



Vulnerable: An out-of-work Dale Chandler of Brooklyn waits in the New York state Labor Department employment center.



Down From The Pedestal

Americans no longer say that the U.S. economy is the strongest in the world, according to a new Allstate/*National Journal* Heartland Monitor poll. **By Ronald Brownstein**

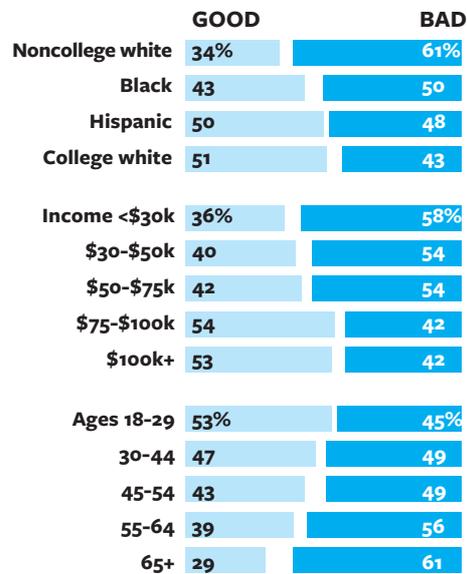
In the global race for jobs and economic prosperity, the United States is No. 2. And it is likely to remain there for some time. That's the glum conclusion of most Americans surveyed in the latest Allstate/*National Journal* Heartland Monitor poll. Henry Luce famously labeled the 20th century the "American Century." This survey suggests that most Americans now doubt that this new century will bear that name.

In the poll, only one in five Americans said that the U.S. economy is the world's strongest—nearly half picked China instead. Looking forward, Americans are somewhat more optimistic about regaining primacy, but still only about one in three expect the U.S. economy to be the world's strongest in 20 years. Nearly three-fifths of those surveyed said that increasing competition from lower-paid workers around the world will keep living standards for average Americans from growing as fast as they did in the past. Ruben Owen, a retired Boeing engineer in Seattle who responded to the survey, spoke for many when he said, "We're still in a reasonably good place ... but it's going to get harder because other places are growing stronger."

Across a wide range of issues, the poll found the traditional American instinct toward optimism straining against fears that the nation's economic struggles may extend

Which of the following statements comes closest to your view?

International trade has been ... for the U.S. economy.



Source: Heartland Monitor poll

far beyond the current slowdown. On many fronts, particularly the quality of higher education and scientific research, large majorities of Americans still believe that we

lead the world. And most say that the U.S. can remain a manufacturing leader.

But the survey reveals deep anxiety about the impact on the American economy of increased globalization; the decades-long shift in domestic employment from manufacturing toward services; the quality of decisions by government and business leaders; and the economic prospects for younger generations.

In follow-up conversations, several of those polled struggled to maintain hope that their children will live better than they have, against growing unease that it won't turn out that way. "I would like to say yes," said Dana Rigby, a homemaker in Kirksville, Mo., when asked if she expected her children's living standards to exceed her own. "I'm trying to get my kids on the right path; who doesn't want that? But I don't know if there's going to be enough out there for all the young kids to have good jobs."

Conducted after a tumultuous midterm election, the poll captured a populace that remains uneasy, ambivalent, and divided. The nation is split almost exactly in half over President Obama's job performance and over whether he or congressional Republicans should take the lead in confronting the country's problems. Just as tellingly, few of those polled expect their economic situation to improve much over the next year, and most say they are skeptical that *either* party's agenda



Taking home the gold: Nearly half of respondents said that China has the world's strongest economy.

PHOTOS: (PREVIOUS PAGE) GETTY IMAGES/SPENCER PLATT; AFP/GETTY IMAGES

can achieve the nation's major challenges. (See related story, p. 30.) As America lurches into its third consecutive winter of discontent, confidence in the political system and optimism about the economy remain scarce.

AMERICA'S STANDING IN THE WORLD

The latest Allstate/*National Journal* Heartland Monitor poll is the seventh in a series exploring the ways that Americans are navigating the changing economy. The poll, conducted by Ed Reilly and Brent McGoldrick of FD, a communications strategy consulting firm, surveyed 1,200 adults from November 29 through December 1. It has a margin of error of +/- 2.8 percentage points. This survey focused on Americans' view of the nation's standing in the global economic competition and on the role they see for manufacturing in the U.S. economy.

On several fronts, those surveyed said that the United States still compares well with other nations. Nearly three-fourths said that the U.S. leads all or most of its major competitors in the quality of its colleges and universities, and about two-thirds offer the same verdict on American science and research. To Julie Gordon, a computer programmer in Yorktown, Va., those advantages are grounds for optimism about the nation's long-term prospects. "Definitely in areas of science and technology there is potential," she said. "If we do focus on educating our young people in the right fields, we do have the right [prospects]."

Slightly smaller majorities give the nation high marks on two other key measures of competitiveness: 57 percent said that the U.S. outranks most competitors in the quality of corporate leaders, and 56 percent reached the same judgment on the quality of the American workforce. "I think we have a fairly well-trained workforce," said Bill Scherer, a trucking-company manager in St. Joseph, Minn. "I think that would probably be the biggest benefit ... that would help us compete against China."

On other horizons, though, Americans see more clouds. Just half say that the U.S. beats out most of its competitors in the quality of government programs to encourage growth; only 46 percent said that business and government cooperate more effectively in the U.S. than in other nations. Most strikingly, only 43 percent said that the U.S. leads most other nations in the quality of elementary and secondary education; 53 percent said that we trail our major competitors. That pessimistic sentiment was broadly shared. At least half of both the affluent and the working class, and half of those with and without college educations, saw U.S. primary education as lagging.

The verdict was most downbeat, though, on the bottom line. Asked which nation now has the world's strongest economy, just 20 percent picked the United States. More than twice as many (47 percent) picked China. Eleven percent chose Japan. (See chart, this page.) White working-class voters—the group that turned most sharply against the Democrats in November—were the most pessimistic: Just one in seven of them placed the U.S. atop the list; half named China. But the pessimism was widespread. Almost half of both college-educated whites and minority adults also tabbed China as No. 1. Americans who consider themselves politically indepen-

dent were especially downbeat (53 percent went with China), but both Republicans and Democrats were also twice as likely to name China as the U.S.

Few economists would second that judgment. China this year became the world's second-largest economy, but the U.S. gross domestic product remains more than two and a half times bigger than China's, according to the International Monetary Fund. On a per capita basis, the advantage is nearly 11-to-1. China's economy has grown much faster than the U.S. for years, however, and Beijing has amassed an enormous surplus in its international accounts while accumulating huge amounts of U.S. government debt.

Follow-up interviews suggest that Americans have such trends in mind when they cite China as the top economy. "They obviously are lending the United States a lot of money," said Kim Lomas, a kindergarten teacher in Naples, Fla. "And they seem to be exporting a lot to our country. It seems like everything I pick up says 'Made in China' on it." Scherer worries about China's edge in building things: "They're catching up to the U.S. as far as manufacturing," he says. "And I just see that trend continuing." Rigby frets about America's reliance on China to purchase its government debt. "China will one day knock on the White House door and ask us to pay up or take over," she says.

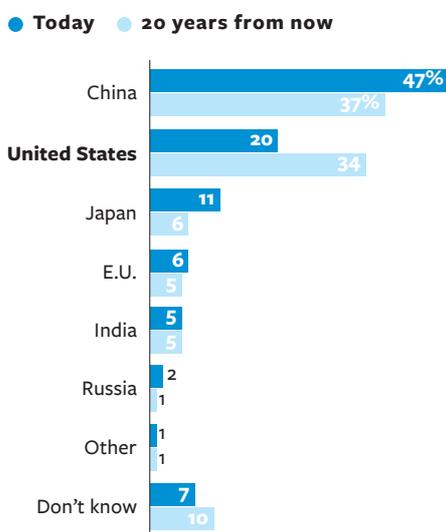
Anxiety about the nation's immediate economic troubles undoubtedly colors this comparison. Yet when prompted to look decades into the future, those polled were only somewhat more optimistic about America's position. Asked which nation will have the strongest economy in 20 years, 34 percent picked the United States, compared with 37 percent who chose China and 6 percent who named Japan. (The rest divided among other options or said they didn't know.) About one-fifth of Americans who say that the U.S. today isn't the world's strongest economy expect it to regain world leadership down the road. But in all, nearly two-thirds don't expect America to recapture the pole position in the economic race for the foreseeable future, an advantage that the nation took for granted in the first decades after World War II.

Two other findings underscored that apprehension. An imposing 58 percent of respondents agreed that "it is inevitable that Americans' incomes will grow more slowly" in the future than in the past "because American workers are now competing with millions of lower-paid workers around the world." Only 37 percent said that correct policies could reverse those trends. And just one-fourth of those polled said they believed that today's children will have more opportunity to get ahead than they themselves

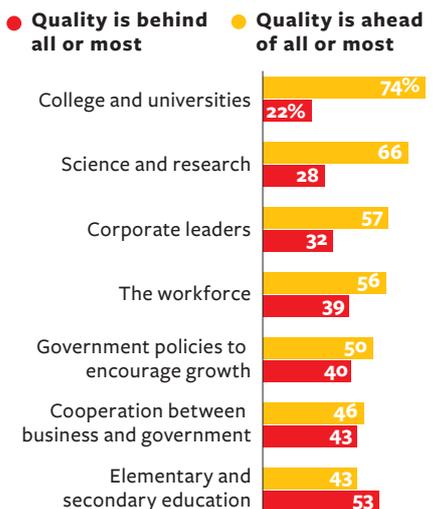
Second Best

Americans say China's economy is stronger than their country's, and will continue to be so.

Which one of the following countries or regions do you think has the strongest economy?

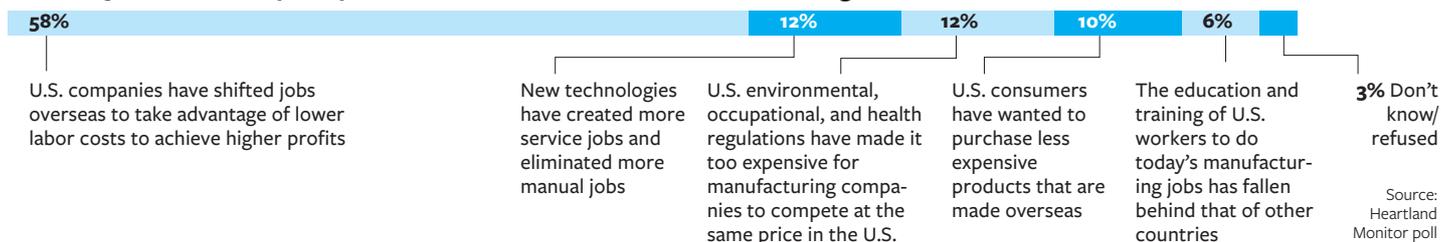


U.S. compared with other countries



Source: Heartland Monitor poll

What do you think is the principal reason for the decline in U.S. manufacturing?



did when they were young; a 39 percent plurality said they expected America's young people to have *less* opportunity. (The rest expected youngsters to have the same opportunities or said they didn't know.) On both questions, white respondents (including those with college educations) were more pessimistic than minorities.

A SHIFT AWAY FROM MANUFACTURING

Central to Americans' sense of economic precariousness, the poll suggests, are intertwined concerns about the rise of global economic integration and the decline of U.S.

manufacturing. Near the root of the unease for many of those polled is the worry that the United States no longer makes enough *stuff*.

Manufacturing figured only in the middle ranks when poll respondents projected which industries they believe will be "extremely important" in generating domestic economic growth over the next five to 10 years. Energy (47 percent) and health care (42 percent) led the list, followed by agriculture and information technology (36 percent each), manufacturing (33 percent), biotechnology (32 percent), and an assortment of other sectors. (See chart, next page.)

But the poll also revealed clear anxiety

about the decades-long employment shift away from manufacturing to service jobs. Asked if the nation should allow that trend to continue without taking steps to reverse it, just one-third said yes; three-fifths said they wanted action.

Those uneasy about the erosion of manufacturing employment included Matt Hemmis, sales director for a resort company in Orlando, Fla. He worries that America's most attractive export now appears to be entertainment. "We have become a service nation instead of a working nation," he said. "The only thing we have that spreads around the world is our music and our culture. But can we survive as a nation of culture? We have no mass production in our country. You can barely find cars or clothes made in this country anymore."

Owen, the retired engineer, is equally impassioned. "We've become more of a service economy," he laments. "We send things out here and there [to be produced] and never understand how to manufacture the whole product; we just assemble it. In the long run, that's not good for our business health."

Americans are closely split on the nation's current standing in the race to control the "manufacturing industries of the 21st century." Almost half (49 percent) said that the U.S. stands ahead of most other countries in that competition, but 47 percent said it has fallen behind. Those polled were more optimistic about the nation's ability to improve its position in manufacturing going forward: Contrary to some studies that expect China to take the lead, just over two-thirds of respondents said they believe the U.S. can remain the world's largest manufacturer. Gordon, the Virginia computer programmer, was one of several who expressed hope that renewable energy, which now generates only a tiny fraction of America's factory jobs, could generate a manufacturing renaissance. "With the green ideals we have, I think we have an opportunity ... to have a whole science and technology revolution, like the Industrial Revolution," she says.

Although that opportunity glimmers, when poll respondents were asked why manufacturing jobs have declined, they pointed

"We have become a service nation instead of a working nation."

Matt Hemmis, Orlando, Fla.



a clear finger of blame at employers. Fully 58 percent said that the principal reason for the erosion was that “U.S. companies have shifted jobs overseas to take advantage of lower labor costs to achieve higher profits.” That response dwarfed the percentage of those who chose any other option, including new labor-saving technologies (12 percent); excessive environmental or occupational-health regulation (12 percent); U.S. consumers preferring less expensive foreign goods (10 percent); and eroding education or skills among American workers (6 percent).

Those responses captured the anxiety and ambivalence that rippled through the survey about the impact of globalization and free trade on American workers. Only about one-fifth of those in the workforce or in school said they worried that their employer might outsource their job to another country. But two-thirds said they believed that outsourcing had played a major role in the persistently high unemployment of recent years.

Those polled divided relatively closely on the impact of expanding trade, but the overall mood was worried. In the most direct question, 52 percent agreed that “international trade has been bad for the U.S. economy because imports from abroad have reduced demand for American-made goods, cost jobs here at home, and produced potentially unsafe products,” while 43 percent said that trade has “been good for the economy because demand for U.S. products abroad has resulted in economic growth and jobs for Americans here at home and provided more choice for consumers.” That question produced a sharp class skew. Those with lower incomes or lacking college degrees saw international trade mostly as a negative force; the more affluent and better-educated viewed it positively.

The country divided in similar proportions and along similar lines over whether the development of well-paying jobs in other nations was mostly a threat because it means those countries were winning jobs that might otherwise be located here (51 percent), or mostly an opportunity because it created more customers for American exports (42 percent).

A BEEF WITH IMPORTS

Perhaps the most dramatic expression of anxiety about globalization surfaced when 68 percent of those surveyed said they supported policies that would require a minimum percentage of all manufactured products sold in the U.S. to be produced or assembled here; only 27 percent opposed that idea. Such “domestic content” requirements haven’t been seriously debated in U.S. politics since the 1980s.

The strong support for that idea captured a powerful, almost visceral, belief among

many of those surveyed that America has lost something important by relying so heavily on foreign products. “I was buying hamburger meat in Target the other day, and it said ‘Product of U.S., Mexico, and Canada,’ ” recalled Lomas, the Florida teacher. “And I was thinking, come on! Why do we have to go to other countries for that? Something as basic as hamburger meat—we can make that here.”

Scherer feels the same way about cars and steel, the raw materials that did so much to build the American middle class in the last century. “The U.S. could look inward and instead of importing cheap Chinese steel, I’m sure that’s something we could do here, bring it back to the U.S. and bolster our workforce,” he said. “Why can’t we produce whatever we need here?”

Most economists would answer him by pointing to British economist David Ricardo, who in the early 19th century postulated the theory of comparative advantage in trade. In Ricardo’s spirit, the survey did indicate that even amid all of their worry about trade, Americans are less interested in walling ourselves off from the world than in bolstering our ability to compete with it.

In interviews, several of those surveyed expressed skepticism that many Americans would really favor homemade products that cost more over less-expensive imported goods. “Just look at [the business] Wal-Mart does,” said Mark Doornek, a nursing student

in Milwaukee. By a ratio of 55 percent to 38 percent, those polled said they would prefer a policy that expanded exports over one designed to reduce imports. “I don’t think outsourcing is the greatest idea,” Doornek said, “but I do believe there are a lot of economic opportunities if we utilize knowledge to start exporting again.”

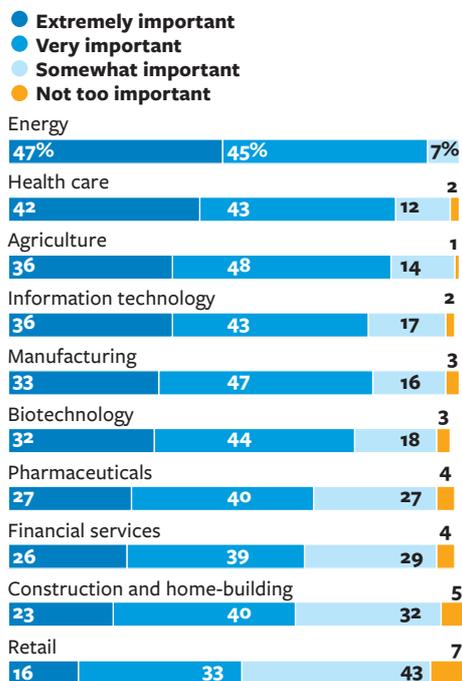
Responses to two other sets of questions pointed toward the same conclusions. Given three choices for America’s strategy in international economics, just 21 percent preferred a pure free-trade policy of lowering barriers to foreign goods and investment; 35 percent opted for a protectionist strategy of limiting imports, immigration, and foreign investment. The most popular alternative (drawing 38 percent) was an industrial-policy approach in which government created “programs that are designed to help specific U.S. industries that it determines will be important to America’s global competitiveness.”

Similarly, by 62 percent to 34 percent, those surveyed said they would support a government agenda designed to promote advanced manufacturing “with tax incentives, funding for scientific research, and funding for ... training.” That option was considerably more popular than an approach aimed at reviving manufacturing through higher tariffs (51 percent supported that strategy, and 45 percent opposed it.) As in an earlier Heartland Monitor survey, targeted government intervention was most popular among minorities and college-educated whites—two groups that don’t often agree.

In practice, policies that aim to nurture specific industries would immediately provoke charges that government is picking “winners and losers,” and would probably face intense resistance from many of the same voters who denounced the General Motors bailout. Even so, this survey, like previous Heartland Monitor polls, suggests that the competition with China’s centrally planned economy may be enlarging the support for policies that would seek to systematically nurture domestic industries that are considered the most promising.

If nothing else, the poll makes clear that a growing number of Americans who were raised on the expectation that they would live better than people anywhere else believe that the nation faces the international equivalent of a knife fight for growth, jobs, and income. Among the victims of the Great Recession, it seems, is any lingering assumption that America’s historic economic advantages will guarantee prosperity in the future. The only future that Americans now believe they are guaranteed, this poll suggests, is unrelenting competition from every corner of the globe. ■

How important do you think this industry is to creating economic growth in the U.S. over the next five to 10 years?



Source: Heartland Monitor poll

Scott Bland contributed

A Show-Me State

The public isn't confident that either party knows how to get the country moving again. **By Ronald Brownstein**



Split decision: The public is sharply divided over whether John Boehner and other Republican leaders should set national policy.

As Republicans in Washington prepare to share power with Democrats, most Americans remain unconvinced that either party's agenda by itself will solve the nation's most pressing challenges, according to the latest Allstate/*National Journal* Heartland Monitor poll.

One month after an election that delivered a sharp slap of repudiation to President Obama, the poll found that Americans are divided almost in half over his job performance, and over whether Obama or congressional Republicans should take the lead in setting the nation's agenda. But, mostly, the survey confirmed that Americans are still unhappy with the country's direction, doubtful that their personal financial situation will improve much over the next year, and eager for the two parties to work together—even as they remain uncertain that either side knows how to lift the country from its deepest downturn since the Depression.

Those attitudes surfaced most clearly on a question that asked respondents their reaction to the Republicans' takeover of the House of Representatives in last month's election.

About two-fifths of adults spoke in strongly partisan terms. Eighteen percent said they were enthusiastic about the outcome because it meant that "Republicans can advance an agenda to significantly reduce taxes, the size of government, and regulation." On the other side, 22 percent said they were "worried [that] Republicans will

go too far in turning back the programs President Obama has put in place."

But most respondents expressed ambivalence rooted in uncertainty that either party can tame the nation's woes. Twenty-one percent said they were "not convinced that [the] agendas of either party can solve our problems" and are "pessimistic they can work together to find solutions." The largest group, 36 percent, also said they were not convinced that either party's policies could fix the nation's problems, but said they were optimistic that the sides would find a way to cooperate for progress.

Nearly half of Democrats worried most about the GOP's rolling back Obama programs, and exactly half of Republicans said they welcomed the victory as a chance to advance a small-government agenda. But just under half of Republicans, and just over half of Democrats, picked one of the options that expressed doubt that either party's agenda alone could get the job done.

Among independents, that sentiment was endemic. Just 10 percent of independents said they welcomed the GOP victory as an opportunity to roll back government, and only 18 percent said they feared it as a threat to Obama's programs. Fully 70 percent of independents said they believed that neither party's agenda alone could solve the country's problems. That big bloc divided between 39 percent of independents who were optimistic that the two sides might still work together effectively and 31 percent who were

doubtful that they will cooperate to get much done. "When the Republicans were in control of Congress before, they didn't get us anywhere," said Valerie Juhasz, a production manager and an independent voter in Sylvania, Ohio, who responded to the poll. "People voted them back in because they weren't happy with the Democratic House, but I don't think we'll get any further with Republicans."

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1. It has a margin of error of +/- 2.8 percentage points.

NO TILT TOWARD GOP

Although Republicans in last month's election achieved the biggest House gains that either party has made in a midterm since 1938, the poll found little evidence that the public now wants the GOP to seize the rudder in setting policy. Asked who should take the lead on the major issues facing the country, those surveyed divided almost evenly, with 45 percent saying President Obama and 44 percent preferring congressional Republicans. On that question, independents also split almost evenly, but the results revealed a sharp and increasingly familiar racial divide. Whites looked to congressional Republicans by a solid 53 percent to 37 percent (the result among whites without a college education tilted even more toward Republicans). Two-thirds of minorities preferred Obama for the lead role.

Similarly, there was no clear tilt toward the GOP when respondents were asked what issues should top Washington's agenda in the coming year. Only about one in five said that the top priority should be repealing Obama's health care overhaul; 13 percent said that Washington should focus most on extending the Bush tax cuts for all earners, including the wealthy. (Nearly twice as many Republicans picked repealing the health care law over extending the tax cuts as their top priority.)

But the most popular priorities for the coming year were to "encourage more job

creation” by “providing new spending on infrastructure, research, and education” (28 percent), and to boost job growth by providing new tax cuts for business and individuals (22 percent). In Washington, the first idea has been backed almost entirely by Democrats; the second has support in both parties. Reducing the deficit by cutting spending and raising taxes—an idea that divides both parties—lagged, with just 11 percent.

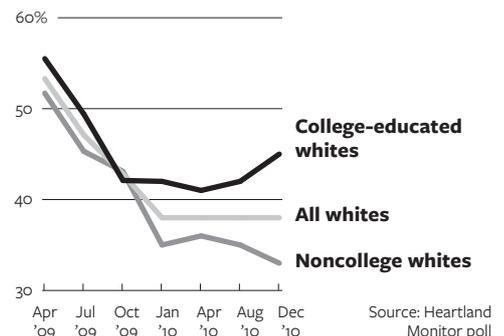
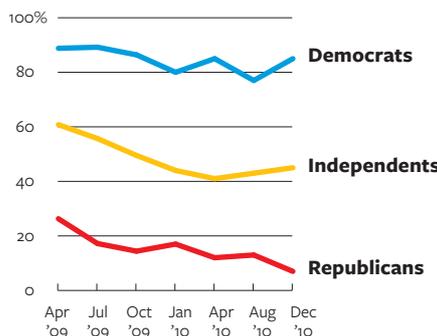
One final result underscored the public’s reluctance to invest too much hope in either side. Just 25 percent of those polled said that congressional Republicans should “pursue their own agenda ... including repealing the legislation and regulations enacted by President Obama and Democrats.” A resounding 70 percent said that Republicans should “compromise and work with President Obama ... to get things done.” That sentiment irritated many party members such as Amie MacDonald, a nurse in Bothell, Wash., who responded to the survey. “The Republicans won,” she said. “It’s not all about compromise.” Yet even 42 percent of Republicans polled said that the party should compromise, compared with 54 percent who want the GOP to go its own way. Among independents, 70 percent preferred compromise.

OPTIMISM DEFICIT

The backdrop for the public’s bet-hedging is sustained pessimism about the country’s direction. Sometimes, elections that reshape the political landscape produce a surge of optimism—the way that brilliant sunny days often follow hurricanes. Not this time. In the poll, 60 percent of Americans said the country is still on the wrong track, compared with 62 percent who said so in August. And just 30 percent said they expected that their personal financial situation would improve over the next year, compared with 42 percent who expect it to remain the same and 25 percent who said it would deteriorate. Last January, nearly two-fifths had expected their situation to improve over the next year, while only one-fifth anticipated a decline.

Opinions about Obama’s job performance continued to demonstrate striking stability.

Overall, do you approve or disapprove of the way Barack Obama is handling his job as president?



In the latest poll, 48 percent of Americans said they approved of his performance, and 46 percent disapproved. In the four Heartland Monitor surveys since January, Obama’s approval has oscillated narrowly, between 46 and 48 percent; his disapproval has ranged between 45 and 49 percent. Each of the four polls has recorded an identical 38 percent approval rating for the president among whites. In each survey, he has received positive marks from about 40 percent or fewer of noncollege white men and women and of college-educated white men. Obama’s sole beachhead in the white electorate remains college-educated white women: 53 percent of them gave him positive marks in the new survey, up from around 45 percent in the previous three polls.

Other questions also demonstrated more continuity than change. Asked whom they trust more to develop economic solutions, 42 percent preferred Obama, and 36 percent picked congressional Republicans. In September 2009, Obama held a 21-percentage-point advantage on that question; in the four 2010 Heartland Monitor polls, he has held advantages ranging between 5 and 8 percentage points.

Obama continues to face a slight deficit on another critical question. Thirty-five percent of those polled said that his agenda would decrease opportunity for people like them to get ahead, while 32 percent said it would increase

it. (The rest said they didn’t know or it would have no impact.) Those numbers have also varied only within a very tight band all year, although the racial gap is enormous. Nonwhites, by 50 percent to 19 percent, believe that the president’s agenda is more likely to increase than diminish their opportunities. Whites, by a 42 percent to 25 percent plurality, say that his agenda will decrease their opportunities, with working-class whites, characteristically, the most dubious.

On the broadest question, Obama’s position remains positive but precarious. Just 14 percent said that the country is already “significantly better off” because of his policies; a much larger group, 37 percent, said it is already “significantly worse off.” The largest group—44 percent—say that while the president’s agenda has not yet produced significant results, it is “beginning to move [the country] in the right direction.” Obama’s margin of political hope is that about three-fourths of those in this conflicted camp still approve of his job performance.

The overall balance on the impact of Obama’s agenda has changed little from polls conducted last spring and summer, although the numbers are less favorable for the president than they were in the first 2010 Heartland Monitor survey in January. On that question, as so many others, the racial gap is a chasm. As they have since last spring, nearly half of whites (46 percent) say that Obama’s agenda has already made the country worse off, while three-fifths of nonwhites see movement in the right direction (and another fifth see progress already). Young people are also more likely to say that Obama’s agenda has already produced progress or is leading toward it.

Those sharp differentials underscore the stakes for Democrats in turning out their most supportive groups to vote in 2012—after an older and whiter electorate helped Republicans achieve a historic landslide this fall. ■

Scott Bland contributed



Come together: 70 percent of respondents said that Republicans and Obama should compromise “to get things done.”

PHOTO: THE WHITE HOUSE VIA GETTY IMAGES/PETE SOUZA