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Politicians, Not Public, to Blame for Debt Crisis

By David Paul Kuhn

Americans are reportedly childish about the debt crisis. The public says the budget deficit is a serious issue. So serious that Americans will let other people sacrifice. Rich people. We know the enemy of U.S. debt, and it's us. You, dear reader, are framed as a hypocrite. But is that true?

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Last week's Washington Post carried a familiar headline: "Poll Shows Americans oppose entitlement cuts to deal with debt problem." Bloomberg News led a December article: "Americans want Congress to bring down a federal budget deficit that many believe is 'dangerously out of control,' only under two conditions: minimize the pain and make the rich pay." Politico recently reached for Shakespeare with its conclusion: "the fault lies not in our stars but in ourselves."

But the fault may actually lie in misreading

the stars (data) and how our political stars (lawmakers and pundits) misread us. Americans appear willing to make hard choices, according to a largely unnoticed but landmark study. Given the chance, the public cuts much of the deficit and saves Social Security.

The conventional wisdom is wrong not because the evidence is wrong. Polls capture a gap between how seriously Americans view the debt problem and how seriously they take it. The right questions were asked. But they were asked in the wrong way.

A budget requires choosing between the most tolerable of unwanted sacrifices. Think Otto Von Bismarck's maxim that "politics is the art of the possible." Conventional polls pose budget questions in isolation. Budget politics is reduced to what's preferable rather than what's possible among imperfect alternatives.

"It's like you are saying, would you like to have some cake? Yes. Would you like to eat your cake? Yes. Ah, they want to have their cake and eat it too!" said political psychologist Steven Kull, director of the Program for Public Consultation at the University of Maryland, which conducted the study.

"The public is capable of dealing with the budget in a rational fashion," Kull continued. "When you ask one-off questions they can only react in a visceral way. No, it's not attractive to cut spending. No, it's not attractive to raise taxes. Yes, you want to balance the budget. You haven't asked them to make tradeoffs."

Kull's study asked a random sample of Americans to do precisely that. They presented adults with the discretionary budget shortfall of \$625 billion by 2015, as well as shortfalls in Social Security and Medicare. Participants chose from a range of realistic options using a computer application.

The majority made Social Security solvent. They acomplished that by raising the income limit subject to the payroll tax and increasing the retirement age to at least age 68; majorities agreed to similar tweaks of Medicare eligibility and benefits.

The average respondent reduced the discretionary budget deficit by 70 percent. One third of deficit reductions came from cuts to government programs. Two-thirds came from increased taxes and adjustments to the tax code.

"People's reaction to that package may be different than their reaction to each element individually," said Michael Dimock, associate director for research at the Pew Research Center. "One element of opposition to specific proposals is the sense of unfairness. The package of solutions may give a sense of shared sacrifices that they don't see when asked about cutting Social Security and Medicare."

Indeed, when respondents were forced to consider the budget's give-and-take, even partisans confronted sacred cows. Most Republicans, including tea party sympathizers, raised some taxes. Most Democrats cut government programs and increased the retirement age.

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The Real Budget Hawks?

Independents and Democrats slashed the deficit most. Why? The average Republican and tea party sympathizer were less willing to raise taxes and cut defense. The least fiscally conservative group was, paradoxically, conservatives.

Independents reduced the deficit \$501 billion. Democrats reduced it \$496 billion. Republicans reduced it \$331 billion. Tea party sympathizers reduced it \$288 billion. These findings beg some soul-searching for those on the right.

Average Democrats were willing to increase the entitlement age while their leaders are not. And rank-and-file conservatives also demonstrated a pragmatism that their leaders have not. Republican participants were less willing than others to raise taxes but they still did so: Republicans increased taxes \$230 billion; the figure was \$100 billion among the tea party set. Yet GOP House and Senate leaders refuse to consider any tax hikes. (House Republicans compensated for that revenue gap, when dealing with Medicare and Medicaid, by passing a measure that would dramatically alter entitlements for those under age 55.)

How Americans Would Balance the Budget

The average respondent made three quarters of the cuts in defense, followed by trims to intelligence and the military operations in Afghanistan and Iraq. Smaller cuts were made to programs such as veterans' benefits, the highway system, space exploration, and subsidies for large farms. Those cuts were slightly offset by some increases that even tea party sympathizers favored: investing more in job training, pollution control, energy conservation, humanitarian assistance, education and small farms.

The majority firmly opposed instituting a national sales tax or valued added tax. But majorities favored increasing the tax rate for capital gains and restoring the tax on stock dividends to 20 percent, where it stood prior to the Bush-era tax cuts. Americans backed closing the loophole that allows private investment fund managers to have a significant part of their income taxed at only 15 percent, which enables an ultra-rich sector to avoid the tax burden borne by most Americans. The majority also favored a tax on large banks and increased corporate taxes. Most would also repeal tax deductions for the oil and gas industry.

Americans have long favored abolishing the Bush tax cuts for the highest earners. But the public would actually make the tax code even more progressive to bring the budget more in balance. The plurality raised taxes 5 percent on those with annual incomes of between \$75,000 and \$100,000. The majority raised them for earnings between \$100,000 and a half million dollars. They raised it 10 percent for earnings that exceed \$500,000.

Most instructive was the altruism exhibited by all income brackets. Wealthier and middle class Americans did not raise taxes on lower classes. A plurality of upper middle class Americans was willing to accept increasing taxes on themselves. Higher earners most opposed increasing taxes on lower incomes and chose to bear higher taxes to balance the budget.

"People are not simply acting in their self-interest," Kull said. "You don't see tyranny of the majority here."

There were also signs of shared sacrifice. The majority supported increasing the alcohol tax and taxing sugary drinks like soda. They would limit the child tax credit to children younger than age 14 beginning in 2015. They found it acceptable to reduce the amount of interest 10 percent that can be deducted on all mortgages (a concession that would hit the middle class) and cap the amount that can be deducted to \$25,000 (a concession even high earners found "tolerable").

So Who's to Blame?

It's probably unrealistic to expect partisan politics to be as deliberative as this study's budgeting process. That's what polls do capture. Hyper-polarized Washington reduces the debate to bumper sticker battles. Democrats' demagogue Republicans for their willingness to confront ballooning entitlements. Republicans demagogue Democrats for failing to confront the revenue shortfall.

"If a leader is perceived as genuine in trying to achieve a balance the way the public would want to, people would probably respond to that," Kull said. "But the discourse is always presented to them in terms of a power struggle. It is not about problem solving. It's mostly a battle about different solutions."

It makes solutions perhaps impossible. Americans already believe government is wasteful and the powerful have too much access to government. Only comprehensive sacrifice, recognizing the best of bad options, seems capable of winning a budget mandate.

Yet partisan leaders appear even less pragmatic about budgeting than rank-and-file partisans.

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It's one more example of how the partisan industrial complex radicalizes lawmakers -- and skews policy. Reasonable budgeting becomes too risky. Both sides entrench. Politicians are risk-adverse. And they make compromise even riskier by spinning fairy tales that ideological purity can prevent a debt crisis rather than painful concessions from all sides.

"It's made worse because people hear false statements that if we cut taxes we are going to increase revenue. Or that if you invest in the future that it's all going to come back. Or don't worry about it, the deficit is going to take care of itself," Kull continued. "Can you manipulate the public? Yes. Do they perceive that as happening? Yes. Do they resent that it's happening? Yes. Do they know how to vote their way out of it? No. But the public is not the problem."

David Paul Kuhn is the Chief Political Correspondent for RealClearPolitics and the author of The Neglected Voter: White Men and the Democratic Dilemma. He can be reached at david@realclearpolitics.com and his writing followed via RSS

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