

# **MARKETING OBAMA'S STIMULUS PACKAGE: INSISGHTS FROM SOCIAL SCIENCE EXPERIMENTS ON PUBLIC OPINION**

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## **INTRODUCTION**

The current global financial crisis is undoubtedly one of the most significant economic events of the past century. The collapse of the financial markets in late 2008 resulted in record declines in the capital markets, as well as the adoption of unprecedented fiscal and monetary policies, including the Troubled Asset Relief Program (TARP) and the lowering of interest rates to historical lows. One of the most daunting challenges facing the Obama Administration at this moment in time is not only to develop an effective plan to ameliorate the suffering economy, but also the need to “sell” the plan among members of Congress and the American public. Given the sensitivity of elected officials to their constituents’ preferences, a central question is: What are the factors that shape the preferences of the American public regarding the government’s stimulus plan? What aspects of the plan make it more or less appealing to the public, and how do factors such as partisanship or personal income influence the way people form their opinions on the stimulus? These questions are of particular interest given that the debate over the economic stimulus package is both highly consequential and tremendously complex. Understanding how citizens construct opinions about the preferred policy for dealing with the economic crisis has important implications for gauging how the battle over public opinion is likely to shape up in the months ahead.

To explore this set of issues, we conducted a national survey of 2,768 American adults. Respondents were interviewed over the Internet by Survey Sampling International (SSI) of Shelton, CT. In this memo we report results of four experimental studies that assess important features of people’s preference formation.

Decades of research in behavioral psychology, economics, and political science have provided several theories about the way ordinary people make judgments under uncertain and complex conditions. We conducted experiments to assess three biases/cognitive responses that are commonly exhibited by citizens: (1) anchoring; (2) framing; and (3) cue-taking.

*Anchoring* is when people rely too heavily on one piece of information when making decisions. We examine the contention expressed by some experts that the media coverage of the bailout and stimulus packages placed in peoples’ minds the anchor of “\$1 trillion” as a significant threshold over which the policy package was considered “too expensive.” Indeed, we find this arbitrary, round-numbered cutpoint to have a significant impact on people’s support for the program.

*Framing* effects occur when people respond to the same substantive problem differently when it is presented in two different ways. According to “prospect theory,” people are more likely to accept risky prospects when they are presented in the context of avoiding losses than of achieving gains. Indeed, we find evidence for the strong impact of framing effects: support for the stimulus varies substantially when it is framed as “preventing a collapse” in the economy as opposed to “boosting” the economy. Moreover, we find that people’s response to the different frames is highly contingent on their economic standing: high-income individuals respond much more strongly to the frame that emphasizes the possible downside (“collapse” frame), while low-income individuals respond favorably to the upside (“boost” frame).

*Cue-taking* is when people use “heuristics,” or mental shortcuts, in order to deal with complex decision problems. We find that people are very sensitive to two types of cues: which politicians endorse the proposed solution, and which politicians are blamed for the problem. Republican citizens are less likely to support the stimulus measure when it is indicated that “the Democratic Party” initiated them, whereas Democrat voters are more likely to support it when they are cued that the popular “Obama Administration” it is the initiator of the program. Moreover, people’s opinion on the preferred course of action moving forward is strongly affected also by whether they are cued that Democrats or Republicans are at fault for what led to the crisis.

In summary, our experiments revealed the following facts about American opinion on the stimulus proposal, which suggest that beyond the substantive details of the program, how the package is marketed will have a significant influence on its prospects for gaining public support.

- The American public is highly sensitive to the anchor of \$1 trillion. Support for the stimulus package substantially declines among Republicans and Independents when its cost breaks this arbitrary threshold.
- The public is insensitive to changes in the estimated cost of the stimulus package once the \$1 trillion figure is passed: even a substantial hike in the proposed cost has no bearing on the level of public support for the package.
- High-income and lower-income citizens have drastically different responses to how the stimulus package is framed. High-income citizens appear to be more risk averse, supporting the stimulus program at higher rates when it is framed as “preventing a collapse” as opposed to a program designed to “boost” the economy. Attitudes of low-income citizens demonstrate the opposite response.
- The American public is sensitive to cues, such as endorsements and the “blame game,” and uses them to construct attitudes on the complex issue of the stimulus package.
- These experimental findings produce a set of strategic implications for the Obama Administration’s attempt to gain public support for the stimulus bill (see final section of report).

## THE ANCHORING EXPERIMENT

In this study we examine how sensitive public support for the stimulus package is to its estimated cost. We assess two separate aspects of the cost that might affect the public's attitudes. The first is the elasticity of demand, namely the extent to which support for the stimulus changes as a function of increases in the estimated cost of the program. Given the extraordinary magnitude of the competing proposals for stimulus relief, it is unclear whether an increase of several hundred billion dollars to the proposal estimate has an impact on people's support for the program. Moreover, it is unknown whether the public sensitivity to cost has a linear (i.e. continuous and increasing) form.<sup>1</sup> The second issue has to do with the sensitivity of public opinion to the "magic" \$1 trillion threshold. As was widely reported by the news media the Obama Administration was concerned about the stimulus package costing beyond the "politically-sensitive trillion dollar mark" (e.g. Krugman, *NY Times*, 01/08/2009), worrying that passing this threshold would generate a strong negative reaction among the general public. If this view has merit, support for the stimulus package should experience a marked decline once the trillion dollar threshold is surpassed, but lesser decline above that crucial benchmark.

To assess these two aspects of public sensitivity to the cost of the stimulus, we developed the "Anchoring experiment." This experiment has five conditions to which participants were randomly assigned. Participants were asked a question that briefly described the debate revolving around the stimulus package, and gauged their level of support. The treatments varied solely in the estimated cost of the proposal that the question mentioned. The question was asked as follows:

Policymakers are currently discussing the details of an economic stimulus plan estimated at a cost of **\$XX billion** to help deal with the economic downturn. Some people contend that this plan is too costly and should be decreased in size. Other people believe that a plan of this size is necessary. What is your opinion of this economic stimulus plan?

The first three treatment groups were asked a question that estimated the proposal at either: (a) \$900 billion; (b) \$1.1 trillion; and (c) \$1.4 trillion. These three figures enable us to examine how support for the program changes when the cost of the program increases from a figure slightly below the trillion dollar threshold to a figure slightly above (\$900 billion vs. \$1.1trillion), and then to an even *larger* increase in the estimated cost of the program in a case where the baseline figure is already above one trillion (\$1.1 trillion vs. \$1.4 trillion).

Another way to gauge the public's sensitivity to the trillion dollar threshold is by prompting individuals with a similar description of the stimulus program that does not mention the trillion dollar figure, but instead breaks the estimated cost of the stimulus into two installments that are *separately* lower than the trillion dollar mark, but combined amount to a figure higher than one trillion dollars. Treatment groups 4 and 5 were thus prompted with a question similar to the one described above, but which differed slightly in that it outlined a stimulus package in two stages.

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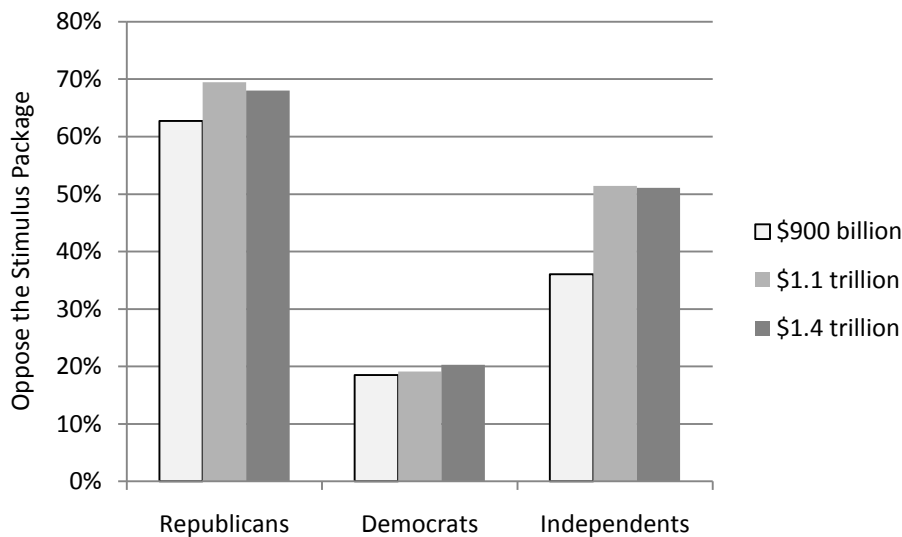
<sup>1</sup> Do similar increases in the cost of the program have the same effect on people's policy preference in the low range of the cost estimate as they do in the higher ranges of the cost estimate?

“Policymakers are currently discussing the details of an economic stimulus plan to help deal with the economic downturn that would be comprised of two stages. The first stage is estimated to cost \$XX billion and the second stage an additional \$XX billion. Some people contend that this plan is too costly and should be decreased in size. Other people believe that a plan of this size is necessary. What is your opinion on this economic stimulus plan?”

Treatment group four was asked about a program that cost \$900 billion in the first stage and an additional \$200 billion in the second stage, and for treatment group five the corresponding figures were \$800 billion and an additional \$100 billion.<sup>2</sup> Whether the fact that the trillion dollar figure is not stated upfront has an effect on people’s support for the program can now be examined by comparing the support for the proposal among those prompted with the \$1.1 trillion figure and those with the two-staged program of \$900 billion plus \$200 billion.

Figure 1 reports differences across the various treatment groups. We subset the results by party affiliation, to capture differences in sensitivity to the cost of the program among different political constituencies. The figure illustrates several findings. First, there are substantial differences in opposition to the stimulus program across the partisan spectrum, *irrespective* of the proposed costs of the program. On average, 66% of Republicans oppose the stimulus plan, in contrast to 43% of Independents and 19% of Democrats.

**Figure 1. The Public is Sensitive to Cost, But Only Up to the \$1 trillion Threshold**



Within each of the partisan camps, there are notable differences in terms of how sensitive support for the stimulus is to the program’s cost. Opposition among Democrats and Republicans for the plan remains almost unchanged as the cost of the program varies: Democrats overwhelmingly

<sup>2</sup> Treatment 5 (which used the \$800B + \$100B figures) was included in order to examine whether the two-installment structure of the stimulus has an independent effect on the public opinion. With Treatment 4 alone, one might struggle to distinguish between the effect of passing the trillion dollar mark and the two-installment aspect of the proposal.

support the proposal, whereas Republicans generally oppose it. In contrast, Independents are highly sensitive to the estimated cost, as an increase of two-hundred billion dollars to the estimate above the baseline cost of the stimulus program increases Independents’ opposition to the program by over fifteen percentage points (36.1% to 51.4%)<sup>3</sup>.

Finally, the results reveal a high sensitivity to the trillion dollar threshold: Opposition to the stimulus proposal grows markedly with the marginal increase of \$200 billion to the \$900 billion cost, but shows no sensitivity to the increase of a further \$300 billion outlay beyond the \$1.1 trillion figure.<sup>4</sup> This difference is particularly notable among independents, and to a lesser extent among Republicans. Democrats, in contrast, support the program at a steady rate regardless of the projected cost.

**Table 1: Opposition to Stimulus Plan by Estimated Cost and Party ID**

Treatment	Full Sample		Republicans		Democrats		Independents	
	Oppose	N	Oppose	N	Oppose	N	Oppose	N
\$1.4 trillion	63%	(535)	68%	(169)	20%	(229)	51%	(137)
\$1.1 trillion	62%	(510)	69%	(146)	19%	(223)	51%	(141)
\$900 billion	69%	(500)	63%	(154)	18%	(224)	36%	(122)
\$900 billion + \$200 billion	62%	(496)	67%	(158)	18%	(204)	51%	(134)
\$800 billion + \$100 billion	67%	(482)	64%	(145)	20%	(206)	41%	(131)

## FRAMING EXPERIMENT

Another bias that people exhibit in decision making is their sensitivity to how an issue is framed. If people have well-reasoned opinions about a topic, then their attitudes should be invariant to how a given policy proposal is presented. However, people may be more likely to support policies such as the stimulus package that are seen as high-risk when they are framed as preventing catastrophic outcomes as opposed to promoting beneficial ones. This draws on what behavioral economists call “prospect theory,” or the idea that people are much more likely to support risky endeavors when they are framed as avoiding losses as opposed to achieving gains. We randomly assigned respondents to receive one of two frames to assess whether support for the stimulus package changed depending on how it was presented.

Respondents were randomly assigned to receive one of two questions (*italics only used for emphasis here and were not shown in the actual survey*):

1. In order to *boost* the country’s economy, some believe Congress should authorize the economic stimulus plan currently proposed, estimated to cost at least \$700 billion. Others believe that the plan is too expensive and will weaken the economy in the long term. Do you favor or oppose Congress passing the proposed economic stimulus plan to boost the country’s economy?

<sup>3</sup> While this memo does not report the full range of statistical information, these differences are what is called “statistically significant” at conventional levels of 95% confidence.

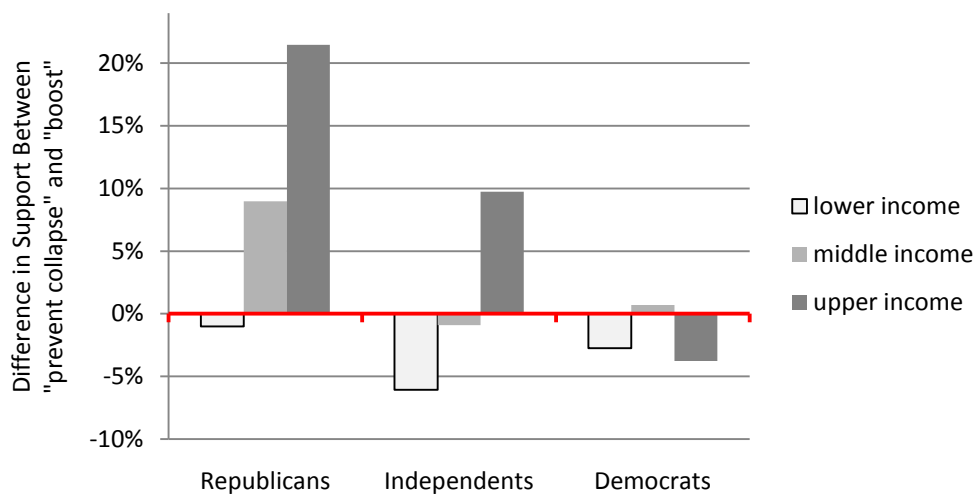
<sup>4</sup> Note that the increase of \$200 billion to the \$900 baseline is smaller in both absolute and relative terms than the \$300 billion increase to the \$1.1 trillion program.

2. In order to *prevent a possible collapse* of the country's economy, some believe Congress should authorize the economic stimulus plan currently proposed, estimated to cost at least \$700 billion. Others believe that the plan is too expensive and will weaken the economy in the long term. Do you favor or oppose Congress passing the proposed economic stimulus plan to boost the country's economy?

We can then compare these conditions to see if support for the policy is stronger when the alarmist frame ("prevent a possible collapse") is presented as compared to the alternative wording that is framed in terms of gains ("boost"). Moreover, high-income individuals shoulder the majority of the stimulus program's costs and therefore are more likely to support the policy if the situation is framed as avoiding catastrophe.

We find that Republicans and Independents were highly sensitive to how the policy was framed, but that responsiveness to specific frames was dependent on people's income level. Figure 2 presents the differences in the percentage of people supporting the policy in the "prevent collapse" condition and the "boost" condition. Again, we expect that the "prevent collapse" condition may increase support for the policy because risk-averse individuals may be more likely to support a risky policy initiative if the consequences of doing nothing are dire. Among Republicans, this was the case, but only once income reached certain thresholds. For upper-income (top 25%) Republicans, support for the policy was over 20 percentage points higher in the "prevent collapse condition" as compared to the "boost" condition (see left-hand side of Figure 2). On the other hand, middle-income (middle 50%) Republicans exhibited an effect size of 9 percentage points, and there was no effect among low-income (bottom 25%) Republicans. A similar pattern was observed among Independents (see the middle category in Figure 2). Finally, there was no relationship between income and effect size among Democrats. Support for Obama's stimulus package was substantial and robust among Democrats, and was not affected by to the different framings.

**Figure 2. Upper-Income People Respond to Alarmism; Lower-Income People Respond to the Potential Upside**



## CUE-TAKING EXPERIMENT

Individuals often rely on minimal information to form political preferences on complex issues. These pieces of information are commonly referred to as *cues*, which can be thought of as facilitating a “shortcut” to a particular judgment, precluding further thought on the issue. Indeed, understanding the details of the stimulus package requires Americans to devote a great deal of energy and attention. It is much more likely that people rely on simpler cues in forming their opinions.

In this experiment, we focused on two different types of such cues: (1) endorsement cues; and (2) blame attribution cues. First, we assessed whether support for a part of the stimulus package changed based on who had endorsed the proposal. It is likely that Democrats and Independents may be more supportive if they are given the signal that political elites on the left are supportive of the proposal. Conversely, associating the policy with the Democratic Party or President Obama may decrease support among Republicans. Respondents were randomly assigned to receive one of three questions (again, italics were not used in the original survey):

1. *Policymakers in the federal government* are currently evaluating an economic stimulus proposal to provide businesses with a \$3,000 tax credit for hiring a new worker. Do you support or oppose such a proposal?
2. *Policymakers in the Democratic Party* are currently evaluating an economic stimulus proposal to provide businesses with a \$3,000 tax credit for hiring a new worker. Do you support or oppose such a proposal?
3. *President-elect Obama and his team* are currently evaluating an economic stimulus proposal to provide businesses with a \$3,000 tax credit for hiring a new worker. Do you support or oppose such a proposal?

Along with these endorsement cues, we also examined the impact of blaming a political party for the financial crisis. Even though the policy proposal remained the same, we assessed whether playing the “blame game” either boosted or decreased support for the proposal. The effect of blame assignment in this context is not clear *ex ante*, since the specific details of the stimulus program remain fixed in the different experimental treatments. Who is to blame for the situation, by this logic, should have little bearing on whether one should support a specific policy prescription for resolving the situation. It is of course possible that blaming the opposing party would cue partisans to support the initiative; on the other hand, given President Obama’s concerted effort to develop a proposal with broad support, politicization of the stimulus debate may be counterproductive. Respondents were randomly assigned to receive one of three statements along with the questions described above (again, italics only for our emphasis):<sup>5</sup>

1. The goal [of the proposal] is to address the collapse in the global economy that some economists claimed was the fault of the *Republican-controlled White House*.

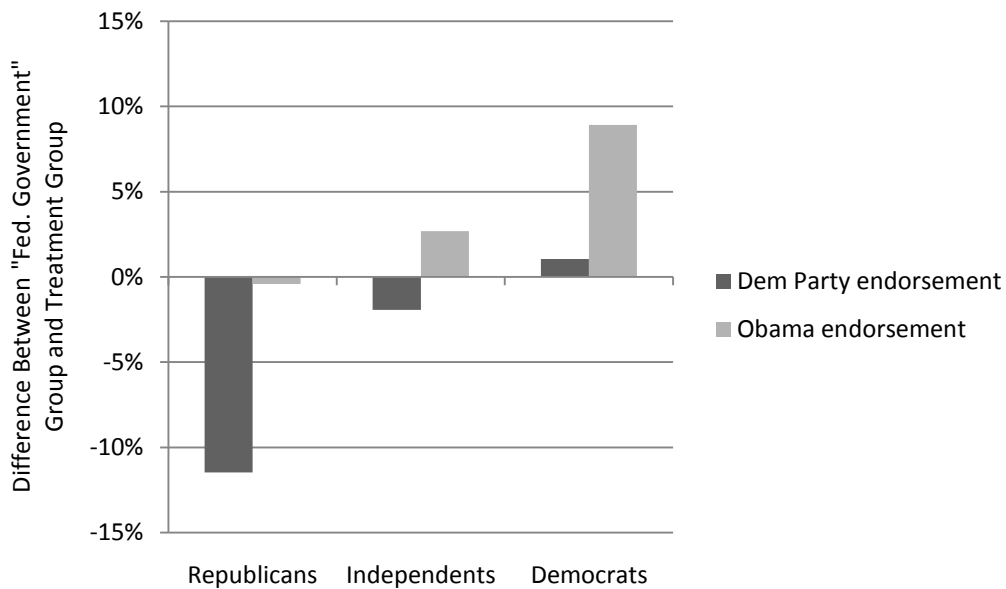
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<sup>5</sup> Inclusion of each of these three treatments at the end of the question produces nine experimental conditions. In our analysis, we analyze the effect of the endorsement and blame cues separately. There were no interactive effects of note.

2. The goal [of the proposal] is to address the collapse in the global economy that some economists claimed was the fault of the *Democratic-controlled Congress*.
3. No blame cue.

The results reveal a substantively large and significant effect of the endorsement and blame cues on voter attitudes on the tax break proposal. Figure 3 presents the results, with each column denoting the effect of the cues on support for the proposal among the various partisans. Notably, whether the tax credit proposal is presented as an initiative of the Democratic Party has a substantial negative effect on the willingness of Republicans to support it, compared to the same proposal being presented as an Obama or "federal government" initiative. In contrast, the endorsement of Obama has a strong positive effect on support for the proposal among Democrats and (to a lesser extent) among Independents.

**Figure 3. Proposal Most Popular When Associated with Obama, but Least Popular When Associated with Democratic Party Lawmakers**



Perhaps more curious is the effect of blame attribution. Although one might expect the *retrospective* question of who is responsible for the economic downturn not to affect *prospective* attitudes on the preferred solution, the results clearly indicate that that is not the case. Support for the tax break program varies substantially in response to varying blame cues: Democrats are a much more supportive of the proposal when the Republican-controlled White House is considered to be to blame for the crisis than when the Democratic-controlled congress is blamed or when no blame is assigned (64% to 54%, in the latter case). The results among Republicans are almost a mirror image of those we find among Democrats: when the crisis is presented as their own party's doing, support for the proposal is twelve percentage points lower than when no blame is assigned (29% vs. 41%).

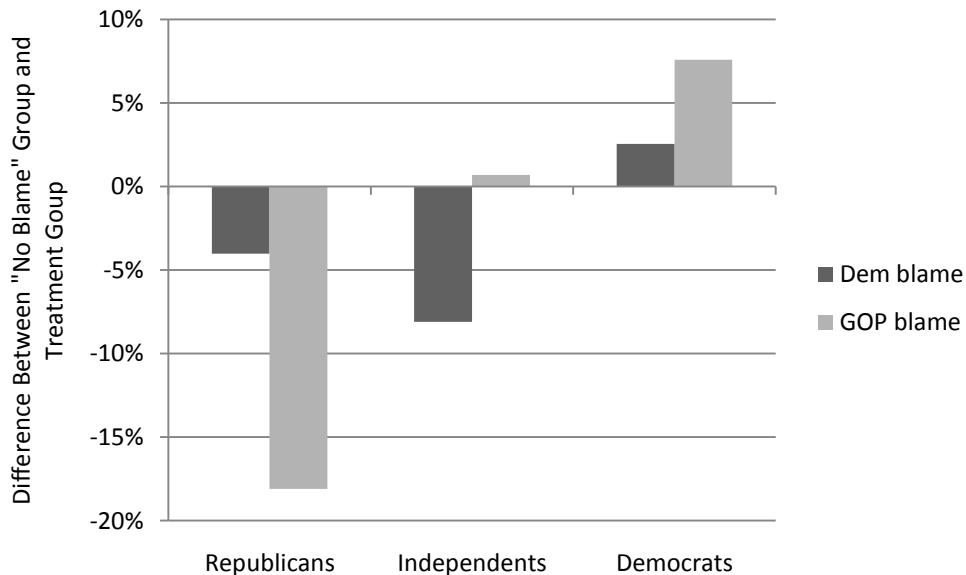


**Table 2: Effect of the “Blame Game” on Support for the Stimulus by Party ID**

Treatment	All Sample		Republicans		Democrats		Independents	
	Oppose	N	Oppose	N	Oppose	N	Oppose	N
No Blame Cue	64%	(865)	45%	(271)	81%	(353)	60%	(241)
Republicans to Blame	63%	(841)	33%	(258)	84%	(366)	64%	(217)
Democrats to Blame	67%	(817)	41%	(243)	86%	(367)	63%	(207)

Finally, among Independents, blaming of the Republican-controlled White House has no effect on the average support for the program (compared to the no-blame condition), but the blaming of Democrats decreases support for the proposal. This is consistent with the previous finding which showed Independents to respond favorably to the Obama cue. Other findings (not reported) show Independents to blame President Bush for the situation in rates close to those of partisan Democrats.

**Figure 4. The “Blame Game” Affects Public Support for the Proposal**



## STRATEGIC POLITICAL IMPLICATIONS

Our results show that Obama’s political strategy should differ considerably depending on whether he is trying to gain bipartisan support for the stimulus bill, or whether he is trying to solidify support within the Democratic base and some Independents.

If going for broad support that reaches beyond the party base, there are several things the Administration needs to do to accomplish this objective:

- Describe the proposal as a non-partisan initiative, or as one Obama himself owns; Keep the Democratic Party out of limelight when marketing the stimulus package to the public.
- Stay away from the political blame game: avoid attributing the crisis to the Republican Party and the Bush Administration.
- Keep the cost of the stimulus below the trillion dollar mark. However, if the Administration has made the decision to spend more than \$1 trillion, then additional increases should not be avoided because they will not be politically damaging.
- If the key audience are the well to do, frame the proposal as necessary for avoiding a sharp downturn; otherwise, emphasize the potential growth that the stimulus may help instigate.

However, if President Obama views maximizing support among the Democratic Party base as his main objective, the study's findings point towards an altogether different strategy:

- Take complete ownership of the proposal; don't portray the stimulus relief as the brainchild of the Democratic Party.
- Emphasize the role of the Republican Presidency in bringing about the economic crisis.
- Given that many Democratic voters are disproportionately located lower down the income ladder, emphasize the growth aspect of the stimulus. Describe its impact on boosting the economy, and focus less on selling the stimulus in alarmist terms.
- Budget the proposal at the cost that will finance the stimulus package you want, and worry less about the cost; Even with substantial increases to the bill's cost, the party faithful will back you.