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TAX POLITICS, 1990

By Stuart Rothenberg

Six years ago, Democratic presidential nominee Walter Mondale's quest for the White House was short-circuited when he called for new taxes. In 1988, almost a decade after the anti-tax mood began in earnest, George Bush asked the public to read his lips — and was elected overwhelmingly. But now, for the first time in many years, political leaders are talking seriously about the possibility of a substantial tax increase.

One big change has occurred at the White House, where President Bush now says that the budget deficit must be attacked and *everything* — including taxes — is on the table. In New Jersey, the new governor, Democrat Jim Florio, has gone much further. In his first budget address since his election, Florio proposed doubling income taxes on the state's wealthiest residents, as well as a one percent hike in the state's sales tax. He hopes to raise \$2.6 billion in new revenue. In California, voters have just endorsed a big tax hike. Developments like these have led some observers to proclaim the death of the tax revolt.

Is it really over? Where do Americans actually stand on taxes today? Are there "pro-tax" constituencies? How much does the public distinguish among types of taxes?

A Question of Trust and Confidence

Americans still don't like taxes. In fact, 63% of those polled in early March told the Gallup Organization that they pay too much in federal income tax. Given that perspective, it isn't surprising that the public opposes raising taxes, even if the additional revenue goes toward cutting the deficit — one of the most important problems facing the country, according to virtually all polls. A January 31-February 1 Yankelovich Clancy Shulman survey for Time and CNN found 74% of respondents opposing a tax increase to cut the deficit. In April, when USA Today pollster Gordon Black asked whether Americans would hike taxes for deficit reduction, two-thirds said no. A Market Opinion Research survey conducted in early May asked the same basic question, with somewhat different wording, and still came up with a majority of registered voters, 51%-41%, against new taxes.

But the public's reactions to new taxes are in many ways quite subtle. When presented with a critical social

problem, many are willing to earmark new taxes to deal with it. Back in October 1989, a Gallup survey identified four domestic problems for which majorities would pay higher taxes — public education, the drug problem, the homeless, and health care. The more general the specified use of the funds, the more likely voters are to reject tax hikes. That probably reflects a belief that politicians can't be trusted with tax money. When they are persuaded on the importance of a particular problem and a connection is made between new taxes and actual solutions, voters swing around. But Americans remain firmly unwilling to allow elected officials to use their own discretion in deciding how to spend new tax money.

Liberalism Upside Down

An examination of sub-samples of the May Gallup Poll shows substantial group differences on whether President Bush should "keep his pledge not to raise taxes" or "consider

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TAXES

What's the real story on public opinion on this much-debated subject? A close look at tax politics in Massachusetts, Connecticut, New Jersey, Illinois, Minnesota, Colorado, and California, plus a special Public Opinion Report on all sides of the taxes question.

TELEVISION

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new taxes to reduce the federal budget deficit.” While a solid majority (56%) of respondents said the president should keep his promise, support for the “no tax” position was *strongest among the poor, the less well educated and blacks*. All are traditionally Democratic constituencies which would probably benefit from increased taxes (and increased government spending). For all three would suffer the most if they had to pay more taxes.

According to the Gallup data (see Table 1), a majority of college graduates (53%) believed that the president should consider new taxes, but 62% of those with a high school education or less opposed additional taxes. Similarly, 56% of those earning over \$50,000 a year thought the president should reconsider his promise, but 65% of those earning under \$20,000 a year wanted him to repeat his “read my lips” pledge. Given those findings, it isn’t surprising that blacks were much more opposed to a tax increase than were whites. Market Opinion Research’s May survey also found that higher status groups — those with a “high income” and the “intelligentsia” — were more likely to believe that higher taxes were needed.

If support for higher taxes is “liberalism,” it’s another case of “liberalism upside down,” with higher status people backing the liberal stance.

All Taxes Were Not Created Equal

While a majority of voters want George Bush to keep his no-tax pledge, they assume that taxes will in fact be increased. Ask them about which taxes they would prefer to see raised (if there was to be a tax increase), and a clear pattern emerges. An overwhelming number of Americans would prefer to raise “sin” taxes. The May Time/CNN poll found 72% favoring new taxes on cigarettes and alcoholic beverages to reduce the deficit, not far from the 78% figure gathered at the beginning of the year in a NBC News/Wall Street Journal survey. When Gallup gave voters four possible tax increases in May, a plurality (42%) chose “sin” taxes.

Americans also are willing to raise taxes on high-income households. Time/CNN found more than seven of ten respondents approving an increase in tax rates from 28% to

Table 1

Tax Liberalism Upside Down

	“No New Taxes” Keep Pledge	Consider Taxes
	%	%
All Respondents	56	40
EDUCATION		
College Graduate	44	53
Some College	54	41
High School Grad	61	36
Less than High School	62	33
* INCOME		
\$50,000 and over	44	56
\$30,000-\$49,999	56	41
\$20,000-\$29,999	53	41
Under \$20,000	65	31
RACE		
White	55	41
Black	67	29

QUESTION: “George Bush said in his campaign ‘read my lips: no new taxes.’ As far as you are concerned, should President Bush keep his campaign pledge not to raise taxes, or should he consider new taxes to help reduce the federal budget deficit?”

SOURCE: Survey by the Gallup Organization of 1,255 adults, May 17-20, 1990.

Table 2

Partisan Opinion on "The Pledge"

"As a candidate for President in 1988, George Bush said 'Read my lips...No new taxes.' Of the following two statements about this, which ONE best describes your view? 1. The country's budget deficit has grown to the point where new taxes are needed and we should not hold George Bush to his promise, or 2. New taxes are not needed and George Bush should stick to his promise to oppose them."

IDEOLOGY	% Very Liberal	% Somewhat Liberal	% Somewhat Conservative	% Very Conserv.
End promise	54	48	38	31
Stick to promise	39	47	55	62
PARTY	Strong GOP	Weak GOP	Lean GOP	Ind.
End promise	41	41	38	36
Stick to promise	51	52	56	53
	Lean Dem.	Weak Dem.	Strong Dem.	
End promise	41	37	49	
Stick to promise	51	56	44	

SOURCE: Survey by Market Opinion Research of 1,000 registered voters, May 9-13, 1990.

33% for the wealthiest taxpayers, and Gallup found substantial support for higher income taxes on "very high income households." Interestingly, there was almost no difference on this between the high and low income groups in the general public. For fewer than three in ten respondents both among those earning under \$20,000 and over \$50,000 per year select higher taxes on the wealthy as their first choice for new taxes.

When increased gasoline taxes, higher personal income tax rates, and a national sales tax are proposed, the public turns dramatically bearish on taxes. NBC News/Wall Street Journal asked registered voters about the possibility of raising individual income tax rates: almost 80% opposed the idea. Only white, self-described liberals — and particularly liberal white Democrats — showed a preference for increased personal taxes. Support for a hike in the federal gasoline tax is also weak — particularly among those with lower incomes. Both the NBC News/Wall Street Journal and Time/CNN surveys found only about one in four Americans favoring a gas tax rise to help reduce the deficit.

The Political Equation

Taxes are economic tools that have political consequences. And more often than not, the consequences turn out to be problems. Politicians have long understood that people have opinions on a myriad of issues, but they feel strongly about only a few. The key, then, is for the politician to follow the popular will on emotional issues about which the public

feels intensely, while using his or her own judgment on less visible, less electorally important matters. When it comes to taxes, politicians will find the public's current interest intense.

The May Gallup survey found that five times as many people would vote against their representative or senator if he voted for a tax increase than if he opposed it — 35% and 7% respectively. About half said the vote would make no difference either way. The electoral fallout is clear: vote for an increase and lessen your chances for reelection. The electoral risk is particularly large among certain constituencies — those age 30 to 49, men with no college education, Southerners and, naturally, self-described conservatives.

The other political problem is that the groups which think George Bush should reconsider his "no new taxes" pledge (regardless of whether new tax revenue would be used to cut the deficit or to deal with specific societal problems) tend to be Republican groups. As noted, blacks, the poor, and those with less than a high school education are the strongest supporters of the president's pledge. While some politicians may see this as a unique opportunity to build coalitions, many will regard it as a reason to steer clear of the issue altogether.

The End Of The Tax Revolt?

The passage of California's Proposition 111 — the increase in the state gas tax — suggests that the public is willing to accept some tax increases. But there are reasons not to

overinterpret that vote. First, the California measure was a dedicated tax, and therefore more likely to garner support. Second, the primary electorate in California was heavily Democratic and more liberal than the overall electorate. Widespread opposition to tax increases in other states also suggests that most Americans are not ready to open their wallets for the government. The public continues to be deeply

suspicious about tax increases and about the ability of politicians to divide up tax revenue. Elected officials looking for ways to increase taxes will need to ask voters to fund specific programs to deal with specific problems. If they do that, they will find a sympathetic electorate. But if they merely seek new taxes to cut the deficit or fund new, unspecified programs, they may find themselves looking for new employment.

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