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**Report to the Department
of Finance Canada
on Survey Results on Economic Issues**

by:

EARNSLIFFE RESEARCH & COMMUNICATIONS

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FINANCE CANADA QUESTIONNAIRE,
NOVEMBER, 1996

I. Introduction

Earncliffe Research and Communications is pleased to present the following report to the Department of Finance on a survey conducted into a variety of economic and fiscal issues. The questionnaire was designed and the results analyzed by Earncliffe Research and Communications. Sampling and data collection was carried out by Ekos Research Associates.

The survey was conducted between November 20 and December 4, 1996 and reached 1,809 respondents nationwide. The interviews lasted approximately 35 minutes.

The design allowed for an oversample in the Atlantic and Prairie provinces leading to national results that were weighted. The final sample was demographically representative of the population as a whole. For instance, 51% of respondents were female, 49% male; 51% lived in households with an income under \$40,000 a year, 24% in households with income over \$75,000.

The national results are accurate to a margin of error plus or minus 2.4%, nineteen times out of twenty. Provincial and regional subsamples have higher, though statistically reliable, margins of error.

II. Executive Summary

CONCLUSIONS AND RECOMMENDATIONS

Confidence in both the current and future performance of the economy is growing. This sense of optimism is still tentative and fragile.

The government is well positioned on most important issues and has gained credit for its economic and fiscal performance, key drivers to overall performance assessment. While there is reluctance by many to concede that the government has an overall plan, an increasing number of people believe it does and it is clear that there is an understanding of the government's economic strategy and a belief that it is working.

Given the tentative nature of the emerging understanding and acceptance, care must be taken not to undertake actions that will confuse or undercut the hard-won arguments about the paradigm and strategy. That means, at the outset, that the budget should be positioned as staying the course on the current fiscal and economic program. The main objective of the Budget should be to foster confidence and it will be important to launch only those initiatives that seem to aid the process of strengthening the economy. A grab bag of measures has the potential to cumulatively signify a shift away from the current approach. It might well raise questions about motive and priorities.

If a jobs emphasis is desired and increased spending a way to show that priority, money for training or education would be the most preferable. Spending on research is less persuasive but fits comfortably within the public's preference for a long term focus. In general, qualitative research has shown that properly communicated, the package of measures -- deficit reduction and low interest rates; short term investment in things like physical infrastructure and long term investment in areas likely to produce long term jobs -- convinces people that there is a workable jobs strategy. What is needed is a persuasive way of communicating the strategy to Canadians at large.

Tax cuts have some limited appeal, particularly to an upper middle class feeling beleaguered. However, they are not terribly credible as an economic growth strategy and, more importantly, most people worry that tax cuts will impact on deficit reduction and/or the funding of key services. In many ways, tax cuts form the basis of a core debate over the kind of society and economy people want and

what they believe the appropriate role of government to be.

However, it should be clear that jobs is not the area of prime vulnerability, health care is. The success of the current fiscal approach has created some vulnerabilities as concern increases somewhat about key social services. In the main, the potential damage is fairly limited because of the continuing low priority the public places on most social programming. However, given the high priority of and level of concern about health care, the deterioration of the government's reputation in that area is cause for real concern. It will be important to be seen to understand and be responding to the anxiety about health care.

In the "new economy", optimism is leavened by what appears to be inherent insecurity. This insecurity is especially felt by women. The problems appear to be deep and structural to most people who regard them to be inevitable and beyond the scope of government to fix completely. Since most people believe there is no magic bullet, grand promises on jobs and the economy will not be credible. In addressing the most insecure, it will be important to understand that they say they will accept a certain amount of economic uncertainty as long as they are convinced that the government will provide an adequate sense of security about the futures of health care, education and pensions.

Key Findings -- The Mood of the Country and Assessment of the Federal Government

There are significant levels of optimism about the state of the economy and the direction in which Canada is heading. Underlying this optimism is a large improvement in the public's assessment of the country's economic performance over the past year.

The largest cleavage in the country involves a profound attitudinal divide between Quebec and the rest of Canada. Quebecers are the only people who believe the country is headed in the wrong direction, largely because they are the most pessimistic about Canada's economic prospects. And though women tend to be optimistic as well, they lag behind men in a significant number of measures, registering lower expectations, higher pessimism and lower levels of satisfaction.

Most people think they have not bettered their personal financial or economic situation over the past four years; in fact a small plurality say their situation has

worsened. However, as they look ahead four years, peoples' expectations change dramatically to the point where a solid plurality believe they'll be in better shape.

In general, the overall assessment of the government remains largely positive and unchanged. Most importantly, the underpinnings of positive assessment are strengthening as government ratings on economic issues rise, indicating growing confidence and optimism. The Canadian public seems to be giving the government credit for its overall economic management and its track record on deficit reduction. That is clearly the government's largest strength. There are some potential vulnerabilities that have emerged in its ratings on social issues, particularly in health care where there has been significant deterioration in assessments of government performance.

Over the past year, positive assessments of economic and fiscal performance have risen between five and eleven points -- the largest gain in the area of deficit reduction. In fact, positive assessments of deficit reduction performance have nearly *quadrupled* in two years. On the other hand, negative assessment of health care system protection have grown by ten percentage points in a year.

Key Findings – Deficit Management

The federal government's management of deficit reduction has been the underlying factor in the strong improvement in public perception of government competence. It is increasingly getting credit for hitting its targets and the overall success in reducing the deficit. In addition, a plurality of people express a general comfort level with the pace of deficit reduction. Of those who would prefer a different pace, more think it should go faster than slower. The overwhelming majority of Canadians want the federal government to stay the course on deficit reduction until the deficit is eliminated.

The survey probed public preferences in dealing with any possible overshoot of deficit reduction targets. A majority does not believe the government has "extra" money to spend above and beyond its deficit target, that with the deficit and debt as large as they are, it is impossible that the government *could* have extra money to spend. That logic leads to a strong plurality saying that any overage should be used to reduce the deficit even more. Only a small minority would cut taxes.

Key Findings -- Economic Growth and Job Creation

By and large, the Canadian public continues to accept the economic paradigm put forward by the federal government. Most people continue to choose "*getting rid of the deficit*" as a surer way of developing a strong economy over "*spending money to create jobs*". A majority agrees that current combination of low interest rates and continuing deficit reduction indicates the economy is improving.

When asked what sort of measures the budget should introduce, a majority continues to believe that long term measures that help the economy in the future are preferable to short term measures to help it right now. Most people want the federal government to have a long term economic plan though they remain split on whether it has one currently. That split in opinion is actually narrowing a bit -- more people currently believe the federal government has such a plan than have in the past, again a reflection of increasing confidence in the current paradigm.

The survey specifically tested various initiatives that could stimulate jobs and growth. On the whole there was general endorsement of current policies (like keeping interest rates low and reducing the deficit) and less enthusiasm for new job programs. Even very significant tax reductions (30%) were seen to be less beneficial than the current paradigm.

Overall, there was a clear hierarchy of preferred measures to lead to long term growth. Only a third or less saw any significant, long lasting impact from tax cuts or spending on infrastructure.

There is strong scepticism among the public about both the practicality and desirability of tax cuts. Most people do not believe that tax cuts can lead to economic growth unless they are of a great magnitude. They are concerned about the potential impact of tax cuts on deficits and spending for health and education and most see health care, education and pensions as more important to their standard of living than taxation.

Key Findings -- The Impact of Lower Interest Rates

Given that persistently low interest rates are a relatively unfamiliar phenomenon, it is perhaps not that surprising that people have not fully sorted out all of the potential impacts. For instance, most people see a strong linkage between lower interest rates and economic growth but the relationship between a declining

deficit and lower interest rates is not well understood.

Most people are inclined to believe lower interest rates would have less impact on their own personal standard of living than on the economy as a whole. In part that may be due to their experience with fluctuating interest rates; there is little confidence that rates will stay low for very long.

Canadians show far more willingness to pay down debt or renegotiate the terms of their mortgages and loans than to spend the interest rate dividend on routine expenses or major purchases. It may well be that given an extended period of lower rates, the burgeoning optimism and confidence will translate into increased spending and purchasing but it is unlikely to happen very soon.

Key Findings -- Attitudes towards Employment Insurance

Despite the public debate by critics about the growing cumulative surplus in the Employment Insurance account, many more Canadians believe that the EI program costs the federal government money than believe the program takes in more than it pays out.

On the whole, Canadians are split in their assessment of the EI program with a small majority believing it is more like an insurance program than a social program by which the government protects those who need help.

In the event of a surplus in the yearly account (the current situation), a plurality of people would opt for using the money to reduce the deficit. About a third would reduce premiums in that circumstance while the smallest proportion would increase benefits. However, those numbers fall dramatically if the option involves increasing the deficit -- only 7% would still reduce premiums and only 2% would increase benefits in that circumstance.

Looking Ahead Towards the Budget

As Canadians survey their landscape prior to a federal budget, they remain preoccupied with two major issues -- health care and education. The declining importance of the deficit is linked directly to the perceived progress in deficit reduction and the acknowledgement of the success of government efforts in that area. It is not that deficit management is unimportant any longer --- other measures in the survey indicate it is central to the feelings of building optimism and

confidence --- it is that the issue has lost a bit of urgency and no longer seems extremely important. However, it is critical to note that the vast majority want the government to stay the course towards deficit elimination.

Canadians continue to be focused on fiscal realism and policy continuity. There is little appetite for dramatic new initiatives or short term intervention. Most people want a budget that:

- is driven more by fiscal realism than by compassion;
- is more modest in its goals than ambitious;
- has a plan for the economy for the next ten years, not just for this year; and
- largely stays the course on current policies.

The survey tested fifteen specific ideas for the budget. Consistent with the public's view of waste in government and with its overall priority on deficit reduction, the broadest support was generated for further spending reductions.

Of options to spend on important initiatives, child poverty spending was considered a good idea by three quarters of respondents. It is important to note, however, that some of this support is an artifact of the words; the goal of reducing child poverty is a powerful "motherhood" issue.

There is a potential executional and communications quagmire to consider indicated by both this and other research. For instance, "social programs" -- of which child poverty is clearly a subset -- are the lowest priority for new spending. Canadians feel bruised and battered; nearly half of them feel their personal financial situation has worsened over the past four years. The current emerging sense of optimism is quite tentative and fragile. And though there is still a general sense of compassion and a desire to help those truly in need, the definition of need is quite restricted and the focus is increasingly personal. It is likely that real support for a program for "other people" may be quite limited.

There is consistent evidence that there is little support for tax relief to business, even relief targeted at producing jobs. This is a product of a growing sense that business has once again become profitable and is no longer in need of special attention, a clear change over the past couple of years when most people thought businesses were weak and threatened.

When evaluating help for the disabled, Canadians are more likely to endorse tax-based support than direct spending.

As to spending on health care itself, Canadians divide somewhat along gender and income levels. Women and lower income Canadians are much more likely to think further health care spending is a good idea. The importance of the health care system is underscored by support levels for government spending on research. There is twice the level of support for medical research than for unspecified research.

In keeping with their belief in the efficacy of long term programs and forward looking planning, respondents showed strong support for a long term, endowment fund-based, approach to supporting research in Canada.

A Special Note on Female Respondents

Women are clearly not feeling that they are benefitting as much from the current economic recovery as men do. They are less likely to be positive about the current state of the economy and its immediate prospects -- though more are positive than negative. They are less likely to be persuaded of the effectiveness of an economic plan that is based on deficit reduction though most still see deficit reduction as an essential underpinning. Overall, they reflect a sense of pessimism but they are also less likely to believe that other approaches like increased spending or tax cuts will succeed.

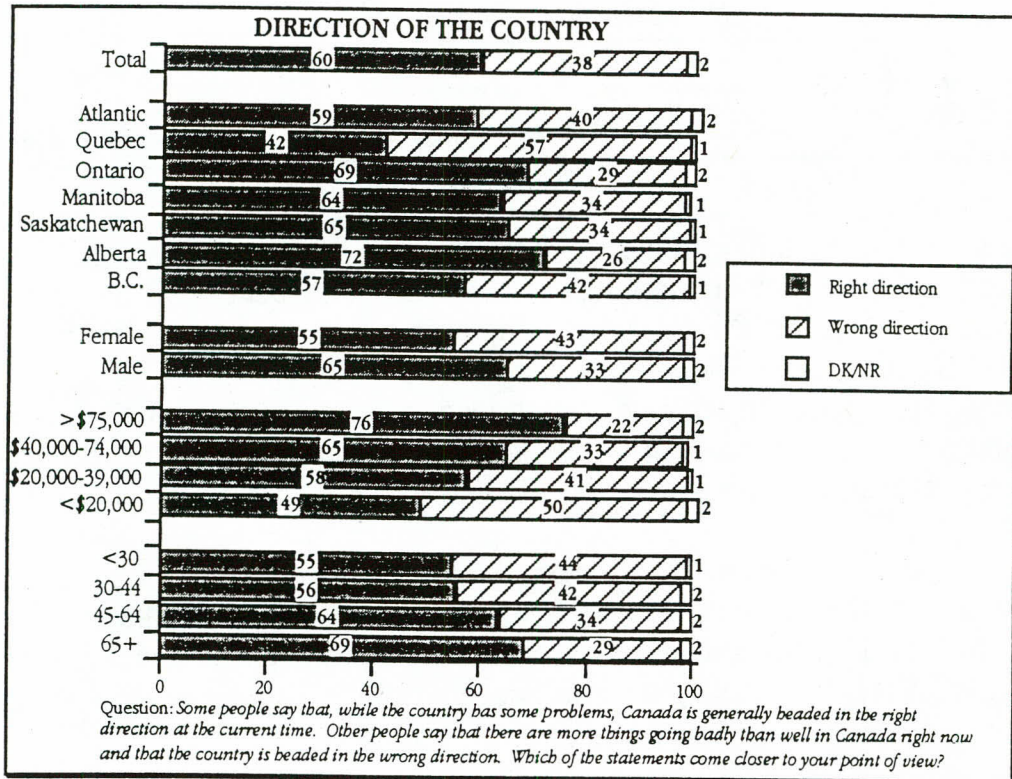
Though women tend to be pessimistic about the economy, they tend to believe the government is doing a reasonable job. However, they are offside with the government's approach to social policy and tend to advocate an alternative approach, largely based on reinvestment in specific areas. Medicare is the most important issue in this cluster and women are more negative than men on the government's performance on protecting health care. A majority of women believe that preserving core government services like health care, education and pensions are the best way to help the middle class maintain current standards of living.

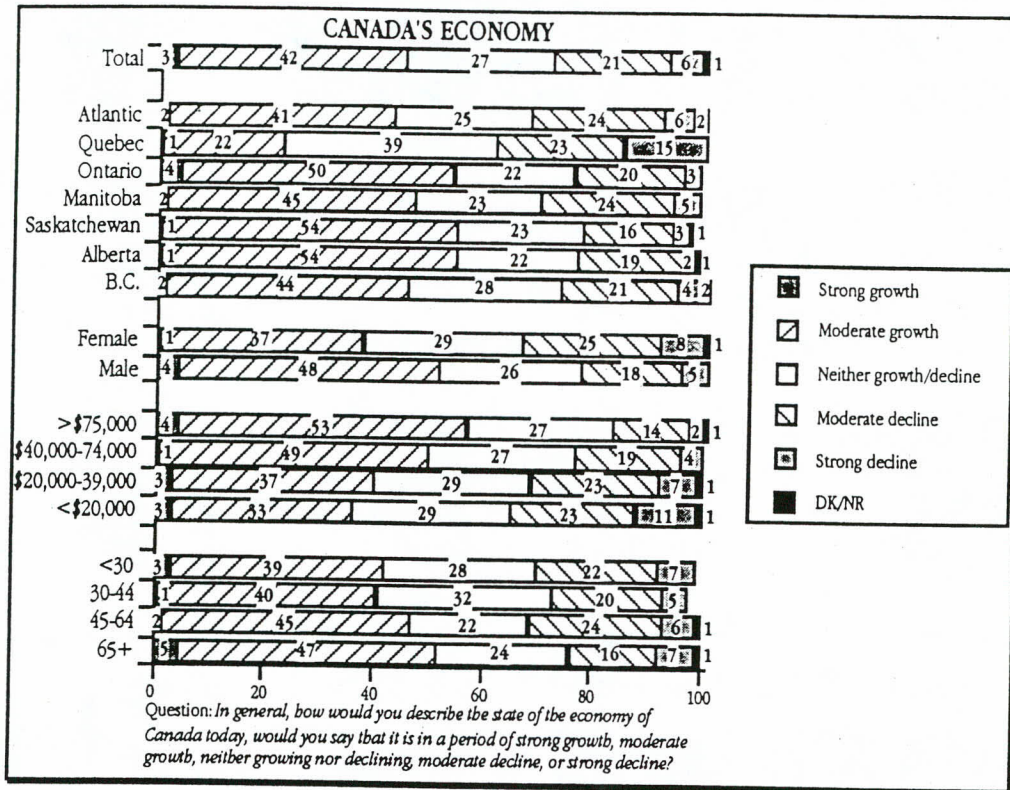
III. Detailed Findings

A. Mood of the Country

There are significant levels of optimism about the state of the economy and the direction in which Canada is heading. Underlying this optimism is a large improvement in the public's assessment of the country's economic performance over the past year. These positive attitudes are, in the main, driven by expectations about future economic performance, not personal experience.

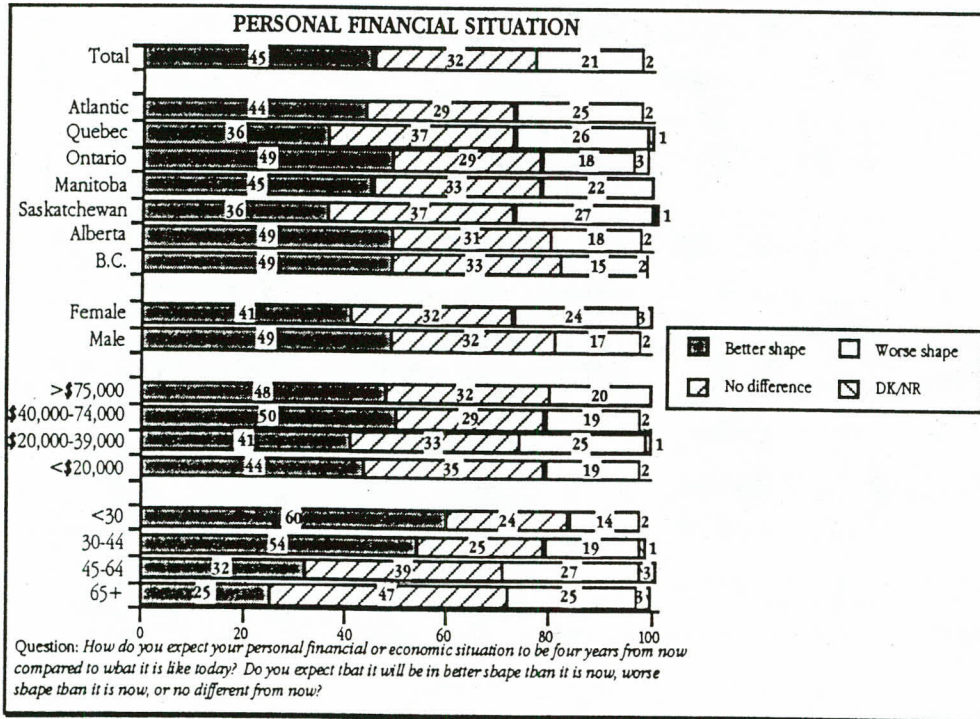
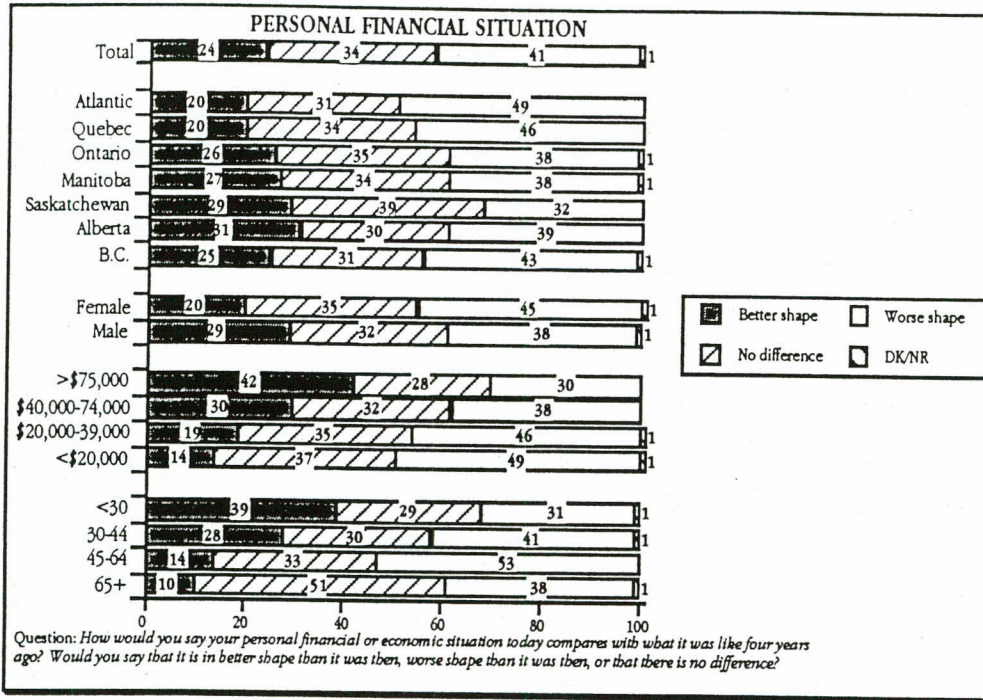
Three of five Canadians say the country is generally headed in the right direction while in Ontario and Alberta, those proportions are even higher. A significant plurality of respondents say they believe Canada is in a period of moderate growth; only a small segment says the country is in a period of decline.





As is generally true throughout the survey's findings, the largest cleavages in the country involve a profound attitudinal divide between Quebec and the rest of Canada. Quebecers are the only people who believe the country is headed in the wrong direction, largely because they are the most pessimistic about Canada's economic prospects. And though women tend to be optimistic as well, they lag behind men in a significant number of measures, registering lower expectations, higher pessimism and lower levels of satisfaction.

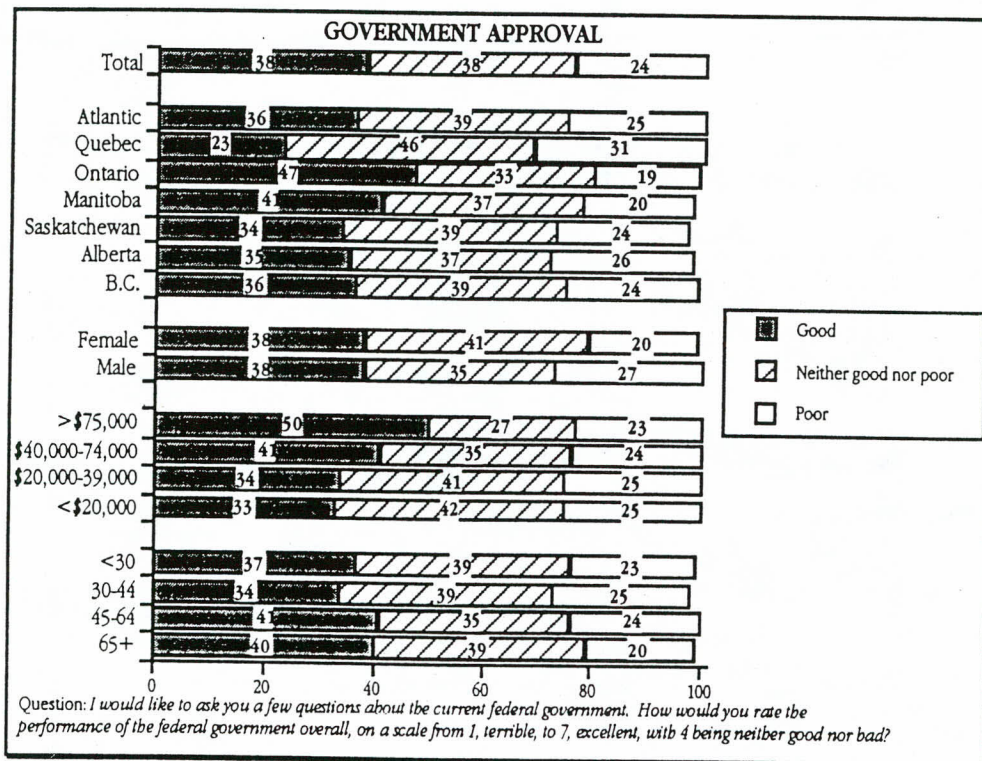
Most people think they have not bettered their personal financial or economic situation over the past four years; in fact a small plurality say their situation has worsened. That is particularly true east of Ontario and among low income groups. However, as they look ahead four years, peoples' expectations change dramatically to the point where a solid plurality believe they'll be in better shape.



The various measures indicate clearly that confidence is building among the Canadian population and levels of optimism are rising steadily.

B. The Performance of the Government

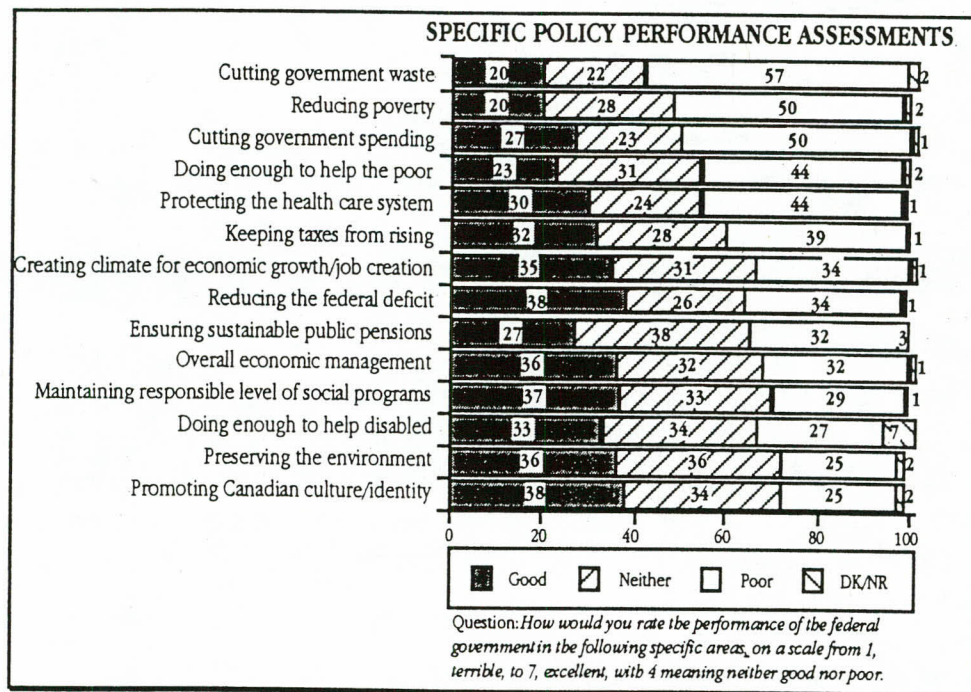
In general, the overall assessment of the government remains largely positive and unchanged after three years in power. There has been some shift in the component parts of the overall assessment, with fewer negative assessments in Quebec than a year ago and more disapproval in the Atlantic provinces. Most importantly, the underpinnings of positive assessment are strengthening as government ratings on economic issues rise, indicating growing confidence and optimism. Almost two in five Canadians rate overall government performance as good while only a quarter say it has been poor. Ontario gives the government its highest ratings, Quebec the lowest though even there, absolute negative ratings have dropped.



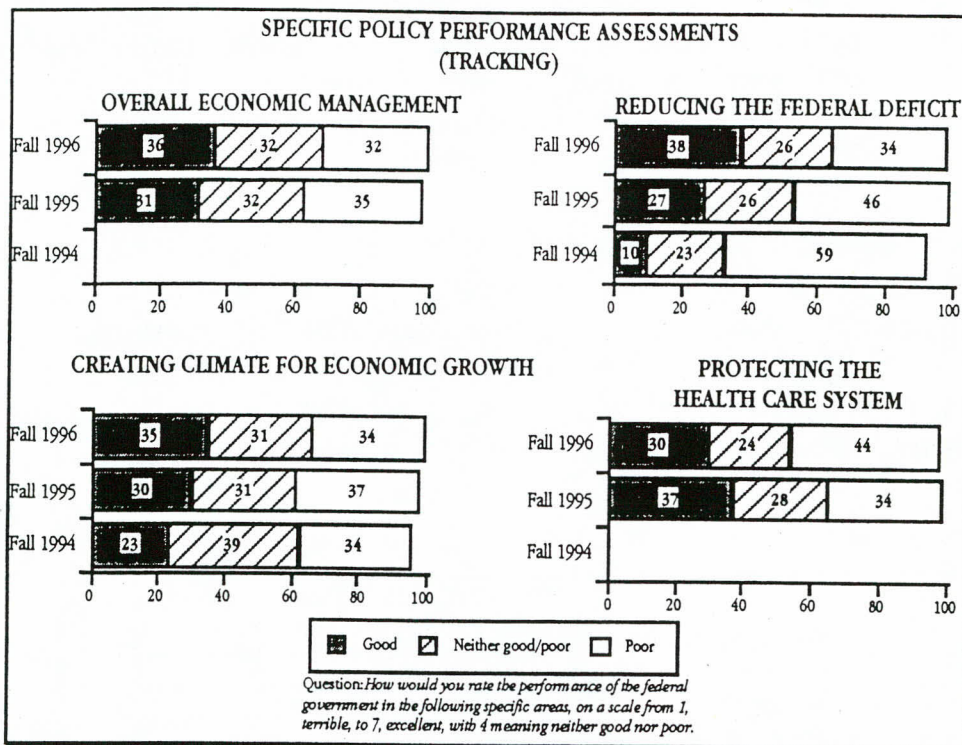
Overall, the Canadian public seems to be giving the government credit for its overall economic management for its track record in deficit reduction. That is

clearly the government's largest strength. There are some potential vulnerabilities that have emerged in its ratings on social issues, particularly in health care where there has been significant deterioration in assessments of government performance. That is the result of many people directly linking reductions in federal transfers to provincial cutbacks to health funding.

The survey tested the performance of the government in fourteen separate areas. The following graph arranges the results by the degree of negative assessment. Most notable is the fairly large negative assessment of its performance in protecting the health care system. On the other hand, only a third of the population gives it negative assessment in areas of economic and fiscal performance. These assessments have been getting steadily more positive year by year.



Tracking these responses over time reveal significant change. Over the past year, positive assessments of economic and fiscal performance have risen between five and eleven points -- the largest gain in the area of deficit reduction. In fact, positive assessments of deficit reduction performance have nearly *quadrupled* in two years. On the other hand, negative assessment of health care system protection have grown by ten percentage points the past year.



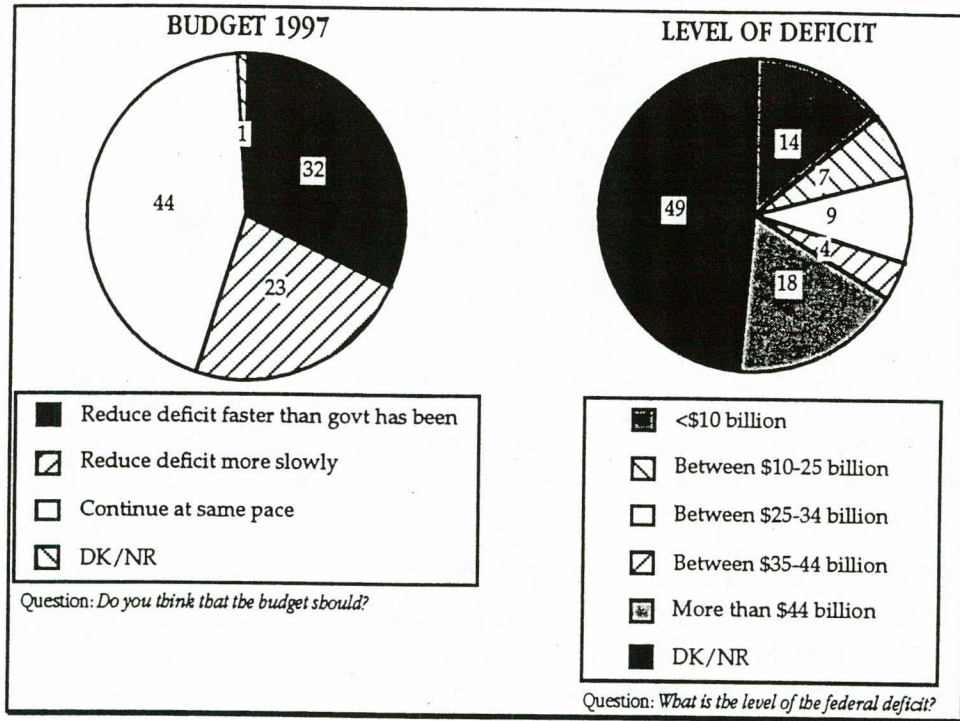
C. Deficit Management

The federal government's management of deficit reduction has been the underlying factor in the strong improvement in public perception of government competence. It is increasingly getting credit for hitting its targets and the overall success in reducing the deficit. This is happening despite little actual knowledge of the precise levels of the deficit -- clearly, most people are absorbing the positive reaction and that is shaping their views rather than any precise understanding of the numbers themselves.

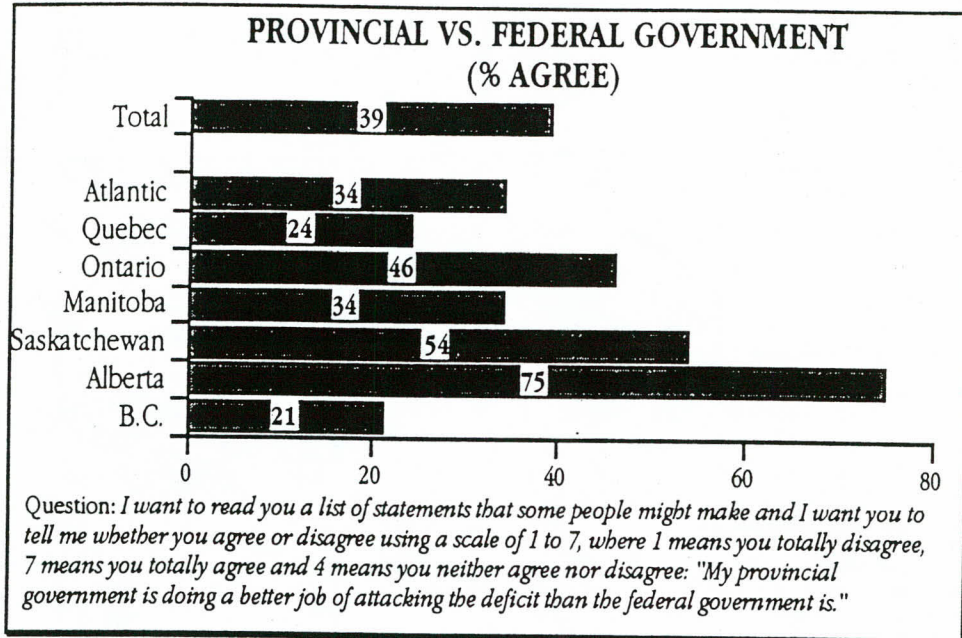
In addition, a plurality of people (44%) express a general comfort level with the pace of deficit reduction and of those who would prefer a different pace, more think it should go faster than slower.

This is an event of great significance for the government. After years of missed targets, most people had come to see the deficit as an intractable problem and a symbol of the ineffectiveness of government. Renewed credibility in this area is central to rebuilding confidence in government.

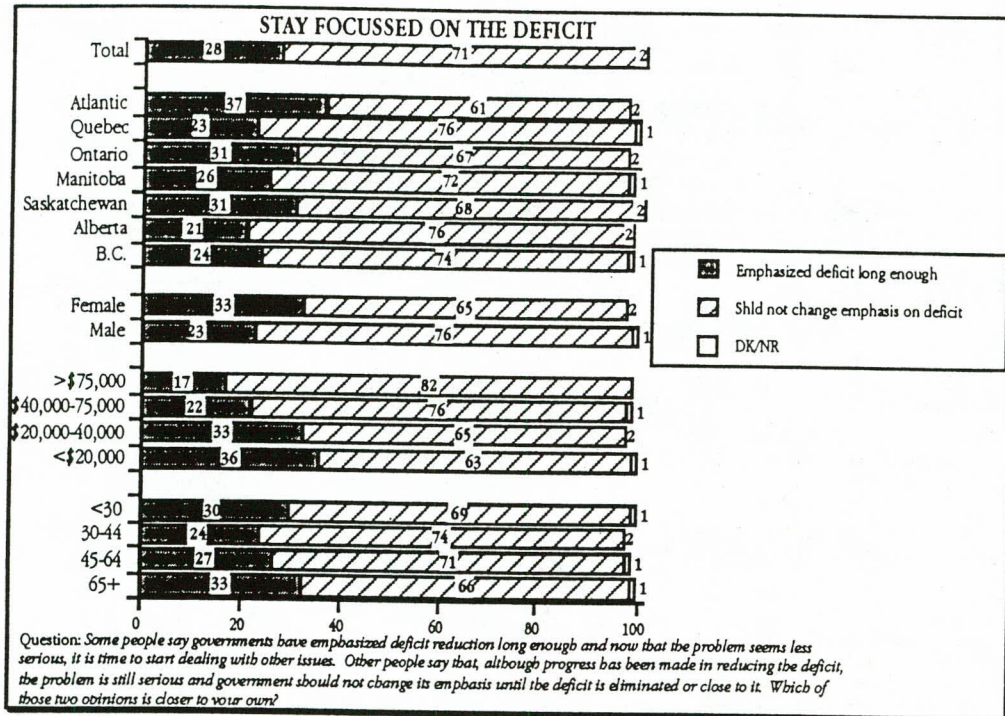
Also, people clearly viewed high government deficits as the rot at the core of a poorly performing economy. The project of deficit elimination is strongly linked with renewed economic optimism by Canadians.



The survey tested whether people thought their provincial governments were doing a better job at deficit reduction than the federal government. Only in Saskatchewan and Alberta did a majority agree with that proposition. The federal government's performance has particularly impressed people in BC and Quebec where less than a quarter of respondents believed their provincial governments had been more effective in reducing deficits.

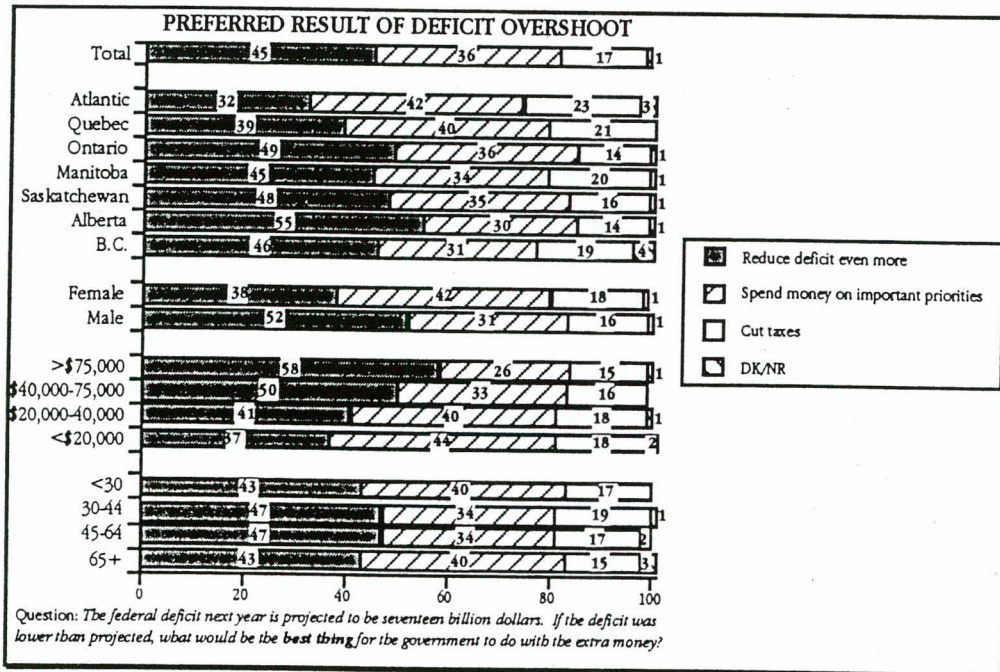
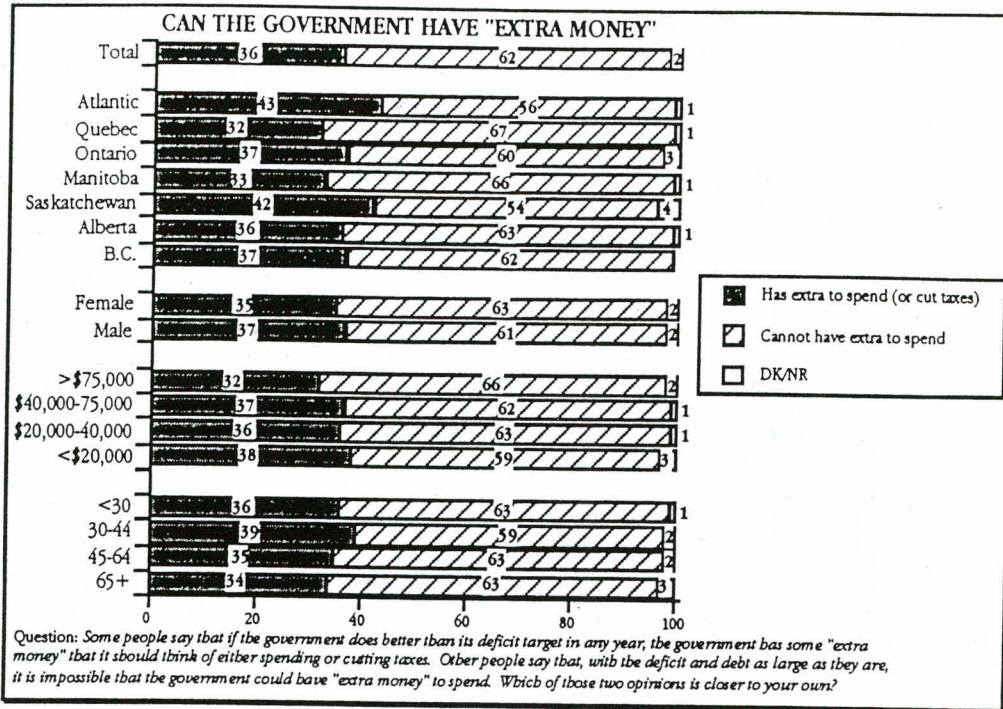


The overall message is clear. Looking ahead, the overwhelming majority (71%) of Canadians want the federal government to stay the course on deficit reduction. That is true of all geographic and demographic subgroups though there is a ten point gap between men and women.



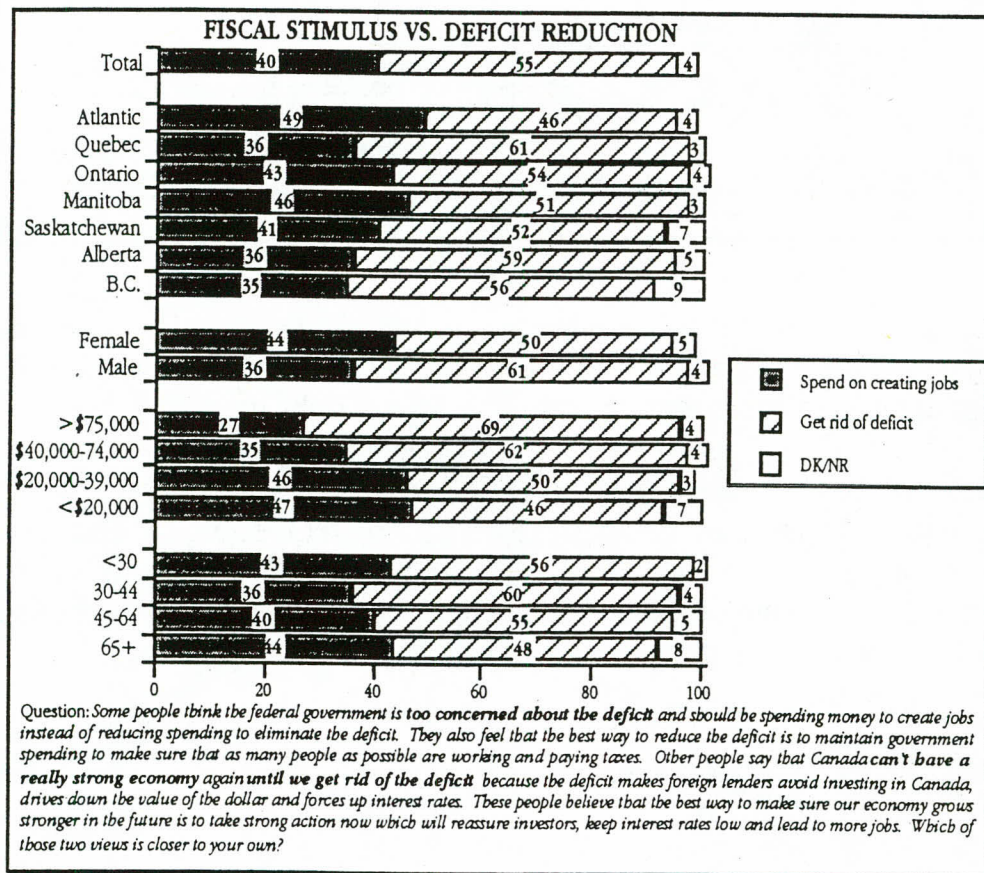
The survey probed public preferences in dealing with any possible overshoot of deficit reduction targets. Again, it is clear that the public emphasis on deficit reduction is quite strong. In fact, a majority (62%) does not believe the government has “extra” money to spend above and beyond its deficit target, that with the deficit and debt as large as they are, it is impossible that the government *could* have extra money to spend. That logic leads to a strong plurality (45%) saying that any overage should be used to reduce the deficit even more. Only a small minority (17%) would cut taxes.

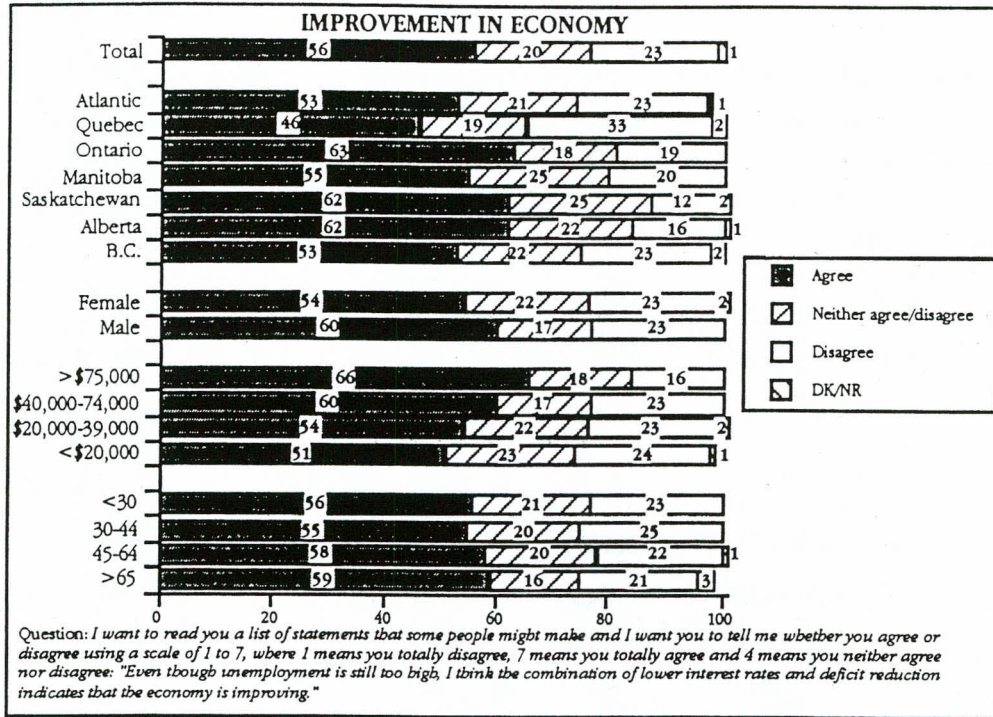
It can fairly be inferred, as well, that given the continuing high levels of belief that governments waste large amounts of money, it would be far more attractive and compelling to root any additional spending in reallocation.



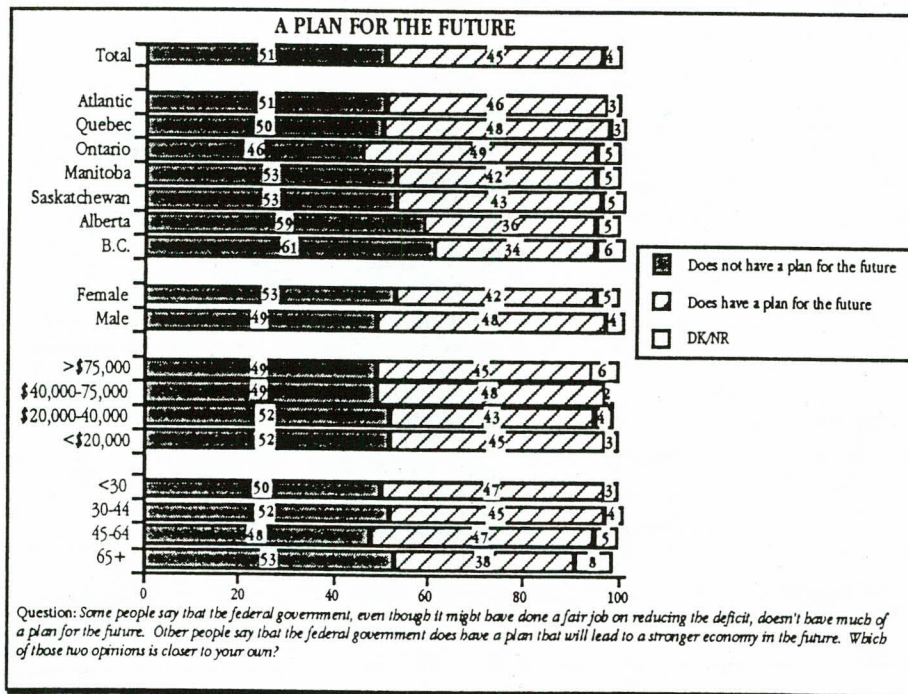
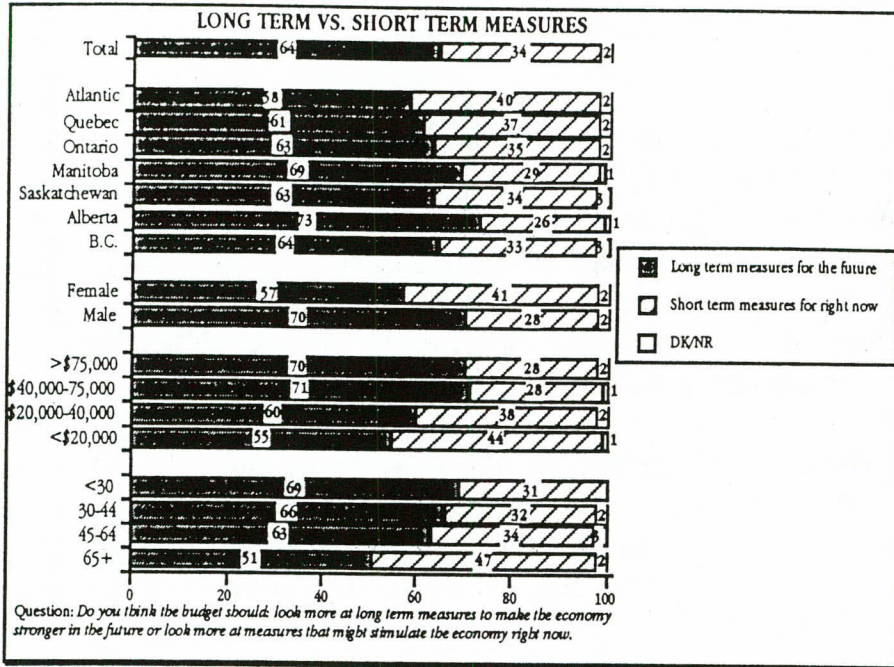
D. Economic Growth and Job Creation

By and large, the Canadian public continues to accept the economic paradigm put forward by the federal government. That conclusion can be supported both by the growing confidence in current and future economic performance and by direct answers to specific tests of the jobs and growth paradigm. Most people continue to choose *getting rid of the deficit* as a surer way towards developing a strong economy over *spending money to create jobs*. A majority agrees that the current combination of low interest rates and continuing deficit reduction indicates the economy is improving. Sceptics of the current approach don't much like what they see but do not have options they believe in either.





When asked what sort of measures the budget should introduce, a majority continues to believe that long term measures that help the economy in the future are preferable to short term measures to help it right now. This has been a consistent finding through a variety of research projects and continues to underscore the public belief that fundamental economic change is underway. Most people want the federal government to have a long term economic plan though they remain split on whether it has one currently. That split in opinion is actually narrowing a bit -- more people currently believe the federal government has such a plan than have in the past, again a reflection of increasing confidence in the current paradigm.

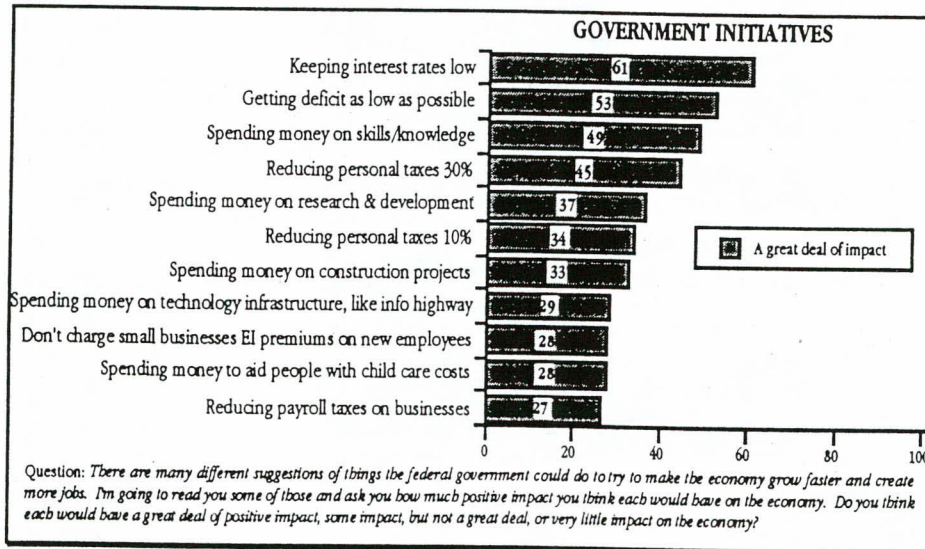


E. Specific Measures to Create Jobs and Growth

The survey specifically tests various initiatives that could stimulate jobs and growth. On the whole, there was general endorsement of current policies (like keeping interest rates low and reducing the deficit) and less enthusiasm for new job programs. Even very significant tax reductions (30%) were seen to be less beneficial than the current paradigm. The magnitude of proposed tax cuts matters a great deal; the lower the proposed cut, the less the perceived impact. And people tended to believe that personal tax reductions would be more effective than tax cuts directed at business.

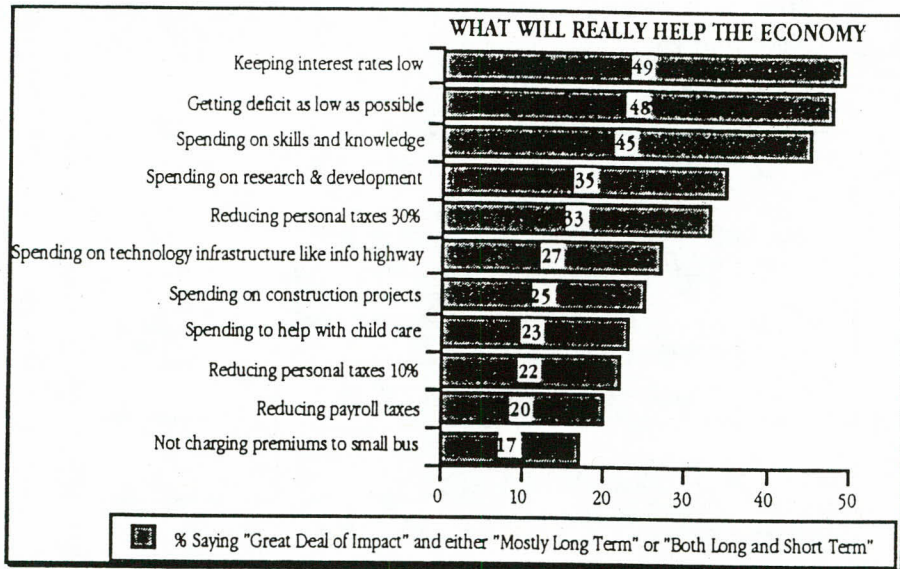
Overall, there was a clear hierarchy of preferred measures to lead to long term growth. Only a third or less saw any significant, long lasting impact from tax cuts or spending on infrastructure. Generally, the results were consistent with findings that indicate that most people believe they are living in a time of profound change and that structural economic problems require structural solutions.

The survey outlined eleven possible measures to make the economy grow faster and create more jobs. The following chart displays the percentage of people agreeing that an individual measure would have a great deal of impact:



The people who indicated that any particular initiative would have a great deal of impact were then asked to rate whether that impact would be long term, short

term or both. A clear hierarchy emerged among measures judged to be of long term benefit -- the preferred time frame for most respondents. And again, the findings showed support for the current policy paradigm:

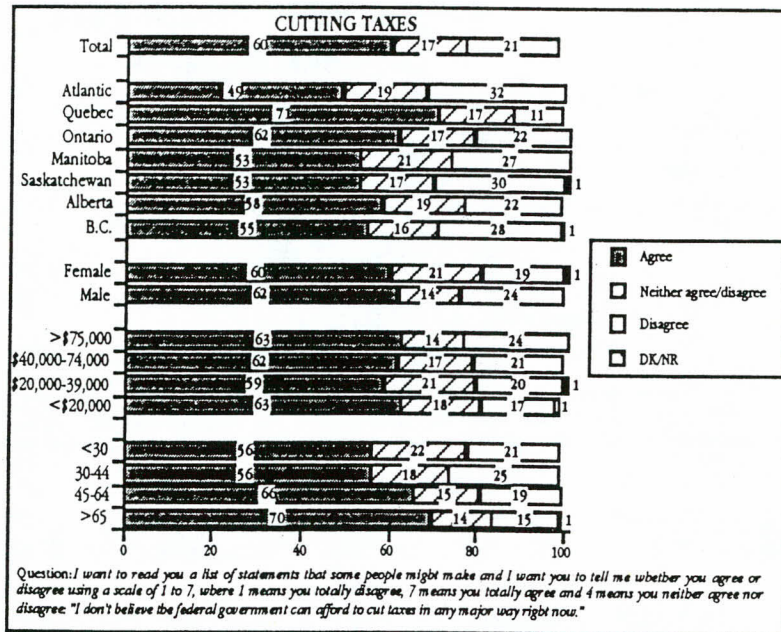


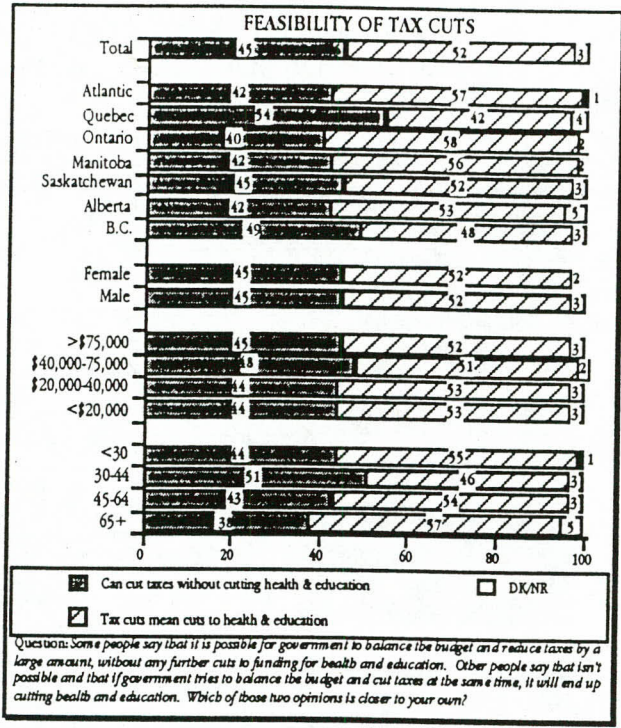
F. Attitudes Towards Tax Cuts

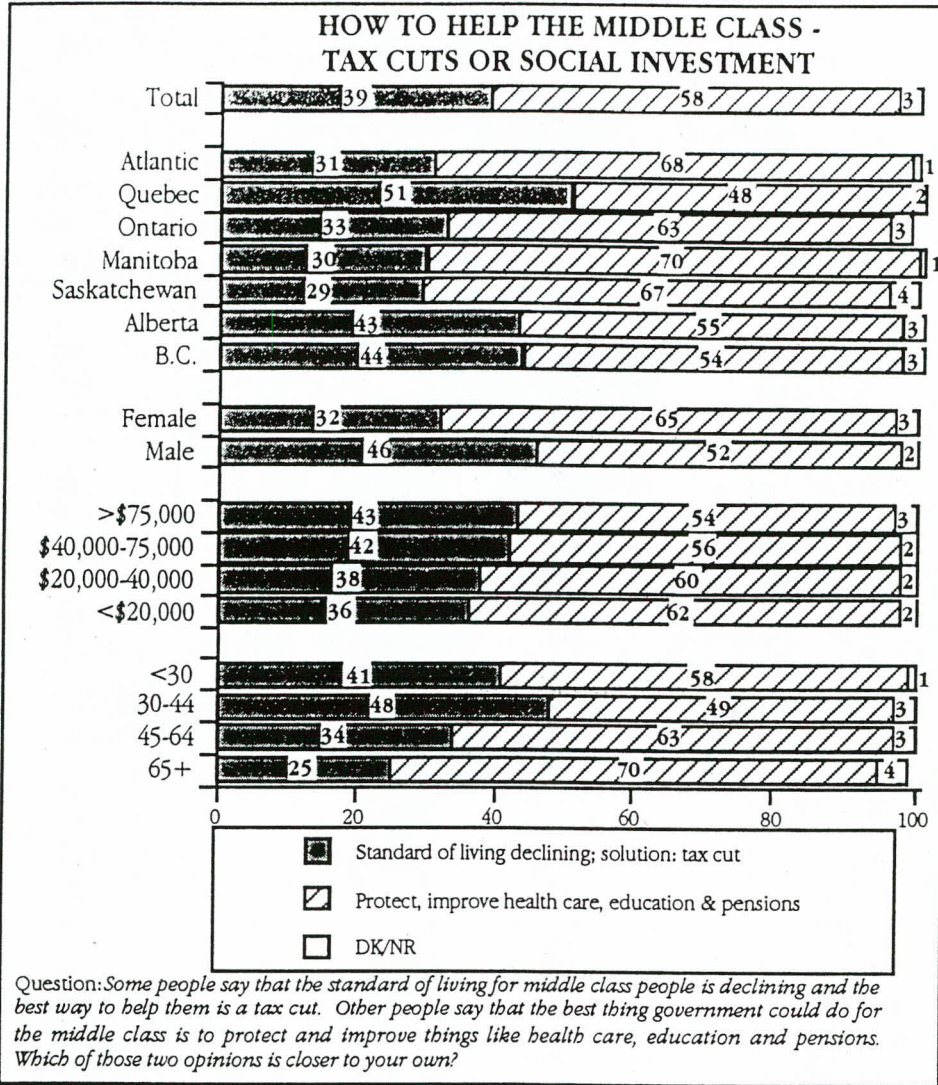
There is strong scepticism among the public about both the practicality and desirability of tax cuts. Most people do not believe that tax cuts can lead to economic growth unless they are of a great magnitude. They are concerned about the potential impact of tax cuts on deficits and spending for health and education and most see health care, education and pensions as more important to their standard of living than taxation.

There are two caveats to this analysis. The big exception to the general consensus is Quebec where there are increasing signs of large levels of tax fatigue. The second issue is potentially of great importance throughout the country. There continue to be surprisingly high levels of concern and cynicism about government waste and these have the potential to turn the debate. If people believe that government is spending money foolishly and not on the priorities they have established like health care and education, they might well demand tax cuts instead of continued government spending.

The following charts show some of the public attitudes towards tax cuts. A large majority does not believe the federal government can afford to cut taxes right now; a majority believes that the combination of balancing the budget and cutting taxes would mean cuts to health and education; and a large majority says that protecting and improving things like health care, education and pensions are more important to the middle class standard of living than a tax cut.



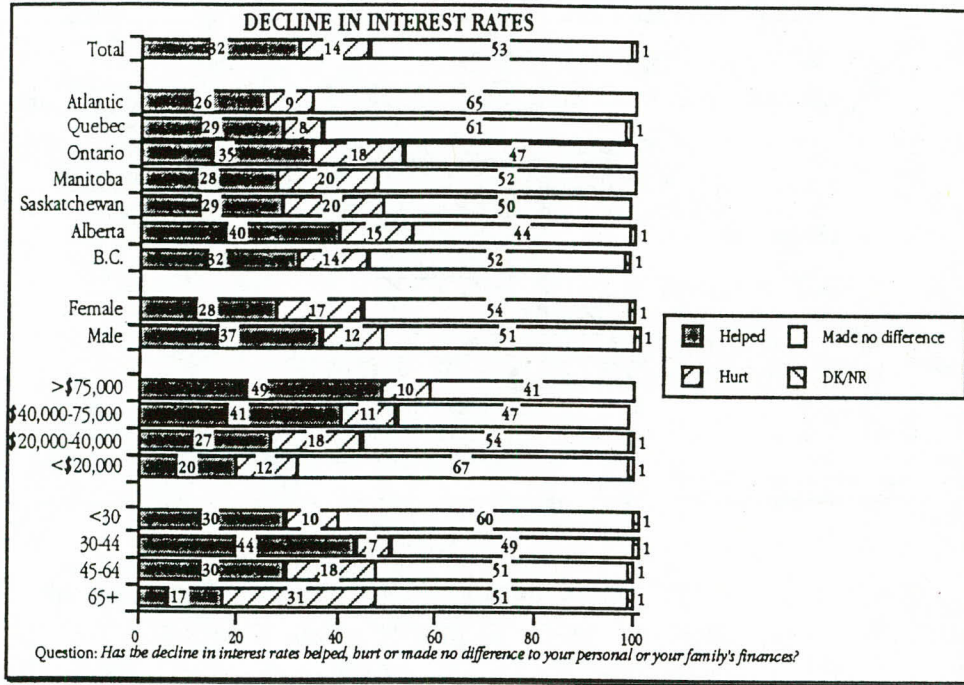




G. The Impact of Lower Interest Rates

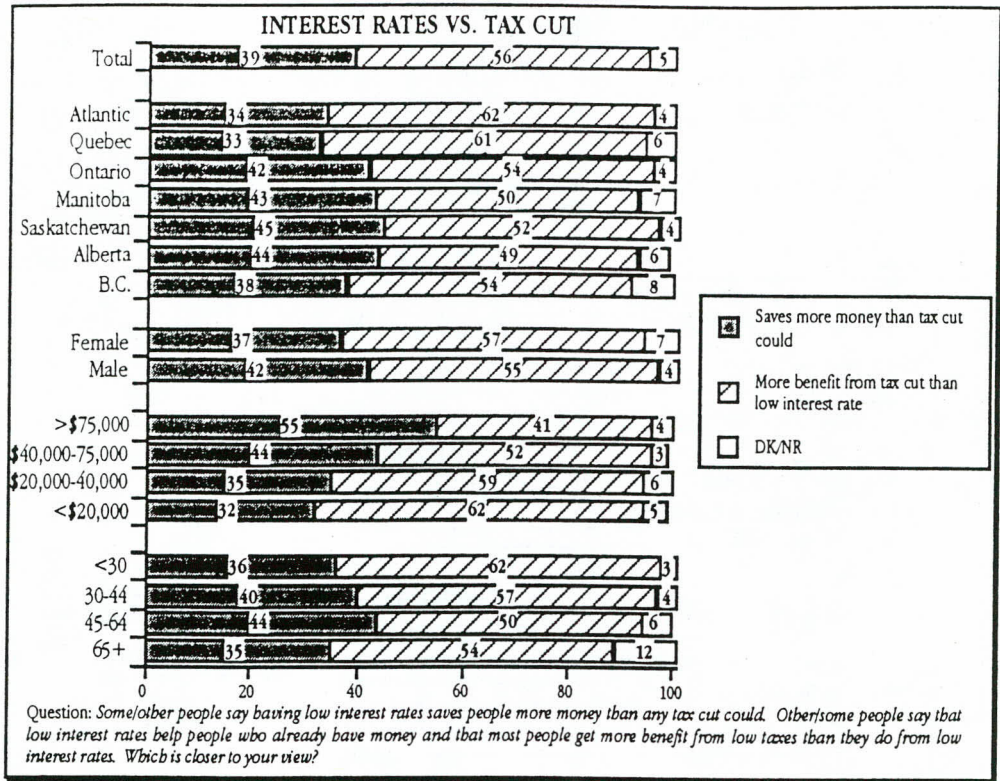
This survey posed a specific battery of questions to gauge the perceived impact of lower interest rates. Given that persistently low interest rates are a relatively unfamiliar phenomenon, it is perhaps not that surprising that people have not fully sorted out all of the potential impacts. For instance, most people see a strong linkage between lower interest rates and economic growth but the relationship between a declining deficit and lower interest rates is not well understood.

Most people are inclined to believe lower interest rates would have less impact on their own personal standard of living than on the economy as a whole. In part that may be due to their experience with fluctuating interest rates; there is little confidence that rates will stay low for very long. As to whether currently low interest rates have helped, the chart below shows that only about a third of Canadians say lower rates have helped their personal finances:



The above graph shows a fairly predictable and strong correlation between income, age and the likelihood that lower interest rates have helped personal finances. The higher the income, the more the perceived impact. Similarly, there is higher perceived impact for people between the ages of 30 to 44, the cohort most likely to have large mortgages relative to income.

Probably because only a third of Canadians say they have been helped by lower interest rates, only a similar number see lower interest rates as more helpful to their personal finances than a tax cut.



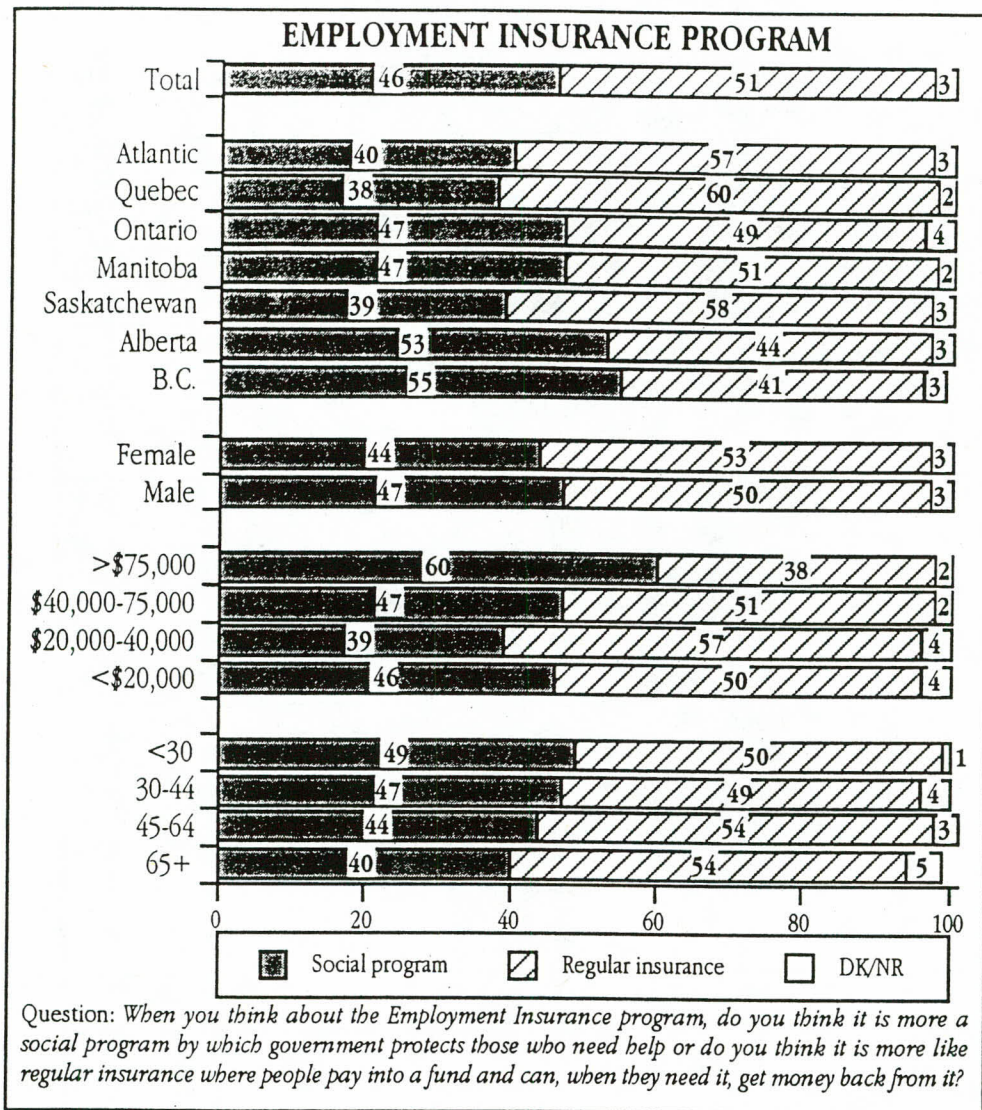
Lastly, because of both their lack of confidence in enduring lower rates and their personal debt load, Canadians show far more willingness to pay down debt or renegotiate the terms of their mortgages and loans than to spend the interest rate dividend on routine expenses or major purchases. It may well be that given an extended period of lower rates, the burgeoning optimism and confidence will translate into increased spending and purchasing but it is unlikely to happen very soon.

H. Attitudes towards Employment Insurance

Despite the public debate by critics about the growing cumulative surplus in the Employment Insurance account, many more Canadians believe that the EI program costs the federal government money than believe the program takes in more than it pays out.

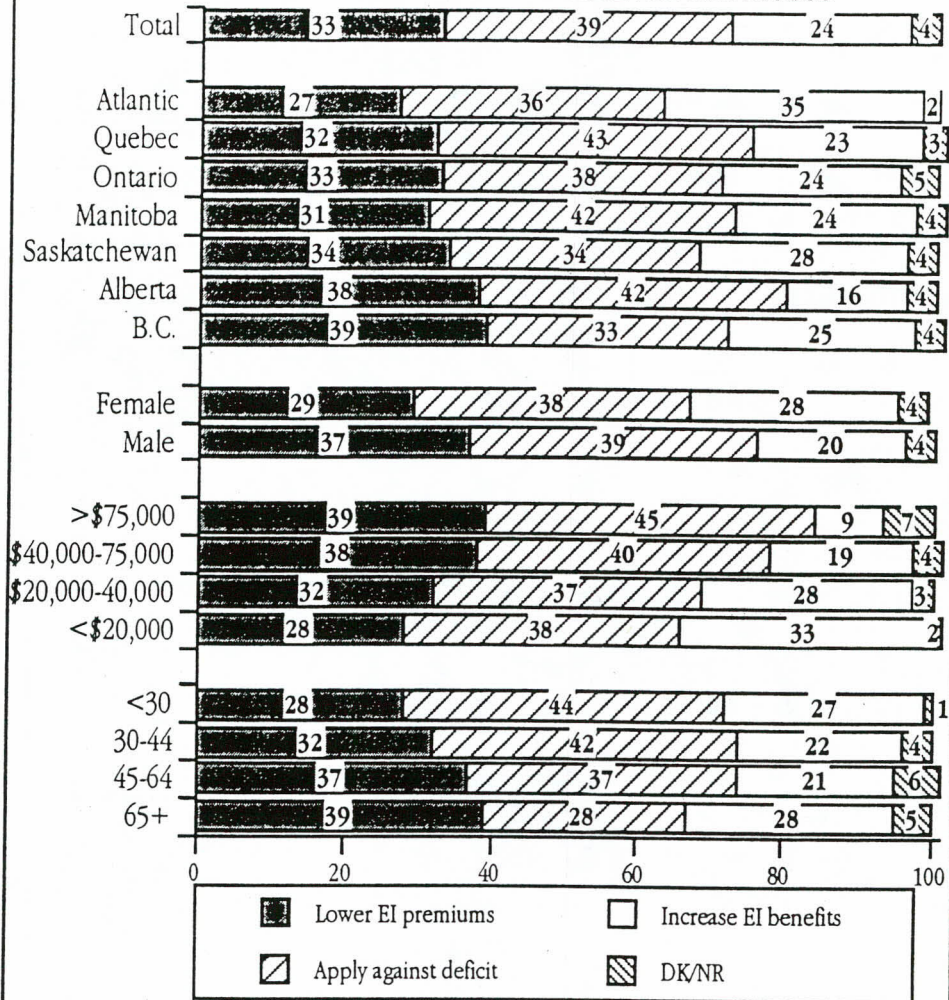
On the whole, Canadians are split in their assessment of the EI program with a small majority believing it is more like an insurance program than a social program by which the government protects those who need help. As the chart below shows,

there are large regional differences in that perception.



In the event of a surplus in the yearly account (the current situation), a plurality (39%) of people would opt for using the money to reduce the deficit. About a third would reduce premiums in that circumstance while the smallest proportion (24%) would increase benefits. However, those numbers fall dramatically if the option involves increasing the deficit -- only 7% would still reduce premiums and only 2% would increase benefits in that circumstance.

EMPLOYMENT INSURANCE BENEFITS



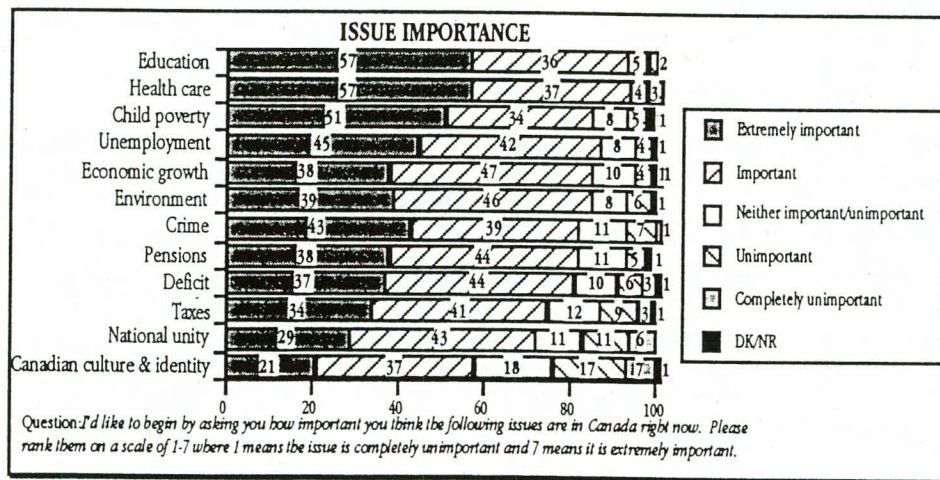
Question: *Benefits from the EI program are funded by premiums that are paid by businesses and workers. If in any year the premiums collected are more than enough to cover all the costs of the program, what should the government do with the extra? Should the government take the extra money from this program and:*

IV. Looking Ahead Towards the Budget

A. Issue Importance

As Canadians survey their landscape prior to a federal budget, they remain preoccupied with two major issues -- health care and education. In fact, there has been little overall change in the hierarchy of issue importance over the past year other than a significant decline in the urgency surrounding deficit reduction. The relative standing of health, education and unemployment remain the same, national unity has declined somewhat and crime has risen slightly.

The declining importance of the deficit is linked directly to the perceived progress in deficit reduction and the acknowledgement of the success of government efforts in that area. It is not that deficit management is unimportant any longer --- other measures in the survey indicate it is central to the feelings of building optimism and confidence. Rather, it is that the issue has lost a bit of urgency and no longer seems extremely important because governments finally appear to have the issue in hand. However, it is critical to note that the vast majority want the government to stay the course towards deficit elimination.



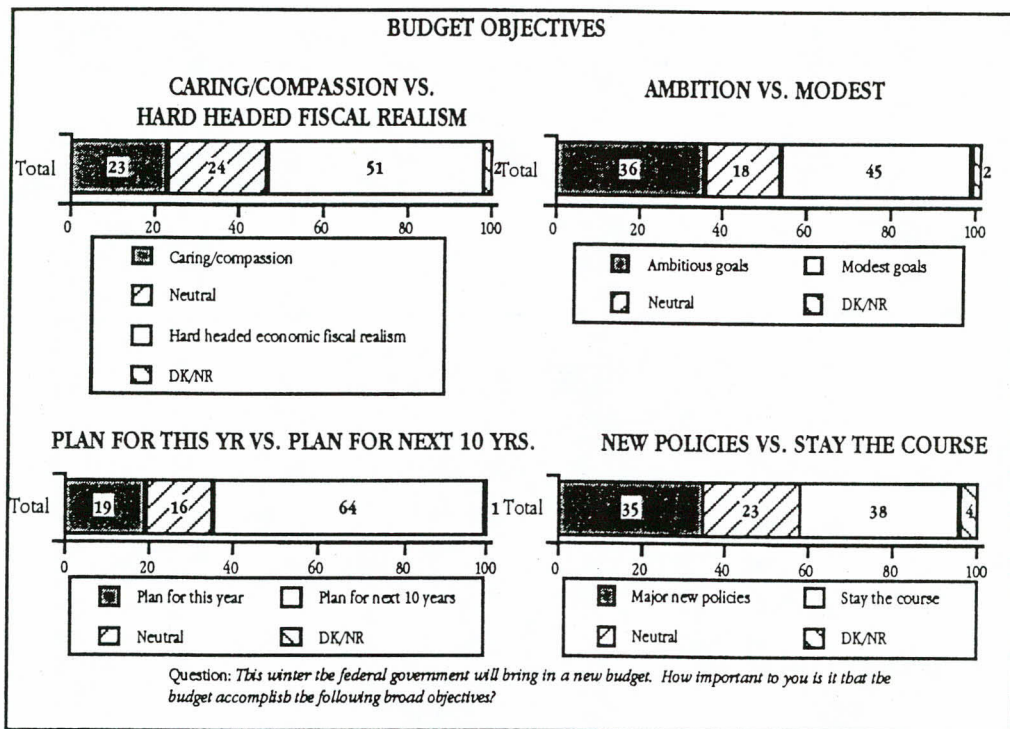
B. Expectations for the Budget

The survey posed a set of paired objectives for the coming budget in an attempt to gauge overall expectations for its potential point of departure and tone. In general, the findings indicate that Canadians continue to be focused on fiscal realism and

policy continuity. There is little appetite for dramatic new initiatives or short term intervention. Most people want a budget that:

- is driven more by fiscal realism than by compassion;
- is more modest in its goals than ambitious;
- has a plan for the economy for the next ten years, not just for this year; and
- largely stays the course on current policies.

There is some demand for some changes in policy, most pronounced in Quebec. That may more reflect the current pessimism in Quebec than any real sense of alternative because probing in other parts of the survey reveals little enthusiasm for other policy options. The following graphs show the results of the pairings:



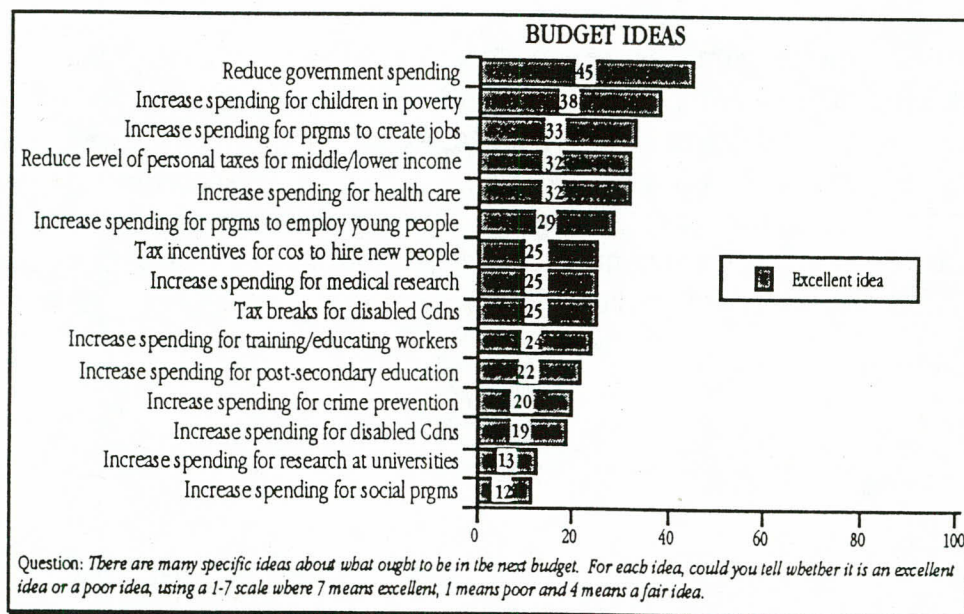
C. Potential Budget Priorities

The survey tested fifteen specific ideas for the budget. Consistent with the public's view of waste in government and with its overall priority on deficit reduction, the broadest support was generated for further spending reductions.

Of options to spend on important initiatives, child poverty spending was considered a good idea by three quarters of respondents, with even higher levels in Quebec. It is important to note, however, that some of this support is an artifact of the words; the goal of reducing child poverty is a powerful "motherhood" issue.

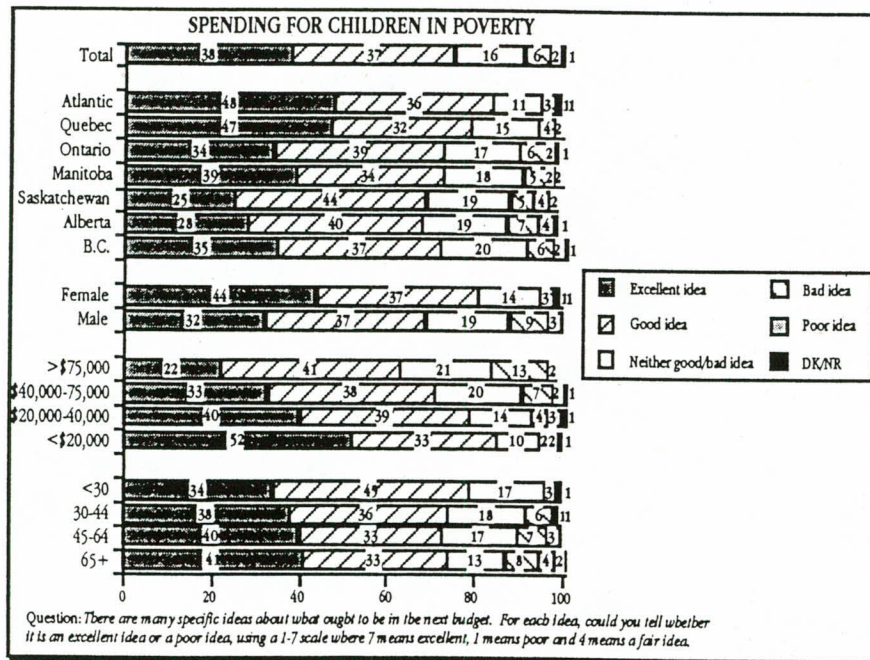
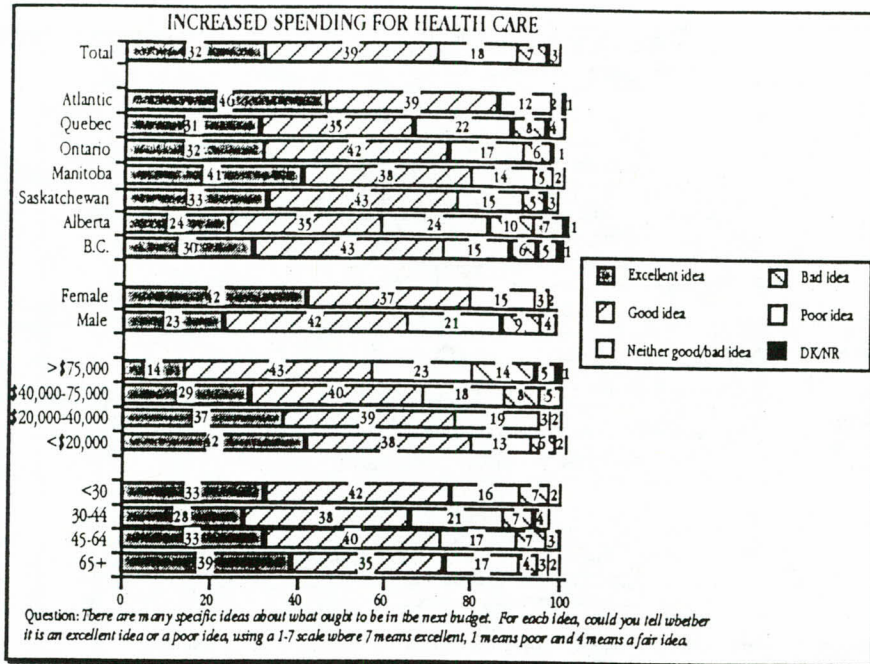
There is a potential executional and communications quagmire to consider indicated by both this and other research. For instance, "social programs" -- of which child poverty is clearly a subset -- are the lowest priority for new spending. Canadians feel bruised and battered; nearly half of them feel their personal financial situation has worsened over the past four years. The current emerging sense of optimism is quite tentative and fragile. And though there is still a general sense of compassion and a desire to help those truly in need, the definition of need is quite restricted and the focus is increasingly personal. It is likely that real support for a program for "other people" may be quite limited. This is nowhere more clear than in the changing perception of "social programs". Once they were a core Canadian value; now there is mixed opinion about them with many people ascribing negative connotation to social programs because of stories of abuse. As other researchers have pointed out, there is an emerging sense of the poor who are "deserving" and those who are not.

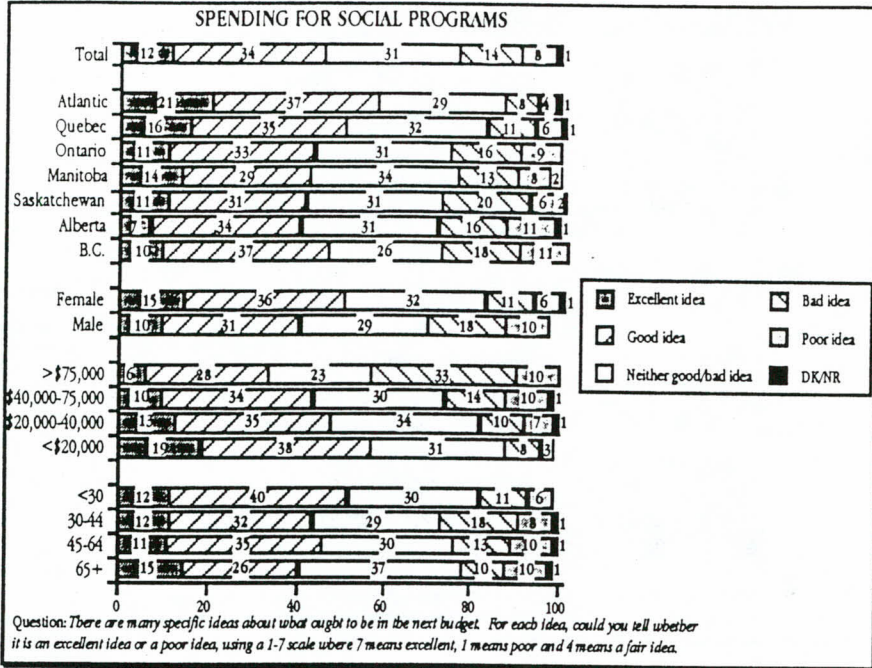
The following graph shows the percentage of people who responded that they thought a particular initiative was an excellent idea:



This set of responses combined with others in the survey produce the following specific observations:

- There is consistent evidence that there is little support for tax relief to business, even relief targeted at producing jobs. This is a product of a growing sense that business has once again become profitable and is no longer in need of special attention, a clear change over the past couple of years when most people thought businesses were weak and threatened.
- When evaluating help for the disabled, Canadians are more likely to endorse tax-based support than direct spending.
- The importance of the health care system is underscored by support levels for government spending on research. There is twice the level of support for medical research than for unspecified research.
- As to spending on health care itself, Canadians divide somewhat along gender and income lines. Women and lower income Canadians are much more likely to think further health care spending is a good idea.
- In keeping with their belief in the efficacy of long term programs and forward looking planning, respondents showed strong support for a long term, endowment fund-based, approach to supporting research in Canada.
- Increased spending on jobs generated a very polarized result. Most Canadians reject it as a mechanism for either creating meaningful jobs or strengthening the economy, and prefer that government focus on improving the underlying fundamentals of the economy like deficit reduction, low interest rates and improved education and training. A minority of Canadians feel that an improved economy may not necessarily generate jobs or lifestyle improvement for them and prefer a more direct role for government in the labour market.





V. A Special Note on Female Respondents

This survey revealed substantial differences between Canadian men and women on many of the issues posed. The differences were important enough to summarize in this special section.

Women are clearly not feeling that they are benefitting as much from the current economic recovery as men do.

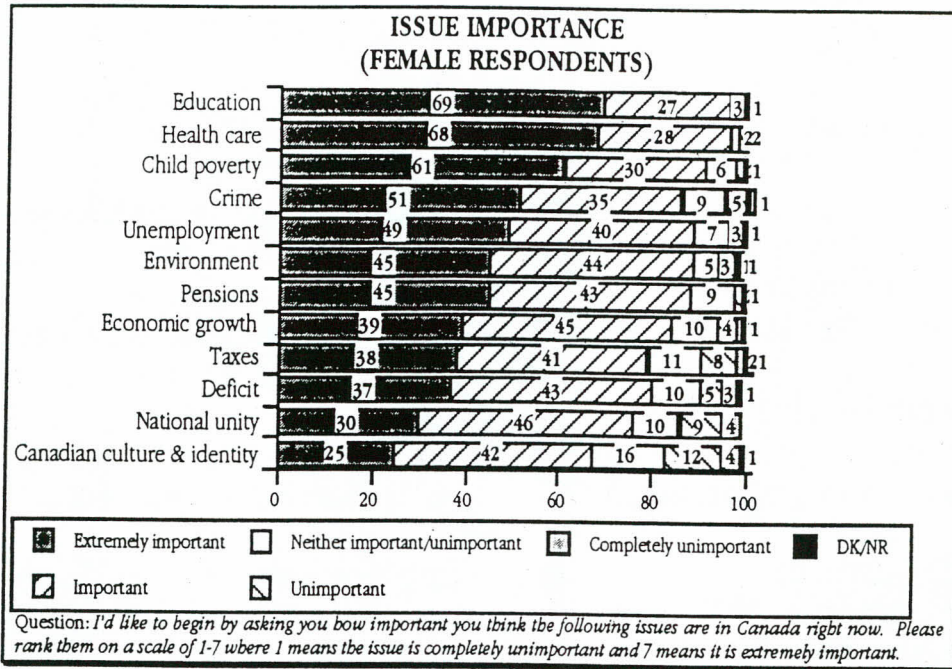
- They are less likely to be positive about the current state of the economy and its immediate prospects -- though more are positive than negative.
- They are less likely to feel that low interest rates have helped them.
- They are less likely to be persuaded of the effectiveness of an economic plan that is based on deficit reduction though most still see deficit reduction as an essential underpinning.
- Overall, they reflect a sense of pessimism but they are also less likely to believe that other approaches like increased spending or tax cuts will succeed.

Though women tend to be pessimistic about the economy, they tend to believe the government is doing a reasonable job. However, they are offside with the government's approach to social policy and tend to advocate an alternative approach, largely based on reinvestment in specific areas. Medicare is the most important issue in this cluster and women are more negative than men on the government's performance on protecting health care.

- Three quarters of women would support putting more money back into health care even with the deficit where it is.
- They are twice as likely as men to say it would be an excellent budget idea to spend more on health care.
- They are also much more likely than men to support increased spending in:
 - post-secondary education
 - training and skills
 - child poverty
 - help for the disabled

Finally two thirds of majority of women believe that preserving core government services like health care, education and pensions are the best way to help the middle class maintain current standards of living.

The following graph shows the hierarchy of issue importance among women and reveals two things of note: the intensity of feeling among women is substantially higher than among men and women rate crime substantially higher than men.



VI. Conclusions

Confidence in both the current and future performance of the economy is growing. Perhaps the most important story that emerges is the growing sense of personal optimism. It may well be that over time, this will translate into increased consumer activity.

The government is well positioned on most important issues. It has gained credit for its economic and fiscal performance, key drivers to overall performance assessment. While there is reluctance by many to concede that the government has an overall plan, an increasing number of people believe it does and it is clear that there is an understanding of the government's economic strategy and a belief that it is working.

Even those sceptical of the current approach are not persuaded by alternatives, though among women there is a tendency to believe that specific targeted spending in social areas is important.

Given the tentative nature of the emerging understanding and acceptance, care must be taken not to undertake actions that will confuse or undercut the hard-won arguments about the paradigm and strategy. That means, at the outset, that the budget should be positioned as staying the course on the current fiscal and economic program. A grab bag of measures has the potential to cumulatively signify a shift away from the current approach. It might well raise questions about motive and priorities.

If a jobs emphasis is desired and increased spending a way to show that priority, money for training or education would be the most preferable. Spending on research is less persuasive but fits comfortably within the desired long term focus.

However, it should be clear that jobs is not the area of prime vulnerability, health care is. In general, qualitative research has shown that properly communicated, the package of measures -- deficit reduction and low interest rates; short term investment in things like physical infrastructure; and long term investment in areas likely to produce long term jobs -- convinces people that there is a workable jobs strategy. What is needed is a persuasive way of communicating the strategy to Canadians at large. As that is done, it will be important to continually assert that deficit reduction is part of the strategy.

Tax cuts have some limited appeal, particularly to an upper middle class feeling beleaguered. However, they are not terribly credible as an economic growth strategy and, more importantly, most people worry that tax cuts will impact on deficit reduction and/or the funding of key services.

In many ways, tax cuts form the basis of a core debate over the kind of society and economy people want and what they believe the appropriate role of government to be. At the moment, most people opt for different uses for revenue above and beyond fiscal targets and only a small minority think tax cuts are either feasible or desirable at this point. If fiscal policy relaxes enough to accommodate tax cuts, that debate will become more difficult to respond to unless those cuts are appropriately and highly targeted.

The success of the current fiscal approach has created some vulnerabilities as concern increases somewhat about key social services. In the main, the potential damage is fairly limited because of the continuing low priority the public places on most social programming.

However, given the high priority of and level of concern about health care, the deterioration of the government's reputation in that area is cause for real concern. The restiveness is most acute among women and the lower middle class, a key constituency for the government and the people who are least convinced about and impressed by deficit reduction. It will be important to be seen to understand and be responding to the anxiety about health care.

VII. Considerations for Positioning

- Economic optimism is increasing and along with it a feeling that the government is doing the things most important to help the economy. Fostering that sense of confidence and launching only those initiatives that seem to aid the process of strengthening the economy will continue to be key.
- In the "new economy", optimism is leavened by what appears to be inherent insecurity. This insecurity is especially felt by women. The problems appear to be deep and structural to most people who regard them to be inevitable and beyond the scope of government to fix completely. Since most people believe there is no magic bullet, grand promises on jobs and the economy will not be credible.
- Middle class Canadians -- especially women -- say they will accept a certain amount of economic uncertainty as long as they are convinced that the government will provide an adequate sense of security about the futures of health care, education and pensions.

APPENDIX
FINANCE CANADA QUESTIONNAIRE
NOVEMBER, 1996

I'd like to begin by asking you how important you think the following issues are in Canada right now. Please rank them on a scale of 1-7 where 1 means the issue is completely unimportant and 7 means it is extremely important. (READ & ROTATE - 1/2 SAMPLE)

	<u>Completely</u> <u>Unimportant</u>							<u>Extremely</u> <u>Important</u>
1a. National unity	1	2	3	4	5	6	7	7
2a. Deficit	1	2	3	4	5	6	7	7
3a. Economic Growth	1	2	3	4	5	6	7	7
4a. Unemployment	1	2	3	4	5	6	7	7
5a. Crime	1	2	3	4	5	6	7	7
6a. Taxes	1	2	3	4	5	6	7	7
7a. Education	1	2	3	4	5	6	7	7
8a. Health Care	1	2	3	4	5	6	7	7
9a. Environment	1	2	3	4	5	6	7	7
10a. Canadian Culture & Identity	1	2	3	4	5	6	7	7
11a. Pensions	1	2	3	4	5	6	7	7
12a. Child Poverty	1	2	3	4	5	6	7	7

I'd like to begin by asking you how important you think the following issues are in Canada right now. Thinking of just the federal government, how much of a priority do you think the federal government should place on the following issues? Use the same scale, 1 being the lowest priority, 7 being the highest priority and 4 being a middling priority. (READ & ROTATE - 1/2 SAMPLE)

	<u>Low</u> <u>Priority</u>		<u>Middling</u> <u>Priority</u>				<u>Top</u> <u>Priority</u>
1b. National unity	1	2	3	4	5	6	7
2b. Deficit	1	2	3	4	5	6	7
3b. Economic Growth	1	2	3	4	5	6	7
4b. Unemployment	1	2	3	4	5	6	7
5b. Crime	1	2	3	4	5	6	7
6b. Taxes	1	2	3	4	5	6	7
7b. Education	1	2	3	4	5	6	7
8b. Health Care	1	2	3	4	5	6	7
9b. Environment	1	2	3	4	5	6	7
10b. Canadian Culture & Identity	1	2	3	4	5	6	7

- 11b. Pensions 1 2 3 4 5 6 7
 12b. Child Poverty 1 2 3 4 5 6 7

I would like to ask you a few questions about the current federal government.

14. How would you rate the performance of the federal government overall, on a scale from 1, terrible, to 7, excellent, with 4 being neither good nor bad?

How would you rate the performance of the federal government in the following specific areas, on a scale from 1, terrible, to 7, excellent, with 4 meaning neither good nor poor. **(READ & ROTATE)**

			Neither Good			
	<u>Terrible</u>	<u>Poor</u>	<u>nor Poor</u>	<u>Good</u>	<u>Excellent</u>	<u>DK/NR</u>
15. Overall economic management	1		4		7	
16. Reducing the federal deficit	1		4		7	
17. Cutting government waste	1		4		7	
18. Creating a climate for economic growth and job creation	1		4		7	
19. Doing enough to help the disabled.	1		4		7	
20. Maintaining a responsible level of social programs	1		4		7	
21. Protecting the health care system	1		4		7	
22. Cutting government spending	1		4		7	
23. Reducing poverty (1/2 sample)						
24. Doing enough to help the poor (1/2 sample)	1		4		7	
25. Keeping taxes from rising.	1		4		7	
26. Preserving the environment	1		4		7	
27. Promoting Canadian culture and the identity	1		4		7	
28. Ensuring sustainable public pensions	1		4		7	

Some people say that, while the country has some problems, Canada is generally headed in the right direction at the current time. Other people say that there are more things going badly than well in Canada right now and that the country is headed in the wrong direction. **(ROTATE ORDER)**

29. Which of those two statements is closer to your own opinion.

- a) Right Direction 1
 b) Wrong Direction 2

30. In general, how would you describe the state of the economy of Canada today, would you say that it is in a period of strong growth, moderate growth, neither growing nor declining, moderate decline, or strong decline?
- Strong growth
- Moderate growth
- Neither growing nor declining
- Moderate decline
- Strong decline

31. How would you say your personal financial or economic situation today compares with what it was like four years ago? Would you say the economy is in better shape than it was then, worse shape than it was then, or that there is no difference.
- Better shape
- Worse shape
- No difference

32. How do you expect your personal or economic situation to be four years from now compared to what it is like today? Do you expect that the economy will be in better shape than it is now, worse shape than it is now, or no different from now?
- Better shape
- Worse shape
- No difference

33. Some people think the federal government is too concerned about the deficit and should be spending money to create jobs instead of reducing spending to eliminate the deficit. They also feel that the best way to reduce the deficit is to maintain government spending to make sure that as many people as possible are working and paying taxes.

Other people say that Canada can't have a really strong economy again until we get rid of the deficit because the deficit makes foreign lenders avoid investing in Canada, drives down the value of the dollar and forces up interest rates. These people believe that the best way to make sure our economy grows stronger in the future is to take strong action now which will reassure investors, keep interest rates low and lead to more jobs.

Which of those two views is closer to your own?

- Government should spend on creating jobs 1
- Government must get rid of deficit 2
- DK/NR 3

There are many different suggestions of things the federal government could do to **try** to make the economy grow faster and create more jobs. I'm going to read you some of those and ask you how much positive impact you think each would have on the economy. Do you think _____ would have a great deal of positive impact, some impact, but not a great deal, or very little impact on the economy? (READ AND ROTATE)

	Very Little Impact	Some Impact but Not a Great Deal	A Great Deal of Impact	DK/NR
34. Reducing payroll taxes on businesses, like Employment Insurance Premiums.	1	2	3	
35. Reducing personal taxes by 10%.	1	2	3	
36. Keeping interest rates low.	1	2	3	
37. Getting the deficit as low as possible.	1	2	3	
38. Spending money on construction projects like building roads, bridges and sewers.	1	2	3	
39. Spending money on scientific research and technology.	1	2	3	
40. Reducing personal taxes by 30%.	1	2	3	
41. Not charging small businesses any Employment Insurance premiums for <u>new</u> employees. ...	1	2	3	
42. Spending money on technology infrastructure, like the information highway.	1	2	3	
43. Spending money on skills and knowledge for individuals.	1	2	3	
44. Spending money to help people with child care costs.	1	2	3	

(In each case where the respondent chose "Some Impact" or "A Great Deal of Impact"). Do you think that _____ would benefit the economy mostly in the short term, mostly over the long term, or in both the short and the long term?

This winter the federal government will bring in a new budget. How important to you is it that the budget accomplish the following broad objectives. (READ AND ROTATE)

How important to you is that the budget...

45. Demonstrate caring and compassion	1	2	3	4	5	6	7	Demonstrate hard headed economic financial realism
46. Have ambitious goals	1	2	3	4	5	6	7	Have modest goals

47. Have a plan for the economy this year 1 2 3 4 5 6 7 Have a plan for the economy for the next 10 years

48. Contain major new policies ... 1 2 3 4 5 6 7 Stay the course of current policies

Do you think the budget should:

49. Look more at long term measures to make the economy stronger in the future or look more at measures that might stimulate the economy right now.

Long term measures for the future

Short term measures for right now

50. Contain neither new cuts in spending nor any new spending programs.

or

Cut spending in some areas in order to increase spending in areas of higher priority.

51. Reduce the deficit faster than the government has been, reduce it more slowly, or continue reducing it at the same pace

a) Reduce deficit faster than the government has been

b) Reduce deficit more slowly

c) Continue at same pace

52. What is the level of the federal deficit?

53. The federal deficit next year is projected to be seventeen billion dollars. If the deficit was lower than projected, what would be the **best thing** for the government to do with the extra money...(READ AND ROTATE - CHOOSE ONE)

a) Reduce the deficit even more

b) Spend the money on important priorities

c) Cut taxes

54. If the deficit next year is lower than projected and the government decided to spend the extra money, which of the following two options would you prefer:

a) Spend the money immediately on important priorities

or

b) Set aside the money and, over a ten year period, use the yearly interest and part of the principal to help fund important priorities.

There are many specific ideas about what ought to be in the next budget. For each idea, could you tell whether it is an excellent idea or a poor idea, using a 1-7 scale where 7 means excellent, 1 means poor and 4 means a fair idea. (READ & ROTATE)

	<u>Poor Idea</u>		<u>Fair Idea</u>		<u>Excellent Idea</u>
55. Increased spending for health care	1	2	3	4	5 6 7
56. Increased spending for university and and college education	1	2	3	4	5 6 7
57. Increased spending for training and education for workers	1	2	3	4	5 6 7
59. Increased spending for social programs	1	2	3	4	5 6 7
60. Increased spending for crime prevention	1	2	3	4	5 6 7
61. Increased spending for children in poverty	1	2	3	4	5 6 7
62. Increased spending for research at universities	1	2	3	4	5 6 7
63. Increased spending for medical research	1	2	3	4	5 6 7
64. Increased spending for disabled Canadians (1/2 sample)	1	2	3	4	5 6 7
65. Tax breaks for disabled Canadians (1/2 sample)	1	2	3	4	5 6 7
66. Increased spending for programs to directly create jobs	1	2	3	4	5 6 7
67. Tax incentives for businesses to hire new people	1	2	3	4	5 6 7
68. Reduce the level of personal taxes for middle and lower income Canadians only	1	2	3	4	5 6 7
69. Increased spending for programs to employ young people	1	2	3	4	5 6 7
70. Reduce government spending	1	2	3	4	5 6 7

The federal government runs a program called Employment Insurance (what used to be known as Unemployment Insurance, or UI)

72. In general, do you think that the Employment Insurance program makes money for the government or costs the government money?
- a) Makes money for the government

- b) Costs the government money
73. When you think about the Employment Insurance program, do you think it is more a social program by which government protects those who need help or do you think it is more like regular insurance where people pay into a fund and can, when they need it, get money back from it?
- a) Social program
 - b) Regular insurance
 - c) DK/NR

Benefits from this program are funded by premiums that are paid by businesses and workers. If in any year the premiums collected are more than enough to cover all the costs of the program, what should the government do with the extra?

74. Should the government take the extra money from this program and:
- a) Lower Employment Insurance premiums
 - b) Apply it against the deficit
 - c) Increase Employment Insurance benefits

(If a) Would you want the government to lower premiums if you knew that would cause the federal deficit to be higher than it otherwise would have been?

- YES
- NO

(If c) Would you want the government to increase Employment Insurance benefits if you knew that would cause the federal deficit to be higher than it otherwise would have been?

- YES
- NO

READ & ROTATE QUESTIONS 75 THROUGH 79

75. Some people say that it is possible for government to balance the budget and reduce taxes by a large amount, without any further cuts to funding for health and education. Other people say that isn't possible, and that if government tries to balance the budget and cut taxes at the same time, it will end up cutting health and education. Which of those two opinions is closer to your own?
- a) Balance the budget and reduce taxes by a large amount, without any cuts to funding for health and education
 - b) Balancing the budget and cutting taxes at the same time will end up cutting health and education.
76. Some people say that the standard of living for middle class people is declining and the best way to help them is a tax cut. Other people say that the best thing government could do for the middle

class is to protect and improve things like health care, education and pensions. Which of those two opinions is closer to your own?

- a) Standard of living for middle class people is declining and the best way to help them is a tax cut
- b) Protect and improve health care, education and pensions

77. Some people say governments have emphasized deficit reduction long enough and, now that the problem seems less serious, it is time to start dealing with other issues. Other people say that, although progress has been made in reducing the deficit, the problem is still serious and government should not change its emphasis until the deficit is eliminated or close to it. Which of those two opinions is closer to your own?

- a) Governments have emphasized deficit reduction long enough and, now that the problem seems less serious, it is time to start dealing with other issues
- b) Although progress has been made in reducing the deficit, the problem is still serious and government should not change its emphasis until the deficit is eliminated or close to it

78. Some people say that if the government does better than it's deficit target in any year, the government has some "extra money" that it should think of either spending or cutting taxes. Other people say that, with the deficit and debt as large as they are, it is impossible that the government could have "extra money" to spend. Which of those two opinions is closer to your own?

- a) Government does better than its deficit target in any year, the government has some "extra money" that it should think of either spending or cutting taxes.
- b) With the deficit and debt as large as they are, it is impossible that the government could have "extra money" to spend.

79. Some people say that the federal government, even though it might have done a fair job on reducing the deficit, doesn't have much of a plan for the future. Other people say that the federal Government does have a plan that will lead to a stronger economy in the future. Which of those two opinions is closer to your own?

- a) Even though it might have done a fair job on reducing the deficit, doesn't have much of a plan for the future.
- b) Federal Government does have a plan that will lead to a stronger economy in the future

As you know, interest rates have been dropping for the past several months. I'd like to ask you some questions about interest rates and their effect.

81) What about you personally, has the decline in interest rates affected your personal or your family's finances; have they helped, hurt, both helped and hurt or made no difference?

- Affected your personal/family's finances
- Helped your personal/family's finances
- Both helped/hurt your personal/family's finances
- Made no difference to your personal/family finances
- DK/NR

(IF HURT OR HELPED AND HURT):

82. How likely do you think low interest rates will have some impact on your personal or your family's finances over the next 6 months to a year? Please answer using a 7 point scale where 1 means very likely to hurt, 4 means it will still make no difference and 7 means very likely to help.

Very Likely <u>to Hurt</u> 1 2 3	Make No <u>Difference</u> 4 5 6 7	Very Likely <u>to Help</u>
--	---	-------------------------------

83. Has the decline in interest rates changed what you do in any of the following ways (1/2 **SAMPLE**)? Have you:

- | | | |
|--|------------|-----------|
| | <u>Yes</u> | <u>No</u> |
| a) Been able to reduce any of your mortgage, credit card or loan payments | | |
| b) Been able to maintain your payments but reduce the length of your mortgage or loans | | |
| c) Been able to increase the amount you save | | |
| d) Been able to spend a bit more because of any reduction in monthly payments | | |
| e) Been able to buy something major because the cost of borrowing is now lower | | |
| f) Shifted your savings, investments or retirement funds into things like mutual funds to try to increase the rate of return | | |
| g) Been able to pay off a bit more of your debt with the savings you might have got from reduced monthly payments | | |

84. If the decline in interest rates does allow you to save some money in monthly payments on your mortgage, credit card or loan payments, how likely are you to do any of the following? Please answer on a scale of 1 to 7 where 1 indicates not at all likely, 7 means very likely and 4 means neither likely nor unlikely. (1/2 SAMPLE)

	Not at all <u>Likely</u>		Neither Likely/ <u>Unlikely</u>		<u>Likely</u>
a) Maintain your payments but reduce the length of your mortgage or loans	1	2	3	4	5 6 7
b) Increase the amount you save	1	2	3	4	5 6 7
c) Spend the savings on routine purchases or expenses	1	2	3	4	5 6 7
d) Buy something major because the cost of borrowing is now lower	1	2	3	4	5 6 7
e) Shift your savings, investments or retirement funds into things like mutual funds to try to increase the rate of return	1	2	3	4	5 6 7
f) Pay off a bit more of your loans or debt with the savings	1	2	3	4	5 6 7

85. Some/other people say that current low interest rates are likely to stay with us for at least a couple of years. Others/some say interest rates go up and down and the current low rates may start to rise any time soon. Which is closer to your view?

- a) Current low interest rates are likely to stay with us for at least a couple of years.
- b) Interest rates go up and down and the current low rates may start to rise any time soon.

87. Some/other people say having low interest rates saves people more money than any tax cut could. Other/some people say that low interest rates help people who already have money and that most people get more benefit from low taxes than they do from low interest rates. Which is closer to your view?

- a) Having low interest rates saves people more money than any tax cut could
- b) Low interest rates help people who already have money and that most people get more benefit from low taxes than they do from low interest rates

I want to read you a list of statements that some people might make and I want you to tell me whether you agree or disagree using a scale of 1 to 7, where 1 means you totally disagree, 7 means you totally agree and 4 means you neither agree nor disagree. **(READ & ROTATE)**

	Totally <u>Disagree</u>	Somewhat <u>Disagree</u>	Neither Disagree/ <u>Agree</u>	Somewhat <u>Agree</u>	Totally <u>Agree</u>
89. My provincial government is doing a better job of attacking the deficit than the federal government is.	1		4		7
91. I think there is still a lot of waste to cut out of provincial government spending	1		4		7
92. I think there is still a lot of waste to cut out of federal government spending	1		4		7
94. The federal government is getting better at hitting its deficit targets.	1		4		7
95. I think that if we stick to the economic path we're on, the economy will start to create more jobs.	1		4		7
96. If things keep going the way they are, things will improve for me personally over the next few years.	1		4		7
97. With the deficit where it is, I would support putting some money back into health care	1		4		7
98. With the deficit where it is, I would support putting some money into helping poor children	1		4		7
101. I think that Canada is changing too much, too fast and we are losing some important things in the process.	1		4		7
102. I don't think the federal government has a strategy to create jobs.	1		4		7
103. I think it would be best if the government didn't try to do too much right now.	1		4		7
106. Even though unemployment is still too high, I think the combination of lower interest rates and deficit reduction indicates that the economy is improving.	1		4		7
108. Given cuts by the federal government, I don't see how provincial governments					

could have avoided large cuts to health and education.	1	4	7
109. I would like the federal government to put some money aside for the future even if we still have a deficit.	1	4	7
110. I don't believe the federal government can afford to cut taxes in any major way right now	1	4	7