# If the Economy Is So Good, Why Are So Many Feeling So Bad?

***By Brad Bannon***

Politicians, economists and journalists alike rave about the economic recovery that the United States has enjoyed in the last couple of years. But the celebration over the economic good times begs an important question: if the economy is so good, why are so many feeling so bad?

There is a lot less to this economic recovery than meets the eye. First, there was the October stock market crash or "correction" as CNN's Lou Dobbs kept calling it to prevent a panic. Then President Clinton's request for fast-track authority to negotiate trade agreements was derailed in Congress.

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To top it off, there has been a rash of large-scale layoff announcements in recent months. The Pentagon indicated that it will cut 30,000 civilian jobs over the next five years, while General Motors said that it will reduce its workforce by 42,000 in the same period. Kodak announced plans to layoff 10,000 over the next two years, and 3,000 employees of Philadelphia's CoreStates Financial Corporation will be casualties of that bank's merger with the First Union Corporation of Charlotte, NC. To paraphrase Harry Truman, a few thousand layoffs here and a few thousand layoffs there and soon you're talking about real unemployment.

**Economic Woes**

Against this grim backdrop, it should not come as a surprise (but it still does to many observers) that lots of Americans remain pessimistic about the direction of the nation at a time when unemployment is so low and the stock market is so high. A national survey conducted for the Pew Research Center for the People and the Press last September found that slightly more Americans were dissatisfied (49%) with the way things were going in this country than were satisfied (45%) [see Figure 1]. Also last August the Gallup/CNN/*USA Today* poll found that just as many Americans rated national economic conditions negative (51% said fair or poor) as positive (49% said excellent or good) [see Figure 2]. It is worth noting that more Americans (13%) expressed a very negative opinion about the economy than those who were very positive about it (8%).

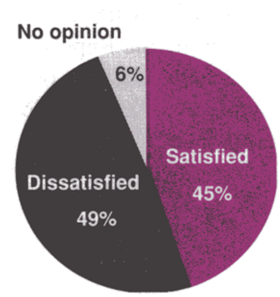
The division between optimists and pessimists in public opinion polls reflects economic reality. While economic statistics show unemployment at a record low, they also show income inequality at a record high. In 1988, the wealthiest 20% of the American public controlled 45.7% of the income in this country. By 1996, the economic elite's piece of the financial pie had gone up to 49%. The middle 20% of income earners saw their share of the pie go down from 16.2% to 15.1% in the same period.

Moreover, most Americans have watched their incomes dwindle. In 1996, the median household real, or inflation adjusted, income was $35,492, which is almost a thousand dollars lower than it was in 1989.

The nagging and persistent concerns that Americans have about the

**Figure 1**
**Even Now Half The Public Say They Are Dissatisfied**

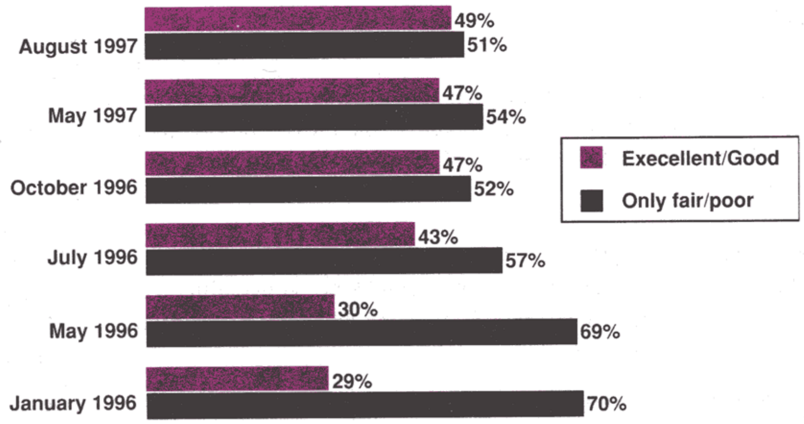
**Question**: All in all, would you say that you are satisfied or dissatisfied with the way things are going in this country today?




**Source**: Survey by Princeton Survey Research Associates for the Pew Research Center, September 4-11, 1997.

## Figure 2
## Even Now Half the Public Say Economic Conditions Are Only Fair or Poor

**Question**: How would you rate economic conditions in this country today—as excellent, good, only fair, or poor?




**Source**: Survey by the Gallup Organization for CNN/*USA Today*.

condition of the economy were reflected in public attitudes towards President Clinton's failed attempt to gain "fast-track" authority from Congress to negotiate trade agreements with Latin American countries. A poll conducted by Louis Harris and Associates for *Business Week* last September indicated that a clear majority (54%) opposed fast-track while only a third (34%) favored the proposal. Similarly, a majority of people (56%) thought that increased foreign trade would lead to fewer jobs for Americans, while only a third (37%) felt that foreign trade agreements would create more jobs.

The recent gubernatorial elections in New Jersey and Virginia indicate the political power of the economic anxieties that still grip American voters. In New Jersey, state Senator James McGreevey, an obscure Democratic challenger, nearly upset incumbent Republican Governor Christine Todd Whitman, and in Virginia the Republican state Attorney General Jim Gilmore won a decisive victory over Democratic Lieutenant Governor Don Beyer by taking relatively small financial issues and using them to play into the persistent concerns the public has about the economy.

The economy may not have showed up as an issue itself in the New Jersey and Virginia election-day exit polls, but issues that were surrogates for the economy did make an appearance. In New Jersey, according to the Voter News Service exit poll, the most prominent issue was car insurance rates. The Virginia election-day exit survey conducted by Edison Media Research indicates that taxes were a major concern, specifically the state personal property tax on cars. In both states, the cost of cars became a compelling issue during the campaigns. Why did issues that amount to a few hundred dollars a year become big issues? Because, with middle-income Americans still struggling to make ends meet, a few hundred dollars a year is a big deal to most people.

The obvious question to ask is if the economy is so bad, why do so many public opinion analysts feel it is so good? The fact that the American public divides down the middle on the state of the economy raises a classic analytical question of whether the glass, or in this case the bank account, is half-empty or half-full. Advocates of the half-full argument say that half of the American public feeling positive about the economy is good news when those numbers are judged in context. For example, in a January 1996 Gallup/CNN/*USA Today* poll only three-out-of-ten Americans (29%) had positive opinions about the economy, while seven-tenths (70%) of the public had negative views.

To many Americans, reports of the economy's recovery are exaggerated. It is hardly a ringing endorsement for the status quo when half of the public is pessimistic and unhappy with economic conditions. Endorsement of the status quo is to argue that Americans have done something they have never done—lower their expectations, settle for second best, and give up on the American dream of having a better life than their parents and their children having a better life than they themselves.

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