

**THE PEOPLE, THE PRESS & POLITICS:
PUBLIC OPINION ABOUT ECONOMIC ISSUES**

*Viewpoints of the General Public, U.S. Opinion Leaders,
and Overseas Investors*

A TIMES MIRROR SURVEY

Conducted by:

THE GALLUP ORGANIZATION, INC.

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SUMMARY AND CONCLUSIONS

Public perceptions and priorities are changing as the new administration begins its effort to deal with the nation's economic problems. This new Times Mirror survey identifies five important elements of public opinion that have significant implications for economic policy alternatives.

These trends and dispositions emerge from an analysis of the findings of 2000 in-depth personal interviews with a representative national sample of adults, as well as from interviews with 150 American opinion leaders and 100 overseas investors from: the United Kingdom, the Netherlands, Canada and Japan. The survey is the largest ever undertaken to solicit the public's views on economic policy.

Shown below are the trends in public sentiment identified by the Times Mirror research, as well as the preferences for economic policy alternatives that are related to them.

1. Concern about international military conflict is as low as it's been over the past 40 years and a resounding 79% of the public feels that tensions with the Soviets have been reduced.

*In the public's view, defense spending should be cut rather severely to help reduce the budget deficit. Even the most conservative and anti-communist segments of the population, Moralistic Republicans and New Dealer Democrats, target the Pentagon for sharp spending cuts when asked to size up the federal budget in light of the deficit. American opinion leaders also favor defense cuts but, less single-mindedly. If the public were forced to reduce the federal budget by 5%, it would take nearly half of the revenues from the defense budget.

2. The public expresses a fair degree of xenophobia. Seventy percent see increased foreign investment in the U.S. as a bad thing, and a huge proportion see Japan, not the U.S., as the world's leading economic power. Most feel that our Asian trading partners treat us unfairly and support increased tariffs against them.

* There is a substantial support for increased burden sharing and a majority of Americans favor withdrawing troops from Europe and Korea, as a way of reducing the budget deficit. While fears of renewed Japanese militarism don't dissuade Americans from this position, Americans oppose burden sharing on nationalistic grounds -- when the consequences are that the U.S. no longer plays the dominant role among allies. American elites and well-informed members of the general public also favor increased burden sharing, but do not display the public's nationalistic and xenophobic tendencies. American opinion leaders do not see Japan as the world's leading power, nor do Japanese overseas investors themselves.

3. As the population ages and the baby boom generation considers the well-being of it's parents, support for the problems and position of the elderly in society is quite resolute. Contrary to the facts of the matter, the elderly are seen as less affluent than the population at large and majorities favor increasing government spending on their behalf.

* Even when they are informed that Social Security and Medicare account for a greater share of federal spending than defense, a majority of Americans would leave these programs virtually untouched in attempts to reduce the budget deficit. Raising taxes on Social Security to the same rate as taxes on ordinary income is the only tax proposal strongly opposed by a majority of the public (56%) -- a majority are willing to consider the other options at least as a last resort.

There is no constituency either among the general public, or among opinion leaders, favoring the concept of borrowing the Social Security revenue surplus as a way of meeting current expenses and reducing the deficit. Eighty-seven percent of the public feels that the excess funds should be put aside and reserved exclusively for Social Security payments in the future.

4. The Reagan revolution has failed to convince the American public that the Federal Government has been made more efficient. As they did in 1981, Americans feel that half of every federal tax dollar collected is wasted. At the same time, the Reagan years have failed to diminish the public's appetite for government programs. The shift in public attention from international problems to domestic ones such as crime, drugs, homelessness and health care, only adds to the public demand for government activity in many areas.

*In thirteen of fourteen federal spending areas the public wants the spending level either maintained or increased. In six of these areas majorities favor spending increases. The post-war generations, those under fifty, have a common desire to increase funding for the public schools, health care, and homelessness.

5. The public perceives substantial socio-economic inequity in the country today. The gap between rich and poor is seen as problem that is getting worse, not better, by nearly six-in-ten Americans and a plurality of the public feels the Tax Reform Act of 1986 made for a less fair distribution of the federal tax load.

Besides supporting "sin" taxes, public generally feels upper income people and, to a lesser extent, corporations should bear the burden of increased taxes to reduce the deficit. Four-in-five Americans (82%) favor increasing the income taxes of people with incomes above \$80,000; one-half (49%) strongly favor such a new tax. On a more specific proposal, a smaller majority (59%) support creating a new 33% income tax bracket for all income over \$150,000. Close to half (45%) would place a five percent surtax on the corporate income tax.

The Mood of America

As important as these elements of opinion are to understanding what alternatives the public will or will not accept, the effects of continued economic prosperity on attitudes can't be underestimated. In effect, six years of good times has had an anesthetizing effect on public opinion.

Despite the fact that the public feels the deficit is the most important problem facing the nation and is pessimistic about our chances of solving it, the deficit isn't deflating the nation's mood or optimism about the future. People who give the deficit higher national priority than other pressing problems are at least as contented and optimistic as those who aren't as focused on the deficit. In fact, those who regard the deficit as the country's top problem actually express higher than average levels of satisfaction with the way things are going in the country.

In many respects, the mood of America is not as sharply drawn as it was at the outset of recent administrations. Eight years ago as Reagan took office, the national spirit was sagging; yet, there were great expectations that progress would be made in correcting the nation's course. Four years ago, contentment with the state of the nation was at a two decade high point, only to be later undone by Iran-Contra. Today, by our measures, confidence in the nation has at least partially rebounded, and people look to their own future and to the country's with a moderate degree of confidence predicated upon the sustained prosperity.

Analysis of the survey indicates that the continued positive economic expectations recorded in this survey may be offsetting pessimism or national discontent. For example, among people who don't expect better financial times next year, concerns about the deficit lead to increased pessimism about the future, while among those who expect continued prosperity, concern for the deficit does not lead to pessimism about the future.

As long as a majority of Americans (54%) expect that things will be better for them financially next year and another 28% see no change in their economic outlook, the psychological effects of the deficit and the trade problem may remain latent. Today, crime and drugs are the two national issues that are both center stage nationally and have emotional overtones -- the latter is not true for the budget deficit and not true for the trade\competitiveness issue.

In many respects the overall financial optimism expressed about the coming year may represent a "don't worry, be happy" attitude. The same respondents who told us they expect better times for themselves this year are much less optimistic about the nation's prospects. They also expect to see increases in inflation (64%), interest rates (67%) and taxes (76%) in 1989.

The opinion leaders interviewed have contrasting views about the economic fortunes of coming year. Overall, they are more pessimistic, especially Japanese investors but, at the same time are less apt than the general public to forecast increases in taxes and interest rates. The Japanese investors questioned were quite gloomy about the American economy, with as many as 56% seeing an increase in unemployment. American financial leaders were most apt to see a spike in inflation and taxes.

Opinions about the Federal Deficit

Clearly, much of the anticipation about higher taxes has to do with the feeling on the part of many that taxes will have to be increased to tame the deficit. On the fundamental question of whether it is possible to significantly cut the deficit without a tax increase, financial leaders are most solidly (67%) of the opinion that new taxes are necessary. Government leaders are more divided, but nonetheless a majority (55%) take

the pro-tax position. Among corporate leaders and the general public, however, neither position holds sway -- 44% of corporate leaders and 45% of the public believe taxes are necessary; 46% of both groups do not.

Foreign investors, who have provided the much of the capital to finance America's economic expansion in a period of large government deficits, overwhelmingly side with U.S. financial leaders in believing that spending cuts alone will not solve the problem. Close to three-quarters of the Dutch (73%) and over 80% of the British, Canadian and Japanese investors interviewed call for new taxes to cut America's deficit.

When questioned about various options for deficit reduction most American opinion leaders and the public as well, select approaches that combine tax increases and spending reductions. However, most Americans are reluctant to support a broad-based new tax that might be needed to raise a significant amount of revenue. With a few exceptions, like "sin" taxes, increasing the tax burden of upper-income people and a national lottery, it will take some convincing to rally public support for any new tax or source of new revenue, despite the widespread concern about the deficit.

Informing people about how much more money for deficit reduction might be raised by a broad-based tax -- such as a national sales tax, a new gas tax or a surtax on the personal income tax -- has little effect on the public's willingness to support such a tax.

This study, which is based on in-depth personal interviews, also went far in informing people about relative levels of government spending so that opinions about budget cutting could reflect the hard choices that confront policymakers on the federal budget. When presented with the actual levels of spending in thirteen budget areas and ask to make a 5 percent cut overall our respondents did surprising things:

- * When they saw how little is actually spent on international affairs and foreign aid they still cut it by 22 percent.
- * When they saw how much was spent on Social Security and Medicare they still left it essentially uncut -- -1%.
- * In cutting defense by 9 percent, defense cuts accounted for roughly half of the public's budget reductions.
- * The public cuts two other budget areas at above average rates -- transportation (9 percent) and federal pensions (8 percent).
- * The public would take a fair share from agriculture, the environment, and general science, reducing them by roughly 5 percent.
- * Financial aid to the needy and veterans benefits were cut by only 2 percent.

One of the more remarkable findings of the survey is that, overall, people with a lot of knowledge about economic matters don't differ that much from the less well-informed on what to do about the deficit. This is mainly because there are two groups of people with divergent opinions about the budget issue who make up the lions share of knowledgeable people - Enterpriser Republicans, who are fiscally conservative

and independent Seculars who lean to the Democratic party.

Both give the deficit higher priority than other groups, but after that they mostly go in opposite directions, with the Enterprisers being more optimistic about our ability to solve the problem. They feel a tax increase is not necessary but would support a moderate one, if it were the only recourse. Seculars are more pessimistic, feel a tax increase is necessary, have a much broader social spending agenda and would support a major tax increase.

Opinions About U.S. Economic Competitiveness

One year ago, the Gephardt campaign bought the issues of trade and economic nationalism to prominence. For a number of reasons, Richard Gephardt's candidacy lost momentum, but it was clear that he was onto something that struck a responsive chord with the public, particularly in the farm belt and other parts of the country where the economic recovery was slow to take effect.

Our survey finds, beneath the surface of general economic contentment, much unease about the loss of U.S. economic power to foreign competition. People see our ability to compete in the world as declining during the Reagan years. Despite this public discontent, just as prosperity lessens the effects of people's worries about the deficit, the economic good times keep concerns about competitiveness from seriously depressing the national mood or translating into a greater outcry for protectionism. Moreover, to most Americans, competitiveness doesn't seem to be as intractable a problem as the budget deficit. There is a sense we will make progress in the near future.

The rise of Japanese economic power has certainly registered with the public and there is public resentment about Japan's trading practices. But there is no evidence that, as U.S.-Soviet relations have improved, people feel threatened by Japan's rise to the same degree they were concerned about the Soviet military threat ten years ago. The survey finds Americans regarding international terrorism as a more serious problem than the U.S. trade deficit. An unpublished Gallup Poll from December found a majority considering Iran or Libya rather than the Soviet Union as the principal international threat to the U.S. -- yet only 8% of Americans cited Japan.

As consumers, people don't seem any more prone than they were five years ago to hold "buy American" attitudes. Overall 60% say they don't pay much attention to whether a product is American made, and four-in-five (83%) say they try to buy the best product, regardless of country of origin. The public is substantially more critical of the quality of U.S. products than its leaders are. Four-in-ten Americans (40%) rate the quality of its products as a U.S. weakness relative to the competition from Japan and Western Europe.

While concerned about unfair trade practices by other countries, the public finds much to criticize here at home. When asked to rate how much various factors contribute to America's competitiveness problems, majorities see too much focus on short-term profits by U.S. businessmen (61%) and an excess of corporate takeovers (52%) as major factors, along with cheap foreign labor (61%) and the value of the dollar (52%). The public schools are also a big target for public criticism. Half (50%) see our schools as a U.S. weakness. Improving education and job training is seen as key to improving productivity to help reverse the perceived decline in competitiveness.

The two groups within the population who are most worried about the competitiveness problem -- one a white collar group with a high level of knowledge about economic matters and the other a blue collar group feeling a high level of personal financial pressure -- look at the situation from sharply different perspectives. While both share an opinion that America has lost considerable ground to the competition and are worried about the future, they have different ideas about the nature of the problem and how to solve it.

Both groups agree that our public schools don't measure up to the competition and that U.S. businessmen are too short-sighted. But the blue collar critics, the Disaffecteds in the typology, place more of the blame on the power structure -- mismanagement in Washington and in corporate America, while the white collar critics, the Seculars, find more fault with labor as being poorly prepared and not sufficiently motivated.

The Disaffecteds are strong supporters of higher tariffs on imported goods. The Seculars are the biggest

believers in free trade and the group least likely to say whether a product is American made much affects their purchasing decisions. Ironically, in this case the free traders are Democratic-oriented, while the protectionists lean toward the GOP.

U.S. opinion leaders don't share the public's view that the U.S. has become a second-rate economic power. Large majorities feel America is still the world leader (72%) and most (64%) expect things to stay that way into the next century. Opinion leaders, like the public, see basic scientific research and technical and engineering innovations as areas of U.S. strength. They are significantly less likely to find fault with the quality of American products. Seven-in-ten opinion leaders (72%), compared with six-in-ten members of the public (58%) rate the U.S. strong on production of quality goods.

Corporate, financial, and government leaders agree with the public that short-term thinking on the part of businessmen is one of the primary reason for our competitiveness problems. And they are more likely than the public to be critical of the schools -- two-thirds see U.S. public education as a weakness. All tend to give the highest priority to improving education and job training as the best approach to achieving gains in productivity.

Although opinion leaders share some common thinking about why the problem exists, in some ways opinions relate to one's vantage point. Corporate leaders are more critical of government regulation and more often feel the government is uncooperative with business. Financial leaders also tend to cite over-regulation, but are still more likely to see currency exchange rates as a major factor. Government officials are most likely to criticize U.S. business for poor management and to see foreign employers as having an important advantage in labor costs and better employee work attitudes.

The reviews on U.S. competitiveness from overseas are mixed. Ironically, among the four groups of foreign investors surveyed, the Japanese are most likely to believe the U.S. is the number one economic power and is likely to stay that way -- fewer than one-in-ten (8%) say they expect Japan to replace the U.S. as the leading economic power over the next decade. The Europeans have very different views. The British see U.S. dominance as already challenged by Japan. The Dutch see a unified Western Europe overtaking America economically by the year 2000. A majority of Canadian investors see the U.S. at the top, and likely to hold that position, but they are less solid in their views than U.S. opinion leaders. Four-in-ten Canadians (41%) believe that Japan or the EEC will be the future world leader.

Foreign investors and U.S. opinion leaders overwhelmingly believe that the dollar's status as the international monetary standard will not be seriously challenged over the five years. Foreign investors who expect the dollar to fall against their currencies over the near term, however, are substantially less likely to believe that U.S. economic competitiveness will improve. The British and the Canadians, who see the value of the U.S. dollar as rising or holding firm against their currencies, generally see a stronger America ahead. The Japanese and the Dutch, who are most likely to see the dollar falling against their currencies, are divided in their opinions about whether America can make progress toward becoming more economically competitive.

With the exception of the Japanese, foreign investors see America's schools as a weakness. On the other hand, all four groups of investors see basic science, technical innovation, and standard of living as American strengths. The Japanese are especially complimentary about our capabilities in basic scientific research. But the Dutch and the Japanese are even more critical than the U.S. public of the quality of American products. British investors share this view, but not as solidly. Only the Canadians tend to identify "made in USA" with quality products. On the quality issue, the opinions of foreign investors are most at variance with the views of U.S. opinion leaders.

Foreign investors see two major factors behind America's competitiveness problems -- shortsightedness on the part of U.S. businessmen and the strength of the dollar. In their advice to America on how to best go about solving the problem, investors from the various countries have differences of opinion. A majority of the Japanese (52%) agree with the American public and its leaders that improving education and job training is the key. A majority of the British (54%) think more effort should be put toward investing in new plants and equipment. The Dutch divide about equally between these two policy alternatives, while the Canadians are more likely than the others to put the emphasis on increasing spending on research and development.

KEY GRAPHS

THE MOOD OF AMERICA

The State of the Nation

Americans are more satisfied with the way things are going in the country than they were a year ago, but are less contented than they were four years ago when Ronald Reagan was beginning his second term.

This trend is observed for two separate measures - the percentage who say they are satisfied with the way things are going in the U.S. today and in the ratings respondents gave to the current state of the nation using the Cantril/Free ladder scale. The table below illustrates both trend lines.

LADDER RATINGS FOR U.S.*

(Weighted Averages)

	Five Years <u>Ago</u>	<u>Today</u>	Five Years <u>From Now</u>
1989**	5.6	5.7	6.3
1987**	5.7	5.5	6.1
1985	5.3	5.9	6.6
1982	6.5	5.3	6.0
1981	6.0	5.1	6.3
1976	6.0	5.5	6.1
1974	6.3	4.8	5.8
1972	5.6	5.5	6.2
1971	6.2	5.4	6.2
1964	6.1	6.5	7.7
1959	6.5	6.7	7.4

*Average rating on 11-point scale

**Times Mirror

Question 7: *Looking at the ladder again, suppose the top represents the best possible situation for our country; the bottom the worst possible situation. Please tell me on which step of the ladder you think the United States is at the present time.*

Question 8: *On which step would you say the U.S. was about five years ago?*

Question 9: *Just as your best guess, if things go pretty much as you now expect, where do you think the U.S. will be on the ladder, let us say, about five years from now?*

OUTLOOK TOWARD THE NATION

	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>	<u>Total</u>
1989				
January	45%	50	5	= 100%
1988				
September/October	56%	40	4	= 100%
January	39%	55	6	= 100%
1987				
August/September	45%	49	6	= 100%
1986				
September	58%	38	4	= 100%
March	66%	30	4	= 100%
1985				
November	51%	46	3	= 100%
1984				
December	52%	40	8	= 100%
September	48%	45	7	= 100%
February	50%	46	4	= 100%
1983				
August	35%	59	6	= 100%
1982				
November	24%	72	4	= 100%
April	25%	71	4	= 100%
1981				
December	27%	67	6	= 100%
June	33%	61	6	= 100%
January	17%	78	5	= 100%
1979				
November	19%	77	4	= 100%
August	12%	84	4	= 100%
February	26%	69	5	= 100%

Question 2: *In general, are you satisfied or dissatisfied with the way things going in the U.S. at this time?*

One important indication of the short run recovery of confidence in the state of the nation is that respondents look more favorably on the present than they look upon the immediate past. This was not so two years ago when Iran-Contra was still sapping public confidence in the nation's well being. At that time, the public rated the past more highly than the present. As shown in the table below the average rating given the nation today (5.7) is somewhat higher than the average rating given the past (5.6) for a net "experienced progress" measure of +0.1, compared to -0.2 in 1987.

PERCEPTIONS ABOUT PROGRESS MADE IN THE NATION

	Five Years		Experienced
	<u>Ago</u>	<u>Today</u>	<u>Progress</u>
1989*	5.6	5.7	+0.1
1987*	5.7	5.5	-0.2
1985	5.3	5.9	+0.6
1982	6.5	5.3	-1.2
1981	6.0	5.1	-0.9
1976	6.0	5.5	-0.5
1974	6.3	4.8	-1.5
1972	5.6	5.5	-0.1
1971	6.2	5.4	-0.8
1964	6.1	6.5	+0.4
1959	6.5	6.7	+0.2

* *Times Mirror*

Similarly, the public is more optimistic about the country's future than it was in mid-1987 but less optimistic than it was in 1985. However, optimism about the state of the nation at that time was at a two decade high point. In perspective, current ratings of the nation's future are among the most optimistic recorded over the past twenty years. One anomaly in the data is that public expectations about progress for the nation as Bush takes office is half as great as it was at the beginning of Reagan's first term, but that's mostly a reflection of the fact that in 1981 people were much less satisfied with the current state of the nation than they are today. The table on the following page shows the long term trend in the absolute ratings for the nation's future as well as the "expected progress" indicator.

PERCEPTIONS ABOUT FUTURE PROGRESS IN THE NATION

	<u>Today</u>	<u>Five Years From Now</u>	<u>Expected Progress</u>
1989*	5.7	6.3	+0.6
1987*	5.5	6.1	+0.6
1985	5.9	6.6	+0.7
1982	5.3	6.0	+0.7
1981	5.1	6.3	+1.2
1976	5.5	6.1	+0.6
1974	4.8	5.8	+1.0
1972	5.5	6.2	+0.7
1971	5.4	6.2	+0.8
1964	6.5	7.7	+1.2
1959	6.7	7.4	+0.7

* *Times Mirror*

The lower level of optimism about the future and contentment with the current state of the nation compared to four years ago does not appear to be related specifically to the nation's economic problems in general, or to concern the budget deficit specifically. It is more a result of the combined effects of Independents not expressing the extraordinary levels of enthusiasm that they voiced just after Reagan's re-election victory, added to the continued expressions of concern for social problems by Democratic-oriented groups.

In fact, people who are satisfied with the state of nation are actually more likely to cite the budget deficit (22%) as the nation's leading problem than those who are dissatisfied (17%) and there is no correlation between giving the budget deficit high national priority and expressing contentment with the state of the nation. Satisfaction with the state of the nation is more correlated with concerns about social justice issues such as poverty, homelessness and the affording the cost of health care.

**RELATIONSHIP BETWEEN SATISFACTION WITH THE STATE OF THE NATION
AND VARIOUS SOCIAL AND ECONOMIC PROBLEMS**

	State Of Nation		
	General Public	Satisfied	Dissatisfied
<u>Country's Most Important Problem</u>			
Federal budget deficit	19%	22%	17%
<u>First, Or Second Most Serious Problem</u>			
Federal budget deficit	60%	59%	61%
Poverty, hunger and homelessness	35%	29%	40%
<u>Worry Most About:</u>			
Affording health care	45%	39%	50%
Total Respondents	(2048)	(907)	(1027)

In addition, trend analysis shows that the largest point falls off in satisfaction with the state of the nation have occurred among Independents and among the young.

TREND IN SATISFACTION WITH THE NATION

	Percent Satisfied With The Way Things Are Going In The U.S.		
	November 1985	January 1989	Difference
General Public	51%	45%	-6
<u>Sex</u>			
Male	53%	48%	-5
Female	48%	41%	-7
<u>Age</u>			
Under 30	61%	51%	-10
30-49	54%	46%	-8
50+	40%	38%	-2
<u>Party ID</u>			
Republican	66%	64%	-2
Democrat	37%	32%	-5
Independent	51%	41%	-10

Personal Life Ratings

As is always the case, survey respondents are more content with their own lives than with the state of the nation. Over the course of the eighties there has been relatively little variation in the degree of satisfaction that Americans express with their personal lives. However, there has been more variation in people's expectations about the future. In this regard, the current survey shows some fall off in optimism from ratings in 1985 and 1987, but people rate their futures more highly today than they did in the recessionary period of 1982.

PERSONAL LADDER RATINGS*

(Weighted Averages)

	<u>Five Years</u> <u>Ago</u>	<u>Today</u>	<u>Five Years</u> <u>From Now</u>
1989**	6.0	6.4	7.4
1987**	5.8	6.5	7.7
1985	5.8	6.4	7.6
1982	5.9	6.3	6.5
1981	6.0	6.4	7.3
1976	5.7	6.7	7.7
1975	5.5	6.1	6.7
1974	5.5	6.6	7.4
1972	5.5	6.4	7.6
1971	5.8	6.6	7.5
1964	6.0	6.9	7.9
1959	5.9	6.6	7.8

*Average rating on 11-point scale

**Times Mirror

Question 4: *Here is a ladder representing the "ladder of life." Let's suppose the top of the ladder represents the best possible life for you; and the bottom, the worst possible life for you. On which step of the ladder do you feel you personally stand at the present time?*

Question 5: *On which step would you say you stood five years ago?*

Question 6: *Just as your best guess, on which step do you think you will stand in the future, say about five years from now?*

The slight decline in optimism about the future has a somewhat unusual pattern. It is appreciably higher among better educated people. However, as the table below shows, on balance the college educated continue to be more optimistic than those with less formal education. Perhaps relatedly, two of the three upper socio-economic typology groups, Seculars and Sixties Democrats, show a fall off in optimism, while the third, Enterprisers, remain as confident as ever about their futures.

TREND IN PERSONAL OPTIMISM

	<u>Rated Personal Future Highly (8+)</u>		
	<u>1987</u> <u>High (8+)</u>	<u>1989</u> <u>High (8+)</u>	<u>Di fference</u>
General Public	61%	56%	-5
<u>Education</u>			
College graduate	75%	64%	-11
Other college	70%	68%	-2
High school graduate	61%	56%	-5
Less than high school	45%	40%	-5
<u>Age</u>			
Under 30	75%	71%	-4
30-49	67%	61%	-6
50+	46%	42%	-4
<u>Region</u>			
East	60%	56%	-4
Midwest	61%	56%	-5
South	60%	54%	-6
West	65%	61%	-4
<u>Income</u>			
Under \$15,000	45%	41%	-4
\$15,000-\$29,999	58%	53%	-5
\$30,000-\$49,999	71%	64%	-7
\$50,000+	77%	71%	-6
<u>Typology Groups</u>			
Enterpri sers	79%	78%	-1
Moral ists	67%	56%	-11
Upbeats	74%	68%	-6
Di saaffecteds	50%	46%	-4
Bystanders	60%	53%	-7
Fol lowers	45%	49%	+4
Secular s	66%	56%	-10
60' s Democrats	75%	65%	-10
New Dealers	52%	54%	+2
God & Country Democrats	53%	48%	-5
Partisan Poor	45%	42%	-3

Economic Expectations

Overall Financial Outlook

A majority of Americans (54%) continue to believe that they will be better off financially a year from now and 28% expect that their financial fortunes will not change. Just 15% expect things to be worse for them next year. This is identical to the level of personal financial optimism observed in May of 1988 and higher than recorded a year ago, when Americans had yet to recover from shock of the stock market crash of 1987.

PERSONAL FINANCIAL OUTLOOK FOR NEXT YEAR

	Expect To Be:				Total
	<u>Better Off</u>	<u>Same (VOL.)</u>	<u>Worse Off</u>	<u>Don' t Know</u>	
1989					
January	54%	28	15	3 =	100%
1988					
May	54%	31	10	5 =	100%
January	46%	30	18	6 =	100%

Question 10: *Now looking ahead -- do you expect that at this time next year you will be financially better off than now, or worse off than now?*

Americans express less confidence in the nation's economic future than they do in their own. Only 25% expect things to better for the country next year with most (49%) anticipating no change, and one-in-five (22%) expecting things to get worse.

ECONOMIC EXPECTATIONS FOR THE COUNTRY

	<u>Expect Country To Be:</u>				Don' t Know	Total
	<u>Better</u>	<u>Same</u>	<u>Worse</u>			
1989						
January	25%	49	22	4	=	100%
1988						
May	24%	46	20	10	=	100%
January	22%	45	26	7	=	100%
1984						
January/February	35%	49	13	3	=	100%
1982						
June	50%	5	39	6	=	100%
1980						
January	11%	37	47	5	=	100%
1979						
October	14%	36	46	4	=	100%
July	10%	29	54	7	=	100%
April	9%	28	56	7	=	100%

Question 11: *A year from now, do you expect that economic conditions in the country as a whole will be better than they are at present, or worse, or just about the same as now?*

As expected personal financial optimism is somewhat higher among more affluent people, but there are more dramatic differences in economic expectations by age. The percentage of optimists is nearly three times as high among people under 30 as it is among people over 50. Note that economic expectations are somewhat less positive in the East than they are in other parts of the country.

PERSONAL FINANCIAL OUTLOOK FOR NEXT YEAR

	Expect To Be:				Total	Total Respondents
	Better <u>Off</u>	Same <u>(VOL.)</u>	Worse <u>Off</u>	Don' t <u>Know</u>		
General Public	54%	28	15	3 =	100%	(2048)
<u>Annual Household Income</u>						
Under \$15,000	41%	33	20	6 =	100%	(423)
\$15,000-\$29,999	52%	30	16	2 =	100%	(740)
\$30,000-\$49,999	61%	26	11	2 =	100%	(556)
\$50,000+	67%	20	11	2 =	100%	(311)
<u>Age</u>						
Under 30	74%	14	10	2 =	100%	(362)
30-49	66%	19	12	3 =	100%	(800)
50+	28%	47	21	4 =	100%	(877)
<u>Region</u>						
East	49%	31	16	4 =	100%	(518)
Midwest	55%	28	15	2 =	100%	(516)
South	56%	28	13	3 =	100%	(655)
West	57%	23	16	4 =	100%	(359)

When we compare the financial expectations of people who are well-informed about economic matters to those of people who are less well-informed we find little difference. This is mostly because well-informed, Enterpriser Republicans show the same rates of optimism about their future as poorly informed, youthful Bystanders and Upbeats. In contrast, the other well-informed group, Secular, Independent Democrats, have a much more pessimistic view of the future than their well-informed Enterpriser counterparts.

PERSONAL FINANCIAL OUTLOOK FOR NEXT YEAR

	Expect To Be:				Total	Total Respondents
	Better <u>Off</u>	Same <u>(VOL.)</u>	Worse <u>Off</u>	Don' t <u>Know</u>		
General Public	54%	28	15	3 =	100%	(2048)
<u>Knowledge Index</u>						
High	51%	30	17	2 =	100%	(526)
Medium	56%	28	14	2 =	100%	(964)
Low	54%	26	14	6 =	100%	(558)
<u>Typology Groups</u>						
Enterprisers	63%	28	8	1 =	100%	(202)
Moralists	46%	37	15	2 =	100%	(249)
Upbeats	75%	19	5	1 =	100%	(236)
Disaffecteds	47%	28	23	2 =	100%	(182)
Bystanders	66%	19	14	1 =	100%	(160)
Followers	40%	36	17	7 =	100%	(109)
Seculars	46%	36	17	1 =	100%	(107)
60's Democrats	55%	25	19	1 =	100%	(190)
New Dealers	42%	38	18	2 =	100%	(272)
God & Country Democrats	48%	22	17	13 =	100%	(132)
Partisan Poor	56%	23	15	6 =	100%	(209)

One of the more puzzling aspects of public opinion today is that although the budget deficit has become such an overriding public concern, it doesn't seem to have much an effect on the indicators of national contentment or optimism about the future. Analysis of the survey suggest that positive economic expectations are mollifying the dampening effect that the budget deficit might be having on the national outlook. The table below shows among people who think that their financial situation will be unchanged or better next year seeing the budget deficit as serious does not lead to increased levels of pessimism about the future. But among those who expect a downturn, seeing the budget deficit as serious leads to increased pessimism.

	Personal Financial Expectations			
	Worse		Better/Same	
	Defi ci t Not <u>Seri ous</u>	Defi ci t <u>Seri ous</u>	Defi ci t Not <u>Seri ous</u>	Defi ci t <u>Seri ous</u>
<u>Future Personal State</u>				
Optimist	34%	23%	60%	57%
Pessimist	34	41	11	11
Neither	<u>32</u>	<u>36</u>	<u>29</u>	<u>32</u>
	100%	100%	100%	100%
Total Respondents	(330)	(220)	(1993)	(1233)
Optimist	42%	34%	52%	51%
Pessimist	27	39	17	18
Neither	<u>31</u>	<u>27</u>	<u>31</u>	<u>31</u>
	100%	100%	100%	100%
Total Respondents	(455)	(342)	(1808)	(111)

Views of Leadership

Overall, American elites are less optimistic about the economy than the public at large. Fully a third (36%) of American opinion leaders expect the U.S. economy to worsen over the next year. Financial leaders take a much glummer view of the next year than other elites, with 50% saying that they expect a downturn in economic conditions. Their pessimism is almost matched by the views of Japanese investors (44% anticipate a falloff). In comparison, British and Dutch investors take a generally positive view of American economic prospects, while Canadian investors forecast no change.

ECONOMIC EXPECTATIONS FOR THE U.S. NEXT YEAR

	Expect To Be:					Total Respondents
	Better	Same	Worse	Don' t Know	Total	
General Public	25%	49	22	4 =	100%	(2048)
<u>Opinion Leaders</u>	17%	47	36	0 =	100%	(153)
Business	16%	58	26	0 =	100%	(50)
Financial	15%	35	50	0 =	100%	(52)
Government	20%	49	31	0 =	100%	(51)
<u>Overseas Investors</u>						
Japanese	16%	40	44	0 =	100%	(25)
British	42%	42	15	0 =	100%	(26)
Dutch	50%	27	23	0 =	100%	(26)
Canadian	11%	78	7	4 =	100%	(27)

Question 11 - *General Public Questionnaire*

Question 1 - *Opinion Leaders Questionnaire*

Question 3 - *Overseas Investors Questionnaire*

Question wording:

A year from now, do you expect that economic conditions in the country as a whole will be better than they are at present, or worse, or just about the same as now?

Anticipated Economic Conditions

The generally optimistic expectations the public expresses about its own financial future are undercut by the proportion of Americans who think that specific economic conditions will worsen in 1989. Large majorities of the public expect that over the course of the year inflation, interest rates and taxes will increase, while a third believe that unemployment will grow.

American opinion leaders are equally troubled by inflation but are more optimistic with regard to taxes - less than a majority anticipate an increase. However, the financial leaders questioned for this survey were more pessimistic than other leaders about unemployment, with half expecting unemployment to rise.

Most overseas investors anticipate an increase in taxes, inflation and interest rates. But a majority of the Japanese foresee a rise in unemployment in the U.S. over the next 12 months.

OUTLOOK ON VARIOUS ISSUES

	Outlook For Next Year				
	Increase	Same	Decrease	DK	Total
<u>Unemployment</u>					
General Public	32%	43	20	5	= 100%
Opinion Leaders	37%	48	14	1	= 100%
Business	30%	52	16	2	= 100%
Financial	50%	42	8	0	= 100%
Government	29%	51	18	2	= 100%
Overseas Investors					
Japanese	56%	40	4	0	= 100%
British	19%	42	38	0	= 100%
Dutch	31%	46	19	4	= 100%
Canadian	22%	70	7	0	= 100%
<u>Inflation</u>					
General Public	64%	26	6	4	= 100%
Opinion Leaders	63%	28	9	0	= 100%
Business	66%	26	8	0	= 100%
Financial	71%	21	8	0	= 100%
Government	53%	35	12	0	= 100%
Overseas Investors					
Japanese	68%	12	20	0	= 100%
British	46%	27	27	0	= 100%
Dutch	92%	8	0	0	= 100%
Canadian	56%	33	11	0	= 100%
<u>Taxes</u>					
General Public	76%	19	3	2	= 100%
Opinion Leaders	47%	51	0	2	= 100%
Business	44%	54	0	2	= 100%
Financial	56%	44	0	0	= 100%
Government	41%	55	0	4	= 100%
Overseas Investors					
Japanese	56%	36	8	0	= 100%
British	45%	50	4	0	= 100%
Dutch	50%	42	4	4	= 100%
Canadian	56%	44	0	0	= 100%

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	Outlook For Next Year				Total
	Increase	Same	Decrease	DK	
<u>Interest Rates</u>					
General Public	67%	21	7	5	= 100%
<u>Opinion Leaders</u>					
Business	52%	18	29	1	= 100%
Financial	40%	22	36	2	= 100%
Government	46%	10	42	2	= 100%
69%	22	10	0	= 100%	
<u>Overseas Investors</u>					
Japanese	52%	20	24	4	= 100%
British	54%	19	27	0	= 100%
Dutch	81%	15	4	0	= 100%
Canadian	56%	15	30	0	= 100%

Question 15 - *General Public Questionnaire*
 Question 2 - *Opinion Leaders Questionnaire*
 Question 4 - *Overseas Investors Questionnaire*

Question wording:

*Next, I'd like to ask you a few questions about what you think will happen in the next year.
 First, do you think (INSERT X'ED ITEM) will increase, decrease, or stay about the same?*

American's concerns about their own future mirror their expectations about the overall economy. Few respondents worry most that they might lose their jobs (14%). Many more worry about rising prices or an increase in taxes.

WORRIES ABOUT THE FUTURE

<u>Worry Most About:</u>	<u>General Public</u>
An increase in taxes	42%
An increase in prices	24
The loss of your job	14
An increase in interest rates	11
None (VOLUNTEERED)	5
Don't know	$\frac{4}{100\%}$
Total Respondents	(2048)

Question 12: *Which one of the following worries you most about the future?*

Older people tend to worry more about an increase in taxes than younger Americans, while concern about interest rates is greater among the more pessimistic Seculars than it is among the other Times Mirror Typology groups.

WORRIES ABOUT THE FUTURE

	Worry Most About:						Total Respondents
	Taxes	Inflation	Loss Of Job	Interest Rates	None	DK	
General Public	42%	24	14	11	5	4 = 100%	(2048)
<u>Age</u>							
Under 30	38%	23	17	13	6	3 = 100%	(362)
30-49	38%	23	19	14	3	3 = 100%	(800)
50+	49%	27	6	7	7	4 = 100%	(877)
<u>Typology Groups</u>							
Enterprisers	45%	19	9	17	9	1 = 100%	(202)
Moralists	54%	19	11	10	4	2 = 100%	(249)
Upbeats	45%	22	15	13	4	1 = 100%	(236)
Disaffecteds	45%	23	13	12	3	4 = 100%	(182)
Bystanders	32%	27	20	5	8	8 = 100%	(160)
Followers	28%	32	11	16	4	9 = 100%	(109)
Seculars	35%	20	14	22	8	1 = 100%	(107)
60's Democrats	36%	25	15	16	6	2 = 100%	(190)
New Dealers	53%	25	7	7	6	2 = 100%	(272)
<u>God & Country</u>							
Democrats	49%	27	10	9	4	1 = 100%	(132)
Partisan Poor	29%	32	22	6	4	7 = 100%	(209)

PUBLIC PRIORITIES

The Most Important Problem Facing The Nation

When asked to volunteer the nation's most important problem respondents concentrated on just a few issues, almost to the exclusion of all other specific problems. Drug abuse was cited by 22% (up from 11% in 1987) and the budget deficit by 19% (up from 11% in 1987). No other problems were named by more than 10%.

Mentions of unemployment continue to decline (9% in the current survey). However, fear of war and international tensions showed the largest decrease in public concern (down to 9% from 23% in 1987). As shown in the table below fears about crime have also increased over the past two years.

MOST IMPORTANT PROBLEM

(Recent Trend)

	January <u>1989</u>	April <u>1987</u>	January <u>1987</u>	July <u>1986</u>
Drug abuse	22%	11%	10%	8%
Budget deficit	19	11	10	13
Homelessness	10	*	*	*
Fear of war, international tensions	9	23	23	22
Unemployment	9	13	16	23
Crime	8	3	3	3
Economy (general)	4	10	8	7
Poverty, hunger	4	5	6	6
Dissatisfaction with government	3	5	5	2
High cost of living, taxes	2	5	6	4
Moral, religious decline	2	5	4	3
AIDS	2	3	1	1
Trade deficit	1	3	3	1
All others	26	18	20	18
No opinion	<u>3</u>	<u>4</u>	<u>2</u>	<u>3</u>
	124%	120%	117%	114%

NOTE: Totals add more than 100 percent due to multiple mentions.

Question 3: *What do you think is the most important problem facing this country today?*

Perceptions Of Progress With Regard To National Problems

Crime and drugs top the public's list as problems on which we are losing ground (64% and 69%, respectively). About two-out-of-three Americans hold that view. Nearly as many believe that ground is being lost with regard to the gap between rich and poor (58%). Majorities also feel that the budget deficit and international terrorism are problems that are worsening.

The public only sees progress on national problems in a few areas. Seventy-nine percent feel we've made gains in reducing tensions with the Soviet Union. Pluralities, but not majorities, believe we are making progress rather than losing ground with regard to illiteracy and energy problems. The public is evenly divided on whether progress is being made on AIDS.

For all other national problems the balance of opinion is that we are losing ground, even though majorities do not express that opinion.

PERCEPTIONS OF PROGRESS WITH REGARD TO NATIONAL PROBLEMS

	<u>No Better or No Worse</u>	<u>Making Progress</u>	<u>Losing Ground</u>	<u>Don' t Know</u>	<u>Total</u>
Drugs	12%	17	69	2	= 100%
Crime	19%	15	64	2	= 100%
The gap between rich and poor	30%	8	58	4	= 100%
International terrorism	24%	18	53	5	= 100%
Poverty, hunger and homelessness in society	23%	22	53	2	= 100%
The stability of our financial institutions	26%	15	52	7	= 100%
The budget deficit	27%	16	50	7	= 100%
Farm problems	30%	17	44	9	= 100%
The trade deficit	27%	19	43	11	= 100%
Third World debt	26%	7	43	24	= 100%
Environmental pollution	20%	32	42	6	= 100%
Our ability to provide Social Security and medical insurance for the elderly	29%	27	41	3	= 100%
AIDS	17%	38	40	5	= 100%
Maintaining our standard of living	37%	29	32	2	= 100%
Illiteracy	20%	49	27	4	= 100%
Our ability to meet our energy needs	36%	38	19	7	= 100%
Tensions between the U.S. and the Soviet Union	14%	79	4	4	= 100%

Questions 30 & 32: *I'm going to read you a list of problems. For each one, tell me if you think it is a problem that is no better or no worse than it has been, a problem where progress is being made, or a problem where we are losing ground.*

Relative Seriousness Of Various Social Domestic Problems

To get some sense of national priorities beyond what was expressed in the opened ended most important problem measure, respondents were asked to name the problem they saw as most serious. First they selected from a list that was dominated by social domestic issues and then from a list that was dominated by economic and international problems. In the domestic social area, drugs are clearly seen as the most serious problem (30%) followed by poverty and homelessness (20%), AIDS (18%) and crime (12%). Note that there is only a rough correlation between national priorities and public perceptions of success or failure with regard to national problems. In particular, while large majorities felt we are losing ground in the gap between rich and poor, relatively few cite this problem as most serious. This is also the case for environmental problems, but not nearly as dramatically.

MOST SERIOUS PROBLEM

	<u>Most Serious</u>
Drugs	30%
Poverty, hunger and homelessness in society	20
AIDS	18
Crime	12
Environmental pollution	6
Our ability to provide Social Security and medical insurance for the elderly	5
The gap between rich and poor	3
Maintaining our standard of living	2
Illiteracy	2
Don't know	<u>2</u>
Total Respondents	100% (2048)

Question 31: *Here's a list of all the problems I just read to you. Which one of these problems would you say is the most serious?*

Drugs are the dominant concern of all demographic and social groups, but regarding this issue as the most serious social domestic one is more prevalent among blacks, older people and residents of the South. AIDS is given more emphasis by the youngest respondents and poorer people are more apt to feel that crime is the most serious problem.

The Times Mirror typology, which is based on respondents political values gives some clarity to public priorities in the social domestic area. Drugs are given the highest priority by the two core Republican groups, Enterprisers and Moralists, as well as among the two Democratic groups that showed the highest rates of defection to Bush in 1988, God and Country Democrats and New Dealers. Sixties Democrats and Seculars are the only groups that feel in any numbers that environmental problems are the most serious. They along with the Partisan Poor, also tend to see poverty, hunger and homelessness as serious problems to a greater degree than do others, especially Republican groups. Crime is of greater concern to Upbeats, and Bystanders are more likely to think that AIDS is the most serious domestic problem.

MOST SERIOUS PROBLEM

	Drugs	Poverty, Hunger, And Home- Lessness	AIDS	Crime	Envi ron- mental Pollu tion	Our Ability to Provide Social Security And Medical Insurance For The Elderly	The Gap Between The Ri ch And Poor
General Public	30%	20	18	12	6	5	3
<u>Age</u>							
Under 30	22%	24	28	11	7	2	1
30-49	31%	20	16	11	7	5	4
50+	36%	17	13	15	4	6	4
<u>Region</u>							
East	29%	20	19	10	6	5	4
Midwest	30%	20	20	9	6	5	4
South	34%	19	16	17	3	3	2
West	28%	20	16	11	8	6	4
<u>Income</u>							
Under \$15,000	24%	21	19	16	4	6	3
\$15,000-\$29,999	33%	19	19	12	5	4	2
\$30,000-\$49,999	30%	19	16	12	8	5	4
\$50,000+	33%	21	15	9	7	5	5
<u>Typology Groups</u>							
Enterpri sers	38%	14	11	10	11	7	1
Moral ists	40%	15	19	11	5	4	1
Upbeats	26%	19	19	18	5	4	2
Di saaffecteds	26%	18	20	12	5	7	5
Bystanders	34%	13	26	13	6	3	1
Fol lowers	31%	23	20	9	2	6	1
Secul ars	13%	29	8	12	14	1	12
60' s Democrats	21%	29	17	7	14	3	4
New Dealers	37%	16	18	12	2	6	5
God & Country Democrats	35%	20	16	18	*	3	6
Partisan Poor	26%	28	15	13	3	5	1

Relative Seriousness Economic And International Problems

When asked to judge the relative seriousness of eight problems the budget deficit was cited nearly twice as often as any of the other problems considered. Concern about this issue predominates among all demographic and social groups, but it is even more extensive among those who the better educated and among those who are better informed about economic affairs.

	MOST SERIOUS PROBLEM		
	<u>General Public</u>	<u>College Graduates</u>	<u>Best Informed</u>
The budget deficit	39%	52%	55%
International terrorism	17	10	8
Tensions between the U.S. and the Soviet Union	10	8	4
The stability of our financial institutions	9	8	11
Farm problems	8	5	6
The trade deficit	7	7	9
Our ability to meet our energy needs	4	6	3
Third World debt	3	2	4
Don't know	<u>3</u> 100%	<u>2</u> 100%	<u>*</u> 100%
Total Respondents	(2048)	(425)	(558)

Question 33: *Here's a list of problems I just read to you. Which one of these problems would you say is the most serious?*

Views of Leadership

There is little support among American opinion leaders or overseas investors for the heretical view that the budget deficit is not a very serious problem. However, compared to the general public, elites, especially overseas investors, feel the trade deficit is a serious problem for the U.S. Among Japanese investors concern about the trade deficit and Third World debt ran higher than concern about the budget deficit. Investors from other countries and American opinion leaders did not show as much worry about the effect of Third World debt on the American economy, as did the Japanese.

The amount of foreign investment in the U.S. was not a major concern to American opinion leaders, nor to overseas investors themselves. But the stability of our financial institutions was a serious concern to most of the elites we interviewed. Overseas investors placed less emphasis on the problem than did American opinion leaders.

SERIOUSNESS OF PROBLEM

	Level Of Seriousness: *				
	High	Moderate	Low	DK	Total
<u>The Federal Budget Deficit</u>					
Opinion Leaders	69%	25	6	0	= 100%
Business	64%	26	10	0	= 100%
Financial	69%	25	6	0	= 100%
Government	71%	26	4	0	= 100%
Overseas Investors					
Japanese	68%	32	0	0	= 100%
British	85%	16	0	0	= 100%
Dutch	58%	43	0	0	= 100%
Canadian	74%	26	0	0	= 100%
<u>The Trade Deficit</u>					
Opinion Leaders	52%	38	10	0	= 100%
Business	48%	44	8	0	= 100%
Financial	48%	44	8	0	= 100%
Government	60%	26	14	0	= 100%
Overseas Investors					
Japanese	80%	20	0	0	= 100%
British	80%	16	4	0	= 100%
Dutch	73%	23	4	0	= 100%
Canadian	59%	37	4	0	= 100%

*High: Rated "5" or "6"
 Moderate: Rated "3" or "4"
 Low: Rated "1" or "2"

CONTINUED . . .

	Level Of Seriousness:				Total
	High	Moderate	Low	DK	
<u>The Stability Of Our Financial Institutions</u>					
Opinion Leaders	39%	50	11	0	= 100%
Business	30%	58	12	0	= 100%
Financial	42%	45	14	0	= 100%
Government	46%	47	8	0	= 100%
Overseas Investors					
Japanese	28%	52	20	0	= 100%
British	16%	69	16	0	= 100%
Dutch	16%	62	23	0	= 100%
Canadian	18%	67	15	0	= 100%
<u>International Terrorism</u>					
Opinion Leaders	34%	50	16	0	= 100%
Business	30%	50	20	0	= 100%
Financial	30%	46	23	0	= 100%
Government	39%	55	6	0	= 100%
Overseas Investors					
Japanese	32%	40	20	8	= 100%
British	4%	46	50	0	= 100%
Dutch	4%	50	47	0	= 100%
Canadian	23%	37	40	0	= 100%
<u>Environmental Pollution</u>					
Opinion Leaders	33%	55	12	0	= 100%
Business	20%	60	20	0	= 100%
Financial	33%	58	10	0	= 100%
Government	47%	47	6	0	= 100%
Overseas Investors					
Japanese	8%	56	20	16	= 100%
British	8%	61	31	0	= 100%
Dutch	31%	57	12	0	= 100%
Canadian	41%	48	11	0	= 100%
<u>Third World Debt</u>					
Opinion Leaders	28%	60	12	0	= 100%
Business	22%	64	14	0	= 100%
Financial	23%	58	19	0	= 100%
Government	40%	58	2	0	= 100%
Overseas Investors					
Japanese	76%	24	0	0	= 100%
British	20%	70	12	0	= 100%
Dutch	39%	58	4	0	= 100%
Canadian	52%	41	7	0	= 100%

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	Level Of Seriousness:				Total
	High	Moderate	Low	DK	
<u>Our Ability To Meet Our Energy Needs</u>					
Opinion Leaders	19%	49	32	0	= 100%
Business	12%	48	40	0	= 100%
Financial	17%	50	33	0	= 100%
Government	28%	49	24	0	= 100%
Overseas Investors					
Japanese	4%	48	40	8	= 100%
British	8%	39	53	0	= 100%
Dutch	8%	31	62	0	= 100%
Canadian	8%	59	33	0	= 100%
<u>The Amount Of Foreign Investment In U.S. Businesses And Real Estate</u>					
Opinion Leaders	12%	37	51	0	= 100%
Business	16%	36	48	0	= 100%
Financial	4%	37	60	0	= 100%
Government	16%	40	45	0	= 100%
Overseas Investors					
Japanese	12%	52	36	0	= 100%
British	8%	27	66	0	= 100%
Dutch	8%	31	61	0	= 100%
Canadian	4%	33	63	0	= 100%
<u>Farm Problems</u>					
Opinion Leaders	9%	56	34	1	= 100%
Business	8%	56	34	2	= 100%
Financial	4%	54	42	0	= 100%
Government	16%	58	26	0	= 100%
Overseas Investors					
Japanese	40%	40	12	8	= 100%
British	8%	69	19	4	= 100%
Dutch	39%	46	15	0	= 100%
Canadian	11%	67	14	7	= 100%
<u>Tensions Between The U.S. And The Soviet Union</u>					
Opinion Leaders	4%	42	54	0	= 100%
Business	2%	36	62	0	= 100%
Financial	6%	37	57	0	= 100%
Government	4%	53	43	0	= 100%
Overseas Investors					
Japanese	0%	32	68	0	= 100%
British	12%	16	73	0	= 100%
Dutch	0%	23	77	0	= 100%
Canadian	0%	45	55	0	= 100%

Question 4 - *Opinion Leaders Questionnaire*; Question 6 - *Overseas Investors Questionnaire*

Opinions About Investment in the U.S.

One measure of confidence in the American economy is willingness to invest in it. By that standard overseas investors express continued confidence. The vast majority of overseas investors envision increasing their investments in the U.S. over the next five years. The Dutch and British executives interviewed were more likely than the Japanese or Canadians to foresee major increases in investment. The Japanese reported investment intentions for Korea and the Pacific rim countries at about the same level as their American investments intentions, and the Dutch and British foresee European investment increases comparable to increases in U.S. investment.

PLANS FOR INVESTMENTS IN VARIOUS COUNTRIES AND REGIONS

	Increase A Great Deal	Increase Somewhat	Decrease	Stay About The Same	(VOLUNTEERED) No Investments Or No Plans For Investments	DK	Total
<u>The United States</u>							
Japanese	32%	56	0	4	4		4 = 100%
British	50%	31	0	19	0		0 = 100%
Dutch	46%	23	0	23	0		8 = 100%
Canadian	37%	41	0	18	0		4 = 100%
<u>The European Common Market Countries</u>							
Japanese	20%	65	4	4	0		8 = 100%
British	31%	58	0	8	4		0 = 100%
Dutch	62%	23	0	12	0		4 = 100%
Canadian	4%	26	0	33	30		7 = 100%
<u>Canada</u>							
Japanese	4%	36	0	24	24		12 = 100%
British	4%	23	0	50	19		4 = 100%
Dutch	8%	23	0	12	54		4 = 100%
<u>Mexico</u>							
Japanese	0%	12	8	16	56		8 = 100%
British	4%	0	4	27	65		0 = 100%
Dutch	0%	4	0	15	77		4 = 100%
Canadian	0%	0	0	33	56		11 = 100%

CONTINUED...

	Increase A Great Deal	Increase Somewhat	Decrease	Stay About The Same	(VOLUNTEERED) No Investments Or No Plans For Investments	DK	Total
<u>Japan</u>							
British	12%	35	0	4	50	0	= 100%
Dutch	15%	15	0	8	50	12	= 100%
Canadian	0%	11	0	30	48	11	= 100%
<u>South Korea And The Pacific Rim Countries</u>							
Japanese	28%	56	0	0	8	8	= 100%
British	15%	35	0	15	35	0	= 100%
Dutch	23%	27	0	27	15	8	= 100%
Canadian	4%	11	4	26	44	11	= 100%
<u>Soviet Union And The Eastern Bloc</u>							
Japanese	0%	16	0	12	52	20	= 100%
British	0%	15	0	23	62	0	= 100%
Dutch	0%	8	0	4	85	4	= 100%
Canadian	0%	4	0	22	63	11	= 100%

Question 1: *For each of the following countries and regions, tell me if you expect your companies' investments there to increase a great deal, increase somewhat, decrease, or stay about the same over the next five years?*

To overseas investors, political stability, size of market and ease of doing business in the U.S. are the most important advantages to American investment. All three were cited about equally often as big advantages to investing here. The Japanese were somewhat more likely than the others to see American political stability as a big advantage and the British were more apt to be drawn to the U.S. because of its market size. The quality of the American work force was seen as an advantage by overseas investors but not a big one. Among investors who said that wage scale was a consideration, most felt the American wage level was an advantage, not a disadvantage.

FACTORS CONSIDERED WHEN INVESTING IN THE U.S.

	Big Advantage	Advantage	Dis- advantage	(VOL.) Not A Consider- ation	DK	Total
<u>Political Stability</u>						
Japanese	56%	36	0	8	0	100%
British	35%	62	0	4	0	100%
Dutch	38%	54	0	8	0	100%
Canadian	37%	44	0	19	0	100%
<u>Ease Of Doing Business There</u>						
Japanese	44%	40	0	12	4	100%
British	46%	50	0	4	0	100%
Dutch	31%	58	0	8	4	100%
Canadian	37%	44	0	19	0	100%
<u>Quality Of The Work Force</u>						
Japanese	4%	56	8	20	12	100%
British	15%	69	0	15	0	100%
Dutch	15%	50	0	31	4	100%
Canadian	19%	44	0	37	0	100%
<u>The Wage Scale</u>						
Japanese	4%	36	12	28	20	100%
British	12%	27	27	31	4	100%
Dutch	0%	15	19	62	4	100%
Canadian	11%	33	7	44	4	100%
<u>The Buying Power Of The Market</u>						
Japanese	44%	32	4	12	8	100%
British	54%	31	0	15	0	100%
Dutch	12%	62	4	23	0	100%
Canadian	44%	33	0	19	4	100%

Question 2: *In considering investment in the U.S., tell me if each of the following factors is a big advantage, an advantage, or a disadvantage to your company as an investor.*

THE FEDERAL BUDGET DEFICIT

Perceptions About The Seriousness Of The Problem

Today, public concern about the federal budget deficit is as high as it has been since the deficit climbed to record levels earlier in the decade. Four years ago, when the size of the annual deficit was \$200 billion and rising, 16% cited the deficit as the nation's top problem. In 1989, even though the government reports a figure closer to \$150 billion, as many, if not more (19%), cite the deficit. The deficit is rivaled only by drugs as a specific national problem that is at the top of people's minds.

The deficit has emerged as the public's chief economic concern as other problems, the latest being unemployment, have receded in importance. Even though the economic recovery had brought the actual unemployment rate down, 24% cited unemployment as the top problem in October 1985. Less than two years ago, unemployment was still cited as often as the deficit (13% vs. 11% in April 1987). Today, specific mentions of unemployment have declined to 9%, putting it on par with a new concern that has emerged in the 1980's -- homelessness (10%). Concern about inflation, the key economic problem of the 1970's, remains low. Only two percent cited inflation as the top problem in our survey even though two-thirds (64%) expect some rise in inflation over the next year.

MOST IMPORTANT PROBLEM

(Recent Trend)

	<u>January</u> <u>1989</u>	<u>April</u> <u>1987</u>	<u>January</u> <u>1987</u>	<u>July</u> <u>1986</u>	<u>October</u> <u>1985</u>
Budget Deficit	19%	11%	10%	13%	16%
Unemployment	9	13	16	23	24
Poverty, hunger	4	5	6	6	3
High cost of living, taxes, inflation	2	5	6	4	7

While most people feel the effects of high inflation and high unemployment directly in their personal lives, the ill effects of large budget deficits are less clear-cut. In fact, a strong argument can be made that large government deficits, in isolation, are neither bad nor good. Japan has relatively large government deficits. Perhaps because their effects are less obvious, concern about the deficit has always run higher among the better educated segments of the population. The current survey finds one-third (34%) of college graduates, compared to one-tenth (9%) of those without the benefit of a high school education, naming the deficit as the top problem.

Well-educated people who are at odds politically and ideologically share a high level of concern about the deficit. Both the fiscally conservative, pro-business Enterprisers and the Seculars, a socially liberal group who are suspicious of business, place the deficit at the top of their list of concerns for the nation.

U.S. opinion leaders share the public's view that -- relative to things like the trade deficit, tensions between the superpowers, the stability of our financial institutions, and international terrorism -- the federal budget deficit is the most serious problem the country now faces. Seven-in-ten opinion leaders (69%) from government, finance, and the corporate sector rate the deficit in one of the top two positions on a six-point scale measuring seriousness. This is significantly greater than the 52% figure for the trade deficit, second on opinion leaders' list of serious concerns. Sixty percent of the public rated the deficit first or second in seriousness when evaluating a list of seven economic and foreign policy problem areas. International terrorism, rated next most serious by the public, scored much lower in seriousness (34%).

Foreign investors also express considerable concern about the deficit. Solid majorities of foreign investors in the four countries surveyed rate the deficit in one of the top positions on a six-point scale measuring seriousness. Only the Canadians, however, tend to see the budget deficit as America's single most serious economic problem. British and Dutch investors, are as concerned, if not more so, about the U.S. trade deficit. The Japanese see the trade deficit and Third World debt as economic problems similar in seriousness to the budget deficit.

The Nature Of The Problem: Why People Think Deficits Are Bad

For six years, America has enjoyed good economic times, even surviving a stock market crash while experiencing large government deficits. Despite recent economic history, the public is not inclined toward the view that big deficits are not so bad after all. Not much public support is found for the heretical view that the deficit doesn't matter or that it is actually a good thing because it helps stimulate the economy.

The moral argument against big deficits -- that it is unfair to future generations to spend so much more than we are willing to pay for ourselves -- takes priority over concern about potential short-term economic and political consequences as reasons why Americans disapprove of the deficit. Among the general public, 46% say they are most worried that today's deficits will hurt the future standard of living; 23% are more worried about potential inflationary pressures from large deficits; 15% are more worried that large deficits will make our country too dependent on foreigners. U.S. government and corporate leaders agree with the public that the worst thing about the deficit is its effect on the next generation. Financial leaders, who have a somewhat different perspective on things, rate short-term concern about inflation on par with long-term concern for the future.

BIGGEST CONCERN ABOUT THE SIZE OF THE FEDERAL BUDGET DEFICIT

<u>Concern</u>	<u>General Public</u>	<u>Opinion Leaders</u>			
		<u>Total</u>	<u>Business</u>	<u>Financial</u>	<u>Government</u>
Hurts the U.S. standard of living for next generation	46%	44%	46%	31%	57%
Leads to inflation	23	26	28	36	12
Increases our dependence on foreign countries	15	17	12	21	17
All, about equally (VOL.)	10	11	12	10	12
None/Don't know	<u>6</u> 100%	<u>2</u> 100%	<u>2</u> 100%	<u>2</u> 100%	<u>2</u> 100%
Total Respondents	(2048)	(153)	(50)	(52)	(51)

Question 64 - *General Public Questionnaire*

Question 19 - *Opinion Leaders Questionnaire*

Question wording:

Which, if any of these, concerns you most about the size of the federal budget deficit?

The public, opinion leaders, and foreign investors uniformly take the view that short-term economic benefits do not justify passing along a potentially heavy financial burden to our children and grandchildren -- violating an unwritten social contract. Eight-in-ten opinion leaders (82%) and members of the broader public (78%) regard the deficit as bad despite any stimulative effect it may have on the economy. Equally high proportions of foreign investors in the U.K., the Netherlands, and Canada share this sentiment.

Interestingly, the Japanese are least likely to say deficits are inherently bad. A large proportion (36%) of Japanese investors in America refuse to take a position on this issue, probably reflecting their own country's experience. Relative to GNP, Japan's government deficits compare in size to America's. But Japan's high growth rate, high personal savings rate and large trade surpluses may make running large deficits less risky.

The moral argument against the deficit has currency among all groups that make up the Times Mirror/Gallup political typology. It is the Seculars, however, who are both well-informed and fairly pessimistic about the future of the economy, who most solidly see the deficit as a threat to the well-being of future generations. At the other extreme, three groups rate lowest in this type of concern -- the Upbeats, who are younger and less likely to have children; the Partisan Poor, whose economic situation may force them to focus on the needs of the present; and the Followers, a politically marginal group that is both relatively young and relatively poor.

ATTITUDES TOWARD GOVERNMENT DEFICITS

	Government Deficits			Total
	Not A Bad Thing	A Bad Thing	Neither/DK	
General Public	10%	78	12	= 100%
Opinion Leaders	11%	82	7	= 100%
<u>Overseas Investors</u>				
Japanese	4%	60	36	= 100%
British	0%	81	19	= 100%
Dutch	4%	92	4	= 100%
Canadian	15%	78	8	= 100%
<u>Typology Groups</u>				
Enterprisers	12%	79	9	= 100%
Moralists	8%	86	6	= 100%
Upbeats	16%	72	12	= 100%
Disaffecteds	5%	83	12	= 100%
Bystanders	17%	63	20	= 100%
Followers	9%	57	34	= 100%
Seculars	6%	87	7	= 100%
60's Democrats	5%	89	6	= 100%
New Dealers	6%	84	10	= 100%
God & Country Democrats	17%	75	8	= 100%
Partisan Poor	9%	76	15	= 100%

Question 65 - *General Public Questionnaire*
 Question 20 - *Opinion Leaders Questionnaire*
 Question 20 - *Overseas Investors Questionnaire*

Question wording:

Some people say that government deficits are not a bad thing because the extra spending by the government keeps people employed and businesses producing. Others say that deficits are a bad thing because it is wrong to live beyond our means and threaten our future. How about you, do you think that government deficits are not a bad thing or a bad thing?

Public Perceptions Of Recent Success In Reducing The Deficit

Four years ago, former Reagan budget director David Stockman predicted 200 billion dollar deficits "as far as the eye can see." Since that time, after the changes in the tax system, Gramm-Rudman, and a slowdown in the growth of defense spending, government figures now show the deficit at about \$150 billion, with a slight downward trend. If this has been real progress, it certainly hasn't registered much with the public. Only 16% of Americans characterize the deficit as a problem on which we are making progress, while fully half (50%) feel we are losing ground.

When asked a more pointed question about the recent past, fewer than one-in-five Americans (15%) believes we have made significant progress in reducing the deficit in the last five years. While opinion leaders and foreign investors were not asked specifically about whether progress has been made in cutting the deficit, their opinions about its seriousness suggest they too see it as a problem that still needs to be reckoned with, rather than as something already on the way to being solved.

The survey provides further evidence that the public is not aware of any recent progress in reducing the deficit. When asked to place a dollar figure on the size of the deficit, most people overestimate its size. Fewer than one-in-five Americans surveyed (18%) correctly identified the current deficit as amounting to between \$100 to \$200 billion. Close to half estimated a higher figure, including three-in-ten (28%) who thought it amounted to over \$300 billion.

Opinions about recent progress on the deficit-reduction front differ along party lines. Among the political typology groups, three Democratic-oriented clusters -- the Seculars, Sixties Democrats, and New Dealers -- are among the four groups most likely to feel we are losing ground in solving the deficit problem. The fourth group rating most pessimistic about progress on the deficit is the Disaffecteds -- an Independent, lean Republican group whose support for George Bush proved to be one of the keys to his victory over Michael Dukakis. Interestingly, all groups, including the Upbeats and core GOP Enterprisers and Moralists are very solid in rejecting the assertion that significant progress has been made in cutting the deficit over the past five years.

PROGRESS ON THE FEDERAL BUDGET DEFICIT OVER THE LAST FIVE YEARS

	Ttl	Entp	Mora list	Up- bts	Dis- aff	By- stnd	Fol - low	Secu lars	60' s Dems	New Deal	God/ Ctry	Part Poor
Progress On The Federal Deficit												
Yes	15%	17%	18%	22%	10%	17%	23%	9%	5%	13%	22%	13%
No	77	79	75	72	87	67	53	89	87	82	67	77
Don' t know	8	4	7	6	3	16	24	2	8	5	11	10
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Question 25: *Over the last five years or so, do you think we have made significant progress in reducing the federal budget deficit, or not?*

Preferences For Reducing Deficit: New Taxes And Other Revenue Sources

While both the public and opinion leaders agree that the deficit must be reduced, there is less of a consensus about how to go about achieving that objective. On the fundamental question of whether it is possible to significantly cut the deficit without a tax increase, financial leaders are most solidly (67%) of the opinion that new taxes are necessary. Government leaders are more divided, but nonetheless a majority (55%) take the pro-tax position. Among corporate leaders and the general public, however, neither position holds sway -- 44% of corporate leaders and 45% of the public believe taxes are necessary; 46% of both groups disagree.

Foreign investors, who have provided much of the capital to finance America's economic expansion in a period of large government deficits, overwhelmingly side with U.S. financial leaders in believing that spending cuts alone will not solve the problem. Close to three-quarters of the Dutch (73%) and over 80% of the British, Canadian and Japanese investors interviewed call for new taxes to cut America's deficit.

ARE TAXES NECESSARY TO REDUCE THE FEDERAL BUDGET DEFICIT?

	Able To Reduce The Federal Budget Deficit By:				
	Holding Down Government Spending Without Increasing Taxes	Also Have To Increase Taxes	Neither/ Don't Know	Total	Total Respondents
General Public	46%	45	9 =	100%	(2048)
<u>Opinion Leaders</u>	37%	56	7 =	100%	(153)
Business	46%	44	10 =	100%	(50)
Financial	25%	67	8 =	100%	(52)
Government	41%	55	4 =	100%	(51)
<u>Overseas Investors</u>					
Japanese	16%	84	4 =	100%	(25)
British	19%	81	0 =	100%	(26)
Dutch	23%	73	4 =	100%	(26)
Canadian	7%	89	4 =	100%	(27)

Question 66 - *General Public Questionnaire*

Question 21 - *Opinion Leaders Questionnaire, Overseas Investors Questionnaire*

Question wording:

Some people say that we will be able to significantly reduce the federal budget deficit by holding down government spending without also having to increase taxes. Others say that we will also have to increase taxes in order to significantly reduce the deficit. Which view comes closer to your own?

When asked to consider three policy options for deficit reduction, the majority of U.S. opinion leaders -- including corporate executives -- prefer an option that includes a tax increase. A plurality of the public, but not a majority (49%), opt for a deficit-reduction package that would raise taxes to some extent. Among both opinion leaders and the public, preferences are split between a package that includes a moderate tax increase and one that includes a more substantial increase to provide for spending increases in areas like education, health care and the environment. Government leaders lean toward the larger tax increase, while business and financial leaders mostly prefer the more moderate one.

PREFERRED WAY TO REDUCE THE FEDERAL BUDGET DEFICIT

<u>Options:</u>	<u>General Public</u>	<u>Opinion Leaders</u>			
		<u>Total</u>	<u>Business</u>	<u>Financial</u>	<u>Government</u>
No tax increase, and hold all growth in spending to the rate of inflation	42%	33%	32%	35%	31%
A moderate tax increase and cuts in some governments subsidy programs, such as Amtrak rail subsidies and farm programs	24	31	32	35	28
A larger tax increase, some spending cuts in certain areas but increased spending in programs designed to improve education, health care, and the environment	25	30	24	27	39
Don't know	$\frac{9}{100\%}$	$\frac{6}{100\%}$	$\frac{12}{100\%}$	$\frac{4}{100\%}$	$\frac{2}{100\%}$
Total Respondents	(2048)	(153)	(50)	(52)	(51)

Question 67 - *General Public Questionnaire*
 Question 22 - *Opinion Leaders Questionnaire*

Question wording:

In your opinion, which of the following would you prefer as a way for reducing the federal budget deficit?

With the exception of the politically marginal Followers, all of the Democratic-oriented typology groups tend to support a deficit-reduction policy that provides for a tax increase. The two ideologically liberal clusters -- the Seculars and the Sixties Democrats -- are solidly of the opinion that major progress on the deficit requires new taxes. The financially-pressured Partisan Poor are the only Democratic group that leans toward the position that the deficit can be significantly reduced without increasing taxes. Even so, when given the three policy options, the Partisan Poor are more likely to select a package that includes a tax increase over one that does not.

There is a split in the ranks of the Republican Party over the tax issue. Three of the four GOP-oriented groups lean toward the view that new taxes are not necessary. But they may come to this position for different reasons. The Moralists and Disaffecteds share the opinion that the government wastes half of every tax dollar that it collects, and only a minority of each group are aware that American taxpayers pay a smaller proportion of their income in taxes than taxpayers in Western Europe do. By contrast, the pro-business Enterprisers have less extreme views on government waste and are generally aware that the average citizen's tax burden here is relatively low by world standards. For the Enterprisers, keeping taxes down probably reflects a free enterprise ideology that consistently favors low taxes and private sector solutions over government initiatives.

Upbeats, a young group critical to the Republican Party's future, are significantly less resistant to new taxes than the other more anti-government Republican groups. First of all, they are divided on the issue of whether the deficit can be cut by spending cuts alone. As a policy option, they more often favor some sort of tax increase (54%) over no tax increase at all (40%). Most importantly, they are twice as likely as the other Republican groups to favor a substantial tax increase to provide money for new programs (31% vs. 14%). Being the youngest political typology group, Upbeats seem to respond to the idea of investing for the future.

PREFERRED WAY FOR REDUCING THE FEDERAL BUDGET DEFICIT, BY TYPOLOGY GROUP

	Ttl	Entp	Mora list	Up- bts	Dis- aff	By- stnd	Fol- low	Secu lars	60' s Dems	New Deal	God/ Ctry	Part Poor	
<u>Preference</u>													
No tax increase, and hold all growth in spending to the rate of inflation	42%	49%	48%	40%	50%	48%	38%	34%	35%	36%	32%	40%	
A moderate tax and cuts in some government subsidy programs, such as amtrak rail subsidies and farm programs	24	33	31	23	25	15	24	11	19	30	31	20	increase
A larger tax increase some spending cuts in certain areas, but increased spending in education, health care, and the environment	25	14	15	31	14	23	14	51	41	25	27	29	
Don' t know	9	4	6	6	11	14	24	4	5	9	10	11	
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209	

While a plurality of Americans support, many perhaps grudgingly, a deficit-reduction plan that allows for a tax increase, most Americans are reluctant to submit to a broad-based new tax that might be needed to raise a significant amount of revenue. With a few exceptions, like "sin" taxes, increasing the tax burden of upper-income people and a national lottery, it will take some convincing to rally public support for any new tax or source of new revenue, despite the widespread concern about the deficit. Informing people about how much more money for deficit reduction might be raised by a broad-based tax -- such as a national sales tax, a new gas tax or a surtax on the personal income tax -- seems to have little effect on the public's willingness to support such a tax.

A majority of Americans favor raising taxes to bring in more revenue from the sale of alcohol and tobacco products. Eighty-five percent favor, including close to half (47%) who strongly favor the idea of raising taxes on alcoholic beverages to cut the deficit. Roughly three-quarters (76%) favor, 44% strongly, increasing taxes on tobacco products. Even when presented with a list of new taxes and shown that these taxes would raise less money than other options, "sin" taxes remain the clear preference of the public. While

heavy majorities favor a hike in the cigarette tax (64%) and new levies on beer and wine (69%), only 28% support a new national sales tax, 20% a 12-cent increase in the gas tax, and 9% a new five percent surtax on the personal income tax when they are shown how much revenue each new tax might raise.

Besides smokers and drinkers, the other groups the public generally believes should pay more taxes are the more affluent and, to a lesser extent, the corporations. Four-in-five Americans (82%) favor increasing the income taxes of people with incomes above \$80,000; one-half (49%) strongly favor such a new tax. On a more specific proposal, a smaller majority (59%) support creating a new 33% income tax bracket for all income over \$150,000. Close to half (45%) would place a five percent surtax on the corporate income tax.

One group that the public clearly does not want to be a target for new taxes is the elderly. Raising taxes on Social Security to the same rate as taxes on ordinary income is the only tax proposal strongly opposed by a majority of the public (56%). A majority are willing to consider the other options at least as a last resort. The extreme public resistance to new taxes on Social Security may be partly a product of misperceptions -- a majority of Americans mistakenly feel people over 60 are more likely to be poor than other groups in society. In reality, older people have above average per-capita incomes. But the survey found that even those who don't see older people as less likely to be poor are generally unsupportive of new taxes on Social Security benefits.

Less than half of the public (43%) would support changes in the tax system to further limit business and personal tax deductions. The lack of public enthusiasm for this means of raising new revenues is not surprising given public perceptions of the 1986 Tax Reform Act -- people are far more likely to believe that the tax system was made less fair (39%) rather than more fair (13%) by the 1986 legislation.

Opinion leaders respond very differently than the public does when asked about potential new revenue sources to cut the deficit. While much of the public would support a new tax on gasoline only as a last resort, opinion leaders overwhelmingly favor (74% overall) such a tax. Even with the support of the financial and business community, however, a new gas tax may be a tough sell among the public. Even those Americans who are aware that motorists in this country pay lower taxes at the pump than other westerners tend not to favor such a new tax.

A majority of corporate leaders (54%) and about half of financial leaders (48%) favor the establishment of a national sales tax. But government leaders solidly oppose taking this step -- a majority (53%) strongly oppose a national sales tax, unwilling to consider it even as a last resort.

Opinion leaders, especially those in finance, are more willing than the public to consider new taxes on Social Security benefits. Slightly over half of the financial leaders surveyed (52%) favor taxing Social Security at the same rate as ordinary income.

While the public is strongly resistant to targeting the elderly for a tax increase, six-in-ten opinion leaders in the business and corporate sectors strongly oppose targeting those earning incomes over \$80,000. Unlike their counterparts in business and finance government leaders tend to favor higher taxes for the more affluent -- but not as solidly or as enthusiastically as the public does. (Government leaders, in fact, are less enthusiastic than other opinion leaders about any form of tax increase.)

Opinion leaders look unfavorably on a national lottery, a proposal which has the support of close to two-thirds (64%) of the public. Corporate and financial leaders are most vehement in their objections to this proposal -- 54% and 63%, respectively, strongly oppose the creation of a national lottery to help reduce the deficit.

Like the public, opinion leaders solidly support new taxes on alcohol and tobacco, although

somewhat less enthusiastically. Also like the public, corporate and financial leaders tend not to support changes in the tax system to further limit business and personal deductions. Government leaders, many of whom played a role in the 1986 tax reform legislation, are divided on this proposal -- close to half (47%) would favor it while half (51%) are not inclined to favor it outright.

**ATTITUDES TOWARD VARIOUS NEW TAXES AS A MEANS OF REDUCING
THE FEDERAL BUDGET DEFICIT**

	<u>Strongly Favor</u>	<u>Favor</u>	<u>A Last Resort</u>	<u>Strongly Oppose</u>	<u>DK</u>	<u>Total</u>
<u>Increasing Income Taxes For Those Earning More than \$80,000 Per Year</u>						
General Public	49%	33	8	5	5 =	100%
Opinion Leaders	8%	23	18	50	1 =	100%
<u>Increasing Taxes On Alcoholic Beverages</u>						
General Public	47%	36	9	6	2 =	100%
Opinion Leaders	31%	52	7	9	1 =	100%
<u>Increasing Taxes On Tobacco Products</u>						
General Public	44%	32	10	10	4 =	100%
Opinion Leaders	35%	48	6	10	1 =	100%
<u>A National Lottery</u>						
General Public	34%	30	13	17	6 =	100%
Opinion Leaders	5%	18	20	51	6 =	100%
<u>Further Limiting Business And Personal Tax Deductions</u>						
General Public	10%	33	26	23	8 =	100%
Opinion Leaders	7%	31	24	35	3 =	100%
<u>Increasing Taxes On Gasoline</u>						
General Public	8%	26	36	27	3 =	100%
Opinion Leaders	23%	51	10	16	0 =	100%

CONTINUED . . .

	<u>Strongly Favor</u>	<u>Favor</u>	<u>A Last Resort</u>	<u>Strongly Oppose</u>	<u>DK</u>	<u>Total</u>
<u>Establishing A National Sales Tax</u>						
General Public	8%	23	29	34	6	= 100%
Opinion Leaders	10%	27	24	38	1	= 100%
<u>Raising Taxes On Social Security Payments To The Same Rate As Taxes On Ordinary Income</u>						
General Public	2%	8	29	56	5	= 100%
Opinion Leaders	14%	31	22	33	*	= 100%

Question 73 - *General Public Questionnaire*
 Question 24 - *Opinion Leaders Questionnaire*

Question wording:

I am going to read you a number of ways in which government revenues could be increased or government expenses could be cut in order to reduce the federal budget deficit. For each one, tell me if you would strongly favor it, favor it, accept it only as a last resort, or strongly oppose it?

ATTITUDES TOWARD VARIOUS NEW TAXES, CONSIDERING HOW MUCH REVENUE

EACH WOULD RAISE

<u>Tax Increases</u>	<u>Revenue Raised Over Five Years</u>	<u>General Public</u>
Establish a national sales tax of 5%, with exemptions for food, housing, and medical care	\$250 billion	28%
Add a 5% surtax to what individuals pay in income taxes	\$110 billion	9
Increase gasoline taxes by 12 cents per gallon	\$50 billion	20
Tax 85% of Social Security benefits for people with incomes over \$18,000	\$40 billion	10
Add a 33% income tax bracket on income over \$150,000	\$30 billion	59
Add a 5% surtax to what corporations pay in taxes	\$30 billion	45
Raise taxes on wine and beer to the same rate as liquor taxes	\$20 billion	69
Raise cigarette taxes by 16 cents per pack	\$15 billion	64
None		3
Don't know		4
Total Respondents		(2048)

NOTE: Adds to more than 100 because multiple responses accepted.

Question 74: *This card lists various kinds of tax increases and the amount of money each might raise over a 5 year period. The budget deficit could be more than 500 billion dollars over this period. Taking into account the amount of money each would raise, and your opinion about these taxes, which, if any, would you favor as a means of reducing the federal budget deficit?*

The differences in support for various types of new taxes by typology groups are generally small. All groups tend to support new taxes on alcohol and tobacco, although three groups who probably include the highest proportions of smokers -- the blue collar Disaffecteds, and two groups with concentrations of non-whites, the Partisan Poor and God & Country Democrats --are least supportive of new cigarette taxes. Large majorities of all groups reject a surtax on the personal income tax and new taxes on Social Security payments; the corporate income tax receives the most support from the two most liberal groups -- the Seculars and Sixties Democrats. The better educated Enterprisers, Seculars, and Sixties Democrats are most likely to agree with opinion leaders by supporting a new gas tax. Although all three groups are relatively affluent, the Seculars and Sixties Democrats are disproportionately likely to support higher taxes on upper income people, while the Enterprisers are the group least supportive of this proposal.

**ATTITUDES TOWARD VARIOUS NEW TAXES BY TYPOLOGY GROUP
% FAVOR***

	Ttl	Entp	Mora list	Up- bts	Dis- aff	By- std	Fol- low	Secu lars	60' s Dems	New Deal	God/ Ctry	Part Poor
Increasing taxes on alcoholic beverages	83%	86%	87%	89%	82%	71%	70%	82%	91%	81%	79%	82%
Increasing income taxes for those earning more than \$80,000 per year	82%	56%	81%	89%	84%	81%	80%	92%	87%	88%	80%	83%
Increasing taxes on tobacco products	76%	83%	82%	79%	69%	65%	70%	81%	87%	76%	70%	68%
A national lottery	64%	60%	51%	71%	76%	57%	56%	64%	66%	62%	75%	67%
Further limiting business and personal tax deductions	43%	35%	41%	46%	39%	40%	46%	54%	43%	44%	49%	49%
Increasing taxes on gasoline	34%	42%	37%	31%	26%	27%	30%	58%	49%	26%	28%	33%
Establishing a national sales tax	31%	24%	28%	37%	26%	29%	43%	23%	31%	29%	37%	33%
Raising taxes on Social Security payments to the same rate as taxes on ordinary income	10%	12%	9%	11%	5%	12%	22%	18%	7%	9%	14%	9%
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

* "Strongly Favor" and "Favor," Combined

Question 73: *I am going to read you a number of ways in which government revenues could be increased or government expenses could be cut in order to reduce the federal budget deficit. For each one, tell me if you would strongly favor it, favor it, accept it only as a last resort, or strongly oppose it?*

Preferences For Reducing The Deficit: The Spending Side

In the public's view, defense spending should be cut rather severely to help reduce the budget deficit. At the same time, the majority of Americans would leave Social Security and Medicare -- which together account for a greater share of federal spending than defense -- virtually untouched. The public is also generally unwilling to cut much from means-tested social programs and veterans benefits. Aside from defense, the spending areas the public is most willing to cut are foreign aid, federal pensions and transportation.

With fear of the Soviet military threat dramatically reduced, there is not much of a constituency for increasing, or even for maintaining, the current level of military spending. Even the most conservative and anti-communist segments of the population target the Pentagon for sharp spending cuts when asked to size up the federal budget in light of the deficit. By contrast, it is hard to find any sizable group in the population that is supportive of major cuts in spending on Social Security, Medicare or financial aid to the needy. Even when people are shown how large a proportion of the budget these programs make up, most Americans prefer to exempt them from any deficit-reduction plan.

Opinion leaders also favor cutting back on military spending, but are somewhat more willing to cut non-defense spending. Financial leaders are most willing to go after Social Security -- two-thirds favor reducing the size of the cost of living increase for Social Security beneficiaries. Opinion leaders are also more likely than the public to target farm price supports as a means of cutting the deficit. Farm subsidies, however, are not nearly the "sacred cow" to the public that Social Security and Medicare seem to be. Most Americans would consider cutting agricultural subsidies as a last resort.

The idea of an across-the-board freeze in spending, with Social Security COLAs exempted, is supported conceptually by a majority of the public (63%). But putting such a freeze into practice may run into difficulties given the public's continued appetite for government spending. Even though Americans are worried about the deficit and feel, on average, that half of every federal tax dollar collected is wasted, the public wants to increase government spending in a number of areas:

- * Two-thirds (65%) would like to spend more to fight the drug problem.
- * Majorities would like to see more spent on health care (57%), the homeless (53%), and AIDS research (52%).
- * Half would like to spend more on the public schools (50%) and on programs for the elderly (50%).
- * As many as four-in-ten favor increased spending on Social Security (46%) and environmental protection (39%).

Any deficit-reduction plan must take into account the conflict between the public's desire for new spending, the goal of deficit reduction, and public's general unwillingness to submit to new broad-based taxes. To a certain extent, the public's list of priorities for new federal spending is a wish list -- what people would like to see in an ideal world. When given a reality check by reminding them about the pressure to cut the deficit, between a quarter and a third of all those who say they favor increased spending in a specific area are willing to forego that increase to meet the goal of deficit reduction. When a different kind of reality check is employed -- asking people to pay higher taxes for the increased spending they desire, even more -- one-third to one-half of those who favor higher spending in each spending area -- say the new spending is not so important that they would be willing to pay for it through higher taxes.

ATTITUDES TOWARD FEDERAL SPENDING ON VARIOUS PROGRAMS

	<u>Increased</u>	<u>Same</u>	<u>Decreased</u>	<u>DK</u>	<u>Total</u>
Combatting the drug problem	65%	28	4	3	= 100%
Health care	57%	36	4	3	= 100%
Programs for the homeless	53%	40	4	3	= 100%
Research on AIDS	52%	38	6	4	= 100%
Programs for the elderly	50%	45	3	2	= 100%
The public school system	50%	43	5	2	= 100%
Social Security	46%	47	3	4	= 100%
Environmental protection	39%	49	7	5	= 100%
Military armaments/defense	11%	49	37	3	= 100%

Question 69: *If you had a say in making up the federal budget this year, for which of the following programs should spending be increased, for which should spending be decreased, or for which should spending be kept the same?*

Nonetheless, a substantial majority of the public (72%) say they are willing to pay higher taxes for one kind of new spending or another. Three typology groups in particular are willing to pay for expanded government programs -- the Democratic-oriented Seculars and Sixties Democrats and the lean Republican Upbeats. What these groups have in common is age -- all three are made up mostly of people born since World War II. The three groups have slightly different government spending agendas. Common to all is a desire to increase funding for the public schools, health care, and homelessness. The Upbeats and Sixties Democrats also want to spend more to fight drugs. The Seculars and the Sixties Democrats also favor new spending for environmental protection and AIDS research. The God & Country Democrats and the Partisan Poor are especially likely to feel that spending on Social Security and programs for the elderly should be increased.

**ATTITUDES TOWARD FEDERAL SPENDING ON VARIOUS PROGRAMS
% WHO FAVOR INCREASED SPENDING**

	Ttl	Entp	list	Up- bts	Dis- aff	By- std	Fol- low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor
Combatting the drug problem	65%	66%	64%	70%	66%	66%	46%	52%	64%	68%	68%	65%
Health care	57%	31%	48%	57%	59%	62%	35%	56%	67%	63%	74%	67%
Programs for the homeless	53%	29%	44%	57%	41%	57%	35%	78%	76%	53%	57%	59%
Research on AIDS	52%	41%	42%	59%	48%	49%	40%	65%	64%	55%	59%	52%
Programs for the elderly	50%	26%	42%	48%	57%	57%	30%	51%	58%	53%	61%	57%
The public school system	50%	42%	35%	48%	47%	51%	30%	71%	59%	53%	63%	55%
Social Security	46%	15%	38%	48%	52%	57%	28%	36%	49%	50%	57%	62%
Environmental protection	39%	29%	30%	42%	39%	38%	18%	72%	63%	37%	33%	32%
Military armaments/defense	11%	8%	15%	11%	12%	15%	11%	2%	3%	12%	23%	11%
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Question 69: *If you had a say in making up the federal budget this year, for which of the following programs should spending be increased, for which should spending be decreased, or for which should spending be kept the same?*

The public has only limited knowledge about how their federal tax dollars are spent. While the vast majority (82%) are aware that national defense is one of the top spending areas, most Americans are not aware of the large size of the Social Security budget. Only about one-fourth of Americans surveyed (27%) correctly selected Social Security from a list as one of the two areas that account for the largest share of the federal budget. In reality, the Social Security portion of the budget is similar in size to the defense budget. Together with Medicare, another program that redistributes income to older Americans, these programs make up over a third of the budget, when interest on the national debt is factored out. The Enterprisers and the Seculars, who most often read the business pages and are most knowledgeable about economic issues, are more likely to be aware of the size of the Social Security budget, but even these two groups tend not to know it rivals the defense budget in size.

While the public tends to underestimate Social Security's share of the federal budget, they grossly overestimate how much of the budget goes toward foreign aid. Close to half (50%) of those surveyed misidentified international affairs/foreign aid as a one of the top two budget items in size. In reality, the annual foreign aid budget is more than ten times smaller than the amount of money that goes into the Social Security system.

As other recent polls have indicated, the current Times Mirror/Gallup survey finds that when Americans are asked, without regard for how much revenue might be raised, what spending-side measures they would support to reduce the deficit, people overwhelmingly favor (74%) limiting military spending, while only very small proportions say they favor reducing COLAs for people on Social Security (21%) or further limiting Medicare payments to the elderly (13%). Large proportions, in fact, would not consider these proposed Social Security (45%) and Medicare cutbacks (56%) even as a last resort. On balance, farm subsidies and social spending targeted at blacks and other minorities fall into the category of budget items to be cut only as a last resort.

ATTITUDES TOWARD VARIOUS SPENDING CUTS

	<u>Strongly Favor</u>	<u>Favor</u>	<u>A Last Resort</u>	<u>Strongly Oppose</u>	DK	<u>Total</u>
<u>Limit Spending For Defense</u>						
General Public	35%	39	16	6	4 =	100%
Opinion Leaders	22%	53	12	11	2 =	100%
<u>Freeze All Federal Spending Except Cost Of Living Increases Of Social Security</u>						
General Public	23%	40	21	10	6 =	100%
Opinion Leaders	23%	33	24	19	1 =	100%
<u>Remove American Troops From Korea And Europe</u>						
General Public	18%	36	26	12	8 =	100%
Opinion Leaders	8%	35	27	27	3 =	100%
<u>Limit Spending On Programs That Assist Blacks/Minorities</u>						
General Public	11%	31	33	20	5 =	100%
Opinion Leaders	5%	11	24	54	6 =	100%
<u>Reduce Price Supports For Farmers</u>						
General Public	8%	29	37	18	8 =	100%
Opinion Leaders	23%	52	12	12	1 =	100%
<u>Reduce The Size Of The Cost Of Living Increases For People Receiving Social Security</u>						
General Public	5%	16	30	45	4 =	100%
Opinion Leaders	21%	25	26	27	1 =	100%
<u>Further Limit Medicare Payments For An Elderly's Yearly Health Care</u>						
General Public	3%	10	27	56	4 =	100%
Opinion Leaders	6%	24	35	35	0 =	100%

Question 73 - *General Public Questionnaire*
 Question 24 - *Opinion Leaders Questionnaire*

Question wording:

I am going to read you a number of ways in which government revenues could be increased or government expenses could be cut in order to reduce the federal budget deficit. For each one, tell me if you would strongly favor it, favor it, accept it only as a last resort, or strongly oppose it?

Opinion About the Social Security Surplus

There is no constituency either among the general public, or among opinion leaders, for the concept of borrowing the Social Security revenue surplus as a way of meeting current expenses and reducing the deficit. Eighty-seven percent of the public feels that the excess should be put aside and reserved exclusively for Social Security payments in the future. Only slightly fewer elites (77%) take this position.

It should be pointed out that less than one half of the public (45%) is aware that there is a surplus, but a majority (55%) of those over 65 years of age know about the over funding.

ATTITUDES TOWARD THE SOCIAL SECURITY SURPLUS

	Social Security Surplus				Total Respondents
	Should Be Reserved Exclusively For Social Security	Should Be Borrowed To Meet Current Government Expenses	DK	Total	
General Public	87%	6	7	= 100%	(2048)
Opinion Leaders	77%	18	5	= 100%	(153)

Question 75 - General Public Questionnaire

Question 25 - Opinion Leaders Questionnaire

Question wording:

As you may know, the federal government has a surplus in the amount of money collected for Social Security. Some people feel that the surplus money should be put aside and reserved exclusively for Social Security payments in the future. Others favor borrowing the surplus money to meet current government expenses and help reduce the federal budget deficit. Which view comes closer to your own?

How The Public Would Cut The Budget

While people's general preferences are clear from these findings, such questioning does not do enough to confront people with the hard choices policymakers must face when looking for ways to cut the budget. To give the public a better sense of the decisions policymakers face, Gallup asked the average citizen to look at the issue in a way that has never been done before in a survey of this kind.

To let people know where their tax money goes, Gallup presented respondents with a list of 13 categories of federal spending, excluding interest on the national debt. Based on the final budget figures submitted by the Reagan Administration, each category was assigned a number of coins representing its proportion of the total budget under consideration, which totaled 100 coins. For example, military spending and the Social Security budget were symbolized by 27 and 26 coins, respectively. Foreign aid was symbolized by 2 coins. Respondents were asked to indicate their preferences for cutting the budget by taking away coins amounting to overall spending cuts of 5 and 10 percent.

The results from this new kind of question, rather than indicating any public flexibility on Social Security and Medicare, instead reveals the depth of public unwillingness to touch these programs. When asked to cut the overall budget by as much as 10 percent, substantial majorities of Americans choose to cut nothing at all from Social Security and Medicare. By exempting these two programs, the public takes over a third of the budget being considered "off the table" and defense becomes even a bigger target for cuts.

The first table that follows summarizes the collective preferences of the public on how much various government programs should be cut if overall federal spending must be brought down to reduce the deficit. (The percentages shown represent the average number of coins cut divided by the total number of coins in each budget category.) Showing people how small a proportion of the budget is made up by foreign aid doesn't make people any less apt to cut it -- when asked to make a 5 percent cut overall, they slash foreign aid by 22 percent; when asked to make a 10 percent cut overall, they slash it by 36 percent.

On the basis of how severely the public would reduce levels of spending, no budget item gets as harsh treatment as foreign aid. However, since foreign aid accounts for such a small share of the budget, the public's severe cutbacks in this area would result in relatively small amount of savings. The second table that follows allows us to look at the results to this question from another angle -- when the public is forced to take into account where the money is, what percentage of the overall budget-reduction goal is obtained through cuts in each category? This analysis finds that even with deep cuts, the public realizes only 9 percent of the overall goal through reducing foreign aid. Because it is the only large program Americans are willing to cut, national defense ends up accounting for the lion's share of savings in the public's budget-reduction plan.

The public chooses to cut the defense budget at rates somewhat above the overall goal they are asked to achieve. When asked to cut the total budget by 5 percent, they cut defense by 9 percent; when asked to cut 10 percent overall, they cut defense by 16 percent. At this level of spending reductions, defense cuts account for roughly half of the savings in people's preferences for cutting the budget at both the 5 and 10 percent levels.

The public cuts two other budget areas at above average rates -- transportation and federal pensions. Since federal pensions account for a larger share of the overall budget, cuts in this area play a greater role in meeting the overall target amounts. In playing the role of budget-cutters, the public would take a fair share from agriculture, the environment, and general science, reducing them at a rate similar to the overall spending reduction sought. They prefer to cut financial aid to the needy and veterans benefits at somewhat lower rates. In addition to Social Security and Medicare - the "sacred cows" - Americans would generally prefer to cut

education and health programs very little or not at all.

**PUBLIC PREFERENCES FOR CUTTING THE BUDGET:
WHAT PERCENTAGE PEOPLE WOULD CUT FROM 13 SPENDING AREAS***

	First Cut %	First and Second Cut %
International affairs/Foreign aid	22	36
Transportation	9	20
National defense	9	16
Federal pensions	8	16
Agriculture	6	12
Total budget	5	10
Natural resources and environment	4	10
General science and technology	5	9
Financial aid to the needy	2	6
Veterans benefits and services	2	6
Education	1	4
Health	1	3
Social Security	1	2
Medicare	1	2

* Each cut is shown as a percentage of the total spending for that area. For example, people chose to cut, on average, 22% of the total budget allowed for International Affairs/Foreign Aid.

Question 72: *Here's a different kind of question. On this card is a description of 13 top spending areas of the federal budget. Next to each spending area you will see coins representing the amount of money spent in that area. Suppose it was your decision as to how to cut the federal budget, and you had to take five coins away. 'X' out five coins on this card. You can take these coins from any one or more of the areas as long as the total adds to five...Now, take five more coins away.*

**PUBLIC PREFERENCES FOR CUTTING THE BUDGET:
WHAT PERCENTAGE OF THE TOTAL AMOUNT CUT WOULD COME FROM EACH
AREA***

	<u>First Cut</u> %	<u>First and Second Cut</u> %
National defense	53	47
Federal pensions	13	14
International affairs/Foreign aid	9	8
Transportation	6	7
Financial aid to the needy	4	5
Social Security	4	6
Agriculture	2	3
Natural resources and environment	2	2
Medicare	2	2
Veterans benefits and services	2	2
Health	1	2
General science and technology	1	1
Education	<u>1</u> 100%	<u>1</u> 100%

* Each figure represents the proportion of the total spending reduction that would come from that area. For example, when asked to cut the overall budget by 5%, respondents, on average, made 53% of the cut by reducing defense.

For all typology groups, defense is a major target when the budget is scrutinized for places to save money. As a proportion of the total defense budget, the extent of the spending reduction preferred ranges from 12 percent for the Moralists to 27 percent for the Seculars. The following other differences are found in how the various typology groups choose to cut the deficit:

- * Two of the most protectionist groups -- New Dealers and Disaffecteds -- choose to cut foreign aid by the biggest margins.
- * The anti-government Disaffecteds and Moralists make the deepest cuts in federal pensions.
- * Sophisticated, citified Seculars least often choose to cut foreign aid, federal pensions and transportation.
- * Enterprisers are most willing to make certain non-defense cuts, including Social Security, Medicare and agriculture.
- * The four GOP groups -- Enterprisers, Moralists, Upbeats, and Disaffecteds are more likely than the Democratic groups to some reduction in financial aid to the needy.

Expectations For Future Progress On Deficit

U.S. opinion leaders and foreign investors are generally optimistic that significant progress will be made in reducing the deficit over the next five years. The public, however, does not share the optimism of the elites. Among the public, there are sharp differences by party affiliation. Republicans are generally more optimistic than Democrats.

More than four-in-five opinion leaders (82%) foresee significant progress on the deficit. Interestingly, more pessimists are found among government leaders (25%) than are found among corporate (14%) and financial leaders (15%). Optimism runs highest overseas among the Europeans, 81% of British and the Dutch feel that progress will be made. The Japanese, who tend to worry more as a rule, are more closely divided -- 56% expect progress; 44% do not. Canadian investors divide 59% to 33% toward the view that the deficit will be brought down.

Close to half of the public (46%) is pessimistic that the deficit can be reduced significantly in the next five years, while 40% expects progress. With the exception of the Disaffecteds, who are pessimistic about most things, the Republican-oriented typology groups tend to foresee progress. The view among the Democratic typology groups is pretty consistently negative.

EXPECTATIONS FOR PROGRESS ON REDUCING THE FEDERAL BUDGET DEFICIT

	<u>Expect Progress On Reducing The Federal Budget Deficit</u>			=	<u>Total</u>	<u>Total Respondents</u>
	<u>Yes</u>	<u>No</u>	<u>Don't Know</u>			
General Public	40	46	14	=	100%	(2048)
<u>Opinion Leaders</u>						
Business	86	14	0	=	100%	(50)
Financial	85	15	0	=	100%	(52)
Government	74	24	2	=	100%	(51)
<u>Overseas Investors</u>						
Japanese	56	44	0	=	100%	(25)
British	81	19	0	=	100%	(26)
Dutch	81	15	4	=	100%	(26)
Canadian	59	33	7	=	100%	(27)

Question 68 - *General Public Questionnaire*

Question 23 - *Opinion Leaders Questionnaire*

Question 22 - *Overseas Investors Questionnaire*

Question wording:

Looking ahead five years or so, do you think we will have made significant progress in reducing the federal budget deficit, or not?

THE FEDERAL SAVINGS AND LOAN CRISIS

There is substantial awareness of the FSLIC crisis, and as a consequence, the public regards the stability of American financial institutions as an increasing problem. Compared to four years ago more Americans express sagging confidence in large American banks, and as many as three-in-ten Americans feel that depositors in troubled thrifts might lose their savings. Moreover, nearly two-thirds of the public (64%) expects the difficulties of the savings and loans to get worse in the future.

The Stability Of Our Financial Institutions

In regard to the stability of our financial institutions, one-half (52%) feel we are losing ground on this problem, one-quarter say the problem is no better or no worse than it has been and only 15% say we are making progress. Those most likely to feel we are losing ground are the college-educated (65%), the well-informed (66%), and residents of the West (65%), a region containing a number of the insolvent institutions. Not surprisingly, feelings about financial institutions are also linked to expectations for the country's economic future, as people who expect the country to be economically worse off are more pessimistic about the stability of the financial institutions than are those who anticipate better economic times for the nation (64% vs 46%).

ATTITUDES TOWARD THE STABILITY OF U.S. FINANCIAL INSTITUTIONS

	No Better Or No Worse	Making Progress	Losi ng Ground	DK	Total	Total Respondents
General Public	26%	15	52	7 =	100%	(2048)
<u>Education</u>						
College graduate	23%	8	65	4 =	100%	(425)
Other college	29%	15	53	3 =	100%	(386)
High school graduate	27%	16	50	7 =	100%	(822)
Less than high school	24%	18	44	14 =	100%	(412)
<u>Region</u>						
East	26%	15	47	12 =	100%	(518)
Midwest	27%	17	52	4 =	100%	(516)
South	26%	17	49	8 =	100%	(655)
West	23%	9	65	3 =	100%	(359)
<u>Knowl edge Index</u>						
Hi gh	22%	11	66	1 =	100%	(558)
Medi um	28%	14	54	4 =	100%	(964)
Low	27%	18	39	16 =	100%	(526)
<u>Expect U. S. To Be:</u>						
Better	25%	20	46	9 =	100%	(511)
Worse	20%	10	64	6 =	100%	(431)

Opinion leaders also tend to see the Federal Savings and Loan Crisis as a serious problem. Four-in-ten (39%) rated the stability of our financial institutions as very serious problem ('5' or '6' on a scale of '1 to 6'). The only problems considered more serious are the federal budget deficit (69%) and the U.S. trade deficit (52%). In keeping with their generally more optimistic outlook, business leaders are less likely than financial and government leaders to rate this problem as very serious.

For overseas investors, the stability of U.S. financial institutions is not considered as serious a problem as it is by U.S. opinion leaders. Fewer than three-in-ten of the Japanese (28%), and even smaller proportions of the Canadians (18%), the Dutch (16%) and the British (16%) rate this as a very serious problem.

ATTITUDES TOWARD THE STABILITY OF U.S. FINANCIAL INSTITUTIONS

	<u>Very Serious Problem*</u>
<u>Opinion Leaders</u>	39%
Business	30%
Financial	42%
Government	46%
 <u>Overseas Investors</u>	
Japanese	28%
British	16%
Dutch	16%
Canadian	18%

*Rated a "5" or "6" on a scale of 1 to 6.

Question 4 - *Opinion Leaders Questionnaire*

Question 6 - *Overseas Investors Questionnaire*

Question wording:

I am going to read you a number of problems facing the United States. If "6" represents a problem that is very serious, and "1" represents a problem that is not very serious, where on this scale of 6 to 1 would you rate each of the following problems?

Confidence In American Banks

In a related measure, nearly two-thirds (63%) of the public expresses less confidence in the financial condition of American banks today. In 1984, a significantly smaller number -- 44% -- expressed this opinion about American banks. This lack of confidence is evident among the pessimistic Disaffecteds (75%); the Moralists (70%), who are older and middle class; and some of the better educated groups who are relatively more skeptical about the economy in general -- the 60's Democrats (72%) and the Seculars (70%). In addition, among Westerners, one-third (32%) say they have "much less confidence" in American banks, compared with 23% nationally.

CONFIDENCE IN LARGE AMERICAN BANKS, RELATIVE TO A FEW YEARS AGO

	Ttl	Entp	Mora list	Up- bts	Dis- aff	By- stnd	Fol- low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor
<u>Confidence</u>												
Much more confidence	4%	6%	5%	5%	1%	5%	2%	0%	1%	5%	7%	5%
Somewhat more confidence	19	16	12	23	15	32	21	14	16	20	29	13
Somewhat less confidence	40	42	46	43	41	22	36	46	46	38	36	46
Much less confidence	23	22	24	17	34	27	15	24	26	24	18	16
Same	11	14	10	11	7	8	20	11	10	8	8	14
Don't know	3	0	3	1	2	6	6	5	1	5	2	6
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Question 19: *Compared to a few years ago, do you now have much more confidence, somewhat more confidence, somewhat less confidence, or much less confidence in the financial condition of large american banks and the safety afforded to their depositors?*

The Federal Savings And Loan Crisis: Expectations For The Future

More than six-in-ten believe the savings and loan problem will get worse in the future (64%), while one-quarter say the worst is behind us (23%). Generally, the college-educated (74%) and the well-informed (73%) tend to be somewhat more pessimistic, but feelings about this problem are also tied to economic expectations for the nation. People expecting better economic conditions for the country are three times as likely as those who are pessimistic to think that the worst is behind us (34% vs. 12%).

The well-educated 60's Democrats are the most pessimistic (78%), followed by the Disaffecteds (73%). In contrast, two groups who generally hold more positive attitudes about the state of the nation -- the better informed Enterprisers and the Upbeats -- are more likely than the public at large to say the worst is behind us. (35% and 30% vs. 23%).

EXPECTATIONS REGARDING THE DIFFICULTIES OF SAVINGS AND LOANS

	<u>Worst Is Behind Us</u>	<u>Problem Will Get Worse In The Future</u>	<u>DK</u>	<u>Total</u>	<u>Total Respondents</u>
General Public	23%	64%	13 =	100%	(2048)
<u>Typology Groups</u>					
Enterprisers	35%	60	5 =	100%	(202)
Moralists	23%	68	9 =	100%	(249)
Upbeats	30%	56	14 =	100%	(236)
Disaffecteds	18%	73	9 =	100%	(182)
Bystanders	26%	59	15 =	100%	(160)
Followers	18%	55	27 =	100%	(109)
Seculars	23%	66	11 =	100%	(107)
60's Democrats	12%	78	10 =	100%	(190)
New Dealers	22%	65	13 =	100%	(272)
God & Country Democrats	19%	64	17 =	100%	(132)
Partisan Poor	23%	60	17 =	100%	(209)
<u>Expect U. S. To Be:</u>					
Better	34%	52	14 =	100%	(511)
Worse	12%	77	12 =	100%	(431)

Question 21: *In considering the financial difficulties of the savings and loans institutions, do you feel that it is a bad situation, but the worst is behind us, or do you think the problem may get worse in the future?*

The U.S. Government As Guarantor Of Deposits

Most, but not all of the public seems responsive to the President's assurances that the government "will see that the guarantee to depositors is forever honored." Nearly two-thirds (63%) of the public believe the government will step in, if necessary, to guarantee the deposits, but as many as three-in-ten say the depositors may lose their money (29%).

The Enterprisers (83%) and the Seculars (75%), the two best-informed groups, are most likely to think that the government will step in to guarantee the deposits. Groups that tend to believe people will lose their money include the Bystanders (43%), the Followers (39%), the Partisan Poor (37%) and the Disaffecteds (36%). Given their higher level of financial pressure and alienation, it is not surprising that these groups demonstrate less faith in the government.

ATTITUDES TOWARD THE U.S. GOVERNMENT'S GUARANTEE TO DEPOSITORS

	Ttl	Entp	Mora Up- list	Dis- bts	By- stnd	Fol- low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor	
Savings And Loans Can't Solve Their <u>Economic Problems</u>												
U.S. Government will step in and guarantee the deposits	63%	83%	68%	68%	57%	46%	42%	75%	68%	65%	61%	50%
People may lose their money	29	12	27	26	36	43	39	16	27	28	28	37
Don't know	8	5	5	6	7	11	19	9	5	7	11	13
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Question 22: *If savings and loans institutions are not able to solve their economic problems, do you think the United States Government will step in and guarantee the deposits of people who have savings in troubled institutions, or do you think people may lose their money?*

Policy Options

Opinion leaders were asked for their preferences for raising the revenue needed to pay off the depositors of insolvent savings and loans institutions. The greatest support was found for a concept that resembles the Bush proposal. Nearly one-half (46%) favored a solution whereby the government issues up to \$50 billion in long term bonds. Roughly one-fifth supported each of the other alternatives: Amending tax laws to encourage investment firms to buy non-performing real estate loans (23%) and FSLIC borrowing enough money from the U.S. treasury to pay off the depositors (18%). Business leaders tended to show somewhat greater support for amending tax laws than did the financial or government leaders (32% vs 23% and 16%, respectively).

ATTITUDES TOWARDS VARIOUS POLICY ALTERNATIVES TO THE SAVINGS AND LOAN CRISIS

<u>Ways To Raise Needed Revenue:</u>	<u>Opini on Leaders</u>			
	<u>Total</u>	<u>Busi ness</u>	<u>Fi nanci al</u>	<u>Gov ernment</u>
The government issues up to \$50 billion in long-term bonds to pay off depositors	46%	36%	46%	55%
Tax laws are amended to encourage investment firms to buy non-performing real estate loans	23	32	23	16
FSLIC borrows enough money from the U.S. Treasury to pay off the depositors	18	16	23	14
Don' t know	<u>13</u> 100%	<u>16</u> 100%	<u>8</u> 100%	<u>16</u> 100%
Total Respondents	(153)	(50)	(52)	(51)

Question 6: *Next a question about the problems of the savings and loan industry. As I read a number of ways to raise the money needed to pay off the depositors in the insolvent savings and loans institutions, tell me, which one, if any, you would most favor.*

ECONOMIC COMPETITIVENESS AND TRADE POLICY

While Americans feel less threatened militarily today than they did at the start of the decade, they are uneasy about a loss of U.S. economic power. On balance, the public feels America's ability to compete in the world marketplace has worsened over the last ten years. Unlike U.S. leaders, the public regards Japan, not the U.S., as the number one economic power.

To some degree, Americans blame foreigners for their country's competitiveness problems. People overwhelmingly feel that Japan's trade policies toward the U.S. are unfair, and a majority believe the U.S. should put up tougher trade barriers to Japanese goods. Cheap foreign labor is viewed as one of the major reasons for the problem. The public is disturbed by the recent increase in foreign ownership of U.S. businesses and real estate.

All this notwithstanding, general satisfaction with the state of the domestic economy, combined with the perception that America's own shortcomings are a major part of the problem, appears to have limited the degree to which anti-foreigner sentiment translates into public pressure for new protectionist measures. Concerns about a shift of economic power to foreign countries has also failed to bring about much change in Americans attitudes toward imported goods -- no significant increase is seen in "buy American" sentiment since the early 1980's.

The public has more faith in the country's ability to turn things around on competitiveness than it does in our ability to make progress on the budget deficit. This public confidence, however, might be seriously shaken by a downturn in the economy. It is not hard to imagine this latent resentment against foreigners becoming activated during a recession.

Perceptions About the State of U.S. Economic Competitiveness

By a two-to-one margin, Americans feel that Japan (58%) rather than the United States (29%) is the world's leading economic power. By a somewhat smaller margin -- 45% vs. 33% -- Japan is expected to be the economic leader by the year 2000. U.S. leaders disagree sharply with the public's assessment of U.S. economic might. Over two-thirds of corporate (74%), financial (77%) and government leaders (68%) believe that the U.S. is currently number one. A majority of all three groups feel the international status quo will be maintained into the next century.

WORLD'S LEADING ECONOMIC POWER

	General <u>Public</u>	<u>Opinion Leaders</u>			
		<u>Total</u>	<u>Business</u>	<u>Financial</u>	<u>Government</u>
<u>Current Leading Economic Power</u>					
Japan	58%	21%	20%	21%	22%
United States	29	72	74	77	68
European Common Market Countries	4	6	6	2	10
Soviet Union	2	0	0	0	0
Don't know	<u>7</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>
	100%	100%	100%	100%	100%
 <u>Leading Economic Power In 2000</u>					
Japan	45%	18%	14%	17%	24%
United States	33	64	60	79	53
European Common Market Countries	9	15	24	4	16
Soviet Union	1	0	0	0	0
Don't know	<u>12</u>	<u>3</u>	<u>2</u>	<u>0</u>	<u>8</u>
	100%	100%	100%	100%	100%

Question 36/37 - *General Public Questionnaire*
 Question 7/8 - *Opinion Leaders Questionnaire*

Question wording:

Today, which one of the following do you think is the world's leading economic power?

In the year 2000, which one of the following countries do you expect to be the world's leading economic power?

Given that the public rates the U.S. as a fairly distant second in economic power, it is no surprise that about half (47%) believe that America has lost ground to foreign competition during the 1980s, while only a fifth (21%) see recent progress. Even though only a third (33%) feel the U.S. will recover enough ground to reclaim its number one status by the year 2000, Americans are far more likely to see the situation improving than they are to see it getting worse (46% vs. 17%).

U.S. COMPETITIVE POSITION

<u>Past Ten Years:</u>	<u>General Public</u>
Improved	21%
Gotten worse	47
No change	27
Don't know	<u>5</u>
	100%

Total Respondents (2048)

<u>Looking To The Future:</u>	
Improve	46%
Worsen	17
Stay the same	32
Don't know	<u>5</u>
	100%

Total Respondents (2048)

Question 38: *In the past ten years, do you think the ability of the U.S. to compete economically in the world marketplace has improved, gotten worse, or hasn't it changed much?*

Question 39: *Looking to the future, do you think that the ability of the U.S. to compete economically in the world marketplace will improve, worsen, or stay about the same?*

The optimism most Americans feel about their own financial future seems to be minimizing the degree to which people feel personally threatened by the competitiveness problem. Among those who foresee their own financial situation as remaining stable or getting better over the next year, the belief that the country's competitiveness problems will increase does not significantly decrease the overall level of personal optimism for the future. But among those expect to be less well off financially, the belief that the nation will lose ground to foreign competition magnifies pessimism about one's personal future state.

<u>Personal Future State</u>	<u>Better/Same</u>		<u>Worse</u>	
	<u>U. S. Competitive Position Will Not Worsen</u>	<u>U. S. Competitive Position Will Worsen</u>	<u>U. S. Competitive Position Will Not Worsen</u>	<u>U. S. Competitive Position Will Worsen</u>
Optimist	64%	60%	38%	28%
Pessimist	10	12	37	45
No Change				
Positive	19	23	17	19
Negative	<u>7</u>	<u>5</u>	<u>8</u>	<u>8</u>
	100%	100%	100%	100%
Total Respondents	(841)	(755)	(135)	(155)

Analysis of opinion on this issue by political typology groups shows that there are sharply different points of view within the Republican Party. In general, Republicans are more optimistic than Democrats but, true to their name, Upbeats -- a Reagan legacy group who score highest on faith in America -- are by far the most optimistic group in the population. Three-quarters of Upbeats (73%) are classified as optimists based on their views of present and future trends in U.S. competitiveness. The other Independent, lean Republican group, however, is disproportionately pessimistic -- the anti-foreigner, anti-Washington Disaffecteds. As will be demonstrated further, it is among this alienated, blue collar group that protectionist sentiment seems to run highest. During the presidential race, the Bush campaign had success in winning over this group on the issues like crime, gun control and patriotism. Thus, the Democrats were never able to take effective advantage of the foreign competition issue to pull the Disaffecteds their way.

On the Democratic side, the economically savvy Seculars are the most pessimistic about reversing the decline in U.S. economic competitiveness. They are the only typology group that includes more pessimists (42%) than optimists (38%) about the future of U.S. competitiveness. The Seculars, with their higher information level, have a very different perspective on the issue from the Disaffecteds. The Sixties Democrats, the other major liberal constituency within the party, are the second most negative Democratic group on the competitiveness issue. Although as likely as the Seculars to feel things have become worse over the last decade, they view the future more positively.

TREND IN COMPETITIVENESS, BY THE TYPOLOGY GROUPS

	Ttl	Entp	Mora list	Up- bts	Dis- aff	By- std	Fol- low	Secu lars	60' s Dems	New Deal	God/ Ctry	Part Poor
Trend In Competitiveness*												
Optimists	52%	59%	55%	73%	48%	48%	36%	38%	47%	49%	52%	45%
Pessimists	31	30	27	17	37	28	34	42	40	36	23	35
No change/Don't know	17	11	18	10	15	24	30	20	13	15	25	20
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

* "Optimist" and "Pessimist" are measures derived from Questions 38 and 39. See Technical Appendix for a definition.

The reviews on U.S. competitiveness from overseas are mixed. Ironically, the Japanese most solidly feels the U.S. is still the dominant economic power in the world. Virtually all Japanese investors interviewed (96%) see America as number one, and fewer than one-in-ten (8%) expect Japan to overtake the U.S. by the end of the century. The Europeans, however, have very different views of the current and future state of the U.S. as a leading economic power. The British see U.S. dominance already seriously challenged by Japan and they given Japan a slight edge in their predictions for the future. The Dutch see a unified Western Europe overtaking America economically by the year 2000. Most Canadians see U.S. economic power as still dominant, and believe that America is likely to stave off a future challenge from Japan and the EEC. Even so, a sizable minority of Canadians believe that the U.S. already has, or is likely to lose, the status of world economic leader.

WORLD'S LEADING ECONOMIC POWER

	Opinion <u>Leaders</u>	<u>Overseas Investors</u>			
		<u>Japanese</u>	<u>British</u>	<u>Dutch</u>	<u>Canadian</u>
<u>Current Leading Economic Power</u>					
United States	72%	96%	42%	54%	52%
Japan	21	4	46	38	37
European Common Market Countries	6	0	8	8	4
Soviet Union	0	0	4	0	0
Don't know	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
	100%	100%	100%	100%	100%
<u>Leading Economic Power In 2000</u>					
United States	64%	76%	31%	19%	52%
Japan	18	8	42	35	26
European Common Market Countries	15	0	23	46	15
Soviet Union	0	0	0	0	0
Don't know	<u>3</u>	<u>16</u>	<u>4</u>	<u>0</u>	<u>7</u>
	100%	100%	100%	100%	100%
Total Respondents	(153)	(25)	(26)	(26)	(27)

Question 7/8 - *Opinion Leaders Questionnaire*

Question 8/9 - *Overseas Investors Questionnaire*

Substantial majorities of foreign investors and U.S. opinion leaders do not see the U.S. dollar's status as the international monetary standard being seriously challenged by other currencies over the next five years. Expectations for how the value of the dollar will change relative to their own currencies, however, seem to color overseas opinion about America's economic future. The Japanese and the Dutch, who are most likely to see the dollar falling against their currencies over the next five years, are more likely to see the U.S. losing ground to foreign competition. In their forecasts, the Dutch divide about equally between progress (35%) and decline (38%). Japanese opinion about America's competitive future divides only slightly more positively (52% vs. 40%). On the other hand, the British and the Canadians, who see the dollar as gaining or holding its own against their currencies, are substantially more likely to foresee a stronger than a weaker America in terms of economic competitiveness.

U.S. COMPETITIVE POSITION

	U.S. Ability To Compete				Total Respondents
	Improve	Stay The Same	Worsen	DK	
Opinion Leaders	65%	22	11	2 = 100%	(153)
<u>Overseas Investors</u>					
Japanese	52%	8	40	0 = 100%	(25)
British	45%	35	19	0 = 100%	(26)
Dutch	35%	27	38	0 = 100%	(26)
Canadian	59%	26	15	0 = 100%	(27)

Question 9 - *Opinion Leaders Questionnaire*
 Question 10 - *Overseas Investors Questionnaire*

Question wording:

Looking to the future, do you think that the ability of the U.S. to compete economically in the world marketplace will improve, worsen, or stay about the same?

EXPECTATIONS FOR THE VALUE OF THE U.S. DOLLAR, RELATIVE TO EACH COUNTRIES' CURRENCY

	Expect Value Of The U.S. Dollar To Be:				Total Respondents
	Significantly Higher	Remain The Same	Significantly Lower	DK	
<u>Overseas Investors</u>					
Japanese	8%	24	68	0 = 100%	(25)
British	38%	58	4	0 = 100%	(26)
Dutch	31%	15	50	4 = 100%	(26)
Canadians	15%	59	26	0 = 100%	(27)

Question 15: *In the next five years do you expect the value of the U.S. dollar, relative to the (), to be significantly higher, to be significantly lower, or to remain the same?*

Attitudes Toward Trade Policies Of The U.S. And Its Competitors

The U.S. public, and even more so its leaders, feel that Japan's trade policies are unfair. South Korea's trade policies are also a target for American criticism. Only Canada virtually escapes criticism. The public is inclined to believe the EEC countries trade fairly, but a majority of U.S. government officials think otherwise.

Almost two-thirds of the public (63%), up from 54% only a year ago, feel Japan's trade policy toward the U.S. is unfair. This sentiment is shared by Democrats and Republicans alike. Those who know a lot about economic affairs are especially likely to be critical of Japan. Like the better-informed public, opinion leaders almost unanimously share this view.

Americans also generally regard South Korea's trade policies as unfair, but opinion is not nearly so one-sided. As seen for Japan, the better informed public and the leadership are more critical than less well-informed people. By a margin of 39% to 25%, those who see South Korea as unfair outnumber those who disagree -- but over a third (36%) have no opinion. Among the best-informed quarter of the public, opinion divides two-to-one toward the view that South Korea's policies are unfair (54% vs. 22%); six-in-ten opinion leaders (62%). Financial leaders are less likely than their counterparts in government and business to see the Koreans as unfair.

Majorities of U.S. corporate (58%) and financial leaders (56%), and a plurality of the general public (44%), believe that the EEC countries trade fairly, but a majority of government leaders (57%) disagree. The better-informed segment of the population is divided on the fairness of the EEC countries' trade policies.

ATTITUDES TOWARD TRADE POLICY WITH THE U.S.

	Trade Policy			Total Respondents
	Fair	Unfair	Don't Know	
<u>Japan</u>				
General Public	22%	63	15 = 100%	(2048)
Opinion Leaders	8%	88	4 = 100%	(153)
Business	8%	92	0 = 100%	(50)
Financial	8%	84	8 = 100%	(52)
Government	10%	86	4 = 100%	(51)
<u>Canada</u>				
General Public	72%	7	21 = 100%	(2048)
Opinion Leaders	88%	9	3 = 100%	(153)
Business	82%	18	0 = 100%	(50)
Financial	92%	0	8 = 100%	(52)
Government	90%	8	2 = 100%	(51)
<u>European Common Market Countries</u>				
General Public	44%	26	30 = 100%	(2048)
Opinion Leaders	50%	45	5 = 100%	(153)
Business	58%	40	2 = 100%	(50)
Financial	56%	36	8 = 100%	(52)
Government	37%	57	6 = 100%	(51)
<u>South Korea</u>				
General Public	25%	39	36 = 100%	(2048)
Opinion Leaders	23%	62	15 = 100%	(153)
Business	22%	72	6 = 100%	(50)
Financial	27%	46	27 = 100%	(52)
Government	19%	69	12 = 100%	(51)

Question 51 - *General Public Questionnaire*
 Question 14 - *Opinion Leaders Questionnaire*

Question wording:

For the following countries, please tell me if you believe each country has a fair trade policy or an unfair trade policy with the United States.

The U.S. public is inclined to believe that it is in America's interest to increase tariffs on Japanese goods -- 53% take this position, while 35% disagree. There is no consensus about whether it is a good idea to raise tariffs on South Korean products. Most Americans oppose increasing tariffs on imports from Western Europe. There is far more free trade sentiment among opinion leaders than there is among the public. Despite their belief that Japan's trade policies are unfair, only a fifth of opinion leaders (20%) favor a policy change to increase tariffs on Japanese goods; a similarly small proportion (18%) favor tougher trade barriers against South Korean imports. Close to half of opinion leaders (46%), compared with less than a fifth of the public (14%), would like to see the U.S. adopt a policy to reduce or completely eliminate tariffs on Japanese products. The strongest sentiment for free trade is found among U.S. financial leaders -- they are twice as likely as government and corporate officials to favor a policy to eliminate tariffs.

ATTITUDES TOWARD TARIFFS ON VARIOUS COUNTRIES' PRODUCTS

	Increase Tariffs	Keep About The Same	Reduce Tariffs Somewhat	Eliminate Tariffs	DK	Total	Total Respondents
<u>Japan</u>							
General Public	53%	21	8	6	12 = 100%		(2048)
Opinion Leaders	20%	29	20	26	5 = 100%		(153)
Business	16%	38	20	20	6 = 100%		(50)
Financial	15%	15	27	40	2 = 100%		(52)
Government	29%	33	14	16	8 = 100%		(51)
<u>European Common Market Countries</u>							
General Public	23%	43	8	7	19 = 100%		(2048)
Opinion Leaders	5%	40	22	27	6 = 100%		(153)
Business	10%	34	26	24	6 = 100%		(50)
Financial	2%	29	25	40	4 = 100%		(52)
Government	4%	57	16	16	8 = 100%		(51)
<u>South Korea</u>							
General Public	36%	30	6	7	21 = 100%		(2048)
Opinion Leaders	18%	29	18	23	12 = 100%		(153)
Business	18%	30	22	18	12 = 100%		(50)
Financial	13%	17	19	36	14 = 100%		(52)
Government	24%	39	12	16	10 = 100%		(51)

Question 52 - *General Public Questionnaire*
 Question 15 - *Opinion Leaders Questionnaire*

Question wording:

How do you feel about import tariffs on products from (INSERT X'ED ITEM) that are sold in the U.S.? In your opinion, is it in the best interests of the U.S. to increase tariffs on goods from (INSERT X'ED ITEM), keep tariffs about the same, reduce tariffs somewhat, or eliminate tariffs altogether?

Among the typology groups, the two groups who seem most concerned about America's competitiveness problems are diametrically opposed in their preferences for trade policy options. The Disaffecteds are more likely than other groups to favor higher tariffs on Japanese (66%) South Korean (49%) and EEC (36%) goods. The Seculars, although sharing the opinion that Japan's policies are unfair, are more likely than all but the most uninformed groups to reject they idea of enacting new trade barriers. Only slightly more than a third (35%) favor tougher measures against Japan; almost a quarter (23%) would take the opposite approach -- reducing or eliminating barriers to Japanese goods.

In addition to the Disaffecteds, the conservative Republican and Democratic groups -- the Moralists, the New Dealers, and the God & Country Democrats -- agree that tariffs should be increased.

**ATTITUDES TOWARD TARIFFS BY TYPOLOGY GROUP
% WHO FAVOR INCREASED TARIFFS**

	Ttl	Mora Entp	Up- list	Dis- bts	By- aff	Fol- stnd	Low	Secu Iars	60's Dems	New Deal	God/ Ctry	Part Poor
Japan	53%	55%	61%	54%	66%	31%	36%	35%	50%	60%	53%	56%
The European Common Market	23%	21%	30%	18%	36%	17%	10%	12%	17%	25%	32%	24%
South Korea	36%	39%	42%	33%	49%	24%	16%	23%	29%	43%	45%	36%
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

The segments of the population who worry most about competitiveness are divided on the issue of free trade vs. protective tariffs. They also differ as consumers in how they view imported products. The survey found no evidence of a significant increase in "buy American" sentiment since 1983. Overall 60% say they don't pay much attention to whether a product is American made, compared to 52% in the previous survey. Eighty-three percent, compared with 78%, say they try to buy the best product, regardless of whether it is made in the USA. Seculars are more likely than all other political typology groups to say "buy America" is not a factor in their purchases. The Disaffecteds are about average on these measures.

TREND IN CONSUMER HABITS

	<u>Very True</u>	<u>Somewhat True</u>	<u>Not True</u>	<u>Don' t Know</u>	<u>Total</u>
<u>Don' t Pay Attention To Whether Product Is American</u>					
January, 1989	24%	36	40	*	= 100%
May, 1983	24%	28	47	1	= 100%
<u>Try To Buy The Best Product, Whether Or Not It Is American</u>					
January, 1989	48%	35	17	*	= 100%
May, 1983	53%	25	21	1	= 100%

Question 41: *I am going to read some statements. Please tell me if you think each statement is very true, somewhat true, or not true at all.*

Overseas, there are some expectations that America will put up new trade barriers. Heavy majorities of the Japanese (72%) and the Dutch (77%) foresee the U.S. increasing trade barriers with their countries. Investors from the U.K. disagree with their EEC colleagues from the Netherlands that the U.S. will take such action. A majority of the British investors expect no change in policy from Washington toward British goods. Predictably, in the aftermath of the U.S.-Canada trade agreement, few Canadians see the U.S. putting up new barriers to their products.

EXPECTATIONS ABOUT U.S. TRADE BARRIERS IN THE NEXT FIVE YEARS

	<u>U. S. Will Increase Trade Barriers</u>	<u>U. S. Will Decrease Trade Barriers</u>	<u>No Change</u>	<u>DK</u>	<u>Total</u>	<u>Total Respondents</u>
<u>Overseas Investors</u>						
Japanese	72%	0	20	8	= 100%	(25)
British	35%	8	58	0	= 100%	(26)
Dutch	77%	12	12	0	= 100%	(26)
Canadian	11%	70	19	0	= 100%	(27)

Question 17: *In the next five years, do you expect the United States to increase trade barriers with your country, to decrease trade barriers with your country, or do you think there will be no change in trade barriers?*

Reasons Behind the Competitiveness Problem

While Americans may see unfair trade practices by other countries as contributing to the U.S. competitiveness problem, they also find much to criticize here at home. Both the public and opinion leaders feel that short-sightedness on the part of U.S. businessmen is one of the most important reasons America has problems competing in the world marketplace. Many members of the public, and even a larger proportion of opinion leaders, see the America's public schools as weak compared to those in other countries. Among the groups in the population who most often see the U.S. lagging in competitiveness, there is a sense that U.S. industry is simply no longer producing high quality products.

When asked to evaluate the strengths and weaknesses of the U.S. relative to Japan and Western Europe, the public overwhelmingly rates the following as strengths: overall standard of living (83%), scientific research (79%) and technical and engineering innovation (69%). Americans are somewhat less likely to see the production of quality goods as a U.S. strength (58%), and the system of public education gets the lowest rating (48%).

The Disaffecteds, Seculars, and Sixties Democrats -- the groups most worried about the America's future ability to compete -- share a tendency to look negatively on the public schools and on the quality of U.S. merchandise. The Disaffecteds are also disproportionately likely to be critical of U.S. for technical innovation and scientific research capabilities.

Opinion leaders, like the majority of the public, see basic science and technical innovation as areas of strength. They are significantly more likely than the public, however, to be critical of the public schools -- two-thirds (65%) see public education as a weakness, compared with half of the public (50%). But they are less likely than the public to find fault with the quality of American products -- seven-in-ten opinion leaders (72%) compared with six-in-ten (58%) members of the general public see this as an area of U.S. strength.

The view from abroad on U.S. strengths and weaknesses is not all that different. With the exception of the Japanese, foreign investors see our public schools as a weakness, while among investors in all four countries, basic science, technical innovation, and standard of living receive a positive grade. The Japanese are particularly complimentary about U.S. basic scientific research. But the Dutch and the Japanese are even more critical than the U.S. public of the quality of American products -- three-quarters of each group see quality as a U.S. weakness. A smaller majority of the British (54%) agree with this assessment. Only the Canadians tend to regard production of quality goods as a plus for the U.S.

AMERICAN STRENGTHS AND WEAKNESSES

	General Public	Opini on Leaders	Overseas Investors			
			Japanese	British	Dutch	Canadian
<u>System Of Public Education</u>						
U. S. strong	48%	35%	60%	54%	35%	37%
U. S. weak	50	65	20	35	54	56
<u>Production Of Quality Products</u>						
U. S. strong	58%	72%	16%	42%	19%	52%
U. S. weak	40	26	76	54	77	33
<u>Technical And Engineering Innovations</u>						
U. S. strong	69%	80%	72%	80%	85%	67%
U. S. weak	27	20	20	19	15	26

Overall Standard Of Living

U.S. strong	83%	99%	88%	96%	73%	96%
U.S. weak	15	1	12	4	23	0

Scientific Research

U.S. strong	79%	73%	100%	88%	88%	89%
U.S. weak	16	26	0	4	8	7

Question 40 - *General Public Questionnaire*

Question 10 - *Opinion Leaders Questionnaire*

Question 11 - *Overseas Investors Questionnaire*

Question wording:

Now let's compare the United States to Japan, Great Britain, West Germany and other major western countries in the world on a number of factors. Would you say today that the United States is very strong, strong, weak, or very weak compared to their countries in the following areas...

When asked to assess the degree to which nine factors contribute to America's competitiveness problem, majorities of the public identified four major factors: a tendency of U.S. businessmen to put too much emphasis on short-term profits (61%), low labor costs overseas (61%), the value of the dollar against other currencies (52%), and an excess of corporate takeovers in the U.S. (52%). When asked to select one factor as the most important reason behind the problem, the public divides evenly between cheap foreign labor (17%) and short-sightedness by American businessmen (14%).

REASONS FOR U.S. COMPETITIVE PROBLEMS

	A Major Reason	A Minor Reason	Not a Reason At All	DK	Total
U.S. businessmen put too much emphasis on profits in the short run	61%	25	6	8	= 100%
Workers overseas are paid less	61%	23	9	7	= 100%
The value of the U.S. dollar against other currencies	52%	30	10	8	= 100%
Too many corporate takeovers in the U.S.	52%	27	12	9	= 100%
Stronger work ethic abroad	48%	29	12	11	= 100%
U.S. companies are not well managed	40%	35	18	7	= 100%
Insufficient cooperation between the U.S. government and business	34%	41	15	10	= 100%
Too much government regulation of U.S. business	33%	42	17	8	= 100%
U.S. workers are not well educated	23%	38	34	5	= 100%

Question 49: *I am going to read you a number of possible reasons for the problems that U.S. businesses are having in competing with other countries. For each one, tell me if you think it is a major reason, a minor reason, or not a reason at all for the problems that U.S. businesses are having in competing with other countries.*

Among the two typology groups most concerned about the problem, both tend to see a number of factors playing a role, but the blue collar critics --Disaffecteds-- are tougher on management than other groups while the white collar critics -- Seculars -- are tougher on American workers. Disaffecteds are especially likely to criticize U.S. businessmen for short-term thinking and poor management. The Seculars are disproportionately likely to criticize workers as being poorly educated and failing to have as strong a work ethic as overseas workers. In keeping with their anti-government attitudes, the Disaffecteds also cite "too much government regulation of business" as a major reason for U.S. competitive problems.

**REASONS FOR U.S COMPETITIVE PROBLEMS, BY TYPOLOGY GROUP
% WHO SAY "A MAJOR REASON"**

	Ttl	Entp	Mora list	Up- bts	Dis- aff	By- std	Fol - low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor
	----	----	----	----	----	----	----	----	----	----	----	----
U.S. businessmen put too much emphasis on profits in the short run	61%	57%	60%	62%	73%	55%	38%	67%	65%	67%	58%	59%
Workers overseas are paid less	61%	69%	64%	63%	62%	52%	42%	59%	66%	62%	51%	63%
The value of the U.S. dollar against other currencies	52%	46%	55%	53%	51%	45%	44%	53%	56%	54%	51%	57%
Too many corporate takeovers in the U.S.	52%	39%	60%	49%	61%	48%	40%	43%	50%	63%	57%	53%
Stronger work ethic abroad	48%	60%	54%	45%	47%	38%	36%	66%	54%	48%	39%	42%
U.S. companies are not well managed	40%	33%	43%	30%	56%	39%	25%	59%	40%	36%	41%	42%
Insufficient cooperation between the U.S. government and business	34%	25%	32%	35%	46%	29%	23%	24%	29%	42%	42%	34%
Too much government regulation of U.S. business	33%	28%	43%	33%	45%	26%	23%	13%	27%	37%	47%	32%
U.S. workers are not well educated	23%	20%	21%	19%	25%	31%	14%	35%	25%	16%	29%	23%
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

In the opinion of America's leadership, too much emphasis on short-term profits is the most critical factor. Government, corporate and financial leaders all rate this reason as most important. Corporate leaders also blame too much government regulation and a failure of government to be more co-operative with business. Government leaders are more likely to cite cheap foreign labor, a stronger work ethic abroad, and poor management of U.S. companies. Financial leaders give more emphasis to the exchange rate and to excessive government regulation.

Evaluating these same factors, foreign investors generally see short-sightedness on the part of U.S. businessmen and the strength of the dollar as the two key factors. The Dutch are especially likely to cite the value of the dollar. The Canadians and the British would add differences in the work ethic and cheap foreign labor to that list. Interestingly, the Japanese are more likely than the other foreign investors to see takeover-mania in the U.S. as an important factor, but very few call it the most important factor.

**U.S. COMPETITIVE PROBLEMS
% WHO SAY "A MAJOR REASON"**

	<u>Opinion Leaders</u>				<u>Overseas Leaders</u>			
	<u>Total</u>	<u>Bus.</u>	<u>Fin.</u>	<u>Govt.</u>	<u>Japanese</u>	<u>British</u>	<u>Dutch</u>	<u>Canadian</u>
U.S. businessmen put too much emphasis on profits in the short run	66%	56%	71%	70%	72%	50%	65%	56%
Too much govt regulation of U.S. business	41%	52%	50%	22%	0%	4%	8%	7%
Insufficient cooperation between the U.S. govt and business	40%	56%	27%	37%	4%	0%	12%	7%
Stronger work ethic abroad	37%	36%	33%	41%	16%	35%	27%	33%
The value of the U.S. dollar against other currencies	33%	20%	40%	39%	24%	35%	73%	41%
Workers overseas are paid less	33%	30%	27%	41%	28%	46%	35%	48%
U.S. companies are not well managed	25%	10%	25%	39%	16%	19%	15%	11%
U.S. workers are not well educated	24%	22%	23%	27%	12%	8%	27%	15%
Too many corporate takeovers in U.S.	23%	22%	15%	33%	52%	35%	27%	4%
Total Respondents	(153)	(50)	(52)	(51)	(25)	(26)	(26)	(27)

Question 11 - *Opinion Leaders Questionnaire*
Question 12 - *Overseas Investors Questionnaire*

Preferred Approach To Improve U.S. Productivity

Both the public and its leaders generally believe that a better trained work force is key to making the U.S. economy more productive and meet the challenge of foreign competition. Presented with a list of four public policy options, a majority of Americans (54%) choose "improving education and job training" as the best policy for improving productivity in the U.S. None of the three other options came close as a preferred approach: 14% favor investment in new plants and equipment, 13% favor reducing the level of government regulation, and 11% favor spending more on research and development.

Opinion leaders also emphasize improvement of education and job training, but by a smaller margin. A plurality (42%), overall, see education as deserving the most attention while about a quarter (24%) believe investment in new plants and equipment as more critical. Government leaders are most solid in the view that a better educated work force is key. Corporate leaders are most divided on how to best proceed -- 34% target education, 26% favor investment in new plants and equipment.

Among all segments of the general population -- including Republicans and Democrats, young people and older Americans, the well-informed and the less well-informed -- improving education and job training tops the list for improvement. Among the typology groups, the liberal, pro-social spending Sixties Democrats are most solidly of this view. Least solid in their views are the pro-private sector Enterprisers, who are almost as likely to target upgrading plants and equipment (22%) or increasing funding for research and development (16%). The anti-government Disaffecteds are most likely to feel reducing government regulation will produce the largest productivity gains (22%).

Overseas investors from the four countries divide in their opinions on this issue. A majority of the Japanese (52%) agree with the U.S. view that improving education is the key. A majority of the British (54%) think the U.S. should focus more on investing in new plants. The Dutch divide about equally between these two policy alternatives. The Canadians are unique in the emphasis they put on increasing spending on research and development. One-third (33%) favor this approach, while about as many (30%) favor improving education.

ATTITUDES TOWARD IMPROVING U.S. PRODUCTIVITY

	General	Opinion Leaders			Overseas Investors				
	Public	Total	Bus.	Fin.	Govt.	Japanese	British	Dutch	Canadian
<u>Best Policy</u>									
Improving education and job training	54%	42%	34%	44%	49%	52%	23%	42%	30%
Investing in new plants and equipment	14	24	26	21	23	28	54	35	22
Reducing government regulation of U.S. business	13	11	16	12	6	0	8	4	4
Increasing expenditures on research and development	11	14	14	13	16	12	8	8	33
None (VOLUNTEERED)	2	3	4	0	4	4	4	4	7
Don't know	$\frac{6}{100\%}$	$\frac{6}{100\%}$	$\frac{6}{100\%}$	$\frac{10}{100\%}$	$\frac{2}{100\%}$	$\frac{4}{100\%}$	$\frac{4}{100\%}$	$\frac{8}{100\%}$	$\frac{4}{100\%}$
Total Respondents	(2048)	(153)	(50)	(52)	(51)	(25)	(26)	(26)	(27)

Question 53 - *General Public Questionnaire*
 Question 16 - *Opinion Leaders Questionnaire*
 Question 19 - *Overseas Investors Questionnaire*

Question wording:

In your opinion, which is the best policy for improving productivity in the U.S.?

Attitudes Toward Foreign Investment

America's leaders see foreign investment in the U.S. as an important source of capital that has kept people employed and the economy expanding at a time of large government deficits and a low personal savings rate. Predictably, foreign investors themselves also believe the U.S. benefits from their activities. But the public has a strikingly different, and overwhelmingly negative, opinion about foreign investment in the U.S. They see the issue in nationalistic terms -- foreigners buying their country out from under them -- and see it as a threat to national security.

When asked whether they feel, in general, ownership of U.S. companies by foreign investors is a good thing or a bad thing for the country, a solid majority of opinion leaders (58%) say they look favorably upon it, citing the country's need for capital, the boost it provides to the economy, and a belief that it fosters fair trade. Positive feelings about foreign investment are particularly strong among financial leaders (69%).

By a four-to-one margin (70% vs. 18%), the public disagrees that foreign ownership is a good thing for America. The better educated, more sophisticated elements of the population are somewhat less likely to see things negatively, but even among the two typology groups who are most well versed about economics -- the Enterprisers and the Seculars -- a majority feel foreign investment is, on balance, bad for America. Most negative in their views of foreign ownership are the protectionist Disaffecteds (79% bad) and the pro-union New Dealers (81%).

ATTITUDES TOWARD FOREIGN INVESTMENT IN THE U.S.

	A Good Thing For The U.S.	A Bad Thing For The U.S.	DK	Total	Total Respondents
General Public	18%	70	12 =	100%	(2048)
<u>Opinion Leaders</u>	58%	26	16 =	100%	(153)
Business	50%	26	24 =	100%	(50)
Financial	69%	17	14 =	100%	(52)
Government	55%	35	10 =	100%	(51)
<u>Typology Groups</u>					
Enterprisers	33%	59	8 =	100%	(202)
Moralists	17%	73	10 =	100%	(249)
Upbeats	22%	71	7 =	100%	(236)
Disaffecteds	12%	79	9 =	100%	(182)
Bystanders	14%	66	20 =	100%	(160)
Followers	21%	55	24 =	100%	(109)
Seculars	27%	58	15 =	100%	(107)
60's Democrats	24%	63	13 =	100%	(190)
New Dealers	12%	81	7 =	100%	(272)
God & Country					
Democrats	17%	67	16 =	100%	(132)
Partisan Poor	9%	76	15 =	100%	(209)

Question 47 - *General Public Questionnaire*

Question 17 - *Opinion Leaders Questionnaire*

Question wording:

Lately, there has been a lot of talk about investors from other countries owning companies in the U.S. In general, do you feel this is a good thing for the U.S., or do you feel it is a bad thing for the U.S.?

Americans who feel negatively about foreign investment most often explain their position by expressing the sentiment that Americans, not foreigners should own America (36%). Next most often, they cite a threat to national security (20%) and a loss of U.S. economic power (17%). The minority who view foreign investment positively see its good points primarily as job creation (36%) and stimulation of the U.S. economy (28%).

WHY FOREIGN INVESTMENT IN THE U.S. IS "A BAD THING"

	<u>General Public</u>
Americans should own America	36%
Threat to national security/ Control of country	20
Loss of economic power/Influence	17
Profits go overseas	13
Loss of jobs	11
Unfair competition	6
Self-interest/Lack of interest in the U.S.	4
Other	8
Don't know	<u>4</u> 119%*
Total Respondents	(1441)

* Adds to more than 100% because multiple responses accepted.

WHY FOREIGN INVESTMENT IN THE U.S. IS A "GOOD THING"

	<u>General Public</u>
Creates jobs/More employment	36%
Stimulates our economy	28
Forms international bond	12
Creates open market/Encourages fair trade	10
Share knowledge with U.S.	7
Motivates U.S. to produce quality products	6
Need foreign capital/U.S. capital insufficient	4
Foreigners have a vested interest in the U.S.	4
Better than Americans at what they do	3
Other	8
Don't know	<u>5</u> 123%*
Total Respondents	(364)

** Adds to more than 100% because multiple responses accepted.*

Burden Sharing

Consistent with a long history of feeling that the U.S. does too much on behalf of its allies, the public feels that neither Japan nor the countries of Western Europe are contributing enough to their own defense. Fewer than one-in-four feel that way about Europe (23%) and even fewer (13%) believe that Japan is shouldering enough responsibility for the defense of the Pacific region.

ATTITUDES TOWARD JAPAN'S AND WESTERN EUROPE'S CONTRIBUTION TO THEIR DEFENSE

<u>Japan</u>	<u>General Public</u>
Contributing enough to defense of Pacific region	13%
Not contributing enough	58
Don't know	<u>29</u>
	100%
<u>Countries Of Western Europe</u>	
Contributing enough to their own defense	23%
Not contributing enough	58
Don't know	<u>19</u>
	100%
Total Respondents	(2048)

Question 54: *Do you think Japan is contributing enough to the defense of the Pacific region, or not?*

Question 55: *Do you think the countries of Western Europe are contributing enough to their own defense, or not?*

In turn, most (73%) favor the U.S. asking Japan and its European allies to take more responsibility for their own defense. There is consensus on this issue in every major population group, and the opinion leaders interviewed favored the proposal almost universally.

ATTITUDES TOWARD BURDEN SHARING

	General <u>Public</u>	Opinion <u>Leaders</u>
Western European Countries And Japan <u>Take More Responsibility For Defense</u>		
Favor	73%	95%
Oppose	15	3
Don't know	<u>12</u>	<u>2</u>
	100%	100%
Total Respondents	(2048)	(153)

Question 57 - *General Public Questionnaire*

Question 26 - *Opinion Leaders Questionnaire*

Question wording:

Would you favor or oppose the U.S. asking Western European countries and Japan to take more responsibility for military defense?

When the issue of Japan's rearmament is addressed in the context of its current prosperity vs. its history as an aggressor nation, the public still favors more military responsibility for Japan. Even a solid majority of those over 65 years of age support Japanese rearmament.

ATTITUDES TOWARD GIVING JAPAN INCREASED RESPONSIBILITY FOR DEFENSE

	General <u>Public</u>	Age			
		<u>Under 30</u>	<u>30-49</u>	<u>50+</u>	<u>65+</u>
Japan should take more responsibility for defense	65%	63%	68%	62%	57%
Japan should not be allowed to build up its defense	24	27	21	27	31
Don't know	<u>11</u>	<u>10</u>	<u>11</u>	<u>11</u>	<u>12</u>
	100%	100%	100%	100%	100%
Total Respondents	(2048)	(362)	(800)	(877)	(455)

Question 56: *Some people feel that since Japan has prospered economically in recent years, it should take on more responsibility for its own defense. Others oppose a greater role for Japan in its own defense, because they feel it might become an aggressor nation again. Which view comes closer to your own?*

Although concern about Japanese militarism is not strong enough to thwart support for increased burden sharing, American nationalism is. Majority support for increased allied and Japanese responsibility slips to 42% when the consequence is described as "Even if it means the U.S. would no longer be the dominant power among allied nations." In contrast, opinion leaders continue to support burden sharing, even in this context, as do the better educated elements of the general public. As the table below shows, this is one of the few issues on which Enterpriser Republicans, Sixties Democrats and Seculars express similar opinions and are at odds with their partisan brethren.

ATTITUDES TOWARD BURDEN SHARING

	Favor Even If The U.S. Is Not The #1 Military Power Among Allied Nations				Total Respondents
	Favor	Oppose	Don't Know	Total	
General Public	42%	39	19	= 100%	(2048)
Opinion Leaders	63%	33	4	= 100%	(145)
<u>Typology Groups</u>					
Enterprisers	60%	27	13	= 100%	(202)
Moralists	42%	43	15	= 100%	(249)
Upbeats	34%	52	14	= 100%	(236)
Disaffecteds	40%	42	18	= 100%	(182)
Bystanders	29%	49	28	= 100%	(160)
Followers	23%	27	60	= 100%	(109)
Seculars	62%	27	11	= 100%	(107)
60's Democrats	59%	27	14	= 100%	(190)
New Dealers	41%	41	18	= 100%	(272)
God & Country Democrats	41%	44	15	= 100%	(132)
Partisan Poor	36%	37	27	= 100%	(209)

Question 58 - *General Public Questionnaire*

Question 27 - *Opinion Leaders Questionnaire*

Question wording:

Would you favor or oppose the U.S. asking Western European countries and Japan to take more responsibility for military defense, even if it meant that the United States would no longer continue to be the dominant military power among allied nations?

When the public is asked the concrete question of whether they would favor removing the troops from Western Europe and Korea as a means of reducing the budget deficit, a majority (54%) favored the idea and another 26% said they would go along with the proposition as a last resort.

ECONOMIC JOURNALISM

Opinions Of Economic Journalism

Americans generally give news organizations favorable reviews for their coverage of economic and business news. Among those surveyed, positive ratings of press performance exceed negative ratings by a big margin -- 66% "excellent" or "good" vs. 29% "only fair" or "poor." U.S. opinion leaders, especially those in government, are far less positive in their evaluations, with only half (50%) giving economic journalism positive grades.

Overseas investors, with the exception of the Canadians, are much more positive than U.S. opinion leaders when asked to rate the economic and business press in their respective countries. Investors' ratings for economic journalism in Canada are on par with U.S opinion leaders' evaluations of the American business press.

OPINIONS OF ECONOMIC JOURNALISM

	General <u>Public</u>	Opini on <u>Leaders</u>	<u>Overseas Investors</u>			
			<u>Japanese</u>	<u>British</u>	<u>Dutch</u>	<u>Canadians</u>
<u>Economic And Business News</u>						
Excellent/Good	66%	50%	72%	88%	69%	52%
Only fair/Poor	29	49	28	12	31	44
Don't know	<u>5</u>	<u>1</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>4</u>
	100%	100%	100%	100%	100%	100%
<u>News About Government And Politics</u>						
Excellent/Good	71%	53%	48%	85%	58%	55%
Only fair/Poor	26	46	52	16	39	41
Don't know	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>4</u>
	100%	100%	100%	100%	100%	100%
Total Respondents	(2048)	(153)	(25)	(26)	(26)	(27)

Question 61 - *General Public*

Question 31 - *Opinion Leaders*

Question 24 - *Overseas Investors*

Question wording:

I'd like you to rate the job news organizations generally do in covering some different news topics. First, how would you rate the job they do in covering...(INSERT X'EDITEM). Do you think they do an excellent job, a good job, only a fair job, or a poor job?

Both the public and U.S. opinion leaders believe that news organizations do about as good a job covering economics as they do in covering government and politics. Sports coverage receives the highest rating from Americans. As a group, members of the public who are more knowledgeable about economic matters don't differ all that much from the less well-informed in their overall ratings of economic journalism. The two most knowledgeable typology groups, however -- who appear equally interested in economic topics and equally likely to read the business pages -- differ significantly in their evaluations. Two-thirds of the conservative, pro-business Enterprisers (67%), compared with 55% of the liberal, environmentalist Seculars are generally pleased with the quality of U.S. economic journalism.

RATINGS FOR THE COVERAGE OF ECONOMIC AND BUSINESS NEWS

Rating	Ttl	Mora Entp	Up- list	Dis- bts	By- aff	Fol- std	Low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor
Excellent	14	11	12	18	10	7	19	17	19	14	25	12
Good	52	56	60	55	47	51	47	38	44	59	48	55
Only fair	24	21	23	21	26	27	17	36	28	21	22	23
Poor	4	10	2	3	9	4	4	5	6	3	1	3
Don't know	5	2	3	2	8	10	13	4	3	4	4	7
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Question 61: *How would you rate the job news organizations generally do in covering the following topic?*

Positive evaluations notwithstanding, the American public believes that news organizations often report economic opinions as if they were facts; only 29% believe that news organizations are careful not to do that. American elites agree -- over two-thirds of opinion leaders (71%) feel the business press often misreports opinion about the economy as factual material. But the Enterprisers are substantially more likely to be critical of economic journalism for confusing opinion with fact than are the Seculars, a group that generally holds more negative attitudes toward the press.

Compared with U.S. opinion leaders, foreign investors overseas are somewhat less critical of the business press in their countries for failing to keep facts separate from opinions. The Dutch press is rated most favorably in this respect, while the British and Japanese press fare least well.

COVERAGE OF ECONOMIC AND BUSINESS NEWS

	News Organizations				Total Respondents
	Careful Present As Fact	Not To Opinion Often Report Business As Fact	DK	Total	
General Public	29%	58	13 = 100%		(2048)
Opinion Leaders	27%	71	2 = 100%		(153)
<u>Overseas Investors</u>					
Japanese	36%	52	12 = 100%		(25)
British	38%	58	4 = 100%		(26)
Dutch	65%	31	4 = 100%		(26)
Canadians	48%	44	7 = 100%		(27)

Question 62 - *General Public*

Question 31 - *Opinion Leaders*

Question 25 - *Overseas Investors*

Question wording:

I have a few specific questions about news coverage of economic and business news. In reporting on economic and business topics, do you think news organizations are generally careful not to present economic opinion as if it were fact, or do you think they often report economic opinion as if it were fact?

Both the U.S. public and opinion leaders believe that economic journalists often influence the story they are trying to cover. Roughly six in ten think that the way news organizations report on the economy and business has an important effect on the state of the economy itself. The more knowledgeable and those who more closely follow business and financial news, including the 60's Democrats, the Seculars and to a lesser degree the Enterprisers, are even more prone than other Americans to see news coverage of economics having a major effect on the economy itself.

A majority of the Japanese (72%) see their countries' business press as having a major impact on the economy, but investors from the other countries are less likely to see things that way. The British are divided on whether their press has such influence, while large majorities of the Dutch (81%) and Canadians (63%) don't see news reporting as significantly affecting economic conditions.

INFLUENCE OF NEWS ORGANIZATIONS' COVERAGE ON THE STATE OF THE ECONOMY

	Coverage Of Economic And Business News:			
	Has An Important Influence On The State Of Economy	Has Little Influence On The State Of Economy	DK	Total
General Public	60%	30	10 = 100%	Total Respondents (2048)
Opinion Leaders	57%	42	1 = 100%	(153)
<u>Overseas Investors</u>				
Japanese	72%	20	8 = 100%	(25)
British	50%	50	0 = 100%	(26)
Dutch	19%	81	0 = 100%	(26)
Canadians	30%	63	7 = 100%	(27)

Question 63 - *General Public*

Question 32 - *Opinion Leaders*

Question 26 - *Overseas Investors*

Question wording:

In general, do you think the way news organizations report on the economy and business has an important influence on the state of the economy itself, or do you think the way news organizations cover the economy and business generally has little influence on the state of the economy?

KNOWLEDGE AND ATTENTIVENESS TO ECONOMIC AFFAIRS

The survey contained a series of questions to determine the information level of the public on topics such as the federal budget deficit, the federal savings and loan crisis, the trade deficit, and foreign investment in the United States. The aim was to establish the amount of public information that underlies opinion for each of these economic issues.

We found three distinct levels of knowledge about economic matters: things that most Americans know, things that only the most knowledgeable Americans can answer correctly; and, things that few Americans indeed can answer correctly.

Things That Most Americans Know:

- * The federal budget deficit is larger than it was ten years ago.
- * Savings and loans institutions are having financial difficulties.
- * Defense is one of the largest components of the federal budget.
- * The U.S. has a trade deficit with Japan.
- * The amount of foreign investment in the U.S. has increased over the last ten years.

Things Only The Most Knowledgeable Know:

- * Americans pay less in income taxes than Western Europeans.
- * The gas tax is lower in the U.S. than it is in Western Europe.
- * The U.S. has a trade deficit with the countries of Western Europe.

Things Few Americans Know:

- * The annual federal deficit is between 100 and 200 billion dollars.
- * Foreign investors own less than 5% of privately-owned U.S. land.
- * Social Security is one of the two largest areas of federal spending.
- * The U.S. has a trade deficit with Canada.

The Federal Savings And Loan Crisis

Respondents were given a list of four financial institutions and asked to name the one that had been in the news because of concerns about bankruptcy. Three-quarters (73%) of the public correctly identified savings and loans as the institution having financial difficulties.

Among the typology groups, those least likely to give the correct response include the Bystanders (57%), the Followers (51%), and the God and Country Democrats (57%) -- groups that have a higher concentration of blacks, younger people, the less well-educated, and those of lower income levels. In contrast, the politically sophisticated Enterprisers (89%), Seculars (84%), and 60's Democrats (84%) were much better informed about this topic. Midwesterners were somewhat more likely than people living in other regions to know about the financial difficulties of savings and loans (82% vs. 71%).

KNOWLEDGE ABOUT THE FINANCIAL DIFFICULTIES OF SAVINGS AND LOANS

	Ttl	Mora Entp	Up- list	Dis- bts	By- aff	Fol- std	Low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor
<u>In The News</u>												
Correct response (Savings and Loans)	73%	89%	81%	74%	77%	57%	51%	84%	84%	75%	57%	68%
Incorrect response	18	7	12	18	17	29	27	11	12	17	27	16
Don' t know	9	4	7	8	6	14	22	5	4	8	16	16
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Question 20: *To the best of your knowledge, which one of these financial institutions has been in the news because of concerns about bankruptcy? (Large brokerage houses; commercial banks; savings and loans; insurance companies)*

The Federal Budget: Spending And The Deficit

Four-in-ten (81%) are aware that the government is spending more money than it takes in this year, and a similarly large proportion (74%) of the public realizes that this deficit is larger than it was ten years ago. Education and age are particularly strong discriminators on this question, with the college-educated (87%) and older people (78%) being more aware of increases in the size of the deficit.

KNOWLEDGE ABOUT THE FEDERAL BUDGET DEFICIT

	Total	Education			Less Than H. S.	Age		
		College Graduate	Other College	H. S. Graduate		Under 30	30-49	50+
Federal Budget Deficit								
Aware of deficit	81%	91%	85%	79%	74%	75%	81%	85%
Deficit is larger	74	87	78	72	63	65	75	78
Deficit is smaller	3	3	3	3	4	4	3	3
Don't know	4	1	4	4	7	6	3	4
Unaware of deficit	<u>19</u> 100%	<u>9</u> 100%	<u>15</u> 100%	<u>21</u> 100%	<u>26</u> 100%	<u>25</u> 100%	<u>19</u> 100%	<u>15</u> 100%
Total Respondents	(2048)	(425)	(386)	(822)	(412)	(362)	(800)	(877)

Question 23: *Do you happen to know if the federal government is spending more money than it is taking in this year or spending less money than it is taking in?*

Question 24: *When the federal government spends more than it takes in that is called a "deficit." Do you happen to know if the deficit is larger or smaller than it was ten years ago?*

When given different dollar ranges for the size of the annual federal budget deficit, only one-fifth (18%) know that the deficit is between 100 and 200 billion dollars. A significant number overstate the size of the annual deficit, as one-fifth (18%) think it is between 200 and 300 billion dollars, and nearly three-in-ten (28%) say it is more than 300 billion dollars. Interestingly, the college-educated did not do much better than the least well-educated on this question (25% vs. 14%). Indeed, among the more sophisticated typology groups, only the Seculars were significantly more likely to know the correct dollar range for the deficit.

KNOWLEDGE ABOUT THE SIZE OF THE FEDERAL BUDGET DEFICIT

<u>Annual Federal Budget Deficit</u>	<u>General Public</u>
Less than 100 billion dollars?	3%
Between 100 and 200 billion dollars?	18
Between 200 and 300 billion dollars?	18
More than 300 billion dollars?	28
Don't know	14
Unaware of the deficit	<u>19</u>
	100%
Total Respondents	(2048)

Question 26: *Do you happen to know if the annual federal budget deficit is currently:*

On a related question, respondents were given a list of seven areas of government spending, and they were asked to name the two areas that account for the largest share of federal spending. Only one in five could correctly identify both defense and social security as the two top spending areas. Seculars (40%) and Enterprisers (36%) were twice as likely as the general public to successfully give both spending areas.

Four-fifths of the respondents (81%) were able to name defense as one of the major spending areas, but only one-quarter (27%) of Americans realize that social security is the other major spending area. Interestingly, there is widespread misperception about the amount of money that is spent on "International affairs/Foreign Aid." One-half of Americans named this area as one of the top spending areas in the budget.

God and Country Democrats were less apt to cite national defense, but large numbers indicated International Affairs/Foreign aid and Medicare as one of the largest shares of federal spending. The Partisan Poor were the least likely to name Social Security as a top budget area (17% vs. 27%), perhaps a consequence of their lower income level.

KNOWLEDGE ABOUT FEDERAL SPENDING, BY TYPOLOGY GROUP

	Ttl	Entp	Mora list	Up- bts	Dis- aff	By- stnd	Fol- low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor
Largest Share Of <u>Federal Spending</u> Named both National Defense and Social Security	20%	36%	20%	20%	19%	8%	16%	40%	20%	21%	10%	14%
National Defense	81	88	80	90	76	74	70	91	93	84	57	84
Social Security	27	40	26	25	27	19	28	44	23	25	29	17
International affairs/Foreign aid	50	36	45	58	55	52	46	32	58	45	46	57
Medicare	14	9	12	10	10	19	20	14	12	13	30	17
Financial aid to the needy	10	9	16	6	14	10	15	4	5	9	14	8
Agriculture	4	4	2	2	7	3	3	4	3	7	4	3
Veteran's benefits and services	3	5	4	2	1	5	6	4	1	5	4	2
Don't know	4	3	5	2	4	4	5	2	1	4	8	5
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Question 28: *Do you happen to know which two areas of government spending account for the largest share of federal spending?*

Respondents also have misperceptions about the current status of the Social Security budget. While nearly half realize that the amount of money collected for Social Security is greater than the amount paid out to recipients (45%), an equally large number believe there is either a deficit in Social Security funds (28%), or the amount collected is equal to the amount paid out (16%).

Interestingly, the more sophisticated, higher socio-economic groups were no more likely than the public as a whole to know about the Social Security surplus. Instead, the God and Country Democrats (56%) and the Disaffecteds (53%) were the most knowledgeable on this subject. Moreover those over 50 years of age were more likely than younger people to know about the Social Security surplus (52% vs. 41%).

KNOWLEDGE ABOUT THE SOCIAL SECURITY SURPLUS

<u>Social Security Surplus</u>	<u>General Public</u>
The amount collected is greater than the amount paid out	45%
The amount collected is less than the amount paid out	28
The amount collected is about equal to the amount paid out	16
Don't know	<u>11</u> 100%
Total Respondents	(2048)

Question 27: *To the best of your knowledge, is the amount of money collected from payroll taxes for Social Security greater than the amount the government pays out to people receiving Social Security, OR is the amount collected less than the amount paid out, OR is the amount collected about equal to the amount paid out?*

International Trade

More than eight in ten respondents (83%) are aware that the U.S has a trade deficit with Japan, an increase in knowledge from 1987, when 70% gave this same response. However, there is less knowledge about trade relations with South Korea, the countries of Western Europe, and Canada, as exemplified by the fact that for each country more than one-fifth offer no opinion.

One-half (53%) of respondents realize that we are currently running a trade deficit with South Korea. In regard to the countries of Western Europe, only 38% are cognizant of a U.S. trade deficit, while one-quarter (27%) are under the impression that the U.S. has a trade surplus. The Disaffecteds, who expressed the most concern about "losing ground" on the trade deficit problem (53%), are among those most likely to be aware of the trade deficit with South Korea and with the countries of Western Europe.

The greatest misconception lies in knowledge about U.S. trade with Canada -- only 16% are aware of the U.S. trade deficit. More than two-fifths (43%) believe there is a trade surplus with our northern neighbor, and an additional one-fifth (20%) think that trade is balanced. Moreover, the well-educated and those who pay attention to economic affairs -- the Enterprisers, the Seculars and the 60's Democrats -- are no more likely than the general public to offer the correct response on this item.

KNOWLEDGE ABOUT U.S. TRADE DEFICITS

	<u>Trade Surplus</u>	<u>Trade Deficit</u>	<u>Trade Balanced (VOL.)</u>	<u>Don' t Know</u>	<u>Total</u>
Japan	8%	83	1	8	= 100%
Canada	43%	16	20	21	= 100%
The countries of Western Europe	27%	38	12	23	= 100%
South Korea	18%	53	5	24	= 100%

Question 42: *When the United States sells more goods to other countries than it buys from them, it has a trade surplus. When the United States buys more goods from other countries than it sells to them it has a trade deficit. For the following countries, tell me if you think the United States has a trade surplus or a trade deficit?*

When asked to make international comparisons, Americans' knowledge is relatively weak. Fewer than four-in-ten (37%) know that Americans pay a smaller percentage of their income in taxes than do the citizens of Western Europe. An equal proportion of people (38%) think Americans pay more, while one-quarter either believe there is no difference or do not offer an opinion. Those least apt to cite the correct response include the Bystanders, the Followers, the God and Country Democrats, and the Partisan Poor -- groups of lower socio-economic status.

KNOWLEDGE ABOUT INCOME TAXES PAID IN AMERICA

	<u>General Public</u>
Americans pay more in taxes	38%
Americans pay less in taxes	37
No difference	10
Don't know	$\frac{15}{100\%}$
Total Respondents	(2048)

Question 43: *Compared to the citizens of Western Europe, do you think Americans pay a higher percentage of their income in taxes, a smaller percentage of their income in taxes, or don't you think there's much difference in the percentage of their income that they pay in taxes?*

Americans are somewhat more knowledgeable about gas taxes, with one-half of respondents (53%) being aware that the tax on gasoline is lower in the U.S. than in Western Europe. One-fifth (21%) think the gas tax is higher in the U.S. and one-in-ten said it is about the same (10%). In addition to the expected differences by education, income, and attentiveness, this question showed larger differences by gender than apparent in the other knowledge questions. Males were much more likely than females to give the correct answer (63% vs. 45%).

KNOWLEDGE ABOUT THE GAS TAX

	Gas Tax In The U. S Compared To Western Europe:					Total Respondents
	Higher	Lower	About the Same	Don' t Know	Total	
General Public	21%	53	10	16	= 100%	(2048)
<u>Sex</u>						
Male	19%	63	9	9	= 100%	(1025)
Female	22%	45	11	22	= 100%	(1023)
<u>Education</u>						
College graduate	12%	75	6	7	= 100%	(425)
Other college	18%	56	10	16	= 100%	(386)
High school graduate	22%	50	12	16	= 100%	(822)
Less than high school	28%	40	10	22	= 100%	(412)
<u>Income</u>						
Under \$15,000	23%	46	12	19	= 100%	(423)
\$15,000-\$29,999	23%	49	10	18	= 100%	(740)
\$30,000-\$49,999	19%	58	10	13	= 100%	(556)
\$50,000+	13%	67	9	11	= 100%	(311)

Question 44: *Compared to Western Europe, do you think the tax on gasoline in the U.S. is higher, lower, or about the same?*

Foreign Investment

Nearly eight-in-ten (78%) realize that there has been an increase in foreign investment in U.S. companies and real estate over the past ten years. While information level on this topic is quite high among all demographic groups, it is particularly strong among the well-educated Enterprisers (91%) and 60's Democrats (87%), and among Midwesterners (86%).

In fact, Americans tend to greatly overstate foreign ownership. Only 4% of respondents are aware that foreign investors own less than 5% of privately owned U.S. land. Nearly one-third (29%) believe they control between 5 and 14 percent, and 44% say foreigners own 15% or more of privately owned U.S. land.

FOREIGN OWNERSHIP OF PRIVATELY OWNED U.S. LAND

Proportion Owned By Foreign Investors	General Public
Less than 5%	4%
5% to 9%	13
10% to 14%	16
15% or higher	44
Don't know	<u>23</u> 100%
Total Respondents	(2048)

Question 46: *Do you happen to know what proportion of privately owned U.S. real estate is owned by foreign investors?*

Attention

In addition to assessing the public's general knowledge of economic affairs, the survey measured level of attentiveness towards various social, economic and political issues. From a list of 11 issues that have been in the news recently, respondents are most inclined to pay a great deal of attention to the problem of crime (74%) and drugs (73%). As revealed elsewhere in the survey, these two issues are considered to be among society's most serious problems. In particular, blacks (81% and 83%) and women (78% and 76%, respectively) are more likely than their counterparts to pay a great deal of attention to the problems of crime and drugs.

Roughly half the respondents pay a great deal of attention to relations with the Soviet Union (55%) and environmental pollution (48%), while somewhat fewer numbers closely follow news about the Federal Budget Deficit (45%), the Federal Savings and Loan crisis (41%) and the Trade Deficit (36%). Issues which attract the least attention include the greenhouse effect (29%), U.S. agricultural policies (22%), Third World Debt (16%), and the economic and political unification of Western Europe (11%).

ATTENTIVENESS TO TOPICS IN THE NEWS

	<u>A Great Deal of Attention</u>	<u>Only Some Attention</u>	<u>No Attention At All</u>	<u>Don't Know</u>	<u>Total</u>
The problem of crime	74%	23	2	1	= 100%
The drug problem	73%	24	2	1	= 100%
U. S. relations with the Soviet Union	55%	37	7	1	= 100%
Environmental pollution	48%	39	11	2	= 100%
The Federal Budget Deficit	45%	45	9	1	= 100%
The Federal Savings and Loan crisis	41%	45	11	3	= 100%
The U.S. Trade Deficit	36%	46	15	3	= 100%
The greenhouse effect	29%	36	26	9	= 100%
U. S. agricultural policies	22%	49	26	3	= 100%
The Third World debt problem	16%	50	31	3	= 100%
The economic and political unification of Western Europe	11%	42	42	5	= 100%
Total Respondents: (2048)					

Question 29: *I am going to read you a list of topics that have been in the news recently. For each one, please tell me how much attention, if any, you pay to this topic.*

Differences By Group

In general, education, income and age are the strongest determinants of what people pay attention to. For example, the politically sophisticated Seculars are more likely than the public as a whole to pay a great deal of attention to U.S. relations with the Soviet Union (65%), the U.S. Trade Deficit (47%), the Third World debt problem (23%) and the unification of the Common Market Countries (18%). And given their social agenda, it is not surprising that Seculars (as well as 60's Democrats) also closely follow news on environmental pollution and the greenhouse effect.

The pro-business Enterprisers pay greater than average attention to U.S. relations with the Soviet Union (65%), the Federal Savings and Loan crisis (52%) and the U.S. Trade Deficit (48%). The God and Country Democrats, although less well-educated, indicate paying a great deal of attention to the Federal Savings and Loan crisis (49%), U.S. agricultural policies (29%), and the Third World debt problem (28%). However, a high level of reported attentiveness does not necessarily correspond with greater knowledge, for the God and Country Democrats were significantly less likely to identify savings and loans as the institutions having financial difficulties.

**ATTENTIVENESS TO TOPICS IN THE NEWS, BY TYPOLOGY GROUP
% WHO PAY A GREAT DEAL OF ATTENTION**

	Ttl	Mora Entp	Up- list	Dis- bts	By- aff	Fol- std	low	Secu lars	60's Dems	New Deal	God/ Ctry	Part Poor
<u>A Great Deal Of Attention</u>												
The problem of crime	74%	65%	75%	79%	76%	68%	68%	56%	70%	80%	86%	78%
The drug problem	73%	67%	75%	72%	77%	61%	63%	60%	74%	77%	88%	77%
U.S. relations with the Soviet Union	55%	65%	60%	62%	59%	36%	35%	65%	61%	57%	52%	44%
Environmental pollution	48%	49%	51%	44%	46%	37%	27%	69%	66%	47%	45%	45%
The Federal Budget Deficit	45%	50%	48%	44%	54%	24%	28%	52%	49%	51%	43%	45%
The Federal Savings and Loan Crisis	41%	52%	48%	45%	42%	20%	19%	41%	40%	52%	49%	32%
The U.S. Trade Deficit	36%	48%	32%	36%	41%	14%	22%	47%	39%	42%	39%	33%
The greenhouse effect	29%	32%	27%	34%	31%	20%	14%	53%	46%	28%	19%	22%
U.S. agricultural policies	22%	27%	25%	25%	20%	16%	11%	16%	27%	27%	29%	14%
The Third World debt problem	16%	17%	16%	13%	17%	9%	11%	23%	19%	20%	28%	12%
The economic and political unification of Western Europe	11%	10%	12%	15%	12%	6%	3%	18%	11%	7%	14%	5%
Total Respondents	2048	202	249	236	182	160	109	107	190	272	132	209

Indices Of Knowledge About And Attentiveness To Economic Affairs

An index of knowledge about economic affairs was created by scoring respondents on their number of correct responses to the various knowledge questions (see Technical Appendix for detailed description of Index). Respondents were then categorized into three groups, according to their level of information. A similar three point index was constructed for "Attention to Economic and Political Affairs" (see Technical Appendix).

The table below shows the correlates of both the knowledge and the attentiveness indices. On the knowledge index, the well-informed group ("high" on the scale) are disproportionately male (68%), white (95%), college-educated (36%), older (44%), and higher income (23%). The knowledgeable are also somewhat more likely to live in the midwest and to be Republican, and nearly three quarters are newspaper readers, compared to only one-half of the least-informed segment of the population.

The Enterprisers and the Seculars, two typology groups whose members are ideologically very different, but who tend to be predominantly male, well-educated and affluent are among the best-informed. The least well-informed --the Followers, the Bystanders, the God and Country Democrats, and the Partisan Poor -- are of lower socio-economic status and have a disproportionate number of blacks.

CORRELATES OF KNOWLEDGE ABOUT, AND ATTENTIVENESS TO ECONOMIC AFFAIRS

	<u>Total</u>	<u>Knowl edge</u>			<u>Attenti on</u>		
		<u>Low</u>	<u>Medi um</u>	<u>Hi gh</u>	<u>Low</u>	<u>Medi um</u>	<u>Hi gh</u>
<u>Sex</u>							
Males	48%	36%	45%	68%	38%	46%	60%
Females	52	64	55	32	62	54	40
<u>Race</u>							
White	86%	76%	88%	95%	82%	88%	87%
Black	11	20	10	4	15	10	11
<u>Education</u>							
College	19%	7%	17%	36%	10%	20%	24%
Other college	19	13	23	19	15	21	18
High school graduate	40	45	40	32	43	39	39
Less than high school	22	35	20	12	32	20	19
<u>Age</u>							
Under 30	24%	32%	25%	12%	31%	25%	14%
30-49	40	39	40	43	42	41	37
50+	36	29	35	44	27	33	49
<u>Region</u>							
East	24%	29%	22%	23%	23%	26%	22%
Midwest	25	18	26	30	24	24	26
South	31	36	31	27	33	32	30
West	20	17	21	20	19	19	22
<u>Income</u>							
Under \$15,000	20%	27%	19%	14%	25%	18%	20%
\$15,000-\$29,999	37	38	39	30	41	37	32
\$30,000-\$49,999	27	24	26	32	23	27	30
\$50,000+	15	9	15	23	10	16	17
<u>Party Id</u>							
Republican	31%	26%	30%	37%	25%	31%	36%
Independent	32	32	32	31	36	30	30
Democrat	38	42	38	32	39	39	34
<u>Newspaper Readership</u>							
Read newspaper	60%	49%	59%	73%	48%	59%	71%
Don't read newspaper	40	51	41	27	52	41	29
Total Respondents	(2048)	(526)	(964)	(558)	(429)	(1055)	(564)

TECHNICAL APPENDIX

The Composition Of The Typology

For more than a year, the Gallup Organization has been conducting extensive interviews with Americans in order to learn more about the basic values and orientations that structure their political thinking. The overriding purpose of this effort was to develop a more meaningful way of describing the American electorate than the traditional concepts of "liberal" and "conservative", "Democrat" and "Republican." Although party affiliation remains the single best indicator of voters' candidate preferences as well as the best individual measure of political behavior, this research has found that political preference and opinions on issues are more fully understood when an individual's values and personal orientations are also taken into account.

Through extensive research and from analysis of the findings of a nationwide survey of over 4000 personal interviews, Gallup identified nine dimensions that animate public opinion. Three of these dimensions are basic personal orientations while six are values:

Personal Orientations

Religious Faith: a measure of belief in God.

Alienation: the degree of powerlessness, hopelessness, and the lack of trust in government people feel.

Financial Pressure: the degree of personal financial concern.

Values

Tolerance/Intolerance: the degree to which people value civil liberties and free speech and the extent to which they accept others who choose a different life style.

Social Justice: beliefs about social welfare, social class standing, and the role of the federal government in providing for the needy.

Militant Anti-Communism: perceptions about the threat of communism, militarism, ethnocentrism, and the use of force to further American interests.

Attitudes toward Government: beliefs about the size and effectiveness of government.

American Exceptionalism: a belief in America that combines patriotism with the view that the United States has a boundless ability to solve its problems.

Attitudes toward Business Corporations: beliefs about American "big business."

The Times Mirror typology was constructed by classifying people according to these nine basic values and orientations, by their party affiliation and by their degree of political involvement. A statistical technique called "cluster analysis" was used to identify these distinct groups of American voters. Two groups are solidly Republican, four are Democratic, and five are independent with two of them leaning Republican and two leaning Democratic.

The typology, then, consists of the following 11 groups:

CORE REPUBLICAN GROUPS

Enterprisers: Affluent, well-educated, and predominantly male. This classic Republican group is mainly characterized by its pro-business and anti-government attitudes. Enterprisers are moderate on questions of personal freedom, but oppose increased spending on most social programs.

Moralists: Middle-aged and middle-income, this core Republican group is militantly anti communist, and restrictive on personal freedom issues.

REPUBLICAN-LEANING GROUPS

Upbeats: Young and optimistic, the members of this group are firm believers in America and in the country's government. Upbeats are moderate in their political attitudes but strongly pro-Reagan.

Disaffected: Alienated, pessimistic, and financially pressured, this group leans toward the GOP camp, but it has had historic ties to the Democratic party. Disaffecteds are skeptical of both big government and big business, but are pro-military.

LOW INVOLVEMENT GROUP

Bystanders: The members of this group are young, predominantly white and poorly educated. They neither participate in politics nor show any interest in current affairs.

DEMOCRATIC-LEANING GROUPS

Followers: Young, poorly educated and disproportionately black. This group shows little interest in politics and is very persuadable and unpredictable. Although they are not critical of government or big business, Followers do not have much faith in America.

Seculars: This group is uniquely characterized by its lack of religious belief. In addition, Seculars are strongly committed to personal freedom and are dovish on defense issues. Their level of participation in politics, however, is not as high as one might expect given their education and their political sophistication.

CORE DEMOCRATIC GROUPS

60's Democrats: This well-educated, heavily female group has a strong belief in social justice, as well as a very low militancy level. These mainstream Democrats are highly tolerant of views and lifestyles they do not share and favor most forms of social spending.

New Dealers: Older, blue collar and religious. The roots of this aging group of traditional Democrats can be traced back to the New Deal. Although supportive of many social spending measures, New Dealers are intolerant on social issues and somewhat hawkish on defense.

God & Country Democrats: This group is older, poor, and disproportionately black, with high numbers concentrated in the South. The Passive Poor have a strong faith in America and are uncritical of its institutions. They favor social spending and are moderately anti-communist.

Partisan Poor: Very low income, relatively high proportions of blacks and poorly educated, this loyal Democratic group has a strong faith in its party's ability to achieve social justice. The Partisan Poor firmly support all forms of social spending, yet they are conservative on some social issues.

TYPOLOGY DISTRIBUTION

	All Adults			
	April / May 1987	January 1988	May 1988	January 1989
Enterpri sers	10%	10%	8%	9%
Moral i sts	11	11	11	11
Upbeats	9	9	8	12
Di saffecteds	9	9	11	10
Bystanders	11	10	11	9
Foll owers	7	6	6	5
Secular s	8	6	7	5
60' s Democrats	8	8	10	10
New Dealers	11	13	11	12
God & Country Democrats	7	8	8	7
Partisan Poor	<u>9</u>	<u>10</u>	<u>9</u>	<u>10</u>
Total	100%	100%	100%	100%
Sample Size	(4244)	(2109)	(3021)	(2048)

SAMPLE SIZE OF THE TYPOLOGY GROUPS

	All Adults			
	April / May 1987	January 1988	May 1988	January 1989
Enterpri sers	438	227	272	202
Moral i sts	458	254	347	249
Upbeats	354	200	255	236
Di saffecteds	347	209	319	182
Bystanders	390	161	265	160
Foll owers	295	107	156	109
Secul ars	332	158	222	107
60' s Democrats	396	198	301	190
New Deal ers	477	252	373	272
God & Country Democrats	317	154	232	132
Partisan Poor	440	189	278	209
Total	4244	2109	3021	2048

Description Of The Indices

I. Knowledge of Economic Affairs

This additive index classifies people according to the number of correct responses they give to various questions about economic affairs. Index scale values were assigned as follows:

Maximum Possible Points

1	Aware Savings and Loan in Crisis	0.20
1	Aware Budget Deficit is Larger Than 10 Years ago	0.23
1	Aware Budget Deficit is Between 100 and 200 billion	0.26
1	Aware of the Social Security Surplus	0.27
1	Aware that National Defense is one of the two top spending areas in the Budget	0.28
1	Aware that Social Security is one of the two top spending areas in the Budget	0.28
1	Aware of the U.S. Trade Deficit with Japan	0.42
1	Aware of the U.S. Trade Deficit with Canada	0.42
1	Aware of the U.S. Trade Deficit with the countries of Western Europe	0.42
1	Aware of the U.S. Trade Deficit with South Korea	0.42
1	Aware that Americans pay a smaller percentage of their income in taxes than do Western Europeans	0.43
1	Aware that tax on gasoline is lower in the U.S. than in Western Europe	0.44
<u>1</u> 14	Aware that foreign investors own less than 5% of U.S. privately owned real estate	0.46

The distribution of responses ranged from 0 (no correct answers) to 14 (all responses correct). These responses were collapsed and the following index was created:

<u>Response Range</u>	<u>Index</u>	<u>Percent</u>	<u>Number of Interviews</u>
9-14	High	28	558
6-8	Medium	47	964
0-5	Low	<u>25</u>	<u>526</u>
		100%	2048

II. Attention to Economic Affairs

For the Attentiveness Index, we classified respondents on the basis of the number of economic issues which they "pay a great deal of attention" to.

Maximum Possible
Points _____

Pay a Great Deal of Attention to (Q.39):

1	The Third World debt problem
1	The economic and political unification of Western Europe
1	The U.S. trade deficit
1	U.S. agricultural policies
1	The Federal savings and loan crisis
1	The Federal budget deficit
$\frac{1}{7}$	U.S. Relations with the Soviet Union

The distribution of responses ranged from 0 (no correct answers) to 7 (all responses correct). These responses were collapsed, and the following index was created:

<u>Response Range</u>	<u>Index</u>	<u>Percent</u>	<u>Number of Interviews</u>
4-7	High	25	564
1-3	Medium	53	1055
0-5	Low	<u>22</u>	<u>429</u>
		100%	2048

III. Measures of U.S. Competitive Position (Q.'s 38, 39)

In the analysis, we classified people into three groups based on their views of present and future trends in U.S. competitiveness -- "Optimists," "Pessimists," and "No change."

- "Optimists" include:
1. Respondents who feel the U.S. competitive position will improve in the future.
 2. Respondents who feel the U.S. competitive position has improved over the last ten years, and think it will either stay the same, or they don't offer an opinion about the future.
- "Pessimists" include:
1. Respondents who feel the U.S. competitive position will worsen in the future.
 2. Respondents who feel the U.S. competitive position has gotten worse over the last ten years, and think it will either stay the same or they don't offer an opinion about the future.
- "No change" includes:
1. Respondents who feel that in the last ten years there has been no change in the U.S. competitive position, and they expect no change in the future, or respondents who offer no opinion on the matter.

Survey Methodology -- The General Public

For this Times Mirror Survey, face-to-face personal interviews were conducted among a nationally representative sample of 2048 adults during the period from January 27, 1989 through February 5, 1989. The margin of error due to sampling is ± 2 percentage points.

THE GALLUP PERSONAL INTERVIEW SAMPLE DESIGN

The sampling procedure is designed to produce an approximation of the adult civilian population, eighteen years and older, living in the United States, except those persons in institutions such as prisons or hospitals.

The design of the sample is that of a replicated, probability sample down to the block level in the case of urban areas, and to segments of townships in the case of rural areas. Over three hundred sampling locations are used in each survey.

The sample design includes stratification by the following seven size-of-community strata, using 1980 Census data: (1) incorporated cities of population 1,000,000 and over; (2) incorporated cities of population 250,000 to 999,999; (3) incorporated cities of population 50,000 to 249,999; (4) urbanized places not included in (1)-(3); (5) cities over 2,500 population outside of urbanized areas; (6) towns and villages with less than 2,500 population; and (7) rural places not included within town boundaries. Each is further stratified into four geographic regions: East, Midwest, South and West. Within each city size-regional stratum, the population is arrayed in geographic order and zoned into equal sized groups of sampling units. Pairs of localities are selected in each zone, with probability of selection for each locality proportional to its population size in the 1980 census, producing two replicated samples of localities.

Separately for each survey, within each subdivision so selected for which block statistics are available, a sample of blocks or block clusters is drawn with probability of selection proportional to the number of dwelling units. In all other subdivisions or areas, blocks or segments are drawn at random or with equal probability.

In each cluster of blocks and each segment so selected, a randomly selected starting point is designated on the interviewer's map of the area. Starting at this point, interviewers are required to follow a given direction in the selection of households until their assignment is completed.

Interviewing is conducted at times when adults, in general, are most likely to be at home. Interviewers were asked to make up to three calls at a specific address in order to complete an interview.

Allowance for persons not at home is made by a weighting* procedure which uses information from two sources: respondents' answers to a series of "times at home" questions and from interviewer contact records. This procedure is a standard method for reducing the sample bias that would otherwise result from underrepresentation in the sample of persons who are difficult to find at home.

The pre-stratification by regions is routinely supplemented by fitting each obtained sample to the latest available Census Bureau estimates of the regional distribution of the population. In addition, minor adjustments of the sample are made by educational attainment of men and women separately, based on the annual estimates of the Census Bureau (derived from their Current Population Survey), and by age and race.

* Politz, A. and Simmons, W., "An Attempt to Get the "Not at Homes" into the Sample without Callbacks", *JOURNAL OF THE AMERICAN STATISTICAL ASSOCIATION*, Volume 44, (March, 1949), pp. 9-31.

COMPOSITION OF THE SAMPLE FOR THE PRINCIPAL SURVEY

	<u>Weighted Percentage</u>	<u>Number of Interviews</u>
<u>Sex</u>		
Male	47.8	(1025)
Female	52.2	(1023)
	<u>100.0</u>	
<u>Race</u>		
White	86.3	(1814)
Black	11.4	(202)
Other	2.0	(22)
Undesignated	.3	(10)
	<u>100.0</u>	
<u>Age</u>		
18-29 years	23.5	(362)
30-49 years	40.4	(800)
50 years and older	35.7	(877)
Undesignated	.4	(9)
	<u>100.0</u>	
<u>Education</u>		
College graduate	18.9	(425)
Other college	19.0	(386)
High school graduate	39.8	(822)
Less than high school graduate	22.2	(412)
Undesignated	.1	(3)
	<u>100.0</u>	
<u>Region</u>		
East:	Maine, New Hampshire, Rhode Island, New York, Connecticut, Vermont, Massachusetts, New Jersey, Pennsylvania, West Virginia, Delaware, Maryland, District of Columbia	24.3 (518)
Midwest:	Ohio, Indiana, Illinois, Michigan, Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Kansas, Nebraska, Missouri	24.5 (516)
South:	Kentucky, Tennessee, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Texas, Arkansas, Oklahoma, Louisiana	31.4 (655)
West:	Arizona, New Mexico, Colorado, Nevada, Montana, Idaho, Wyoming, Utah, California, Washington, Oregon, Alaska, Hawaii	19.8 (359)
	<u>100.0</u>	

Sampling Tolerances

In interpreting survey results, it should be borne in mind that all sample surveys are subject to sampling error, that is, the extent to which the results may differ from what would be obtained if the whole population had been interviewed. The size of such sampling errors depends largely on the number of interviews.

The following tables may be used in estimating the sampling error of any percentage in this report. The computed allowances have taken into account the effect of the sample design upon sampling error. They may be interpreted as indicating the range (plus or minus the figure shown) within which the results of repeated samplings in the same time period could be expected to vary, 95 percent of the time, assuming the same sampling procedures, the same interviewers, and the same questionnaire.

The first table shows how much allowance should be made for the sampling error of a percentage:

	Recommended Allowance for Sampling Error of a Percentage In Percentage Points (at 95 in 100 confidence level) ¹ Sample Size									
	2048	1800	1600	1400	1200	1000	800	600	400	200
Percentages near 10	2	2	2	2	2	2	2	3	3	5
Percentages near 20	2	2	2	2	3	3	3	4	5	7
Percentages near 30	2	3	3	3	3	3	4	4	5	8
Percentages near 40	3	3	3	3	3	4	4	5	6	8
Percentages near 50	3	3	3	3	3	4	4	5	6	8
Percentages near 60	3	3	3	3	3	4	4	5	6	8
Percentages near 70	2	3	3	3	3	3	4	4	5	8
Percentages near 80	2	2	2	2	3	3	3	4	5	7
Percentages near 90	2	2	2	2	2	2	2	3	3	5

The table would be used in the following manner: Let us say a reported percentage is 33 for a group which includes 1000 respondents. Then we go to row "percentages near 30" in the table and go across to the column headed "1000". The number at this point is 4, which means that the 33 percent obtained in the sample is subject to a sampling error of plus or minus 4 points. Another way of saying it is that very probably (95 chances out of 100) the true figure would be somewhere between 29 and 37, with the most likely figure the 33 obtained.

¹The chances are 95 in 100 that the sampling error is not larger than the figures shown.

In comparing survey results in two samples, such as, for example, men and women, the question arises as to how large a difference between them must be before one can be reasonably sure that it reflects a real difference. In the tables below, the number of points which must be allowed for in such comparisons is indicated.

Two tables are provided. One is for percentages near 20 or 80; the other for percentages near 50. For percentages in between, the error to be allowed for is between those shown in the two tables.

Recommended Allowance for Sampling
Error of the Difference
20% and 80%
In Percentage Points
(at 95 in 100 confidence level)*

Size of Sample	2048	1800	1600	1400	1200	1000	800	600	400	200
2048	3									
1800	3	3								
1600	3	3	3							
1400	3	3	3	4						
1200	3	3	4	4	4					
1000	4	4	4	4	4	4				
800	4	4	4	4	4	4	5			
600	4	4	4	5	5	5	5	5		
400	5	5	5	5	5	6	6	6	7	
200	7	7	7	7	7	7	7	8	8	9

Recommended Allowance for Sampling
Error of the Difference
50% and 50%
In Percentage Points
(at 95 in 100 confidence level)*

Size of Sample	2048	1800	1600	1400	1200	1000	800	600	400	200
2048	4									
1800	4	4								
1600	4	4	4							
1400	4	4	4	4						
1200	4	4	4	5	5					
1000	4	5	5	5	5	5				
800	5	5	5	5	5	6	6			
600	5	5	6	6	6	6	6	7		
400	6	6	7	7	7	7	7	8	8	
200	9	9	9	9	9	9	9	10	10	12

* The chance are 95 in 100 that the sampling error is not larger than the figure shown.

Here is an example of how the tables would be used: Let us say that 50 percent of men responded a certain way and 40 percent of women respond that way also, for a difference of 10 percentage points between them. Can we say with any assurance that the 10 point difference reflects a real difference between the two groups on the question? Let us consider a sample which contains approximately 400 in each of these groups.

Since the percentages are near 50, we consult Table B, and since the two samples are about 400 persons each, we look for the number in the column headed "400" which is also the row designated "400". We find the number 8 here. This means that the allowance for error should be 8 points, and that in concluding that the percentage among men is somewhere between 2 and 18 points higher than the percentage among women, we should be wrong only about 5 percent of the time. In other words, we can conclude with considerable confidence that a difference exists in the direction observed and that it amounts to at least 2 percentage points.

If, in another case, responses among a group of 400 men amount to 22 percent and 24 percent in a group of 400 women, we consult Table A because these percentages are near 20. We look for the number in the column headed "400" which is also in the row designated "400" and see that the number is 7. Obviously, then, the two-point difference is inconclusive.

Methodology For Opinion Leaders Survey

For the Opinion Leaders survey, 153 interviews were conducted by telephone during the period January 26 through February 17, 1989. The survey consisted of three subsamples: Chief Executive Officers of financial institutions (52), Chief Executive Officers of non-financial institutions (50), and government officials (51).

The sample of financial institutions was randomly selected from the Fortune 500 Service Companies and included four types of institutions -- savings and loans, insurance companies, commercial banks, and diversified financial companies. For the "business" sample, companies were randomly selected from the non-financial institutions of the Fortune 500 Service Companies, and from the Fortune 500 Industry list.

For the government sample, the Congressmen and Senators from the following committees were selected: Joint Economic, Senate Budget, Senate Finance, Senate Appropriations, House Budget, and House Ways and Means. Also included in the government sample were senior officials from the Office of Management and Budget, The Department of Treasury, The Department of Commerce, and the Council of Economic Advisors.

Advance letters were sent to all selected respondents, emphasizing the importance of the study and notifying them that an interviewer would be calling to make an appointment for an interview. Although every effort was made to complete interviews with the Chief Executive Officer, if he/she was unavailable, other high ranking executives from the company were accepted as replacements.

Methodology For The Overseas Investors

The Overseas Investors survey was administered in late January and early February by Gallup affiliates in the countries with the largest direct investment in the U.S. For the survey, roughly 25 telephone interviews each were conducted in the United Kingdom, the Netherlands, and Canada. An additional 25 were conducted in Japan, employing a mail methodology.

The sample included senior executives from the corporations that invest most heavily in the U.S. A screener question was used to begin the interview, whereby the interviewer asked to speak with the person in the company who is most responsible for decisions concerning any investments or holdings in the U.S.

QUESTIONNAIRES