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*The Wisconsin Economic Scorecard is a quarterly poll of Wisconsin residents conducted by the UWM Center for Urban Initiatives and Research, in cooperation with WUWM and WisBusiness.com.*

## WISCONSIN ECONOMIC SCORECARD

### ANALYSIS: DETERMINANTS OF INDIVIDUAL OPINION ABOUT THE STATE ECONOMY

In this paper, data from the April 2012 wave of the *Wisconsin Economic Scorecard*, a quarterly poll of Wisconsin residents conducted by the University of Wisconsin—Milwaukee (UWM) Center for Urban Initiatives and Research (CUIR), is used to make inferences about how “average” Wisconsin residents (defined as those with demographic and socioeconomic attributes that are near the statistical median) tend to feel about the state economy. Cases where demographic or socioeconomic differences between individuals cause differences in opinion are isolated and discussed in detail.

The April 2012 *Wisconsin Economic Scorecard* was a random digit dial (RDD) mobile/landline telephone survey of 545 Wisconsin residents, conducted by the CUIR Survey Center at UWM from March 26-30. The sampling margin of error is  $\pm 4.2\%$  at the 95% confidence level.

#### Major findings:

- Political views trump demographic variables and socioeconomic status when it comes to determining individual opinion regarding the general direction of the state.
- Those in a position to be affected by low demand in the labor market (especially those who are struggling economically due to low income or underemployment) are much more likely than business owners or retirees to express negative views of the current state economy.
- Conservatives and Republicans are much more likely to hold positive views of the state economy, even when socioeconomic factors are held constant.
- Future expectations regarding Wisconsin’s economy are largely shaped by current economic assessments.
- While they assess the current economy similarly, women are less optimistic about Wisconsin’s future than men, regardless of socioeconomic background or political affiliation.



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## Introduction

In this paper, we examine three core questions from the April 2012 wave of the *Wisconsin Economic Scorecard*: 1) the perceived direction of the state, 2) assessment of current economic performance in Wisconsin, and 3) beliefs regarding future economic performance in the state. For each question, we begin with an aggregate look at how residents as a whole feel, and then drill down to uncover how demographic differences between individuals shape individual views. Using a technique called Maximum-likelihood estimation (MLE), we are able to calculate the predicted probability of an individual with any specific mix of demographic and socioeconomic attributes giving any specific answer to the question under investigation.<sup>1</sup>

Maximum-likelihood estimation (MLE) involves taking a random sample set of observations, and then calculating what the overall population would have to look like in order to have the maximum chance of yielding that exact sample. In other words, it is a way of objectively drawing conclusions about the population from sample data.

For each question we examine, we present how likely a given individual would be to select each of the possible answer categories, based on his or her demographic characteristics. For the purposes of this analysis, default values for each demographic variable will be set at the sample averages (median values for continuous and ordinal variables, modal values for nominal variables). In other words, the demographic characteristics we use to generate our predictions are the ones that would be likely to be represented were we to repeatedly select and examine random individuals from our sample. This practice ensures that the default predictions we make are likely to be applicable to “average” members of the population.

An “average” individual chosen from our sample would have the following characteristics:

- Female
- 45 to 59 years of age
- Not yet retired
- 0 children in household
- Some college education
- Homeowner
- Non-business owner
- Non-union member
- Urban resident
- Politically independent (neither Republican nor Democrat)
- Ideologically moderate
- Describes current personal finances as “fair”
- Reports no significant economic problems within the last year

It is important to note that conclusions we draw in this paper about individuals with this specific set of characteristics (“average” residents) can be applied to Wisconsin residents in general, unless we specifically state that this is *not* the case. For each question regarding perceptions of the state, we specifically isolate and discuss all such situations. If, for example, men tend to feel differently than women about an issue, we explicitly discuss that.

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<sup>1</sup> When applied to opinion polls that include questions about demographic information, MLE allows us to make predictions about the opinions of individuals in the population based on their characteristics or qualities. Because these predictions are estimated using sample data, they will always be reported with an associated margin of error and confidence level.

## Topic 1: Wisconsin headed in the right direction, or on the wrong track?

All respondents were asked the following question:

**When you think about how things are going in the state of Wisconsin, would you say Wisconsin is headed in the right direction, or do you think Wisconsin is on the wrong track?**

**(Follow-up question: “strongly” or “somewhat”)**

Wisconsin residents are about equally split between feeling that Wisconsin is headed in the right direction (46.0%) and feeling that Wisconsin is on the wrong track (44.7%); the difference between these groups is within the sample margin of error. However, Table 1 shows that those who say Wisconsin is on the wrong track feel more strongly than are those who say Wisconsin is headed in the right direction.

**Table 1) Frequencies - Wisconsin “right direction”/“wrong track”**

Response	Number	Percent
“Strongly on wrong track”	134	24.6%
“Somewhat on wrong track”	110	20.1%
“Somewhat in right direction”	148	27.2%
“Strongly in right direction”	108	19.8%
“No opinion”	45	8.3%

As a whole, Wisconsin residents appear closely divided regarding the direction of the state, but what is an average individual Wisconsin resident likely to say? A resident with “average” demographic characteristics would be about equally likely to feel that Wisconsin is either headed somewhat in the right direction, somewhat on the wrong track, or strongly on the wrong track. Figure 1 shows that the predicted probability of an “average” resident giving each of these answers is similar. “Somewhat headed in the right direction” has a predicted probability of 34.3%, followed by “Somewhat on the wrong track” at 30.8% and “Strongly on the wrong track” at 27.5%. There is no statistically significant difference in the likelihood of an “average” Wisconsin resident choosing any one of these three categories over the other two. However, the “average” resident is significantly less likely to report that Wisconsin is “strongly headed in the right direction;” the predicted probability of this occurring is only 7.5%.

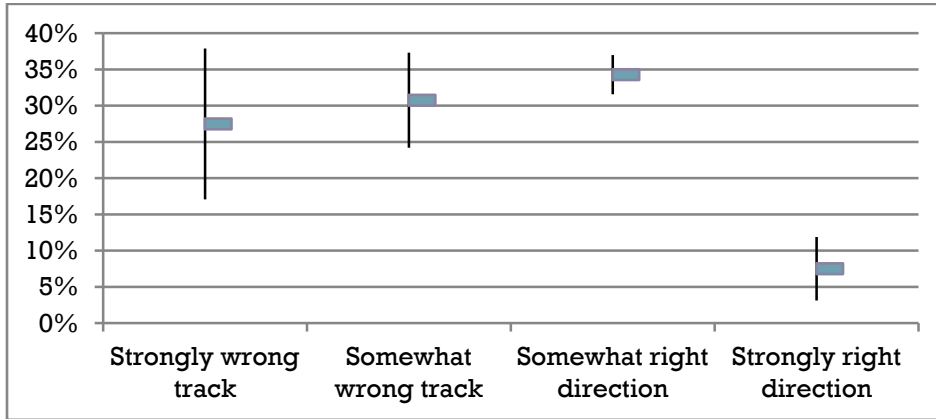
The predicted probabilities for this question change significantly as values of the following demographic variables change: gender, age, business ownership, union membership, urban/suburban/rural residence, political ideology, party identification, and current personal financial situation. A change in any one of these variables is enough to alter the likely pattern of responses. For example, Figure 2 shows that changing the value of “political ideology” from “moderate” to “very conservative” (while keeping all other variables at median values) increases the predicted probability of the response “somewhat headed in the right direction” from 34.28% to 46.23%. A change from “moderate” to “very liberal” decreases the predicted probability from 34.28% to 14.04%.

Women, older residents, union members, Democrats, liberals, and those who describe their personal economic circumstances as poor are all significantly less likely to express optimistic views about the overall direction of the state. Meanwhile, men, younger residents, business owners, rural residents, conservatives, Republicans, and those who describe their personal economic circumstances as good or excellent are all significantly more likely to say Wisconsin is headed in the right direction. (Full model parameters can be found in Appendix A.)

**Figure 1) Predicted probabilities of various answers to the question:**

**“When you think about how things are going in the state of Wisconsin, would you say Wisconsin is headed in the right direction, or do you think Wisconsin is on the wrong track?”**

(Wisconsin resident with “average” demographic characteristics)

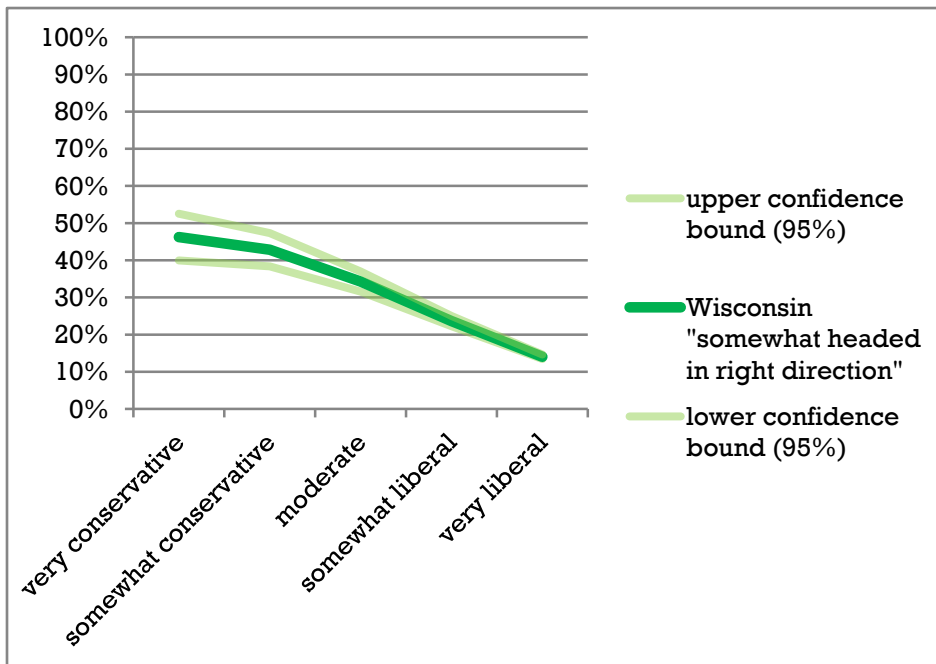


| = 95% confidence interval

**Figure 2) Change in the predicted probability of answering:**

**“[Wisconsin is] somewhat headed in the right direction” as “ideology” moves from “very conservative” to “very liberal”**

(Wisconsin resident with “average” demographic characteristics)



## Topic 2: Perceptions of current state economic performance

All respondents were asked the following question:

**Thinking about the economy in the state of Wisconsin right now, would you say the economy in Wisconsin is excellent, good, fair, or poor?**

A bare majority of Wisconsin residents (50.0%) reported that the Wisconsin economy is “fair”, while an additional 25.4% reported feeling it is “poor”. Just 22.9% reported feeling that the Wisconsin economy is currently “good”. A mere 1.0% reported that the economy is “excellent”. Table 2 shows that on the whole, Wisconsin residents are negative about the current state economy.

**Table 1) Frequencies - Wisconsin economy right now**

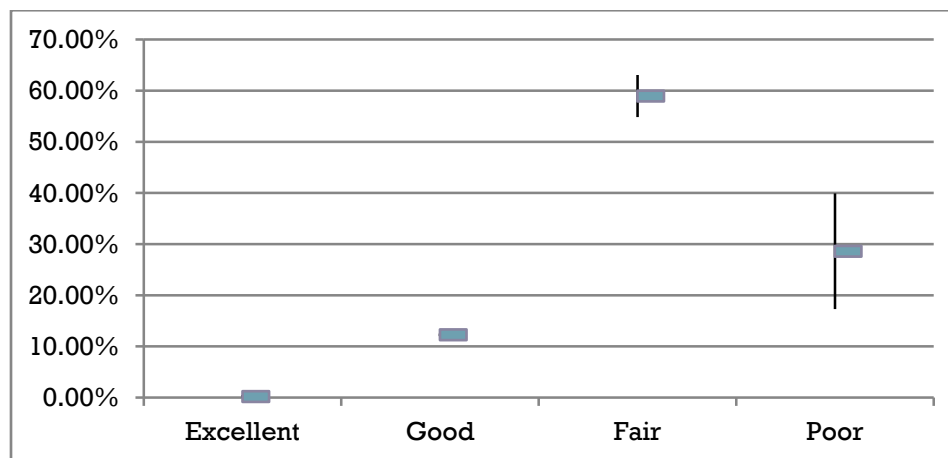
Response	Number	Percentage
“Excellent”	5	1.0%
“Good”	125	22.9%
“Fair”	273	50.0%
“Poor”	139	25.4%
“No opinion”	4	0.7%

The average individual Wisconsin resident would likely reflect a negative attitude about the Wisconsin economy. Figure 3 shows that the predicted probability that a Wisconsin resident with “average” demographic characteristics would say the economy was “fair” is 58.9%, followed by “poor” at 28.6%, and “good” at 12.3%. The probability that such a resident would say the Wisconsin economy is currently “excellent” is 0.2%.

**Figure 3) Predicted probabilities of various answers to the question:**

**“Thinking about the economy in the state of Wisconsin right now, would you say the economy in Wisconsin is excellent, good, fair, or poor?”**

(Wisconsin resident with “average” demographic characteristics)



| = 95% confidence interval

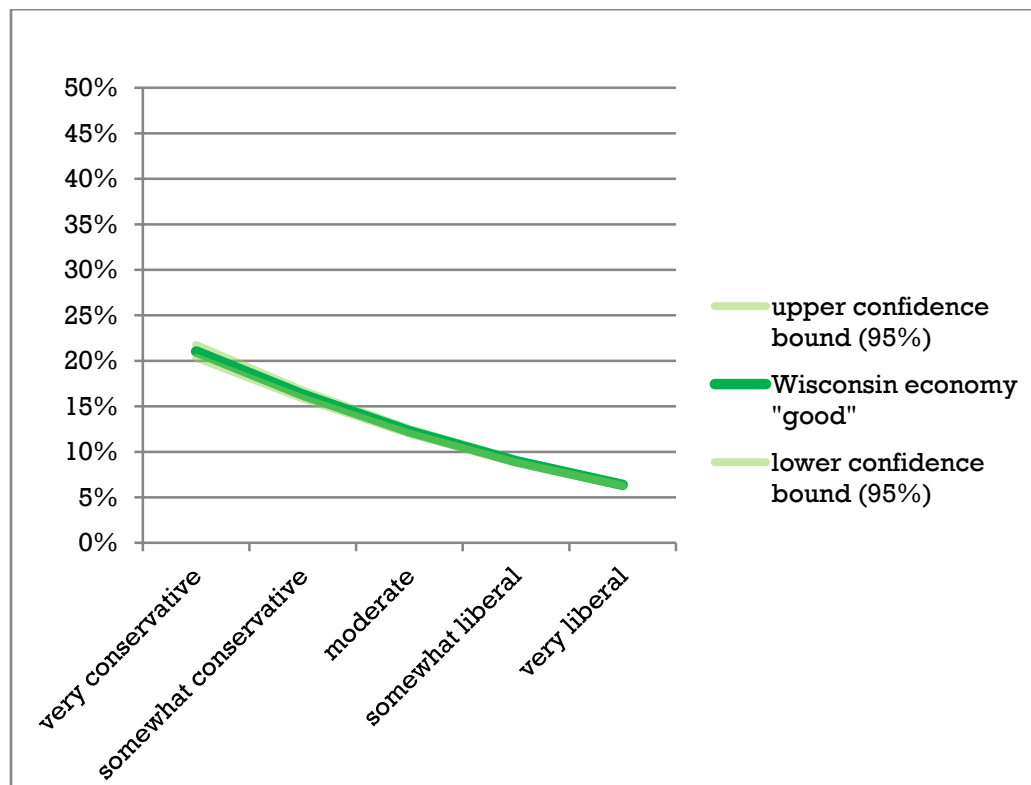
An interesting set of demographic variables influence predicted responses to this question. As with the “right direction/wrong track” question, political variables such as party identification and political ideology have a strong influence on responses. For example, conservatives are more likely than liberals to say the current Wisconsin economy is “good,” even when all other variables are held constant at median values (Figure 4). While 1 in 5 conservatives could be expected to report a “good” economy, only 1 in 20 liberals would agree, all other factors held equal.

However, variables that involve personal economic circumstances also cause significant differences in how a “median” resident responds to this question. Figure 5 shows how among respondents with “median” demographic characteristics, those who describe their personal financial situation as “excellent” are dramatically more likely to say the Wisconsin economy is “good” than those reporting less positive personal financial situations. A resident with “excellent” personal finances would be expected to perceive the economy as “good” about 40% of the time, while an individual with “poor” finances would share that view only about 5% of the time.

**Figure 4) Change in the predicted probability of answering:**

**“[Wisconsin’s economy is] good”  
as “ideology” moves from “very conservative” to “very liberal”**

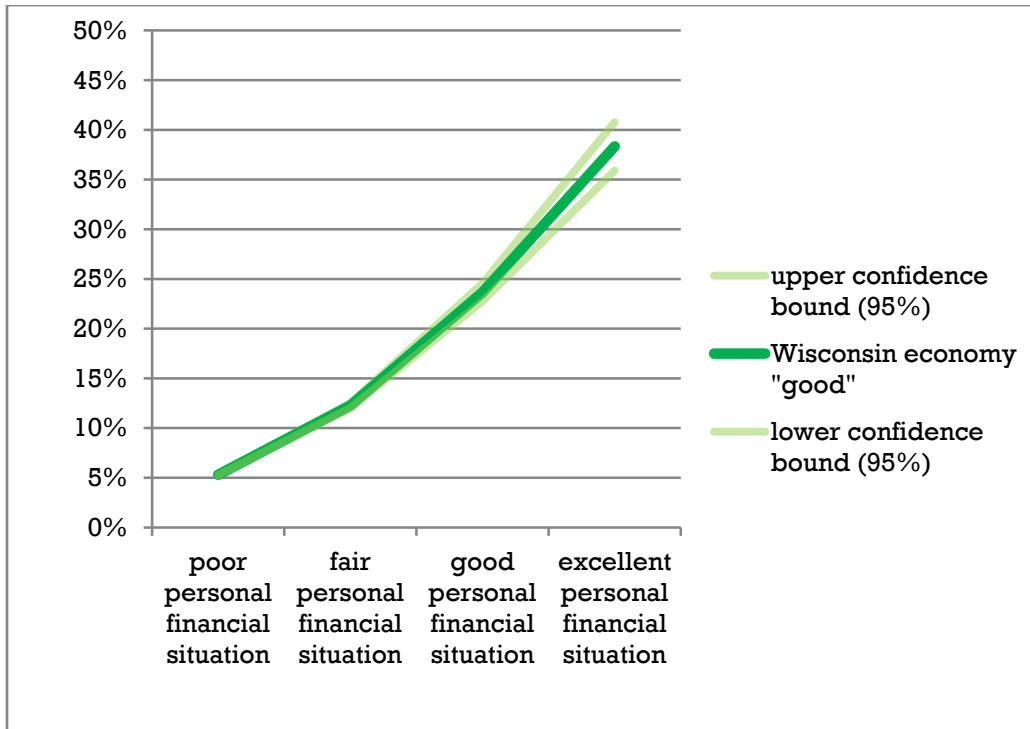
(Wisconsin resident with “average” demographic characteristics)



**Figure 5) Change in the predicted probability of answering:**

**“[Wisconsin’s economy is] good”  
as “self-reported personal financial situation” moves from “poor” to “excellent”**

(Wisconsin resident with “average” demographic characteristics)



In addition to personal finances, frequency of significant economic problems, business ownership, and retirement status are also influential. Those who reported more significant economic problems in the last year were more likely to have negative views of the state economy, even when other factors were held constant. Business owners and retirees were more likely to express more positive views than non-owners and those who had not yet retired, even when other demographic variables were held at their sample median values.

The implication of these data is that there are two main forces driving current perceptions of the Wisconsin economy – personal political beliefs and personal financial realities. Those in a position to be negatively affected by low demand in the labor market (especially those who are struggling economically due to unemployment or low income) are much more likely than business owners or retirees to express negative views of the current state economy. At the same time, those sharing an ideological stance or a party label with the current state administration (conservatives and Republicans) are also more likely than other groups to express positive views of the current state economy, even when personal economic status is held constant. While these effects appear to be relatively independent, the fact that the current state administration is affiliated with a political party that has historically favored management over labor means that the two effects will often reinforce each other at the individual level.

### Topic 3: Expectations for Wisconsin's economic future

All respondents were asked the following question:

**Over the next year, do you expect the economy in Wisconsin to get better, get worse, or stay about the same?**

Despite a marginally negative mass attitude about the current Wisconsin economy, Wisconsin residents are, on aggregate, quite optimistic about the performance of the state economy over the next year. Table 3 reveals that almost half (45.3%) report a belief that Wisconsin's economy will "get better" within a 1-year timeframe. Just over a third of residents (35.5%) say they think the state economy will "stay about the same". Only a small minority (12.3%) report a belief that the economy will "get worse" over the next year.

**Table 3) Frequencies - Wisconsin economy over the next year**

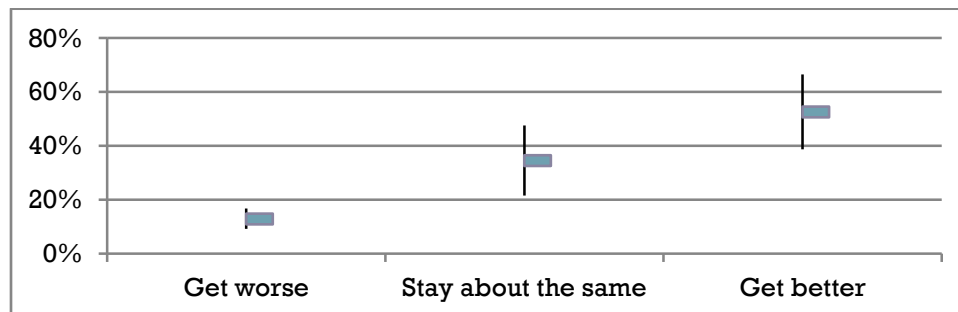
Response	Number	Percentage
"Get worse"	67	12.3%
"Stay about the same"	193	35.5%
"Get better"	247	45.3%
"No opinion"	38	6.9%

While a slightly higher proportion of residents reported optimistic versus neutral views on the future of the state economy, individual-level analysis shows that the average Wisconsin resident would be about equally as likely to say "stay about the same" as "get better" when asked about the future of the state economy. Figure 6 shows a large overlap in the confidence intervals surrounding the predicted probability of an "average" respondent selecting these answer categories, indicating that the difference is statistically insignificant. However, the predicted probability of an "average" resident expressing pessimism about Wisconsin's economic future is significantly lower; based on the data collected, there is only a 13.0% chance that such a respondent would express the opinion that the state economy will "get worse" over the next year.

**Figure 6) Predicted probabilities of various answers to the question:**

**"Thinking about the economy in the state of Wisconsin right now, would you say the economy in Wisconsin is excellent, good, fair, or poor?"**

(Wisconsin resident with "average" demographic characteristics)



| = 95% confidence interval



**Figure 6) Change in the predicted probability of answering:**

**“[Wisconsin’s economy will] Get better [over the next year]”  
as “Assessment of Wisconsin’s economy right now” moves from “poor” to “excellent”**

(Wisconsin resident with “average” demographic characteristics)



What explains this optimism? Analysis shows that the strongest predictor of beliefs about Wisconsin’s economic near future is current assessments of state economic performance. Figure 6 shows that residents with “average” demographic characteristics who believe the current state economy is “fair”, “good”, or “excellent” are all more likely than not to express optimism about the future economy. There is a statistically significant difference in opinion about the future between “median” residents who say the current economy is “excellent” and those who say it is “poor;” only those who feel the current economy is “poor” are unlikely to express optimism about the future.

Current assessment of the Wisconsin economy does a better job predicting views about the future than any other variable we measured. While current economic assessments are themselves predicted to a degree by a set of demographic, socioeconomic, and political variables, there are many circumstantial factors not measured here that also influence those judgments. When added to the model, current economic assessments explain future assessments much more effectively than any single demographic, socioeconomic, or political variable.

Of these other variables, only political ideology (conservatives were slightly more likely than liberals to express optimism about the future) and gender (women were slightly less optimistic about future economic performance) were influential, when other factors were held at their median values. (Full model parameters can be found in Appendix C.)

## Appendix A

Dependent Variable: Wisconsin Right Direction/Wrong Track  
(Ordered Probit)

Observations	446
Prob > chi <sup>2</sup>	0.00
Pseudo-R <sup>2</sup>	0.22
<b>Independent Variables</b>	<b>Coefficient (standard error) *sig 95%</b>
# problems	-.33 (.05)
# children in household	.09 (.15)
Union member	-.45 (.17) *
Business owner	.30 (.17)
Suburban	.20 (.15)
Rural	.26 (.13) *
Party identification	.60 (.10) *
Retired	.20 (.16)
Female	-.41 (.12) *
Ideology	.41 (.06) *
Own home	.15 (.04)
Education	-.04 (.04)
Age	-.19 (.09) *
Personal finances	.27 (.08) *

## Appendix B

Dependent Variable: Current Wisconsin Economy  
(Ordered Probit)

Observations	471
Prob > chi <sup>2</sup>	0.00
Pseudo-R <sup>2</sup>	0.13
<b>Independent Variables</b>	<b>Coefficient (standard error) *sig 95%</b>
# problems	-.09 (.05)
# children in household	.14 (.15)
Union member	-.26 (.20)
Business owner	.27 (.14)
Suburban	-.24 (.16)
Rural	-.19 (.13)
Party identification	.20 (.09) *
Retired	.27 (.16) *
Female	-.09 (.12)
Ideology	.18 (.06) *
Own home	-.14 (.15)
Education	-.04 (.04)
Age	-.18 (.07) *
Personal finances	.46 (.08) *

## Appendix C

Dependent Variable: Wisconsin Economy Over the Next Year  
(Ordered Probit)

Observations	430
Prob > chi <sup>2</sup>	0.00
Pseudo-R <sup>2</sup>	0.07
<b>Independent Variables</b>	<b>Coefficient (standard error) *sig 95%</b>
# problems	-.01 (.06)
# children in household	.20 (.16)
Union member	.07 (.17)
Business owner	.27 (.17)
Suburban	.00 (.17)
Rural	-.09 (.16)
Party identification	.13 (.11)
Retired	.03 (.18)
Female	-.36 (.13) *
Ideology	.18 (.07) *
Own home	-.12 (.17)
Education	.03 (.04)
Age	.06 (.09)
Personal finances	-.04 (.09)
Current economic assessment	.32 (.10) *