

# THE CENTURY FOUNDATION

## public opinion watch

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**March 23, 2005**

(Covering polls and related articles from the week of March 14–20, 2005.)

**In this edition of Public Opinion Watch:**

**Public Still Dislikes Iraq War and the State of the Economy**  
**Bush Approval Ratings Hit the Skids in New *Newsweek* Poll**  
**Does the Public Support ANWR Oil Exploration?**  
**Once Again on the 2004 NEP Exit Poll**

[Click here](#) for an index of previous *Public Opinion Watch* topics.

### **Public Still Dislikes Iraq War and the State of the Economy**

I've been copiously detailing lately how little progress (really, negative progress) Bush has been making on selling his Social Security plan. And that lack of progress is starting to make even him admit the truth (gasp!) or at least some of it about his Social Security plan. [A recent Reuters story](#) reported that

President Bush said on Wednesday he would not send Congress a specific plan to change Social Security because it would be “dead on arrival” and admitted his idea of personal accounts would not fix the retirement system.

Welcome to the real world, W! But as his Social Security plan sinks slowly in the west, is he making up for that probable failure with progress on other fronts? The economy, after all, has been “strong and getting stronger” for years, according to Bush, and we are now in the fortieth month of the current recovery. Are people suitably delighted with the economy’s performance?

And how about Iraq? With the Iraq elections, a new, more moderate Palestinian leadership, and signs of positive change in Lebanon, has the public now concluded that the Iraq war was a great idea and that Bush is doing a fine job in that area?

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No and no. Take the economy first. In [the new Washington Post/ABC News poll](#), Bush's approval rating on the economy is just 43 percent with 55 percent disapproval. That's his lowest rating on the economy in a year.

And a new Gallup report, "[How Long Can Wall Street Diverge from Main Street?: Can the Economy Be Good for Investors, But Not for the Average American Worker?](#)" points out that

Only 41% of American consumers say economic conditions in the country as a whole are "getting better" right now compared to 50% who say they are "getting worse." This negative difference of 9 percentage points is the largest since last October, when there was a negative difference of 11 percentage points, with 39% saying things were getting better and 50% saying they were getting worse. It is also three times as large as the negative difference of 3 percentage points recorded a year ago (March 8–11, 2004).

The report concludes:

As the good news on household wealth reflects, many Americans have benefited as real estate values and the stock market surged. Even now as energy prices escalate, the value of energy related stocks has increased. As a result, it is not surprising that upper-income families are spending more not only on higher-priced necessities but also on other goods and services as well.

On the other hand, lower- and middle-income households have experienced little wage growth. They are being squeezed by higher gas/energy prices. And, they are increasing their debt—consumer debt increased 11% in 2004. As a result, they are also feeling the impact of higher interest rates even at today's lower levels. According to a March Experian/Gallup Personal Credit Index poll, one in four Americans currently have some form of variable rate credit and one in five Americans say that they are already feeling the pinch of higher interest rates.

In the short term, it is possible for the economic outlook on Wall Street to diverge from that on Main Street. This remains a much better economy for higher-income investors than for average Americans. But, this divergence can't continue for too long. At some point, the squeeze on middle- and lower-income Americans will slow the economy to such an extent that even Wall Street will feel the impact.

Guess Bush isn't quite out of the woods on the economy yet. Turning to Iraq, his approval rating is now down to just 39 percent, with 57 percent disapproval—his worst rating ever in this area in this poll! This is despite the fact that people are now more confident (56 percent) than not (43 percent) that the Iraq elections will produce a stable, effective government in Iraq and that they believe overwhelmingly (67 percent to 25 percent) that the Iraqi people are better off as a result of the invasion of Iraq.

But these positive views are apparently more than offset by continued qualms about the war itself and whether it has been worth the costs. By 53 percent to 45 percent, the public still says

the war in Iraq wasn't worth fighting, given the costs versus benefits of the war for the United States. By 70 percent to 27 percent, they still deem the number of casualties sustained by the United States unacceptable, given the goals versus costs of the war. And, by 54 percent to 43 percent, the public still thinks we are bogged down, rather than making good progress, in Iraq.

And in a very telling question that has been asked in one form or another about every conflict the United States has been involved in since Korea, the public now says United States made a mistake (51 percent), rather than did the right thing (48 percent), in going to war with Iraq. That contrasts starkly with assessments of the Afghan war, where no more than 9 percent thought the war was a mistake and of the Gulf war, where no more than 21 percent thought that war was a mistake. *Indeed, besides the Iraq war, only the Vietnam war itself has been assessed by the U.S. public as a mistake in the last half century.*

Based on this evidence, it doesn't seem Bush can count on public appreciation for his job on the economy and Iraq to counterbalance his declining political support in the Social Security area. On the contrary: public views on the economy and Iraq seem likely to *reduce* his political leverage and make his already-daunting sales job on Social Security even harder.

### **Bush Approval Ratings Hit the Skids in New *Newsweek* Poll**

**A new *Newsweek* poll** confirms Bush's generally poor and sinking approval ratings across the board.

Start with his overall approval rating of 45 percent, down 5 points since early February. Then consider his approval rating on the economy, at just 42 percent with 51 percent disapproval. And his rating on Iraq, at 41 percent with 54 percent disapproval, is his worst ever in this poll.

As usual, the sole exception to a string of dismal approval ratings in this poll is Bush's rating on "terrorism and homeland security." And even here, his 57 percent approval rating in this area is tied for his lowest ever in this poll.

Turning to health care, including Medicare, only 34 percent say they approve of the job Bush is doing, compared to 56 percent who say they don't, also a low for Bush in this poll. Bush also hits new lows on the environment (41 percent approval), on energy policy (35 percent approval, with 45 percent disapproval—also his first net negative rating in this area) and on the federal budget deficit (29 percent approval with 60 percent disapproval). And his job rating on education, 46 percent, is tied for his lowest ever in that particular area.

Quite a sterling record! And we haven't even talked about his rating on Social Security in this poll: a magnificent 33 percent, with 59 percent disapproval. This is the first time *Newsweek* has asked this item during Bush's presidency, so there is no trend data. However, that 33 percent rating is exactly at the average of the last five public polls to release job ratings for Bush on Social Security, so it is no anomaly: the public just doesn't like—in fact, strongly dislikes—the job he is doing on this issue.

Two recent articles shed light on why the public may not be warming up to Bush's activities in the Social Security area: the private accounts he is proposing make them nervous for some very good reasons. One is that, as discussed in [a Saturday Washington Post article](#), the returns on these private accounts probably will not be nearly as good as the White House says that they will be. Here's the basic analysis, as summarized in the article (the full paper referred to below, by Yale economist Robert Shiller, [can be found here](#)):

Under the Bush plan, workers ultimately would be able to invest 4 percent of their income subject to Social Security taxes in their choice of stock and bond funds. At age 47, workers who had chosen private accounts would automatically be shifted to a life-cycle portfolio, unless they and their spouse specifically opt out with a waiver acknowledging awareness of higher risk.

When workers with private accounts retire, the Bush system would subtract from their traditional Social Security benefit all of the money deposited in the private account, plus 3 percent interest above inflation. That "offset" or "claw-back" equals the amount the White House assumes those deposits would have earned in Treasury bonds had they gone into the Social Security system.

But the 3 percent hurdle appears too high for many to clear, Shiller found, especially with the conservative strategy the administration has embraced. According to U.S. historical rates of return, the life-cycle portfolio fell short of the 3 percent threshold 32 percent of the time, meaning nearly a third of personal account holders would have been better off sticking with the traditional Social Security system. The median rate of return was 3.4 percent, barely better than the traditional system. Upon retirement, accounts would yield an annuity payment of about \$1,000 a year, "hardly a windfall," Shiller said.

But he also adjusted for what he expects to be lower future rates of investment return by using historic rates of return from international stock and bond markets. Those returns "correspond more closely to projections of financial economists and should be emphasized more as the appropriate evaluation of the accounts going forward," Shiller wrote.

The results were not encouraging: The life-cycle portfolio under these adjusted returns lost money compared with the traditional system 71 percent of the time, with a median rate of return of just 2.6 percent, \$2,000 less in annual benefits than those of workers who stick with the traditional system.

Another reason for justifiable public nervousness about these accounts is the increasing problem of income volatility for American families. Here are some excerpts from [an excellent article by Daniel Gross](#) in the Sunday *New York Times* summarizing relevant recent research on this problem and its implications for the debate around Bush's private accounts plan:

After mining data from the Panel Study of Income and Dynamics, a database produced by the University of Michigan that tracks the incomes of the same families over a

40-year period, scholars have concluded that incomes are much less stable—i.e., much more volatile—today than they have been in the past. “There has unequivocally been general upward-trend income volatility since at least 1975,” said Bruce A. Moffitt, the Krieger-Eisenhower professor of economics at Johns Hopkins University, who, with Professor Gottschalk, wrote one of the first papers on income volatility in the 1990s. “It accelerated in the 1980s, turned down in the early 1990’s, and then accelerated into the end of the 1990s.”

According to a measure of volatility constructed by Jacob S. Hacker, a Yale political scientist, which tracks the five-year moving average of family incomes, income volatility rose 88 percent between 1978 and 2000.

“The problem in the past few decades,” Professor Moffitt said, “is that volatility has risen while real incomes haven’t risen.” What’s more, income volatility has grown significantly for those who can afford it least. A series of articles last year in the *Los Angeles Times*, written by Peter G. Gosselin, who worked closely with Professor Moffitt and other scholars, reported that in the 1970s, income for middle-class Americans tended to fluctuate by 16 percent a year. But in the 1980s and 1990s, middle-class incomes fluctuated an average of 30 percent. For those whose earnings placed them in the bottom fifth, income volatility rose from 25 percent in the early 1970s to 50 percent in recent years.

Because of other longstanding trends in the economy, strong income volatility can wreak greater havoc now than it did in the past. “The old view among economists was that income volatility didn’t affect consumption much,” said Raj Chetty, an economist at the University of California, Berkeley. It was generally thought that when families’ incomes fell sharply and unexpectedly, they would borrow, tap into savings or send a second adult (frequently a mother) into the work force rather than sharply reduce consumption. But, Professor Chetty said, “that no longer seems to be the case today.”

Why? Many families already rely on two incomes. What’s more, fixed commitments have risen as a percentage of total income. In her book, “The Two-Income Trap,” Elizabeth Warren, a bankruptcy specialist at the Harvard Law School, found that the typical American household in the early 1970s spent about 54 percent of its income on big fixed expenses—home mortgage, health insurance, car, child care—with the rest left over for discretionary spending. By the early part of this decade, however, the typical family was spending 75 percent of its income on these large fixed costs. “They’re spending much more of their income on things that can’t be cut back quickly,” said Professor Warren. “If you lose income suddenly, you can’t decide to sell off one bedroom or decide to cover only half of your family” with insurance.

The factors that functioned as internal shock absorbers for families have weakened. And so, too, have external buffers. Over the last three decades, the percentage of workers covered by defined-benefit pension plans and employer-provided health insurance—guarantees that provide ballast for fluctuating incomes—has declined. Add this to the trend of rising volatility—especially for people in the lower and middle income

levels— and it's easy to understand the reluctance to transform a government program that guarantees seniors an income.

Exactly. No wonder the public isn't chafing at the bit to sign up for Bush's private accounts plan. In today's economy especially, Bush's approach just seems too risky. That's why, when Bush tells people over and over that they shouldn't worry about risk and that they'll all be big winners with private accounts, the public doesn't buy it and, instead, keeps on telling pollsters they disapprove heavily of the job Bush is doing in the Social Security area.

There's a message there for the president, albeit not one he apparently cares to hear.

### **Does the Public Support ANWR Oil Exploration?**

In the wake of the recent narrow Senate vote in favor opening up the Arctic National Wildlife Refuge (ANWR) to oil exploration, it is worth asking whether public opinion now supports the approach adopted by the Senate.

In a word: no. **Very recent data from Gallup** (March 7–10) show that the public still opposes such exploration in ANWR by 53 percent to 42 percent, rising to 58 percent to 37 percent among political independents. Moreover, the intensity of feeling is heavily on the opposition side. Just 19 percent say that oil drilling should proceed and that they'll be upset if it does not. But 45 percent—a gap in intensity of twenty-six points—say that oil drilling should *not* proceed and that they'll be upset if it does. And among independents that intensity gap is even larger: 48 percent to 14 percent, for a gap of thirty-four points.

We shall see if the GOP's ability to push the ANWR oil exploration provision through the Senate winds up as a pyrrhic victory. By these data, it just might.

### **Once Again on the 2004 NEP Exit Poll**

Still not tired of the controversies that have swirled around the 2004 National Election Pool (NEP) exit poll? You're in luck. There's a new report out from the Social Science Research Council (SSRC), "**A Review of Recent Controversies Concerning the 2004 Presidential Election Exit Polls**," authored by political scientists Michael Traugott, Benjamin Highton, and Henry Brady, that does a fine job of summarizing these controversies and relating them to the recent history and key methodological issues of exit polling.

The paper does a particularly good job of explaining the mechanics of how the 2004 exit poll was conducted and connecting those mechanics to the subsequent controversies that erupted. Indeed, the report is much, much clearer about all this than **the rather arcane seventy-seven-page evaluation report issued by Edison/Mitofsky** on the 2004 NEP poll. And it's a hell of a lot shorter: just eighteen pages.

So, if you never got through the Edison/Mitofsky report (which I suspect includes almost

everybody reading these words) give yourself a break and read the SSRC report instead. That'll give you the big picture and I suspect for most readers that'll be enough.

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Public Opinion Watch covers newly released polls, as well as key newspaper and magazine articles that make use of polling data. If you've ever wondered what to make of the blizzard of survey data covered in the newspapers—and whether the newspapers themselves know what they're talking about—you'll want to check out this feature on a regular basis. Each edition will combine noteworthy findings and trends from the latest polling data with analysis of the misinterpretations and misrepresentations to which polling data are so often subject. This and other publications can be found at The Century Foundation Web site:

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