

GENERATIONAL SHIFT IN THE SOCIO-ECONOMIC ENVIRONMENT: PUBLIC POLICY AND BUSINESS REGULATIONS

*Roger R. Stanton, College of Business Administration, California State University, Long Beach,
1240 Bellflower Blvd., Long Beach California 90840, roger.stanton@csulb.edu*

ABSTRACT

The Socio-Economic segments of a firm's environment can be particularly nettlesome at times, especially when the free market system is impeded by burdensome regulations with the tacit acquiescence of the Public. The enactment of regulations affecting business operations is a manifestation of prevailing public policies that reflect socio-economic opinion. This paper suggests that there has been a generational shift in these opinions based on an analysis of comparable opinion studies conducted in 1965 and in 2013 among California university students.

Keywords: The Regulation of Business, Public Policy, Product Price Controls, Socio-Economic Environment, Public Affairs Management Strategies, Economic Literacy

INTRODUCTION

The impact of the socio-economic environment on the formation of public policy affecting business practice has become progressively significant over the past several decades. Contemporary Public Policy has spurred the enactment of increasingly burdensome laws and regulations that pose new challenges for business decision makers. Supporters of greater government involvement in the affairs of business point to operational catastrophes and alleged market failures as justification for more regulations, e.g., the Gulf Oil spill debacle and the Fannie Mae, Freddie Mac housing-market meddling fiasco. Highly publicized breaches of public trust have buffeted support for more intrusive public policies with which businesses must cope. But beyond coping and compliance, business firms must expand their strategic management efforts beyond the traditional product/market focus to address the shaping of public policy. The tactical pursuit of this strategy typically takes the form of financial incentives, informational or lobbying activities, and coalition building. Choosing the best tactic, or political strategy, from among alternatives is very much dependent on the constituencies of each of the key legislators and their basic views and opinions on the issues [4].

Faced with pending regulatory threats, business firms may adopt either defensive or accommodative positions depending on their relative strengths. However, in the longer term firms may choose to engage in positive activism becoming partners with selected stakeholders and segments of the public in an effort to shape social or political changes thereby preclude potentially harmful regulations. But to do that, business leaders must tap into the socio-economic mindset of latent leaders of the future, i.e., the men and women attending our colleges and universities. Legislators with their idiosyncrasies come and go, but their constituents' evolving mindset about socio-economic issues endues and ultimately impacts business firms. The link between that mindset and the regulatory burdens faced by business firms is the public policy formation process. To the extent that businesses can better understand the public's socio-economic opinions relevant to the shaping of public policy, managers can shift from reactive strategies to those more fruitfully proactive; possibly to improve economic literacy related to

the free market system. It's been said by historians and philosophers that to better know our present (and future), we should understand the past. That partially reflects the theme of this paper wherein we will compare the socio-economic attitudes of college students spanning at least two generations.

During the 1960s opportunities for college students were broad indeed and there was little doubt about the efficacy of the nation's economic system or the importance of private business in driving the economy. The acuity of college and university students of that period was very much in concert with the respect educated by American industry and commerce. The federal government was less intrusive then than it is today. In reviewing a 1965 survey of student opinion regarding our economy [1], an obvious question emerged. Was there any significant generational shift or evolution of opinion about our national economic system over the past five decades? With the results from this author's 1965 study on hand [7], the original questionnaire was used to generate comparable data to address that question. The logic driving the study decades ago rested on the premise that our socio-economic views were consistent with prevailing public policy.

Public Policy affects a firm's operational and strategic decisions. Of course public policy makers must find some synchronicity with public stakeholders to be effective. Therefore, this research compares public (i.e. college student) opinions on socio-economic issues at two points in time, separated by decades, to help us understand evolving public policies affecting the business climate. Recent survey responses are compared with those from 1965 in an effort to detect significant shifts that may correspond to the expanding role of government in the decisions made by businesses today. This study sought to answer the following questions:

1. Did student responses to 10 socio-economic statements on the "Student Economic Survey" administered in 2013 match *a priori* expectations and do these results differ from those obtained in 1965 using same survey questionnaire?
2. Is there any statistically significant shift in the responses of 1965 respondents and 2013 respondents to the each of the 10 socio-economic related statements even when both sets of respondents were within the expected range?
3. Do the survey results at least subjectively match the evolution of public policy germane to business over the past five decades?
4. Given the importance of the socio-economic opinions of college age citizens, what can businesses do now to both track and shape those opinions?

RESEARCH SURVEY DESIGN

Unlike most survey studies that take a snapshot of selected variables at a specific time in an attempt to ascertain relationships and/or trends, this paper considers data gathered at two distinct points in time separated by a span of nearly 50-years. The first study [7] was conducted in 1965 as part of a Masters project to fulfill a research methodology requirement. Data was gathered from students at three California public universities. The socio-economic views, and to a lesser extent the economic literacy, of survey participants was determined from their responses to 10 key questions discussed below. A second analogous survey was conducted in 2013 using a nearly identical questionnaire.

The 1965 Student Opinion Survey

During the five years preceding the 1965 study the USA was governed by Presidents Eisenhower, Kennedy, and Johnson. Businesses, large and small, competed in a free market system that was relatively unburdened by extensive government regulations. Employment was robust, and the Viet Nam War was not yet the nationally divisive force that it became later. By the early 1960s the mood and tenor of the so-called "Silent Generation" was about to give way to a bolder, more activist, cadre

of college students; a development that was just beginning to spur much public interest by the mid-sixties. The Civil Rights movement was high on the social agenda of Americans. Given the potential ramifications that socio-political developments had on the formation of public policies affecting business strategies for the marketing of goods and services, the author's Masters Research project topic was approved. The questionnaire design for the 1965 Student Opinion Survey was designed to sample college student opinions regarding emerging public policy entitlements such as those contained in President Johnson's Great Society proposal. What turned out to be a more significant result of the study were the responses to 10 statements intended to measure college student basic understanding of our economic system, i.e., their economic literacy as a proxy variable for the socio-economic environment faced by business firms. Faculty from the Economics Department at California State (Long Beach) provided counsel and guidance in the wording of these 10 statements and each was pretested for clarity. Respondents were asked to mark "Agree" or "Disagree" after reading each statement (a "No Opinion" option was provided). Although questionnaire recipients were told that there were no right or wrong responses to the 10 statements, a pattern of nine "agrees" and one "disagree" was *a priori* expected based on prevailing free-market price theory.

A total of 222 useable questionnaires were received from the 525 that were mailed directly to students attending the University of California (Los Angeles), San Jose State, and California State (Long Beach). Potential respondents were randomly selected from student directories published by each school and sold in their campus bookstores. The selection of potential respondents was random; intended to provide an unbiased sample of academic majors.

The 2013 Student Opinion Survey

During the five years preceding the 2013 survey the vexatious problem of unemployment worsened, welfare rolls swelled, and food-stamp distribution reached record high levels. Meanwhile, new forms of business regulation become a common feature of federal and state public policy proposals. Given the contrasting regulatory environments of 1965 and 2013, what changes, if any, could be found in the socio-economic opinions of college students across this nearly 50-year span of national history? The purpose of the 2013 survey was to gather up-to-date responses to the original 10 questions regarding the socio-economic issues posed in 1965. The same 10 questions were used with only slight modifications to update the terminology. Also, many of the demographic questions on the 1965 questionnaire were dropped because they were found to have no correlative value, e.g., religious preference, etc., with other responses. During the 2013 fall semester, a total of 130 useable questionnaires were completed by students in classrooms at California State University, Long Beach (one of the three campuses surveyed in 1965). Because current policy prevent California's public university campuses from publishing student names and addresses, direct mail to randomly selected students (from all academic majors) was precluded for the 2013 survey. This was not a concern since no significant differences were found in responses from students with difference majors in 1965.

Assessing the Socio-Economic Environment – 10 Key Statements

Each of the survey statements was designed to tap into the respondent's opinion regarding issues affecting public policy germane to a business firm's socio-economic environment. The faculty economists who provided guidance in the formation of these statements stipulated that they would expect their average students to mark "disagree" for statements one through five (1-5) and seven through ten (7-10). An "agree" response to statement six (6) was expected. The statements listed below, as they appeared on the 2013 survey, are virtually identical to those used on the 1965 survey. Only minor changes were made, e.g. the word "man" was replaced by "person" (statement 8) and "Viet

Nam” was replaced by “Iraq and Afghanistan” (statement 10). These slight modifications did not change either the meaning or the probative value of the original questionnaire. The 2013 survey asked respondents to score “agree” or “disagree” or “no opinion” for each of the following statements:

- 1) We need price controls on the products of large business enterprises (such as General Motors, Dell Computer, and Microsoft) because without price controls these corporations will raise their prices without limit.
- 2) The AFL-CIO and other employee labor unions are primarily responsible for the generally high standard of living enjoyed by American workers.
- 3) American producers are generally not responsive to the product preferences of consumers.
- 4) The value of a product should be determined by the amount of labor time devoted to produce it.
- 5) The federal government, in a democracy, should work toward equalizing the income of people by such means at its disposal including graduated income taxes and income redistribution.
- 6) The unemployed could have jobs if they were willing to accept lower wages, move to jobs at new locations, and/or change their occupational specialties.
- 7) In the interest of justice, income distribution in an economy should be on a basis of personal needs rather than on the basis of one’s productivity or contribution to society.
- 8) It is morally wrong for a person to be motivated by the lure of profits because one person’s gain is another person’s loss.
- 9) The problems associated with civil rights would probably be diminished if capitalism were abolished in the United States.
- 10) Wars, like those in Iraq and Afghanistan, would be less likely to occur if all countries had a socialistic economy.

The expected responses shown below (as postulated in 1965) are compatible with socio-economic positions that are regarded as instrumental to the adoption of public policies amenable to a free-enterprise environment favored by American business. A brief parenthetical comment clarifying the rationale for each of the expected *a priori* responses to each of the 10 statements appears below.

- 1) Disagree – (While a firm can raise its prices “without limit” it is improbable that its customers would continue to purchase its goods and services over the long-run.)
- 2) Disagree – (While not supported by economic analysis, the statement tends to evoke emotional reactions which may nullify its useful. It was almost excluded from the 1965 survey.)
- 3) Disagree – (American producers must be responsive to consumer preferences to be successful.)
- 4) Disagree – (This tenet of Marxism ignores other necessary factors of production.)
- 5) Disagree – (This tenet of Socialism is inconsistent with free enterprise personal initiative.)
- 6) Agree – (Many people know this to be the case through experience, although there is some room for debate if one raises certain social and moral issues.)
- 7) Disagree – (This is another tenet of Socialism that has no sustained history of acceptance.)
- 8) Disagree – (Mutual benefits prompt voluntary exchanges such as buying and selling.)
- 9) Disagree – (The USA is a champion of civil rights, while some socialist nations are less so.)
- 10) Disagree – (Having socialism in common has not prevented countries from mutual warfare.)

RESULTS AND DISCUSSION

The results of the 1965 Student Opinion Survey of Socio-Economic issues revealed that responses to the aforementioned 10 statements met expectations for nine of the ten statements. More specifically, at least 60% of respondents disagreed with statements 1, 3, 4, 5, 7, 8, 9, and 10, while agreeing with statement 6 (see Table 1). Notably, the *a priori* target of 60% disagreement was barely achieved on the issue of government price controls (question 1). Similarly, the proportion of “agree” responses

concerning the belief that the unemployed should take more initiative to find a job (question 6) barely met the 60% level. While only a third of the 1965 respondents failed to credit unions with higher standards of living (question 2), many others were undecided. As expected, only a small percentage of 1965 survey respondents agreed with the last three statements which proposed unsubstantiated relationships between economic systems, wars, and civil rights. While the 1965 Student Opinion Survey did not produce any big surprises, a comparison of those results with the 2013 survey responses (shown in Table 2) offers a thought-provoking contrast.

Table 1. Socio-Economic Opinion Generational Comparison

Student Opinion Survey Questions (1965 and 2013)	1965 Agree	1965 Disagree	2013 Agree	2013 Disagree	Generational Opinion Shift re. Controls
1. Government Price Controls are needed to prevent unlimited product price increases on products produced by Big Business.	33.2 %	60.0 %	46.9 %	44.6 %	More support for Price Controls
2. The AFL-CIO and other Unions are responsible for the high standard of Living enjoyed by American workers.	57.2 %	32.9 %	21.5 %	32.3 %	Big Shift to "No Opinion" on the issue
3. American Producers are generally not responsive to the product preferences of consumers.	3.0 %	93.4 %	10.8 %	83.8 %	Role of the open Market still clear
4. The Value of a Product should be determined by the amount of Labor Time devoted to its production.	24.3 %	67.1 %	36.9 %	55.4 %	Softer stance on a tenet of Marxism
5. The Federal Government should equalize the income of people through taxation and income redistribution.	19.4 %	76.1 %	31.5 %	50.0 %	More support for equality of income
6. The Unemployed could get jobs by accepting lower wages, relocating, and/or learning new occupational skills.	60.8 %	31.6 %	53.8 %	40.0 %	Personal initiative still understood
7. For the sake of Justice, income distribution should be based one's needs not on one's contribution to society.	4.5 %	89.7 %	14.6 %	70.0 %	This notion gained some support
8. It is Morally Wrong to be motivated by Profits because one person's Gain is another person's Loss.	10.4 %	87.5 %	14.6 %	80.0 %	Opinion on this issue has persisted
9. If Capitalism was abolished, the problems associated with Civil Rights in the USA would be abolished.	4.0 %	89.2 %	10.8 %	85.4 %	Opinion on this issue has also endured
10. Wars like those in Iraq and Afghanistan would be less likely to occur if the countries of the world adopted Socialism.	9.4 %	80.7 %	15.4 %	60.8 %	Disagreement with view has diminished greatly

Generational Opinion Shift

Turning to the 2013 Student Opinion Survey, a markedly different profile of socio-economic opinion among contemporary college students emerges. Indeed, a cursory examination of Table 1 (below) suggests a sort of generational shift of opinions that may explain latent support for greater government involvement via certain public policies that now or soon will impact businesses. Given the probable age differential between the 1965 student respondents and the 2013 students, the differences in responses are analogous to differing views of grandparents and their grandchildren. Hence, a generational shift in socio-economic opinion can be identified through those responses where the actual proportion of disagreement (or agreement) did not meet the expected 60% level. On the issue of government price controls (Statement 1), the 2013 respondents were split with those in support having a slight edge. This is a significant erosion of the opposition to this form of government intrusion registered by 60% of the 1965 student respondents. The somewhat related Marxist belief that goods should be valued according to labor content (Statement 4) was supported by a surprising 24.3% of students in 1965, but gained even more support among contemporary students with 37% in agreement.

That government relies on taxation to finance public services and programs is understood. However, some have argued that the form of taxation, e.g., graduated or progressive tax rates, etc. is a means of income redistribution; an outcome not explicitly declared as a public policy goal by any president thus far. Three-quarters of the 1965 students were opposed to federal government efforts to equalize incomes (Statement 5), but only 50% of their 2013 counterparts opposed that policy and 31.5% supported it.

A huge majority of student respondents in 1965 (93.4%) and again in 2013 (83.8%) disagreed with the suggestion that producers are not responsive to consumer preferences (Statement 3). Although responding to consumer preferences is a requirement for marketplace success, remarkably nearly 11% of today's students agree that businesses are unresponsive (up from 3% in 1965).

The percentage of students who disagreed with the specious propositions expressed in Statements 7, 8 and 9 was well above the expected 60% level among both the 1965 and 2013 respondents. Yet, while disagreement with Statement 10 exceeded 60% for both sample groups, 20% fewer 2013 students disagreed compared to their 1965 counterparts. Curiously, 24% of the 2013 respondents had "no opinion" about the suggestion that socialism would discourage wars.

Finally, from Table 1, the previous comments regarding the dubious probative value of Statement 2 are affirmed by the results. Nearly identical proportions (about one-third) of the 1965 and 2013 students sampled disagree with the suggested causal relationship between unions and a high standard of living. However, support for that notion plummeted among contemporary students, while nearly half of them had "no opinion" at all.

Hypothesis Formulation and Test

Comparisons of the results of both the 1965 and 2013 surveys of California public university students were noted above. Now we will describe the statistical analysis of the views (attributes) of the 1965 and 2013 respondents. The purpose here was to test for significant differences in socio-economic positions between the two student samples with respect to the percent that agreed or disagreed with each of the 10 socio-economic survey statements. To proceed we will establish a null hypothesis applicable to each of the 10 statements as follows: *There is no significant difference between 1965 students and 2013 students with respect to the percent of respondents identified by a particular attribute, i.e. a response of either "agree" or "disagree" corresponding to each of the 10 statements.*

A two-tailed probability was used here because the hypothesis does not state the direction of the difference. Of course, the percentages of those who agreed or disagreed with each statement (shown in Table 1.) were calculated for 1965 and 2013 with different denominators according to the number of

respondents in each period. These conditions are compatible with and support the application of a two-sample t-test between percent values as applied here. The results are shown in Table 2 below.

Table 2. Null Hypothesis Test Results (two-sample t-test between percent Disagree / Agree)

Hypothesis – No Difference in % Response (Between 1965 and 2013 Respondents)	1965 n = 222	1965 n = 130	t-Statistic	Two-Tail Probability	Reject the Hypothesis
<i>H1</i> : Disagree – Need for government Price Controls	60.0 %	44.6 %	2.7990	0.0054	yes
<i>H2</i> : Disagree – Unions & High Standard of Living	32.9 %	32.3 %	0.1160	0.9079	no
<i>H3</i> : Disagree – American Producers Non-responsive	93.4 %	83.8 %	2.8790	0.0042	yes
<i>H4</i> : Disagree – Product value based on Labor Time	67.1 %	55.4 %	2.1920	0.0291	yes
<i>H5</i> : Disagree – Government Income Redistribution	76.1 %	50.0 %	5.0060	0.0000	yes
<i>H6</i> : Agree – <i>The Unemployed should be Flexible</i>	60.8 %	53.8 %	1.2850	0.1996	no
<i>H7</i> : Disagree – Base Income on need not contribution	89.7 %	70.0 %	4.6870	0.0000	yes
<i>H8</i> : Disagree – Profit Motivation is Morally Wrong	87.5 %	80.0 %	1.8880	0.5990	no
<i>H9</i> : Disagree – End Capitalism to assure Civil Rights	89.2 %	85.4 %	1.0510	0.2939	no
<i>H10</i> : Disagree – Adopting Socialism will End Wars	80.7 %	60.8 %	4.0760	0.0001	yes

For each of survey statements 1, 3, 4, 5, 7, and 10: a two-sample t-test between proportions was performed to determine whether there was a significant difference between the 1965 students and 2013 students with respect to the percent from each group that disagreed with each of these statements (with “disagree” being the attribute). The t-statistic was significant at the .05 critical alpha level (see Table 2 for t and p values for these six statements). Therefore, we rejected the six null hypotheses (*H1*, *H3*, *H4*, *H5*, *H7*, and *H10*) and concluded that the difference between “disagree” responses to these statements (from the 1965 and 2013 respondent) was significant.

No reason was found to reject the remaining four hypotheses. Different results were obtained for responses to statements 2, 8, and 9 after a two-sample t-test between proportions was performed to determine whether there was a significant difference between the 1965-students and 2013-students with respect to the percent from each group that disagreed with each of these statements. The t-statistic was not significant at the .05 critical alpha level. Therefore, the three null hypotheses (*H2*, *H8*, and *H9*) are not rejected and it is concluded that the proportional difference in responses between 1965-students and 2013 students was not significant for these three statements along with statement 6. It should be noted that the null hypothesis *H6*, pertaining to statement 6, was not rejected after a similar test was performed with a focus on the “agree” response attribute.

CONCLUSIONS AND IMPLICATIONS

The foregoing presentation and narrative answered the first two study questions posed on page 2. This research found that student responses to 10 socio-economic statements displayed what we labeled a generational shift from 1965 to 2013. Even when the *a priori* 60% response patterns were maintained within the shift, the magnitude of opinion shift was found to be statistically significant for responses to six statements. Attitudes about fundamental socio-economic issues of interest to American business decision-makers have changed. The socio-economic environment is markedly different today than it was nearly five decades ago. The 1965 student respondents to this survey were influenced by the public policies emanating from the administrations of Eisenhower and Kennedy, while that of Johnson was just beginning. Arguably their appreciation of traditional American values and their grounding in the protestant ethic of hard work, frugality, and egalitarianism was characteristic of their upbringing by the “Greatest Generation.” This now older generation was less receptive to big government when they were college students; when businesses operated under public policies that were less intrusive.

The 2013 student respondents to this survey seem to be more comfortable with public policies that reflect a shift from the past in terms of more government involvement in their daily affairs on several levels. This may be the product of the current administration in Washington, D.C. and an inclination to expanding the ranks of public regulatory bureaucracy. So it should be asked, are the socio-economic opinions revealed through these surveys a result of public policies extant during the decade preceding each survey, or are they a harbinger of what business may expect in the future? Hopefully the question prompts new research to explore causal links between the socio-economic environment and public policies that foster the regulation of business. What can be said now, is that the contrasting socio-economic profiles of survey respondents in 1965 and 2013 are congruent with the public policy tone of their respective generational eras. Finally, what can or should business leaders do to encourage restraint in the enactment of stifling regulatory public policies? First, of course, they should use their resources to not only communicate with (e.g., lobby) their legislators, but also to track the latent opinions of citizen stakeholders using sophisticated surveying capabilities. Second, and perhaps more importantly, businesses should promote the improvement of economic literacy, starting with the college age population in schools of business and expanding successful programs to broader arenas.

REFERENCES

- [1] Bach, G.L. and Saunders, Philip. Economic Education: Aspirations and Achievements. *American Economic Review*, June 1965, 15 (3), 329-356.
- [2] D’Aquila, Jill M., et al. Students’ Perceptions of the Ethical Business Climate: A Comparison With Leaders in the Community. *Journal of Business Ethics*, May 2004, 51 (2), 155-166.
- [3] Kam, Cindy D. and Yunju Yam. Reaching out or Pulling Back: Macroeconomic Conditions and Public Support for Social Welfare Spending. *Political Behavior*, June 2008, 30 (2), 223-258.
- [4] Keim, G.D. and C.P. Zeithaml. Corporation Political Strategy and Legislative Decision Making: A Review and Contingency Approach. *Academy of Management Review*, 1986, 11 (4), 828-843.
- [5] Loucks, William N. *Comparative Economic Systems (7th edition)*. New York: Harper and Row Publishers, 1965.
- [6] Roos, Michael W. M. Nonexpert Beliefs about the Macroeconomic Consequences of Economic and Noneconomic Events, *Public Choice*, September 2007, 132, 291-304.
- [7] Stanton, Roger R. *Student Opinion Survey: A Graduate Research Project*. California State College, Long Beach, January 1966.

Additional References Available on Request