



RESURGENT REPUBLIC

MEMORANDUM

TO: Interested Parties
FROM: Ed Gillespie and Whit Ayres
DATE: September 11, 2009
RE: Nationwide Series of Focus Groups Conducted in August

Over the course of Congress's August recess, Resurgent Republic conducted five pairs of focus groups to assess voter sentiments about the direction of the country and the state of our economy, and to probe beneath the surface of the rising concerns over Federal spending and debt that began showing up in quantitative survey data in late Spring.

The groups were comprised of registered or self-identified Independents (in states without partisan registration) who voted for President Obama last November, but who are undecided on the congressional generic ballot. The groups were held in battleground congressional districts in states that flipped from red to blue in 2008 (Ohio, Virginia, Nevada, Florida) and Montana, which dropped from 59% for President Bush to 50% for Senator McCain.

There were six general groups, and four specific: 1. Hispanic Women. 2. Hispanic Men. 3. 18-29 year-old voters. 4. Small business owners.

ASSESSMENTS OF THE ECONOMY

These voters' perceptions of the economy remain negative, with the words "anxious," "nervous," "uncertain," "stressful" and "hurting" tempered occasionally with expressions like "trying to bounce back" and "about to turn around." To the extent that anyone felt a turnaround had begun, it was a result of personal optimism and hope, not economic proof. There was some frustration that improvement is not occurring as fast as they hoped.

However, ten months after the presidential election and eight months since the Inauguration, these Independent Obama voters demonstrated great patience with the President, and give him credit for trying to improve the bad economy, which they still see as him inheriting. While the group moderators did not probe feelings about President Obama, these voters clearly separate their feelings about him from their much more negative feelings about policies his Administration and Congress are pursuing. One voter even directed policy concerns toward President Obama's advisers but failed to attribute those same policies to the President himself. They continue to place great hope in him personally.

There was concern, however, with the magnitude of legislation being “rushed” through, and significant concern that members of congress were passing bills whose provisions were unfamiliar. Much of this seemed to be rooted in the stimulus package. In addition, there was concern that elected officials are too isolated and do not listen enough to the people

CONCERNS OVER SPENDING AND DEBT

A majority of the respondents lumped together all government activity to correct the economic recession, not always differentiating between rebate checks received last year, the TARP program, auto bailouts, and February’s \$787 billion stimulus legislation. As a result, a common theme was that the combined effect of these programs put the nation on an unsustainable path of spending and debt. In addition, many questioned where this increase in money was coming from and where it was going.

Regarding the most recent stimulus, voters linked to the construction or education fields spoke about seeing tangible results, even if there’s been what they perceived as a delay by the government in dispersing the funds, while other voters could not voice how the legislation benefited them personally. The bailouts supporting large financial institutions received the most voter ire across the board while some individuals, particularly small business owners, have not seen a loosening of the credit markets.

When faced with the choice of redirecting the unspent stimulus dollars toward paying off the Federal debt or allowing more time for the stimulus spending to take hold, some called for a slowing down but fell short of supporting a reallocation of funds. Most believed more patience is needed and that things might become worse if we do not spend the dollars.

There were, however, three important caveats raised to this point. First, many respondents were not convinced that the dollars were going to the right places and want greater accountability and review as to how the money is spent. Next, others believed the spending could have a positive impact, but worried that the impact would be short-term and could result in another downturn. Lastly, many of those who voiced heightened concern about the growing national debt, specifically small business owners, felt that elected officials would instinctively pull back on the spending should there be additional signs that the economy is improving.

A theme that routinely surfaced during the spending discussions can be summarized as follows: people have to live on a budget, so why doesn’t government? Younger voters understood this in terms of out of control credit card debt or how increasing debt hurts the availability of education loans. Some parents in these groups, notably among the Hispanic women, said they adjust their family budget during difficult times because they must provide for their children. One small business owner in Florida said, “If this was my forecast of my financial picture, I’d be scared to death.”

When the discussion moved from spending to debt, most respondents could not immediately grasp the aggregate weight of the Federal debt, often times questioning the validity of the figures or commenting that the numbers are so large they do not seem real. **These numbers become more real when put in per household terms or in context of how the numbers are projected to dramatically increase over a short period of time, doubling the debt over the next 5 years and nearly tripling the debt in 10 years.**

The information intensified voters' concern, including a middle-aged Montana female who said, "These numbers make me want to go out and spend every cent that I have because the government is going to come after it."

Breaking down the Federal debt in these terms also appeared to change how some voters responded to the concept of indebtedness. Most voters understood that debt, although unwanted, is necessary to function, especially among small business owners. Voter responses seemed to shift from begrudging acceptance to clear disapproval after learning that the Federal debt would be nearly tripled in about a decade. Many understood the consequences of such a sharp increase and came to a similar conclusion as a Florida voter who responded, "Completely unsustainable."

TAX POLICY

Voters were presented with the information that as of today the top 60% of wage earners pay 100% of the Federal income tax liability, while the bottom 40% of wage earners account for 0% of the Federal income tax liability. Most respondents acknowledged that this was new information and had a difficult time comprehending these facts, partly due to their belief that the rich utilize loopholes to avoid paying taxes.

Voters were then presented analysis showing that legislation pending before Congress would further shift the tax burden so that the top 51% of wage earners would pay 100% of the Federal income tax liability, while the bottom 49% of wage earners would account for 0% of the Federal income tax liability. Although a few respondents did not express concern with making the tax code more progressive, most voters said these changes would provide disincentives for hard work and productivity.

ROLE OF THE FEDERAL GOVERNMENT

Most respondents did not express a dynamic shift in their opinions regarding the role the Federal government plays in our economy. Voters who preferred a more limited government role in the economy still believed so and voters who preferred a more active government role in the economy still believed so. The recent Federal government activity did lead some respondents to note that their faith in the Federal government had decreased, and responses in the Younger Voter group were the most cynical regarding Federal government

efficiency. A 29 year-old Research Assistant in Virginia who applies for Federal research dollars said, “The private sector can do a better job any day of the week. The more the government gets its hands into the private sector and into your lives [shows] it can’t run it very well.”

The Cash for Clunkers program was voluntarily raised in nearly all groups. Although some described the program in positive terms, noting environmental benefits, many voters believed it represented an inappropriate role the Federal government plays in our economy and further believed the program was an example of government inefficiency, from the uncertainty of funds to the fluctuating dates of existence to the eventual waste of older cars.

PARTICIPANTS IN OUR ECONOMY

The voters were asked for their feelings regarding several participants in our economy, including big businesses, big banks, federal regulators, government bureaucrats, small businesses, and big labor unions. Small businesses received the most positive response among all groups. These voters identified with the challenges small businesses face and the positive benefits they produce, including innovation and job creation. Interestingly, the respondents did not make a connection between potential tax increases as a result of rising Federal debt and the potential for resulting job losses.

Big banks evoked an almost exact opposite response, with many voters expressing genuine anger due to the perceived unfair bailouts and executive bonuses. In addition, the bank bailouts were sometimes cited as an example of inefficient government management. Voters provided evenly mixed reactions toward the other participants, with the exception of big labor unions which most participants considered as having a net negative impact on our economy. As one Ohio voter put it, “Labor unions started out being good but got carried away.”

CONSEQUENCES

Just as the aggregate debt numbers seemed too large to comprehend, some voters did not immediately make the connection between the figures and their impact on future quality of life. When probed about how skyrocketing spending and debt could impact issues like taxes and inflation, voters’ concerns intensified.

Most came to the realization that they will eventually pay more in taxes, although a few mentioned that the increases would not come under President Obama since he pledged not to raise taxes on those making less than \$250,000. A handful of retired workers expressed concern that these unsustainable levels might result in government services being lowered or cut. For many Younger Voters, the increasing debt made them more certain that they will not see the any benefits from programs like Social Security.

Small business owners honed in on the likelihood that the mounting debt would lead to likely tax hikes and inflation; these voters described potential inflation in this projected environment as “out of control” and “through the roof.”

When discussing the increasing Federal debt, many women voters elicited a more emotional response, almost as if they viewed the mounting debt as a physical barrier which prevents them from providing a better life for their children and grandchildren. “I’m scared for my kids,” said one middle-aged woman in the Columbus, Ohio group. In addition, this disappointment was magnified since they did not feel the debt barrier was built of their own doing. In the focus groups with Hispanic women, two participants broke into tears because they believed the growing debt would limit their children’s opportunities for prosperity.

To a certain degree the men thought future generations would be unfairly saddled with debt, but their reaction was more subdued to this point and not as emotional as many female respondents. A more common belief was that every generation faces its own challenge and that the Federal debt is something that will likely keep being passed to future generations.

In general, there was a somewhat consistent theme that future generations would not inherit as much opportunity and prosperity as a result of the increased spending and debt, with the exception among Younger Voters who, although they expressed frustration that these problems were not of their own making, were more optimistic and believe that future advances in technology would fuel the economy to better times.

It was not new for most voters to learn that China is the single largest holder of U.S. debt, and there was a mix response, ranging from concern over the Chinese government exerting more control over our lives to belief that the Chinese government will continue to buy our debt and not call it in. Indebtedness to China did elicit a passionate response from a Hispanic male in Nevada who summarized, “we will all be speaking Chinese” and a voter in Montana who felt that China could very well own parts of Yellowstone. **The underlying concern was that if the nation follows the projected path of skyrocketing spending and debt, the United States’ position as an economic superpower could be traded for higher taxes, inflation, and limited opportunity for future generations.**

SUMMARY

Despite slipping job approval numbers, President Obama continues to enjoy a sense of loyalty from those Independents who voted for him last November. It’s important to recognize the extent to which many voters were shaken to their core by the near collapse of the financial markets last October, and the anxiety they feel over the current state of the economy. Though somewhat frustrated that the economy is not turning around sooner, they remain patient with President Obama and have much hope vested in him and his young presidency.

However, these Independent voters were increasingly concerned about his big spending policies and the impact of the growing Federal debt on their children and grandchildren, seeing current level of deficits and debt as “unsustainable’ (a phrase volunteered repeatedly throughout the focus groups).

When the magnitude of the debt was made more comprehensible, specifically when numbers are put in per household terms (i.e., total Federal obligation of \$546,000 per household, rather than total of \$6 trillion in Federal debt), or in context of how those figures are projected to dramatically increase over a short period of time – i.e., doubling the debt over the next five years and tripling the debt in ten years, these voters’ concerns intensified.

Also, these concerns are fundamentally intuitive, as focus group participants had a difficult time volunteering what exactly underlies their fears about growing deficits and mounting debt. In discussion, however, a number of specifics emerged:

1. Their paramount concern is that the mounting Federal debt will mean their children and grandchildren will not enjoy the same levels of opportunity that past American generations have enjoyed, and that future generations will inherit a less prosperous nation than current generations inherited from past generations. (Interestingly, younger voters were least concerned about this, assuming that technology would ultimately prevail.)
2. They believe that Americans will eventually pay for mounting Federal debt one of four ways:
 - Broad-based tax increases,
 - Cuts in future government services (more resonant with younger voters, who were skeptical they would see any benefit from Social Security, and older voters, who fear cuts in Medicare),
 - Inflation or,
 - China having a greater controlling or even ownership stake in our economy.

Nor do they share his and the Democratic congress’s penchant for “transforming” our economy away from a market-based economy to a more government controlled one. Voters were asked to circle one of two statements that came closest to their views:

The U.S. economy is too fueled by a cycle of boom and bust, where the rich have gotten extremely wealthy but ordinary workers have not seen their incomes or wages go up. It’s time for structural changes that bring about greater government control to even out those economic cycles and provide greater stability.

or...

The ups and downs of business cycles in a market economy are frustrating and at times even frightening, but if the Federal Government tries to manage business cycles it runs the risk of stifling the kind of innovation and long-term growth that has made America's prosperity the envy of the world.

While this is not a representative survey, it's worth noting that voters overwhelmingly agreed with the second statement. The first statement was taken almost verbatim from President Obama. So, as previously noted, while they continue to place a lot of hope in him personally, they do not accept his view that the relationship between the Federal Government and the private sector should be transformed.

FOCUS GROUPS

Columbus, Ohio
August 6, 2009
Independent Women / Independent Men
The Tarrance Group

Las Vegas, Nevada
August 11, 2009
Independent Women / Hispanic Men
American Viewpoint

Virginia Beach, Virginia
August 18, 2009
Younger Voters (18-29) / Independent Men
McLaughlin & Associates

Orlando, Florida
August 20, 2009
Hispanic Women / Small Business Owners
Voter Consumer Research

Billings, Montana
August 26, 2009
Independent Women / Independent Men
Public Opinion Strategies

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