



19<sup>th</sup> March 2012

## ASR's Survey of U.S. Household Finances

*This biannual survey provides unique and in-depth insights into both the financial behaviour and economic assessment of U.S. adults of working age. It includes particularly timely sections on how Americans' political affiliations correlate with their perception of the state of the economy, and on households' top priorities for the next administration. The fieldwork for this survey was conducted during the week of February 13, 2012.*

**This document is a summary of the key findings. Contact us for a copy of the full report that includes all tables and additional topics.**

### The American economic model is broken

A staggering 63% of respondents across the political spectrum feel that the American economic model is broken. Individuals surveyed do not agree that the prevailing paradigm facilitates equal opportunity, or that hard work and skill are rewarded. This grim view of the status quo is also represented in respondents' concerns about fairness and the distribution of wealth: a quarter of those surveyed say the next administration should make closing the gap between the rich and poor a top policy priority, and half want the next administration to make sure the wealthiest Americans pay a "fair share" of taxes. And a mere 20% of those polled believe wealth and income is distributed fairly.

### Policymakers have mishandled the economy

This survey also highlights the extent to which Americans are dissatisfied with those responsible for managing the American economy. Respondents across the political spectrum agree that policymakers have not done a good job in handling the economy over the last year, and that a focus on stimulating economic growth should be the top priority for the next administration. Republicans and Independents are the most critical of economic policymakers, but two thirds of Democrats are also critical of the handling of the economy.

### Talkin' about the generations

Generational issues figured prominently in the survey. Surprisingly, the financial crisis has not had an impact on when people expect to retire, with the stickiness in the retirement age coming even as more than two-thirds say they are not saving enough for retirement. Only the 55-65 year olds seem to anticipate they may have to work longer than they expected 2-3 years ago; their younger counterparts are far more sanguine, and still expect to retire earlier than their parents.

But respondents across all age groups worry that their children will face "worse" standards of living than they currently enjoy, reflecting deep-seated anxieties about the economy, unemployment, inflation and debt burdens. More than 40% of those polled believe that the children of their generation will have a lower standard of living when they are their age.

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## Survey Highlights

### U.S. household finances: stable but fragile

*U.S. household finances are stable ... but fragile.*

Americans of working age feel as worried about their financial situation as they did a year and a half ago. More than a third worry “a lot” about their financial predicament. The perception of job security has deteriorated. For the sixth survey in a row, people feel “worse off” than they did a year ago. Still, **some optimism has returned since last summer**, with a recovery in the percentage of those that think they will be better off in a year’s time. Concerns over a rising cost of living continue to undermine confidence. Some 38% of our sample cited inflation as their number one concern. Unemployment also figured prominently: for one in six of those polled unemployment is the biggest worry. But fear of higher taxes is not as big an issue as the narrative during the recent round of political candidate debates might suggest.

*There are signs that deleveraging continues.*

There are some signs that **households are deleveraging**. The percentage of those respondents with no debt at all has risen by five points since June 2009 to 27%. One of the reasons for this deleveraging is that the **supply of credit remains restricted** – a majority of Americans find it “hard to get a loan”. Of those respondents with debt, 45% believe that they have borrowed excessively. Disturbingly, the number of respondents having **difficulty meeting monthly payments** is still trending upward. 74% of those polled believe the financial crisis has fundamentally changed their attitude to debt, compared with 67% seven months ago.

Although people are more confident about the outlook for house prices, the story is far from compelling. 20% of those polled continue to expect house prices to carry on falling; a third of homeowners / homebuyers are sitting on an unrealized capital loss; while a quarter believe their house is worth less than their mortgage.

*Washington, we have a problem...*

### Is the American economic model broken?

In a special set of questions themed around the upcoming U.S. elections, respondents were asked to assess the American economic model. Does the model provide equal opportunity for all? Does it reward hard work and skill? Is it fair? And crucially, does it work? The results are stark: **63% of our respondents agree that the prevailing U.S. economic model no longer works for most Americans**. Even more surprising is that this is the consensus view in nearly all the groups we analyzed, across age, gender, income, education level or political affiliation.

*Across the political spectrum, respondents have lost confidence in the American economic model.*

Respondents were also asked to rank the priorities for the next administration. There is widespread agreement among those polled that policymakers have done a poor job handling the economy over the last year, and that the top priority for the next government should be to get the economy growing strongly again. The next highest priority on the list? **52% say that next to growing the economy, the incoming administration should “make sure the wealthiest in America pay their fair share of tax”**.

*Is party line the whole story?*

The divisions between the dominant political parties in America seem immense, but is the party line the whole story? We created an economic profile of respondents – based on their self-identified party affiliation – to determine how common economic experiences are across party lines. We find almost as many differences between Republicans and Independents as there are between Republicans and Democrats.

**Contact us for a full copy of the report, including all tables and additional topics.**



## Special Topic 1: Is the American economic model broken?

- **63% of respondents agree: the American economic model no longer works for the majority of Americans.**
- **Just 36% of respondents believe the American model facilitates equal opportunity, while 58% disagree.**
- **Only 20% of individuals surveyed believe wealth and income are distributed fairly.**

*63% of respondents agree that the prevailing economic model no longer works for the majority of Americans.*

The election cycle in the U.S. is well underway, and politicians are campaigning in earnest. But how clearly have the economic issues facing Americans been grasped? This survey suggests that there are problems much more profound than those usually cited – that there are issues beyond persistent unemployment and high gas prices. Indeed, this survey suggests that beyond the immediate economic problems, there is an underlying concern about the structure of the economy.

In a special set of questions themed around the upcoming election, respondents were asked for an assessment of the American economic model. Does the model provide equal opportunity? Does it reward hard work and skill? Is it fair? And does it work?

The results as shown in the table below are surprising. **63% of respondents agree that the prevailing economic model no longer works for the majority of Americans.**

**Table 1: Overall Assessment of the American Economic Model**

The American economic model...	% Agree	% Disagree	% Agree - % Disagree
Provides equal opportunity for everyone.	36%	58%	-22%
Rewards people for their hard work and skill.	43%	53%	-10%
Distributes wealth and income fairly.	20%	74%	-54%
<b>No longer works for the majority of Americans.</b>	<b>63%</b>	<b>30%</b>	<b>33%</b>

Source: ASR Ltd, TNS

*At fault is the distribution process. Only 20% believe wealth and income is distributed fairly.*

If dissatisfaction with the American economic model is so high, **what is the underlying concern?** On balance, respondents do not agree with any of the attributes presented: that equal opportunity is provided to all, that hard work and skill are rewarded, that wealth and income are distributed fairly. However they are less likely to find fault with the incentive structure of the American system. With 43% agreeing that people are rewarded for their hard work and skill, this is the systematic attribute with the highest level of support.

Respondents are less certain that the economic system provides equal opportunity to all. Overall, just 36% believe the American model facilitates equal opportunity, with 58% disagreeing. But the biggest flaw respondents see in the in the American economic model is the distribution process: only 20% believe wealth and income is distributed fairly.

It seems as if the “fairness” of the economic model is being scrutinized. **If more respondents agreed that there was equal opportunity, and that hard work was rewarded – might there be less dissatisfaction with how wealth and income is distributed?**



❖ **Who thinks the economic model is broken?**

It is not just the high level of agreement from so many respondents that the model is “broken” model that is surprising. The profound depth of this sentiment is the real surprise. **At least half of all the groups we analyzed find serious problems with the American economic model.**

*The level of agreement is astonishing.*

Household income can provide some insulation against the perception that the economic model is broken. Those in households with income over \$75,000 are less likely to find fault with the model. Perceptions also matter – respondents that feel their income is higher than average, or believe their wealth to be greater than average are less likely to say the system no longer works. Still, it is striking that even of those with income over \$75,000 – an amount that is only earned by the top third of U.S. households, according to Census data – the majority believe the system no longer works for the majority of Americans.

*Assessing where the model has “failed” point toward risk appetite and debt.*

There is no difference between how homeowners and renters view the economic system. We do note a difference in household structure – having children in the home seems to make respondents more positive about the economic model. Respondents with a college degree are more likely than those without to have a positive view of the economic model, but still, 62% of those with a degree agree that the model no longer works. Interestingly, the employment status of the respondent does not seem to shape the view – it seems **respondents’ opinions about how the system functions are independent of the employment rate** (As a side note, the unemployment rate is right around 9%, both for those who “agree” the model is broken and those who “disagree”.)

❖ **Where has the model “failed”?**

To explore this issue of a “broken” economic model further, we analyzed the economic aspects of each group: those who agree the model no longer works, some 63% of respondents overall, and those who disagree (i.e., those who believe it still works), representing 30% overall.

In some ways there are many similarities between the two groups. **Where the differences between these two groups are most pronounced seems crucial to our understanding of where the model has “failed”.** These issues deal with risk appetite and experience with debt.

**Table 2: Factors Shaping Views on the U.S. Economic Model**

	Of those who “agree” that the system no longer works	Of those who “disagree” (i.e. think the system works)	Difference between the two groups
Not prepared to take risks w/savings	51%	41%	10%
Willing to take risks with savings	28%	38%	10%
Only have non-mortgage debt	25%	18%	7%
Believe their debt levels are too high	48%	37%	11%
Have trouble making debt payments	27%	19%	8%
Report a changed attitude toward debt after financial crisis (net%)	57%	40%	17%

Source: ASR Ltd, TNS



*If the American economic system is set up to reward risk takers, what happens when the majority of Americans are no longer willing to take risks?*

Those who think the model works have a more robust appetite for risk – but they are in the minority. **If the American economic system is set up to reward risk takers, what happens when the majority of Americans are no longer willing to take risks?** It also seems that a problem with debt goes hand in hand with a feeling that the system no longer works. As deleveraging looms large, and consumers have “fundamentally” changed their attitude toward debt, they have also undertaken a “fundamental” reassessment of the risks and rewards of an economic system that often relies on debt.

**Table 3: Assessment of The American Economic Model**

base=1,000	Total	Democrat	Republican	Independent
Total % Identifying As:		29%	27%	36%
<b>“The American economic model provides equal opportunity for everyone.”</b>				
Strongly Agree	11%	10%	13%	10%
Agree Somewhat	26%	19%	38%	24%
Disagree Somewhat	33%	37%	31%	31%
Disagree Strongly	25%	30%	14%	30%
Don't Know	6%	5%	3%	5%
Total % Agree	36%	29%	51%	34%
Total % Disagree	58%	67%	45%	61%
% Agree Minus % Disagree	<b>-22%</b>	<b>-38%</b>	<b>6%</b>	<b>-27%</b>
<b>“The American economic model rewards people for their hard work and skill.”</b>				
Strongly Agree	10%	9%	17%	8%
Agree Somewhat	32%	35%	37%	29%
Disagree Somewhat	30%	31%	26%	31%
Disagree Strongly	23%	21%	17%	29%
Don't Know	5%	5%	3%	3%
Total % Agree	43%	44%	54%	37%
Total % Disagree	53%	52%	44%	59%
% Agree Minus % Disagree	<b>-10%</b>	<b>-8%</b>	<b>10%</b>	<b>-22%</b>
<b>“The American economic model distributes wealth and income fairly.”</b>				
Strongly Agree	8%	6%	13%	6%
Agree Somewhat	13%	8%	23%	9%
Disagree Somewhat	29%	24%	33%	30%
Disagree Strongly	45%	57%	25%	51%
Don't Know	6%	4%	6%	5%
Total % Agree	<b>20%</b>	15%	36%	15%
Total % Disagree	74%	81%	59%	81%
% Agree Minus % Disagree	<b>-54%</b>	<b>-66%</b>	<b>-23%</b>	<b>-66%</b>
<b>“The American economic model no longer works for the majority of Americans.”</b>				
Strongly Agree	30%	37%	19%	34%
Agree Somewhat	33%	40%	33%	30%
Disagree Somewhat	17%	14%	20%	18%
Disagree Strongly	13%	5%	20%	14%
Don't Know	7%	4%	8%	5%
Total % Agree	<b>63%</b>	77%	51%	64%
Total % Disagree	30%	19%	40%	32%
% Agree Minus % Disagree	<b>33%</b>	<b>58%</b>	<b>11%</b>	<b>32%</b>

Source: Absolute Strategy Research Ltd, TNS



## Special Topic 2: Policy Priorities for the Next Administration

- Respondents are extremely dissatisfied with policymakers’ handling of economic issues.
- Respondents want to make sure the “wealthiest” in America pay their fair share of tax.
- Corporate tax reform is high on the agenda for respondents, ranking third behind better economic policies and taxing the wealthy.

Regardless of political affiliation, respondents agree that policymakers have not done a good job in handling the economy over the last year. At least a third of all groups would rate the job performance of policymakers as “fairly poor” or “very bad”. Republicans and Independents are the most critical (90% and 84%) and Democrats somewhat less so (at a still-high 67%).

*There is widespread agreement: policymakers have done a poor job of handling the economy...*

Respondents also overwhelmingly agree that steps to reduce the budget deficit and public debt must be taken now, and at least 70% of all political groups agree.

*...and widespread agreement that tackling the deficit and debt can’t wait.*

We then asked respondents what they thought the top three priorities for the next Administration should be, drawn from a list of ten. Perhaps unsurprisingly, nearly everyone agrees that the top priority should be to get the economy growing strongly again. But what is very surprising is the extent to which **respondents want to make sure the “wealthiest” in America pay their fair share of tax**. The issue that is ranked third is another one of perceived “fairness” with respondents wanting American companies to pay their fair share of tax. And 25% of respondents say one of the top three priorities should be closing the gap between the rich and poor. While these themes of fairness may have slipped out of political discourse in recent months, these findings suggest fairness is still much on the minds of consumers.

*The top priority is for the next Administration to get the economy growing strongly.*

*The next highest priority? Making sure that the wealthiest in America pay their fair share of tax.*

**Table 4: Thinking about the upcoming Presidential election, which three of the following economic issues do you think should be the top priorities for the next Administration?**

	Total
Get the economy growing strongly	65%
Make sure the wealthiest in America pay their fair share of tax	52%
Make sure that American companies pay their fair share of tax	29%
Protect American industry from unfair overseas competition	28%
Close the gap between the rich and poor	25%
Reduce burden of government regulation	18%
Reduce government spending on entitlement programs	17%
Reduce government spending on defense	16%
Improve mortgage availability and revive the housing market	15%
Undertake major infrastructure investment	11%
Don't know / none of the above	9%

Source: ASR Ltd, TNS

From an economic perspective, what is striking is **the low priority given to mortgage availability and the revival of housing**. With 26% of respondents underwater on their mortgage, it is surprising that respondents do not give this issue higher priority. Another surprise is that despite the widespread concern over the budget deficit and levels



of debt, reducing spending (whether through defense or entitlement spending reductions) receives a relatively low ranking from all respondents.

❖ **Different priorities across groups**

We evaluated the top four priorities named by respondents across a range of groups. By ages, those 45-54 assign the highest priority to getting the economy growing, while those 25-34 are the least worried about protecting American industry.

Only 58% of those currently unemployed say that getting the economy growing is one of their top three priorities – certainly a majority, but actually one of the lowest from any group.

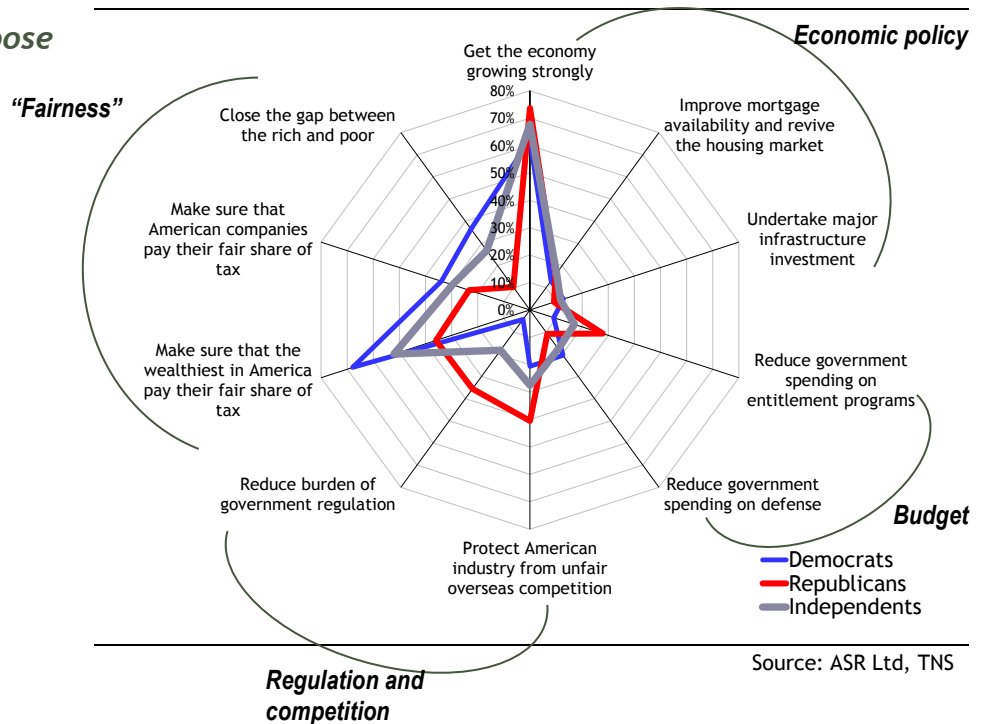
Interestingly, respondents in households with income over \$75,000 are also concerned about tax fairness. 46% of those place a priority on making sure the wealthy pay their fair share. The table below also shows how political affiliation differs. Only 36% of respondents with a Republican affiliation put the issue of the wealthy paying a fair share as a top priority. They are even less likely to be concerned about tax fairness when it comes to corporates – only 23% say this is a priority. Their biggest concern is economic growth. By comparison, **for Democrats, a “fair share” from the wealthiest is the top priority.**

*Overall, 27% of respondents self-identify as Republican, 29% say Democrat, and the largest group, 36%, say they are independent or unaffiliated.*

Taking this one step further and outlining the priorities by political affiliation allows us to see very clearly where the differences lie. The closer the point is to the outside of the circle, the more agreement there is with that issue from the group. This illustration helps display in graphic form how those of different political affiliations would choose different economic agendas.

*Chart 1 shows in graphic form how those of different political affiliations would choose different economic agendas.*

**Chart 1: Priorities for the Next Administration by Political Affiliation**



Source: ASR Ltd, TNS



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<sup>+</sup> Source: Thomson Reuters Extel Pan-European Survey 2009, 2010, 2011.

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