

Public Perceptions of Canadians on Economic Issues:
From Reaganomics to “Humanomics”

by

Frank L. Graves, President
Ekos Research Associates, Inc.

Canada in the 21st Century: A Time for a Vision
Luncheon Address, Chateau Laurier, Ottawa
Centre for the Study Living Standards
September 17, 1999

What I want to do today is review what Canadians are thinking about the economy. In particular, I would like to look at this question of, whether there are any views out there on the idea of a new vision for the country that involves the economy and what might Canadians think about the topic. What would a vision for the 21st century look like if you were to go to the public and ask them how they would construct it? How prominently would the economy figure in Canadians’ thinking about a vision for the 21st century? How would they balance their perceptions of the various sources of threat and opportunity out there? What areas of consensus might exist? What areas of division might exist? Furthermore, I think there is a growing reluctance from within the public to leave these questions to others, i.e., to the realm of economists or politicians or experts. The Canadian public today, like the citizens in most other advanced western countries, is much less deferential than they were in the past — much less willing to see these types of decisions made on their behalf, by others, behind closed doors. And they have very strong and specific views about issues surrounding whether or not, the country needs a new vision and how the economy should play in that vision.

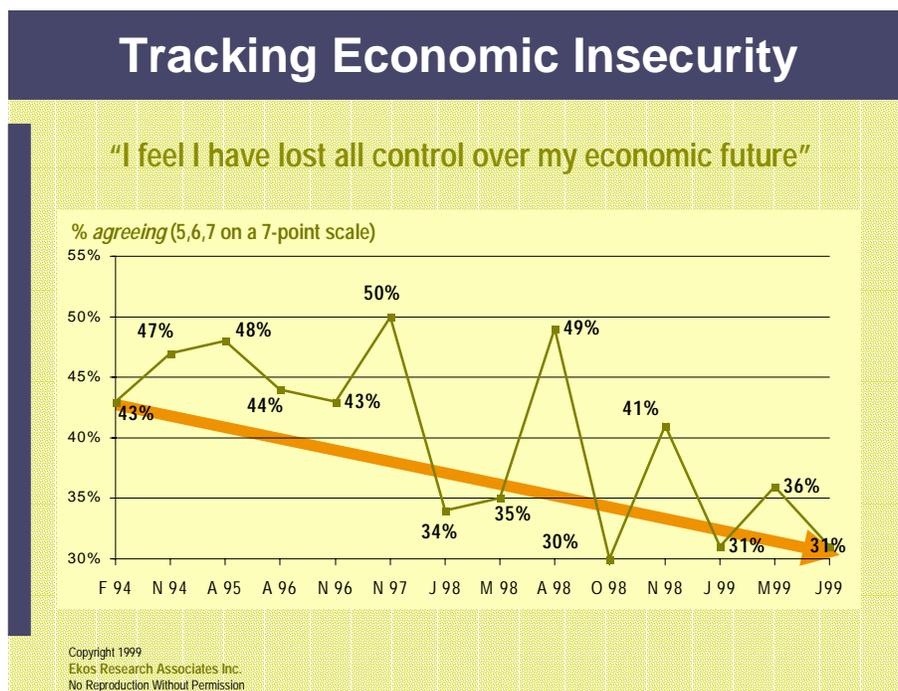
I would like to talk a little bit about how Canadians’ perceptions of the economic landscape have changed and where they are right now; with a particular accent on what I think is a very interesting phenomenon. Substantial levels of confidence and optimism have emerged in the late part of this decade that stand in stark counterpoint to the high levels of insecurity and anxiety that gripped most Canadians at the beginning of the decade, and persisted for a large part of this decade. I want to talk as well about how Canadian attitudes to the economy have changed in a number of key areas, such as attitudes to globalization, attitudes to technology and more generally, the role of institutions and, in particular, the role of the state in linking expectations about the economy with the needs of citizens. I would like to talk about how Canadians’ priorities for government have shifted or stayed the same.

There is a broad-based shift in expectations about the role of government, which we characterize as a move from approval of “Reaganomics” to what we call “humanomics”. There is an emerging desire to see a new practical vision emerge after a period where Canadians have said, “We are pretty comfortable that at least some of our key areas of concern, with respect to issues like public finances, are now back in order”. It is not as if Canadians are saying that everything’s terrific, but we don’t have the IMF telling us they are going to shut us down next week or the Wall Street Journal telling us that we are a Banana Republic. There has been a broad sigh of relief on that front, and now Canadians feel perhaps that the table is set for doing something a little more ambitious, yet

quite different, from what would have constituted a vision for the country say 20 years or even a decade ago.

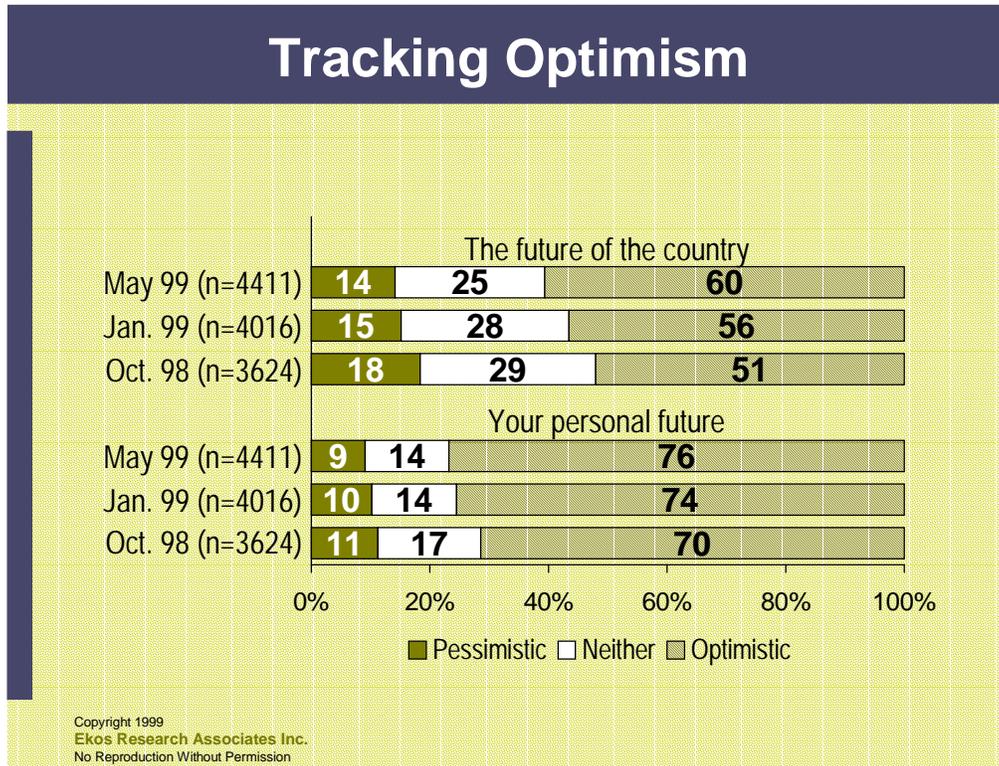
On that note I would like to talk a little bit about what Canadians are telling us about productivity and whether they think that's a worthwhile topic for governments and others to be looking at. How they understand the concept and whether, properly framed, it could constitute a new national agenda. There will be a package of these materials to share with you later so I'm going to describe some of these key changes of focus.

I want to first talk a little bit about the issues of insecurity and optimism. At the early part of the decade, we were finding that roughly half of Canadians were agreeing with the proposition that they'd lost all control of their economic future, which is a rather stark proposition. In fact only about 1 in 5 Canadians disagreed with that proposition. What we found as we continued to measure that question through the decade was that it fluctuated quite wildly although we have seen a steady pattern of decline such that in the last 12 months, it had dropped to just over 30% of Canadians actually saying that they felt that broad sense of economic anxiety.



What's interesting about this is that it is been linked to a shift in attitudes to institutions. What drove a lot of the high levels of mistrust and anger at institutions in general and governments in particular was this sense that the economy was this frightening place, which even with my own best efforts couldn't guarantee a place for my children and me in the future. As that sense of visceral anxiety has become less palpable for Canadians, it has also produced a corresponding return in confidence, both in their own situations, but also more willingness to see governments return to some sort of an active agenda. Again, albeit a very different kind of active agenda than what we saw in the past.

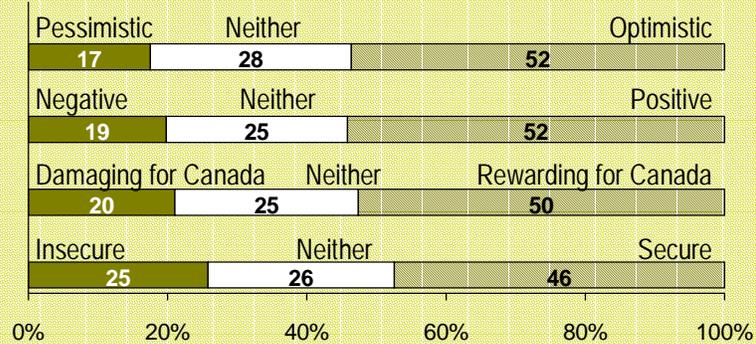
We find that Canadians are now, by a surprisingly large margin, telling us that they are feeling quite optimistic about their personal future. In our most recent sounding over the summer, we found less than 10% of Canadians said that they were pessimistic about their personal future, whereas 76% told us that they felt optimistic. This was also linked to a stronger sense that the country was going to actually move forward and improve in the future.



Another area that has seen a fairly striking shift in Canadians' attitude as a whole, the whole question of globalization. As we reached the conclusion of the last decade you would have found Canadian society badly divided in debates about trade liberalization, NAFTA and so forth, with the majority of Canadians being offside. As we approach the close of this decade you see a full qualitative flip. By a margin of over 2 to 1 Canadian support further trade liberalization and believe that the impacts of globalization are largely positive for them and for the country.

Semantic Positioning of Globalization

"When thinking about globalization which of the following terms best describes your attitude?"



Ekos Research
Associates Inc.

n=600 (half sample)

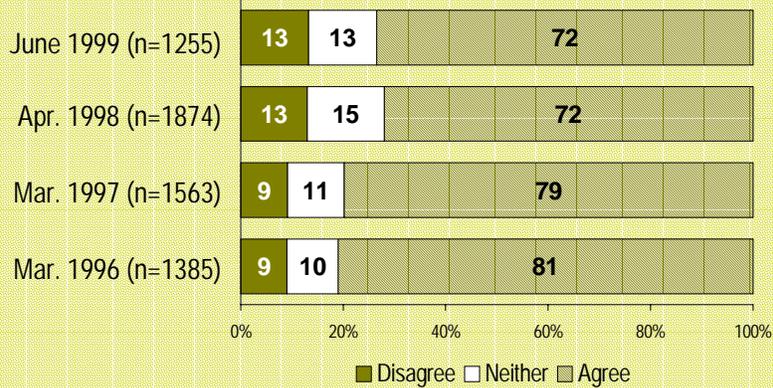
March 1999

When we asked them to position the concept of globalization and to say, for example, does it make you feel optimistic or pessimistic, by a margin of 3 to 1 Canadians say it generates a sense of optimism. It is also seen as being more rewarding for Canadians, making them feel more secure than insecure. I see real change in attitudes to globalization and a willingness to see ourselves in much more positive sense, about our position in the global economy.

At the same time we have seen rising levels of concern with polarization. Canadians are telling us by about 72% agree and only 13% disagree, they are really worried that we are moving to a more divided society of haves and have nots.

Tracking Concern with Polarization

"I really worry that we are moving to a more divided society of haves and have nots"



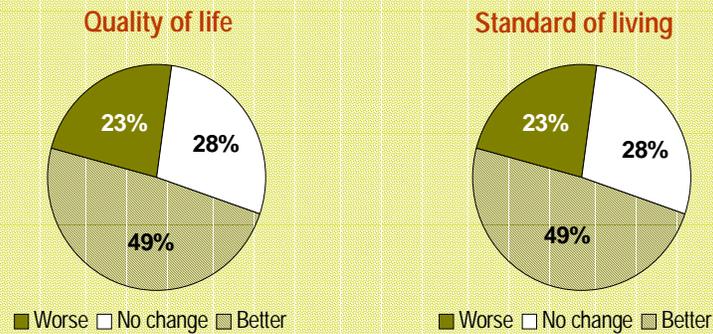
Ekos Research
Associates Inc.

They link this to growing levels of “individualism” and to growing levels of “Americanization”, which they tell us by again a margin of about 2 to 1, they see as negative trends. What we have seen more recently is a slight decline in the incidence of people who say they are worried about polarization and when we discuss this in focus groups with Canadians, we see a growing sense of resignation, even despair; perhaps Canadians are becoming inured to the impacts of polarization and believe that it may just be one of the inevitable consequences of the bargain that we struck to manage this transition to a new knowledge-based, global economy.

Turning to the issues of standard of living and quality of life, we asked Canadians to tell us whether they thought their standard of living had improved or declined over the last 10 years. We found that about 1 in 4 Canadians said that it had gotten worse, while almost 50% of Canadians said that their standard of living had actually gotten better.

Personal Quality of Life/Standard of Living

"Thinking about your ... do you think it has gotten better or worse in the past 10 years?"



(each question asked of ½ sample)

Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

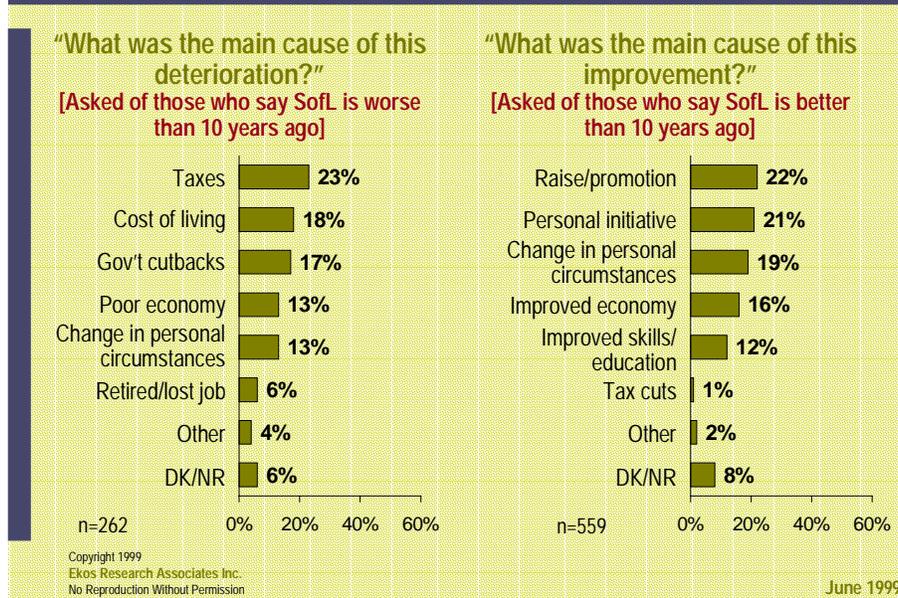
n=2500

June 1999

What is peculiar here is that when we asked them “did your income actually improve or get worse”, a plurality of Canadians said that their income had actually gotten a little bit worse. This seems to indicate that respondents draw a distinction between “standard of living” and “income”. Perhaps this is related to the fact that they see technology and other factors as having produced better lifestyles (i.e., that their actual standard of living has improved), even as their actual incomes have declined somewhat. Most Canadians expect that their income and standard of living will be decisively better in the future.

Interestingly enough, when you probe and ask Canadians, “why do you think your standard of living might have improved,” they tend to attribute improvements to personal heroism or acts of arduous effort in a period of tough times. On the other hand, for those Canadians who say that their standard of living has gotten worse, which is roughly 1 in 4 Canadians, they tend to attribute this largely to governments who, they say, have authored their misfortune.

Causes of Change in Standard of Living

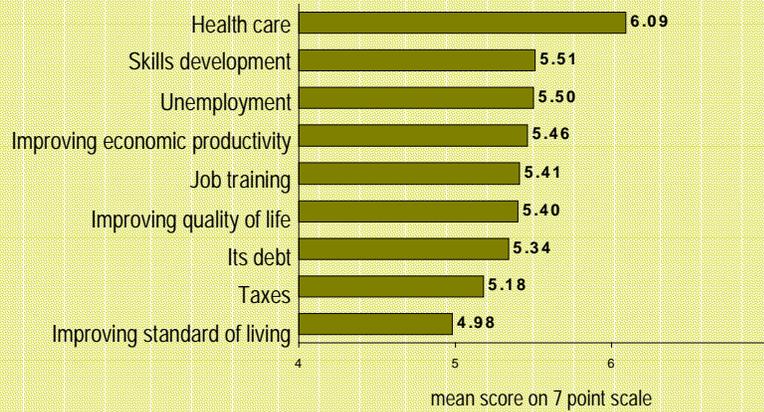


This puts governments in the somewhat uncomfortable position of not being able to appropriate any of the credit for personal progress, yet still being seen as the author of personal misfortune.

Now, if we turn to the questions of what priorities Canadians see for government, particularly as they apply to some of the economic areas, the top priorities for Canadians revolve around human investment themes: health, education, kids, jobs and so forth. However, when we put topics such as productivity on the list of priorities for the federal government, along with issues like unemployment and job training we find that it actually strikes a pretty strong chord with Canadians.

Priorities for Federal Government

"What priority should the government of Canada place on?"



Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

mean score on 7 point scale
(each option asked of 1/2 sample)
n=2500

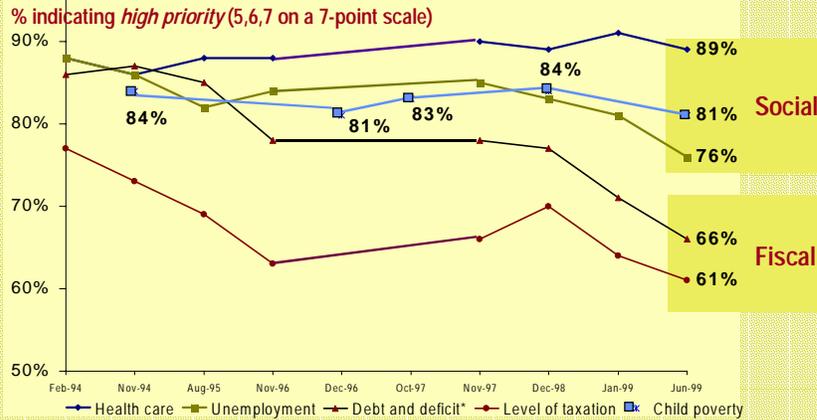
June 1999

About 75 to 80% of Canadians tell us that they think that improving economic productivity is an important priority for the federal government and that number has actually risen slightly over the last couple of years. That puts it in the same range as for example issues like unemployment, which has actually come down as a priority for the public as they recognize the labour markets are performing better. It puts productivity as an issue, significantly behind the roughly 90% who identify health care as a top priority, but very much in the range of penultimate concerns, which outstrip, by a significant margin, concerns with issues like taxation, the debt and national unity. So it is an important priority for Canadians.

If we were to track Canadians' priorities over the decade you would see some fairly interesting trends.

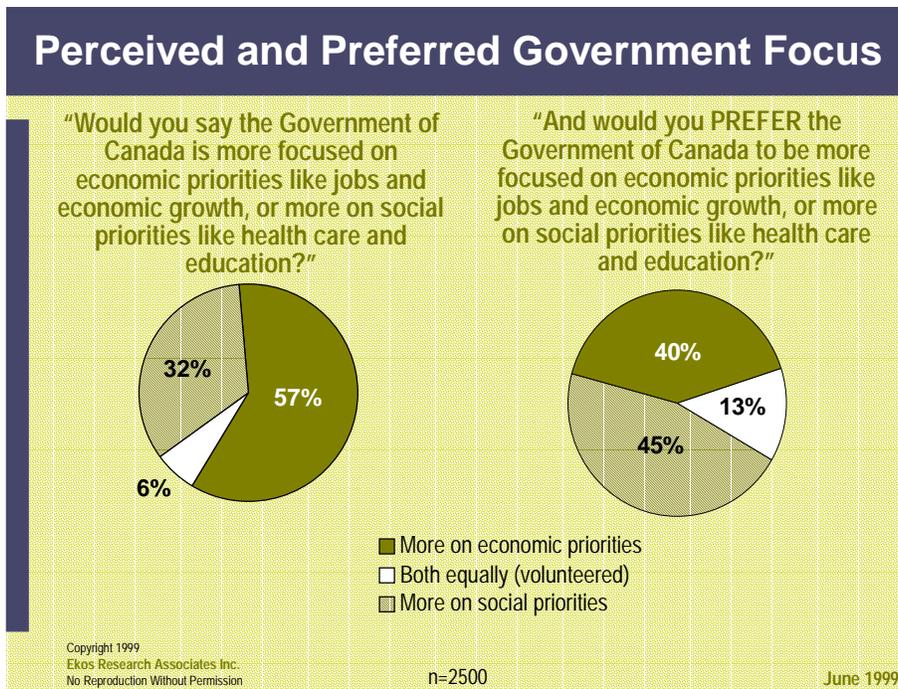
Longer-Term Tracking of Priorities

"Thinking not just of today but over the next five years, what priority should the federal government place on each of the following areas?"



Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

At the beginning, not at the absolute beginning of the decade, but let us say in 1993, when the current government first took office, we found three issues were virtually tied in importance as the top issues for Canadians: health care, jobs and public finances (debt and deficit). At that time, around 85 to 90% of Canadians were saying these issues were top priorities. About the same time, we found about 75% of Canadians telling us the level of taxation was an important priority; not insignificant, but certainly well behind the top three. In tracking these issues over time (while asking the questions in exactly the same way), we have found that health care actually rose through this period to become a dominant priority, reaching about 90%. Issues like jobs are still an important priority at 76%. The issue of deficit and debt, which was running at close to 85 to 90%, actually dropped down to about 66%, as Canadians said, "Oh well at least we are now not in the same kind of vicious mess that we were in the middle part of this decade". The other trend that I think is quite revealing is concerns with the level of taxation. Contrary to the claims that there is an incipient tax revolt out there and that tax rage is rife, as a priority issue for Canadians, concern with taxation has actually *declined* to 61%. It is not that most Canadians, in fact virtually all Canadians, won't tell you my taxes are too high and I would like immediate tax relief. It is just that when this issue is placed in hard tradeoffs with some of the other priorities such as health and education, most do not see tax reduction or tax relief as having the same level of urgency. In fact, most Canadians more or less agree with the current pace and balancing of the federal government on this particular topic.

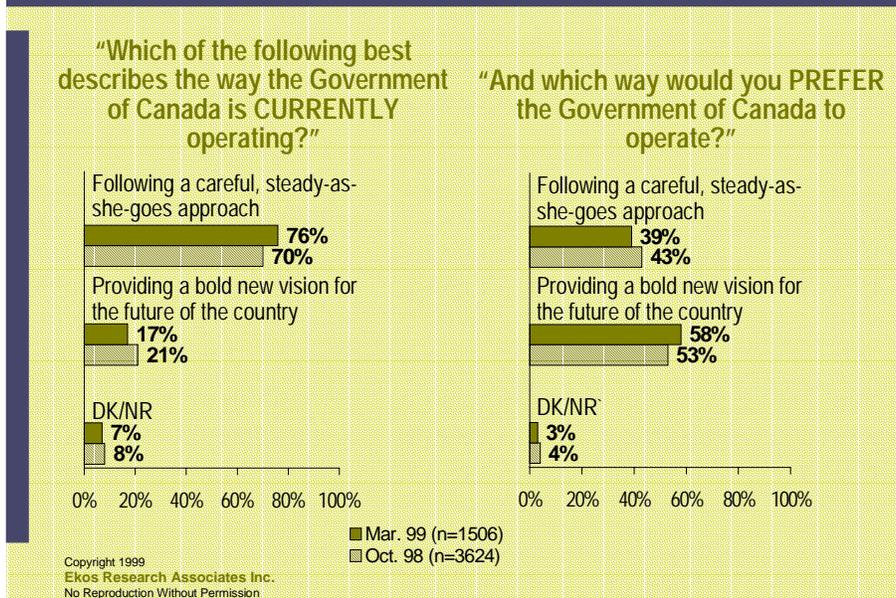


An interesting related phenomenon is the way Canadians now perceive government's response to areas that are termed economic priorities, such as jobs and growth, and to more social priorities like health care and education. By a margin of about 2 to 1, Canadians believe that the government has been focused more on the economy (60% to 30%). When you ask them, however, how they would *like* to see the government focus itself, we find about 45% of them saying they would actually prefer that the government were to focus on the social priorities rather than the economic ones.

So, in a sense, they would like to see the economic and social priorities more balanced. When this is probed in qualitative group sessions with these same individuals what they really tell you is, "you know what, I don't like talking about those things in separate bailiwicks. More and more, we think that it is an artificial dualism and that we have to talk about having a healthy economy as a precondition for having strong social programs and that in fact we can see strong social programs contributing to a healthy economy". Unlike some of the fairly toxic debate between left and right models about who pays and who benefits from government, we now really want to talk about putting those things together in a much more of an explicit and interdependent form of policy development.

Turning to the topic of vision, we've been specifically asking Canadians for some time, would you characterize what the government of Canada is doing as more of a "steady as she goes" approach or would you characterize it as providing a "bold new vision". Not surprisingly, by a margin of about 76 to 17% most Canadians say we are in fact following a careful steady as she goes approach. Only 17%, most of them here in Ottawa, believe that we are providing a bold new vision for the country.

Tracking Government Approach

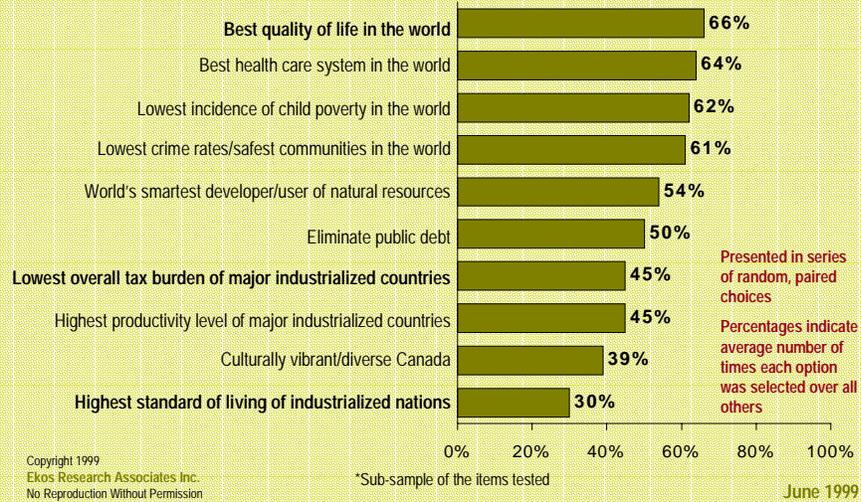


That number has actually been declining through time, as Canadians become more convinced that we are seeing more of a managerial, rather than a visionary, approach. Now that's not necessarily so bad. Canadians aren't all that bold themselves these days. They've just come out of a period of some considerable torment and turmoil. A few years ago almost even numbers would say, "You know what, steady as she goes that's pretty good, I've had enough vision and thank you very much we'll take steady as she goes". However, what we found creeping into the data recently, linked perhaps to the millennium and other factors, and a sense that there is more money available to do things and that there are new challenges facing the country, is that the percentage of Canadians who we've characterized as frustrated visionaries, those who would like a bold new vision but are seeing steady as she goes are now the largest category out there. About 60% of Canadians say they would actually prefer a bold new vision. When we tested what kinds of things would constitute a plausible new vision for the country we found Canadians are not looking for a grand vision building of the sort that we had in the past with a lot of rhetoric surrounding things like the LBJ administration's "great society" or the Trudeau administration's search for the "just society" or perhaps a moon shot or those kinds of grand things. Rather, they are looking for a much more practical, results-oriented and human-focused type of vision.

When we provide forced trade off exercises and ask respondents to pick between various alternative visions we come up with, at the top of a list of 10 potential frames for a new national agenda, having "the best quality of life in the world", a pretty ambitious statement, as the one that won most times against all other choices.

Preferred Goals for Government

"If you were Prime Minister for a day, and had to pick an overall national goal for Canada to achieve by the year 2010, which of the following would you choose?"



Interestingly enough, the one that came last, which only won about 30% of the time against the 66% of the time that quality of life won, was having the highest standard of living in the world. "I think it is instructive that Canadians while wanting a high standard of living, don't want to *define* their society or themselves in these narrow economic terms. Also noteworthy is that "having the lowest overall tax burden" reckoned in the bottom half of those defining statements. Things that were towards the top, in addition to quality of life, were "having the best health care system", "the lowest incidence of child poverty", "the lowest crime rates". This gives a flavour of the emphasis on issues surrounding human well-being and human outcomes.

We did some probing with Canadians about what they thought about the "P" word, (productivity). Was it a frightening word, did they even understand what it meant? Our responses serve as an antidote to some of the received wisdom about Canadians' interest and concerns with productivity. I have already told you that they thought productivity was a pretty sensible priority for the federal government with the vast majority identifying it as something they thought both senior levels of government should be dealing more with in the future. When asked to say what was the first sort of thing that came to mind when they heard the work "productivity", 75% of a sample of 2,500 Canadians conducted (early this summer), came up with something.



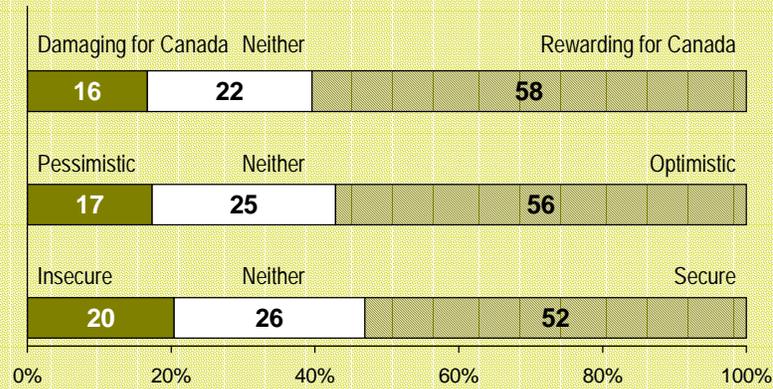
As can be seen from the slide, a large number of those responses resembled what economists would talk about when they discuss productivity. In fact, you could argue that there was less variability amongst the general public in definitions of productivity than you would find amongst the professional world of economists — a point that was not lost on the public. When asked to construct a tool kit to deal with productivity issues, the public was not really persuaded by the arguments that the productivity issue could be solved with any kind of unitary magic bullet or single approach; for example, just tax cuts or just skill investment or just technology. They really thought if this problem had flummoxed the country, the economy, and all those smart economists for this long, we were probably going to need a more complex tool kit, which, at the least, involved a simultaneous application of a number of different types of tools.

When asked to rate productivity as a priority, it fared reasonably well. When rated as a value with other terms such as freedom and healthy population and ethics, for example, it rated, not at the very top, but still quite high in the upper 25% of all values — much higher, for example, than terms like prosperity or competitiveness. It rated much higher than things that were at the bottom of the long list of values we tested which included wealth redistribution, which has fallen out of favour, and minimal government, which ironically has never been in favour and hasn't really come into favour throughout this period when people have been very angry at governments.

When we asked them to tell us whether productivity made them think of positive things or negative things, as with globalization, the lean was decisively positive.

Semantic Positioning of Productivity

"When thinking about **PRODUCTIVITY** which of the following terms best describes your attitude?"



Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

n=2500

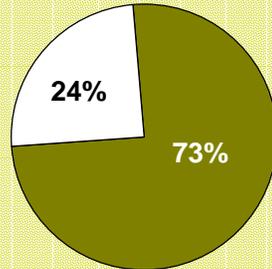
June 1999

It wasn't a term that engendered fear. It was a term which engendered more of a connection to a sense of, of hard work, effort, results and security. When asked whether people thought that there were growing levels of polarization and they were clearly aware that there was a growing perhaps entrenched group of losers that were a part of the collateral damage of this new knowledge-based economy and globalization. It is interesting to note that when thinking about an agenda to improve productivity, more people when given a choice between the following two statements seems more plausible to you; "improving productivity will improve efficiency in the economy and lead to job losses as fewer people are needed to do the work required" *versus* "improving productivity will stimulate the economy and create more jobs for Canadians" by a margin of 73 %to 24%, Canadians opted for the second choice.

Net Impact on Jobs

"Which of the following two statements is closest to your point of view?"

Improving productivity will improve efficiency in the economy and LEAD TO JOB LOSSES as fewer people are needed to do the work required



Improving productivity will stimulate the economy and CREATE MORE JOBS for Canadians

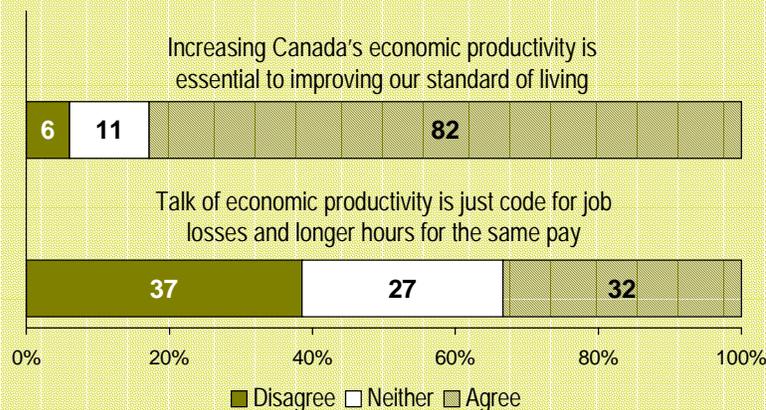
Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

n=2500

June 1999

So, although there is a group out there that sees improving productivity as a destroyer of jobs, a focus on productivity is one of the few areas that people think can actually create more overall winners; not a zero-sum game, but an improvement in the **overall** number of jobs. In fact we find by a margin of 82% to 6%, Canadians agree that increasing economic productivity is essential to improving both our standard of living and our quality of life.

Perceptions of Economic Productivity

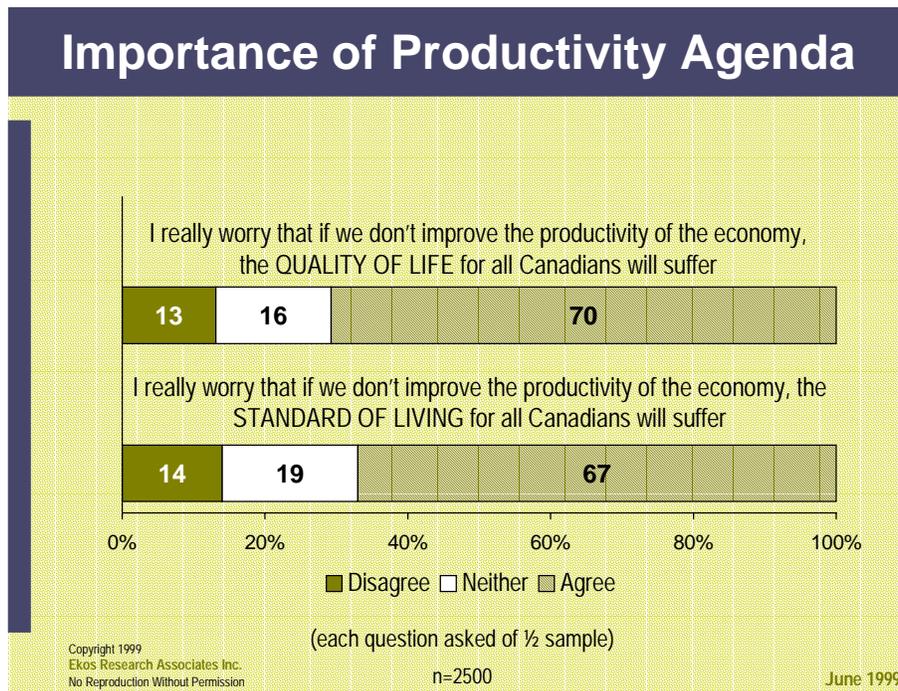


Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

n=1480

December 1998

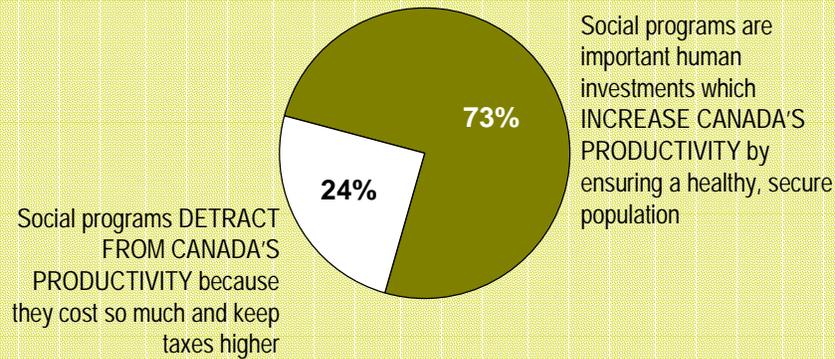
Even testing some of the more cynical propositions, many of which Canadians are quite willing to agree to these days, such as “talk of economic productivity is just code for job losses, and longer hour for the same pay”, only 32% of Canadians agreed with that proposition. What emerges from this is a sense that productivity is a legitimate area of concern, one which, while not without problems, is seen in more positive than negative terms. Indeed, by a margin of 70% to 13%, people tell us that they are really worried that if we don’t improve the productivity of the economy ultimately the quality of life of Canadians will suffer.



Furthermore, when asked to pick between choices, for example, of whether “social programs detract from Canada’s productivity because they cost so much and keep taxes higher” or “social programs are important forms of investment which increase Canada’s productivity by ensuring a healthy, secure population”, again, by a margin of 75 to 25, we end up with Canadians agreeing with the pro-productivity proposition. Thinking about the gap between rich and poor, which Canadians tell us is a big problem, it is again instructive to note that productivity improvements is one area people believe will generate more improvements in overall job creation rather than destroying more jobs than it creates.

Social Programs/Productivity Linkage

"Which of the following statements is closest to your point of view?"



Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

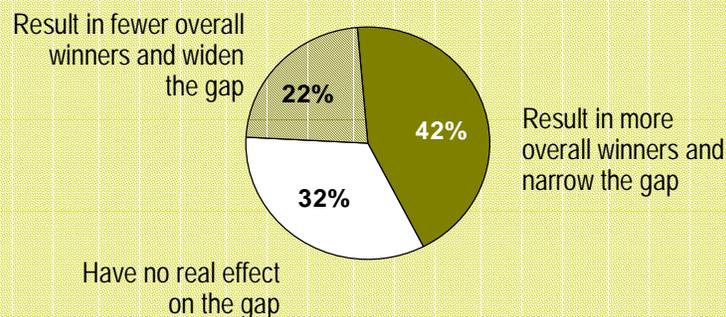
n=2500

June 1999

When we start analyzing this a little more carefully and submitting it to much more detailed types of statistical analysis, we find a number of different types of groups out there in Canadian society responding to what we might characterize as a Bay Street model of productivity and a Main Street model of productivity. I will sketch out a little bit what those two different models look like and how they resonate with different segments in Canadian society.

Productivity Focus and Inequality

"Thinking about the gap between rich and poor, what effect do you think a Government of Canada focus on improving the country's level of productivity would have on the gap? Do you think it would..."

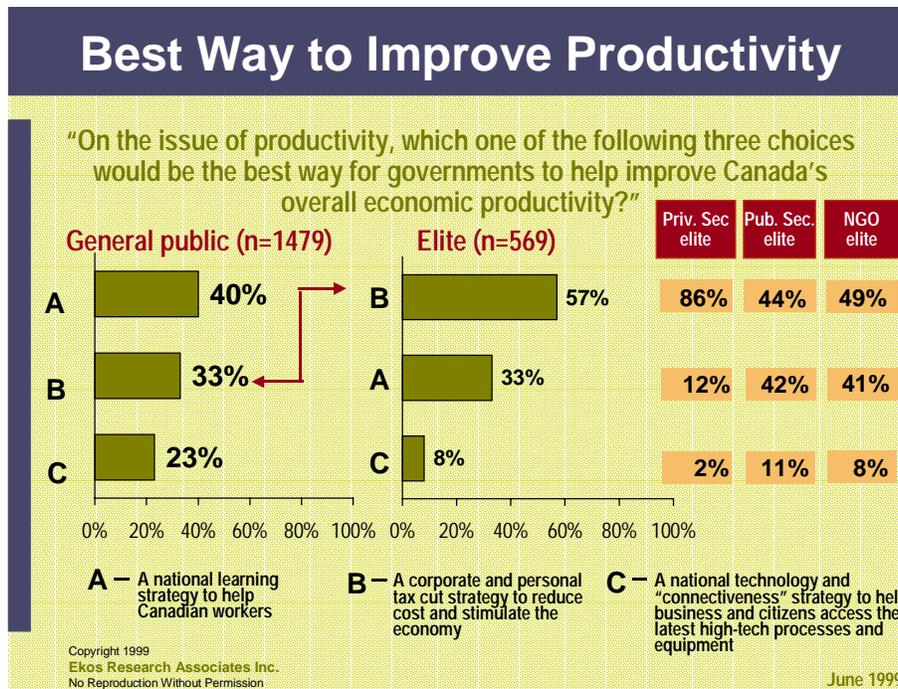


Copyright 1999
Ekos Research Associates Inc.
No Reproduction Without Permission

n=2500

June 1999

I am now going to discuss two last slides, which although you can't see them, I know you would really like. They speak volumes about why Canadians may have a different understanding about productivity and how to treat it than you might think when we read some of our newspapers each morning.



In our *Rethinking Government* project, we ask the very same questions, not just of samples of the general public, but also of the senior decision-making elite in Canada each year. These elite are drawn from CEO’s of the largest companies in Canada, the Deputy Minister Cadre in senior governments, from elected officials, and for the first time in 1999, from the largest non-government organizations.

When we strip it all away and ask the public which of the following three choices would be the best way for governments to help improve Canada’s overall economic productivity, while recognizing that they resist unitary approaches, it is still interesting to note that given the choices between a national learning strategy to help Canadian workers, a corporate and personal tax cut strategy to reduce cost and stimulate the economy or a national technology and connectedness strategy to help citizens in business apply the latest high tech processes and equipment that each of these choices were chosen by at least a minimum of 23% of Canadians from the general public, even in forced choice questions. The first public choice is a national learning strategy with 40% support. The second choice, at 33%, is for a corporate tax and personal income tax strategy. This is interesting because tax relief does move up as a priority in the context of a longer term productivity agenda. It becomes more popular and more resonant when seen as a way of dealing with issues such as the incentive system in the economy, but also the brain drain issue, which is seen as an issue, not as serious as some of the media is reporting, but still seen as a net disadvantage. Finally about 1 in 4 Canadians, not an insignificant portion, select the technology connectiveness option.

Now, in comparison, when we look at the choices of the elites, it is striking to note that we do not get the same pattern at all. The first choice, by a fairly decisive margin of about 60%, is a tax cut strategy, about 33% choose the learning strategy and only about 8% choose the technology and connected strategy. I'm sure that last number is something that we might not have been expected, and certainly small comfort to the folks from Industry Canada here who would suspect that that innovation would be a more resonant topic with our country's leaders. Even more instructively, when we break the choices down into private sector and public sector elites, we see even more striking differences.

Eighty-six per cent of Canada's private sector elites, our captains of industry, say that it is tax cuts that we need to deal with the productivity agenda. Barely 2% think it is technology and connectedness and only 12% think it is a national learning strategy. Going back to the fairly evenly balanced approach of the general public, with an accent first on lifelong learning skills and knowledge, and comparing it to this overwhelming elite focus on a tax cut strategy, you get a sense for what is a pretty breathtaking gap between the understanding of how productivity should be dealt with from the perspective of the boardrooms of Canada compared to the perspective of the family rooms of Canada.

I would like to conclude with a summary of what we are seeing in terms of public attitudes to the economy in general and to some of the more specific topics we've talked about. We see a high and strengthening confidence that the country and the economy are going to be doing better in the future. This is a really important shift, which is linked to a whole range of other phenomenon. There is also a growing consensus that we have moved to a more divided society, although, perhaps with a degree of resignation. There is also a sense that quality of life and standard of living have improved not declined over the past decade and that they will do demonstrably better over the next decade. Canadians also see economic accomplishments as their personal accomplishments and economic failures as largely authored by governments.

There are dramatic differences for different groups out there, the most striking being generational effects — with young people feeling much more optimistic. Those people in the pre-retirement cohort are feeling substantially gloomier. "Freedom 55" is now looking like more like "Freedom 95" as they add up their savings and look at the prospects of retirement against their meager saving accounts. We also see significant divides across social class with those who feel more comfortable and poised to benefit from the new global economy, feeling much more confident.

There is also a growing appetite for a bold new vision, but one which is perhaps more practical in nature and which links the economy and social issues together in an explicit and interdependent fashion. Canadians are not intimidated by the "P" word. The general ability of the public to say something about productivity, or even recognize the term is much higher than expected. They see productivity as linked to rising confidence and, for some, responding to a desire to return to nation building. Concern with quality of life should not preclude concern with productivity. In fact, for most Canadians, a strong economy and strong productivity are seen as preconditions for a strong quality of life. A collective effort to deal with these linkages can presents a resonant national challenge which I think could indeed constitute an appropriate new vision (properly framed).

Productivity provides a plausible bridge linking the economic and social worlds for Canadians.

There are some divisions underlying this consensus, particularly along the lines of economic security, but the majority of Canadians are on-side.

There is a major gap in the resonance of this agenda framed as being to deal with standard of living *versus* quality of life. In fact, they fall the opposite ends of a continuum. People want to understand productivity as something that involves having a healthy economy, which involves human investment, which is ultimately done for the purpose of having strong quality of life. Productivity *for* standard of living, might be characterized as a Bay Street model linked simply to a focus on tax cuts and minimal government. It does have a constituency, about 1 in 4 Canadians who, not surprisingly, tend to be male, affluent, and economically secure. The Bay Street model, however, doesn't resonate with most Canadians who, while preferring a productivity agenda, want more of a Main Street productivity agenda and primarily done for the purposes of achieving a higher quality of life.

The best public framing for a productivity agenda would be as a means for achieving the highest quality of life, which is linked to the top preferred goal for Canada. There is a growing desire to explicitly link and coordinate social/economic policy, and not to see them as competitive, but rather as complementary agendas and to seek a more balanced approach. Canadians think that the focus of government has leaned more to economic concerns and they want more of a balanced approach linking the social and economic agendas. This might respond to what we see as the desire for an approach that constitutes something analogous to what's emerged as the "third way" approach seen in Britain and some of the approaches that Clinton has been in delivering in the American context. For a variety of reasons, we believe Canadians are now receptive to a unique branding of this sort of new vision which works within the unique Canadian values context.

In moving forward, the public feels that there are some clear winners and losers among variable strategies. Some things are seen as more important ingredients than others. For example, the clear winners were human capital, tax reform and innovation. The clear losers, relatively speaking, were corporate tax cuts, minimal government and the use of old passive redistribution tools for dealing with inequality.