

GREENBERG QUINLAN ROSNER RESEARCH



December 5, 2006

The Economic Disconnect

How Both the Left and the Right Get It Wrong

Table of Contents

- 02 Introduction
- 03 Key Findings
- 04 Rising Costs and Stagnant Incomes Refute Conservative Claims
- 05 Liberal Portrayals of Middle Class as Victims also Out of Touch
- 08 Despite Challenges, Optimism About the Future
- 09 Hostility Toward Those Responsible for Higher Costs and Eagerness for Relief



Economic Policy Institute

December 5, 2006

The Economic Disconnect

How Both the Left and the Right Get It Wrong

Stan Greenberg, Matt Hogan, Celinda Lake, Daniel Gotoff, Erica Prosser

Americans are dissatisfied with the national economy, and are doubtful it will improve in the future. This is an economy defined by its inability to produce rising incomes in the face of growing financial pressures, though people are proud of their efforts to overcome these systemic obstacles. The principle economic problems, therefore, are cost centric, particularly rising health and gas costs; the principle culprits are mainly the corporations (oil and pharmaceutical) that impact costs, and the favored policies are those that help people achieve higher incomes and better jobs.¹

Americans' anxiety about the economy leads them to think and talk about it very differently than both conservative and liberal elites. Because people are acutely aware of their own efforts to pay their bills each month, they understand the economy differently – and view it much more negatively – than Bush Administration officials, Wall Street analysts and conservative economists who stress positive macro-economic statistics. Indeed, nothing raises the public ire more than the elites saying this is a good economy, which seems to deny the hard work and inventiveness of people who raise their living standards against the odds.

However, conservatives are not alone in this disconnect with the public on the economy, as liberal elites portrayal of Americans as passive victims also alienates their intended audience. These liberal elites underestimate Americans' emphasis on personal responsibility and greatly overestimate the degree to which they see themselves as victims in the current economy.

Indeed, when it comes to their own individual and family situations, most people already say that they are succeeding (and expect their kids to succeed), thanks to their hard work and personal sacrifice in the face of great obstacles. This allows them to tell a story where they and their families are the heroes and where the obstacles they overcome add luster to their success.

¹ Analysis based on results of a survey and focus groups conducted for the Economic Policy Institute. Greenberg Quinlan Rosner conducted a survey of 1,044 adults March 22-29, 2006, with a margin of error of +/- 3.1%; Lake Research Partners designed and administered six focus groups with swing voters. The groups were conducted , two per night, January 17-19, 2006, in Minneapolis, MN, Columbus, OH, and Jacksonville, FL respectively. The participants were non-college educated suburban and exurban voters who are registered and likely to vote, and who have no strong partisan preferences. The Minneapolis and Columbus groups were among 45 to 60 year olds, the Jacksonville participants were 30 to 45 years old. Each night consisted of one men's group and one women's group.

This can-do spirit helps explain why Americans are personally optimistic about their own finances, their quality of life in the future, about the prospects for future generations and already believe they enjoy a higher standard of living than their parents. Even in the face of the challenges posed by the current economy, over two-thirds believe they are presently or will in the future achieve the American Dream.

The following are the key findings from a national survey conducted for the Economic Policy Institute which explored American attitudes towards both the nation's and their own economic standing:

Key Findings

- While Americans are dissatisfied with the current state of the economy, neither conservative nor liberal elites speak for them. Conservative elites tout economic growth in the face of rising costs while liberal elites portray the middle class as helpless victims, causing average Americans to see both groups as out of touch.
- Over two thirds of the country view the economy negatively. At the same time, without any coherent, compelling narrative from the Right or the Left, many Americans are short on their own solutions to the economic problems facing the country. The public's central perspective is of a middle class in decline, badly squeezed between rising costs, reduced benefits, and stagnant earnings. The public holds out little hope for the economy improving any time soon, suggesting that these current problems may reflect a structural change.
- While Americans have not quite discovered the solutions to the country's economic challenges, they approach this debate with definite bad actors in mind. Americans see a close relationship between corporations and politicians that has created, or at least stoked, a culture of greed in America, threatening our national economy and eroding the middle class. These are the main, though not the only, culprits in explaining the current economy.
- Even while acknowledging the obstacles created by this environment of rising costs and stagnant incomes, the public is optimistic about their own chances for achieving economic stability in the future and see the American dream as a reachable goal.
- There is a big divide running through the country at around fifty thousand dollars. Below that, people believe their personal financial situation is not great; above that, a good majority thinks they are personally doing okay – even if they think this is an economy without rising incomes.
- Those without a college degree are much less positive about how they are doing and hold much greater resentment toward elites and especially corporations.
- Education and job training are seen as critical to upward mobility and the notion that success depends on whom you know or the wealth of your family is soundly rejected.
- Americans see themselves as largely on their own in the current economy, but they are eager for the government to take on a more active role to help ease their financial burden in areas such as health care, energy and education and support greater regulation of the corporate interests that are seen as contributing to these rising costs.
- Iraq is seen as a serious threat to the state of the nation's economy.

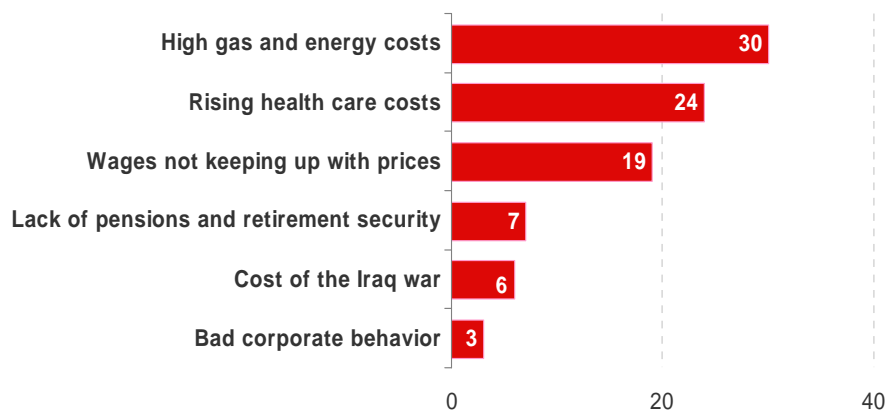
Rising Costs and Stagnant Incomes Refute Conservative Claims

The character of the current economy is defined by the squeeze created by incomes that fail to keep up with rising costs. Rising prices for health care and gas are seen as the most pressing economic burdens facing Americans, ones that are exacerbated by stagnant incomes. The squeeze created by these opposing forces leads just a third of the country to rate the national economy positively and causes the public to reject the notion that the economy is improving by nearly a two-to-one margin.²

■ **Figure 1:** Economic problems

Most Serious Economic Problems Facing Americans

Here are some economic problems that people are talking about today. Please tell me which of one of these is most serious for you and your family?



Despite the lack of income growth and mounting economic pressures, this is not a recession economy. A high unemployment rate, coupled with the current conditions would create a very different economy and much more public anger. The current characteristics of this economy create more frustration than outright hostility, but they do cause serious doubts about the economy's current standing and its potential for improvement.

² This negative view of the national economy is not simply driven by those less well-off, as a majority of upper income Americans also give the economy tepid reviews. Regional and educational differences also create little variation in attitudes toward the national economy, with Americans equally dissatisfied with its current condition regardless of where they live or what degree they have earned.

A Window into Blue-Collar America

“One time I sat down and I was figuring things and I told him I said you know in the last five years you have actually went backwards in pay, not forwards.”

Ohio woman

“I believe that the money doesn’t go as far as it used to. I can’t speak from a lot of experience, but from ten, fifteen, twenty years ago it seemed like money went a lot farther.”

Ohio man

“The prices continue to rise on just about everything that you need to purchase, but the cost, you know, you’re not making more in relative terms, to what we were making before.”

Florida man

“I just wonder how much, how long we can be the world’s policeman and keep spending billions and billions in foreign countries and everything going out and what’s going to be left here?”

Florida man

The economic squeeze creates a sense among the public that any progress made in the current economy is hard won and they therefore deeply resent any claim from elites suggesting otherwise. When asked to choose between an optimistic narrative that claims that “the American dream is very much alive” and one that describes an economy where most struggle with higher costs and stagnant incomes, the public sides with the latter by a two-to-one margin, with more than half preferring it strongly. In the current climate, any statement on the economy that resembles the rosy depictions offered by conservative elites earns a sharp rebuke from the public.

■ **Table 1:** Economic definition debate

Debate over definition of current economy

	Total agree
Most people today face increasing uncertainty about employment, with stagnant incomes, paying more for health care, taxes, and retirement, while those at the top have booming incomes and lower taxes.	64
Our economy faces ups and downs, but most people can expect to better themselves, see rising incomes, find good jobs and provide economic security for their families. The American dream is very much alive.	32

While spiraling gas prices and health care costs are seen as the economic problems most directly impacting Americans, the cost of the war in Iraq narrowly edges them as the factor most detrimental to the nation's economy overall. Concern over the war's impact on the economy is driven most prominently by partisan sentiments, with Democrats overwhelmingly citing it as the top problem facing the country, but it is also the dominant problem among the most educated.

Combined with the war in Iraq, the concern over rising costs and stagnant incomes not only dominates the public's current perceptions of the economy, but also clouds their hopes for progress in the future. Just 38 percent believe that the country's economic situation will improve in the next year, 10 points below the percentage who believe it will become worse.

This lack of faith in the national economy's ability to rebound suggests that the current reality of rising costs and sluggish incomes is not viewed as a fleeting problem by most Americans, but is seen rather as a structural change in our economy.

A Window into Blue-Collar America

"It's up to what you want to do with your life and your willingness to sacrifice to make it happen."

Florida man

"No matter what the nation economy does, if I don't do something for me, if something's available and I don't go do it, if I don't go after it or I choose not to, it's up to me to become part of that economy."

Florida woman

Liberal Portrayals of Middle Class as Victims also Out of Touch

While they hold a pessimistic view of the national economy, Americans are much more hopeful about their own economic standing and their potential to achieve financial security in the future. Over two thirds have either achieved the American Dream or believe they will reach it, majorities rate their finances positively and believe they are better off than their parents, and Americans overwhelmingly believe that a good education and hard work – not connections or inheritance – are the keys to succeeding in today's economy.³

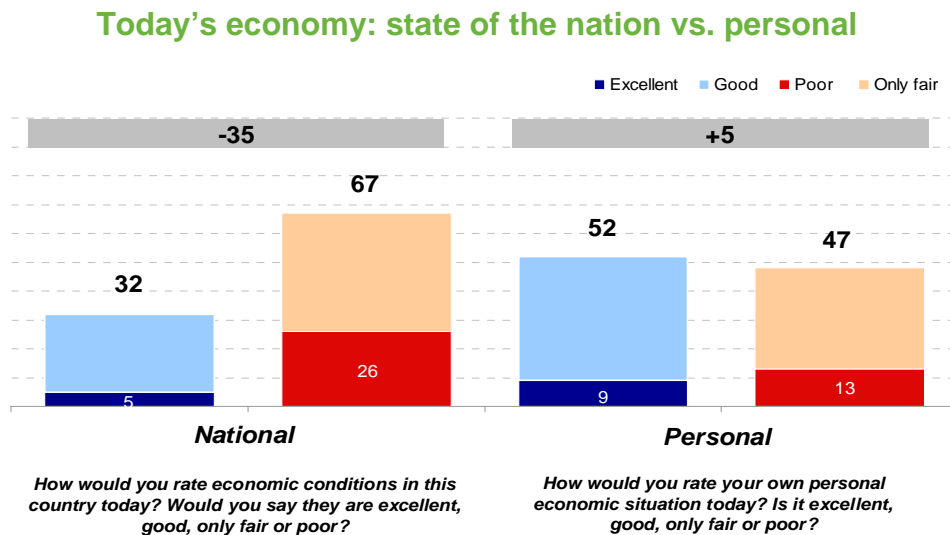
When it comes to getting ahead, Americans see themselves as largely on their own. They are confident in their ability to navigate the obstacles of the current economy and raise their standard of living, but they do not anticipate reaching their goals with any help from government, big business or labor unions.

Given this optimism and the belief that a determined individual can still transcend the obstacles surrounding them, the attempts by liberal elites to portray average Americans as victims in need

³ Despite their positive ratings of their economic standing Americans are hesitant to draw financial distinctions among their contemporaries. Nearly three quarters define themselves as middle or working class and the same percentage rates their wealth between a four and seven on a one to ten scale. This tendency to identify oneself as middle class is a trend evident among both upscale and downscale groups.

of government assistance comes across as out of touch. The public places great importance on personal responsibility and while they do not appreciate anyone downplaying the obstacles they face, they also reject any appearance of patronization.

■ **Figure 2:** Today's economy



Overall, Americans are ambivalent about their own finances, but the 52 percent who rate their personal financial situation positively is 20 points above the percentage who rate the national economy that way. This disparity is not driven simply by those with higher incomes, but rather is endemic to all demographic groups. Even the more downscale groups (those with a household income of under thirty thousand dollars and those with a high school degree or less) rate their personal economic standing higher than the nation's.

While all groups believe they are in a better financial position than the country overall, positive ratings of one's personal finances differ substantially depending on whether their household income is over fifty thousand dollars. Three quarters of those with a household income above fifty thousand dollars rate their own financial position positively, but among those who fall below that level, less than a third feel good about their economic standing.

Interestingly, debt levels and home ownership do not have a significant impact on how people view their economic situation as just 39 percent indicate that they are worried about their level of debt, and just 10 percent are very worried. Even among the 13 percent of the country who rate their economic situation as poor, just over a third indicate that they are very worried about their level of debt.

Home ownership is nearly universal, as 70 percent of the country currently owns a home and among those who do not, a majority believes they will own one within the next five years. This

high level of home ownership and belief in its attainability is a significant factor in the optimism regarding their own economic situation.

A Window into Blue-Collar America

While most Americans are optimistic about their ability to own a home, the blue collar voters in the focus groups were very worried about future trends, such as rising interest rates, housing prices and job security was of particular concern for older workers. “Instability” is a by-word of the new economy. These people found it hard to imagine how to achieve true security in this economy.

Even focus group participants who were optimistic about their own personal situations did not feel certain about their continued economic security. In addition to the rising cost of living and decreasing job security, these voters cited personal debt as greatly complicating their own, and others’ economic futures and ability to stay within the middle class, despite the belief that with hard work and personal effort they can better their own personal situation.

“It’s people that are in debt and they just spend, they need a cell phone, they need this or need that, they’ve got to have everything, they’ve got to have this....”

Florida woman

“We live on a budget and we are really conscious of our debt, trying to not have any. But once I fear we have children, I imagine that’s going to be a lot harder because having children is expensive and things happen and people lose jobs.”

Minnesota Woman

“I’m worried about the stuff, the money we put away for retirement. I mean in 20 years I’ll be thinking about retirement. Is that nest egg going to be, you know, enough for me to retire on or?”

Florida man

Despite Challenges, Optimism About the Future

The disparity in attitudes between people’s own economic situation and the nation’s is also evident when looking to the future. While over 60 percent say that the nation’s economy overall is not improving, the same percentage believes their own standard of living and quality of life is moving in the right direction.

This optimism for the future is evident when Americans are asked to rate their family’s situation in ten years on a one to ten scale. Nearly 60 percent put themselves at six or higher, 20 points above the percentage who currently rate themselves at that level. Even among the nearly two thirds of Americans who said that “increasing uncertainty,” rather than “achieving the American Dream,” characterized the economy,” 63 percent believe they will attain that dream.

Not only does this optimism transcend class but it is actually driven largely by those at the bottom of the economic ladder. Just 26 percent of those in the lowest income bracket and only one in five without any post-high school education believe their economic standing will fall below

the average American's ten years from now.⁴ This substantial level of confidence among downscale groups about their future earning potential creates only a narrow difference between the economic expectations of upscale and downscale Americans.

This optimism for the future does not reflect a diminished estimation of the challenges posed by rising costs and stagnant incomes, but instead reflects their belief that they and their family can get ahead with a good education and hard work.⁵

Americans' positive attitude regarding their own financial futures carries over to their expectations for their children. Among those who have children under the age of 18, 54 percent believe that their children's standard of living will be higher than their own, 30 points above the percentage who believe it will be worse. Such faith in the well-being of future generations is less evident among those without children under the age of 18 however, as these Americans are divided on whether the next generation will enjoy a higher standard of living than the current one.

Although Americans feel good about their chances of moving up the financial ladder, they take a more tempered view of whether they will ever become wealthy. A narrow majority believes that it is not likely that they will be wealthy and just 13 percent believe that they are very likely to reach that level some day.⁶

A Window into Blue-Collar America

In the focus groups among there was a real sense that the opportunity to succeed in America was still alive, but withering. These Americans were more likely to believe that a person had to rely on good fortune in order to succeed and that college education was no longer was the guarantee of personal success it once was.

Hostility Toward Those Responsible for Higher Costs and Eagerness for Relief

This environment of rising prices and weakening buying power has helped create growing resentment toward corporate entities, particularly those who are seen as limiting income gains or who are responsible for higher costs. Just a quarter of the country holds a favorable view of big corporations, and positive ratings for CEO's is mired at just 18 percent. However, the greatest level of antipathy is reserved for those entities who are most responsible for spiraling prices. Negative views toward drug companies outnumber positive ones by a two-to-one

4 Bottom bracket refers to those with household income of under 30,000 dollars a year.

5 There was a major gender divide on this question, as education trumped hard work among women by a more than two-to-one margin, but among men they were virtually even, with a good education edging hard work by just 3 points.

6 There is a significant racial gap on this question, as African Americans and Hispanics are much more likely to believe they will become wealthy. Nearly three out of four African Americans and Hispanics felt it was at least somewhat likely, compared to just 37 percent of whites, despite whites having higher average incomes than either group.

margin and the news is even worse for oil companies, with negative views trumping positive ones by 53 points.⁷

Although Americans overall see themselves as largely on their own in the current economy, their concern over rising costs and the influence held by big corporations creates a desire for government to take a more active role on a number of economic fronts. The public is very receptive to an expanded role for government in reining in corporate misconduct, regulating trade and limiting outsourcing, which they see as a major drag on our economy.⁸ Not surprisingly, they are also strongly supportive of economic initiatives that seek to ease their financial burden in the areas of health care, education and energy.

A Window into Blue-Collar America

In focus groups, many of the blue collar voters perceived our economic problems as stemming, in large part, from corporate greed and corporate perversion of market forces. They cited the diminished quality of available jobs and benefits, and the outsourcing of superior jobs in the face of record corporate profits; what they described as price-gouging, particularly in the fuel and utility markets; and, more generally the growing power of large corporations (and the growing presence of monopolies) in our country today.

They also saw corporate CEO's as among the few beneficiaries of the current economy and believed that those who were already very wealthy always managed to find ways to keep from paying their fair share in taxes. It is also worth noting that these voters considered politicians to be a part of this rarified class, and solidly in cahoots with corporations and their lobbyists. These voters saw corporate greed and political corruption as intertwined at the highest levels. More than one person in the focus groups cited our involvement in Iraq as a consequence of corporate influence.

Among the participants, the desire for a greater role for government was particularly evident in the idea of "leveling the playing field." There was a real sense that the wealthy are getting away with paying less than their fair share – mainly by exploiting loopholes, but also because of recent tax cut policies that have

“Government in the first place needs to get off the back of the middle class. They need to foster more American companies, get behind more American companies instead of trying to scatter it or destroy it. I’m not saying we should be protectionists, because I don’t like that, but I’ve heard where they’ve given tax breaks to companies who ship their jobs overseas. And I don’t think that’s right.”

Ohio woman

“I’m thinking there would have to be more honesty in the way the government runs things and I’m guessing I want to blame the government, and giving everybody a fair shake. I mean it’s just like there you know the tax cuts now are in favor of the rich. They say that trickles down to the average person, but I don’t see that.”

Ohio man

⁷ Wal-Mart is an exception to this anti-corporate sentiment, because in an economy where a dollar buys less and less, Wal-Mart's ability to keep prices low allows consumers to stretch their dollars further. The percentage viewing the company positively is 16 points above the percentage who view it negatively, and among those with low incomes, the margin grows to 31 points.

⁸ Voters tend to avoid the word "regulation," even though that is often precisely the type of action they want the government to take. More generally, they would like to see government act as a watchdog against – rather than an enabler of – corporate abuses.

disproportionately benefited the wealthy – and they wanted to see the government live up to its responsibilities in terms of tax collection and enforcement for those at the top for a change. These voters tended to avoid the word “regulation,” even though that is often precisely the type of action they want the government to take. More generally, they wanted to see government act as a watchdog against – rather than an enabler of – corporate abuses.

There is broad dissatisfaction with the current state of the economy, driven primarily by an environment dominated by rising costs and stagnant incomes. Despite the challenges created by these pressures and the pessimistic view of the economy overall, most Americans pride themselves on their self-reliance and are optimistic that about their own chances for success.

This dichotomy between Americans’ views of the nation’s economy and their own situation helps explain why elites on neither the Left nor the Right, accurately depict the economic realities for most Americans. While those on the Right turn off the public with their focus on macro-indicators and their insistence that the economy is strong, those on the Left also appear out of touch in their attempts to depict average Americans as helpless victims who are in need of government assistance.

While Americans do not underestimate the serious challenges that this economy creates, they are confident in their abilities to navigate the obstacles it poses.