

MEMORANDUM

TO: **Allstate**

FROM: **FTI Strategic Communications**

DATE: **10/14/11**

RE: **Allstate/National Journal Heartland Monitor #10 Key Findings**

This memorandum outlines key findings from the nationally representative survey conducted September 28-October 2, 2011 among 1,000 adults (800 adults reached via landline and 200 adults reached via cell phone). The survey investigated Americans' opinions on the current state of private and public debt. The poll has an overall margin of error of +/- 3.1%.

OVERVIEW

This tenth survey in the Heartland Monitor polling series comes after a summer of contentious battles over the federal debt ceiling in Washington, during a tumultuous several weeks in the stock market, and amidst renewed concerns about the global economy. All of this, of course, after several years of slow economic recovery, anxiety over a “double-dip” recession, threats of government default, and stagnant job growth and home values.

It is, therefore, not surprising to see data that shows Americans to be highly pessimistic about the direction of the country and lukewarm about where the economy is headed over the next year. Similarly, most Americans express at least some level of concern about their own economic well-being and their ability to make ends meet.

Correctly or incorrectly, Americans connect the dots between the condition of the federal government's balance sheet and the state of the economy and, thus, the state of their own financial well-being. This connection is clear in the data, as 79% of Americans believe that the federal government's budget deficit and debt have an impact on their personal financial situation.

The lesson Americans have taken from the economic downturn of the past several years and the recent budget battles in Washington is that debt is undesirable at all levels – from their personal household budget to the federal government. On a household level, most Americans reject the idea that personal debt helps them achieve the American Dream, and, thus, are making efforts to eliminate or reduce debt. On a national level, Americans believe that debt is a drag on economic recovery and that in order to stimulate the economy, debt reduction and spending cuts need to take priority over additional government spending.

The American public is also skeptical about Washington's ability to solve the budget problem. More than 70% say they're "not too confident" or "not at all confident" in elected officials' ability to reach an agreement to reduce the budget deficit. And, the survey also shows an increase from our previous surveys in the belief that "government is not the solution to our economic problems; government is the problem."

When it comes down to a discussion of different policy solutions for debt and deficit spending, Americans' frustration with elected officials and their distaste for debt culminate in a rejection of additional spending and investment, and the belief – right or wrong – that the federal government needs to manage its budget by the same rules that American households are expected to follow.

Finally, it is important to note that as we've seen in our previous Heartland Monitor surveys, Americans say they trust advice on how to improve their personal financial situation from the people and institutions that are closest to them. This means they trust friends and family, community organizations, their personal financial advisor, and their employer. They do not trust financial experts in the media or elected officials.

THE 'MOOD' OF THE COUNTRY

Americans express significant concerns about the direction of the country and the trajectory of the economy.

- 70% of Americans believe that things in the country are "seriously off on the wrong track," while only 20% believe the country is "headed in the right direction."
 - Americans' pessimism is at its highest point since we started measuring this sentiment on the first Heartland Monitor poll in April 2009.
- Americans are nearly evenly split on their impression of the direction of the economy. Half (50%) believe the economy will improve over the next 12 months, while 46% believe it will worsen.
 - Confidence in the direction of the economy has eroded steadily since we asked this question in April 2010, when 70% of Americans believed the economy would improve.
- Americans are most likely to blame the actions of investment firms and banks for the economic downturn, though there is plenty of blame to go around.
 - 51% cite investment firms and banks making risky loans and investments as the biggest or next-biggest contributing factor to the economic downturn.
 - 39% say the fault lies with American companies not investing their profits in creating jobs at home.
 - 37% blame the policies under the Bush administration, including tax cuts for the wealthy.



- 35% believe that families are to blame for having taken on debt that they couldn't afford.
- 26% say that Obama's policies are to blame, including tax cuts and stimulus spending.

OPINIONS ON DEBT AND SPENDING

Concerns about the economic impact of federal debt are fueling a preference for deficit reduction over stimulus spending.

- Americans blame the expanding debt mostly on the cost of the wars in Iraq and Afghanistan.
 - 47% believe these wars are the biggest reason why the budget went from surplus to deficit in recent years.
 - 17% blame the cost of domestic spending under President Obama, while 16% blame the tax cuts passed under President Bush.
 - Just 11% believe the economic slowdown has been the biggest cause of the deficit, and only 6% blame the growing costs of Social Security and Medicare.
- When it comes to government deficit spending during an economic downturn, most Americans reject the notion that the government should continue to spend in order to stimulate economic growth.
 - 56% of Americans line up behind the idea that deficit spending during an economic downturn is the wrong approach because it increases long term debt instead of growing the economy by cutting spending and not raising taxes.
 - 38% support the idea that deficit spending during a downturn is critical because the government has the unique ability to stimulate the economy through public investment that lowers unemployment and encourages spending.
 - This issue breaks fairly predictably by political party, with 55% of Democrats supporting the idea of spending to stimulate the economy and 74% of Republicans preferring to help the economy by cutting spending and not raising taxes. Independents side mostly with Republicans, preferring spending cuts over stimulus by a 36%-59% margin.
- Americans overwhelmingly believe that efforts by government and individuals to reduce debt would help the economy.
 - 61% believe that reducing debt by paying off loans and reducing spending would help the economy by creating more savings that could be invested.



- 29% believe that reducing debt by paying off loans and reducing spending would hurt the economy by reducing the amount of money spent on goods and services.
- Given some context about how the United States was actually more deeply in debt than the country is now (as a percentage of GDP) during the depression and World War II, Americans reject the idea of increasing current spending to stimulate economic growth.
 - Only 30% believe that the current situation merits additional spending to stimulate growth.
 - 65% believe that the current focus should be on reducing debt and cutting government spending.
 - Democrats are split on this idea of spending in a historical perspective. 45% believe the current situation merits additional stimulus while 48% prefer a focus on reducing debt and spending. Republicans (13%-83%) and Independents (27%-68%) prefer debt and spending reduction by wide margins.
- Americans are more supportive of arguments about why the federal government's budget should be run like American household budgets.
 - Provided with arguments on both sides of the rhetorical debate, 60% of Americans believe that the federal government should have to manage its budget like a household, meaning paying back loans and debt, investing for the future, and living within its means.
 - Just 36% believe that the government should not be expected to manage its budget like a household because of its unique ability and responsibility to stimulate the economy and make investments during a recession and because of its ability to borrow money at lower rates and on a longer timeline.
 - Republicans (76%) and Independents (64%) believe in the "government as a household" argument, while a majority of Democrats (53%) agree with the argument about the government's unique role.

TRUST IN GOVERNMENT

Americans are skeptical about the federal government's role in the economy and its ability to reach an agreement on the budget deficit.

- In the current economic environment, Americans hesitate to endorse an active role for the government.
 - 40% say that in the current economic environment, government is not the solution to our economic problems – it is the problem.
 - 29% say they'd like to see the government play an active role in ensuring the economy benefits people like them, but they are not sure they can trust the government to do that effectively.
 - 27% believe that the government must play an active role in regulating the marketplace and ensuring that the economy benefits them.
 - The Heartland Monitor series has tracked this question since January 2010 across five surveys. The “government is the problem” sentiment is the highest we've tested thus far, indicating an increasing mistrust of government's role in the economy.
- Americans express little confidence in Washington's ability to reach an agreement to reduce the federal budget deficit.
 - 71% say they are “not too confident” or “not confident at all” in elected officials' ability to reach an agreement.
 - Just 28% say they are “very” or “somewhat” confident.
- Assuming an agreement can be reached in Washington that reduces the deficit through a combination of mostly spending cuts, but also increasing revenue with some tax increases, Americans are slightly optimistic that such an agreement would have a positive impact on the economy.
 - 49% believe this agreement would have a positive impact on the economy because it would instill confidence, increase economic activity, and result in more employment opportunities.
 - 43% believe this agreement would have a negative impact because higher taxes would limit job creation and spending, and because budget cuts would result in layoffs and less government spending.
 - Optimism about the economic impact of this potential agreement is highest among high income households making above \$100k per year (59% say “positive impact”) and among college-educated Americans (54% say “positive impact”).

PERSONAL FINANCIAL SITUATION

Most Americans express some degree of worry or concern about their personal financial situation.

- 60% of Americans describe their personal financial situation as “only fair” or “poor” – a slight deterioration from the 56% we recorded on our first Heartland Monitor poll in April 2009.
 - Those more likely to describe their finances as “fair” or “poor” are those without a college degree, those with lower incomes, younger Americans, and ethnic minorities.
- 38% say they expect their personal financial situation to improve over the next year, while 46% believe it will stay the same, and 14% say it will get worse.
- Just 26% of Americans say they “live comfortably and save an adequate amount for retirement or other needs.” Fully 50% say they “get by every month but find it difficult to save and invest.” And, 22% say they “find it hard to make ends meet every month.”
- Americans would trust advice about improving their personal financial situation from their friends and family (75% would trust “a great deal” or “some”), their employer (64% of those employed), non-profit organizations (59%), and financial and investment advisors (54%). They would NOT trust financial experts in the media (60% would trust “not very much” or “not at all”), or elected officials (71%).
- ***Notably, Americans believe that the federal government’s budget deficit and debt has a major impact on their personal financial situation. 79% believe it has a “great deal” or “some” impact on their personal finances, with nearly half (46%) saying it impacts them “a great deal.”***
 - This opinion is widely held across partisan, educational and income levels and among Americans from all regions and races.



AMERICANS' OWN PERSONAL DEBT

Most Americans are not overly concerned about their personal debt burden, but they believe that debt creates an unwanted obstacle that they are eager to pay off.

- Most Americans reject the idea that personal debt provides a path to the American Dream.
 - 56% believe that personal debt creates an obstacle to the American Dream by encouraging people to spend beyond their means and burdening them with years of interest payments.
 - 39% believe it provides a path to the American Dream that allows them to borrow against future earnings to pay for college, a home, a car, or to start a business.
- Americans are evenly split over the impact that personal debt has on their own life.
 - 43% believe that debt expanded their opportunities by allowing them to make purchases they couldn't afford from their current income.
 - 42% believe that debt reduced their opportunities by burdening them with bills they couldn't afford to pay.
 - Opinions on this matter vary greatly by income and education level – those with higher incomes and a college degree are more likely to believe that debt expanded their opportunities, while those with lower incomes and no degree believe that debt has reduced opportunities.
- 83% of Americans say they have debt of one kind or another, including credit card debt (42%), a mortgage (38%), a car loan (32%), unpaid medical expenses (22%), student loans (21%), a home equity loan (12%), tax debt (5%), a small business loan (3%), a farm loan (1%), or other personal debt (13%).
- 71% of Americans say they have a credit card, including 31% who have three or more cards.
- Two-thirds of Americans say they would describe their credit score as “excellent” or “good” and over half of Americans (52%) say they have checked or seen their credit score within the past year.
- Among those Americans who hold some kind of debt, 41% say the amount is manageable and they have little concern about paying it off. 47% say their debt is somewhat worrisome, but they should be able to pay it off as long as nothing bad happens. And, 11% say their debt level is dangerous and they have serious concerns about paying it off.



- 25% of Americans say their debt has increased over the past few years, while 31% say it has decreased, and 41% say it has stayed the same.
- The economic downturn has encouraged many Americans to take steps to pay off debt or not take on any new debt.
 - 47% say the downturn has encouraged them to pay off debt or not take on new debt, even if that meant cutting back on spending. Only 12% say the economy has required them to take on more debt to meet their daily expenses.
 - 63% say they've cut back on spending on things like clothing, vacations, and dinners out in order to limit their debt.
- "Carrying too much debt" is low on Americans' list of worries about their personal financial situation. Only 8% cite it as their top concern, ranking below other concerns about high expenses, low pay, home values, finding a job, saving for retirement, and their children's education.

THE POLITICAL ENVIRONMENT

- Americans' opinions about President Obama's job performance and policies have eroded somewhat since the beginning of the Heartland Monitor polling series. However, there is a remarkable consistency to the trend data, indicating that most Americans have deeply-set opinions about the President's impact on the country and on the economy.
 - The President's approval rating is 44%, lower than it's been in 9 previous polls.
 - 41% of Americans say they would vote to re-elect President Obama while 51% say they would vote for someone else.
 - 40% say they trust President Obama to develop solutions to the country's economic problems, while 33% would trust Republicans in Congress. 20% say they would trust neither.
 - 31% believe that the actions taken by the Obama administration will increase opportunities for people like them, while 37% believe those actions will decrease opportunities. 26% believe the policies will have no impact.
 - 11% believe the country is significantly better off because of the policies Obama has pursued. 42% say the country is not significantly better off, but beginning to move in the right direction because of his policies. 41% say the country is significantly worse off because of Obama's policies.
 - 48% of Americans believe that Obama's economic policies have run up a record deficit while failing to end the recession or slow job losses. 43% believe that his policies helped avoid a worse crisis and are laying the foundation for recovery.