democratic woman, 38, New York

[The deficit] is serious, but should be kept in perspective. Once the economy starts growing (if tax cuts for the wealthy are not renewed), the deficit should come down fairly rapidly. ... The way to take care of the deficit is to grow the economy, not cut the government sector.

Democratic man, 46, Tennessee

The point about the relative size of the deficit is helpfully reassuring, but not enough by itself to explain how spending helps or where it should be directed. For this reason it is a critical but not sufficient point.

Investments in job-creation can work to improve the economy.

Explanations of how investments in job-creation can create a positive economic feedback loop are memorable and encouraging to many. This part of the story helps flesh out the idea that smart deficit spending can create big-picture, long-term benefits.

Sample language:

Economists say the most important thing government can do during a serious recession is create jobs, since jobs are the basis of economic strength. Unemployed people means weaker demand for goods and services, which can lead businesses to lay off more people. To end this spiral, government can directly hire people to do important jobs like building highways, cleaning up rivers, etc. It can also spend the money to keep schoolteachers and other public employees working. It also gives or loans money to businesses so that they can keep workers and hire more. Making jobs a priority helps people in the short term but is also a good long-term strategy for improving the economy.

The key idea is that we should try to create more jobs as it will help strengthen the economy in the short and long term. ... I definitely agree with it and would love to see more jobs created. I think if people have more money to spend, they will and we will all benefit from it.

Democratic woman, 23, Massachusetts

While this idea is relatively persuasive, in isolation it also leaves people open to concerns about where the money will come from.

[The] government is trying to spend money to help the economy in the short term, with the hopes that it will also help the long term. In order to be able to help in the long term though, all of the money that is spent has to have a big payoff value to be able to pay for itself plus interest and inflation.... I think too much spending is a bad idea because there is not a current plan for how to pay for all of it. On the other hand, something does need to be done to help the economy. ...

Republican man, 30, North Carolina

The Countercyclical Spending point and Deficit-Not-Historically-High point would help ease this concern.

Finally, note that due to politicization of the word “stimulus,” it is probably helpful to offer an explanation of the positive jobs cycle, rather than starting by explicitly defending “stimulus programs.”

Public Structures are an important investment.

While not by itself enough to make the case for different attitudes towards deficits and spending, the idea of public structures and their importance is a memorable (often repeated) and helpful point with both Democrats and Republicans. Like the discussion of job creation, this points helps flesh out the idea that smart deficit spending can create big-picture, long-term benefits.

Sample language:

One of the things that makes the U.S. different from developing / third-world countries is what economists call “public structures.” These are systems or physical structures we built together and that are essential to our prosperity, from highways that allow goods to move around, to public schools, to community colleges that create pools of more qualified workers. Economists are concerned that the next generation of Americans is going to face a worse economy and lower quality of life because we are investing less and less in these critical public structures.

Spending on public structures should not be cut back. It would only hurt the economy in the long run . . . I agree with what the story said. Its something you don't think about very often but is very true.

Democratic man, 57, Tennessee

It will be more difficult to catch up and repair later if it is neglected now.

Republican woman, 59, Arizona

While I agree with [“live within your means”] on a personal level, we as a society still need to budget money for the greater good . . . that includes schools, teachers, law enforcement, and other essential buildings and personnel for our society.

Republican woman, 31, Colorado

I think we should continue funding public structures at this time. The economy is still a mess, and we need to invest in our people first...the American citizens. They need roadways, healthcare, education, etc. Invest, get them back on track, and then come up with a way (baby steps) to bring the country back out of debt.

Independent woman, 45, Wisconsin

Our government needs to spend money on our public structure, which includes our schools and highways. If we do not, the next generation will be in big trouble because they will have to rebuild and where will that money come from?

Republican man, 46, Pennsylvania

“Public projects” are a smart area to invest in.

This idea, and the term “public projects,” proved to be memorable and effective message elements for fleshing out part of the story about the positive cycle of job creation (i.e. through

government contracts) and for reinforcing the idea that infrastructure and public structures more broadly should be high priorities for investment.

Sample language:

During a recession, private sector demand falls, people lose their jobs, and so overall spending drops. Economists tell us that the government can stop the downward spiral in the economy by providing help to the unemployed (which stabilizes their incomes and allows them to continue buying necessities) and investing in public projects that we need for future economic growth (bridges, water systems, buildings). Besides providing direct employment to those hired by the firms who get the construction projects, as the wages of those working on project are circulated to the local stores and businesses, the effects of the investments get multiplied in the local economy.

If we are going to get the economy to turn around for the better we need to create jobs. The way to do this is for our federal government to spend money on public projects and get the unemployed working, who will then spend money and buy products that will increase factory orders which will need more employees. ... I have thought this is what we need to do for a while now. If people are not working then they don't have the money to spend. When people do spend it helps a lot of others because what they are buying will need to be made again.

Republican woman, 40, Pennsylvania

Making jobs a priority is important to improving the economy. Didn't we do that in the past? WPA, CCC campsthey were created jobs, similar to what is proposed in the paragraph. ... I think some job creation is probably needed, but we need to approach it from the standpoint of what kind of work needs to be done. Alabama has a promotion encouraging people to "build Alabama" and pointing out technical jobs that need employees. I think this is a positive step.

Independent woman, 79, Alabama

I've seen first-hand how governments can waste money and do things wrong . . . but at the same time, I do support public projects run by the government, and I do think taxes are necessary to run those, and I do support helping people who need a hand up.

Democratic woman, 33, Ohio

Small businesses create jobs, and Government should help them do that.

If people believe that government helps small businesses create jobs – for example by “paving the way” for innovation, building and maintaining public structures, and ensuring that their customer base survives tough times through benefits and direct employment programs – this is a meaningful justification for deficit spending.

Small business needs to be helped so that they can hire more people and get our economy moving ... This is deficit money but if spent wisely will encourage hiring and create more wealth. ... Some deficit spending is needed but they need to eliminate all the pork too.

Republican woman, 49, Pennsylvania

Small business generates the most job growth. The government can help ... It requires deficit spending but it's what's needed to restart economic growth. ... [The deficit] is a necessary evil to getting the economy rolling again.

Democratic man, 38, Connecticut

Future generations won't be as well off if we reduce investments.

Finally, while the opposition has made hay with the idea that we are “saddling future generations with debt,” there is a potentially compelling point to be made about how we are actually saddling future generations with weaker economic foundations. Unless we invest in education and infrastructure, for instance, we may end up more like a developing country, with a weaker middle class.

If we do not do something now about the economy it will be the next generation that will suffer. The middle class is the class that keeps the country going and they need help from the government [through] spending money on projects like schools and colleges. This will allow more people to work and pay taxes, hence reducing the deficit.

Republican man, 46, Pennsylvania

[It] is foolish and false economy to cut back spending in areas which are vital to our future success.

Democratic woman, 41, Michigan

Talking About States

The general story about Countercyclical Spending – Job Creation – Deficit Reduction creates better attitudes towards deficits and spending, but it doesn't by itself do enough to promote new attitudes towards federal aid to states. This is a more specific challenge, since the research confirms that Americans by default tend not to distinguish between levels of government, and are often more focused on the national level.

While it is important to establish the general story outlined above, one additional point is especially effective at justifying federal aid to states. (But note that the word "aid" should ideally not be used).

States do not have revenue/spending options.

It is critical to describe in user-friendly terms the *reasons* why states have few options for dealing with their own budget issues – i.e. not simply because they have already made deep cuts, but because *their hands are legally tied* (in many cases) and *they do not collect as much revenue per capita as the federal government* (meaning that they have less to work with).

Sample language:

In principle, state governments should be able to take steps to preserve jobs and services in their own states. But there are several reasons why this isn't realistic, and the national government needs to step in to deal with the national economic recession. For instance, the federal government is where most of the tax money ends up – the states collect a lower percentage of taxes and simply don't have as much to work with. Also, many states are not legally allowed to run deficits, even when borrowing to create jobs would be the best way to get their economies back on track.

This type of revenue sharing [i.e. federal aid to states] has been around for a long time, and it is how we build the infrastructure we need for future growth. ... States are somewhat limited in the ways that they can invest in the future, so it is part of the Federal government to help make some of these investments ... I have no problems with this type of revenue sharing, although I also think there are times when the deficit should be reduced.

Independent man, 52, Massachusetts

Even though we have a huge deficit right now, we need our federal government to spend money on projects that will create new jobs. States cannot do it because they can't have a deficit but the federal government can. Creating jobs will get people working and paying into the system, which will help out the deficit

Democratic man, 54, Pennsylvania

The federal government sends very little aid money to the states although they should send much more.

Republican man, 35, Virginia

Based on what I read, the federal needs to send money to the states since they have the more resources than the states and can influence an economic recovery.

Republican man, 29, Ohio

Note that this approach is much more effective than simply focusing on states' *needs* – which often triggers the “live within our means” response.

Note also that the sample language reminds people that states provide services – a point that they are often not consciously aware of (even if they clearly must know it in some sense).

Shortcomings of Other Approaches

There are a variety of other aspects of the current situation (listed earlier in the report) that are much less effective as focuses of conversation.

Cutting spending would hurt people.

It comes very naturally for advocates to focus on the frightening prospects if programs continue to be cut. Unfortunately, a focus on this idea easily ends up focusing attention on *particular programs* (such as Medicare) rather than encouraging a new overall perspective on deficits and spending.

It also does little to help people deal with the question “But where does the money come from?”

Finally, messages with this focus can also fall into the “Anger at Politicians” trap, as they suggest that politicians are “once again” on the wrong side of the issues, acting against the interests of the American people.

Sample text

Cutting the deficit makes sense over the long run, but current proposals like cutting Medicare and Social Security are the wrong idea. They will create more suffering among people who are most vulnerable. More than 9 out of 10 American workers participate in Social Security, so cuts would ultimately affect virtually every person in this country. Right now cuts would affect over 50 million people, mainly seniors who spend nearly half their monthly check in medical costs. Reducing the deficit is not as important as offering security to vulnerable Americans today.

Instead of cutting social security, why don't we cut out the things we really don't need until this financial and budget crisis is over?

Independent voter, 49, Missouri

We don't need to cut social security or Medicare, especially if those recipients put money into it. We need to cut programs for those who haven't earned it.

Republican man, 22, North Carolina

I am ashamed of our government. They do nothing to cut back but they expect the hard working people to cut back. Their spending is out of control and it saddens me the way they are handling our budget.

Republican woman, 58, Connecticut

States are struggling.

When messages focus on the idea that states are having trouble paying for vital services, they easily trigger the response (across the political spectrum) that the states must live within their

means. (As mentioned above, it is much more helpful to (A) remind people of *why* states have fewer budget/spending options than the federal government, and (B) point out the positive things that happen when states are able to continue employing people and investing in public structures.

The federal government could fund [the states], but I think problems need to be fixed first. The federal government is racking up a huge, unbelievable debt, which in turn ends up hurting the American citizens. That's long term!

Republican woman, 29, Kentucky

States should bite the bullet and do more with less.

Democratic woman, 43, New York

It breeds the same bad spending behavior that caused the deficit in the first place.

Republican man, 35, Mississippi

Current governments didn't cause the recession or deficits.

Unfortunately, pointing out the mistakes made by businesses and previous government leaders often does more harm than good, by evoking thoughts about government incompetence, for instance. More generally, it doesn't help people think constructively about how spending should work in a deficit situation.

Sample language:

Economists point out that we've been living in a fantasy world: We've spent the last decade in the two longest wars in US history but haven't raised the necessary taxes to pay for them – in fact, we've actually lowered revenues by reducing the tax burden of the wealthiest 1% of Americans. We've never ignored the costs of previous wars, and doing it this time has seriously weakened our economy. The final body blow to the economy has come in the form of the deepest recession since the Great Depression, which has further destabilized our budget. Incredibly, in the face of impending collapse we still continue to ignore reality and refuse to use the two most basic tools for keeping the economy afloat: Raising taxes on the wealthiest Americans and temporarily increasing the deficit to stimulate the economy.

It's ridiculous that the government keeps borrowing and spending . . . our country's economy is never going to improve until more jobs are created, the war ends, [and] our government stops spending money

Republican woman, 30, North Carolina

The US government is a joke. They have the brightest minds in the world and they are just like the common, average person who has no idea how to live within their means and manage money.

Independent voter, 27, California

It is vital to continue supporting the middle class.

Explanations of “the intentional middle class” – i.e. the ways in which a strong middle class is built through deliberate policy choices – is a powerful tool for raising awareness of the government’s role in creating broad prosperity. However, in the context of a discussion of deficit spending, it can easily focus people’s attention on the (unhelpful) topic of politicians’ misplaced priorities. More generally, in this context it too easily ends up sounding like a defense of some programs over others.

Sample text

A strong middle class is the engine that drives our economy. And a strong middle class doesn’t happen by accident, but is the result of deliberate policy choices – such as student loan policies, investments in schools, tax breaks for homeownership and so on. We should evaluate economic proposals by whether or not they strengthen and grow the middle class. Proposals that undermine our schools, cut social security, etc. hurt the middle class and hold the country back. Undermining the middle class to pay down the deficit will ultimately do more harm than good to the economy. Instead, we need to make investments that build the middle class, which will strengthen the economy and grow our way out of the deficit.

I think there are a lot of places spending can be cut, which in turn could help the middle class.

Independent voter, 31, Illinois

This I cannot wholeheartedly support because the majority of the money seemed to be spent ... for things that do nothing for the middle class or the economy . . . the deficit has done not a whole lot for the middle class.

Republican woman, 39, Arizona

Conclusion

While the current context is daunting, communicators do have the opportunity to make an effective case for deficit spending and state aid – essentially by taking the most “aggressive” path and arguing directly for *more* spending, using common sense stories and explanations that engage people, offer them hope, and establish new understandings of how spending helps, now and in the future.

This communications approach is more effective (as a *focus*) than various other messages – such as explanations of the mistakes that led to the recession, or descriptions of the suffering that would be caused by further spending cuts. These other messages ultimately fail to help people get past the chief obstacle that communicators are up against: the dominant perspective, among Americans of all political persuasions, that we simply must “live within our means.”

While communicators may evoke agreement and even enthusiasm with other messages, these responses do not necessarily indicate real perspective shifts, or even that listeners have properly understood the messages as intended. But by offering listeners substantively new pictures of how we can move forward through smart spending choices, communicators can establish new foundations for a constructive conversation.

Appendix: Taxing Speculation

One particular tested direction deserves special attention because it is successful on its own terms, but does not help make the case for deficit spending or state aid.

Specifically, the idea of a speculation tax proved memorable and persuasive. It is relatively easy to raise support for a “speculation tax” on trades – and to persuade some Americans that the wealthy should be taxed at higher rates.

Sample language:

Main Street is a mess because of high-stakes Wall Street gambling over the last decade, and Wall Street is not volunteering to clean it up. To save jobs, to create jobs and to provide critical public services, we need to put Wall Street to work for Main Street. We tax casinos from Las Vegas and Atlantic City. Isn't it time to tax the biggest casino of all? The proposed tax is called a Financial Speculation Tax, because it is targeted at discouraging reckless financial speculation whose only purpose is to pump up the size of bank profits. One bill in Congress would apply a levy on the sale or purchase of a share of stock, bond or derivative. Even a tiny Financial Speculation Tax would generate about \$100 billion a year in a steady stream of revenue that could be used to get us through the current recession.

While this research was not closely focused on the speculation tax issue, responses suggest that this at the moment, this may be a *relatively* easy policy win – though of course nothing is actually easy when it comes to taxes.

Taxing Wall Street would generate billions in revenue and maybe dig the federal government out of the hole it has dug for itself . . . I think it's a great idea

Republican woman, 40, Oregon

We should raise more taxes on Wall Street traders and big investment banks, because they were responsible for the financial crisis and taxpayers rescued them. We could use the money for public investments . . . It would be good for our economy in the long term.

Independent voter, 32, Ohio

Isn't it time to tax Wall Street for its out of control spending and to help support the little guy of Main Street?

Democratic man, 33, New York

On the other hand, this message does not help to promote deficit spending or aid to states – or to address the central obstacle there (“living within our means”).

There may be the potential at some point to directly challenge the idea of living within our means by pointing out that *we ourselves decide on our (government's) means through tax policy* – but messages tested in this project did not successfully convey new ideas about revenue, except in the limited senses related to speculation tax and tax cuts for the wealthy.

Wall Street investors and Big Banks, who are unregulated, spent billions of dollars on risky investments. We, the taxpayers, had to bail them out. They now need to step up and be forced to pay that money back . . . It makes me angry, but also hopeless, as I know that government is not ever likely to change.

Republican woman, 37, Oklahoma (Stimulus #21)

The government wants to give this money to the states, but personally I think we should put it toward the national deficit.

Republican woman, 29, Arizona

Appendix: How Several Specific Terms Fared

Several terms that communicators are actively considering or using were included in the testing to explore their impact.

“Balanced approach”

A number of communicators have used the idea that tax and revenue approaches should be “balanced” – e.g. that we should balance spending cuts with new revenue approaches.

Sample language:

To address budget deficits in the country and the states, we should use a balanced approach that cuts spending but also increases revenues in various ways. In fact, we have already cut spending to the bone, shrinking or eliminating many important benefits and services for average Americans. A balanced approach to dealing with the ongoing economic situation is to now look for revenue solutions that can help – including closing corporate loopholes and asking the rich to make sacrifices like many average Americans have already had to make.

Unfortunately, testing shows that the “balance” idea drops out and is not useful. While it seems a promising idea, it is generally not heard the way it is intended.

Some people misconstrue the idea as simply “balancing the budget.” Others focus on *either* the message about raising taxes on the well-off, or the message about cutting spending. The idea of a balance between the two is not part of the discussion.

The article discussed balancing the budget [by cutting] spending and increasing revenue.

Democratic woman, 30, North Carolina

I definitely agree that the rich need to pay more of their share of reducing the deficit.

Independent man, 41, Iowa

We shouldn't eliminate programs that are important in benefiting Americans. We should close corporate loopholes and force the richest Americans to sacrifice and pay higher taxes like they should have been doing all along.

Democratic man, 24, Alabama

“Multiplier effect”

This is a common concept with insiders, that some communicators have used with broader audiences.

Sample language:

Economists agree that government spending has always been the best or even the only way of getting us out of a serious recession. When consumers or businesses have less to spend, or are worried about spending, government hiring or purchases get economic activity happening again. For example, the government contracts with a bridge builder to build a bridge. Not only does the bridge builder hire construction workers, they also buy supplies, they pay a payroll firm, and that firm hires more people. The benefits of contracting to get that one bridge built creates “multiplier effects” that maintain and create jobs in the private sector.

Unfortunately, the term and concept disappear in testing – though broader concepts like the benefits of job creation remain strong as organizing points.

We could end the recession and owing all that money if the government would end all this unemployment and start hiring people and paying them so they can in turn spend some of that money out in our country.

Democratic woman, 40, South Carolina (Stimulus #33)

I think it's a good idea if it's done right. [But] spending money to build a bridge over a lake that no one uses or can get to, seems like a waste of money, even if people are temporarily employed.

Republican woman, 33, Washington (Stimulus #33)

I know sometimes you have to spend money to make money but the government doesn't have any to spend.

Republican woman, 32, Arizona (Stimulus #33)

It is possible that a dedicated effort to explain the multiplier effect could succeed in conveying this point in a clear and compelling way, but at this stage it can't be recommended as a communications tool.

Stabilizing the economy

One way to conceive of the effects of stimulus spending is that it metaphorically “stabilizes” the economy.

Sample language:

During a serious recession, the government can take critical steps to stabilize the economy. For example, government loans from the Bush and Obama administrations stabilized the American car industry, saving up to a million jobs. The loans, most of which will be repaid with interest now that companies are profitable again, saved a situation that could have spiraled out of control and put an entire region and national economy in a worse place. Likewise, federal aid can stabilize state economies by keeping public employees like teachers and firefighters working rather than unemployed.

Unfortunately, the term and idea of stabilization quickly drop out in testing, and only the more specific points are recalled, such as the discussion of jobs being saved.

I think a lot of people react to the bailout too strongly without actually looking at the big picture. Sure it sucks the car companies had to be bailed out but at least they are U.S.-based, and continue to be, unlike other companies. The money remains here in the U.S.

Democratic woman, 23, South Carolina

Bailing out the auto industry helped prevent us from falling farther into a recession . . . I agree on this case but not on many. They took a big gamble, which did pay back on its return. Many other programs and bailouts have not been so fortunate.

Republican man, 25, Illinois

I'm not really sure. While I think we should definitely spend within our means, I also think that it is important to make sure the economy doesn't collapse entirely.

Independent voter, 33, Ohio

Appendix: Tested Paragraphs

This appendix lists all the paragraphs used in TalkBack testing. The body of the report mentions the ones whose performance strongly illustrates particular kinds of success or traps to be avoided. Many others simply were not well understood, for instance – e.g. because they did focus sharply enough on a single key point.

Note that the labels are for convenience, and were not seen by research participants.

01 Scary Cuts

Cutting the deficit makes sense over the long run, but current proposals like cutting Medicare and Social Security are the wrong idea. They will create more suffering among people who are most vulnerable. More than 9 out of 10 American workers participate in Social Security, so cuts would ultimately affect virtually every person in this country. Right now cuts would affect over 50 million people, mainly seniors who spend nearly half their monthly check in medical costs. Reducing the deficit is not as important as offering security to vulnerable Americans today.

02 Deficit is Not Bad I

Less tax money coming in because of the current recession means that in order to pay for everything from schools to the military we have to borrow to make up the shortfall. But we should keep this in perspective: For example, debt (as a percentage of the economy) was bigger after WWII than it is today, but as our economy grew, our debt declined. The United States is still the wealthiest nation on earth; we have the biggest economy on earth (\$14 trillion), and every other country wants to buy dollars because the dollar is so stable.

03 Middle Class

A strong middle class is the engine that drives our economy. And a strong middle class doesn't happen by accident, but is the result of deliberate policy choices – such as student loan policies, investments in schools, tax breaks for homeownership and so on. We should evaluate economic proposals by whether or not they strengthen and grow the middle class. Proposals that undermine our schools, cut social security, etc. hurt the middle class and hold the country back. Undermining the middle class to pay down the deficit will ultimately do more harm than good to the economy. Instead, we need to make investments that build the middle class, which will strengthen the economy and grow our way out of the deficit.

04 Invest in Public Structures

Americans tend not to think about one critical ingredient to our traditional economic success, but economists sometimes call them “public structures.” These are systems or physical structures that we all own and that are created for the public good. Examples include everything from highways that allow goods to move around, to community colleges that create pools of more qualified workers. Experts say that even when we have a deficit, maintaining and investing in public structures is one of the critical ways to promote our prosperity, and that strong public structures are one of the biggest differences between the US and third-world countries. Underfunding them would undermine them and be a step backward, not forward.

05 Tax Speculators

Main Street is a mess because of high-stakes Wall Street gambling over the last decade, and Wall Street is not volunteering to clean it up. To save jobs, to create jobs and to provide critical public services, we need to put Wall Street to work for Main Street. We tax casinos from Las Vegas and Atlantic City. Isn't it time to tax the biggest casino of all? The proposed tax is called a Financial Speculation Tax, because it is targeted at discouraging reckless financial speculation whose only purpose is to pump up the size of bank profits. One bill in Congress would apply a levy on the sale or purchase of a share of stock, bond or derivative. Even a tiny Financial Speculation Tax would generate about \$100 billion a year in a steady stream of revenue that could be used to get us through the current recession.

06 Balance I

To address budget deficits in the country and the states, we should use a balanced approach that cuts spending but also increases revenues in various ways. Almost all states have made hard but necessary budget cuts over the past two years. A balanced approach to dealing with the ongoing economic situation is to look for other measures that can help – including delaying tax cuts, or even increasing certain kinds of taxes on wealthy corporations for instance, as well as getting more aggressive about collecting outstanding unpaid taxes.

07 Fantasy World

Economists point out that we've been living in a fantasy world: We've spent the last decade in the two longest wars in US history but haven't raised the necessary taxes to pay for them – in fact, we've actually lowered revenues by reducing the tax burden of the wealthiest 1% of Americans. We've never ignored the costs of previous wars, and doing it this time has seriously weakened our economy. The final body blow to the economy has come in the form of the deepest recession since the Great Depression, which has further destabilized our budget. Incredibly, in the face of impending collapse we still continue to ignore reality and refuse to use the two most basic tools for keeping the economy afloat: Raising taxes on the wealthiest Americans and temporarily increasing the deficit to stimulate the economy.

08 Trillions

One explanation for our enormous budget deficit is that we've made a couple of gross mistakes. First, we've spent the last decade in the two longest wars in US history but, for the first time in our history we decided not to raise taxes to pay for either war. This put us 1 trillion dollars, and counting, in the hole. Second, at the same time we decided to lower the tax burden on the wealthiest 5% of Americans, which cost us another 1 trillion dollars in lost revenues. This 2 trillion dollar hit has seriously weakened our economy. The latest blow has come in the form of the deepest recession since the Great Depression, which has further sapped our budget. Incredibly, we still continue to ignore reality and refuse to use the two most basic economic tools we have: Raising taxes on the wealthiest Americans, and using strategic investments to stimulate the economy.

09 States in Trouble I

The worst recession since the 1930s has caused the steepest decline in state tax revenues on record. As a result, even after making very deep spending cuts over the last two years, states continue to face large budget gaps. States will continue to struggle to find the revenue needed to support critical public services for a number of years, threatening hundreds of thousands of jobs. The federal government

could avert deep additional budget cuts that would further harm the economy by extending assistance over the period during which state fiscal distress is expected to continue rather than cutting it off before states have recovered.

I 0 Recession Cause

Almost every state in the country is facing huge budget shortfalls because of the current recession. When economic activity slows down, less tax money flows to the state to pay for everything from schoolteachers to bridge inspectors. Tax money flows to the state every time economic activity happens – whether it's someone buying a house, a company writing a paycheck, someone making money on their stock holdings, etc. When all these things slow down, less money flows to the state, and it has less money to get things done. States have cut lots of spending over the last few years, but still have huge budget shortfalls because the economic slowdown is choking off tax revenues we count on.

I 1 Stabilizer

During a serious recession, the government can take critical steps to stabilize the economy. For example, government loans from the Bush and Obama administrations stabilized the American car industry, saving up to a million jobs. The loans, most of which will be repaid with interest now that companies are profitable again, saved a situation that could have spiraled out of control and put an entire region and national economy in a worse place. Likewise, federal aid can stabilize state economies by keeping public employees like teachers and firefighters working rather than unemployed.

I 2 Perfect Storm

Periodically our economy is hit by the financial equivalent of a perfect storm. This is what happened during the Great Depression, and it's what happened two years ago. The difference is that this time we responded to the storm more quickly and were more prepared than in 1930. With help from the federal government, our banking system survived this time, but most states' budgets were wrecked. It is simply practical and right that the federal government – which has the legal authority to help – step in to help the states during this national disaster. The government's job is to help the states protect their key infrastructure (like roads and schools) and to make sure payments keep going out to needy children and the elderly, until the states can get back on their feet.

I 3 Disaster Response

Everyone knows that Wall Street and not the states caused this Great Recession, through mismanagement of the financial system. This is exactly what happened during the Great Depression. The difference is that this time we responded to the disaster more quickly and were more prepared than in 1930. We acted quickly to keep our banking system from collapsing, but most states' budgets were still wrecked. It is practical and right that the Federal Government – which has the legal authority to help – step in to help during this disaster which was not caused by the states. The government's job is to help the states protect their key infrastructure (like roads and schools) and to make sure payments keep going out to needy children and the elderly, until the states can get back on their feet.

I 4 Revenue Drought

Public spending on public structures like schools and roads and communications grids and fire departments allows the economy to be far more productive overall, and is what sets us apart from a

failed state like Somalia or Burma. Unfortunately, this recession has caused state revenues to dry up, to produce what economists call a Revenue Drought. This Revenue Drought is putting our way of life at risk, and the damage to people and public structures will be hard to fix later if we don't help the states now, even if we have to borrow to help them.

I5 Multiplier I

Economists agree that government spending has always been the best or even the only way of getting us out of a serious recession. When consumers or businesses have less to spend, or are worried about spending, government hiring or purchases get economic activity happening again. For example, the government contracts with a bridge builder to build a bridge. Not only does the bridge builder hire construction workers, they also buy supplies, they pay a payroll firm, and that firm hires more people. The benefits of contracting to get that one bridge built creates “multiplier effects” that maintain and create jobs in the private sector.

I6 Saving Jobs

Economists say the most important thing government can do during a serious recession is create jobs, since jobs are the basis of economic strength. Unemployed people means weaker demand for goods and services, which can lead businesses to lay off more people. To end this spiral, government can directly hire people to do important jobs like building highways, cleaning up rivers, etc. It can also spend the money to keep schoolteachers and other public employees working. It also gives or loans money to businesses so that they can keep workers and hire more. Making jobs a priority helps people in the short term but is also a good long-term strategy for improving the economy.

I7 Household v Government I

According to economists, government budgets and household budgets are the opposite in one simple way: Governments can and should spend more when times are tough. Government spending compensates for lack of spending by families and businesses and helps end a recession. Then government should balance the books once the slowdown has ended, people are back at work, tax revenues are back up and so forth. War spending has historically been one way of reviving an economy, but it is much more effective to invest in things that will have long-term payoffs for everyone, such as education and infrastructure.

I8 Businesses Borrow I

Critics like to say that the states need to live within their means, just like a household, and that the Federal Government shouldn't encouraging irresponsible behavior by bailing them out. Economists say that this is a terrible analogy – state governments are more like businesses than households. Any business owner knows that borrowing is critical to get through tough times: you don't stop advertising when times are tough, and you borrow to avoid laying off skilled employees, or letting your dairy cows starve, as long as you can because it costs a lot to replace customers/employees/cows later. It's simply common sense that the Government should help get the states through the greatest recession we've faced since the 1930s.

19 Paradox of Thrift

Critics like to say that the states need to live within their means, just like a household, and that the Federal Government shouldn't be in the business of bailing them out. Economists say that this is wrong because of what economists call the "Paradox of Thrift." If everyone who is in debt suddenly decides to cut back on their spending at the same time, the economy goes into shock and many many jobs are lost. At that point, only Government spending can get the economy going again, even if the Government has to borrow to do so.

20 Don't Cut Public Structures I

One of the things that makes the U.S. different from developing / third-world countries is what economists call "public structures." These are systems or physical structures we built together and that are essential to our prosperity, from highways that allow goods to move around, to public schools, to community colleges that create pools of more qualified workers. Economists are concerned that the next generation of Americans is going to face a worse economy and lower quality of life because we are investing less and less in these critical public structures.

21 Tax Wall Street

Deregulated Wall Street traders and big investment banks made trillions of dollars in profit marketing risky financial products to families and businesses, and then taxpayers rescued these speculators when their bad bets crashed the economy. Now Wall Street needs to pay back the help they got from "Main Street." A financial speculation tax (a small tax charged whenever stock changes hands) would raise over a hundred billions dollars per year and could be used by state and local governments for the public investments we know we need to make for future generations.

22 Balance 2

To address budget deficits in the country and the states, we should use a balanced approach that cuts spending but also increases revenues in various ways. In fact, we have already cut spending to the bone, shrinking or eliminating many important benefits and services for average Americans. A balanced approach to dealing with the ongoing economic situation is to now look for revenue solutions that can help – including closing corporate loopholes and asking the rich to make sacrifices like many average Americans have already had to make.

23 States in Trouble 2

The worst recession since the 1930s has caused the steepest decline in state tax revenues on record. As a result, even after making very deep spending cuts over the last two years, states continue to face large budget gaps. States will continue to struggle to find the revenue needed to support critical public services for a number of years, threatening hundreds of thousands of jobs. Only assistance from the federal government will be able to avert additional deep budget cuts to state and local public programs that will cause further economic distress in the hardest hit areas. If the federal government puts a priority on reducing deficits and entitlements instead of focusing on job-creating investments, it will kill the recovery before it can rev up enough to cut the unemployment rate.

24 How Stimulus Helps

During a recession, private sector demand falls, people lose their jobs, and so overall spending drops. Economists tell us that the government can stop the downward spiral in the economy by providing help to the unemployed (which stabilizes their incomes and allows them to continue buying necessities) and investing in public projects that we need for future economic growth (bridges, water systems, buildings). Besides providing direct employment to those hired by the firms who get the construction projects, as the wages of those working on project are circulated to the local stores and businesses, the effects of the investments get multiplied in the local economy.

25 Need more Stimulus

When the housing bubble collapsed in 2008, it set off a chain reaction that wiped out over 8 million jobs, starting in the construction industry, but spreading into other industries too. The federal stimulus package ended up saving or creating about 3 million jobs, but that still means 5 million lost jobs, which really hurts the overall economy. Additional job stimulus is important for the economy, and could also help the country deal with a few important long-term needs, including repairing and updating infrastructure from bridges to rails to water systems, and weatherizing all kinds of buildings to conserve energy.

26 Policy Change

Bad government decisions created the current recession, but better decisions now can help end its effects. For instance, we eliminated regulations that had forced banks to only offer safe and reasonable credit options – and we need to bring those common sense restrictions back. The bank bailout should have had additional requirements, and we can put them in place now. We can put caps on bonuses and salaries, offer relief for mortgage holders and require changes in management, like we did in the successful the auto bailout. Just as this recession was the result of bad policy moves, better moves now can help us out of the situation.

27 Fed Help Needed

In principle, state governments should be able to take steps to preserve jobs and services in their own states. But there are several reasons why this isn't realistic, and the national government needs to step in to deal with the national economic recession. For instance, the federal government is where most of the tax money ends up – the states collect a lower percentage of taxes and simply don't have as much to work with. Also, many states are not legally allowed to run deficits, even when borrowing to create jobs would be the best way to get their economies back on track. The bottom line is that only the federal government can help get our economy out of the ditch and protect the American dream.

28 Tax Cuts Bad

Economists warn that tax cuts to the wealthy will create bad economic effects, not good ones. First, wealthy Americans are likely to simply put any extra money in the bank, while average people spend it and help stimulate demand, jobs etc. In fact, cutting taxes to the rich at this point can actually create a fiscal crisis, since it would probably mean that social security and Medicare would have to be cut. This would take even more money out of the hands of average Americans.

29 Deficit is Not Bad 2

The United States is still the wealthiest nation on earth; we have the world's biggest economy, and every other country wants to buy dollars because the dollar is so stable. We currently have a budget deficit, because we haven't made the right choices recently: We got into two expensive wars and gave tax cuts to the wealthy, rather than collecting the money to pay for the wars. But we can cut the deficit by growing the economy, and that means investing in the middle class. This is what we did after World War II. Our debt was actually higher as a percentage of the overall economy during World War II, but good investments in the middle class then helped grow the economy. This brought the deficit down and led to decades of broad-based prosperity. Good investments now can have the same effect.

30 Restart Small Biz

Economists agree that new jobs are created by small businesses. There are three basic ways that Government can help small businesses. First, it can create tax breaks for small businesses, to encourage them to hire workers. Second, it can invest in public structures like roads and education that pave the way for small business success. Third, it can help pay state and municipal workers' salaries, which keeps small businesses' customer base from collapsing. All of these measures involve deficit spending, but most economists agree that best way to restart the economy is to restart small business.

31 Household v Government 2

According to economists, government budgets and household budgets work the opposite in one simple way: Governments can and should spend more when times are tough. Government spending compensates for lack of spending by families and businesses and helps end a recession. Households spend more once times are good again, but that's when government focuses on balancing its books: once the slowdown has ended, people are back at work and tax revenues are back up. For instance, after World War II debt was significantly higher as a proportion of the economy than it is today. But as the economy improved, debt came back down to OK levels.

32 Future Middle Class

Economists warn that future generations of Americans will pay the price if we don't continue to invest in the things that have created a strong middle class in the past. A big reason why this country has historically had a strong middle class is investments in things from public education and community colleges to infrastructure that allows for productivity. In order to ensure prosperity for the next generation, economists say, we must not undermine these investments in broad prosperity. Instead these are critical areas to invest in.

33 Multiplier 2

According to economists, the reason that smart government spending can end a recession is what they call the "multiplier effect." When economic activity shrinks because consumers or businesses have less to spend, government hiring or purchases create a helpful multiplier effect, where every government dollar spent means several private dollars get spent in ways that pick up the economy. For example, the government contracts with a bridge builder to build a bridge. The construction company ends up hiring construction workers who would otherwise be unemployed, buying supplies, hiring a payroll firm, etc. And the construction workers, supply workers and payroll workers then all have more money to spend, creating a multiplier effect of economic activity.

34 Backup Power 1

Economists say one important function of government spending is that it provides “backup power” to the economy. This is an analogy to the backup generators that hospitals use so they never lose power, or the backup engines that sailboats have for when the wind dies. In good economic times, the energy driving the economy is mostly private spending – families buying things, companies hiring people or buying supplies, etc. But in a recession, that energy dramatically drops, and government provides backup power by hiring people for public projects, contracting companies to build infrastructure etc. so that demand, confidence and spending pick back up.

35 Backup Power 2

Economists say one important function of government spending is that it provides “backup power” to the economy. In good economic times, the energy driving the economy is mostly private spending – families buying things, companies hiring people or buying supplies, etc. But in a recession, that energy dramatically drops, and government provides backup power by hiring people for public projects, contracting companies to build infrastructure etc. so that demand, confidence and spending pick back up. Economists say that the ability to provide “backup power” is one of the capacities an advanced economy like ours has, that developing economies don’t have.

36 Smoothing

According to economists one of the most general principles that should guide government spending is to smooth out the economy and prevent sudden ups and downs. When there’s inflation, government spending should slow down, in order to lower demand and bring prices down. When there’s a recession, government spending should pick up, and make up for the drop in spending by businesses and households. This spending smoothes out the economy and prevents it from dipping into a depression.