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Mixed Messages on the Deficit

A Crisis with No Easy Fixes

The federal budget deficit is a growing problem for Americans, with a stream of mixed messages from voters. Most describe it as a crisis – outpacing even unemployment – but there is little consensus on where to cut the fat.

Spending on the wars in Iraq and Afghanistan and President Obama’s stimulus are viewed as the leading causes of the exploding budget deficit. But when push comes to shove, voters recognize the necessity of deficit spending during a recession. A majority want the stimulus spent as planned to create jobs rather than returned to pay down the deficit.

But the risks of inaction are real. More voters in the latest Democracy Corps poll co-sponsored with Tulane University¹ continue to blame former President Bush rather than Obama for the state of the deficit, but Obama’s advantage is narrowing as he assumes more responsibility for the economy. He continues to get mixed reviews on his economic policies; just as many see them averting a crisis as see them adding to the deficit without creating jobs.

Though clear that they feel the current situation is a crisis, voters are unenthusiastic about any of the policy options presented to them. They overwhelmingly choose spending cuts over tax increases to bring down the deficit. But when asked about specific proposals to do so, few ideas achieve majority support.

The deficit as a rallying cry is nothing new. In 1993, deficit reduction emerged as the centerpiece of Ross Perot’s 1992 presidential campaign and President Clinton’s economic plan. But now, as was the case then, people do not demand immediate action on reduction; rather, most people think the goal should be to “get it heading down from where it is now.” Far fewer think it needs to be cut in half or eliminated altogether in the next four years.

¹ This memo is based on a Democracy Corps survey conducted by Greenberg Quinlan Rosner of 1,016 2008 voters, March 15-18, 2010, co-sponsored with Tulane University. All data are among 850 likely 2010 voters unless otherwise noted.



Deep Concern About the Deficit, No Clear Answers on How to Fix It

Voters are deeply concerned about the deficit. Three-quarters report that they discuss it with their friends or family a lot or some and more than nine in 10 voters call the deficit either a crisis or a major problem, rivaling the concern over the current employment situation.

This anxiety is driven by a fear that the deficit spending of today will create a burden for the next generation. When asked the biggest problem with the current deficit, creating ‘a burden for future generations to pay off’ tops the list, beating out concerns that it will require tax increases or spending cuts, or even that it will slow economic and job growth. Yet, “money” and “spending” were the dominant associations, with “grandchildren” getting some notice, relating to the fear of burdening future generations.

Negative and defining words dominate perception of the deficit

Now please tell me in your own words what comes to mind when you hear the phrase "The federal budget deficit?"



Despite these concerns, voters are reluctant to attack the deficit through tax increases or spending cuts on entitlements. In this economy, voters are wary of raising taxes, even if the revenue raised goes to something they deem important, like paying down the deficit. A majority (51 percent) say that even though the deficit is a big problem, we should not raise taxes to bring it down, while only 43 percent say that we might have to raise taxes to reduce the deficit. This rejection is even more acute among the least educated and lowest income voters, who are being disproportionately hurt by the recession and as such are even more strident in their rejection of a new tax to pay down the deficit.



And by an even wider 2:1 margin, voters reject cuts in Social Security, Medicare or defense spending to bring the deficit down (61 to 30 percent). With nearly three-quarters of the federal budget devoted to these items, exempting them from cuts leaves little room to make realistic progress on deficit reduction. This rejection of spending cuts runs across the political spectrum, with even the most conservative wing of the Republican Party -- voters who generally fancy themselves as “deficit hawks” -- roundly rejecting the idea of cutting spending to pay down the deficit.

Nearly half of voters think the deficit can be reduced without real cost to entitlements, with 48 percent believing there is enough waste and inefficiency in government spending for the deficit to be reduced through spending cuts while keeping health care, Social Security, unemployment benefits and other services from being hurt. But 43 percent believe the opposite, that any cuts will hurt these programs. There is a real difference on this among the more marginalized segments of the voting public – those who voted in 2008 but are likely to drop off in the 2010 midterms. For this group, 47 percent think spending cuts will hurt entitlements while 39 percent think there is enough waste to make cuts without any pain.

When asked as a forced choice, voters overwhelmingly pick spending cuts over tax increases as the most effective way to reduce the deficit (71 to 18 percent). But isolating those spending cuts is not easy. When choosing between spending the remaining two-thirds of the stimulus package yet to be spent as planned to create jobs, or to cancel that money to reduce the budget deficit, a majority, 52 percent, prefer spending the stimulus as planned. With unemployment remaining near 10 percent, voters understandably want to continue to spend the stimulus to create jobs now.

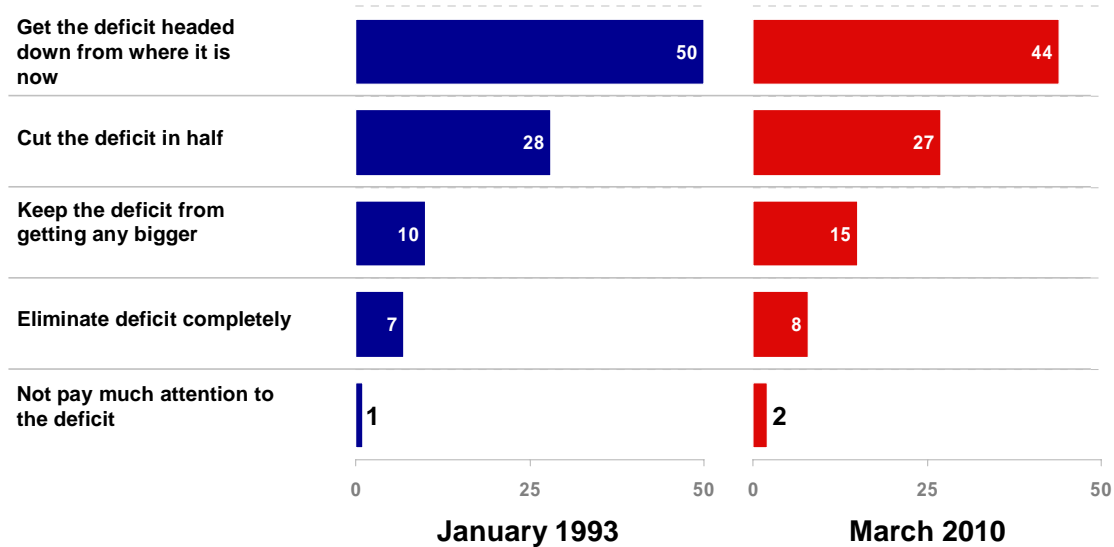
There may be a small window of room for a message of tax increases to combat the deficit if people are made to see that it is a matter of equity, that everyone is paying their fair share – including big business and the rich. When framed this way, 47 percent say they would be willing to pay higher taxes. But still, 48 percent think individuals are bearing too much of the tax burden and can not afford to pay more. This is especially true for drop-off voters, 56 percent of whom say they can not afford to pay more.

Echoing a finding from January 1993, 44 percent today said the goal for Obama and Congress over the next four years should be to get the deficit headed down from where it is now rather than more aggressively cutting it in half (27 percent) or eliminating it completely (8 percent). In 1993, 50 percent said the goal should be to get it headed down, 28 percent wanted to cut it in half and 7 percent said eliminate it completely. A more striking comparison to 1993 is the fact that more people today see it as less of an urgent priority, with 17 percent preferring to just keep the deficit from getting any bigger or not pay attention to it at all. That compares with 11 percent who said the same 17 years ago.



Desire to reduce deficit similar to beginning of Clinton presidency

Now thinking about the federal deficit. What should be the goal of the president and Congress in the next four years - to eliminate the deficit completely, cut the deficit in half, get the deficit headed down from where it is now, keep the deficit from getting any bigger or not pay much attention to the deficit?



**Note: January 1993 data from survey conducted by Greenberg-Lake Partners January 14-17, 1993.*

What Can Be Done?

Among a variety of specific proposals to reduce the deficit, only two get majority bipartisan support. The most popular proposal, establishing pay-as-you-go rules where any spending increases are offset by spending cuts or tax increases, wins over 64 percent of voters. This proposal, however, is deficit-neutral and would not lower the deficit. The next most popular idea, with 58 percent in favor, is for creating a bipartisan deficit reduction commission whose recommendations for cuts would have to be passed, as a package, by both the House and the Senate.

Other ideas get mixed partisan support. Majorities of Republicans and independents favor a five-year freeze on all non-defense spending. But independents side with Democrats on increasing income taxes to 40 percent for those making over \$200,000 and removing the \$90,000 cap on the amount that can be taxed on individual Social Security payroll taxes.



■ **Table 1: Most Popular Proposals to Reduce the Budget Deficit**

<u>Proposal</u>	Total	Dem	Ind	Rep
Require offsets to new government spending	64	56	66	71
Bipartisan deficit reduction commission	58	56	61	58
Cut non-defense spending by 3 percent for five years	56	43	57	67
Raise taxes on those making \$200,000/year from 36 to 40 percent	54	70	55	36
Remove limits on Social Security payroll tax	53	57	53	49

Democrats are alone in their majority support for cuts in defense spending and instituting a financial transaction tax. Independents stand alone in their majority support of increasing the age to receive Medicare benefits to age 67 by 2020. And Republicans are alone in their majority support of Paul Ryan’s (R-WI) plan to partially privatize Social Security. As expected, the Ryan plan is especially unpopular with seniors.

Other proposals tested are roundly unpopular. As expected, a 3-percent national sales tax falls flat with voters of all stripes as does increasing the Social Security full-benefits age to 70, cutting Medicare and Social Security and changing Medicare to a system of vouchers.

■ **Table 2: Least Popular Proposals to Reduce the Budget Deficit**

<u>Proposal</u>	Total	Dem	Ind	Rep
Reduce spending on Social Security and Medicare	30	18	34	39
Change Medicare to voucher system for younger workers	33	27	31	42
Raise Social Security retirement age to 70 by the year 2020	36	37	34	37
Create 3 percent sales tax on all goods except food	40	43	45	34
Allow younger workers to invest Social Security payments in stock market	41	28	45	54

Voters Blame Bush for the Deficit, But Prefer Republicans to Handle It

Voters continue to blame former President Bush more than President Obama for the deficit (53 to 38 percent). Despite this, when asked in a more specific way about what policies or events may have caused the deficit, only 9 percent blame Bush’s tax cuts for the wealthy. The biggest culprits are seen as the wars in Iraq and Afghanistan, which 36 percent of voters blame.



The economic stimulus plan and the bailouts for the banks and auto industry also receive a sizable chunk of the blame (20 and 17 percent respectively).

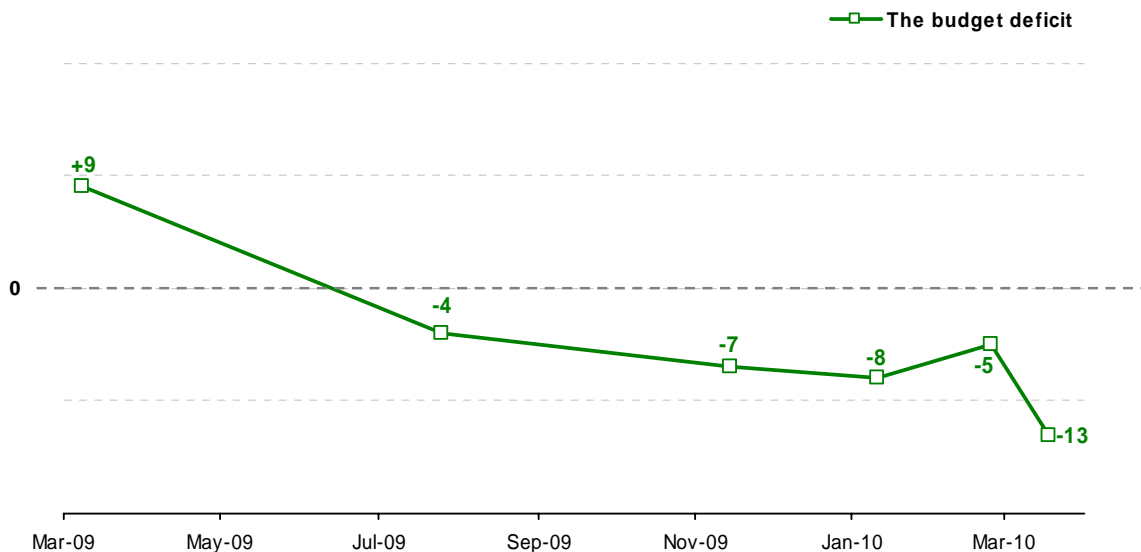
Not surprisingly, Democrats are much more likely to blame the policies of President Bush while Republicans blame Obama’s policies. A majority of Democrats (54 percent) say that the main culprits for the current deficit are the wars in Iraq and Afghanistan while 55 percent of Republicans blame the Obama-era policies of the economic stimulus and bailouts for the bank and auto industries. Memories can be selective, but the bank bailouts under the Troubled Asset Relief Program or TARP were formulated under President Bush’s administration and his Treasury Secretary, Henry Paulson.

Despite the fact that more voters blame Bush for the deficit than Obama, Republicans still retain a sizable 13-point advantage on which party voters trust more to handle the budget deficit (44 to 31 percent). This advantage is larger than they achieve on any other issues tested in this survey, and the largest gap they’ve held on the budget deficit since Democracy Corps started asking this question nearly two years ago.

Another weakness for the Democrats is on the related issue of government spending. By an 11-point margin, people pick Republicans over Democrats, 43 to 32 percent. Independents by well more than a 2:1 margin prefer the Republicans over the Democrats on handling the budget deficit (49 percent prefer the Republicans, 18 percent prefer Democrats). The gap for independents is not as wide on government spending, but they still prefer Republicans by 16 points.

Republicans advantage on handling deficit continues to grow

Now I am going to ask you something different. I am going to read a list of issues and I want you to tell me whether, overall, you think the Democrats or the Republicans would do a better job with this issue. If you do not know, just tell me and we will move on to the next item.



**Note: Data from Democracy Corps surveys conducted since March 2009. Shows "Democrats – Republicans" net.*



The Message Matters

Finally, we tested messages that a candidate for president might make about the deficit and found predictable partisan divisions, but with a twist among independents. The following message that might be more expected from a Democrat made voters less likely to support a candidate by a 10-point margin, 51 to 41 percent.

The federal budget deficit is so important that we have to get serious about it and create a commission for cutting spending and big tax reform. In order to raise revenue and close the deficit, we need a national sales tax. This is necessary for the economic health of the country.

This message focusing on a national sales tax made both Democrats and independents slightly less likely to support such a candidate. But it was especially unpopular among Republicans who by a 58 to 31 percent margin said they would be less likely to support.

An alternative message focusing on spending cuts, but without tax increases, found equivocal support, 46 percent more likely to support, 45 percent less likely.

The federal budget deficit is so important that we have to get serious about cutting spending in a big way, even on programs like defense, Social Security and Medicare. To lower the deficit, some tax reform will also be necessary, but we will not raise taxes.

But the more surprising finding with this message was its rejection among independent voters, who by 51 to 38 percent said it would make them less rather than more likely to support. Democratic voters rejected it by a more mild 48 to 41 percent and Republicans said it would make them more likely to support by 58 to 37 percent.

The lesson may be that independents may be more sensitive to cuts in entitlements, trumping a deficit-hawk message. Also of note was the fact that drop-off voters were also less receptive to such a message by 54 to 40 percent.