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Journal MAGAZINE

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COVER STORY

Financial Risk Cuts Deeper, Poll Finds

**AMERICANS AGREE THEY ARE
BEING FORCED TO CONFRONT
MORE RISKS, BUT THEY DON'T
AGREE ON HOW TO COPE.**

Saturday, April 25, 2009

by Ronald Brownstein

Financial insecurity is a constant companion for Patricia Slonkosky. Even when she still had a job as a photo-lab technician in Kentucky, the 49-year-old worried about saving enough for a comfortable retirement. "The stock market is up and down," she

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says with a sigh, "and people don't have the confidence they used to."

As the economy has careened into recession, Slonkosky's worries have grown more acute. Both she and her husband are out of work in Minster, Ohio, where they moved to be close to his family. "My husband lost his job last year, so we've kind of liquidated our savings," she says. Now the couple is relying on Medicaid to provide health insurance for themselves and their eight children. Despite that safety net, she worries that any serious health problem would be "catastrophic" financially.

To Slonkosky the contrast between her financial experience and that of her parents is the difference between struggling in a riptide and standing on shore. "My dad was in the civil service all his life and definitely had a philosophy of 'slow and steady wins the race,'" she says. "He had a federal savings plan and a pension. And he did have to move twice in his life, but his job was safe."

Slonkosky is hardly alone in feeling so tempest-tossed. In a new *Allstate/National Journal* Heartland Monitor poll, fully 64 percent of adults said they think that today's economy presents them with more financial risks that could endanger their standard of living than their parents confronted. That's nearly six times as many as the 11 percent who say that today's economy presents fewer risks; the remainder believe they are confronting about as much risk as their parents.

A broad array of Americans shares the sense of being exposed to greater financial uncertainty. That anxiety, the poll found, is as powerful among Americans with a college education as it is among those without. It is also as strong among those in the upper middle class as it is among poll respondents, such as Slonkosky, who were surviving paycheck to paycheck even in better days. "It seemed like no matter what I did, I was going to lose half," said Maureen Montalbano, a 49-year-old regional bank manager on New York's Long Island who has seen the past year's financial turmoil sweep away, like a storm surge, years of savings. "Everything has lost money: my 401(k), my stocks, annuities, everything. The only thing that managed to stay stable was my savings account, but, of course, that's not really growing either."

All of these Americans are living through a slow-motion social and economic revolution. In the first decades after the Depression, public and private decisions shifted responsibility for managing financial risks, such as funding retirement and health care, from individuals to government and employers. But over the past generation, the obligation for handling those challenges has substantially moved back toward individuals in what Jacob Hacker, a University of California (Berkeley) political scientist, described in a 2006 book as *The Great Risk Shift*. Millions of Americans have obtained more control over their financial lives at the cost of bearing more risk.

This change has been evident in the shift from pensions under which employers guaranteed a defined lifelong benefit to 401(k) plans in which workers' retirement security depends mostly on their own investments in stocks and bonds. The transformation is likewise evident in the movement toward health insurance that transfers more costs to individuals. Workers also live with greater uncertainty, with

studies showing that more face the danger of disruptions, such as unemployment, that precipitate a severe drop in income. (Fully 37 percent of those surveyed said they had lost a job or otherwise experienced a sharp income decline at some point in the past five years.) What's more, investments that average Americans have long viewed as buffers against bad times -- homeownership, for example -- now seem more likely to compound financial insecurity. "Mortgages, buying a house, owning a business, investments: Everything is riskier," said Aliceson Coleman, 29, a school cafeteria manager in Riverside, Calif.

Americans may broadly agree they are confronting more risk, but the poll found much less consensus on how to cope with it. Although many people want government to provide more security, a surprisingly large share of those polled stressed individual action and control -- even amid the greatest economic upheaval in 75 years. These complex views could create a political minefield for both parties. President Obama's plans to expand government's reach through such initiatives as universal health care could collide with the persistent attraction of self-reliance. But Republicans could suffer if Americans conclude that their calls for retrenching government would simply leave average families more vulnerable to a rising tide of risk.

Fundamental Changes

The *Allstate/National Journal* poll is the first of four exploring the ways that Americans navigate the economy. This survey focused on how people manage financial risk. The poll, conducted by Ed Reilly and Brent McGoldrick of FD, a communications strategy consulting firm, surveyed 1,200 adults from April 8 through 14. It has a margin of error of +/- 2.8 percentage points.

One unambiguous conclusion from the results is that Americans think they are living through more than an ordinary recession: 69 percent agreed that after the U.S. recovers, "the way the economy looks and works will be very different." Just 27 percent think that the economy will remain "more or less ... the same."

"It seemed like no matter what I did, I was going to lose half." -- Maureen Montalbano, regional bank manager

A majority of respondents -- 55 percent -- said that the economy is on the wrong track. Only 30 percent said that it is moving in the right direction. A somewhat larger share, 42 percent, described their personal financial situation as excellent or good, while 56 percent viewed their position as only fair or poor.

THE ECONOMY

The Optimist

Scott Bland

Although Kimberly Ellison sees anxiety about the economy all around her, she says she is less concerned than most people because she also sees more economic possibilities than ever before. "There's more jobs than when my parents were growing up," she said. "There's more opportunity today."

Ellison does worry about her family's ability to deal with a sudden loss of income or employment, but she remains confident that if she were to lose her factory job she would be able to find another quickly. "We'd deal with it that way," and by cutting back where necessary, she said.

To Ellison, 37, personal

[\[more...\]](#)

Yet Obama has engendered substantial trust, the survey found. His overall job-approval rating stood at 61 percent, with just 28 percent disapproving. Those polled preferred him over congressional Republicans, 55 percent to 26 percent, when asked whom they trust to develop solutions to the country's economic challenges. Obama led on that question among voters at every income level.

In a particularly striking finding, a 47 percent plurality said that the country -- as opposed to just the economy -- is headed in the right direction. Forty-two percent said that it is on the wrong track. As recently as October, a Diageo/*Hotline* survey conducted by FD found that just 12 percent of registered voters thought that the country was on the right track, while 78 percent thought that it was moving in the wrong direction.

Notwithstanding the glimmers of optimism it found, the most recent survey underscored the downturn's impact. Nearly two in five respondents said that the stock market's decline has changed the way they plan to pay for their retirement. Even more dramatically, about one-fourth of respondents ages 45 to 64 said that the downturn has compelled them to push back their retirement date.

Those surveyed ranked paying for health care and fear of losing a job as their top economic concerns (at 17 percent each), followed by saving for retirement, energy costs, and paying for education (all at 13 percent), and paying the mortgage or rent (10 percent). Demonstrating the breadth of this recession, fear of job loss was actually greater among upper-middle-income workers than lower-income ones, who worried most about health care and energy costs. Across all income levels except the lowest, a majority said they were reducing their spending to weather the storm.

This turmoil has shaken some financial assumptions and left others standing. Several respondents had been rattled by vertiginous declines in their home values or foreclosure. Yet almost three-fourths of adults said they would still advise a friend or relative to invest in a home.

By contrast, the upheaval in the stock market has sown broader doubts about the trend toward financing retirement through personal investments. Asked whether Americans are "still better off relying on their own investments such as 401(k)s rather than depending on pension programs from employers or government," 48 percent said yes. But nearly as many, 42 percent, said that given the stock market's fluctuations, it is now "too risky" to base retirement on personal investments.

The Enduring Divide

The division over whether to continue relying on 401(k) plans points toward the central tension in the survey: the difference between those who believe that the best response to heightened risk is greater government action and those who put more emphasis on individual control and initiative. Despite the widespread conviction that Americans today face more financial risk, many still look to their own

THE ECONOMY

The Saver

Scott Bland

Salesman Philip Pirello of Erie, Pa., has put three kids through college by saving and cautiously investing. But he says government must look out for Americans' financial

choices and decisions, rather than government initiatives or decisions by business, as the best means of acquiring more stability.

security. [\[more...\]](#)

"Whether things go up or down, people want to be masters of their own destiny," said Andrei Cherny, a former speechwriter for Al Gore who wrote *The Next Deal*, an insightful 2001 book on the attraction of choice in public policy. "They believe stability comes from them. They believe instability comes ... when a distant, top-down organization is in charge of them, be it Big Government or Big Business."

At the broadest level, the survey found that 57 percent of adults think that their financial security depends mostly on their own actions--such as doing a good job and investing carefully--while just 37 percent say that their fate is largely determined by events out of their control, such as broader changes in the economy. (One notable trend: African-Americans and Hispanics are more likely than whites to believe their own effort determines their fate.) Although four-fifths of respondents think that most Americans are doing a relatively poor job of managing their own financial affairs, a 56 percent majority consider their own performance excellent or good. Even specifically on financing retirement, a resounding 69 percent majority say that their own decisions are more important than events out of their control, such as fluctuations in the stock market. Just 25 percent disagree.

The continued attraction of individual choice and initiative was most apparent in questions asking people what would most help them handle four central financial challenges.

Asked what would best ensure their financial security during retirement, 10 percent picked more government regulation of investments; 13 percent said development of new investment vehicles offering lower but more-reliable rates of return; and 18 percent preferred creation of an expanded government pension program beyond Social Security (such as the government-subsidized retirement savings plan that Obama has proposed). But a majority, 51 percent, said that the key is personally saving more and making better investment decisions.

Similarly, when asked the best way to build assets for their family, 15 percent preferred government programs, such as assistance to first-time homebuyers; 16 percent picked more government regulation of the products financial firms offer, such as restrictions on adjustable-rate mortgages; and 21 percent wanted the financial industry to offer investments that provide greater certainty, such as fixed-rate mortgages and savings vehicles. But a plurality, 43 percent, put the greatest onus on personal actions such as saving more and making better investment decisions. A question on how people can maintain a reliable income through their working lives produced a similar tilt: Just 34 percent picked government regulation or a new government program (such as wage insurance), while exactly half emphasized personal actions, such as doing a good job or taking classes to improve skills. Only 9 percent preferred privately offered wage insurance.

These results suggest challenges for both parties. Cherny said that although the broad perception of intensifying risk shows that Americans are looking for greater

security, any expanded government safety net must incorporate the expectation of increased control that people have acquired in an era where they book their own vacations or shop globally on the Internet. "Even though we are in a period of economic insecurity ... people are not looking at the world in 2009 the way they did in 1933," said Cherny, who recently announced his candidacy, as a Democrat, for state treasurer of Arizona. On the other hand, he notes, the "old-style Republican answer" of simply reducing government may not hold much appeal at a time when the private sector has lost so much credibility. With both institutions tarnished, he argues, Americans are looking for answers that provide them with more-effective tools to handle their own financial challenges.

The poll found that Americans may be most receptive to increased government intervention on health care, Obama's top priority for enlarging the public safety net. On that issue, too, more people picked individual initiative than any other option: 37 percent said that lifestyle changes, such as better eating habits, are the most effective means of ensuring that they can afford the cost of medical care. But 44 percent of respondents looked to government, with 18 percent preferring more regulation of the health insurance industry and 26 percent supporting creation of a government-run competitor to private insurers. (Just 13 percent think that the answer is new products from the insurance industry itself.) Those responses suggest an opening--although not a huge one--for Obama to pursue universal coverage.

The Four Clusters Of Risk

These broad patterns mask significant variations in opinion, some of which followed familiar tracks. On each of the four major challenges tested -- retirement, health care, assets, and income -- self-identified Republicans are considerably more likely to stress personal initiative than are self-identified Democrats, who lean toward government solutions. Independents usually fall somewhere between but are generally closer to Republicans. Senior business managers, the self-employed, and knowledge workers (a category that includes professionals with at least a college degree, such as lawyers, consultants, and professors) also tilt toward personal initiative. Together, those three groups made up about 20 percent of respondents. By contrast, the survey found that respondents without significant assets -- those who did not own a home, or have health insurance, or contribute to a retirement plan -- lean more toward public solutions.

These distinctions were particularly apparent when respondents were asked whether government or business is more likely to produce ideas that offer greater security. Overall, those surveyed split evenly

THE ECONOMY

The Regulation

Advocate

Scott Bland

Chuck Dagenet, a licensed practical nurse in Mesa, Ariz., and his wife lost their home to foreclosure last year, when they were due to refinance their mortgage. The house's value had plunged nearly 50 percent since they purchased it three and a half years before. Losing his house has convinced Dagenet, 46, that government needs to be more involved in defending Americans' finances. While at work, Dagenet says, "people come in every year and say, 'Why are you doing this that way?' or 'You should do this differently.' It seems like no one was really looking over the banks' shoulder." He and [\[more...\]](#)

on the question -- 40 percent to 40 percent, with the rest unsure or picking both or neither. Hispanics and especially African-Americans are most likely to look to government; so are women, those without assets, and people under 45. On the other hand, the self-employed, knowledge workers, senior managers, and men strongly prefer business.

On many questions, though, the demographic traits that usually separate public attitudes--education, income, gender, race -- produced relatively little variation. In shaping opinion, experiences were more important than attributes. Three questions in the poll most clearly tested the extent to which people feel economically vulnerable: whether they had suffered a significant loss of income at any point over the past five years; whether they thought they had accumulated enough financial assets to "provide a reasonable cushion of security" if they lost their job; and whether they were confident they could "maintain their current standard of living" if someone in their family suffered a major health problem. The more insecurity people expressed, the more likely they were to view events, rather than personal initiative, as determining their economic fate -- and the more disposed they were toward collective, government-sponsored solutions.

Viewing the country through this lens produced four distinct clusters. Thirty-six percent of those surveyed expressed none of those three insecurities; they tended to be older, more affluent, better-educated, and more white than the rest of the population. Twenty-nine percent expressed one of those worries: Demographically, they closely mirrored the country overall. Twenty-two percent expressed two of these insecurities: This group was disproportionately young and nonwhite, with fewer college graduates. The remaining 13 percent showed anxiety on all three questions: They tended to be middle-aged, noncollege, and considerably lower-income than the three other groups.

These four groups diverged on almost every major question. Two-thirds of the most secure (those who expressed none of these anxieties) believed that their own actions primarily determine their economic fate. That number dropped with almost stair-step precision among those who expressed one (62 percent), two (47 percent), or three (38 percent) of these anxieties. Similarly, the share that looked to government rather than business for economic solutions increased from 35 percent among the most secure to 39 percent among those who expressed one anxiety, and 47 percent among the two most insecure groups. ([Get more details on how these groups responded.](#))

Taken together, all of these findings suggest that, as on so many other issues, Americans are fractured and fluid in their attitudes about how society should help families manage the financial challenges of daily life. Almost all Americans say they are grappling with greater economic volatility than earlier generations faced. But the 36 percent of respondents who expressed none of these three anxieties feel sublimely confident about their capacity to cope with these risks without much help. The 29 percent of Americans who expressed just one of these concerns tilt toward personal action but are considerably more open to government intervention. The last two groups feel economic risk bearing down on them relentlessly and are eager for government to devise new lifelines.

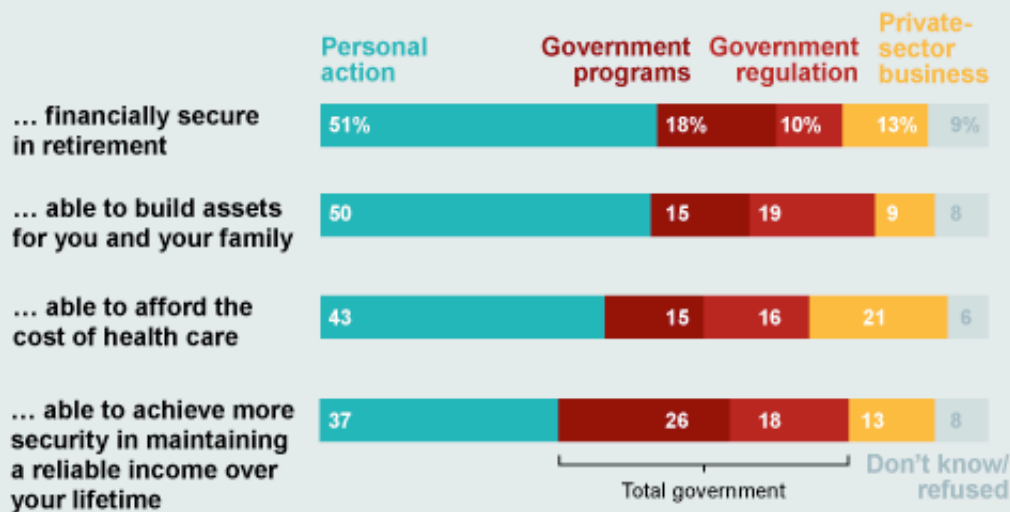
At 35 percent of the population, these final two groups may be the modern analogue to the "one-third of a nation" that Franklin Roosevelt, in his second Inaugural Address, described as "ill-housed, ill-clad, ill-nourished." Not nearly as many of them today are suffering privation (most of them, for instance, own homes), but many feel they are living on a ledge that can crumble in a manner they can neither predict nor control.

Chuck Dagenet, a poll respondent and self-described "low-paid nurse" in Mesa, Ariz., crystallized the way so many of these families now experience the economy when he explained his frustration at losing his home, which had plummeted in value, to foreclosure. Today, he said ruefully, even "the solid things are riskier."

A Self-Reliant People

Even amid the most disruptive economic downturn since the Great Depression, a substantial portion of American adults continue to see personal action, rather than government intervention or business decisions, as the best means of improving their economic security. More poll respondents picked personal initiatives, such as doing a good job or investing more carefully, than any other option when asked how they might better manage the challenges of financing retirement, maintaining a secure income, and accumulating assets. Health care is the big exception to the pattern: More people picked government over personal action as the key to achieving security in affording medical care. That sentiment could provide an opening for President Obama's health care reform agenda.

Q: Which of the following would be most effective in ensuring that you are ...



NOTE: National telephone survey of approximately 600 adults April 8-14; margin of error ±4 percentage points.

SOURCE: Allstate/National Journal Heartland Monitor conducted by FD

Weathering The Storm

Q: As you think about the next six months, what concerns you most?

Paying for health care for you or your family	17%
You or someone in your household losing their job	17
Saving for or paying for retirement	13
The cost of gasoline and home utilities	13
Paying for education for you or your family	13
Paying monthly mortgage or rent	10
The value of your home	7
Credit card debt	5

Q: And, over the past six months, what specific steps, if any, have you taken to make sure you can more easily pay living expenses?

Cut back on wasteful spending	34%
Lived within my budget	22
Worked more	5
Begun saving	5
Used less energy	4

NOTE: National telephone survey of approximately 600 adults April 8-14; margin of error ± 4 percentage points.

SOURCE: Allstate/National Journal Heartland Monitor conducted by FD

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