

Public Opinion and the Politics of Tax Policy: From Bush to Obama¹

Larry M. Bartels

Department of Politics and
Woodrow Wilson School of Public and International Affairs,
Princeton University

bartels@princeton.edu

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American public opinion offers several impressive-looking grounds for optimism regarding the politics of redistribution. Most people express strong support for egalitarian values; they feel warmer toward middle-class and poor people than toward rich people and business people; and they think the rich should bear a larger share of the tax burden. In light of these views, a naïve observer might expect the growing economic inequality experienced by Americans over the past thirty-five years to provoke a substantial popular backlash, impelling elected officials to engage in aggressive redistribution, raising taxes on the wealthy and investing heavily in programs enhancing human capital and bolstering economic opportunity for the middle and lower classes.

¹ This essay is an abridged and extended version of Larry M. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age* (New York and Princeton, NJ: Russell Sage Foundation and Princeton University Press, 2008), chapter 6.

Notwithstanding the American public's egalitarian impulses, the most significant domestic policy initiative of the past decade was a massive government-engineered transfer of additional wealth from the lower and middle classes to the rich in the form of substantial reductions in federal income taxes. Congress passed, and President Bush signed, two of the largest tax cuts in history in 2001 and 2003. One accounting put the total cost to the federal Treasury of those cuts from 2001 through 2013 at \$4.6 *trillion*—more than twice the federal government's total annual budget at the time the measures were adopted.² Many of the specific provisions of the Bush tax cuts disproportionately benefited wealthy taxpayers, including cuts in the top rate, reductions in taxes on dividends and capital gains, and a gradual elimination of the estate tax. As a result, according to projections by the Institute on Taxation and Economic Policy, the total federal tax burden in 2010 will decline by 25% for the richest one percent of taxpayers and by 21% for the next richest four percent, but by only 10% for taxpayers in the bottom 95 percent of the income distribution.³

What is most remarkable is that this massive upward transfer of wealth attracted a good deal of support and surprisingly little opposition from ordinary Americans. However, my analysis suggests that public support for the Bush tax cuts was, in some ways, remarkably tenuous. Notwithstanding the multi-*trillion*-dollar stakes, surveys

² The \$4.6 trillion figure is for both tax cuts combined, and includes additional interest payments stemming from the resulting increase in the federal budget deficit; in addition, it assumes that a variety of nominally temporary rate reductions and credits would subsequently be made permanent. See John Springer, "Administration Tax Cut Proposals Would Cost \$2.7 Trillion Through 2013," Center on Budget and Policy Priorities, March 10, 2003: www.cbpp.org.

³ This calculation is based on the assumption that major provisions scheduled to expire by 2010 would, in fact, be extended. Absent that assumption the total tax cut for the richest one percent is reduced by about one-third and the total tax cut for the bottom 95 percent is reduced by about one-half, making the disparity in benefits even greater. See "Effects of First

conducted in 2002 and 2004 found forty percent of the public saying they hadn't thought about whether they favored or opposed the 2001 tax cut. Among those who had, supporters outnumbered opponents by a substantial margin.

Most of these people supported tax cuts not because they were indifferent to economic inequality, but because they failed to bring relevant values to bear in formulating their policy preferences. Most of the people who recognized and regretted the fact that economic inequality has been increasing nevertheless supported President Bush's tax cuts. People who wanted to spend more money on a variety of government programs were *more* likely to support tax cuts than those who did not, other things being equal. And people's opinions about tax cuts were strongly shaped by their attitudes about their *own* tax burdens, but virtually unaffected by their attitudes about the tax burden of the rich—even in the case of the estate tax, which only affects the wealthiest one or two percent of taxpayers.

The response of the American public to the Bush tax cuts provides a dramatic case study of apparent misconnection between egalitarian sentiments and concrete policy preferences. More broadly, however—and perhaps more optimistically from the perspective of the new Obama administration—the success of President Bush and his allies in crafting and implementing such an ambitious policy shift with so little political fallout provides a dramatic case study of the considerable latitude provided by the American political system to policy-makers pursuing their own ideological goals.

Public Support for the Bush Tax Cuts

The policy priorities reflected in the 2001 and 2003 tax cuts—reductions in the top marginal tax rates, more favorable treatment of business and investment income,

Three Bush Tax Cuts Charted," Citizens for Tax Justice, June 4, 2003: www.ctj.org.

and a phase-out of the estate tax—were all long-standing conservative Republican priorities. To varying degrees, each provided much more substantial benefits to wealthy taxpayers than to people of modest means. Anyone looking at evidence regarding public attitudes about the tax burden borne by rich people would have good grounds for imagining that tax cuts aimed so disproportionately at the very wealthy would have generated substantial public opposition. In fact, however, the public was generally quite supportive of the Bush tax cuts. Indeed, the same National Election Study surveys that showed majority support for the proposition that rich people pay less than they should in federal income taxes also demonstrated a remarkable degree of public support for the “big tax cut” passed in 2001—a policy designed in large part to ensure that rich people would pay much less in federal income taxes in the coming decade.

Respondents in the 2002 NES survey were asked two different versions of the “big tax cut” question: half the respondents were asked whether they favored or opposed the tax cut “Congress passed,” while the other half were asked about the tax cut “President Bush signed.” The distributions of opinion for both versions of the question are shown in Figure 1. A comparison of the results suggests that associating the tax cut explicitly with President Bush had a slightly polarizing effect, increasing strong support by almost six percentage points but also increasing opposition by a few percentage points. However, the more striking fact is that, regardless of how the question was posed, supporters of the tax cut outnumbered opponents by more than 2 to 1, with most of those supporters saying they favored the tax cut “strongly.” These results parallel the results of an earlier NES survey, conducted during the 2000 presidential campaign, in which almost two-thirds of the respondents agreed “that most of the expected federal budget surplus should be used to cut taxes.”

***** Figure 1 *****

The extent of public support for the Bush tax cuts is especially impressive in light of widespread public suspicion, even before they were passed, that the benefits would go mostly to the rich. For example, an NBC News/*Wall Street Journal* Poll in March 2001 asked respondents about “things that might happen if a tax cut were passed.” The results, which are presented in Table 1, document significant public concerns about the likely distribution of benefits from the Bush plan. Almost three-fourths of the respondents said they expected the wealthy to benefit more than the middle class. Two-thirds doubted that they, personally, would get “substantial tax relief.” A smaller majority doubted that the “average taxpayer” would get substantial relief, and most people also said they expected that the tax cut “won’t give enough help to those with lower incomes.” Similar concerns appeared in a variety of other surveys.⁴ What is striking, though, is that clear pluralities of the respondents in each of these surveys said they favored the tax cuts despite their skepticism regarding the likely distribution of benefits.

***** Table 1 *****

Political scientists Jacob Hacker and Paul Pierson provided a more comprehensive compilation of results from 25 separate opinion surveys conducted in the early months of 2001 on the topic of President Bush’s proposed tax cut. On average, they found 56% of the respondents supporting the President’s plan and only 33% opposing it. However,

⁴ For example, a CBS News Poll the following month found 55% of the respondents saying that “rich people” would “benefit most” from Bush’s 2001 tax cut plan; only 26% said that “middle-income people” would benefit most. A Harris Poll in June 2003 found 42% saying the 2003 tax

Hacker and Pierson argued that “for determining voter preferences, these results are close to meaningless” because they “say almost nothing about what kind of tax cuts the public wanted and how much priority they gave them.”⁵

In an effort to shed light on the latter question, Hacker and Pierson compiled ten surveys from 1999, 2000, and early 2001 in which respondents were offered choices between tax cuts and other potential uses of the federal budget surplus. Depending upon the menu of alternatives offered, support for tax cuts ranged from 14% to 36% in these surveys. When tax cuts were pitted against Social Security, Medicare, or both, sizable majorities preferred the latter option. With debt reduction added to the mix, no single option commanded majority support. When “domestic programs” and Social Security (or Social Security and Medicare) were included as separate choices, debt reduction and tax cuts together commanded support from only about one-third of the public. Hacker and Pierson concluded from this evidence that “voters consistently saw tax cuts as a lower priority than plausible alternative uses of the forecasted surpluses.”⁶ However, these results may mostly reflect the remarkably high levels of public support for Social Security and Medicare. When tax cuts and debt reduction were pitted against “improving funding for needed government programs,” with no specific mention of Social Security or Medicare, only 16% to 22% of the survey respondents chose government programs while 32% to 41% chose debt reduction and 34% to 42% chose “an across-the-board tax cut.”

Hacker and Pierson might have added that when survey respondents were offered a choice between President Bush’s plan and alternative tax-cutting proposals actually

cut would help “the rich” a lot and only 11% said it would help “the middle class” a lot.

⁵ Jacob S. Hacker and Paul Pierson, “Abandoning the Middle: The Bush Tax Cuts and the Limits of Democratic Control.” *Perspectives on Politics* 3 (2005), 37.

⁶ Hacker and Pierson, “Abandoning the Middle,” 38-39.

circulating in Washington in the spring of 2001, they mostly preferred the alternatives. In the March NBC News/*Wall Street Journal* poll, respondents agreed by a margin of 52% to 41% that “we should only allow cuts in the income tax rates for middle- and low-income taxpayers, so the government has enough money for debt reduction and specific spending increases in priority areas such as education.” In a *Los Angeles Times* Poll conducted a few days later, they favored a Democratic proposal for a tax cut “about half as big with more money devoted to spending on domestic programs such as Medicare and education and reducing the debt” by a margin of 55% to 30%. On the other hand, a CBS News/*New York Times* Poll conducted only a week later found respondents favoring President Bush’s plan to divide the surplus equally between tax cuts, debt reduction, and “other purposes including government spending” over a Democratic proposal to “use more than half of the budget surplus to reduce the debt” by a margin of 49% to 41%. But another NBC News/*Wall Street Journal* Poll the following month found respondents favoring “the Senate’s \$1.2 trillion tax cut” to “the President’s \$1.6-trillion tax cut” by a margin of 57% to 32%.

Based on their detailed examination of public opinion data like these, Hacker and Pierson concluded that, “Far from representing popular wishes, the size, structure, and distribution of the tax cuts passed in 2001 were directly at odds with majority views. ... The most striking characteristic of the tax cuts ... is how far a policy produced by elected officials diverged from the preferences of most voters.” While I do not doubt that most voters would have preferred alternative packages of tax cuts, spending increases, and deficit reduction to the package that actually emerged from the legislative process in 2001, I think it is a mistake to suppose that *any* specific package could be said to represent “popular wishes” or “majority views” regarding such a complex matter of public policy. For one thing, detailed probing would almost

certainly reveal a good deal of ambivalence, uncertainty, and outright contradiction in the views of individual citizens regarding the various provisions of any specific plan.⁷ What is more, even if individual citizens were splendidly clear and consistent, “majority views” would not be; political theorists have demonstrated that for policy issues of any real complexity, there is generally *no* specific policy outcome that could not be defeated by some other proposal in a majority vote.⁸ Thus, the appealing-seeming notion of popular sovereignty is both psychologically unrealistic and logically incoherent.

In any case, democracies do not make public policy on the basis of “popular wishes,” at least not in any straightforward sense. Democratic policy agendas are set by elected leaders, not by voters. As political scientist E. E. Schattschneider aptly put it more than sixty years ago, “The people are a sovereign whose vocabulary is limited to two words, ‘Yes’ and ‘No.’”⁹ In the case of the tax cuts, President Bush posed the question and the people’s response, insofar as they responded at all, was a vigorous “Yes.”

⁷ On these aspects of public opinion, see, for example, Jennifer L. Hochschild, *What’s Fair? American Beliefs about Distributive Justice* (Cambridge, MA: Harvard University Press, 1981), chapter 8; John R. Zaller, *The Nature and Origins of Mass Opinion* (New York: Cambridge University Press, 1992), chapters 4-5; Larry M. Bartels, “Democracy with Attitudes,” in Michael B. MacKuen and George Rabinowitz, eds., *Electoral Democracy* (Ann Arbor, MI: University of Michigan Press, 2003).

⁸ The classic formal treatment of the logical limitations of collective choice procedures is Kenneth J. Arrow, *Social Choice and Individual Values*, 2nd edition (New Haven, CT: Yale University Press, 1963). William H. Riker’s *Liberalism Against Populism: A Confrontation Between the Theory of Democracy and the Theory of Social Choice* (San Francisco: W. H. Freeman and Company, 1982) provides a less technical explication of these limitations and a discussion of their implications for democratic theory.

Unenlightened Self-Interest

Taken at face value, the results of opinion surveys provide considerable evidence of strong public support for tax cuts along the lines pursued by President Bush—at least if the alternative was no tax cut. However, there are good reasons to suspect that public opinion in this domain should *not* be taken entirely at face value.

Notwithstanding the vastness of the stakes, public thinking about the Bush tax cuts seems to have been remarkably superficial. Perhaps the most striking evidence of this fact appears in Figure 1. Unlike most commercial opinion surveys, the 2002 NES survey invited respondents to say that they “haven’t thought about” whether they favored or opposed the 2001 tax cut. Remarkably, in view of the fiscal and political significance of the tax cut, 40% of the respondents availed themselves of that opportunity. Even associating the tax cut with President Bush only reduced the proportion who said they “haven’t thought about it” to about 35%, while asking about the tax cut “Congress passed” left almost 45% of the respondents unable to say whether they favored or opposed it.

A good deal of further evidence of public inattention and uncertainty in the general domain of tax policy appeared in an extensive 2003 survey of Americans’ views on taxes sponsored by National Public Radio, the Kaiser Foundation, and Harvard University’s Kennedy School of Government. Asked whether they pay more in federal income tax or Social Security and Medicare tax, 34% of respondents said they didn’t know (and most of the rest were probably wrong). Asked whether they were eligible for the Earned Income Tax Credit, 28% said they didn’t know. Asked whether Americans pay more or less of their income in taxes than Western Europeans, 42% said they didn’t know. Asked whether they had heard about a proposal in Washington to do

⁹ E. E. Schattschneider, *Party Government* (New York: Holt, Rinehart, and Winston, 1942), 52.

away with taxes on corporate dividends—the centerpiece of President Bush’s new tax proposal and a prominent feature of political debate in the month before the survey—61% said no. Asked whether the 2001 tax cuts should be speeded up, 48% said they didn’t know. Asked whether the cuts should be made permanent rather than being allowed to expire in 2011, 60% said they didn’t know. Asked whether speeding up the cuts and making them permanent would mainly help high-income, middle-income, or lower-income people, 41% said they didn’t know.

In short, while public opinion was generally supportive of the Bush tax cuts, there is also plenty of evidence of ignorance and uncertainty about the workings of the tax system and the policy options under consideration—or actually adopted—in Washington. Much of the public was unclear about basic facts in the realm of tax policy; some of what the public did know was patently false; and a remarkable number of people, when offered the chance, said that they hadn’t thought about a policy innovation whose consequences are reckoned by experts in *trillions* of dollars.

How did ordinary people, ignorant and uncertain as they were in this domain, formulate any views at all about such a complex matter of public policy? If they happened to know that the tax cut was proposed and pushed by President Bush, they may have relied on partisan sentiment to favor or oppose it. If they associated tax-cutting with small government, they may have been swayed by opinions about government programs or general ideological predispositions. The statistical analyses reported in Table 2 indicate that party identification and political ideology did have significant effects on people’s views about the tax cut: as expected, Republicans and conservatives were much more likely to support the tax cut than Democrats and liberals were.¹⁰ However, the apparent effects of government spending preferences,

¹⁰ The statistical results presented in Table 2 are derived from instrumental variables

perceptions of government waste, and people's own income levels are less readily explicable. People with higher incomes and those who thought the government wastes a lot of money were generally *less* supportive of the tax cut, other things being equal, while those who said they supported more spending on a variety of government programs were *more* likely to favor the tax cut. These results suggest a good deal of confusion in the connections between people's political values and their policy preferences—even when the 40% of NES respondents who said they hadn't thought about whether they favored or opposed the tax cut are excluded from the analysis.

* * * *Table 2* * * *

The impression of confusion is reinforced when we turn to the apparent impact of people's views about tax burdens on their support for the 2001 tax cut. The most salient feature of the tax cut was, obviously, that taxes would be cut. Thus, it is hardly surprising that ordinary people reasoning about the tax cut drew heavily upon their views about taxes. What may be surprising, however, is that they seem to have done so in ways that mostly reflect rather simple-minded—and sometimes misguided—considerations of self-interest stemming from their views about their own tax burdens.

Respondents in the NES surveys were not asked directly whether they thought they would benefit personally from the Bush tax cut. However, the question about respondents' own tax burdens sheds significant indirect light on the impact of perceived self-interest among other potential influences on their views about tax

estimation, which produces less efficient parameter estimates than ordinary regression analysis but avoids substantial biases due to measurement error in the survey responses employed as explanatory variables. More detailed discussions of the statistical analyses appear in Larry M. Bartels, "Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind," *Perspectives on Politics* 3 (2005), 15-31, and in Bartels, *Unequal Democracy*, chapter 6.

policy. To the extent that people who thought they paid more than they should in taxes were more likely to support the tax cut, even after allowing for the effects of partisanship, political ideology, and other characteristics, it seems plausible to infer that the additional support had something to do with their subjective sense of their own tax burden. The parallel questions in the NES survey about the tax burdens of rich people and poor people provide a valuable check on reasoning of this sort, since more general antipathy to taxes would presumably be reflected in one or both of those questions as well as in the question about respondents' *own* tax burdens.

Since the 2001 tax cut included some direct benefits for most taxpayers, there was some reason for respondents who thought they are asked to pay too much to support it. On the other hand, since most of the benefits were targeted to wealthy taxpayers—according to one estimate, 63% to the top one-fifth of households and 36% to the top one-hundredth, but only 20% to the bottom three-fifths—most respondents had even better reason to oppose the tax cuts if they felt that rich people are asked to pay too little, and perhaps some additional reason to oppose the cuts if they felt that they are asked to pay too much—since tax cuts for the rich would be likely, one way or another, to increase their own future taxes through burden-shifting.

Considering the apparent effects of tax burdens alone, in the first column of Table 2, the statistical results suggest that respondents who wanted rich people to bear a larger share of the tax burden *were* significantly more likely to oppose the tax cut than those who said the rich pay too much or about the right amount.¹¹ However, the additional analyses reported in the second and third columns of the table suggest that

¹¹ The parameter estimates are from instrumental variables regression analyses with perceived tax burdens in the 2002 post-election NES survey used as instruments for the corresponding perceived tax burdens in the pre-election survey.

this apparent effect mostly reflects the correlation of perceptions of rich people's tax burdens with respondents' more general political values. Once differences in partisanship and ideology are taken into account, views about whether rich people should pay more or less in taxes—a consideration that seems on its face to be of considerable relevance in evaluating a policy whose benefits were targeted mostly to people in the upper reaches of the income distribution—had no apparent effect on views about the tax cut.

In marked contrast, respondents' views about their *own* tax burdens had a strong independent impact on support for the tax cut, even after allowing for the effects of broader partisan and ideological predispositions. Indeed, in the analysis presented in the third column of Table 2, respondents' perceptions of their own tax burdens rivaled partisanship and ideology as predictors of support for the tax cut. Moreover, because the distribution of responses to the question about respondents' own tax burdens was highly skewed (with 51% of the respondents saying they are asked to pay too much and only 4% saying they are asked to pay too little), this effect turns out to account for most of the net support for the tax cut in the NES sample.¹²

Additional analysis suggests that this impact was even greater for respondents who were asked about the tax cut "Congress passed" rather than the tax cut "President Bush signed." In the absence of any clear cues about where the tax cut came from or whose interests it served, people seem mostly to have fallen back on simple-minded self-interest in deciding what (if anything) they thought about it.

¹² The sample mean value for the (-1 to +1) tax cut variable (excluding respondents who said they "haven't thought about" whether they favored or opposed it) was .354. Multiplying the sample mean perceived *Own Tax Burden* among these same respondents, .478, by the corresponding parameter estimate in the third column of Table 2, .477, accounts for 64% of this net support for the tax cut.

The Impact of Political Information

I have argued that public support for the Bush tax cuts derived in considerable part from unenlightened considerations of self-interest on the part of people who did not recognize the implications of President Bush's policies for their own economic well-being or their broader political values. Millions of citizens believed that the federal government should spend more money on a wide variety of programs, that the rich are asked to pay too little in taxes, and that growing economic inequality is a bad thing—but simultaneously supported policies whose main effects have been to reduce the tax burden of the rich, constrain funding for government programs, and exacerbate growing economic inequality. One is left to wonder how these people might resolve the contradictions implied by their simultaneous antipathies toward inequality and taxation—if they recognized those contradictions.

Elsewhere, I have proposed a way to explore admittedly hypothetical questions of this sort by observing how the political preferences of well-informed citizens differ from those of less-informed citizens who are similar in politically relevant ways.¹³ If well-informed citizens have systematically different perceptions and preferences, the logic goes, might not additional information move less-informed citizens in the same

¹³ Larry M. Bartels, "Public Opinion and Political Interests," presented at the annual meeting of the Midwest Political Science Association, Chicago, 1990. Empirical analyses along similar lines include Larry M. Bartels, "Uninformed Votes: Information Effects in Presidential Elections," *American Journal of Political Science* 40 (1996), 194-230; Michael X. Delli Carpini and Scott Keeter, *What Americans Know about Politics and Why It Matters* (New Haven, CT: Yale University Press, 1996); James S. Fishkin, *The Voice of the People: Public Opinion and Democracy* (New Haven, CT: Yale University Press, 1997); Scott L. Althaus, "Information Effects in Collective Preferences," *American Political Science Review* 92 (1998), 545-558; and Martin Gilens, "Political Ignorance and Collective Policy Preferences," *American Political Science Review* 95 (2001), 379-

directions? In the present context, if well-informed citizens seem to reason differently, draw on different premises, and reach different conclusions about tax policy, might not additional information move less-informed citizens to do likewise?

Obviously, empirical analyses along these lines require some reliable way to distinguish well-informed citizens from less-informed citizens. To that end, I rely here on general measures of political information included in the NES surveys.¹⁴ Using those measures, I investigate the extent to which better-informed people had different views about the 2001 tax cut than those who were otherwise similar but less well-informed.

The statistical results presented in Table 3 indicate that better-informed people developed markedly different opinions about the issue than those who were less well-informed. For the public as a whole, the estimated probability of supporting the tax cut for a person with average income declined markedly with increasing information, from 75% at the bottom of the information scale to 66% in the middle of the information scale to 57% at the top of the information scale.

* * * *Table 3* * * *

Arthur Lupia and his colleagues have pointed out that this impact of political information on support for the 2001 tax cut differed dramatically between conservatives and liberals and between Republicans and Democrats.¹⁵ Their finding is

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¹⁴ In the 2004 NES survey the information scale is based on respondents' answers to a series of factual questions about politics; in the 2002 survey the information scale is based on subjective ratings of general political knowledge supplied by the NES interviewers at the end of the pre- and post-election interviews. Detailed descriptions of the scales appear in Bartels, *Unequal Democracy*, chapter 5.

¹⁵ Arthur Lupia, Adam Seth Levine, Jesse O. Menning, and Gisela Sin, "Were Bush Tax Cut Supporters 'Simply Ignorant?': A Second Look at Conservatives and Liberals in 'Homer Gets a

echoed in the second, third, and fourth columns of Table 3, which provide separate estimates of the impact of political information on support for the tax cut among Republicans, Independents, and Democrats, respectively. These results suggest that information had *some* negative effect on support for the tax cut even among Republicans and Independents, but that the effect was much more powerful among Democrats. Even among the best-informed Republicans, 90% supported the tax cut; so did a bare majority (53%) of the best-informed Independents. However, among Democrats, support for the tax cut declined from 76% at the bottom of the information distribution to only 19% at the top of the information distribution.

Figure 2 provides a graphical representation of the distinct information effects implied by the results presented in Table 3 for Republicans and Democrats. The general pattern here is one of polarization, with the biggest partisan differences in support for the tax cut between the best-informed Republicans and Democrats. However, it is interesting to note that even the least-informed partisans differed significantly in the extent of their support for the tax cut—especially when the wording of the question associated the tax cut with President Bush.

***** Figure 2 *****

More importantly, the pattern of information effects in Figure 2 is highly asymmetrical. While increasing information produced a steep decline in support for the tax cut among Democrats, it produced no corresponding increase in support for the tax cut among Republicans—because even very uninformed Republicans were already virtually certain to say they supported the tax cut, if they expressed any view at all. Rather than simply blurring the partisan differences evident among better-informed

people, political ignorance had a marked effect on the overall level of support for the tax cut.

These results suggest that, had the public as a whole been better-informed, public support for the tax cut would have been significantly lower than it actually was. Indeed, projections based on the statistical results in Table 3 imply that more than 80% of the *net* majority in favor of the tax cut in 2002 and 2004 (among people who took a position one way or the other) would have disappeared had the entire public been fully-informed, reducing the actual 32-point margin of support to a six-point margin.¹⁶ Thus, to a remarkable degree, popular support for the 2001 tax cut seems to have been grounded in the political ignorance of ordinary citizens.

Chump Change

In his first three years as president, George W. Bush presided over two of the biggest tax cuts in American history. In both cases the benefits went disproportionately to the wealthy while the costs were put off to the future, presumably to be borne a good deal more equally in the form of eventual tax increases,

¹⁶ These figures are derived from the separate parameter estimates for Republicans, Independents, and Democrats reported in Table 3. Actual values of the explanatory variables (for each respondent in the 2002 and 2004 NES surveys who expressed a view for or against the tax cut) imply a 66-34 margin of support. Substituting a “perfect” information score of 1.0 for each respondent’s actual information score produces a 55-45 margin of support. However, that calculation takes no account of the fact that many of the people who said they “haven’t thought about” the tax cut would have done so had they been better informed. Allowing for that fact reduces the margin of support for the tax cut from 55-45 to 53-47 (since the people who *would have* taken a position had they been better informed would have been somewhat less likely than those who *did* take a position to support the tax cut). In terms of the total population, the actual margin of support to opposition was 41% to 22% (with 37% taking no position), while the fully-informed margin of support to opposition would have been 47% to 41% (with 12% taking

cuts in government programs, and deficit economics. In both cases the views of ordinary Americans, insofar as those views could be said to exist, were largely supportive of Bush's policy initiatives.

Some observers have inferred from these facts that ordinary people are simply confused about what is in their own interests. For example, in the course of describing 2004 presidential candidate Richard Gephardt's proposal to repeal President Bush's tax cuts and spend the money on universal health care, *New York Times* columnist and Princeton economist Paul Krugman wrote that "If American families knew what was good for them, then most of them—all but a small, affluent minority—would cheerfully give up their tax cuts in return for a guarantee that health care would be there when needed."¹⁷

Other observers, while a bit more circumspect about stipulating what people would do if they knew what was good for them, have raised similar doubts about the capacity of the American public to reason effectively about tax policy. For example, in the course of reflecting on the Bush era of "Let Them Eat Cake" economics, *Newsweek* columnist Jonathan Alter worried that "even if the tax cuts help stimulate a modest recovery, we have dug ourselves a deep hole." He added that

Explaining all this politically is a "bank shot," to use a billiards term. It requires trusting the voters with complexity. Will they see that their new \$400 child credits are chump change compared with all the new fee hikes and service cuts? Will they understand that they're paying more in state and local taxes so that a guy with a Jaguar putting up a McMansion down the block can pay less in federal taxes? Will they connect those 30 kids

no position).

¹⁷ Paul Krugman, "Roads Not Taken," *New York Times*, April 25, 2003, page A31.

cramming their child's classroom to decisions in far-away Washington?¹⁸

One way to answer Alter's questions is to see how well public support for the Bush tax cuts held up as their implementation proceeded and their effects were felt—or not. The 2004 NES survey repeated the question from the 2002 survey asking respondents whether they favored or opposed the 2001 tax cut. Figure 3 compares the responses in the two years.¹⁹

**** Figure 3 ****

On one hand, there is clear evidence here of a decline in public support for the 2001 tax cut. By 2004 only 27% of the public said they strongly favored the tax cut, down from 32% in 2002; 17% strongly opposed the tax cut, up from 13% in 2002. In this light, it is interesting to note that public perceptions of tax burdens also shifted perceptibly between 2002 and 2004. By 2004, people were less likely to say that they are asked to pay more than they should (by 8.5 percentage points) and more likely to say that rich people are asked to pay less than they should (by 6.6 percentage points). These changes seem to reflect some recognition of the fact that the 2001 and 2003 Bush tax cuts significantly reduced overall federal tax rates, especially for the wealthiest taxpayers.

On the other hand, despite these shifts, supporters of the 2001 tax cut continued to outnumber opponents by 38% to 25% in the 2004 NES survey—a 3-to-2 margin among those who expressed a view one way or the other. Another 37% of the public

¹⁸ Jonathan Alter, "Let Them Eat Cake' Economics," *Newsweek*, July 28, 2003, page 36.

¹⁹ Since respondents in 2004 were asked about the tax cut "President Bush signed," their responses are compared with responses from the random half of the 2002 sample that answered the same version of the question.

still hadn't thought about whether they favored or opposed the tax cut. More than three years after the tax cut began to take effect, Alter's "bank shot" seemed to have missed the pocket.

Of course, the fact that relatively few people had come around to opposing the Bush tax cuts by 2004 does not rule out the possibility that more people have done so since then, or will do so in the years to come. Nor does it imply public support for *further* tax cuts. In addition to asking people how they felt about the "big tax cut a few years ago," the 2004 NES survey included questions focusing on possible trade-offs among future tax cuts, domestic spending, and deficit reduction. Two of these questions asked people whether they favored or opposed increasing the federal budget deficit or reducing spending "on domestic programs like Medicare, education, and highways," respectively, in order to "cut the taxes paid by ordinary Americans." A few minutes later, another pair of questions asked people whether they favored increasing taxes in order to cut the budget deficit or increase domestic spending, respectively.

Responses to these trade-off questions suggest that in the wake of the Bush tax cuts there was much less public support for further tax-cutting than for increasing domestic spending. About 37% of the NES respondents said they favored increasing taxes in order to increase domestic spending, while only 21% favored cutting domestic spending in order to cut taxes (Table 4). On the other hand, the largest single group—almost 45%—rejected *both* spending cuts and tax increases, presumably favoring the status quo to further movement in either direction. (Five percent of the respondents rather illogically favored *both* spending cuts in order to cut taxes and tax increases in order to increase spending; another 3% declined to take a position on one or both questions and are omitted from the table.)

***** Table 4 *****

Tax cuts were more popular (and tax increases were less popular) when the proposed trade-offs involved the budget deficit rather than domestic spending. The results for these trade-offs, presented in Table 5, reveal twice as much support for tax cuts as in Table 4 (43% versus 21%) and only about half as much support for tax increases (21% versus 37%). People who favored tax increases in order to cut the budget deficit *and* opposed increasing the budget deficit in order to cut taxes—logically consistent “deficit hawks”—made up only 15% of the public. These results clearly suggest that the budget deficit was of less pressing concern to the public than domestic spending, notwithstanding the salience of the budget deficit in elite debate regarding tax policy.²⁰

* * * *Table 5* * * *

On the other hand, a slim plurality of people in Table 5, as in Table 4, opposed movement in *either* direction from the status quo. One possible interpretation of this pattern is that fiscal policy at the time of the survey had been carefully tailored to suit public preferences, forestalling sentiment for significant policy shifts of any kind. Another possibility—much more likely, in my view—is that ordinary citizens are simply unaccustomed to thinking about trade-offs of this sort, and thus disinclined to go out on a limb by endorsing *any* proposed policy changes.

The latter interpretation is supported by John Mark Hansen’s analysis of public thinking about budget trade-offs in the mid-1990s. Faced with similar pairings of

²⁰ This impression is confirmed by responses to a third pair of questions in the 2004 NES survey pitting domestic spending against deficit reduction. Almost 55% of the respondents favored increasing the budget deficit in order to increase domestic spending, while only 20% favored

policy options, from 49% to 64% of Hansen's survey respondents opposed deviations from the status quo in order to cut taxes, increase domestic spending, or reduce the budget deficit (corresponding to the upper left cells in Tables 7 and 8). No more than 30% favored any one of the six possible departures from prevailing fiscal policy proposed in these questions (corresponding to the upper right and lower left cells in Tables 7 and 8).²¹

Considered in isolation, these results do not seem inconsistent with the notion that fiscal policy faithfully reflects public preferences. However, the illusion of responsiveness evaporates quickly when we examine the pattern of congruence between public sentiment and actual policy over the subsequent decade. The implausibility of supposing that public preferences drive policy is especially striking in the trade-off between taxes and the federal budget deficit. In 1995, 19% of the public favored tax increases to reduce the budget deficit, while only 12% favored increasing the budget deficit in order to cut taxes (and 64% opposed both). Nevertheless, taxes were cut substantially over the next decade. In 2004, after massive tax cuts and a significant run-up in the budget deficit, only 15% favored tax increases to reduce the budget deficit, while 37% favored increasing the deficit even further in order to cut taxes even further (and only 38% opposed both).

Of course, it is possible that public preferences shifted markedly between 1995

reducing domestic spending in order to reduce the budget deficit.

²¹ John Mark Hansen, "Individuals, Institutions, and Public Preferences over Public Finance," *American Political Science Review* 92:(1998), 513-531. Hansen's analysis, based on data from the 1995 NES Pilot Study survey, included additional trade-off questions involving defense spending as well as domestic spending, tax cuts, and deficit reduction. Defense spending was a good deal less popular than domestic spending or tax cuts or deficit reduction; from 51% to 59% of the respondents favored cutting defense spending in these trade-off scenarios, while from 7% to 11% favored increasing defense spending.

and 2001, precipitating the massive tax cuts engineered by the Bush administration and leaving some significant public support for further cuts. However, it seems much more likely that the public's views about appropriate fiscal policy were a *consequence* of elite action rather than a *cause* of elite action. Had the extremely close (and bitterly contested) 2000 presidential election turned out differently, President Al Gore would have been able to draw on as much or more public support for his radically different taxing-and-spending agenda as President Bush did for his. In either case, it would be a mistake to characterize public opinion as a primary *impetus* for major shifts in tax policy. At most, public opinion was a *resource* to be used—and shaped—by elites in their own policy struggles.

Taxes as an Issue in the 2008 Campaign

The Bush tax cuts continued to define the politics of taxation in the run-up to the 2008 election. The major contenders for the Democratic presidential nomination all committed themselves to rolling back the tax cuts for high-income taxpayers, reducing the projected \$1.6 trillion cost of the tax cuts in the next decade by about half.²² In contrast, the major Republican candidates—including John McCain, who was one of his party's most consistent opponents of the Bush tax-cutting agenda while it was being implemented—promised to keep the tax cuts in place indefinitely.²³

While the positions of Democrats and Republicans on this issue reflected long-standing differences in the parties' basic ideological stances, the partisan politics of

²² Edmund L. Andrews, "2008 Democratic Hopefuls Propose a Ceiling on the President's Tax Cuts," *New York Times*, April 21, 2007, page A10.

²³ James Pethokoukis, "Democrats Spoil GOP Strategy," *U.S. News & World Report Capital Commerce Blog*, May 10, 2007. McCain was one of only two Republican senators who opposed the 2001 EGTRRA tax cut and one of only three who opposed the 2003 JGTRRA tax cut.

taxation was significantly altered by the willingness of Democrats, including Barack Obama, to renew the Bush tax cuts for low- and middle-income taxpayers. Indeed, during the general election campaign Obama outbid McCain in offering a variety of new and renewed tax cuts for taxpayers with family incomes below \$250,000 per year. Moreover, he invested heavily in campaign advertising reiterating his pledge to reduce taxes for most people with earnings below that ceiling.

For his part, McCain flooded the airwaves with campaign ads suggesting that Obama, notwithstanding his claims to the contrary, would raise taxes on ordinary Americans. However, that charge seems to have achieved remarkably little traction. A *New York Times*/CBS News poll conducted a week before the election found respondents roughly evenly split on the question of whether Obama would “raise taxes on people like yourself”—50% said he would, while 44% said he wouldn’t. The proportion of the public agreeing that Obama would raise taxes was 4 points higher than it had been two weeks earlier, but the proportion *disagreeing* was also a few points higher; in effect, McCain’s ads (together with Obama’s) seem to have stimulated opinion on this question but not altered it. These results are presented in Table 6.

***** Table 6 *****

The other politically important fact about the distributions of opinion reported in Table 6 is that respondents’ expectations of tax increases under President Obama were remarkably similar to their expectations of tax increases under President McCain. Overall, respondents were evenly split on whether McCain would raise taxes on people like them. Among Independents, a politically crucial subgroup, 44% said McCain would raise taxes on people like them—exactly the same percentage as for Obama. (In both cases, the perceptions of Independents were virtually unchanged over the final weeks

of the campaign.)

When Obama told a soon-to-be-famous plumber at a campaign stop that “when you spread the wealth around, it’s good for everybody,” McCain went on the offensive, spending much of the final televised debate and the last two weeks of the campaign tagging Obama as a proponent of “redistribution.” His running mate, Sarah Palin, upped the rhetorical ante, telling excited crowds at campaign rallies that “now is no time to experiment with socialism.”

McCain’s campaign put a modest dent in public support for economic redistribution. For example, Table 7 compares the results of a Gallup poll conducted in late October with those from an early April poll. The proportion of respondents saying that “money and wealth in this country should be more evenly distributed among a larger percentage of the people” fell from 68% in April to 58% on the eve of the election. This decline was concentrated among Republicans and, to a lesser extent, Independents; Democrats remained rock-solid in their strong (84%) support for redistribution.²⁴

*** * * Table 7 * * ***

The same Gallup polls included a question asking whether government should “redistribute wealth by heavy taxes on the rich.” Here, too, there is evidence of a modest decline in public support for redistribution over the course of the campaign, from 51% in April to 46% in late October. However, the latter figure hardly seems commensurate with the magnitude of the McCain campaign’s investment in establishing Joe the Plumber as a national symbol of threatened economic injustice—nor should it seem daunting to committed proponent of redistribution with their

²⁴ I am grateful to Ben Lauderdale for calling this “natural experiment” to my attention.

hands on the levers of political power in Washington.

The striking end result of the campaign thrusting and parrying on taxes is that Obama succeeded in reversing a long-standing Republican advantage on the issue. As a report in the *Washington Post* put it ten days before the election, “for the first time in decades, Democrats appear to have the upper hand in the debate over taxes.” A *Post*-ABC News poll showed Obama with a 51-43 edge over McCain as better able to handle the issue—the exact reverse of Democratic challenger John Kerry’s standing vis-à-vis President Bush in 2004. (Bush in 2000 enjoyed an even bigger edge over Al Gore on the issue of taxes; the eight-year trend is presented graphically in Figure 4.)²⁵

*** * * Figure 4 * * ***

Much more work will be necessary to establish whether the candidates’ tax plans and promises made any appreciable difference to the outcome of the 2008 election. In the meantime, however, the fact that voters seem to have endorsed Obama’s handling of the issue—at least by comparison with McCain’s—seems likely to provide some symbolic political capital for the new administration as it attempts to shape tax policy in the months and years to come.

Into the Sunset

Just as Republican control of the White House and Congress paved the way for the Bush tax cuts, the outcome of the 2008 election will have a major impact on the fate of the Bush tax cuts and on the broader contours of tax policy in the years to come. The arrival of Barack Obama in the White House with augmented Democratic majorities in

²⁵ Michael Abramowitz and Robert Barnes, “As an Issue, Taxes Favor Obama,” *Washington Post*, October 24, 2008, page A2.

the House and Senate almost certainly extinguishes the long-standing hope of President Bush and his allies that the “temporary” tax cuts adopted in 2001 and 2003 might be extended indefinitely. At the same time, however, the Democrats’ own hopes and plans with respect to tax policy are likely to be significantly altered by the pressing economic crisis facing the new administration.

In the short term, at least, those alterations are likely to be relatively cost-free—in a political sense, though hardly in a fiscal sense. Under normal circumstances, even a popular new Democratic president seeking popular tax cuts would face significant procedural hurdles and considerable political resistance from deficit hawks. However, with the federal budget deficit having already ballooned to \$1 trillion—and with the new president and Democratic congressional leaders scrambling to adopt an economic stimulus plan whose price tag will approach or exceed that figure—deficit hawks are unlikely to exert much sway. As a front-page *New York Times* report put it, “Obama is under far less pressure in the short term to raise revenues to help finance campaign promises because the seriousness of the economic crisis has brought bipartisan agreement that the government must do whatever it can to spur economic growth.”²⁶

In September, in the midst of a tight presidential race and a deepening recession, Obama suggested that he might allow the Bush tax cuts for high income earners to expire after 2010 rather than repealing them immediately. (An analysis by the Tax Policy Center estimated that Obama’s partial repeal of the Bush tax cuts would have generated about \$88 billion in additional revenue in 2009 and 2010.) A few weeks after the election, with the economic crisis deepening, he signaled once again that he would not pursue immediate repeal, focusing instead on developing a large-scale

²⁶ Jackie Calmes and Jeff Zeleny, “Obama Vows Swift Action on Vast Economic Stimulus Plan,” *New York Times*, November 22, 2008, page A1.

economic stimulus package including hundreds of billions of dollars in new public spending and targeted tax cuts.

Some critics on the left have complained about the prominence of tax cuts in the proposed stimulus package. However, the largest single tax provision in the current version of the plan (accounting for about \$145 billion of the total \$275 billion in tax cuts) is the “Making Work Pay” tax credit, a refundable payroll tax credit of up to \$500 per worker. As an analysis issued by the Tax Policy Center notes, this credit “would make good on President Obama’s promise to offset part of the Social Security taxes paid by low- and middle-income workers.”²⁷

Obama himself underlined the point of the “Making Work Pay” provision—and the nature of the ideological sea-change in Washington—when he used a bipartisan meeting with congressional leaders to dismiss the long-standing Republican argument that tax credits should go only to people with income tax liabilities. According to a *New York Times* account, “in a polite but pointed exchange with the No. 2 House Republican, Eric Cantor of Virginia, Mr. Obama took note of the parties’ fundamental differences on tax policy toward low-wage workers, and insisted that his view would prevail.” According to Cantor, the president told him “You’re correct, there’s a philosophical difference, but I won, so we’re going to prevail on that.”²⁸

How far Obama’s victory will allow Democrats to prevail on tax policy, and for how long, remains to be seen. Once the current economic crisis has receded, much more difficult choices will be required to address the nation’s looming long-term fiscal imbalance. Nevertheless, if history is a reliable guide, those choices will depend much

²⁷ Rosanne Altshuler, Leonard Burman, Howark Gleckman, Elaine Maag, Eric Toder, and Robertson Williams, “Tax Stimulus Report Card” released January 26, 2008.

²⁸ Jackie Calmes and David M. Herszenhorn, “Obama Presses for Quick Jolt to the Economy,”

less directly on the values and policy preferences of the American public than on the values and policy preferences of the new political leaders who arrived in Washington earlier this month.

Table 1
Public Expectations for the 2001 Tax Cut

“As you may know, George W. Bush has proposed a \$1.6 trillion tax cut over ten years. ... I am going to read you a list of things that might happen if a tax cut were passed. For each item that I read, please tell me whether you think it is something that you expect to happen or whether it is something that you do not expect to happen.”

	Expect	Do not expect	Depends; Not sure
The wealthy will benefit more from the tax cut than the middle class	74%	21%	5%
The tax cut won't give enough help to those with lower incomes	57%	38%	5%
It will help prevent an economic recession	50%	40%	10%
Special-interest groups will benefit the most from a tax cut	50%	40%	10%
The tax cut will leave too little money for social programs	42%	50%	8%
The average taxpayer will get substantial tax relief	38%	57%	5%
You personally will get substantial tax relief	28%	67%	5%

Source: NBC News/*Wall Street Journal* Poll, March 2001. *N* = 2,024.

Table 2
Self-Interest, Political Values, and Support for the 2001 Tax Cut

Parameter estimates from instrumental variables regression analyses (with standard errors in parentheses). Support for the tax cut ranges from -1 (oppose strongly) to +1 (favor strongly). Respondents who said they “haven’t thought about” the tax cut are excluded from the analysis.

	{1}	{2}	{3}
Own tax burden (-1 to +1)	.370 (.094)	.251 (.092)	.477 (.107)
Rich tax burden (-1 to +1)	.354 (.070)	-.067 (.081)	-.058 (.082)
Poor tax burden (-1 to +1)	.049 (.119)	.137 (.113)	-.046 (.126)
Republican party identification (-1 to +1)	---	.607 (.134)	.495 (.138)
Conservative ideology (-1 to +1)	---	.248 (.209)	.479 (.216)
Government spending preferences (-1 to +1)	---	---	.282 (.194)
Perceived government waste (0 to 1)	---	---	-.901 (.271)
Family income (0 to 1)	-.001 (.094)	-.242 (.096)	-.266 (.100)
“President Bush” wording	-.030 (.051)	-.140 (.049)	-.082 (.052)
Intercept	.305 (.074)	.341 (.080)	.809 (.229)
<i>Std err of reg</i>	.745	.711	.710
<i>Adjusted R²</i>	.11	.19	.20
<i>N</i>	889	889	889

Source: 2002 National Election Study survey.

Table 3
Partisanship, Political Information, and Support for the 2001 Tax Cut

Ordered probit parameter estimates (with standard errors in parentheses) for probability of (strongly or not strongly) favoring the 2001 tax cut. Additional response thresholds are included in the analyses but not shown here.

	Total sample	Republicans	Independents	Democrats
Political information (0 to 1)	-.510 (.112)	-.384 (.230)	-.359 (.182)	-1.572 (.207)
Family income (0 to 1)	.268 (.105)	.221 (.205)	-.019 (.177)	.018 (.186)
“President Bush” wording	.030 (.078)	.008 (.149)	.017 (.135)	-.216 (.134)
2004 survey	-.192 (.065)	.148 (.119)	-.346 (.109)	-.317 (.124)
Intercept	.624 (.093)	1.507 (.208)	.601 (.155)	.969 (.158)
Log likelihood	-2,216.7	-487.0	-812.0	-665.8
Pseudo-R²	.01	.01	.01	.06
N	1,767	599	621	547

Source: 2002 and 2004 National Election Study surveys.

Table 4
Public Priorities: Taxes and Domestic Spending

“Do you favor cuts in spending on domestic programs like Medicare, education and highways in order to cut the taxes paid by ordinary Americans?”

“Do you favor increases in the taxes paid by ordinary Americans in order to increase spending on domestic programs like Medicare, education and highways?”

	Oppose tax increases in order to increase spending	Favor tax increases in order to increase spending	Total
Oppose spending cuts in order to cut taxes	44.4%	31.6%	76.0%
Favor spending cuts in order to cut taxes	15.8%	5.1%	20.8%
Total	60.1%	36.7%	96.8%

Source: 2004 National Election Study survey. *N* = 1,066.

Table 5
Public Priorities: Taxes and the Budget Deficit

“Do you favor an increase in the federal budget deficit in order to cut the taxes paid by ordinary Americans?”

“Do you favor increases in taxes paid by ordinary Americans in order to cut the federal budget deficit?”

	Oppose tax increases in order to cut deficit	Favor tax increases in order to cut deficit	Total
Oppose deficit increase in order to cut taxes	38.5%	15.0%	53.5%
Favor deficit increase in order to cut taxes	37.0%	5.9%	42.9%
Total	75.5%	20.9%	96.4%

Source: 2004 National Election Study survey. *N* = 1,028.

Table 6
The 2008 Campaign and Public Perceptions of the Candidates' Tax Policies

“If he were elected President, do you think [Barack Obama/John McCain] would raise taxes on people like yourself, or wouldn't he do that?”

	10-13 October	25-29 October	<i>Change</i>
<i>Obama</i>			
Would	46%	50%	+4%
(Republicans)	(74%)	(81%)	(+7%)
(Independents)	(45%)	(44%)	(-1%)
(Democrats)	(26%)	(30%)	(+4%)
Would not	41%	44%	+3%
DK/NA	13%	6%	-7%
<i>McCain</i>			
Would	51%	46%	-5%
(Republicans)	(26%)	(25%)	(-1%)
(Independents)	(46%)	(44%)	(-4%)
(Democrats)	(73%)	(64%)	(-9%)
Would not	38%	47%	+9%
DK/NA	11%	7%	-4%

Source: *New York Times*/CBS News surveys. *N* = 1,070 (10-13 October), 1,439 (25-29 October).

Table 7
The 2008 Campaign and Public Support for Economic Redistribution

“Do you feel that the distribution of money and wealth in this country today is fair, or do you feel that the money and wealth in this country should be more evenly distributed among a larger percentage of the people?”

“Do you think our government should or should not redistribute wealth by heavy taxes on the rich?”

	6-9 April	23-26 October	<i>Change</i>
<i>Favor more even distribution of money and wealth</i>	68%	58%	-10%
(Republicans)	(47%)	(30%)	(-17%)
(Independents)	(67%)	(60%)	(-7%)
(Democrats)	(84%)	(84%)	(0%)
<i>Favor redistribution by taxing the rich</i>	51%	46%	-5%

Source: Gallup surveys. *N* = 1,021 (April), 1,010 (October).







