

The Economy and the Election

by Frank Newport and Lydia Saad

It is a story that can't be told by the numbers, because the numbers at times are misleading: 9 million jobs created in four years, the unemployment rate at 5.8%, inflation down to 2.7%, corporate profits on a four-year roll, and four years of economic recovery under our belts. "All the economic indicators are up...except mine," says Paul J. Szilagyi, 50, an unemployed North Miami Beach resident with a Ph.D. in chemistry.

"Economic Anxiety"
Business Week, March 1996

The American public's perception of the country's economic situation is usually assumed to be a significant—if not the most significant—factor which sets the stage for an incumbent president's bid for reelection. Certainly in 1992, dismal views of America's economy among voters formed the backdrop against which Bill Clinton played out his ultimately successful campaign to unseat George Bush. And, if one pays attention to the many headlines, news stories and commentaries this year, it might appear that incumbent Bill Clinton is himself in for a rough time as he moves toward his reelection bid this November.

Media Focus

Reporters and their editors have certainly seized upon economic insecurity as a dominant election-year theme. *Fortune's* April 1 cover blared, "How Safe is your Job? Are you next?" *Newsweek's* February 26, 1996 cover story, "Corporate Killers," featured the subheading "Wall Street Loves Layoffs, But the Public Is Scared as Hell." The *New York Times* devoted a week-long series to the putatively devastating effects of "The Downsizing of America." *Business Week's* March 11 issue was entitled "Economic Anxiety" and focused on the "enormous social toll" that is exacted by the changing economy and behavior of large corporations in this country. *Business Week's* own poll on job security was presented with the headline "America, Land of the Shaken."

These journalistic analyses seem to suggest that Americans: (1) are currently more worried and anxiety-ridden about the economy than ever before, (2) are more concerned about their own job security than ever before and (3) have dimmer, more negative views of their own financial outlook than ever before.

Do survey data support these conclusions? In particular, in an election year in which candidate Pat Buchanan has

already tried—and failed for the most part—to take advantage of presumed anxiety and angst among working Americans, is there evidence to suggest that job anxiety and economic worries will have a significant effect on the election outcome.

A review of Gallup data relating to these issues suggests that there does appear to be a minority of Americans who suffer from economic and financial anxiety. These Americans consider the economy to be in poor shape and getting worse, they expect their own financial situation to worsen over the next year, and they are personally worried about losing a job. However, the available trend data offer little evidence that these concerns are mounting in society. In fact, when compared to four years ago, Americans' current take on the economy and their personal finances is noticeably bright, and certainly suggests that—based on the economic situation as perceived by voters today—incumbent Bill Clinton is in a much better position vis-à-vis reelection than was George Bush four years ago.

Public's View of the Economy —It's Been Much Worse

Recent CNN/USA Today/Gallup polls find Americans' view of the economy to be restrained in absolute terms, but significantly improved over four years ago. When asked to rate the economy, nearly half give it the lukewarm assessment of "only fair," while 18% call it "poor" and 33% either "excellent" or "good." While this falls short of a ringing endorsement of current economic conditions, it is substantially better than that recorded three years ago. Then, close to half of Americans considered economic conditions to be poor and only 12% felt the country's economic conditions were excellent or good. In fact, the March 1996 economic ratings are the most positive recorded in the last four years, with the lowest percentage of Americans rating economic conditions as poor and the highest percentage rating them excellent or good of any of the twenty-three measurements taken since early 1992.

Gallup measures of where Americans think the economy is going tend to be positive, or at worst neutral: they do not point to substantial fear in the public's economic outlook. Today, as throughout the Clinton administration, most American think the economy is either staying the same or getting better. The proportion who think it is getting worse tends to be volatile but small, ranging from 17% to 36%. Paired with their assessment of current economic conditions the Gallup indicator of economic outlook suggests Americans are quite split over where things are headed, with 33% decidedly negative, 37% solidly positive and another 29% giving a mixed assessment.

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Figure 1
Americans See a Much Stronger Economy this Election Year Than in 1992

Question: How would you rate economic conditions in this country today: excellent, good, only fair or poor?



Source: Surveys by the Gallup Organization for CNN/USA Today, April 20-22, 1992; March 15-17, 1996.

Americans seem positive, on balance, about the economy when asked to take a longer view. In a March 1996 Gallup survey, 50% of Americans said they feel “optimistic” about the economy *for the next year or two*; 47% felt optimistic about the “soundness of our country’s economic system *over the long run*.” Pessimists account for only 18% and 23% of respondents, respectively, while the remainder feel uncertain about the near- and long-term economic future.

Jobs and Unemployment

Americans are more sanguine about the relative state of unemployment in the US than they were at the same time four years ago. In January of 1992, fully 84% of Americans believed that unemployment was worse than it had been three years prior (at the start of George Bush’s term in 1989), and only 11% thought it was better. In January of this year, however, less than half of those polled (46%) held the negative view that there is more unemployment today than there was three years ago (at the start of Bill Clinton’s term in 1993), while 38% were positive, believing there is now less unemployment. While on the face of it these figures still don’t seem overly upbeat, they certainly present a sharp contrast to the perceptions which held sway at the beginning of the 1992 Presidential campaign and again, on a rela-

tive basis, suggest a more positive underlying structure for Clinton’s reelection bid than was the case for Bush.

Gallup’s long-running open-ended measurement of the “Most Important Problem” facing America corroborates the finding that economic and unemployment concerns are less worrisome to Americans today than they were in 1992, or in earlier periods of economic recession. In January 1996, only 14% of Americans mentioned the economy as the United States’ top problem. The percent mentioning unemployment or jobs specifically was only 11%. Both figures are roughly the same as most-important-problem data collected over the last two years, but are substantially lower than the data collected throughout 1992 and 1993. In March of 1992, for example, 42% of Americans interviewed—three times the current level—cited the economy as being the nation’s most pressing problem, and another 25%—twice the current level—specifically mentioned unemployment and jobs.

Additionally, the 11% who currently mention unemployment or jobs as the nation’s most important problem can be contrasted to previous points in time before the 1992 election cycle. In the early years of the Reagan administration (1982), for example, 44% of those surveyed mentioned unemployment or jobs

as the nation’s most important problem.

To be sure, there are economic concerns other than jobs and unemployment bedeviling Americans in 1996: 26% mention the federal budget deficit as the nation’s most important problem while a few others mention taxes. In the last years of the Carter administration, by way of contrast, almost two-thirds of those polled mentioned other economic concerns—the high cost of living and inflation specifically—as the nation’s most pressing problem, clearly helping pave the way for Carter’s ultimate defeat in 1980.

Certainly, if the nation’s collective psyche is riddled by workplace and finance-related angst, it is operating at a level much deeper beneath the surface than it did in 1992, or in the waning years of the Carter administration, or even in the first years of Ronald Reagan’s tenure in office.

Local Economic Conditions

On the local level, Americans appear widely positive about business conditions in their own communities—the realm in which their own experiences ought to be more closely reflected and have the greatest bearing on their personal concerns. Close to three-quarters of Americans interviewed by Gallup in

March 1996 rated the "business conditions in this community" to be good (58%) or very good (13%), and only one-quarter called them "not too good" or "bad."

Comparisons to previous time periods show that the current ratings are as positive as any of the 17 times this assessment has been asked since 1961. The percent of the public rating their local business conditions as good or very good is higher today than during the Bush administration (based on four measurements taken in 1990 and 1991). It is significantly higher than several measures taken in the Nixon and Ford administrations, and higher than most measures taken during the Kennedy and Johnson administrations. The only exception is November 1964, immediately after LBJ's reelection, when the ratings of local business conditions were essentially the same as now.

Job Security

A little more than a third (36%) of Americans currently say they are "worried" that they or their spouse will lose a job "in the next few years." This 36% figure (including 42% of those who are themselves currently employed) does

suggest that generalized job worry is a factor for a substantial minority of Americans and ought not to be trivialized. However, a similar question asked four years ago suggests that job insecurity is no higher today and, in fact, is probably lower than it was in 1992. The 1992 question used a more narrow time frame, asking respondents whether they were concerned about the loss of their own or their spouse's job in the next twelve months. The 1992 results: 36% said they were worried, the same as the response to the 1996 question which asked about a job loss over the "next few years." The fact that the 1996 measure of job insecurity (looking at the next few years) is the same as the 1992 measure (looking at the next twelve months) may suggest that the actual incidence of worry is lower now than four years ago.

Personal Finances

If there is growing concern about job layoffs and generalized economic angst among Americans, it is also not reflected in Gallup's historic measures of personal financial sentiment. Gallup's update in March of this year shows that currently, Americans are as likely to claim that they are "better off financially" than they have been at any point

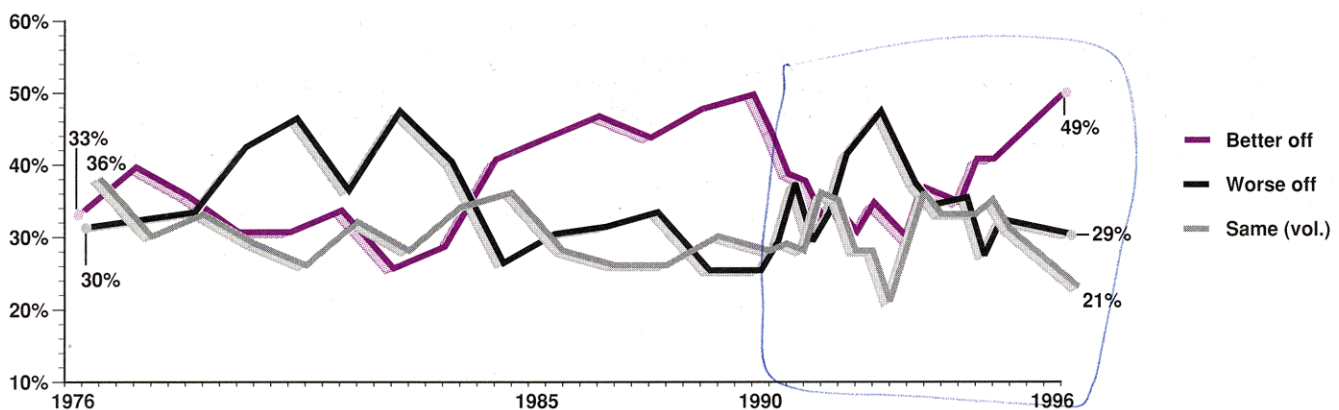
at which the comparable questions have been asked since 1976. Half of all Americans now say they are financially better off than they were a year ago, up from 40% in December 1994, 36% in December 1993 and 29% in June 1993. The last time this "better off" number was near the 50% mark was in February of 1990.

The same March survey also records renewed optimism about personal finances, based on a question which asks Americans to look forward one year. While Americans are usually hopeful on this measure—which asks if the respondent "expects that at this time next year you will be financially better off than now, or worse off than now"—the most recent poll shows optimism among two-thirds of respondents, a particularly high level. Only one in nine Americans expects to be worse off a year from now, down from the one-fifth for most of the last few years and from one-quarter in 1992. This "worse off" figure has in fact been as high as one-third at some points in recent history, including the fall of 1990 (when there was a budget crisis and government shutdown), and in the last years of the Carter administration.

In response to a different question which asks respondents to describe their

Figure 2
Personal Financial Security is as High Now as Any Time in the Past Three Decades

Question: We are interested in how people's financial situation may have changed. Would you say that you are financially better off now than you were a year ago, or are you financially worse off now?



Source: Surveys by the Gallup Organization for CNN/USA Today, latest that of March 15-17, 1996.

Polity Watch

specific level of concern about their personal finances on a five-point scale, only 26% of Americans currently say they feel “extremely” or “very” worried, down from 35% in 1993. Fully 41% express “little” or “no” worry today, up from 32% in 1993. (The rest, 33% in both polls, were moderately worried.)

Standard of Living

Despite general optimism about their personal finances and confidence about maintaining their job, in a February Gallup survey a majority of Americans said that they are worried about their ability to maintain their standard of living over the next few years: 53% are worried, 46% not worried. This finding stands in contrast to the more positive current evaluations of financial and job

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security—suggesting that other factors, ranging from health care to Social Security to human nature—may be in play when reflecting on “standard of living.” But comparisons with past data suggest that concern about one’s standard of living is no worse today than it was in 1992, and if anything, may be slightly lower.

Presidential Performance on the Economy

The importance of the presumed existence of widespread American economic anxiety this year is amplified because of the November presidential election. It is widely assumed that President Bush’s inability to articulate a response to the public’s economic worries in 1992—and Clinton’s focus during the campaign on the “economy, stupid”—were significant reasons why Clinton won. Clearly, the sitting president often functions as a focal point for the economic concerns of the American voter, and if the economy is perceived to be in bad shape, the president’s popularity will suffer.

The president’s approval rating on the economy represents the most direct summation of the public’s economic mood. Clinton’s approval ratings on the economy are relatively positive, particularly compared to what Bush received four years ago. In mid-March of this year, 46% of Americans approved of the way Clinton was handling the economy, compared to just 24% who approved of Bush’s handling of the economy at a comparable point in 1992.

Similarly, in 1992, President Bush’s overall job approval ratings descended from the historic highs he received during the Gulf War in 1991 down to an eventual low of 29% in the summer of 1992. By contrast, in this election year, Bill Clinton’s job approval ratings are relatively strong, and apart from a dip measured in early to mid-January (based in part on the government shutdown), they have averaged about 53% from January through mid-March.

Another presidential-ratings-based indication that people are more satisfied

with today’s economy than they were in 1992: 43% of those polled in March 1996 say that Clinton’s economic policies have been a success, while 39% say they have been a failure. Clinton’s evaluation puts him in a clearly superior position to that of George Bush four years ago. In January of 1992, Bush’s economic policies were considered a success by only 30% of Americans, while 56% considered his policies a failure.

Concluding Comments

One implication of the media’s focus on economic angst over the last several months is that Bill Clinton may suffer as a consequence in November. However, the available Gallup data as of early 1996 does not support the premise that there is deeply felt and widespread economic anxiety—no evidence that the public is “scared as hell” about what is happening to the nation’s job situation or employment potential. There may be other sources of concern for Americans—such as wage inequality, lowered expectations for the future, and weakened corporate loyalty—which are not specifically addressed in the Gallup data. But if these concerns are real, they are not evident in Gallup’s broad gauges of economic mood and do not yet appear to be impacting Clinton negatively. Particularly in comparison to 1992, when the economic indicators were indeed negative, the public this year appears to be relatively positive about the nation’s economic situation, and available indicators suggest that incumbent Bill Clinton is—so far—the beneficiary of these more upbeat perceptions. Much can change, of course, between March and November of an election year, but the current data suggest that Clinton’s challengers will have a hard time employing the same “it’s the economy, stupid” emphasis which helped Clinton defeat incumbent George Bush in 1992.



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