



The Summer of Our Economic Discontent

Economic Pessimism Gains As Americans Assess the State of the Economy

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With the “Great Recession” now a global phenomenon, the state of the American economy has been much discussed around kitchen tables and the oval office.

Because two thirds of US domestic economic activity is generated by consumer spending, consumer psychology and consumer sentiment matters. In this environment public opinion can become self-fulfilling.

To track American perceptions of the economy, StrategyOne conducted a nationally representative telephone survey June 12-15, 2009 among 1,000 American adults and tracked this data again July 16-19, 2009.

The data from these two research waves spaced almost exactly one month apart paints a troubling economic picture and suggests a souring American view of the economy.

Call it the summer of our economic discontent.

StrategyOne’s research asked American consumers if they “believe the economy” “has already bottomed out and is getting better”, “is at bottom and not getting any better or worse”, or if it “has not yet bottomed out and will still get worse.”

As you can see below, (1) nearly half of American adults feel the economy has further to fall and (2) there has been a general trend toward economic pessimism with a corresponding drop in the percentage of Americans who feel the economy “has already bottomed out and is getting better.”

	June 12-15, 2009	July 16-19, 2009
has already bottomed out and is getting better	34%	28%
is at bottom and not getting any better or worse	15%	21%
has not yet bottomed out and will still get worse	46%	49%

In our June wave only one income group, those households earning over \$100,000 per annum, were more optimistic (44%) than pessimistic (37%) about the economy. This has now changed, as affluent Americans appear to have increased their economic pessimism by 10 points.

With the exception of the \$35,000-\$50,000 household income group, the percentage saying things have bottomed out and are getting better has dropped since June.

	Under \$35,000	\$35,000-\$50,000	\$50,000-\$75,000	\$75,000-\$100,000	\$100,000+
June 12-15, 2009					
has already bottomed out and is getting better	32%	36%	31%	32%	44%
is at bottom and not getting any better or worse	11%	18%	18%	18%	16%
has not yet bottomed out and will still get worse	53%	44%	48%	50%	37%
July 16-19, 2009					
has already bottomed out and is getting better	27%	41%	17%	29%	37%
is at bottom and not getting any better or worse	19%	21%	28%	27%	16%
has not yet bottomed out and will still get worse	50%	37%	52%	44%	47%

When we examine the data by educational attainment, a similar pattern presents itself. College graduates have become less optimistic (40% to 33%) and more pessimistic (40% to 43%) about the economy. More than that, each educational subgroup has become less optimistic about the economy in the past month.

	HS Incomplete	HS Grad	College Incomplete	College Grad+
June 12-15, 2009				
has already bottomed out and is getting better	30%	33%	29%	40%
is at bottom and not getting any better or worse	15%	12%	15%	17%
has not yet bottomed out and will still get worse	51%	51%	50%	40%
July 16-19, 2009				
has already bottomed out and is getting better	24%	26%	26%	33%
is at bottom and not getting any better or worse	20%	24%	18%	22%
has not yet bottomed out and will still get worse	52%	46%	54%	43%

Unfortunately, this suggests that reduced consumer spending and product substitution in consumer packaged goods, travel, and other areas will continue for most American households into the foreseeable future.

Last month Americans in the South and West were the most pessimistic, at 50% and 51% respectively. But in July the real news is the Midwest where economic pessimism increased dramatically, possibly as an aftershock of the auto industry's generational restructuring.

	Northeast	Midwest	South	West
June 12-15, 2009				
has already bottomed out and is getting better	31%	41%	36%	26%
is at bottom and not getting any better or worse	21%	14%	9%	19%
has not yet bottomed out and will still get worse	41%	40%	50%	51%
July 16-19, 2009				
has already bottomed out and is getting better	34%	23%	29%	26%
is at bottom and not getting any better or worse	20%	21%	20%	22%
has not yet bottomed out and will still get worse	43%	54%	47%	50%

Summary:

If this pattern of economic pessimism holds or does not appreciably improve before the federal mid-term elections in 2010, history suggests that incumbents will struggle against challengers that aggressively pin economic angst on them.

Although it is difficult to predict the end of the recession or the long-term impacts of the so-called "Great Consumer Retrenchment," these data suggest that 2009, and possibly 2010, will be a year marked by economic turbulence.

But it is worth noting that economic pessimism does not necessarily translate into general pessimism. In fact, a defining characteristic of American public opinion is long-term optimism about the individual's ability to make a difference and about society's ability to improve. For example, an April, 2009 Opinion Dynamics poll found that 70% of American voters were optimistic about the "future of the country" over the next 10 years and a Rockefeller Foundation survey conducted in June, 2008 found that 76% of Americans felt that "being optimistic about the future" was a "major part of achieving the American dream."