

## Flags Versus Dollars

By Paul Krugman

Howard Dean's remarks about the need to appeal to white Southerners could certainly have been better phrased. But his rivals for the Democratic nomination should be ashamed of their reaction. They know what he was trying to say—and it wasn't that his party should go soft on racism. By playing gotcha, by seizing on the chance to take the front-runner down a peg, they damaged the cause they claim to serve—and missed a chance to confront the real issue he raised.

A three-sentence description of the arc of American politics over the past 70 years would run like this: First, Democrats and moderate Republicans created institutions—above all, Social Security and Medicare—that provided a measure of financial security to ordinary working Americans. The biggest beneficiaries of these institutions were African-Americans and working-class Southern whites, and both were part of the moderate-to-liberal coalition that dominated American politics until the 1960's.

But the right opened an increasingly effective counterattack, with a strategy that included using racially charged symbolism to get Southern whites to vote against their own economic interests. All Mr. Dean was saying was that Democrats need to understand and counter this strategy.

I know these are fighting words. But the reliance of modern Republican political strategy on coded appeals to racism is no secret. Controversies over efforts to remove the Stars and Bars from the top of the South Carolina Statehouse, and to reduce its size on the Georgia flag, played a significant role in Republican victories in 2002. And the evidence that race is still a crucial factor is as fresh as Tuesday's election.

The big story in that election was the victory of Republicans in Mississippi and Kentucky. The secondary story, however, was a string of victories by Democrats in affluent suburban areas in the Northeast. In my state, New Jersey, Democrats took firm control of the state's Legislature.

What this tells us is that some people—either in New Jersey, Mississippi or both—voted against their economic interests. For whatever you think of Bush's economic plan, it's clearly much better for New Jersey—a rich state, which gains a lot from tax cuts tilted toward the affluent—than for a poor state like Mississippi.

Consider, for example, the effects of estate tax repeal, a central feature of the 2001 tax cut. Almost nobody in Mississippi pays the estate tax. In 2001 only 249 estates in Mississippi paid any tax at all; raising the exemption to \$5 million, which some Democrats suggested as an alternative to full repeal, would have reduced that to a couple of dozen. By contrast, New Jersey, with three times Mississippi's population, had almost 10 times as many taxable estates.

Or consider the 2003 tax cut. It was also heavily tilted toward the affluent, and therefore toward rich states. According to Citizens for Tax Justice estimates, the typical New Jersey family got a \$409 tax cut. In Mississippi, the number was only \$165.

So did Mississippi voters support the Republicans, even though they get very little direct benefit from Bush-style tax cuts, because they—unlike New Jersey's voters—understand the magic of supply-side economics? If you believe that, I've got an overpass on the Garden State Parkway you may be interested in buying.

Now maybe New Jersey voted Democratic because of irrational Bush hatred. But I think it's a lot more likely that white Mississippi voters, unlike their counterparts up north, are still responding to Republican flag-waving—and it's not just the American flag that's being waved.

Yet the fact is that Mississippi, being relatively poor, will lose disproportionately if the right wins on its full agenda, which involves a big rollback of New Deal and

Great Society programs. (I'll explain in a future column how Republicans are using the prescription drug bill to lay the groundwork for later Medicare cuts.)

Mr. Dean wasn't suggesting that his party adopt the G.O.P. strategy of coded racial signals, and by and large African-Americans—my wife included—understand that. What he meant by his flag remark was that Democrats must make the case to working Americans of all colors that the right's elitist agenda isn't in their interest. And he's right.