

# Everything's Different, Nothing's Changed

*Consumers react to the war*



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The immeasurable tragedy of September 11, 2001, and everything that followed—the attack on the World Trade Center and the Pentagon, the crash of another hijacked plane in Pennsylvania, the November 12 crash of a plane taking off from New York's JFK airport, the anthrax letters, anthrax hoaxes and alarms, and all the general FBI warnings of imminent terrorist attack—means that everything has changed.

Almost from the instant the second plane crashed into the World Trade towers, American consumers knew—and 74% of them told Ipsos-Reid interviewers in a survey conducted on the evening of September 11—that

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this was a turning point that would fundamentally change things forever. Only 21% believed that, once these events had passed, life would return to normal.

What has not changed since September 11, particularly in the realm of consumer issues, is more significant than what has, however.

Americans are scared, but not terrorized, by events. As of October, Ipsos-Reid Express polls were finding that

- Almost everyone (92%) expected further attempts at terrorism, but only 10% expected many such attempts to succeed.

- Some 30% believed America as a whole was totally safe, expecting either no more attempts at terrorism here (5%) or expressing confidence

that the government would foil all attempts made (25%). Most (55%) did expect a few attempted terrorist attacks to succeed.

- Almost half, 48%, expected either an end to terrorism (12%) or a reduction in the number of terrorist incidents (36%) over the next five years, while 46% expected the number of terrorist incidents to stay the same (29%) or increase (17%).

Thus, Americans can be described as all-but-unanimously spooked by events, but evenly divided between those who feel safe and those who feel vulnerable. Both insights are accurate and reflective of the public's mood.

So how have the terrorist events affected Americans as consumers? As with expectations about terrorism and the war on terrorism, those of consumers reflect both a

surface unanimity of opinion on some issues and a division of opinion on the same topics just below the surface.

At the surface, Americans were initially more confident in the US economy after the attacks than they were before them because they shared a newfound faith in all American institutions.

For example, support for political leaders and confidence in government institutions rose dramatically in the US and around the Western world in the immediate aftermath of the terrorist attacks. That support for government was a necessary psychological response to terrorism—people had to believe government could effectively respond to terrorism, or they would lose hope of living their lives in peace.

The sudden growth in confidence in institutions extended to the US economy. In October it led to new assurance for 71% of the public that the US was on the right track. A majority expected the overall economy to improve in the next year, and the number expecting a national economic recovery more than doubled, from 21% in March to 53% in September.

**N**ews events might

have overshadowed consumer and personal finance issues. However, they did not alter them. In the US and elsewhere, respondents expressed

grave concerns about their own personal financial situations and their prospects for the year ahead. These concerns predated September 11.

As a result, in the single most startling finding of any Ipsos-Reid poll conducted in the US this year, we found on September 21-23 that fewer Americans believed their personal economic situations would improve (46%) than believed the same about the national economy (53%; see Figure 1).

As far as I know, there has never before been a moment when Americans were more likely to believe that others would prosper financially than to think they would prosper themselves. Americans always think they

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will get theirs, even if they have doubts about whether others will be smart enough, hardworking enough, or talented enough to succeed as well.

But over the course of the summer and fall of 2001, there was a growing sense of confusion among individual Americans about their personal financial prospects. People worried about career opportunities. It had seemed the future was in technology and communications careers, but then the technology sector (and especially the telecommunications and publishing sectors) collapsed, and layoffs ensued. It became clear that US manufacturers would ship fewer computers in 2001 than they did in 2000—a first in the history of that industry.

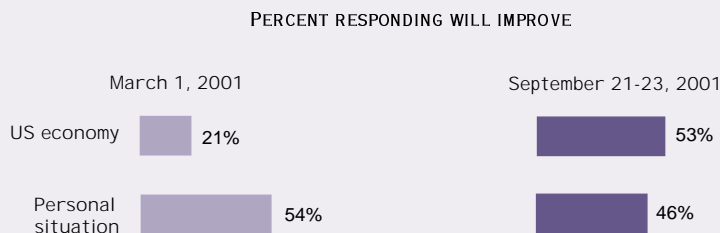
Americans had also come to believe that personal wealth was built by riding the stock market bubble. More than half of all American households owned stocks or mutual funds. The dot-com bomb and collapse of the broader stock market disabused investors of that notion, and altered fanciful retirement plans that had been built no more solidly than so many castles in the air.

Perhaps September 11 intensified those feelings of personal vulnerability, but probably it did not. Concerns about job security and negative personal financial trends had risen sharply to a

Figure 1  
**Higher Hopes for US Economy Than for Own**

**Questions:**

Thinking about the next year or so, do you, yourself, generally feel that the economy here in the US will improve, stay the same, or get worse? ...Do you think your personal economic situation will improve, stay the same, or get worse?

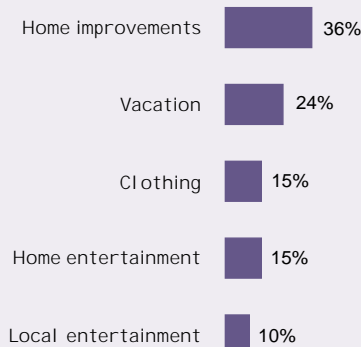


Source: Surveys by Ipsos-Reid, latest that of September 21-23, 2001.

Figure 2  
**Big-Ticket Desires**

**Question:**

Please imagine for a minute that you came upon \$1,000 to spend on the following five types of items: home entertainment or electronics, home improvement, vacations or leisure travel, local entertainment, [or] clothing or other personal items. Assuming that you had to spend the \$1,000 on these five items, and that you could spread the money over several categories or spend it all in one area, how much of the \$1,000 would you spend on each?



**Note:** Mean scores reported.  
**Source:** Survey by Ipsos-Reid, October 26-29, 2001.

peak in the days just prior to the terrorist attacks—not as a result of them, but before they occurred.

A Gallup analysis of attitudes about personal finances and investment found that in four publicly released surveys for which time-series comparisons are available—including Gallup’s own data, Gallup’s polls of investors for UBS/PaineWebber, the University of Michigan consumer sentiment index, and the ABC News/*Money* magazine poll—the general trends in consumer confidence, investor expectations, and perceptions of personal financial prospects were down, and in some cases down sharply, in the weeks leading up to September 11, and they remained largely unchanged afterward.

War or no war, politicians will find that unless they address people’s concerns about their financial futures, their own job security and employment prospects will be limited. Although George W. Bush’s job approval ratings have reached a record high in the wake of the attacks, Americans do not automatically support the president and the Republicans on all issues. Preference for the Democratic or the Republican approach on issues in a September 28-30 Ipsos-Reid Ex-

press poll remained about what it was before the war. Democrats were still favored over Republicans on the environment, health, Social Security, employment and education issues, while Republicans continued to enjoy their previous edge on economic policy and on issues relating to morals and values, defense, government spending and tax policy.

Specifically, when it came to a stimulus package for dealing with the economic recession, Americans were closely divided between the two sides in the debate. Fifty percent favored tax cuts for individuals to stimulate spending, and especially for businesses to encourage investment and create jobs, while 43% preferred an extension of unemployment benefits for laid-off workers and help in paying their health care premiums, and funding for public works programs to create jobs, ac-

ording to a November 9-11 NBC News/*Wall Street Journal* poll.

Perhaps most surprisingly, not much altered in the individual spending plans of consumers, either. In that same NBC/*Wall Street Journal* poll, about one in three Americans reported making changes in opening mail, going to shopping malls, attending sporting events and concerts, and making travel arrangements, but two-thirds had not begun doing anything differently in that very broadly-defined realm of personal consumer behavior.

Ipsos-Reid polls on consumer issues also found only a small minority of consumers expressing plans to make changes in spending, investment, savings or travel specifically as a result of the September 11 events. Only 18% of Americans in the September 21-23 poll reported they were changing their air travel plans, and of that number, only two-thirds were making a permanent, safety-related reassessment of their own air travel.

(The other one-third, representing about 6% of all Americans, said they were delaying travel plans to avoid airport hassles, but would return to the air once the hassles ended—an intention that was borne out in the reality of more and more air travelers as the weeks went on. All that came prior to the November 12 crash, however.)

The purest measure of consumer spending intentions came in an October 26-29 Ipsos-Reid Express survey, in which respondents were handed an imaginary \$1,000 windfall and asked what they would spend it on if they had to spend it all (see Figure 2).

The pattern of the responses roughly reflected what overall average spending would be in these categories in normal times: more money was earmarked for big-ticket home items and

family travel, while smaller-ticket items such as clothing, home electronics and

breakdown in confidence about personal finances, job prospects, and earn-

they were in the excruciatingly close election of 2000, despite the sudden and near-unanimous rallying behind the leadership of President Bush.

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local dining or entertainment attracted fewer mentions.

We don't see in this distribution any wild swings toward or away from any form of spending. Vacation travel *desire* remained high; whether consumers had the money in the bank to afford vacations was another matter, unrelated to the terrorist attacks. In short, the events of September 11 had little effect on the impulse to spend money.

There is a war on, a strange war with none of the massive mobilizations, increased military spending, consumer spending restrictions or rationing, wage and price controls, or other changes in the lives of consumers that normally characterize a country at war.

The coincidence of dates may make it appear that the war on terrorism is affecting consumer attitudes, but the evidence so far is that it is not having a major impact. That does not mean that Americans' spending and savings plans post-September 11 will match those of the years preceding the events of that black day. In fact, we are unquestionably in a period of substantial retrenchment in consumer spending.

The cause of that retrenchment is not the war, however. Rather, it is the

ings on savings, which grew throughout the summer of 2001 and reached a peak in the first week of September, that will have the biggest impact on consumer and business trends.

How the government responds to that breakdown will not be affected by the war, either. Politically, Americans seem as divided on policy issues as

War or no war, Americans will expect government action to address their job and savings concerns as much as they expect it to relieve their security and safety concerns. The politics of that response will be closely fought, and in that sense nothing has changed—America remains a country where the politics of domestic financial and fiscal policies are not dominated by either major party.

It will be difficult to know when the war on terrorism has been won, or lost. Similarly, it will be difficult to know exactly when the corner has been turned on consumer concerns. What does seem clear is that for now, the issues and events of the war are largely unrelated to the issues and concerns of consumers.

