

New Models Messaging on the National Debt, Jobs, and the “Fiscal Cliff”

September 2012

OVERVIEW

Presentation Testing conducted two mixed-gender focus group dial tests in Columbus, OH, on September 12, 2012. One group was comprised of 12 McCain-voting moderate Independents, and the other was comprised of 12 Obama-voting moderate Independents. All respondents had at least some college education, and were age 22 or older.

KEY FINDINGS

- 1) Independents believe that the national debt is related to jobs—particularly as it relates to the following three areas: an uncertain economic environment that is making businesses unwilling to invest; government using resources that would otherwise be available to the private sector, including small businesses; and the national debt is preventing government from helping the American people.

In each session, we had a discussion with respondents about the relationship between the national debt and jobs. We wanted to know if they think there is any cause and effect.

Exploring this issue with respondents, we specifically focused on two questions:

Did America lose jobs because of the debt?

How, if at all, is the debt preventing people from being hired?

The responses we received focused on three key ways that Independents believe the national debt is related to jobs.

First, respondents told us that our national debt is creating an uncertain economic environment that is making businesses unwilling to invest. In our groups, we heard:

“I think there are manufacturers who may even have an opportunity to create jobs or invest more in the economy, [but] when you watch the debt that is increasing on a daily basis, they’re not willing to do that....I think as a country, we’re unstable. I think the national debt is making us as a country unstable. Our economy can implode and we don’t have anything to stand on. If China calls the debt markers in, we’re done. We have no way to pay it. I think people who have an opportunity to make things better or to begin to turn that around are going, ‘I’m not jumping in with that.’ There’s a lot of insecurity that goes along with the fact that we as a nation are insecure about our

economy, about anything. If I have that money, I'm not going to jump in and kind of throw good money after bad. We're not stable enough to say, 'This is an investment I choose to make.' It's what I want to do, but I'm not going to take that leap. It is a leap of faith and I think we're just too tenuous of a financial position that people aren't going to say, 'Let me do this. Let me just jump in.' I think people are very protective. I think you're holding it close to the chest. You're not willing to take that risk. We're not creating jobs. We're kind of just shuffling people around and more people are losing jobs. We're not reaching out and making it better." – Karen G., McCain-voting Independent

"If we were living within our means, we know that the way people are being taxed right now—the amount of money that's coming in at the current taxation rate—we can support ourselves. We can live within those means, but we've chosen not to do that. We've chosen to go beyond those means. So how do you get more money to pay down the debt? You tax people more. You take more of what they make. You can't continue to do that over and over again. You can only go to the well so many times. The well is dry. People don't have any more—unless you're going to tax us at 100 percent. Then, you're getting into a government that says, 'We're going to determine how you're going to live. We're going to take that choice away from you.' ...So the debt—maybe the sheer size of it—has gotten to the point we can't support that anymore. We can't give any more. That's where people are. There's nothing more. So again, it comes down to the small companies. People aren't buying, so if you're not buying, things aren't going to be manufactured. If things aren't being manufactured, why do we have a company that's manufacturing something that nobody's buying? It's sitting on the shelves. 'Okay, well, now I don't need that retail person because we're not making the sales so I'm going to lay this person off.' So now it trickles down to the manufacturer. 'Well, we don't need to buy your product because our shelves are fully stocked. I don't need the person to sell it and I don't need you to manufacture it.' No company can maintain that so it just keeps pushing further and further down to the people who are actually doing the work." – Karen K. McCain-voting Independent

"I sell for a living all kinds of material handling to factories and warehouses, and when I talk to people, they're short-staffed, but they're worried. They're worried about overextending themselves because of the debt. A lot of these people aren't as smart as you think. They don't have all the facts and they just get scared. The lead times are way too long, but they're worried about hiring a third shift. Then, we lose orders sometimes. They don't get to fill orders here and then they buy from overseas. I don't know how to correlate all that, but that's just what I see out there in the field. I think they're worried about debt. I think they believe, unfortunately, a lot of what they read that we're going to have to start paying this [debt] down and that we're not going to be able to borrow anymore...Somehow they feel that it's all tied in." – Mark, Obama-voting Independent

"A larger national debt leads to a weaker dollar, so the higher the debt goes, the weaker our dollar is, the lower economic standing we have on a world-wide scale. The dollar is weaker. Things cost more. People can't afford as much. Manufacturers aren't spending

money to create things. The dollar goes down—everything becomes more expensive to create and produce.” – Matt, McCain-voting Independent

“If companies see all the debt, they’re afraid to hire new people because they don’t want to spend money because they don’t see any more coming back in. The government doesn’t want to help them out. If the debt is already high, [companies] aren’t going to spend more [money].” – Joe, Obama-voting Independent

Second, respondents focused on the idea that government is using resources that would otherwise be available to the private sector. For example, small businesses are unable to acquire the capital they need to expand their businesses as a result of government borrowing so much. Respondents in our groups explained:

“The national debt is the money that the government has spent for their goods and services. They’re the only people using that money and buying those goods. That uses up money that would otherwise be available to the private sector so in that piece of it, I think that might be where it costs some jobs because [government is] using what’s available for their resources.” – Karen W., McCain-voting Independent

“I believe [the national debt] affected our credit rating as a nation, dropping it from triple-A status. If we’re going to have a lower credit rating, we’re going to have a harder time making jobs. Our debt got so high that other people don’t want to loan us money for our programs. Therefore, if you’re a small business—say you have three small businesses looking for the loan to start their business, [the bank will say.] ‘We can only give [the loan] to two [small businesses] instead of three now because we’re loaning less money because of [America’s] credit rating.’” – Chris, McCain-voting Independent

“I think [the national debt] directly affects the stock market numbers and the flow of money in the country that the banks have available, and the interest rate is one other point. Not only is money not as readily available, but the threshold to get the money is higher because the national debt is high. It trickles right down into the entire financial system and then you factor in the general psychology of the problem. If a small business person needs the capital—an influx of cash in order to branch out, build their business and they cannot get a loan in order to do that—and I’m not just talking about start-ups. I’m talking about established small businesses that would normally be growing their businesses and adding an employee. Maybe they need another office or they need a bigger building or bigger warehouse or more equipment, then they need funds—typically a loan—in order to make that happen. If there’s not money available to them, then they’re not going to be able to do that.” – Karen K., McCain-voting Independent

“We depend on other countries. Our stock market and everything goes into that and that risk of people investing and where we get the money—the small businesses trying to get loans and all of that—has an effect on [small businesses’] ability to hire people. So instead, they lay off people and the people that they keep, they just keep putting more and more work on them. Instead of creating more jobs, they’re losing people and just trying

to maintain a very skeletal staff to do all the work.” – Michele, McCain-voting Independent

Third, respondents believe that our national debt is preventing government from helping the American people, and in the respondents’ minds, that is hurting jobs. In our groups, we heard:

“We have no money to help our own people and then we borrow money from other countries to support all these things that are not going on in our country, but our own people are sitting here and they don’t borrow any money to help anybody here. You can’t do that. They keep borrowing money and nothing comes back to us for it. That’s one of the things. It’s much cheaper to have jobs when people will work for less. We aren’t going to work for less. We don’t want to pay any money for anything and we don’t want to work for less so we have a little problem there. They just go ahead and borrow and do what they want to do and just figure, ‘Well, you’re out there. See if you can make it or not.’ There’s not a whole lot of help.” – Barbara, Obama-voting Independent

“When we owe people so much money, then we don’t have that money to spend on creating jobs. If you want to create infrastructure—which is a government-run program—[then you increase the deficit].” – Barb, Obama-voting Independent

“Our debt is 40 percent of GDP right now. You look at a country like Greece—its [debt to GDP ratio is] 200 percent. Right now, they’re going through austerity measures because they can’t pay their loans and they have to make cuts at the government level and it’s drastically affected unemployment, but we’re not there yet. So is there a correlation with debt increasing as well as unemployment? Eventually. Eventually, as we can’t pay back our lenders, we have to make spending cuts through austerity measures and the government employs a lot of people. Eventually, that’s going to lower the cash system in the economy and there’s going to be more cuts. We see what Greece is going through right now. It’s turning into a depression.” – Jamey, Obama-voting Independent

- 2) The most important thing that Independents think Congress should be doing about the economy and jobs that it has not done yet is to agree on a budget that reduces the debt.

At the beginning of each session, we asked respondents to provide their answers to a number of questions in a written exercise.

One of the questions read:

What is the most important thing that Congress should be doing about the economy and jobs that it has not done yet?

The most common responses to this question from McCain-voting Independents included: reduce taxes, reduce spending by passing a viable budget, and provide incentives for businesses to hire.

The most common responses to this question from Obama-voting Independents included: pass a jobs bill, stop sending U.S. jobs overseas, and agree on a budget that reduces the debt.

Note: We did not have a discussion about this issue with respondents.

3) None of the Independents in our sessions know what is meant by the term “fiscal cliff.”

At the beginning of each session, we asked respondents to provide their answers to a number of questions in a written exercise.

One of the questions was:

Some people have warned that America faces a ‘fiscal cliff.’ What is meant by that term?

The following chart shows respondents’ level of knowledge about the “fiscal cliff”:

Written answers	McCain-voting Independents	Obama-voting Independents	Total
At least partially correct response	0	0	0
Incorrect response	11	12	23
Don’t know	1	0	1

Several respondents who provided a technically incorrect response about what the “fiscal cliff” is at least provided answers that were in the ballpark: We are so deeply in debt we are reaching a point of no return, a point where the economy will go back into a recession or even a depression, our debt is so big that we will not be able to borrow money the way we do now, and our nation will go bankrupt.

4) Most Independents do not know what is meant by the term “sequestration” or when it would occur.

At the beginning of each session, we asked respondents to provide their answers to a number of questions in a written exercise. Two of the questions were related to “sequestration.”

First, we asked respondents the following question:

What is sequestration?

The following chart shows respondents' level of knowledge about "sequestration":

Written answers	McCain-voting Independents	Obama-voting Independents	Total
At least partially correct response	0	1	1
Incorrect response	4	1	5
Don't know	8	10	18

The only respondent to have a response that was at least partially correct wrote, "required spending cuts."

Respondents who provided an incorrect response about what "sequestration" is provided answers including the following: to be separated, when Congress shuts down, isolation of a certain group, and a pro-rated type of draw-down on the funds.

The second question in the written exercise about "sequestration" was:

If sequestration occurs, in which month would it start?

The following chart shows respondents' level of knowledge about which month "sequestration" would start if it were to go into effect. Clearly there was some modest amount of good guessing going on:

Written answers	McCain-voting Independents	Obama-voting Independents	Total
Correct response	1	2	3
Incorrect response	2	1	3
Don't know	9	9	18

Note: The "Correct response" is January.

- 5) Once the "fiscal cliff" is described to respondents, McCain-voting Independents believe that the two most important **steps that can be taken to address the "fiscal cliff"** are approving a budget and reducing the size of government. Obama-voting Independents believe that the two most important steps that can be taken to address **the "fiscal cliff" are** extending the tax cuts for at least four years and stopping the party politics (compromise).

After we explained to the respondents what the "fiscal cliff" is, we asked them to respond to the following prompt during a whiteboard exercise:

Imagine that you could meet with your Member of Congress to discuss this issue. What would you tell him or her is the most important step that our nation could take to address this issue?

McCain-voting Independents made the following list (with the top two scoring steps in bold):

- a) Compromise (5)
- b) Short-term extension of the tax cuts (3-5 years) (1)
- c) Congress live by same rules as the rest of us—no special retirement, no special medical
- d) Pull out of other nations and focus on U.S.
- e) Cut/be more judicious about foreign aid
- f) Don't raise the debt ceiling
- g) Approve a budget (9)
- h) Bring jobs back to America rather than offshore
- i) Reduce the size of government (7)
- j) More oversight on spending; do away with "czars" (2)

Obama-voting Independents made the following list (with the top two scoring steps in bold):

- a) Reduce dependency on foreign oil
- b) Extend tax cuts at least four years (7)
- c) Increase the debt ceiling (2)
- d) Reduce spending (5)
- e) Not allow any more companies to go abroad & sell back to us things made overseas
- f) Stop playing party politics (compromise) (6)
- g) Encourage companies to come back to the U.S. by giving tax breaks
- h) Change some of the regulations that are killing small businesses
- i) Support a jobs bill (1)
- j) Cut military spending (3)
- k) Increase spending on firemen and police to stimulate the economy

- 6) **The top two items on President Obama's policy agenda that McCain-voting Independents have heard him say he wants to do if he were re-elected are to increase taxes on the rich—the top 1 percent—and create more jobs. The top two items on President Obama's policy agenda that Obama-voting Independents have heard him say he wants to do if he were re-elected are to reduce unemployment and tax the rich.**

In a whiteboard exercise, we asked respondents in each group to respond to the following prompt:

What items are on President Obama's policy agenda if he gets re-elected? In other words, what have you heard he wants to do between 2013 and 2017? Please list these one at a time. NOTE: This is NOT what you might want him to do—this is what he has said he plans to do.

McCain-voting Independents made the following list (with the top two scoring items in bold):

- a) Create more jobs (8)
- b) Increase taxes on the rich—top 1% (11)
- c) Equal opportunity for higher education
- d) Explore alternate energy and green jobs
- e) Give citizenship rights to dependents of illegal aliens
- f) Reduce our dependence on gasoline and foreign oil
- g) Reduce/eliminate use of coal
- h) Changing student loans and how they are administered
- i) More banking regulations
- j) Bring more troops home
- k) Uphold health reform (5)
- l) Govern by executive order

Obama-voting Independents made the following list (with the top two scoring items in bold):

- a) Reduce the deficit (2)
- b) Reduce unemployment (11)**
- c) Tax the rich (6)
- d) Leave Afghanistan by 2014
- e) Get his jobs bill passed (1)
- f) Support his education programs (2)
- g) Create alternative energy solutions platform (1)
- h) Stronger environmental laws
- i) Make student loans more affordable and accessible (increase Pell Grants) (1)

- 7) **The top two items on Governor Romney’s policy agenda that McCain-voting Independents have heard him say he wants to do if he is elected President are to repeal and replace Obamacare and create more jobs. The top two items on Governor Romney’s policy agenda that Obama-voting Independents have heard him say he wants to do if he is elected President are to reduce unemployment and get rid of all or part of the President’s healthcare plan and introduce his own.**

In a whiteboard exercise, we asked respondents in each group to respond to the following prompt:

What items are on Governor Romney’s policy agenda if he gets elected? In other words, what have you heard he wants to do between 2013 and 2017?

McCain-voting Independents made the following list (with the top two scoring items in bold):

- a) Repeal and replace Obamacare (12)**
- b) Revise the tax code to make it easier for businesses to hire (2)**
- c) Get rid of the loopholes
- d) Create more jobs (7)

- e) Reduce foreign oil and increase domestic energy production
- f) Privatize education
- g) Reduce regulations on small businesses
- h) Reduce government spending
- i) Revamp Social Security and Medicare
- j) Balance the budget (3)
- k) Make foreign policy more firm—increase our position as a world power
- l) Maintain the strength of our military
- m) No bailouts or stimulus
- n) Stand up to China
- o) Keep God’s name where it is
- p) Stop influx of illegal immigrants
- q) Eliminate grants to solar companies

Obama-voting Independents made the following list (with the top two scoring items in bold):

- a) Reduce unemployment (8)
- b) Get rid of all or part of the healthcare plan and introduce his own (8)
- c) Reduce the deficit (6)
- d) Bring manufacturing back to the United States
- e) Tougher foreign trade policy
- f) Support Israel
- g) Tax cuts for the wealthy (2)
- h) Increase military spending
- i) Tougher stance on Iraq
- j) Repeal all or part of Dodd-Frank
- k) Streamline regulations for small business

- 8) If President Obama were to win re-election and at least one house of Congress were to remain under Republican control, the top two items that Independents think the President and Congress can work together on over the next two years that they **didn’t or couldn’t do together in the past two years** are reduce unemployment and balance our budget.

At the beginning of each session, we asked respondents to provide their answers to a number of questions in a written exercise.

One of the writing prompts read:

Let’s imagine it’s November 7th and President Obama has been re-elected, but at least one house of Congress remains under Republican control. What do you reasonably expect the President and Congress to do together in the next two years, if anything, that they didn’t or couldn’t do together in the past two years?

The most common responses to this question from McCain-voting Independents included: absolutely nothing because there will be no compromise, reduce unemployment, and pass a workable budget that allows us to live within our means.

The most common responses to this question from Obama-voting Independents included: reduce unemployment with a particular focus on infrastructure and public sector jobs, have a more balanced budget, and improve healthcare.

Note: We did not have a discussion about this issue with respondents.

- 9) If the Presidential election were held today, most McCain-voting Independents would support Governor Romney, but some would also support President Obama. Most Obama-voting Independents would support the President again, but some would switch their support to Governor Romney.

At the beginning of each session, we asked the following question:

If the Presidential election were held today, for which candidate would you vote?

The following chart shows how Independents in each group responded:

Answer choices	McCain-voting Independents	Obama-voting Independents	Total
1 = Obama	3	7	10
2 = Romney	8	4	12
3 = Someone else	1	1	2

Note: We did not have a discussion about this issue with respondents.

- 10) Even though more respondents would support Governor Romney than President Obama, most expect President Obama to win the election in November.

At the beginning of each session, we asked the following question:

If you had to put a \$250 bet on the outcome of the election, who would you bet would win?

The following chart shows how Independents in each group responded:

Answer choices	McCain-voting Independents	Obama-voting Independents	Total
1 = Obama	5	9	14
2 = Romney	7	3	10

Note: We did not have a discussion about this issue with respondents.

11) Two-thirds (16 of 24) of respondents watched at least some of Mitt Romney's acceptance speech at the Republican National Convention, including eight of 12 Obama-voting Independents.

At the beginning of each session, we asked the following question:

How much of Mitt Romney's acceptance speech at the Republican National Convention did you watch?

The following chart shows how Independents in each group responded:

Answer choices	McCain-voting Independents	Obama-voting Independents	Total
1 = None of it	4	4	8
2 = Some of it	3	3	6
3 = All of it	5	5	10

Note: We did not have a discussion about this issue with respondents.

12) Two-thirds (16 of 24) of respondents watched at least some of Barack Obama's acceptance speech at the Democratic National Convention, including six of 12 McCain-voting Independents

At the beginning of each session, we asked the following question:

How much of Barack Obama's speech at the Democratic National Convention did you watch?

The following chart shows how Independents in each group responded:

Answer choices	McCain-voting Independents	Obama-voting Independents	Total
1 = None of it	6	2	8
2 = Some of it	3	6	9
3 = All of it	3	4	7

Note: We did not have a discussion about this issue with respondents.

13) Independents remain generally unaware that a payroll tax cut was in place last year, and that workers paid less in FICA taxes in 2011 than in 2009

There are still large numbers of people who don't know (or disagree) that workers paid a lower FICA tax rate in 2011 than in 2009. As we have done in previous sessions, we asked our 24 respondents in Columbus these two questions at the start of each session:

Imagine a worker earned gross wages of \$40,000 in 2009, and earned \$40,000 again in gross wages in 2011. When it comes to the FICA taxes that this person paid for Social Security and Medicare in 2011, was his tax rate in 2011...

- 1 = Lower than it was in 2009 (3 of 24)
- 2 = The same as it was in 2009 (13 of 24)
- 3 = Higher than it was in 2009 (8 of 24)

Did you, and/or the workers you know, get a payroll tax cut last year?

- 1 = Yes (6 of 24)
- 2 = No (9 of 24)
- 3 = Don't know (9 of 24)

14) Independents remain generally optimistic that the unemployment rate will be lower than it is now one year from today

In the beginning of each session, we asked respondents the following question:

The unemployment rate in the U.S. now stands at 8.1%. A year from today, do you expect it to be...

- 1 = Under 5% (0 of 24)
- 2 = Between 5% and 6% (1 of 24)
- 3 = Between 6% and 7% (5 of 24)
- 4 = Between 7% and 8% (12 of 24)
- 5 = Between 8% and 9% (5 of 24)
- 6 = Between 9% and 10% (1 of 24)
- 7 = Above 10% (0 of 24)

Eighteen (6 McCain-voting Independents and 12 Obama-voting Independents) of the 24 respondents believe that the unemployment rate will fall to between 5% and 8% one year from today.

Note: We did not have time in the sessions to discuss why.