

Quality of Life

And the Prophets of Gloom

Opinion polls showing pessimism about the economic reforms of the past two decades should not be taken at face value, argues **Andrew Norton**

Are Australians pessimistic about where they are headed? Are they, as *Age* journalist Peter Ellingsen claimed in surveying state of the nation books, 'stressed rather than sanguine'?¹ According to some leftists, the answer to that question is 'Yes', and they have opinion poll evidence to show that people agree with them. On their analysis, we are gloomy because of 20 years of economic reform.

In his 1996 'middle Australia' survey, Michael Pusey, author of *The Experience of Middle Australia: The Dark Side of Economic Reform*, found that 50.7% of his respondents believed that quality of life was declining, while 39.3% thought it was improving.² Pusey believes social and economic change, which he attributes to economic reform, explains this poor result, and backs up his perceptions with those of the people he polled. Most of them were worried about crime, and 71% said 'poverty, unemployment and

economic dislocation' was its cause, much more than 'weak law enforcement' on 4%. Increasing 'financial and job insecurity' was nominated as a cause of declining quality of life by 72%.³

Lindy Edwards, author of *How to Argue with an Economist*, which spent much time on the 2002 bestseller lists, cites a 1997 Newspoll finding that only 13% of Australians thought that the overall quality of life in Australia was improving, and about half thought it was declining. Edwards believes that 'the economic rationalist reform era created a gulf between the Australian people's values and how their society actually operated.'⁴

Hugh Mackay, Australia's best-known writer on middle class angst, also opposes economic reform. He believes economic rationalism is 'likely to increase a society's human problems'. Mackay

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acknowledges some good economic news and offers a more nuanced analysis than Pusey or Edwards, but takes the 1997 Newspoll as evidence that Australians are 'confused and unconvinced'.⁵ Table 1 summarises the results of these polls.

On the surface, these polls are disheartening. Twenty years ago, this kind of pessimism was an impetus for reform, but now it is used against reform. In 1983 McNair polled two groups of people in the workforce and 'leaders'. Sixty percent of workers and 70% of leaders agreed that compared to recent years Australia was in 'deep and serious trouble'.⁶ Back then, with slow growth, unemployment and inflation established as chronic problems, it is easy to see why people might think that. But by 1996 and 1997, inflation was no longer a major concern, the economy was growing again, and though unemployment remained a serious problem, it was lower than in 1983. Despite these apparent improvements, in each of the mid-1990s polls more than half the sample thought things were getting worse.

Interpreting poll results always requires care. In these two polls, for example, an 'about the same' option appears to largely eliminate the 'don't know', and eats heavily into the people who think things are getting 'better'. Pusey likes to focus on negatives ('the dark side of economic reform'), but if he had offered Newspoll's options he could have extracted even greater pessimism from his respondents. A *Schadenfreude* opportunity missed. It looks as if the prophets of gloom are right, and that people really did experience high levels of discontent in the mid-1990s. But, as we will see, this conclusion is almost certainly wrong.

The future

Pusey and Edwards leave their readers with the impression that the results shown in Table 1 represent a trend, that deterioration in Australian quality of life is on-going. If there is a trend, then we would logically expect people to feel pessimistic about the future. In Ellingsen's words, they should be 'stressed' rather than 'anguine'.

Curiously, though, polls about the future don't show this at all. Since the mid-1980s the Morgan

Table 1. Longer term retrospective judgments

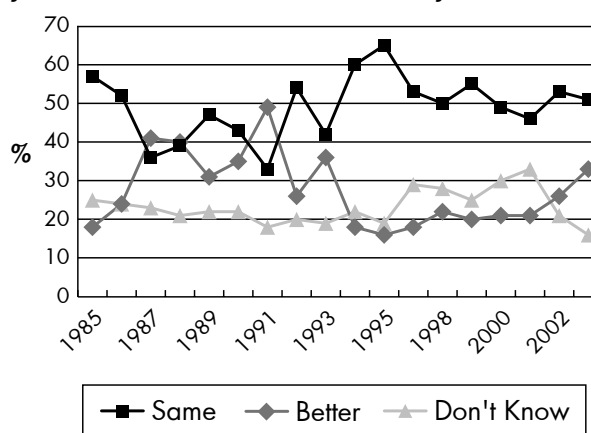
| Year | Poll | Question | Improving/ Better (%) | Declining/ Worse (%) | Don't know/ About same (%) |
|------|------------------|---|--------------------------|-------------------------|-------------------------------|
| 1996 | Middle Australia | For ordinary middle Australians, do you think our quality of life is improving or declining? | 39.3 | 50.7 | 10.1 |
| 1997 | Newspoll | Thinking now about the overall quality of life in Australia, taking into account social, economic and environmental conditions and trends, would you say that life in Australia is getting better, worse or staying the same? | 13 | 52 | 33 |

Poll has asked a very general question 'As far as you're concerned, do you think next year will be better or worse than this year?'. Figure 1 shows that in most surveys a majority believed next year would be better than this year, and in every survey a majority believed that the next year would either be the same or better than the current year. There is no sign here of the pessimistic trend showing in the 1996 and 1997 quality of life surveys. To the contrary, in the mid-1990s people were more optimistic than usual about the short-term future.

A similarly positive view of the future is evident in a Saulwick poll from the early 1990s, which asked respondents to rate their lives now, five years ago, and five years in the future (see Table 2 overleaf). Table 2 compared to Figure

Figure 1. Optimism about next year

As far as you're concerned, do you think next year will be better or worse than this year?



Source: Morgan Poll

1 indicates that even in 1991, in the midst of a severe recession, and with a bare 51-49 majority in the Morgan poll believing that things would be the same or better next year, Saulwick found that the medium-term outlook remained positive.

Figure 1 and Table 2 do not contradict Table 1. It is logically possible to think that things are worse than they were in the past but that things will be better in the future. Yet the trend impressions they give are so different as to require

Table 2. Life in the future

| Question | 5 years ago (%) | Now (1991) (%) | 5 years time (%) |
|---|-----------------|----------------|------------------|
| On a scale of one to ten, where ten represents the best possible life for you and your family, and one represents the worst possible life, where are you now? Where were you five years ago? Where do you expect to be five years from now? | 6.69 | 6.92 | 7.94 |

Source: Saulwick Poll

further examination. Explaining these contrasting results requires a closer look at the questions being asked, and the underlying influences on how people perceive themselves compared to others, and the present compared to other times.

Respondent’s own life versus other people’s lives

People are inclined to take a positive view of themselves. In one Australian survey from the 1980s, more than three-quarters of respondents believed they were an ‘above average’ friend, spouse, parent and worker.⁷ Rosy self-assessment helps explain why surveys tend to get very different answers if they ask about the respondent’s own life compared to people in general. Figure 1 and Table 2 both ask about the respondent personally or as part of his or her family, and both record generally optimistic responses.

Table 1, by contrast, asks about two much larger groups, ‘middle Australians’ and ‘Australia’. The results for this, as we’ve seen, were negative. This is consistent with international experience. In six polls (US, Australia and multi-country) asking about others, none had a majority saying the present time was better than the past for others.

By contrast, of 14 surveys carried out in developed countries which asked about the respondent personally, none had a majority saying the present was worse than the past, and ten had majorities in favour of the present.⁸

This creates a paradox. Though most people in Australia think that trends in their own lives are positive, they can also believe, as they did in 1996 and 1997, that quality of life in Australia is going down. The whole is much less than the sum of its parts. Which of the two is more accurate? It is likely that cognitive biases affect both, pushing polls asking about the respondent up and sending surveys about others down.

Studies of life satisfaction help explain why most people think that they are above average. They possess what analysts call a ‘positive cognitive bias’, a normal disposition to consider themselves favourably. The purpose of this bias is to maintain individual well-being. People who lack it are often depressed and unable to motivate themselves. The bias is strong enough, though, that people who have experienced very negative events, such as disabling injuries, often head back toward their equilibrium level of life satisfaction.⁹ While this positive attitude can be based on self-deception, it also relies on selectivity in choosing standards against which one’s own life is judged. By emphasising activities on which they do well, many people could plausibly think that they are ‘above average’ on these at least.

This positive cognitive bias means that well-being surveys tend to be very stable, with most people in the 70-80 range out of 100. In Australia, six well-being surveys conducted between April 2001 and April 2003 showed national average variations only between 75 and 78.¹⁰ Positive cognitive bias encourages people to offer optimistic, and quite possibly over-optimistic, views of their own circumstances and prospects.

When poll respondents are asked to judge others rather than themselves a negative cognitive bias comes into play. Partly, this is a corollary of the positive cognitive bias, which won’t work without assuming that others aren’t doing as well. It is magnified by the information sources used when assessing others, such as impressions from friends, colleagues and the media. These sources

are not balanced, focusing instead on whatever is current and interesting. In particular, the news media typically reports more bad than good news. Many cognitive psychology studies have shown (the 'availability heuristic') that as a mental short-cut we tend to assume that what is in the news is common, whether or not that is statistically accurate. For example, Americans significantly overestimate the number of deaths from well-publicised causes such as tornadoes, cancer and homicide, and underestimate the number of deaths from stroke, asthma and diabetes.¹¹ Negative cognitive bias encourages people to offer overly pessimistic views of other people's circumstances and prospects.

A striking example of negative cognitive bias when assessing others is the much discussed issue of job security. Large retrenchments are reported regularly in the media. Most large employers have gone through 'downsizing',¹² meaning that many people at least know someone who has been retrenched, even if they have not been themselves. Confirming the bad news, commentators regularly tell us that jobs are less secure. Millions of people keeping their jobs, by contrast, is not news. The perception that job security for others is weakening shows strongly in the polls, as seen in Table 3.

Despite this pessimism about others, people's perceptions of their own jobs remain positive, as seen in Table 4. Even during the early 1990s recession nearly two-thirds of the Morgan poll respondents thought *their* job was secure. The 2000 Newspann found nearly 80% thought Australians were less secure in their jobs than in 1990, but if we compare the subjective perceptions in the two years we find that in 2000 people felt their jobs were *more* secure than they had been in 1990, or indeed any other year since apart from 1998. In 2003 people believed that the job situation

continued to deteriorate for others, when the most recent data for individual job security shows a positive trend. Individual and national perceptions are deeply at odds.

I've added to the subjective perceptions in Table 4 some objective labour market information. The job loser rate includes everyone who lost their job through being engaged in seasonal or temporary work, their own ill health or injury, or through being sacked, laid off, or their employer going out of business. The retrenchment rate summarises this last category. Around half of job losers are people who have held their job for one year or less.

As can be seen, the percentage of people worried about losing their job is always at least double, and sometimes triple, the percentage who actually lose

Table 3. Assessment of other people's job security

| Year | Question | More/ Better (%) | Total Less/ Worse (%) | Lot Less/ Worse (%) |
|------|--|---------------------|--------------------------|------------------------|
| 2000 | In general, do you personally think Australian workers are now more or less secure in keeping their jobs than they were ten years ago? | 10 | 79 | 60 |
| 2003 | Do you think the job security of Australian workers is getting better, getting worse, or staying about the same? | 6 | 64 | 44 |

Source: Newspann

Table 4. Own job security

Do you think your present job is safe, or do you think there is chance you may become unemployed?

| Year | Job Safe (%) | Chance of unemployment (%) | Retrenchment rate (%) | Job loser rate (%) | Unemployment rate (%) |
|------|--------------|----------------------------|-----------------------|--------------------|-----------------------|
| 1990 | 70 | 28 | 4.4 | 8 | 7 |
| 1991 | 70 | 28 | | | 9.5 |
| 1992 | 65 | 32 | 6.4 | 9.5 | 10.5 |
| 1993 | 73 | 25 | | | 10.7 |
| 1994 | 74 | 22 | 5.4 | 8.8 | 9.2 |
| 1995 | 74 | 23 | | | 8.1 |
| 1997 | 73 | 24 | 4.6 | | 8.4 |
| 1998 | 81 | 16 | 4.4 | 7.6 | 7.9 |
| 1999 | 74 | 25 | | | 7.4 |
| 2000 | 75 | 20 | 4 | 7.2 | 6.6 |
| 2001 | 75 | 22 | | | 6.4 |
| 2002 | 79 | 20 | 3.9 | 8.1 | 6.6 |

Sources: Morgan Poll, Australian Bureau of Statistics

their jobs. I've also included the unemployment rate, which because it is regularly reported acts as a proxy for the job loser rate in people's minds.¹³ It too is always much less than the perceived chance

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of unemployment. This looks to be a case in which negative information about job security in general is feeding back into perceptions of individual job security, though most people understand that their own job is probably safe.

These job security statistics highlight the difficulties people have accurately answering pollsters' questions. Though people's perceptions of their own job security are more accurate than their perceptions of overall trends in job security, they are still wide of the true figure, even after allowing for people who were not sacked but had reasonable cause for concern.

Hugh Mackay talks of an 'epidemic of job insecurity'.¹⁴ But an epidemic of commentators talking about job insecurity may be closer to the mark. Table 3 compared to Table 4 suggests that people's ability to compare over time is particularly impaired. Table 3 shows that in 2000 79% of people thought jobs were less secure than in 1990, and 60% thought they were a lot less secure. Yet Table 4 shows that every objective indicator was better in 2000 than 1990. This raises the question of whether intertemporal comparisons are systematically biased.

A bias against the present and for the future?

Table 3 isn't the only poll that arrives at conclusions unfavourable to the present. Table 1 suggests that the past was better, while Figure 1

and Table 2 suggest that the future will be better. An optimistic view of the future is particularly resilient. In a broader study of Australian polls I found that in 19 polls between 1967 and 2002 a majority of people always thought that the future would be the same or better than the present for themselves and their family. Even for other people, of whom respondents normally have a more negative view, in none of ten polls between 1979 and 2001 did a majority think things would be worse in future, with one 1990 poll coming up with equally divided opinion. The question these results raise is whether intertemporal biases affect poll results. I believe there is a bias against the present in favour of the future.

Superficially, the positive cognitive bias discussed earlier favours the present, since its role is to maintain current functioning. It does this, but the process of sustaining a positive mood in the present requires dimming memories of past negative events and experiences, since they would undermine current well-being. One American study of this process had participants record events in a diary, along with emotional intensity ratings ranging from 'extremely unpleasant' to 'extremely pleasant'. They were then tested on their recall after 3½ months, 1 year, and 4½ years. Emotional intensity dropped over time, but more so for negative than positive events.¹⁵ As most people record more positive than negative events, positive memories of the past predominate.

The present, by contrast, is disadvantaged by awareness of current circumstances and good recall of all recent events, despite the counterbalancing of positive cognitive bias. Unfaded in memory, existing problems are taken into account when judging the present, while past problems are downplayed. The 'availability heuristic' means that what influences decisions is not so much the most relevant piece of information, but the most obvious. And the present is more obvious than the past.

Knowledge of the future is, of course, much more limited than knowledge of the present or the past. Scenarios ranging from health, prosperity and happiness to sickness, poverty and misery are plausible for most people. The latter scenario, however, would undermine current well-being, and for most people their positive cognitive bias

puts it in the background. Without the reality check of the past or the present, optimism can take over, as in the general optimism Figure 1 and Table 2 display. While often stronger than subsequent events warrant, optimism is not oblivious to objective reality. Less optimistic Morgan polls in 1986, 1987 and 1991 correspond to dips in real wages, and rising unemployment in 1991. Presumably respondents thought these negative economic indicators would last over the short term at least. But the 1991 Saulwick poll suggests that the future bias brings back optimism for the medium term.

Are intertemporal polls worthless?

A good rule of thumb in polling is that the more complex the issue the less useful the result. Intertemporal polls make very heavy cognitive demands on respondents. The surveys reported in Table 1 demand knowledge a polymath would struggle to possess, much less an ordinary citizen suddenly asked questions, with little time for thought and none for research. Comparing perception with reality, as Table 4 does, raises further doubts about the accuracy of respondents' impressions even on topics that are relatively close to ordinary experience. Making their task even more difficult, they have to recall and compare data from an earlier point in time. As we've seen, this introduces biases which further distort the results.

Though none of the state of the nation polls reported here accurately measures how Australia is faring compared to the past, they are a guide to public perceptions of how other people are doing. In that context, it is interesting to see how opinion has evolved since the mid-1990s polls on which Pusey and Edwards base their argument. Table 5 shows the polls referred to by Pusey and Edwards, and two later general quality of life polls. The later two polls, the 1999 and 2000 Newspolls, indicate a turnaround in public opinion. In each of these polls, about one-third rather than one-half believe things are getting worse, and the proportion of respondents believing things are getting better more than doubles between 1997 and 2000.

Though showing only mildly positive views about trends in Australian quality of life, these later results seriously undermine attempts by Pusey and Edwards to use the 1996 and 1997 polls against economic reform. If these polls were measuring negative trends caused by economic reform, the additional reforms which occurred between 1997 and 2000, plus the cumulative effects of earlier reforms, should have maintained, if not increased, the proportion of people believing quality of life was getting worse. Instead, fewer people believed things were getting worse, and more thought things were getting better.

State-by-state analysis of the 1999 Newspoll further weakens the theory that economic reform

Table 5. Longer term retrospective judgments

| Year | Poll | Question | Improving/ Better (%) | Declining/ Worse (%) | Don't know/ About same (%) |
|------|------------------|---|--------------------------|-------------------------|-------------------------------|
| 1996 | Middle Australia | For ordinary middle Australians, do you think our quality of life is improving or declining? | 39.3 | 50.7 | 10.1 |
| 1997 | Newspoll | Thinking now about the overall quality of life in Australia, taking into account social, economic and environmental conditions and trends, would you say that life in Australia is getting better, worse or staying the same? | 13 | 52 | 33 |
| 1999 | Newspoll | Thinking now about the overall quality of life in Australia, taking into account social, economic and environmental conditions and trends, would you say that life in Australia is getting better, worse or staying the same? | 24 | 32 | 38 |
| 2000 | Newspoll | Thinking now about the overall quality of life in Australia, taking into account social, economic and environmental conditions and trends, would you say that life in Australia is getting better, worse or staying the same? | 31 | 34 | 34 |

reduces quality of life. People living in Victoria experienced more radical economic reform than any other state, but Victorians were by a large margin the most likely of any Australians to say that life was getting better.¹⁶ Victorians did not necessarily endorse the detail of former Premier Jeff Kennett's reform agenda, but the evidence suggests that they were satisfied with its consequences—the dramatic turnaround in the state's fortunes since the early 1990s.

Polls don't just report political sentiment. Politically-engaged writers, prophets of gloom like Pusey, Edwards and Mackay, use them to shift political views, in this instance to make a case against economic reform. Yet arguments that live by the polls can die by them too. After discounting for the influence of negative cognitive bias on Table 5 results and the biases inherent in intertemporal comparisons, and after factoring in the positive trend since the mid-1990s, the argument that economic reform has created deep pessimism looks very weak. Most people are satisfied with their own prospects, and more are becoming positive about trends in Australian quality of life.

Endnotes

- ¹ Peter Ellingsen, 'The Lifestyle Myth', *The Age* (27 September 2003), Review, p.8.
- ² Michael Pusey, 'Incomes, Standards of Living and Quality of Life: Preliminary Findings from the Middle Australia Project', in Richard Eckersley (ed), *Measuring Progress: Is Life Getting Better?* (Melbourne: CSIRO Publishing, 1998), p.184.
- ³ Michael Pusey, *The Experience of Middle Australia: The Dark Side of Economic Reform* (Melbourne: Cambridge University Press, 2003), pp.117-118.
- ⁴ Lindy Edwards, *How to Argue with an Economist*, (Melbourne: Cambridge University Press, 2002), pp.15-16.
- ⁵ Hugh Mackay, *Turning Point: Australians Choosing their Future* (Sydney: Pan Macmillan, 1999), pp. viii and xxvii.
- ⁶ McNair Anderson, *The Changing Australian* (Sydney: Sentry Holdings/McNair Anderson, 1983), p.27 (my calculation of leaders).
- ⁷ Bruce Headey and Alex Wearing, 'The Sense of Relative Superiority—Central to Well-being', *Social Indicators Research* 20 (1988), p.503.
- ⁸ Michael R. Hagerty, 'Was Life Better in the "Good Old Days"? Intertemporal Judgments of Life Satisfaction', *Journal of Happiness Studies* 4:2 (2003), pp.121-30.
- ⁹ Robert Cummins and Helen Nistico, 'Maintaining Life Satisfaction: The Role of Positive Cognitive Bias', *Journal of Happiness Studies* 3:1 (2002), pp.37-69.
- ¹⁰ Robert A. Cummins, Richard Eckersley, et al., *Australian Unity Well-being Index 6* (Melbourne: Australian Centre on Quality of Life, April 2003), p.69.
- ¹¹ Cass Sunstein, *Risk and Reason: Safety, Law and the Environment* (New York: Cambridge University Press, 2002), pp.33-35.
- ¹² Ben Jensen and Craig Littler, 'Organisational Downsizing' in M.D.R. Evans and Jonathan Kelley, *Australian Economy and Society 2001: Education, Work and Welfare* (Sydney: The Federation Press, 2002), pp.142-44.
- ¹³ Mark Wooden, 'Job Security and Job Instability: Getting the Facts Straight', *BCA Papers* 1:1 (Business Council of Australia), p.15. Particularly since the early 1990s, unemployment and subjective job insecurity track each other closely.
- ¹⁴ Mackay, *Turning Point*, p.111.
- ¹⁵ Reported in W. Richard Walker, John J. Skowronski and Charles P. Thompson, 'Life is Pleasant—and Memory Helps to Keep It That Way!', *Review of General Psychology* 7:2 (2003), pp.206-07.
- ¹⁶ Richard Eckersley, *Quality of Life in Australia: An Analysis of Public Perceptions* (Canberra: The Australia Institute, 1999), p.26. The poll was taken in May, before the fall of the Kennett government.

FOLLOWERS RATHER THAN LEADERS?

Pollsters have become our modern soothsayers, interpreting public opinion surveys with the gravity with which their predecessors read chicken entrails. 'The American people are not stupid', politicians say endlessly, even when explaining the public's persistent desire for lower taxes and more government benefits . . . 'We have heard from the American people', a [politician] will declare, as if announcing a divine visitation. A commonplace assertion today has the force of a biblical revelation if ascribed to the American people.

From Fareed Zakaria, *The Future of Freedom*
(New York and London: W.W. Norton & Company, 2003), pp.25-26.