

MEMORANDUM

TO: Allstate

FROM: FTI Consulting

DATE: 12 /4 /12

RE: Allstate/National Journal Heartland Monitor XV Key Findings

This memorandum outlines key findings from the nationally representative survey conducted November 25 – December 1, 2012 among N=1,000 American adults reached via landline and cell phone. The margin of error for N=1,000 is +/- 3.1. The survey investigates Americans' perceptions of the economy and the government's performance on key issues; it assigns priorities in the "to do" list for elected officials; and, it examines Americans' concerns about how important policy issues impact their lives and their personal financial situation.

OVERVIEW

Less than one month removed from the hotly contested presidential election, Americans have the opportunity to assess the condition of the country and look ahead to the next four years. This survey, the 15th quarterly poll in the Heartland Monitor series, reveals some intriguing contradictions in opinion among the American public.

For the fourth survey in a row, the "Right Direction" metric has increased and it is now at its highest level since our first poll in April 2009. President Obama enjoys his highest job approval rating in years. A wide majority of Americans believe the country will overcome its current challenges and most believe the economy will improve over the next year and also by the end of President Obama's second term.

However, Americans' sense of the direction of their personal financial situation took an unexpected step back, led largely by Republicans who are likely unhappy about the election result. Americans also doubt whether policymakers will be able to work together more than they have in the past, most believe their taxes will increase over the next four years, and there's considerable doubt about the budget situation improving.

Americans say that the most important issue for policymakers should be addressing the debt and the budget deficit, but they balk at the idea of cutting the debt through a combination of tax increases and spending cuts. Ultimately, Americans want solutions to the country's budget woes, but they are highly protective of entitlement programs and they endorse continued public investment in infrastructure.

These results speak to the significant challenges faced by policymakers as they address not only the immediate task of avoiding the fiscal cliff, but also a long "to do" list over the next two to four years. The American public is cautiously optimistic about the direction of the country, but they're also skeptical of Washington's ability to work together effectively and address the nation's challenges.

KEY FINDINGS

Americans are more positive about the direction of the country and about President Obama than they've been in quite some time. However, they're still conflicted about the impact of Obama's policies.

- 41% believe the country is heading in the right direction, while 50% believe things are off on the wrong track. This is the highest right direction number we've seen since our first Heartland Monitor poll in April 2009.
 - Right Direction has now improved four surveys in a row, indicating that the positive swing may be about more than just post-election enthusiasm.
 - Democrats are the most optimistic, with 77% believing the country is headed in the right direction, up from 71% in December. Independents increased modestly from 26% to 32%, while Republicans only inched from 7% to 9%.
 - Not surprisingly, Obama voters (76% Right Direction) have a much different take on the country's direction than Romney voters (92% Wrong Track).
 - Hispanic optimism increased from 41% in September to 58%, while whites became slightly more positive (from 29% to 32%) and African-Americans remained relatively consistent in their views (from 71% to 70%).
- At 54%, President Obama's job approval is up five points from September (49%) and at its high point since the second Heartland Monitor in July 2009 (56%).
 - However, the President is still a very polarizing figure. 93% of Democrats approve of the job he's doing, while 87% of Republicans disapprove. Independents are nearly evenly split (48%-46%).
 - A majority of whites (54%) disapprove of the job he's doing, while African-Americans (84%) and Hispanics (78%) give him a strong endorsement.
 - As we saw in the election results, there's a sizable gender gap in Obama's numbers. 58% of women approve of the President compared to 49% of men.
 - When considering gender, ethnicity and education, college educated white women are the only group of whites with whom Obama has a positive job approval (51%). A majority of college educated white men (60%) and non-college educated white men (59%) disapprove, while a plurality (49%) of non-college educated white women disapprove.
- Americans are in wide agreement on their dislike of Congress. 72% disapprove of the job Congress is doing, while only one-in-five (21%) approves. This is consistent across party lines.



- When it comes to developing solutions to the country's economic problems, the President has his biggest advantage over Republicans in Congress since September 2009. 48% trust President Obama, while 32% trust Republicans in Congress.
- Americans are still split on whether the Obama administration's actions will increase opportunity for people like them to get ahead, decrease opportunity, or have no impact.
 - Consistent with our September poll, 36% believe Obama's policies will increase opportunities. This sentiment remains at a high mark in our research since January 2010. 33% believe his policies will decrease opportunities and 25% believe they will have no impact.
 - African-Americans (63%) and Hispanics (56%) believe his policies will increase opportunities. Only 28% of whites agree, with similar numbers among whites across education and gender levels. 42% of whites believe Obama's policies will decrease opportunities for them.
 - Among the 47% of Americans who see themselves as the core "Middle Class," 33% believe Obama's policies will increase opportunities for them to get ahead and 35% believe his policies will decrease opportunities.
- The President has a very slight advantage among Americans when it comes to the overall impact of his economic policies. 47% believe his policies helped avoid an even worse crisis and are laying the foundation for recovery, while 44% believe his policies ran up a record deficit and failed to end the recession or slow job loss.
 - The sense that Obama's policies have helped avoid a crisis and are leading to recovery has steadily increased over the nine times we've asked this question since September 2009. Back in August 2010, just 39% felt this way, while 48% believed his policies had a negative impact.
 - As on other questions about the President, there are stark differences between whites and non-whites and between Republicans and Democrats.

Americans are generally optimistic about the direction of the economy and their personal finances. However, looking ahead over the next four years, there are some doubts about whether the country's fiscal challenges will improve. And, there is strong evidence to suggest that the Presidential election results have caused some to worry about their financial future.

- 44% expect the economy to improve over the next 12 months, while 31% believe it will become worse and 22% expect it to stay about the same as it is.
 - There is undoubtedly a political aspect to this opinion. 75% of Democrats and 74% of Obama voters believe the economy will improve over the next year while 63% of Republicans and 66% of Romney voters think it will get worse.



- Looking ahead to the end of Obama's second term, by that point, 51% believe the country's economy will improve and just 27% believe it will become worse.
- Regarding their personal financial situation, Americans are the least confident they've been in more than a year. This is notable because it contradicts the improving Right Direction sentiment and flies in the face of many positive economic indicators.
 - 39% believe their personal financial situation will improve over the next year, while 36% think it will stay the same and 22% think it will become worse. The 22% "worse" number is up from 13% in September and the highest we've measured since 23% in March 2011.
 - The increase in personal financial concern is being driven largely by Republicans. In September, 30% believed their finances would improve over the next year and 21% thought they would become worse. In this poll, just 15% think their finances will improve while 44% believe they will become worse.
- Just 36% believe that by the end of Obama's next term, the economic wellbeing of Middle Class Americans will improve, 31% believe it will get worse, and 32% think it will stay about the same as it is now.
- 36% believe the gap in income between the rich and everyone else will increase over the next four years, while 46% think it will stay the same and 15% believe it will decrease.
- 62% think their taxes will increase by the end of Obama's second term, including 76% of those in \$100k+ households and 62% of those who consider themselves Middle Class.
- 51% believe that overall government spending will increase, with 17% believing it will decrease.
- 26% think that government spending on "programs that help people like you" will increase, 24% think it will decrease and 46% think it will remain unchanged.
- Just 34% think that by the end of Obama's second term, the country's budget deficit and debt situation will improve and 41% think it will get worse. 23% think it will stay about the same.

Looking ahead to the next four years, Americans expect both sides to make compromises to get more done though they are not sold on the reality of this happening. Regardless of the actions of policymakers, they ultimately believe that the country's problems can be overcome as Americans have always done in the past.

- Regardless of who they supported in the recent election, Americans expect both parties in Washington to work together and make compromises to get more done, even if it means bending on some policies and preferences.
 - 59% of Obama voters think that he should compromise with Republicans in Congress as opposed to remaining firm in his views.
 - 54% of Romney voters want Republicans in Congress to compromise with President Obama and Congressional Democrats.
- Less than half (43%) think it's likely that over the next four years the President and Congress will work together more than they did in the previous four. 45% believe things will be about the same between the President and Congress and 10% think there will be less cooperation.
- Still, considering the challenges facing the country, including the deficit and debt, the slow recovery, high unemployment and deep political divide, a strong majority of Americans believe the country will overcome these challenges as it has in the past with other problems.
 - 67% believe that "Americans will overcome these challenges in the foreseeable future, just like we've done with other major challenges throughout our history."
 - 31% think that "Americans are facing a unique set of challenges that are so serious that we might not be able to overcome them."
 - This belief in Americans' ability to overcome challenges crosses party lines, with 54% of Republicans joining 62% of Independents and 85% of Democrats.

When it comes to prescribing a "to-do" list for elected officials in Washington, Americans are clear about their desire for Congress and the President to tackle the country's debt and deficit. However, shedding light on the difficult task facing policymakers, the data indicates that Americans also want continued public investment to stimulate the economy and they are highly protective of entitlement programs.

- Interestingly, when given the choice between two possible approaches for governing, 55% think that President Obama should take a visionary approach, focusing on long-term goals for the future. 40% believe he should focus on a practical approach to addressing our near-term challenges.
 - Republicans are alone in favoring a near-term practical approach (52%), while majorities of Independents (52%) and Democrats (65%) prefer a more long-term visionary approach.



- As we've seen in previous Heartland Monitor polls, Americans are split roughly in thirds on the proper role of the federal government in the economy. 37% believe that government is not the solution, but the problem; 28% would like to see an active role for government in the economy but lack trust in their ability to do so effectively; 31% believe the government must play an active role in ensuring the economy works for "people like me."
- When considering the most pressing economic issue facing the United States today, jobs and unemployment top the list with 30%, followed by spending (19%) and the deficit (15%) and wages not keeping up with prices (11%). 9% chose the "fiscal cliff" as the most pressing issue. Just 6% chose taxes as the most pressing issue.
 - A majority of Democrats (51%) is concerned about jobs or wages while more than half of Republicans (54%) worry about spending or the deficit.
- In terms of a larger priority list for elected officials in Washington to address, the single highest-rated priority is the budget deficit and the national debt. However, several other issues rank comparatively high, several of which could potentially be at odds with addressing the budget, depending on the level of spending associated with addressing each issue.

Issue priorities ranked by mean score (10=high priority)

8.4	The budget deficit and national debt
8.2	The status of Social Security and Medicare
8.1	The availability of good-paying jobs
8.0	The education system, including cost and workforce preparedness
7.9	The cost of health care
7.9	The tax system
7.5	The retirement system
7.5	Inflation and the rising costs of basic necessities
7.5	National defense and the war on terrorism
7.4	Economic competitiveness with the rest of the world
7.2	The cost of energy
7.1	The condition of roads, bridges, electricity supplies and communication systems
6.6	The status of illegal immigrants
6.3	The state of the housing market



- When asking Americans to rate their personal concern on issues facing their family, issues related to retirement, entitlement programs, and health care sit at the top of the list, followed by job security, education, and prices of necessities.

Personal concerns ranked by mean score (10=extremely concerned)

- 8.1 The continued availability of Social Security and Medicare
 - 8.0 Being able to retire comfortably
 - 7.8 The cost of health care and prescription drugs
 - 7.6 Job security and maintaining steady employment for you and your family
 - 7.6 The price of gasoline, oil, electricity, and natural gas.
 - 7.5 Being able to afford education or training for you or your children that will lead to a good job
 - 7.3 Being able to pay for basic necessities
 - 7.2 The level of taxes you pay
 - 7.2 Your family's safety from war and terrorism
 - 7.0 The safety of local roads, bridges, and the reliability of electricity and communication systems
 - 6.7 The value of your home and your ability to buy and sell a home
 - 6.3 Illegal immigrants working for lower wages and using government services
 - 5.7 The amount of debt you currently hold and being able to pay it down
 - 4.2 The possibility that your job could be moved overseas
- When asked to choose between three actions for helping to improve the economy over the next couple of years, Americans favor efforts to grow the economy first through public investment (43%) and next through tax cuts (29%). Reducing the deficit through tax increases and cuts to public services is the third and least favored option (22%).
 - The highest support for an aggressive deficit-reduction program of tax increases and spending cuts comes from those in high income households of \$100k+, 38% of whom approve of this approach.
 - In terms of longer-term programs to improve the country, the top priority for Americans is a broad improvement in the education system.

First or Second Choice for Improving the Country over 10-20 Years

- 47% Making education more affordable, accessible and relevant to today's job market
- 34% Promoting American manufacturing and industrial innovation
- 34% Providing incentives to help people start their own businesses
- 28% Reducing the trade deficit by increasing exports and decreasing imports
- 23% Eliminating the federal budget deficit through tax increases and spending cuts
- 23% Increasing US energy security through production, alternatives, and efficiency



- Americans are of two minds on taxes, believing that both increasing taxes and reducing taxes will be effective at reducing the deficit and cutting the national debt. Americans do not believe that reducing spending on Social Security and Medicare will be effective.

Perceived Effectiveness at Reducing the Deficit and Cutting Debt

- 76% Increasing taxes on American families who make \$250k+
- 73% Reducing taxes and regulations to spur economic growth
- 54% Reducing spending on the military and national defense
- 53% Increasing taxes on all Americans
- 51% Reducing spending on programs that benefit the poor, like welfare and Medicaid
- 34% Reducing spending on programs that benefit the elderly, like Social Security and Medicare.

- Overall, Americans believe the federal government will be effective on a number of different economic and policy goals – except for lowering the deficit.

Perceived Effectiveness of the Federal Government on Issues

- 65% Ensuring the long-term future of SS and Medicare
- 64% Creating jobs
- 64% Improving the public education system
- 63% Growing the economy
- 57% Creating a business environment that allows for innovation
- 48% *Lowering the federal deficit*

On specific issues, Americans expressed mixed opinions on the role of the federal government in housing policy, health care, higher education funding, and retirement investment and savings. Americans are more unified in their opinions about entitlement reform, infrastructure spending and protecting and encouraging American industry.

- On housing policy, our findings closely match Heartland X (March 2011), where we found an even split over whether the federal government should continue programs that encourage home ownership or scale back those programs. On this survey, 49% believe that federal programs should be continued, while 47% believe they should be scaled back.
 - These programs see higher support among lower-income households and minority groups.
- Americans are split on the best way to make college more affordable. 47% believe the government should spend more on financial aid, while 44% believe the solution is penalizing schools who raise tuition too quickly.
- By a wide margin, Americans believe that the better path to improving our global competitiveness in education is to focus on fundamentals in K-12. 61% believe that competitiveness can be improved through this focus while 34% think the better path is focusing on making college more accessible and affordable.
- 62% of Americans prefer the current system of Social Security and Medicare, even despite the rising costs, while just 34% want to see a restructuring of these programs to place less strain on the budget by including the private sector.



- Americans are split evenly into thirds regarding health care. 34% believe that reforms will do too much to change the system, lowering the quality of care. 32% believe that reforms won't go far enough, leading to increased costs and declining access. 31% endorse the reforms, believing they will improve the system.
- Regarding retirement, by an eight-point margin (52%-44%), Americans believe that a better path to retirement is personal investments in a 401(k), rather than depending on pension programs from employers or government.
- On the global economy, this survey demonstrates more of a protectionist attitude toward trade than we've seen previously. 46% favor a system of protection through tariffs, penalizing outsourcing, limiting legal immigration and limiting the flow of money across borders. 30% favor a system of identifying, promoting, and investing in industries that can best compete globally. 20% believe the US should pursue a more open and free-trade model with more immigration and increased international investment.
 - Notably, Republicans are the most protectionists of all parties, with 51% favoring the system of tariffs and limits on legal immigrants and investment.
- Regarding infrastructure, 54% of Americans believe that improving roads, bridges, buildings and the country's energy and communications system should be led by federal and state government. 43% think the private sector should take the lead.

When asked to assess the changing population of the United States, specifically the growth of the Hispanic population, Americans appear more comfortable with these changes than they were just 18 months ago.

- In May 2011 on our Heartland IX World nation poll, we found that less than half (42%) of Americans were comfortable with the changing population of the United States, believing that these changes were consistent with the tradition of welcoming people of all backgrounds and that immigrant and minority populations have always contributed to America. More Americans (50%) were of the opinion that these trends were troubling, happening too fast and causing changes to the character and values of the US at a time of economic trouble.
- We've seen a significant reversal on this most recent survey. 53% are now comfortable with the changes and 42% believe they are troubling and happening too quickly.
 - This increased level of comfort has occurred among whites (from 39% to 49%), African-Americans (from 45% to 59%), and Hispanics (from 60% to 66%).
 - By party, Republicans' level of comfort increased from 30% to 37%, Democrats from 50% to 68%, and Independents from 44% to 50%.



- A majority of college-educated whites (62%) say they're comfortable with the changes, compared to 37% of non-college educated whites.
- Americans believe that these changes will lead to more global economic competitiveness for the US (57%) and more equality between people of different ethnic and racial backgrounds (62%).
- However, most also believe that this will lead to a more divided political system (64%), more of an income gap (63%), and 40% believe this will lead to less opportunity for their family.