

THE THIRD WAY MIDDLE CLASS PROGRAM



SHAKEN, NOT STIRRED

**Findings from recent focus groups on
Americans and the economy**

by

Pete Brodnitz, Anne Kim, and Jim Kessler

JULY 2008

About The Authors

Pete Brodnitz is a principal with Benenson Strategy Group. Anne Kim is Director of Third Way's Middle Class Program, and Jim Kessler is Third Way's Vice President for Policy.

Overview

In late April, Third Way commissioned Benenson Strategy Group to conduct a series of six focus groups in three cities: St. Louis, Atlanta and Columbus, Ohio. Our groups consisted of independent/moderate likely voters, the vast majority of whom have incomes between \$50,000 and \$75,000.

Our conclusion, in a phrase, is that the middle class is *shaken, not stirred*. They are *shaken* by the cascade of bad economic news and over the concern that America has lost its economic edge. They are *not stirred* by the political leadership in America on the economy—particularly from President Bush, but also from Congress.

What we also found was a genuine political opportunity. The middle class is searching for real economic leadership to fill the void of the past eight years. They are seeking economic leadership that restores their confidence in America's ability to move forward and achieve greatness again, as well as confidence in their own prospects for success.

We heard from a middle class that was **struggling, but struggling to get ahead—not get by**. This is an important distinction. Even in these awful economic times, they were not in the dire economic circumstances that they are often portrayed. They were not, for the most part, losing their homes, unable to afford gas, buried in debt, or lacking health insurance. To them, these were other people's crises. For this group of middle class adults, their anxiety was about being stuck in place when they wanted to move ahead.

They were **anxious, but not pessimistic**. They saw America as spinning its wheels and failing to rise to the challenges of the world. They saw China as the nation's toughest economic competitor and viewed America as having lost prestige, confidence, and standing. Yet, they remained optimists. They believed that America's best days were still to come. They had faith that the American spirit and the America system would eventually lift us back up.

They were **aspirational, but adrift**. They felt that the recipe for success in America had changed, but that they were on their own to figure out the new formula. They worried that the next generation didn't know that it would take more effort on their part to get what previous generations had achieved. They described a nation without a plan, in which everyone—from individuals to corporations—does what is best for themselves.

They were both **skeptical, and hopeful about government's ability to help**. They literally laughed at the notion that government helped middle class people succeed, but moments later they talked about ways in which government could help. In short, they were looking for government that was relevant to their lives.

They were **in search of accountability**, but not just corporate accountability—they wanted accountability from their fellow citizens. They strongly conveyed the notion that the bonds of community and mutual obligation had frayed. They resented corporate CEOs who seemed to game the rules in their own favor. They expressed outrage at golden parachutes that rewarded CEOs despite poor performance. But they also understood the competitive pressures that were forcing companies to offshore jobs. They expressed the sense that the nation's current economic woes were to some extent self-inflicted: by people acting "irresponsibly" with large mortgages they couldn't afford and by the excesses of consumer culture.

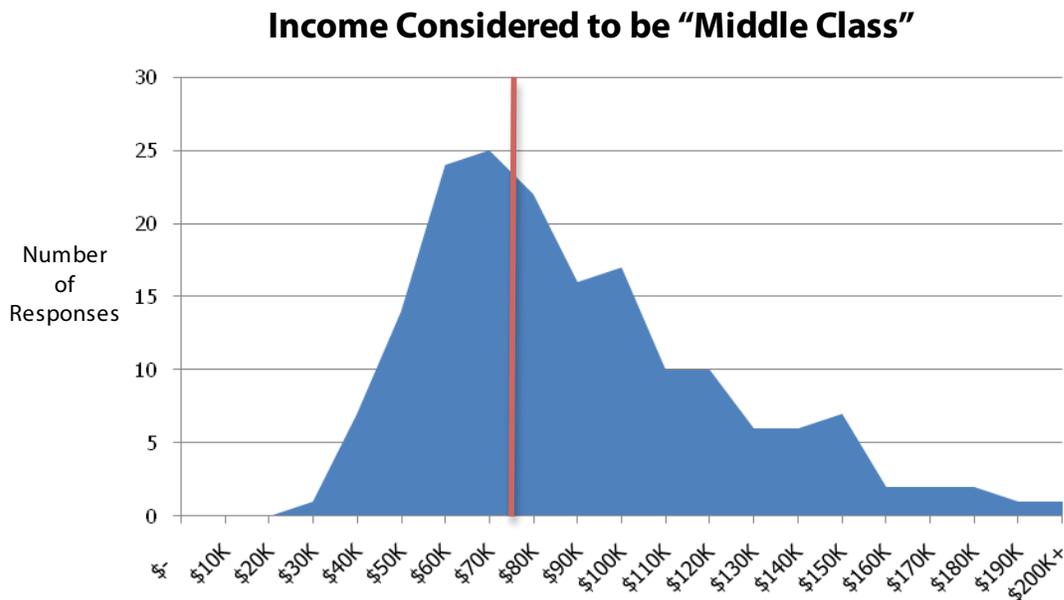
What would it take to "stir" middle class Americans? They would be stirred by a story and agenda that is about restoring confidence in America, reclaiming our position as economic world leader, pulling together as a nation toward a common purpose, charting our own economic destiny, moving America forward and putting Americans squarely back on the path to success. That is how they would describe strong economic leadership.

The Middle Class and the Economy: Major Findings

1. Struggling to Get Ahead

Anxiety was high among our focus group participants. In all three cities, we met people who were, to varying degrees, anxious about what they see as tough economic times that are affecting them personally and affecting the nation. There was a great deal of concern about rising gas prices, both because the cost of gas has become a burden and because it is seen as driving inflation in food and other prices and causing a drag on the economy.

But for most people, their struggle was about getting ahead. When we asked participants what they consider middle class for a family with two income-earners and two children, participant responses clustered around the \$60,000 to \$90,000 bracket. The chart below shows the distribution of responses to this question.



The modal response—\$70,000—in fact almost perfectly corresponds to the median household income of working-age couples age 25 to 59, which was \$75,579 in 2006. People were not facing a plunge into poverty due to rising prices; rather their anxieties were largely about getting ahead. “Even if you have two people in the household and they each get a raise and... they just keep raising it up higher and higher and the salaries aren’t matching,” as a St. Louis woman said.

An anxious middle class

- “It’s scary times” [Atlanta, female]
- “So many of our jobs are going overseas because it’s a global economy... I feel kind of overwhelmed... there’s just so much wrong” [Columbus, female]
- “Two things are going up... food and gas” [Columbus, male]
- “Every product everybody buys at one or another is on a truck burning fuel... Every single thing is going up...” [St. Louis, male]
- “People that have put away money for investments and the stock market is losing money... how much is going to be left there when you do retire?” [St. Louis, female]
- “With the economy you try to think of ways to conserve for yourself” [Columbus, female]
- “It’s hard to commit to any kind of purchase” [Atlanta, female]

Many participants talked about the decline of one-income families; people believed that most families need two incomes to make ends meet. But while people acknowledged the two-earner family as a necessity for a middle-class lifestyle, people were not nostalgic about the past. The women in our groups generally talked about the satisfaction they derive from their work outside of their home. Several women had a strong entrepreneurial bent—they either owned their own businesses or worked from home.

2. Anxious, But Not Pessimistic

Despite their current anxieties, our participants were nevertheless fiercely pro-American and optimistic about the future. They soundly rejected the idea that America’s best days are behind it—one St. Louis woman called this notion “morbid” and many expressed a strong belief that America bounces back. “We’ve been down before but we’ve come back,” as one Columbus man said.

The foundation of this optimism was a strong belief in the American system of economic opportunity and freedom. So while only 6 of our 54 participants said they believed the United States currently had the strongest economy in the world, they still all generally felt America was the best place to be seeking out economic opportunity. As one St. Louis man said, “The American spirit... nobody says ‘Let’s go get the Chinese Dream.’”

This pro-America sentiment wasn't driven by a sense of a growing manufacturing industry or superior financial controls, but rather because of the larger ideological advantage of freedom: freedom in our society, freedom to operate within the economy (by starting a business), less regulation on businesses than much of the world, and other freedoms. Thus, while a majority of participants saw China as the strongest economy in the world and America's chief competitor—"They're a waking giant," as one woman in Columbus said—people saw real drawbacks to China as well: inferior quality in their manufacturing, concerns about human rights and widespread poverty and environmental problems. "There's a big part of China that's still in the Stone Age," said one man in Columbus.

Belief in America's core strengths

- "Here you have the opportunities, freedoms, say what you want to. You won't get shot" [St. Louis, female]
- "We have an atmosphere that encourages innovation... it's easier to innovate" [Columbus, male]
- "For pure monetary purposes you can go over there (China) and make money but there's more to life than that" [Atlanta, female]
- "We have the more freedoms and the ability to better ourselves... you have to work for it but we still have it China doesn't" [St. Louis, female]
- "Here if you're in a poor family you can work hard, get an education and become someone" [St. Louis, female]
- "We have a lot of great ideas that come from us" [Columbus, male]

3. Aspirational, But Adrift

Perhaps because of their optimism and core belief in America, participants said they wanted to see America's role in the future economy as that of a global economic leader. But they did not perceive America to be filling that role today, and they didn't feel that our nation had a plan for getting there. Instead they saw themselves and the country as adrift, buffeted by the forces of vast and dramatic economic change.

In terms of where they wanted to see America, the people in our focus groups aimed high. We asked participants to rank in order of importance a series of options for America's role in the global economy. Hands down, across all six focus

groups, participants wanted to see America as “the economic world leader.” (For some people, this meant being part of the leadership of an interdependent economy. “You can have co-leaders,” said one Atlanta man.)

People also wanted to see America take the global lead in preserving the environment and ending climate change. Perhaps surprisingly, this priority ranked second overall.

But if American leadership was the aspiration, people also perceived the reality to fall far short. “We’ve just had 8 years of negativity and the world is laughing at us,” said one Columbus woman. “We used to be the superpower,” another Columbus woman said. There was a strong sense from the groups that America had essentially screwed up in Iraq, alienated much of the international community and needed to repair the damage. The words people used to describe America’s global reputation included “laughing stock,” “spoiled gluttons,” and “bullies.”

Perhaps because of this sense of lost prestige, participants were also strongly attracted to “Improvement of America’s standing in the world” as a goal for America’s economic policy. This was the third-highest ranked role for America overall. But perhaps for the same reason, participants also seemed very resistant to pursuing policy goals that would have the effect of imposing American values on the world.

What Should America’s Role in the World Economy Be?

America as the economic world leader	+4
Better environmental stewardship/ending global climate change	+3
Improvement of America’s standing in the world	+2
Promoting fair labor standards	+2
Global economic growth that benefits all	+1
Greater worldwide respect for democracy and human rights	0
Defeat of radical Islam and terrorism*	0
Promoting free enterprise	-1
Fairer distribution of the benefits of the global economy in America	-1
America as a moral leader	-2
Elimination of global poverty	-3
Promoting Democracy because Democratic nations don’t go to war with one another	-5

NOTE: Top-three ranked roles each received +1 score, bottom three ranked roles received -1 score in each group, all others received 0 score

*Adjusted to strike “radical Islam” after participant responses

For example, “defeat of radical Islam and terrorism” was viewed more favorably as a role for America when “radical Islam” was removed from the phrase—many

participants indicated a sense of futility at taking on and changing religious beliefs of others: “Terrorism is one thing ... but people need to have free speech, religion, whatever,” said one woman in Columbus. Similarly, “America as moral leader” was rejected as participants questioned whose morals would be projected. People also rejected as goals tasks that they simply thought too big, such as tackling global poverty.

While this sense of American weakness seemed to derive from a number of sources, a common theme was the lack of leadership and the lack of a game plan for dealing with the new challenges of the global age. Every person we met said they believe China has become America’s toughest economic competitor and that this competition was forcing companies to find ways to compete against a lower-prices labor force. Others cited the belief that we are in a “global economy” in which America’s economy is affected by the economies of other countries and in which American companies face fierce competition from companies from other countries (the term “globalization” was less familiar). People also cited an acute sense of dependence on foreign sources of oil.

Which country has the world’s strongest economy?

Ranked by All	Number of Responses
China	16
Europe*	15
United States	6
India	4
Japan	4
Australia	2
Canada	1
Dubai	1
Saudi Arabia	1
United Arab Emirates	1
Don’t Know	1

*Includes EU, Denmark, Sweden, Germany, Switzerland

People also seemed to fear that the rules for success had changed and younger people might be ill-equipped to succeed in the coming decades. While people saw the tide of globalization as a source of opportunity (“Because of the Internet, [the next generation is] more likely to succeed if they want to succeed... they had such a view of the world we didn’t have,” as one Columbus man said), it was also a significant source of anxiety. “It’s definitely going to be different,” said another Columbus man. “You’re going to be on a more global playing field as opposed to a local or state or general playing field.”

4. In search of accountability

Our focus groups conveyed a strong sense of societal self-indictment for the current state of the economy. People were not anti-trade; they were not hostile to corporations; they did not see themselves as victims of forces beyond their control. Rather, they seemed to see an unraveling of the bonds of community and with it an accompanying lack of accountability—both by individuals and by corporations.

Perhaps because our participants generally believed that America's market-driven economic system works, they were prone to identify cultural causes for at least some of the challenges we face. For example, they cited kids who lack a work ethic and who don't appreciate how hard they will need to work to get ahead on their own, consumers who spend more than they can afford, and corporate executives who are self-dealing and are not held accountable for failure.

Participants frequently indicated that many of the problems in today's economy are the result of people getting in too deep with bad decisions and were unrealistic in their expectations and planning, purchasing homes they could never afford and driving SUVs with poor gas mileage. These unrealistic expectations resulted in self-inflicted damages, and while participants were sympathetic to the suffering of their fellow Americans, they were not prepared to let them off hook without accountability. In particular, people seemed very reluctant to offer anything that looked like a "bailout" to people who had made poor decisions about their mortgages. Typical was this comment from a Columbus woman: "They were giving mortgages to people that didn't have any money down... people were getting loans that had poor credit or they were falsifying documents ... There was nobody there to look at this stuff and check it out... and then the rest of us pay for it."

People also saw a lack of accountability in the corporate world. There was a sense that some banks had made bad loans and needed to face the consequences of their decisions. As a St. Louis man said, "At some point they got to pay the price for making bad investments... They made loans without checking anybody out."

And there was widespread condemnation for golden parachutes provided to CEOs who left their companies in shambles. Every group had multiple anecdotes about what they saw as an undeserved golden parachute—a corporate "welfare queen" story. Participants indicated it wasn't the disparity between CEO and worker pay that they saw as unreasonable—many said that CEOs deserved to be well compensated. Instead, it was the lack of accountability by CEOs who were driving their firms into the ground that struck people as one-sided and unfair, especially since the workers themselves were at risk of losing their jobs for an executive's failures. People did not perceive risks to be fairly shared.

Despite their anxieties and concerns about today's workplaces and the economy overall, people did not talk about companies in adversarial terms.

Rather than see business as their enemy, we heard that many companies are “like family” to workers and that people like to feel that way about where they work. We heard many anecdotes about companies, particularly in the tech sector, that are good to their workers.

What seemed to concern people more was that this feeling of family was fading—at least within many large companies. This is consistent with a theme that came up often during our groups, which is people’s observation that global competition seems to weaken the bonds between people and their (large) company and that the bonds between companies and their country are becoming weaker.

Disenchantment with consumer culture

“The housing market is our own creation” [Columbus, male]

“We’re a nation of spenders not savers” [Atlanta, female]

“We need to be more responsible for ourselves.” [St. Louis, female]

“Individualism leads to entitlement” [Columbus, male]

“I think that we asked for some of this... having to have two huge SUVs and a huge house and plasma TV and I think we’ve done a lot of this to ourselves” [Columbus, female]

“It’s that person that had to have that 3,000 square foot house... People trying to get what they can’t afford and the greedy part that says they can” [St. Louis, male]

“We have put ourselves in a position that we’re allowing the oil cartels to hold us hostage... it’s a product of our undoing” [St. Louis, male]

For example, people reported being treated “like a number.” As one man in Atlanta said, “We’re expendable at any moment... if they need to correct their bottom line we’re gone,” and they attributed America’s growing willingness to job-hop as a reaction to this perceived lack of loyalty to them. Anecdotal concerns about firms dipping into or eliminating pension funds and cutting jobs were present in every group, much of which came across as a sense that the partnership between large employers and workers had changed.

In contrast, several said that working for a small company can be like “a family” because relationships with both co-workers and management are based on trust and are “comfortable.” Participants admired small businesses because of the

collegial, familiar relationships between employees and management, as well as perceived transparency and fairness in the workplace. Men were drawn more to smaller companies because they believed it gave them the opportunity to break-out more—“It puts you on the cutting edge,” said one man in Columbus. These familiar, community and familial characteristics were also particularly attractive to women as prospective employees.

One area where this sense of declining loyalty between corporations and their workers played out was offshoring. On the one hand, participants tended to see the decision to send jobs offshore as a business decision that is sometimes logical under the current circumstances because of lower labor costs in countries like China and India. Most felt that it was a consequence of the global economy in which we live and more often driven by necessity rather than greed. People were very reluctant to label companies that offshore as “unpatriotic” (i.e., they did not perceive these companies as “Benedict Arnolds”). As one man in St. Louis said, “What if it goes bankrupt without sending overseas, but if it does it keeps 40 percent of it here, is that unpatriotic?”

On the other hand, people did not seem to believe that corporations took the impact of their decisions on individuals or communities into account. As one man in St. Louis put it, “If the culture of the corporation is to squeeze a little more profit moving jobs to China, that’s a bad community decision even if it might be a good business decision.” And as one man in Columbus said, “There’s a responsible way to do it and an irresponsible way to do it.”

(Incidentally, most participants said they are concerned about jobs going overseas but did not feel their own job was threatened. Instead, they saw offshoring as a symptom of America’s potential decline. Most felt that while jobs such as call center positions are not particularly high-paying, they are the types of jobs that serve as stepping stones into the middle class and that are good sources of supplemental income for families. Moreover, offshoring contributed to people’s general sense that “we don’t make anything any more.” People also seemed as concerned about the quality of international call centers as they did about the loss of these jobs—many respondents said they felt that people working in remote call centers would not understand or care about their needs.)

5. Skeptical, yet hopeful, about government

When we asked our respondents whether they thought government helps them succeed, the universal response was laughter. Although people did not believe government to be an obstacle to their success, we got a strong sense that government was a non-factor, out of touch with the challenges faced by middle class families. To the extent that there was concern about government, it was more that government was a boon to the rich and a crutch for the poor.

Our participants wanted to see more government involvement—particularly on health care and the environment. But they also believed that the core strength of our economy is free enterprise. Thus, they tended to favor market-based solutions such as tax incentives and solutions that did not reward “irresponsible” behavior.

For example, the idea of significantly lowering corporate taxes for companies that keep jobs in the United States had a lot of appeal to participants. In fact, this was the most popular idea that we raised. While some respondents noted the potential for abuse, most seemed to think it was a “fair” idea, with one woman in St. Louis noting, “The money would go to pay workers here.”

Likewise, in the area of corporate pay, while participants had indicated concerns about CEO-worker pay gap, they were hesitant to have the government force this gap to be closed, instead noting examples of firms doing it voluntarily (such as Jeff Bezos of Amazon.com taking \$200,000 a year in salary) and focusing their outrage on golden parachutes for executives. Our takeaway from this is that on issues that affect business operations, most people reject solutions that seem to focus on redistributing money but do support solutions that more widely distribute accountability or that provide market incentives for corporations to behave the “right” way.

Participant ranking of sample policy priorities

Significantly increase Federal spending on efforts to ensure everyone has access to quality, affordable good health care	72
Promoting Buy-American	63
Significantly increase Federal spending on efforts to increase access to college	45
Require businesses to close that gap between what their CEOs and workers earn	33
Significantly increase Federal spending on efforts to increase access to job training	28
Cutting off trade with China if they don’t change their trade policies	27
Increase taxes on wealthy taxpayers to help pay for other needs	26
Creating a Canadian-style national health care system	12
Raising taxes to pay for more unemployment benefits so people are more willing to take risks	0

NOTE: 1st response given 3 points, 2nd response given 2 points, 3rd response given 1 point. Scores reflect rankings *after* striking the word “significantly.”

On several issues, the prospects of increased federal spending were tamped by the potential for abuse of the system (this concern was present throughout the groups), including unemployment benefits, which some were concerned would be

abused by people who don't want to work. And while participants said they supported "increased federal spending on healthcare," a "significant" increase in spending was a red flag to many participants, who saw it as a potential tax hike or runaway spending in Washington. In the same vein, people did not particularly like the idea of a Canadian-style, single-payor health care system (several participants referred to it as "socialized medicine").

The one area where participants seemed to want the most aggressive action was on the environment and energy policy. It was particularly notable that even our most tax-sensitive respondents agreed that the U.S. needs a more aggressive stance on environmental issues to reduce energy dependence as well as address global warming and air and water quality.

What Would Stir the Middle Class?

The overall portrait of 12 hours, 3 cities, and 54 middle class swing voters was that of a group that is shaken by the economy, and not particularly stirred by the political leadership. What would stir the middle class is a new vision for economic leadership that restores confidence in America and put Americans back on the track to success.

Faith in our country's strengths remains strong—Americans are optimistic, aspirational and resilient. The missing ingredient comes in the form of new leadership that would harness those strengths and take America back to the top of the global economy. That would stir not just the middle class, but the shape of the world economy in the decades to come.

Appendix: Methodology

We fielded six focus groups between April 21-23, 2008 in Atlanta, Georgia, St. Louis, Missouri and Columbus, Ohio. We chose these cities based on the impact of trade on the local economy.

Each group consisted of nine politically- moderate/independent likely voters with no more than a college education, for a total of 54 participants. The vast majority of participants came from households earning between \$50,000 and \$75,000. In each city, one group consisted entirely of men and one entirely of women.

Atlanta, Georgia (April 21)

Among the women, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Three were college graduates, five had some college experience and one was a high school graduate. Two were married, two were divorced and five were single, and the average age was 44.

Among the men, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Six were college graduates and two had some college experience. Three were married, one was divorced and four were single, and the average age was 45.

St. Louis, Missouri (April 22)

Among the women, four were employed full time, one was employed part time and one was retired, with most living in households earning between \$50,000 and \$75,000. Three were college graduates, four had some college experience, one was a technical school graduate and one was a high school graduate. Seven were married and two were single, and the average age was 52.

Among the men, seven were employed full time and two were retired, with most living in households earning between \$50,000 and \$75,000. Four were college graduates, two had some college experience and three were high school graduates. Six were married, two single and one was divorced, and the average age was 48.

Columbus, Ohio (April 23)

Among the women, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Four were college graduates, three more had some college experience and one was a high school graduate.

Seven were married and two were single, and all but one was between the ages of 35 and 49.

Among the men, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Six were college graduates, two more had some college experience and one was a high school graduate. Five were married, four were single and all but one was between the ages of 35 and 49.



1025 Connecticut Avenue NW, Suite 501
Washington, DC 20036

contact@thirdway.org

202.775.3768

202.775.0430 fax

www.thirdway.org