

## **FOR IMMEDIATE RELEASE**

Contacts: American Express Publishing  
Jill Davison 212 382 5679

Harrison Group  
Elizabeth McCrocklin 212 871 3020, ext. 101

### **Well-To-Do Believe America Is Already In A Recession**

#### **American Express Publishing-Harrison Group Study Shows Well-to-Do Fault Leadership Failure in Washington, Moving Away from Republican Party**

NEW YORK, NY (May 5, 2008) – Nearly eighty percent of America’s well-to-do believe that America is already in a recession, and two-thirds are concerned that America is becoming a second-class economy.

The American Express Publishing Corporation and the Harrison Group surveyed 638 well-to-do households on April 9 to understand how recessionary trends and political issues might be affecting successful families. The snapshot supplemented the findings from *The Annual Survey of Affluence and Wealth in America*, produced by the two companies, which was fielded in December 2007. The original survey debuted at the American Express Publishing Luxury Summit on April 15.

Surveyed individuals represent the wealthiest 10 percent of the U.S. population. These 12 million households – Upper Middle Class, Affluent, Super Affluent and Wealthy – generate fully 50 percent of all U.S. retail spending, and account for \$4.1 trillion in annual consumption.

“Affluent and wealthy households account for the lion’s share of the American consumer economy. We were concerned that if a recession drove shifts in spending at the top, it would have reverberations around the economy. So we went back into our sample to see what has happened since December of last year,” said Cara David, co-director of the study and senior vice president, strategic insights, marketing and sales, American Express Publishing.

“Results demonstrate that America’s ‘leadership cadre’ and successful households believe strongly that we are in a recession. Moreover confidence in themselves and America’s prospects have fallen 6 or 7 percentage points since December and over 30 points in the past three years,” added Dr. Jim Taylor, vice-chairman, Harrison Group, a leading market research and strategy firm in Waterbury, CT.

#### **Pointing Fingers**

The real cause of this recession is the “free and easy” availability of debt in America, according to four out of five respondents. They also assigned blame equally to Wall Street and Washington, with roughly two-thirds saying that “big banks and corporations have again put the whole economy at risk” and “poor leadership in Washington brought about this recession.” Half believe the Iraq war also played a prominent role in the downturn.

Worries among the well-to-do stem largely from a crisis of confidence: 66 percent are concerned about the country’s leadership. This is followed closely by worries about the collapse of the dollar (61 percent) and war in the Middle East (57 percent).

Yet respondents also feel certain issues have been exaggerated by the media, particularly global warming, economic collapse and a terrorist attack. They're largely ambivalent about globalization: only 29 percent believe it will eventually cost everyone their job.

### **Waiting for November**

Six in ten respondents believe there can be "no good news" without a new President. When it comes to candidates, 37 percent plan to vote for McCain, 20 percent for Obama, 15 percent for Clinton – and 26 percent are still undecided.

Between December 2007 and April 2008, we've seen a decline in respondents identifying themselves as Republicans (42 percent to 37 percent), and an increase in Independents (22 percent to 29 percent).

John McCain inspires far more confidence than his two Democratic counterparts on the respondents' most pressing concerns: finance and foreign affairs. Forty-six percent of respondents would feel most comfortable with McCain leading the economy (56 percent among the Wealthy). Respondents also look to him for foreign affairs (53 percent) and the military (69 percent).

Barack Obama earns respondents' confidence on the nation's social progress (51 percent) and the environment (42 percent). Hillary Clinton does not manage to set herself apart on any of the issues above; no more than 29 percent of respondents say they place confidence in her for any of the issues polled.

### **Anticipating a Long, Tough Ride**

Optimism about America among the well-to-do is at record lows. Only 30 percent of respondents professed optimism in America's future in December 2007. By April 2008, only 24 percent still felt upbeat.

Respondents were more sanguine about their own prospects, but markedly less positive than in the past. In 2006, 78 percent were optimistic about their future. By December 2007 optimism hovered around 70 percent; by April, 62 percent.

Nearly three-quarters of respondents believe "we're in for a long, rough ride ahead," and half say their own companies are looking at cutting jobs and could be letting people go.

Anxiety is most pronounced among the Upper Middle Class: only half believe they're in good shape to endure this economic climate. More than forty percent say even though they're working harder, they're getting further behind, and would take a job for less pay if it were more secure.

### **Facing Uncertainty by Scrutinizing Spending**

Survey respondents, who have an average discretionary income of \$342,000, are largely insulated from recent economic shocks, yet they're experiencing the same "emotional recession," as the rest of the country. They're responding by dropping debt, upping savings and scrutinizing spending.

Half of respondents planned to carry less debt in 2008 than they did in 2007. There's been an uptick since December 2007 in the percentage of household income allotted to savings, and 86 percent agree that they are "trying to save as much for the future as we can."

Fully 68 percent of survey respondents say they are looking closely at every spending category to find ways to save; 87 percent are using the Internet "more and more" to find lower prices.

## **Redefining Luxury in Uncertain Times**

In this environment, luxury is being redefined. Luxury is still appreciated – 61 percent of respondents believed that a few luxuries are important in tough times – but for new reasons. The current luxury consumer is seeking certainty in shopping: both certainty of value and certainty of experience.

At one end of the luxury spectrum, the search for value has acquired a new urgency: 82 percent of respondents said they usually wait for something to go on sale before they buy it. Last December, only 67 percent did.

Enthusiasm for big-ticket purchases is waning, and the enthusiasm for designer brands has suffered nearly a 20-point drop since December. Nearly 30 percent of respondents planned to spend less on items perceived as indulgent – restaurants, fashion, jewelry and accessories.

At the other end of the spectrum, the Wealthy are displaying an increased appetite for “retail therapy,” seeking mood-boosting experiences. While Upper Middle Class, Affluent and Super Affluent are curtailing travel, for example, the Wealthy plan to spend more this year than last on vacations, weekend getaways, and resorts and fine hotels.

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### **About the *Annual Survey of Affluence and Wealth in America*, Produced by American Express Publishing Corporation and Harrison Group**

The original study sampled more than 1,800 individuals with a household *discretionary* income of \$100,000 and above. Interviews took place in November-December 2007 via a 45-minute online survey.

In April 9-11, 2008, we followed up with 638 previous respondents via a 15-minute online survey, to ensure the study captured the changing economic environment. The study is nationally projectable; sampling error is estimated to be +/- 4 percent.

The four groups in our research – Upper Middle Class, Affluent, Super Affluent and Wealthy – represent just 10 percent of the American population, yet hold over 70 percent of all the assets. The groups were defined by *discretionary* spending (gross income minus major expenses like mortgage and taxes) to make sure that our sample represented people with a high propensity to spend.

Four key groups were defined by levels of discretionary household income:

Upper Middle Class: \$100K to \$149K

Affluent: \$150K to \$249K

Super Affluent: \$250K to \$499K

Wealthy: \$500K+

### **About the American Express Publishing Corporation**

American Express Publishing Corporation is an authoritative content company primed to deliver lifestyle expertise that informs choices, enriches perspective and empowers affluent and accomplished people -- and the businesses that serve them -- to make decisions and lead extraordinary lives. A wholly owned subsidiary of American Express Company, American Express Publishing brands include *Travel + Leisure*, *Food & Wine*, *Departures*, *Travel + Leisure Golf*, and *Executive Travel* magazine. The company also produces a variety of travel, cooking, wine, time management, and financial books and products, creates online content, operates luxury-marketing events and creates custom print and online programs for clients.

### **About Harrison Group**

Harrison Group ([www.harrisongroupinc.com](http://www.harrisongroupinc.com)) is one of the country's leading marketing and strategic research consulting firms. Based in Waterbury, Connecticut, Harrison Group specializes in concept testing, forecasting, segmentation, branding and market modeling for some of America's leading companies, including financial services firms, software and technology companies, retailers, consumer package goods companies, pharmaceutical manufacturers and interactive entertainment companies.

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