

# what the public really wants

## on jobs and the economy

by ruy teixeira

### Election Edition!

October 26, 2006

Everyone knows that the big issue of this election season is Iraq. But it is less widely-appreciated that the second-most important issue on voters' minds is jobs and the economy. No doubt this reflects the public's continued pessimism about how the economy is working, even as we near the end of the fifth year of the current economic expansion.

The reasons for this economic pessimism are explored in detail in the analysis below. They go far beyond traditional concerns such as unemployment and inflation—which have, after all, not been notably high in recent months—and encompass fundamental complaints about inequality, insecurity, the many difficulties of attaining and maintaining a middle class lifestyle, and the breakdown of the social contract.

But it is important to note that Americans remain optimistic about their *personal* ability to make economic progress, even as they pessimistically recognize that the overall economic environment has made their struggle, and that of people like them, much more difficult than it should be. Indeed, the typical American still believes that, through hard work, education, and the willingness to sacrifice for their families, they will be able to attain the American Dream.

The fact that Americans are simultaneously pessimistic and optimistic about the economy suggests that they want both more security *and* more opportunity from today's economy. Given that the public views the overall economy as performing poorly and promoting economic insecurity, it should come as no surprise that the public favors policies that would mitigate that insecurity. And, given that Americans remain optimistic about their own and their families' futures and determined to get ahead, it should also come as no surprise that they favor policies that promote economic opportunity and individual mobility.

### How Americans View the Economy

Gallup data from early October show that 58 percent of us still think current economic conditions are “only fair” or “poor,” 54 percent think it's a bad time to find a quality job, and 52 percent think the economy is getting worse compared to 38 percent who think it is getting better. This generally dismal view of the economy registered in the polls comes despite the advanced stage of the economic expansion, with reasonably strong overall economic growth, very strong productivity growth, and relatively low unemployment.

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But the public's pessimism about the economy goes far, far deeper than can be gleaned from generic questions about economic conditions. Consider these data from a March 2006 survey conducted by Greenberg Quinlan Rosner for the Rockefeller Foundation's Economic Resiliency Group. In the ERG survey, respondents were asked to choose between two statements characterizing today's economy:

- 1) 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.
- 2) 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.

By a two-to-one margin (64 percent to 32 percent), respondents selected the first statement about increasing uncertainty as coming closer to their views. (Note: more data from this survey, as well as considerable pertinent public opinion data from the last 15 years of public polling, may be found in the forthcoming Economic Policy Institute report, "Americans Discuss Economics: Bridging the Gap Between What Elites Say and What Everyday Americans Believe", which I co-authored with David Kusnet and Lawrence Mishel.)

In terms of identifying the sources of this economic insecurity, a March 2004 NBC News/Wall Street Journal poll presented people with six controversial elements of the U.S. economy. The three problems that people said were most important to their evaluation of the economy were:

- 1) "The number of jobs moving overseas."
- 2) "Jobs for lower-paid workers that lack health and retirement benefits"; and
- 3) The federal budget deficit.

In this same survey, people were asked for their feelings about the economy and presented with four choices ranging from very cheerful to very gloomy. Only four percent selected the cheerful option: "These economic conditions don't represent a problem now and in the future, and America has the same economic security it always has had." Forty-seven percent selected the gloomy option: "These conditions are a major problem now and in the future, and America no longer has the same economic security it had in the past."

### The Economy

**58 percent** think current economic conditions are "only fair" or "poor"

**54 percent** think it's a bad time to find a quality job

**52 percent** think the economy is getting worse

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*Gallup Poll October, 2006*

In a similar vein, the NBC News/Wall Street Journal poll asked people in October 2004 whether they agreed with one of two statements on the economy—one optimistic, the other pessimistic:

- 1) “On the basis of what I see for the future, the signs point to an economy that is going to be strong—jobs are being created, inflation is low, and the stock market is up;” or
- 2) “On the basis of what I see for the future, the signs point to an economy that is going to be in trouble—jobs are moving overseas, the budget deficit is growing, and too many jobs do not have health insurance or pensions.”

By 52 percent to 38 percent, they chose the second and more pessimistic statement.

Reflecting this pessimism, people don’t feel like much progress is being made on key economic problems. A May 2005 Pew poll included a series of questions asking respondents whether the country is making progress, losing ground, or staying about the same on a series of important issues. Asked about several problems relating to the economy, the results reflected a fairly negative view of current conditions.

Take how the health care system is working, for example. Sixty-two percent say we're losing ground and just nine percent think we're making progress. That's followed by the availability of good-paying jobs (55 percent negative/15 percent positive), illegal immigration (52/11 negative) and the quality of public education (50/20 negative). On the health care system, this assessment was one of the most negative assessments since 1994.

And on job availability, only the survey data from early 1994 is more negative than the public's assessment recently, although there have been anxieties about the availability of good-paying jobs for at least the past decade-and-a-half. In fact, even in the best days of the late 1990's economy—November 1997— there were still slightly more Americans (37 percent) saying we were losing ground on good-paying jobs than thought we were making progress (31 percent).

Part of what drives these pessimistic sentiments is the sense that the social contract that used to underlie the U.S. economy has broken down, making it harder to attain a stable, economically secure middle class life. A June 2006 Penn Schoen Berland poll for the Aspen Institute, for example, found 90 percent agreeing that “25 years ago, if you worked hard and played by the rules, you would be able to have a solid middle class life.” This compared to only 49 percent who agreed this characterization was true today. Ninety percent also agreed that retirement today is far less secure than it used to be because you need to fund retirement yourself, through IRAs and 401(k)s. In contrast, 82 percent agreed that “25 years ago you could retire in dignity and comfort because most people had company pensions.” And perhaps most startling, 80 percent agreed that “Today, with the costs of housing, healthcare, education

### **The Social Contract: 25 Years Ago Vs. Today**

**90 percent** say that 25 years ago, “if you worked hard and played by the rules, you would be able to have a solid middle class life.”

**49 percent** say that is true today.

*June 2006 Penn Schoen Berland poll*

and self-financed retirement, a middle class life has become unaffordable for most people.”

Similar findings come from an August 2006 Pew Research Center survey, released this past Labor Day. In that survey, they asked respondents to compare how the average working person was faring today as opposed to 20 or 30 years in a number of categories. On job security, 62 percent said there was less security, compared 11 percent who said there was more, and 24 percent who thought it was about the same. On how hard one has to work to earn a decent living, 59 percent said harder, 13 percent said not as hard, and 26 percent said about as hard.

In the same poll, when asked about stress levels the analogous figures were 69 percent more, six percent less, and 22 percent the same. Concerning employer loyalty to employees, the figures were 56 percent less, six percent more, and 33 percent the same. Concerning retirement benefits, the figures were 51 percent worse, 16 percent better, and 27 percent the same. And concerning employee benefits such as health insurance and vacations, the figures were 44 percent worse, 24 percent better, and 26 percent the same.

These data indicate that pessimistic sentiments about how well the economy is working for the typical American are now very widely-shared. Indeed, there is a clear sense that important aspects of our economy that used to serve the middle class well are now broken.

## How Americans View Their Personal Economic Situation

How well do individual Americans feel they are faring—and are likely to fare in the future—in this unfriendly economic environment? Surprisingly well, especially when compared to their negative judgments on how the country as a whole is faring. Indeed, responses to a *New York Times* survey conducted in March 2005 (as part of their series on class in America), indicated that Americans are still quite optimistic about their own situations and their families’ futures.

Thus, 66 percent said they are better off than their parents were at comparable ages, compared to 20 percent who said they are doing about the same, and 13 percent who said they are doing worse. And 56 percent of parents believed their children will lead better lives, while 18 percent said the same and 22 percent said worse.

Moreover, 70 percent said they had already attained the American Dream or would attain it in their lifetimes (though this figure is lower than it has been in the past). When asked to rate themselves on a 10 point scale from extremely poor (1) to extremely rich (10), both for now and in 10 years, 62 percent rated themselves between poor and middle class (1 to 5) now, but 60 percent said they would be between middle class and wealthy (6 to 10) within ten years.

### Generational Mobility

**66 percent** say they are better off economically than their parents were at comparable ages

**56 percent** believe their children will be better off than they are at comparable ages

*March 2005 New York Times survey*

Note the contrast between this personal optimism about the next 10 years and views of how the “average American’s standard of living” will fare in the next 10 years. In a July 2006 CBS News poll, more of us (49 percent) thought the average American’s standard of living would fall over that time period than thought it would rise (45 percent).

Respondents to the *New York Times* survey also remained optimistic about class mobility. Eighty-two percent described themselves as working class, middle class, or lower class, but an amazing 45 percent believed it was very or somewhat likely that they would become wealthy in the future. Moreover, 80 percent said it’s still possible to start out poor in this country, work hard, and become rich. These findings are consistent with polls taken over many decades that show Americans are great believers in, and supporters of, class mobility.

Most recently, many of these *New York Times* findings were replicated in the March 2006 ERG survey. In fact, it is striking just how similar the ERG findings are to the NYT findings, suggesting that the optimistic and aspirational NYT findings are quite robust. In the ERG poll, 58 percent thought their current standard of living is better than their parents’ at a comparable age, with just 16 percent saying worse. Interesting, they also termed their “quality of life” better than their parents’ by 52 percent to 15 percent, indicating that the public’s optimism embraces more than just the material circumstances of their lives.

In the ERG poll, as in the NYT poll, optimism extended to the next generation. Those with children in the household thought, by 54 percent to 24 percent, that their kids’ standard of living would be better than theirs once they reached the same age. It is interesting to note, though, that those without children in the household were more pessimistic about mobility prospects for kids generally: By a 37 percent-to-33 percent margin, they thought “kids today” would be worse off at their current age, rather than better off. Here again, we see the contrast between a personal economic assessment (concerning one’s children) and a judgment about the economy as a whole (concerning kids today).

The Economic Resiliency Group poll also found that 69 percent thought they had already attained the American Dream or would attain it in their lifetimes. And, on the 10-point scale previously alluded to, 60 percent rated themselves between poor and middle class (1 to 5) now, with 59 percent saying they would be between middle class and wealthy (6 to 10) within ten years. Finally, 80 percent described themselves as working class, middle class, or lower class today, but 44 percent believed it was very or somewhat likely that they would become wealthy in the future. All these figures are essentially identical with results from *The New York Times* poll.

### The American Dream

**69 percent** of respondents think that they have attained, or will attain the American Dream in their lifetime

**60 percent of** respondents rate themselves between poor and middle class today

**59 percent** think they will be between middle class and wealthy within ten years

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*The Economic Resiliency Group poll, March 2006*

Based on these findings and those in those in the previous section, it appears that Americans are optimistic and pessimistic at the same time. That is, they are *optimistic* about their personal economic situation and believe they will be able to get ahead, even as they *pessimistically* recognize that the workings of today's economy make their struggle, and that of people like them, much more difficult than it should be. The dual nature of this economic viewpoint may be summarized as follows.

- I. When it comes to their own individual and family situations, most people 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 their difficulties redound to their credit.
- II. But, when they talk about how the economy is actually performing for “people like me” or for the entire nation or for the next generation as a whole, people are more forthright and forthcoming about the challenges that they themselves face. Now, they are not pitying themselves, but rather expressing concern for their children, their friends, their neighbors, their co-workers, and their fellow citizens.

This dual viewpoint is nicely illustrated by the relationship between two questions asked on the ERG survey. The first was given above, where respondents were asked whether a pessimistic or optimistic statement about how the economy was working was closer to their view. They chose the pessimistic statement by 64 percent to 32 percent. The other, also mentioned above, asked whether respondents thought they would attain the American Dream within their lifetime or had already attained it. Sixty-nine percent optimistically said they would attain the Dream or had already attained. But this same group that thought they had reached, or would reach, the Dream nevertheless endorsed the pessimistic statement (“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”) about today's economy by 59 percent to 38 percent!

What explains this seeming paradox? Part of the answer surely lies in the optimistic, aspirational nature of Americans as a people, who see themselves as being able to move ahead even when overall economic circumstances are difficult. But another part of the answer lies in the fact that most people, in fact, tend to gain more income as they get older and climb the “age-earnings profile,” even when the economy as a whole is performing poorly. In other words, even though workers now “start lower and go up slower” than they did in the past (part of what colors people's jaundiced view of today's economy), they nevertheless do go up over time. This reality helps explain why they evaluate their personal trend line positively.



## The Economic Solutions Americans Want

Given that the public views the overall economy as performing poorly and promoting economic insecurity, it should come as no surprise that the public favors policies that would mitigate that insecurity. And given that Americans remain optimistic about their own and their families' futures and are determined to get ahead, it should also come as no surprise that they favor policies that promote economic opportunity and individual mobility.

Polls suggest that the public's top two economic concerns are retirement and health care. Americans show little interest in policies, however, that supposedly address these concerns but do little to lessen insecurity. Exhibit "A" is President Bush's attempt to privatize Social Security. This attempt turned into a resounding failure precisely because the public did not want to trade the security of a guaranteed benefit for a private account that might yield more (but easily could yield less) than that guaranteed benefit.

Similarly, in the health care area, the public has shown very little interest in the president's proposed Medical Savings Accounts and other proposals that do not directly address the fundamental problem: a health care system where there is no guarantee of access to affordable health care. Instead, what the public wants is the guaranteed, affordable health care that Medical Savings Accounts cannot provide.

Thus, in an October 2003, Washington Post/ABC News poll, by almost a two-to-one margin (62 percent to 33 percent), Americans said they preferred a universal health care system that would provide coverage to everyone under a government program, as opposed to the current employer-based system. Similarly, in Kaiser Family Foundation polls from 1992 to 2000, a large majority agreed that the federal government should guarantee medical care for people who don't have health insurance. In a slightly different question asked more recently by Kaiser in June 2003, more than seven in 10 adults (72 percent) agreed that the government should guarantee health insurance for all citizens—even if it means repealing most of the tax cuts passed under President George W. Bush—while fewer than one-quarter (24%) disagreed with this statement.

More recently, in a January 2006 New York Times/CBS News poll, the public said by a two-to-one margin (62 percent to 31 percent) that it was the federal government's responsibility to "guarantee health care for all." And, in a November 2005 Center for American Progress/Americans for Health Care survey, an amazing 86 percent endorsed "reforming our health care system to provide affordable health care for all Americans."

### Health Care Security

Polls indicate that one of the public's top economic concerns is health care

**62 percent** agree that it's the federal government's responsibility to "guarantee health care for all" (*January, 2006 CBS/New York Times poll*)

**87 percent** endorse "reforming our health care system to provide affordable health care for all Americans." (*November 2005 Center for American Progress/Americans for Health Care poll*)

But Americans' preferred policies do not stop with greater economic security, since Americans believe so strongly in economic opportunity and individual advancement. Indeed, Americans still believe, despite (or perhaps because of) the difficulties of today's economy, that education and hard work are the keys to getting ahead.

Case in point: In the March 2005 *New York Times* poll cited earlier, 39 percent said a good education is essential for getting ahead in life, and another 46 percent said it is very important. This compares to the only other factor that most people rated as highly: Forty-six percent said "hard work," is essential and 41 percent said it is "very important." In contrast, 22 percent said "natural ability" is essential, and 49 percent said it is very important; 16 percent said "knowing the right people" is essential, and 33 percent said it is very important; and 11 percent said "coming from a wealthy family" is essential, and 33 percent said it is very important.

These results were generally confirmed by the 2006 ERG poll—except that education was actually ranked ahead of hard work as a factor in getting ahead. In the ERG poll, respondents were asked to choose among seven possible factors that could matter for "getting ahead in life today"—a good education, hard work, saving and smart spending decisions, knowing the right people, coming from a wealthy family, natural ability and luck. A good education was chosen by 63 percent as either the most or second most important factor in getting ahead, followed by 51 percent who chose hard work, 37 percent who chose saving and smart spending decisions, 18 percent who mentioned knowing the right people, 13 percent who mentioned coming from a wealthy family and the rest in single digits.

No wonder there is such strong support for investing in the public education system, as documented in [\*What the Public Really Wants on Education\*](#), and for expanding access to job training and college. And polls regularly show that, as with the health care reform results cited above, the public would much prefer investment in education and training to the tax cut-centered agenda that conservatives have so relentlessly promoted. How strongly? A May 2005 Feldman Group poll found that Americans, by a 69 percent-to-26 percent margin, thought investing in education and training would be a more effective way to grow the country's economy than cutting taxes. Similarly, a January 2003 Hart Research poll found 61 percent of the public in favor of "public investments in schools, health care, and job training to create jobs and help people get ahead," compared to 29 percent who believed in "large tax cuts for businesses and individuals to encourage investment and improve stock prices."

The public attitude toward tax cuts might be characterized as "been there, done that." But what the public hasn't been able to experience is the kind of pro-security, pro-opportunity economic policies they so clearly desire. We shall see, moving forward, whether and to what extent America's political parties will respond to these public preferences.