

Next Social Contract Initiative and Economic Growth Program

PUBLIC ATTITUDES TOWARD THE NEXT SOCIAL CONTRACT

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The recent deliberations in Washington about the fiscal cliff have triggered a national debate in the United States about the nature, extent and future sustainability of key elements of the U.S. social safety net: Social Security, Medicare, Medicaid, support for education, the unemployed and the poor. In the effort to tame the federal debt, cuts in spending on these social services have been a major part of the discussion – calling into question the social contract established with the American people during the Great Depression through the creation of public pensions and in the 1960s with the launching of limited government-provided health insurance.

America was a latecomer to the provision of many such social services. Germany put in place health and old age insurance in the 1880s. The United Kingdom instituted national health insurance after World War II. The benefits provided by the U.S. government cover a far smaller portion of the American population and are far less generous than those afforded to the citizens of other high-income nations.

In 2012 the United States spent an estimated 19.4% of GDP on such social expenditures, according to the Organization for Economic Cooperation and Development, the Paris-based industrial country think tank. Denmark spent 30.5%, Sweden 28.2% and Germany 26.3%. All of these nations have a lower central government debt to GDP ratio than that of the United States.

Why the United States invests relatively less in its social safety net than many other countries and why those expenditures are even at risk in the current debate over debt reduction reflect Americans' conflicted, partisan and often contradictory views on fairness, inequality, the role and responsibility of government and individuals in society and the efficacy of government action.

Rooted in value differences, not just policy differences, the debate over the U.S. social contract is likely to go on long after the fiscal cliff issue has been resolved.

A Question of Fairness

Recent years have not been good economically for most Americans. Thanks to the Great Recession, roughly 8.7 million lost their jobs. For those who lost employment, the average earnings loss two years later was 48%, according to a recent study by the Brookings Institution. And, even those who found new employment quickly earned 17% less, on average, in their new jobs than in their former employment.

But such signs of trouble did not begin with the economy's downturn in 2008. The median earnings of all working-age men in the United States have declined by 19 percent since 1970. This means that the median man in 2010 earned as much as the median man did in 1964 – nearly half a century earlier.

Declining earnings have contributed to rising income and wealth inequality. Between 1983 and 2010, the richest 1% of households accounted for 38.3% of all growth in household wealth, according to the Economic Policy Institute. For the bottom 60% of households, their wealth actually *declined* during this time period.

It is little wonder then that most Americans think that the economy is stacked against them. Voters in the 2012 election told exit pollsters – by a margin of 55% to 39% – that the U.S. economic system generally favors the wealthy. Such sentiment was particularly prevalent among those who voted for president Barack Obama (79%) and voters age 29 and younger (61%). Only among those who voted for Republican presidential candidate Mitt Romney (63%) did people think that the system was fair to most Americans.

And Americans strongly believe (76%) that the rich are getting richer and the poor are getting poorer. There is general agreement across socioeconomic lines in this regard.

Notably, such concerns are worsening. In 1986, 40% of Americans thought that the gap between living standards of the poor and the middle class had widened in the previous decade. By 2012 61% of Americans said such inequality had risen in the previous ten years.

Yet the public is ambivalent about whether this unfairness affects them directly. In January 2012, 62% of Americans told Gallup that the economic system was fair to them personally.

This distinction between personal experience and a broader judgment of the economy is not unique to fairness issues. People make the same distinctions between their personal finances and the health of the economy, generally judging their personal situation better than that of the nation. This dichotomy may help explain why the public often expresses disdain for the

Most See Wider Gap in Living Standards, Not Values

<i>Compared to 10 years ago, gap in <u>living standards</u> between middle class and poor has become ...</i>	Aug 1986	Apr 2012
	%	%
Wider	40	61
Narrower	39	28
No change (Vol.)	10	5
Don't know	<u>11</u>	<u>6</u>
	100	100

In last 10 years, values held by middle class and poor people have gotten ...

More similar	44	47
More different	33	41
No change (Vol.)	10	3
Don't know	<u>12</u>	<u>8</u>
	100	100

PEW RESEARCH CENTER 2012 Values Survey.
1986 data from Gallup/Joint Center for Political and Economic Studies.

government in general while supporting particular government programs. And it may also help explain why inequality has not yet become a defining political issue in the United States despite demonstrable evidence of its rise.

Americans are actually less likely to say that income inequality is a problem than citizens of many other developed nations. This is, in part, because inequality is rising throughout most of the industrial world. Inequality is higher in the United States, but it is also rising in most of Europe and Japan. Overwhelming percentages of Europeans think the rich are getting richer and the poor poorer, including 91% of Italians, 89% of French and 87% of Germans, according to a Pew Global Attitudes survey. Moreover,

Economic Sentiment

Public views about the social contract, government's role in creating a social safety net and what can and should be done to ensure preservation of major social welfare programs grow out of a broader public consciousness about the state of the domestic and international economy.

In September 2012, Americans were particularly gloomy about the economy. Just 13% rated national economic conditions as excellent or good. Only 25% said the economy was recovering, while a 43% plurality thought it would be a long time before it recovers.

In spring 2012, responding to a slightly different question by the Pew Global Attitudes project, less than a third of Americans (31%) said the U.S. economy was doing well – down 19 points from 2007, the year before the financial crunch began. While such confidence is low, public sentiment about the economy since 2011 improved more in the United States than in most other nations.

By comparison, a median of just 16% of Europeans surveyed thought their economy was performing up to par. That included just 2% of the Greeks and 6% of the Spanish and Italians. Among Europeans, only the Germans (73%) gave their economy a thumbs up. And just 7% of Japanese believed their economy was doing well. Confidence in the economy was down 59 percentage points in Spain and 54 points in Britain in the last five years.

People are, however, generally far more positive about their personal economic condition than they are about their nation's economic situation. A median of 52% in the 21 nations surveyed felt satisfied with their own circumstances. Americans were more than twice as likely to say their family finances were in good shape (68%) as they were to say that the national economic situation was good (31%).

In fall 2012, moreover, there was evidence that U.S. public sentiment about the economy was improving. In October, 45% said they thought the economy would improve over the next twelve months, up from just 21% who held such sentiments in October 2011, according to an NBC/Wall Street Journal survey. And on election day, November 6, 68% of voters told exit pollsters that they thought the economy was staying about the same or getting better.

Nevertheless, there is great unease about the state of the economy. Fully 72% of the public told Gallup in October 2012 that economic issues were the most important problems facing the country. This includes 37% who cited the economy in general, 26% who mentioned unemployment and 12% who expressed concern about the federal budget deficit.

Such concerns are widely shared. In a Spring 2012 Pew Global Attitudes poll, 82% of Americans said a lack of jobs posed a major threat to the economic wellbeing of the country. In addition, 71% believed that the national debt was a danger. By comparison, 97% of the Spanish, 95% of the Italians, 89% of the French, 87% of the British and 70% of the Germans said unemployment imperiled their economy. And 83% of the Spanish, 81% of the Italians, 80% of the French, 77% of the Germans and 72% of the British thought debt was a threat.

But the national debt is far more of a partisan issue in the United States, where 59% of liberals rank debt as a major threat to the economy compared with 79% of conservatives. In Europe the left-right divide is just five percentage points in Germany, four in France, and three in Britain.

88% of European Union citizens think income differences in their country are far too large, according to a 2010 Eurobarometer poll. This includes 92% of Germans and Spanish, 90% of the French, 85% of the Italians and 82% of the British. Fewer Swedes (75%) and Danes (65%) share this concern, possibly reflecting the lower levels of inequality there and the stronger social safety net in their societies. But it is significant that even in these latter two nations strong concern for inequality remains.

Particularly Strong Support for Universal Entitlements

Americans are quite supportive of some of the major building blocks of the public social support network, such as the Medicare system. In an October 2012 Kaiser poll, 60% favored keeping Medicare as it is today, with the government guaranteeing all seniors the same set of health insurance benefits. When asked in a Pew Research Center survey in August 2012 if they favored or opposed a proposal to change Medicare into a program that would give future participants a credit toward purchasing private health insurance coverage, a move that would limit the value of such benefits over time, 44% opposed and 32% favored it. At the same time, a Washington Post/ABC News poll found that 64% opposed giving people vouchers to pay for their Medicare.

There is similar backing for Medicaid. Fully 78% of the public said they like knowing that the Medicaid program exists as a safety net to protect low-income people who can't afford needed care in a July 2012 Kaiser survey.

Unemployment insurance has long been a pillar of the social contract. And the public has favored its recent extension. In January 2012 about half (52%) of the public thought it was a good idea to continue to provide unemployment benefits for up to 99 weeks, according to a NBC News/Wall Street Journal survey. Only 33% thought that it was a bad idea.

The recently-enacted Obamacare, by contrast, does not fare so well. A November 2012 CNN poll found that by a margin of 51% to 42% the public opposed this expansion of health care insurance. Once the law is fully in place these numbers might change, but for the time being this is a strand in the social safety net that lacks robust public support.

Greater Divisions in Support for Programs for the Poor

The Great Recession, the economy's slow recovery from it and the knock-on effect on incomes and income distribution have increased demand for a range of social services needed by society's most vulnerable. And that portion of the U.S. population that may need such services is growing. The percentage of Americans who say they are now in the lower middle or lower class has risen from a quarter of the adult population to about a third, according to a study by the Pew Research Center.

Not only has the lower class grown, but its demographic profile also has shifted. People younger than 30 are disproportionately swelling the ranks of the self-defined lower classes. And the shares of Hispanics and whites who place themselves in the lower class are also growing.

A majority of Americans has consistently agreed that it is the responsibility of government to help take care of such people.

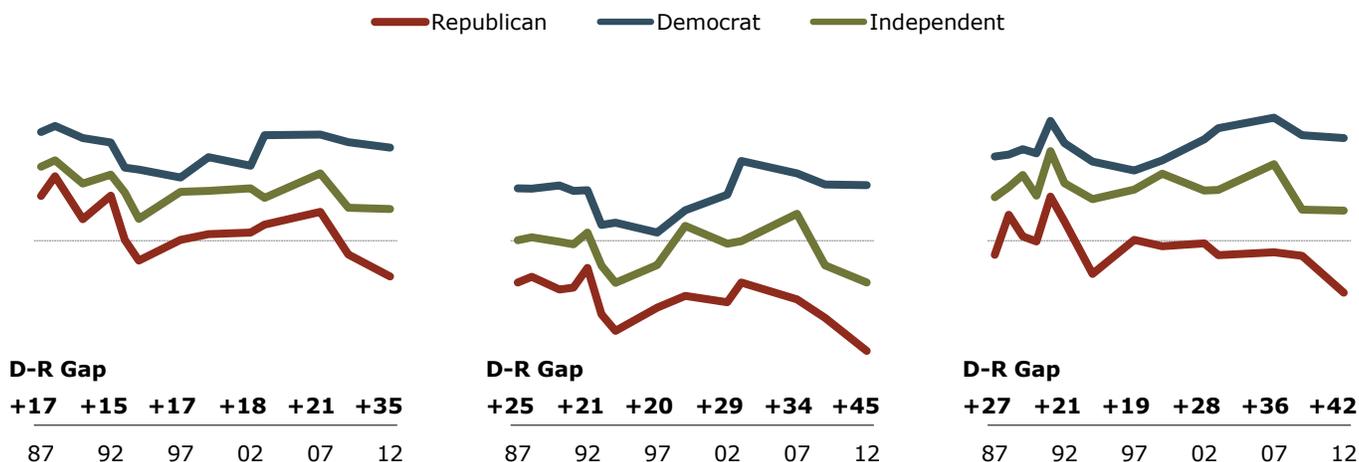
Overall, however, the public majority in favor of the social safety net has slipped from 69% in 2007 to 63% in 2009 to 59% in 2012, according to the Pew Research Center. And Republicans and Democrats are far apart in their opinions about various aspects of the social safety net. There are partisan differences of 35 percentage points or more in opinions about the government's responsibility to care for the poor, about whether the government should help more needy people if it means adding to the debt and if the government should guarantee all citizens enough to eat and a place to sleep.

Partisan Rift Over Safety Net Grows

It's the government's responsibility to take care of people who can't take care of themselves

The government should help more needy people even if it means going deeper in debt

The government should guarantee every citizen enough to eat and a place to sleep



PEW RESEARCH CENTER 2012 Values Survey.

The percentage of Republicans asserting a government responsibility to aid the poor has fallen sharply in recent years. Just 40% of Republicans say that “It is the responsibility of the government to take care of people who can’t take care of themselves,” down 18 points since 2007. By comparison, in three surveys during the George W. Bush administration, no fewer than half of Republicans said the government had a responsibility to care for those unable to care for themselves. And, in 1987, during the Ronald Reagan’s second term, 62% expressed this view.

Majorities of Republicans now say they disagree that the government should guarantee every citizen enough to eat and a place to sleep (36% agree, 63% disagree) and take care of people who can’t take care of themselves (40% agree, 54% disagree). As recently as 2009, Republican opinions on these questions were more evenly divided.

Republicans also have consistently disputed the statement: “The government should help more needy people even if it means going deeper in debt.” 76% now say they disagree, an increase of 15 points since 2007.

Democrats, however, continue to support government assistance to the poor and needy at the same level as they have over the last generation. Three-fourths (75%) of Democrats believe that the government should take care of those who can’t take care of themselves. Similarly, 78% say basic food and shelter should be government guarantees and 65% think more support for the needy should be provided, even in the face of increased debt.

In addition to the partisan divide, there are gaps between demographic groups on views of the social safety net. But these gaps have been largely stable over the past 25 years and are now much smaller than the partisan gap. African Americans have consistently been more supportive of a government safety net than whites. More than three-quarters (78%) of blacks support

government guarantees of food and shelter, compared with 52% of whites. Support also is high among Hispanics: 78% now agree that the government should guarantee people food and shelter.

As might be expected, people with lower incomes are far more supportive of the social safety net than those with higher incomes. Women also have consistently been bigger backers of the social safety net than men: 64% of women and 54% of men support the government guaranteeing all citizens food and shelter. There are modest age and education differences, but these have changed little over the last quarter century.

In contrast, as might be expected of societies with a strong social contract, Europeans take a decidedly different view of the government's responsibility and role in providing a social safety net. Asked in 2007 by the Pew Global Attitudes survey whether it is the responsibility of the state to take care of very poor people who can't take care of themselves, 56% of the Swedes completely agreed, 53% of the British and Spanish similarly strongly assented and 52% of the Germans completely agreed, but only 28% of Americans held such firm views. And by 2012 that sentiment in the United States had fallen to 22% in a separate Pew Research Center survey.

The European social safety net is often held up as an example of a more generous and successful system of supplying health and welfare services. And many Europeans, especially northern Europeans, are particularly proud of their safety net: 81% of the French, 79% of the Danes, 75% of the Dutch, 69% of the Swedes and 62% of the Germans believe that their social welfare system could serve as a model for other countries, according to Eurobarometer.

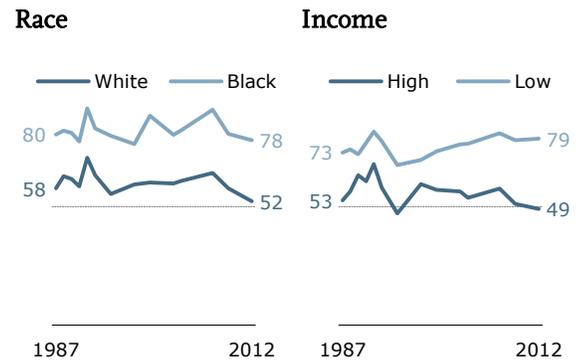
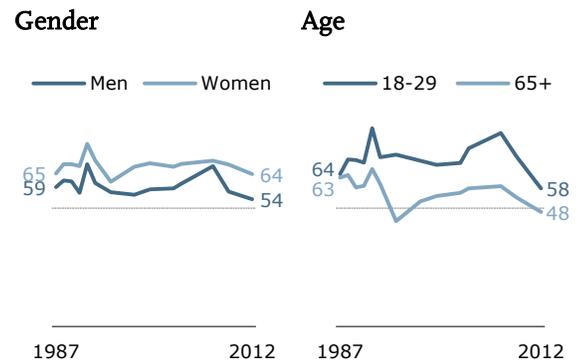
But Europeans also harbor doubts about their welfare systems, feel somewhat less well protected than in the past and are dissatisfied with the cost.

In 2009, when asked by Eurobarometer to rate the statement that their own country's social welfare system "provides wide enough coverage" 48% of Europeans thought "it applies fairly well." That was down from 51% in 2006. And slightly fewer (42%) believed it "applies fairly badly," up from 38%. More Europeans (54%) considered their national social welfare system "too expensive" than not (29%).

Eastern Europeans are particularly dissatisfied with their social welfare systems, especially the Latvians (88%), Lithuanians (68%), Bulgarians (67%), Estonians (67%), Romanians (63%), and Slovaks (62%). Men (51%) are more likely to think their social welfare system provides wide enough coverage, while women (46%) and the unemployed (42%) are less likely to agree.

The Social Safety Net: A Closer Look at Demographics

The government should guarantee every citizen enough to eat and a place to sleep



PEW RESEARCH CENTER 2012 Values Survey.
Whites and Blacks include only those who are not Hispanic.

The Nordic countries are less concerned that the social welfare system is too expensive; only relatively small proportions of respondents in Finland (34%), Denmark and Sweden (both 36%), and also in Luxembourg (26%) tend to complain about the cost of their system. Eastern European nations are more worried about cost: Slovenia (64%), Estonia (58%), Bulgaria (49%) and Romania (42%).

Government's Role in Providing a Social Safety Net

One possible explanation for the lack of support for a robust social safety net in the United States is that four in five Americans believe that the government does an ineffective job of helping poor and middle class Americans, according to a 2011 study by the Pew Economic Mobility Project. Americans also say that when government intervenes it is most likely to help the wrong people. And more than half (54%) believe government helps the rich a "great deal." Far fewer say it helps the poor (16%), the middle class (7%) and people like me (6%). This suggests that some Americans' antipathy toward the social safety net may stem from lack of faith in government efficacy and fairness rather than opposition to helping those in need.

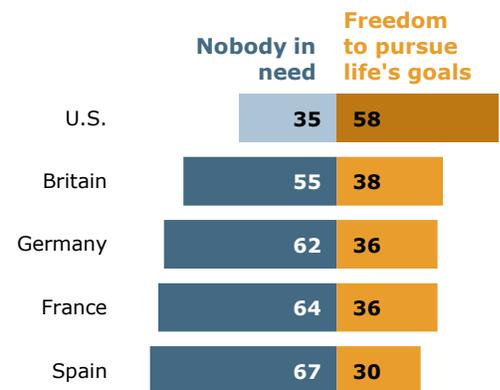
But this wariness of government's side in the social contract may also have its roots in Americans' broader and conflicting views about the proper role for government in society.

In March 2011, 58% of Americans said it was more important in the United States that everyone be free to pursue their life's goals without interference from the state. Just 35% thought that it was more important for the state to play an active role in society to guarantee that nobody was in need.

Yet, Americans are conflicted about government's role. In April 2012, 59% of the public believed it is the responsibility of the government to take care of people who cannot take care of themselves (albeit down 10 points from 2007). And, more specifically, 59% said the government should guarantee every citizen enough to eat and a place to sleep.

In general, however, Americans favor a smaller government with fewer services (56%) than a bigger government that offers more services (38%), according to a Washington Post/ABC News survey in August 2012. And about half (51%) of voters in the 2012 presidential election told exit pollsters that they thought government was doing too many things better left to businesses and individuals. This may be, in part, because just 41% of the public believe that the government is really run for the benefit of

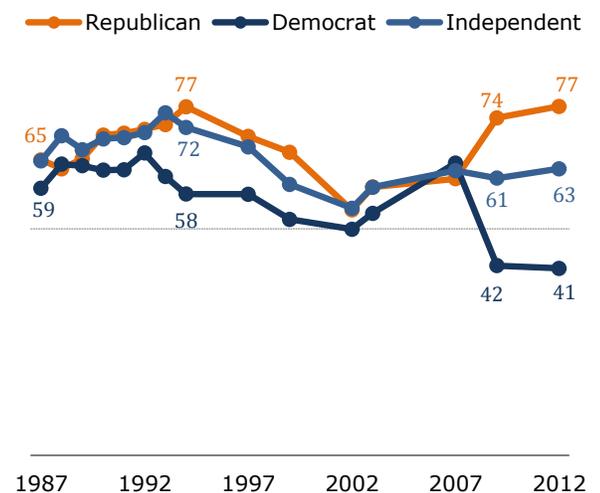
Which Is More Important?



PEW RESEARCH CENTER 2011 Pew Global Attitudes survey.

A Partisan Reaction to Government

When something is run by the government, it is usually inefficient and wasteful



PEW RESEARCH CENTER 2012 Values Survey.

all the people, according to the Pew Research Center.

There is a strong partisan divide on the role of government. More than three-quarters (77%) of Republicans say that when something is run by the government it is usually inefficient and wasteful. Just 41% of Democrats agree. And on election day 2012 it was overwhelmingly Romney voters (82%) who thought government was doing too much. Obama voters (69%) thought government should do more to solve problems.

The relatively stronger European social safety net may, in part, reflect Europeans' belief that this is a governmental responsibility. Fully 67% of the Spanish, 64% of the French, 62% of the Germans and 55% of the British believe that the state needs to play an active role in society to guarantee that nobody is in need.

Attitudes a Reflection of Values

The interplay between economic conditions and fundamental values – such as faith in hard work – provides some insight into public attitudes toward the social safety net. It also helps to explain what would appear to be contradictory American sentiments about the role of the state and the responsibility of the individual in responding to economic challenges.

Rugged individualism is a much prized and storied American value, at least in theory. Americans are among the most individualistic people in the world. In a view consonant with laissez-faire economic attitudes, roughly six in ten reject the notion that outside forces determine success in life. And Americans overwhelmingly agree that individuals, not society, are to blame for personal failures.

But this broad individualistic self-image belies deep divisions among Americans. Half of lower-income Americans believe they are victims of fate, but only 22% of upper income Americans see their lives determined in that way. Democrats (41%) and Blacks (50%) are more likely than Republicans (29%) and Whites (31%) to believe that their destiny is beyond their control.

Americans largely stand alone in such an individualistic view of their personal fate. Unlike Americans, about seven in ten (72%) Germans, more than half (57%) of the French and nearly four in ten (41%) of the British see success determined by forces outside their influence.

Moreover, Americans largely believe that personal effort is the key to success. Only 35% agree with the idea that “hard work offers little guarantee of success.” More than six in ten (63%) disagree. But such sentiment is clearly a class issue. Those with less education and lower incomes are more likely than those with more education and higher incomes to say that hard work does not ensure success.

Nevertheless, this broad American embrace of individualism as a matter of faith breaks down when people are asked to account for individual economic failures. When queried why unemployed people in the country are without jobs, Americans hesitate to place the blame on the jobless themselves. Less than one-in-five (18%) say those without work are responsible, according to a Pew Global Attitudes survey. Such sentiment is similar to that in Germany (25%) and Britain (22%), and far lower than

Differing Views of Individualism

Success in life is determined by forces outside our control

	Agree %	Disagree %	DK %
U.S.	36	62	3
Britain	41	55	4
Spain	50	47	3
France	57	43	0
Germany	72	27	1

PEW RESEARCH CENTER 2011 Global Attitudes survey.

that in Indonesia (46%) and India (45%).

This seeming dichotomy between Americans' philosophical commitment to individual responsibility and yet an acknowledgment that individuals can be the victims of forces beyond their control plays itself out in attitudes toward the nature of the U.S. social contract and how to pay for it.

Paying the Price

Given declining incomes over time, the rise in inequality, the need for social services and yet Americans' wariness of government and traditional individualism, what are Americans willing to do to provide themselves with a social safety net, especially given current U.S. government indebtedness?

When a price tag is attached to the provision of the social safety net, American backing for such aid declines. Since 1987, about half or less of the public has agreed with the statement that "government should help more needy people even if it means going deeper in debt" and in 2012 it was near the low point last seen in 1994. Just 43% agree that the government should help more needy people regardless of whether it means more debt, down from 48% in 2009 and 54% in 2007.

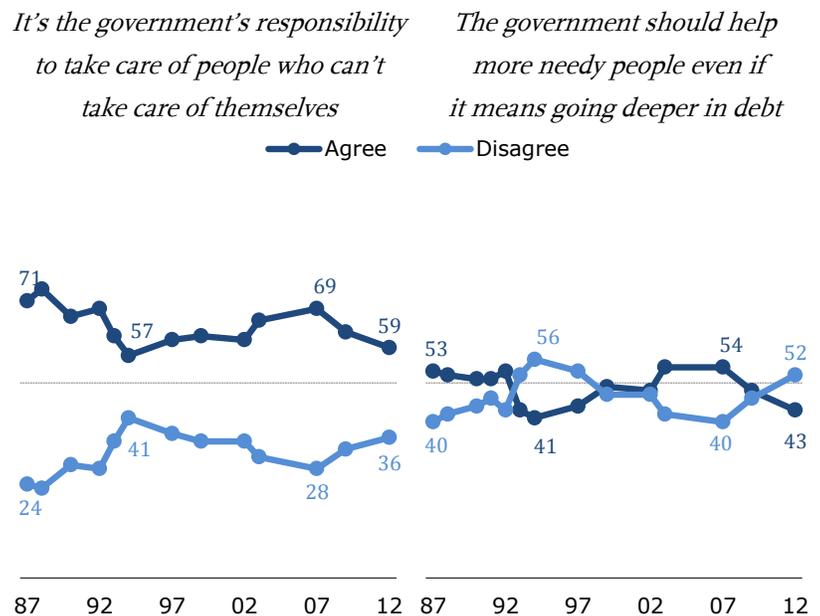
Partisan and other divides are particularly evident when cost is an issue. In 2012, only 20% of Republicans believed that government should help more needy people even if it means going deeper in debt, compared with 65% of Democrats. In 1992, 43% of Republicans were willing to pay such a price for a social safety net. In 2012, just 36% of whites were willing to see further public indebtedness to provide such government services; in 1992 50% were willing to bear that burden.

Paying for the social safety net is intimately bound up with attitudes about the current U.S. budget deficit and what to do about it. This has been particularly true in the debate between Congress and the White House over a long-term deficit reduction deal. In any such agreement, the social safety net may be a major victim.

The public does not want to have to choose between deficit reduction and eroding the social safety net. If forced to choose, they prefer keeping programs rather than making cuts. In a Pew Research Center survey in August 2012, 51% of the public said that keeping Social Security and Medicare benefits as they are was more important than taking steps to reduce the budget deficit (33%).

In general, Americans have long felt that deficit

Americans' Low Support for Social Safety Net



PEW RESEARCH CENTER 2012 Values Survey.

reduction should be achieved with a combination of spending cuts and tax increases. In early December 2012, nearly three-quarters (74%) of Americans said the best way to reduce the deficit is by both cutting major public programs and increasing taxes, up from 69% in September and just 60% in July 2011. Just 11% said the focus should mostly be on cuts in government programs and 7% said the focus should be mostly on tax increases.

However, while the public endorses a balanced approach to deficit reduction, majorities continue to oppose making cuts in federal funding for many social welfare programs, including education (77% disapprove) and aid to low-income Americans (58%). And majorities also disapprove of gradually raising the retirement age for Medicare and Social Security (56% each). Moreover, the public is divided over whether Social Security and Medicare benefits should be reduced for seniors with higher incomes (51% approve while 46% disapprove for each).

There are substantial partisan differences over deficit-cutting efforts to undermine the social safety net. Republicans are about twice as likely as Democrats to support cuts in federal funding for programs that help low-income people (53% vs. 24%). And while Republicans are divided over whether to gradually raise the age for Social Security benefits, fully 67% of Democrats disapprove. The pattern is similar for increasing the eligibility age for Medicare. Republicans also are more likely to support cuts in federal funding for education, although majorities across partisan lines disapprove of this.

There are no significant partisan differences on reducing Social Security and Medicare benefits for seniors with higher incomes.

At the same time, people are willing to pay for major components of the social safety net. More than half (53%) favored raising Social Security taxes so that the benefits can be kept the same for everyone, according to a survey by the Associated Press in August 2012. Just 36% backed keeping Social Security taxes at the same rate they are at now, but reducing the benefits for future generations.

In Europe, there is even greater support for paying for the social safety net. Despite their recent economic troubles, 61% of Europeans say that a higher level of health care, education and social spending must be guaranteed, even if it means that taxes may increase, according to a 2010 Eurobarometer survey. Such support is particularly strong in northern European countries with strong social safety nets: Sweden (84%), Finland (83%) and Denmark (80%).

Deficit Reduction Options: Tax Higher Incomes, Spare Programs

<i>In order to reduce the deficit and national debt...</i>	App-rove %	Dis-approve %	DK %
Raise income tax on income over \$250,000	69	28	3=100
Limit deductions a taxpayer can claim	54	40	6=100
Raise tax rate on investment income	52	43	5=100
Reduce Medicare benefits for higher income seniors	51	46	3=100
Reduce SS benefits for higher income seniors	51	46	3=100
Reduce military defense spending	43	55	2=100
Gradually raise Social Security retirement age	42	56	2=100
Gradually raise Medicare retirement age	41	56	2=100
Limit home mortgage interest deduction	41	52	6=100
<i>Reduce federal funding ...</i>			
To help lower-income Americans	38	58	4=100
For roads and transportation	30	67	4=100
For education	21	77	2=100

PEW RESEARCH CENTER Dec. 5-9, 2012. Figures may not add to 100% because of rounding.

Huge Gaps Between Republicans and Democrats over Taxes, Cuts in Defense, Aid to the Poor

<i>In order to reduce the deficit and national debt...</i>		Rep	Dem	Ind	R-D Diff
		%	%	%	
Wide partisan differences					
Reduce military defense spending	Approve	22	57	46	D+35
	Disapprove	76	41	52	
Raise income tax on income over \$250,000	Approve	52	86	68	D+34
	Disapprove	44	12	30	
Reduce funding to help low income Americans	Approve	53	24	39	R+29
	Disapprove	43	73	57	
Raise tax rate on investment income	Approve	34	62	57	D+28
	Disapprove	60	32	40	
Reduce federal funding for education	Approve	32	10	26	R+22
	Disapprove	65	89	72	
Gradually raise Social Security retirement age	Approve	48	32	50	R+16
	Disapprove	49	67	48	
Gradually raise eligibility age for Medicare	Approve	51	38	38	R+13
	Disapprove	47	59	59	
<hr/>					
Narrow partisan differences					
Limit tax deductions for mortgage interest	Approve	35	45	42	D+10
	Disapprove	57	51	51	
Limit tax deductions	Approve	61	52	54	R+9
	Disapprove	34	42	41	
Reduce Medicare benefits for high income seniors	Approve	54	48	52	R+6
	Disapprove	43	47	45	
Reduce Social Security benefits for high income	Approve	51	47	57	R+4
	Disapprove	44	50	42	
Reduce funding for roads and transportation	Approve	29	25	32	R+4
	Disapprove	64	73	65	

PEW RESEARCH CENTER Dec. 5-9, 2012 People-Press survey.

Views of Trade and Globalization

The economic mood of the country is primarily a function of the state of the domestic economy. But this cannot be divorced from America's growing integration with the rest of the world economy. And that process of globalization looms large in public attitudes.

Americans' views of trade, foreign investment and globalization are complex, at times contradictory and cannot be explained as a simple preference for free trade or protectionism. Two-thirds of Americans think trade is good for the economy. But they don't buy economists' argument that trade is necessarily good for them. Rather, they think it kills jobs and undermines wages. A strong majority favors protecting domestic businesses.

In comparison, Europeans are more likely to say growing trade and business between countries are good for their country, although they too have some worries about its impact on them personally. In particular, Europeans share with Americans a concern about trade hurting jobs. And half would erect trade barriers to protect domestic industry.

Despite the recent economic crisis, Americans (67%) maintain majority support for trade and business ties with the rest of the world. This support has improved 14 percentage points since 2008. But it is still among the weakest enthusiasm for globalization among major economies. Majorities in Spain (96%), Germany (95%), Britain (87%) and France (83%) say such globalization is good for their country, according to the 2011 Pew Global Attitudes survey.

Nevertheless, there is some support in Europe for reducing the government's deficit through cutting spending rather than raising taxes. But there is also sympathy for the view that the rich should bear more of the tax burden.

A late June 2012 survey by TNS Sofres found that about two-thirds of the French (68%) wanted budget rebalancing to come from cutting government spending and reducing public services. Only 2% backed increasing taxes, while just 20% wanted a mix of the two. At the same time, nearly three in four people in France (73%) supported a 75% marginal tax rate for people making more than one million euros per year, according to an early July BVA survey.

Similarly, a late January 2012 YouGov poll in the United Kingdom showed that only 11% were in favor of increasing taxes to help reduce the deficit. At the same time, 62% of the British thought that taxes should be raised on the wealthiest people in the UK.

Conclusion

The American social safety net is more porous than that afforded to citizens in many other high-income economies and the social contract is weaker. And in the effort to curtail the U.S. government debt, the support provided to average Americans who are unemployed, poor, or in need of health insurance and pensions may be further reduced. Americans oppose such cuts in social services. But they also oppose most other efforts to reduce the debt, while supporting debt reduction in principle. And they remain uncertain about the role government should play in the provision of health care, old age insurance and the like.

Public ambivalence about the social safety net suggests the United States will never provide its citizens with support comparable to that provided to citizens of Germany or Scandinavia. At the same time, Americans value the social safety net that exists and do not want it changed.

Americans do have a social contract with each other and with their government. But this bond is currently under great strain. Americans' conflicting values and goals and deep partisan divisions over the specifics of the social safety net, along with worries about how to pay for it, suggest that the tensions surrounding the social contract will continue for some time.

About the Project

The Next Social Contract Initiative aims to rethink our inherited social contract, the system of institutions and policies designed to empower and support citizens from childhood through work and retirement. Inspired by the premise that economic security and opportunity are mutually reinforcing, a new social contract should foster innovation and openness, encourage long-term growth and broadly shared prosperity, and engage individuals and families not only as participants in the economy but also as citizens.

About the Series

Renewing the American Social Contract is a series of major policy papers outlining bold proposals from leading thinkers for reforming American social policy in areas from wages and job creation to taxation and the welfare state. Representing diverse perspectives from across the political spectrum, the contributors to the series share a commitment to questioning orthodoxy and enlarging the boundaries of debate.

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