

2010 Hamilton College Youth Poll on the U.S. Economy

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Executive Summary

Most high school students in the U.S. are not very well informed about the specifics of the current economy. Based on a series of six multiple choice questions about the economy, the average number of correct answers was slightly over two. There is somewhat of a dichotomy in youth expectations of the future of the economy. Although most are skeptical about the future of social security and believe that there is a reasonable chance that China will surpass the U.S. as an economic power, they also believe that their standards of living will be better than that of their parents.

Stephen Wu, Associate Professor of Economics at Hamilton College, and his students collaborated with the research firm Knowledge Networks to conduct the national Youth Poll on the U.S. Economy. The Knowledge Networks Panel is an online non-volunteer access panel whose members are chosen through a statistically valid sampling frame. 818 high school students from across the United States completed surveys. The survey was funded by Hamilton College's Arthur Levitt Public Affairs Center.

Other specific findings from the poll include the following:

- Approximately half of the survey respondents knew the current unemployment rate in the U.S., less than a third understood the role of the Federal Reserve and slightly over a quarter could correctly identify Ben Bernanke as the current chair of the Federal Reserve.
- On a test of current economic facts, students who have taken or are currently taking an economics course perform slightly better than those who have not (an average of 2.5 versus 1.9).
- In response to a question about whether or not China will surpass the U.S. as an economic power in the next 20 years, 47% responded “definitely” or “probably”, while another 40% responded “maybe”.
- 84% of the sample believes that it is either “important” or “very important” for the current government to control the level of debt.
- 40% of the sample indicated that the recent economic crisis has “definitely” affected their family’s spending habits, while another 46% indicated that it has “somewhat” affect their spending.
- Almost half of the sample believes that social security will not be available by the time they retire, while another 35% believe it will be less generous than it currently is.

- Overall, 50% of teenagers believe that the economy will be better in five years than it is now, 16% believe it will be roughly the same, while 34% believe it will be worse than it currently is.
- Expectations of the future differ greatly by race. 69% of African American teenagers believe that their standard of living will be better than their parents, but only 36% of White teenagers expect this to be true.
- There is also a large racial divide regarding attitudes towards President Obama's performance to date in office. 70% of African Americans in the survey give Obama a favorable rating, but the analogous number is only 21% for Whites.

Introduction and Data Description:

The recent economic crisis has affected millions of Americans. While numerous polls have focused on the effects on the adult population, there has been significantly less research on the perspectives of youth in this country. This survey samples eight hundred high school students, evenly divided between sophomores, juniors and seniors. The survey tests students on their knowledge of basic economic facts, asks about attitudes and expectations of the future economy, and analyzes the extent to which recent economic events have affected high school students and their families.

The survey was conducted using the web-enabled KnowledgePanel®, a probability-based panel designed to be representative of the U.S. population. Initially, participants are chosen scientifically by a random selection of telephone numbers and residential addresses. Persons in selected households are then invited by telephone or by mail to participate in the web-enabled KnowledgePanel®. For those who agree to participate, but do not already have Internet access, Knowledge Networks provides at no cost a laptop and ISP connection. People who already have computers and Internet service are permitted to participate using their own equipment. Panelists then receive unique log-in information for accessing surveys online, and then are sent emails throughout each month inviting them to participate in research.¹

¹ More technical information is available at <http://www.knowledgenetworks.com/ganp/reviewer-info.html>. Knowledge Networks delivers quality and service to guide leaders in business, government, and academia – uniquely bringing scientifically valid research to the online space through its probability-based, online KnowledgePanel®. The company delivers unique study design, science, analysis, and panel maintenance, along with a commitment to close collaboration at every stage of the research process. Knowledge Networks leverages its expertise in brands, media, advertising, and public policy issues to provide insights that speak directly to clients' most important concerns. For more information about Knowledge Networks, visit www.knowledgenetworks.com.

The survey consists of three main sections: demographic characteristics, questions about general knowledge of economic facts, and attitudes and expectations of the future. Background information is collected on gender, race, and family characteristics such as household income and parental education. Respondents also provided their class year, type of high school (public or private), and approximate size of the high school student body. The survey also asked about the primary language spoken at home and whether the individuals had taken an economics course in high school.

Factual questions on the U.S. economy include: the role of the Federal Reserve; the current Federal Reserve Chair; and current levels of the U.S. national debt, unemployment rate, and the Dow Jones Industrial Average. The survey also asks respondents' about expectations of the future U.S. economy, opinions on Barack Obama's performance as President and handling of the economic crisis, the possibility that China surpasses the United States as an economic power, and expectations about the future of Social Security.

In our analysis, we will be using the knowledge variables and opinion variables as dependent variables and other variables such as background and attitude as independent variables in order to understand how the correlation between these variables may indicate a greater understanding of the current economy and economics related knowledge among respondents.

Main Analysis

Tables 1-6 tabulate the answers to questions on basic economic facts. Over 45% of the sample understood that the Federal Reserve generally lowers interest rates during a recession. Slightly over a third of the sample correctly answered \$12.5 trillion as the current level of the U.S. national debt and knew the correct role of the Federal Reserve, while just over a quarter knew the approximate level of the Dow Jones at the time of the survey as well as the current chair of the Federal Reserve (Ben Bernanke). Students fared best on the questions about the unemployment rate: half of the sample correctly answered 9.7% as the unemployment rate during March 2010. This may be due to the fact that the media has devoted significant attention to recent unemployment numbers. Overall, students average about 2.2 correct questions out of a total of 6, though there is quite a bit of variation across individual respondents. Table 7 shows that over 40% of the students receive either zero correct

answers or only one correct answer on the knowledge questions, while about 12% answer at least 5 of the questions correctly.

Table 1

"When the economy is contracting, does the Federal Reserve Bank usually raise or lower interest rates?"			
	Freq.	Percent	Cum.
Raise rates	157	19.31	19.31
Leave rates unchanged	31	3.81	23.12
Lower rates	373	45.88	69.00
Don't know	252	31.00	100.00
Total	813		

Table 2

Respondents best approximation of the current national debt (March 2010)			
	Freq.	Percent	Cum.
\$8 billion	14	1.72	1.72
\$128 billion	51	6.25	7.97
\$1.3 trillion	154	18.87	26.84
\$12.5 trillion	278	34.07	60.91
\$150 trillion	127	15.56	76.47
Don't know	192	23.53	100.00
Total	816		

Table 3

What is the role of the Federal Reserve?			
	Freq.	Percent	Cum.
To promote a healthy economy through appropriate fiscal policy	110	13.61	13.61
To promote a healthy economy through appropriate monetary policy	259	32.05	45.67
To review congressional budgets and other legislation with budgetary implications	76	9.41	55.07
To examine matters related to the payment and receipt of public funds	61	7.55	62.62
To help taxpayers in understanding and meeting their tax responsibilities	15	1.86	64.48
Don't know	287	35.52	100.00
Total	808		

Table 4

Approximations of the current level of the DOW Jones index (March 2010)			
	Freq.	Percent	Cum.
4,300	14	1.72	1.72
6,300	31	3.81	5.54
8,300	57	7.01	12.55
10,500	224	27.55	40.10
12,300	6	0.74	40.84
Don't know	481	59.16	100.00
Total	813		

Table 5

"Who is the current chair of the Federal Reserve?"			
	Freq.	Percent	Cum.
John Maynard Keynes	11	1.35	1.35
Alan Greenspan	75	9.20	10.55
Timothy Geithner	57	6.99	17.55
Ben Bernanke	228	27.98	45.52
Henry Paulson	12	1.47	46.99
Don't know	432	53.01	100.00
Total	815		

Table 6

Respondents approximation of the current unemployment rate (March 2010)			
	Freq.	Percent	Cum.
1.2%	1	0.12	0.12
4.5%	41	5.03	5.15
9.7%	407	49.94	55.09
12.5%	169	20.74	75.83
18.1%	80	9.82	85.64
Don't know	117	14.36	100.00
Total	815		

Table 7

Knowledge questions answered correctly			
	Freq.	Percent	Cum.
0	161	19.68	19.68
1	181	22.13	41.81
2	164	20.05	61.86
3	119	14.55	76.41
4	95	11.61	88.02
5	65	7.95	95.97
6	33	4.03	100.00
Total	818		

We now turn to results on questions about youth attitudes and expectations of the future. Table 8 shows the distribution of answers to the following question: “Which of the following most reflects your beliefs about Social Security?” 49% of teens believe that Social Security will not be available by the time they retire, while another 35% believe that it will be less generous than it currently is. Table 9 shows that 47% of respondents believe that China will “definitely” or “probably” surpass the U.S. as an economic power within the next 20 years, while an additional 40% answer “maybe” to this question. Despite these somewhat pessimistic attitudes about specific issues, young people are still generally optimistic about the future direction of the U.S. economy and about their expectations for future living standards. Table 10 shows that youth are more likely to believe that the economy will be “better” or “much better” in 5 years than it currently is (50%) than to believe it will be “worse”

or “much worse” (34%). 16% believe it will be about the same. Table 11 shows the answers to the following question, “Do you believe your standard of living will be worse or better than that of your parents?” More students answer “better” or “much better” (39%) than “worse” or “much worse” (26%). The remaining 35% answer “the same”.

Table 8

Which of the following most reflects your beliefs about the future of Social Security?			
	Freq.	Percent	Cum.
I believe social security will be more generous at the time I retire than it currently is	28	3.46	3.46
I believe social security will be equally generous at the time I retire as it currently is	100	12.35	15.80
I believe social security will be less generous at the time I retire than it currently is	284	35.06	50.86
I do not believe social security will be available at the time I retire	398	49.14	100.00
Total	810		

Table 9

“Do you believe China will surpass the United States as an economic power within the next 20 years?”			
	Freq.	Percent	Cum.
Definitely not	21	2.59	2.59
Probably not	85	10.49	13.09
Maybe	325	40.12	53.21
Probably	261	32.22	85.43
Definitely	118	14.57	100.00
Total	810		

Table 10

“Do you expect the future economy to be worse, better, or the same in the next 5 years?”			
	Freq.	Percent	Cum.
Much worse	45	5.52	5.52
Worse	230	28.22	33.74
The same	129	15.83	49.57
Better	386	47.36	96.93
Much better	25	3.07	100.00
Total	815		

Table 11

“Do you believe that your standard of living will be worse or better than that of your parents?”			
	Freq.	Percent	Cum.
Much worse	28	3.45	3.45
Worse	184	22.66	26.11
The same	283	34.85	60.96
Better	284	34.98	95.94
Much better	33	4.06	100.00
Total	812		

Finally, we conduct some statistical analysis to determine whether the answers to some of the knowledge and attitudinal questions differ by demographic or other background characteristics. In conducting statistical regressions using the index of knowledge as a dependent variable, we find that those household income, year in school, taking an economics course, and the degree to which students follow news online are all strong predictors of understanding basic economic facts. Those that come from families with yearly incomes over \$100,000 score about 0.8 points higher on the knowledge index than those from families with incomes below \$25,000. Unsurprisingly, seniors score higher than juniors, who in turn score higher than sophomores. Students that follow the news online at least daily score receive nearly 1.4 additional correct answers relative to those that do not

follow the news at all. Finally, taking an economics course significantly increases performance on the knowledge test, but only by approximately half of a question.

Next, we look to see what characteristics predict youth attitudes towards President Obama. We find the striking result that the only significant predictor is race. On a scale from 1-5, with 5 being the highest approval rating, African-American teens rate Obama's performance 1.4 points higher than Whites, while Hispanic rate his performance 0.5 points higher than Whites. However, after controlling for race, no other characteristics (including household income, parental education, gender, or year in school) are statistically significant. The same results hold true for a question on Obama's performance relative to expectations before the presidential election. Once again, African-American teens are much more likely to say that Obama has performed better than expected than Whites. There is also a positive effect for Hispanic teens (relative to Whites), though the magnitude is smaller.

There is also a racial divide about expectations of the future. Young African-Americans are significantly more likely to believe that their standard of living will be better than that of their parents than Whites are. Hispanics are slightly more optimistic than Whites, though the result is not statistically significant. Once again, no other variables are significant predictors of future expectations once we control for race. While we do not have specific evidence to support this, we speculate that having an African American president in office is a big reason for the racial differences in expectations about the future. This is also consistent with the fact that there are such large racial differences in the approval ratings of Obama.

Conclusion:

Using data provided by Knowledge Networks we analyzed youth attitudes and knowledge of the U.S. economy. Overall, students do not perform well on a series of knowledge questions about basic economic facts. However, we do find that a number of characteristics affect economic knowledge. Our regression analysis shows evidence that respondents' knowledge about the economy depends on family income level, whether they have taken an economics course, and the degree to which they keep up with the news. There are strong racial divisions on approval ratings of President Obama as well as expectations of the future. African Americans are much more likely than Whites to report favorable ratings of Obama and are also much more likely to believe that their

standard of living will be better than that of their parents. Interestingly, race is the only significant predictor of these two attitudes.