We the People Fix the Budget:
Americans' Preferences for Revenue Increases and Spending Cuts

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We conducted a survey to measure Americans' preferences for revenue increases and spending cuts. A representative sample of 1,000 Americans completed the survey in December 2012. Respondents had a specific deficit-reduction goal: cut the projected 2022 deficit by $900 billion, or by two-thirds. Approximately $2.2 trillion in savings were available. Our results suggest that Americans are willing to accept higher taxes and significant cuts to military and non-defense discretionary spending—but are much more protective of Social Security and Medicare. This paper (i) explains the design of the survey; (ii) discusses the results; and (iii) compares those results to current deficit-reduction proposals.

I. Introduction and Survey Design

How would the median American balance the long-term budget deficit? Despite the centrality of deficit politics to our political discourse, there is no definitive answer to this question. Balancing the budget is a multi-dimensional problem, ill-suited to the single question format that dominates public opinion polls. Deficit-reduction polls tend to ask isolated and context-free questions, which allow respondents to avoid making difficult choices.[2] For example, polls often ask respondents whether they want to "raise taxes" or "cut spending." Without knowing what each option entails, a respondent's answer is extremely difficult to interpret. As a result, we know little about how the typical American would balance federal spending and revenue in the long term.

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[2] *See, e.g.*, Emily Swanson, *Fiscal Cliff Poll: Americans Dislike Both Budget Proposals*, THE HUFFINGTON POST (Dec. 5, 2012, 10:39 AM), http://www.huffingtonpost.com/2012/12/05/fiscal-cliff-poll_n_2244109.html (identifying questions in national poll conducted by HuffPost/YouGov, which included, "Barack Obama has proposed to add $1.6 trillion in taxes on wealthy Americans and cut $400bn in spending on Medicare and Medicaid as part of a new budget deal. Do you think [the plan is a good idea]?" and "Congressional Republicans have proposed to add $800bn in taxes and cut $1.4 trillion in spending as part of a new budget deal. Do you think [the plan is a good idea]?"); Press Release, Quinnipiac University (Dec. 6, 2012), http://www.quinnipiac.edu/institutes-centers/polling-institute/national/release-detail/?ReleaseID=1821 (identifying questions in national poll conducted by Quinnipiac University, which included, "Overall, what do you think is the best way to reduce the federal budget deficit, by cutting federal spending, by increasing taxes, or by a combination of both?" and "In order to reduce the federal budget deficit, do you support or oppose - raising income taxes on household income over $250,000 per year?").

The poll we examine in this paper differs from recent polls in important ways.[3] Unlike other recent polls, our poll imposes a specific deficit-reduction target, which forces respondents to make compromises. Recent polls also tend not to provide basic background information on the policy options considered, which may undermine the polls' findings. Our poll, by contrast, provides that background information as well as the option to review technical details. In November 2010, the *New York Times* made a similar effort with its budget poll/game "O.K., You Fix the Budget."[4] The *Times*, however, collected the views of self-selecting readers and provided 40 deficit-reduction options. By contrast, we collected views from a broad and representative sample of Americans, and we provided ten deficit-reduction options—enough to provide real choice without overwhelming respondents. In sum, our poll (i) forced respondents to grapple with our fiscal imbalances; (ii) provided the context necessary to make well-informed choices; (iii) captured the views of ordinary Americans; and (iv) provided limited but meaningful choices. The results are useful data on how ordinary Americans would resolve the country's long-term budget deficit.

The deficit-reduction options and revenue estimates were derived from the CBO's March 2011 publication "Reducing the Deficit: Spending and Revenue Options."[5] This publication described and provided revenue estimates for more than one hundred deficit-reduction options. We chose ten options that achieved significant savings and broadly represented politically feasible alternatives. The revenue estimates, which extended to 2021, were updated using CBO's November 2012 publication "Choices for Deficit Reduction."[6] The 2012 publication provided less detail and fewer estimates than the 2011 publication, so we focused on the 2011 estimates and updated them using the 2012 estimates where available. The ten options cover the key elements of government revenue generation and spending—including income-tax rate increases, income-tax reform and simplification, the introduction of other taxes (e.g., national sales tax or carbon tax), entitlement spending reform for Social Security, Medicare and The Affordable Care Act/Medicaid, and cuts to discretionary defense and non-defense spending.

While we believe the poll results are instructive, we acknowledge at the outset that the results cannot be authoritative. Any poll regarding a complex topic such as balancing the deficit must weigh tractability against realism. While a single yes/no question is undoubtedly too simplistic, it is prohibitively expensive to get a sufficiently large representative sample of Americans to evaluate all options for balancing the budget and report their preferences. Our poll represents a compromise: it is more serious and realistic than most other polls, yet falls far short

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[3] The public version of the poll is available at https://survey-us.yougov.com/vCNpYgJ18NbGTJ.
[4] *See* David Leonhardt, *O.K., You Fix the Budget*, N.Y. TIMES, Nov. 14, 2010, at WK1 (discussing the design and the results of the survey).
[5] *See* CONGRESSIONAL BUDGET OFFICE, REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS (2011) (providing detailed review of deficit-reduction options).
[6] *See* CONGRESSIONAL BUDGET OFFICE, CHOICES FOR DEFICIT REDUCTION (2012) (providing updated estimates for many deficit-reduction options from 2011 report).

of a deliberative democratic ideal where some individuals take the time and effort to achieve a comprehensive understanding of deficit-reduction options.[7]
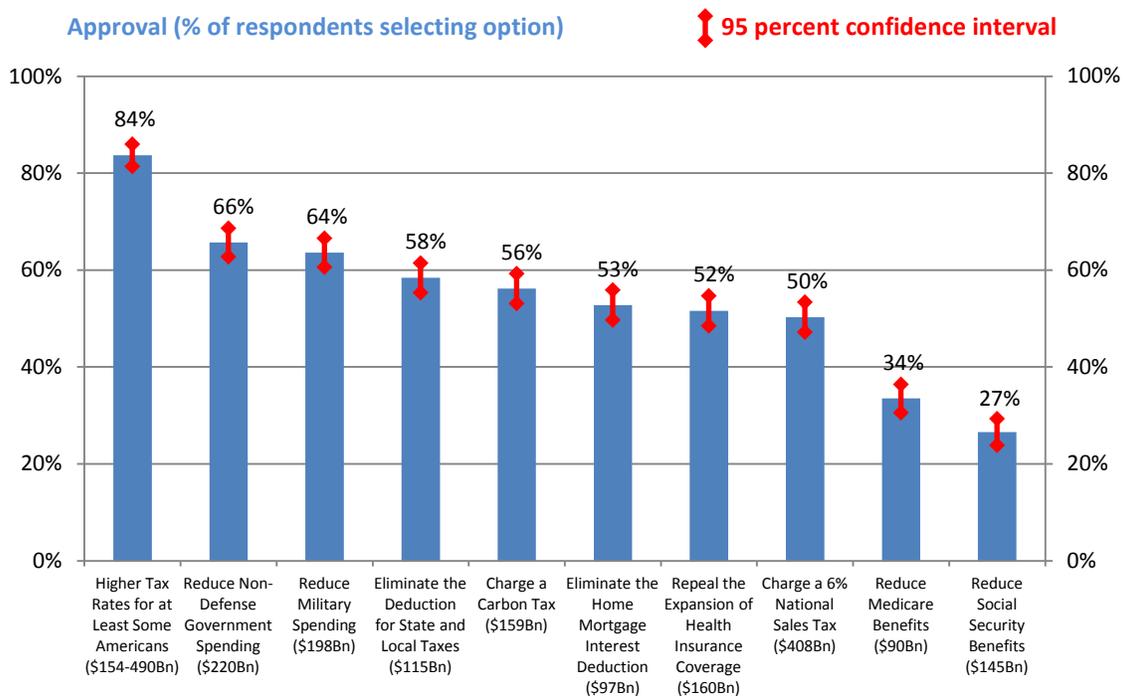
The poll was conducted online by the YouGov polling company and funded by the Oscar M. Ruebhausen Foundation. An initial sample of 1,074 respondents resulted in a final sample of 1,000 individuals weighted to match the 2007 American Community Survey on age, gender, race, and education.

II. Survey Results

A. Summary

We published the poll during the so-called fiscal cliff talks in December 2012.[8] The headline results follow.

Figure 1. Budget Puzzle Survey Results[9]

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1. **Income-Tax Rate Increase**: The most popular deficit-reduction option was an income-tax rate increase. Respondents had the option (a) to let the Bush-era tax cuts expire for incomes greater than $250,000; (b) to let the Bush-era tax cuts expire for all Americans; or (c) to do neither. Eighty-four percent of respondents chose (a) or (b), i.e., some form of tax increase. Only 35 percent chose to increase taxes on all Americans; the other 49 percent chose to increase taxes only on high earners.

2. **Cut Non-Defense Discretionary Spending**: The second-most popular option, favored by approximately two in three respondents, cut non-defense discretionary spending by 1 percent annually through 2022. The survey clarified that doing so would sharply limit government services, such as law enforcement and disaster relief.

3. **Cut Defense Spending**: Sixty-four percent of respondents favored reducing defense spending by 1 percent annually through 2022. The survey clarified that doing so would limit military capabilities, such as responsiveness to unique threats and weapons replacement.

4. **Eliminate Deduction for State and Local Taxes**: Fifty-eight percent of respondents supported this base-broadening measure, which would be phased in over two years.

5. **Carbon Tax**: A carbon tax, generally viewed as a non-starter even by environmentalists, received the support of 56 percent of respondents. People might dislike a carbon tax in the abstract—but when faced with the alternatives, more than half of respondents supported the tax.

6. **Eliminate Deduction for Home Mortgage Interest**: Fifty-three percent of respondents supported gradually phasing out the home mortgage interest deduction, in annual increments of $100,000, from the current maximum of $1.1 million.

7. **Repeal Expansion of Health Insurance**: Just over half of respondents—52 percent—favored repeal of the parts of the Affordable Care Act that expand coverage, a finding consistent with national polls that, unlike ours, present the question without context.

8. **National Sales Tax**: Other polls have found that Americans reject a national sales tax by a two-thirds majority,[10] but those polls typically do not identify the revenue potential. We included that information—based on CBO calculations, a 6 percent

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[10] *See, e.g.*, Jon Ward, *GOP Poll Confirms That Lots of People Don't Like the Value-Added Tax*, THE DAILY CALLER (May 4, 2010, 6:45 AM), http://dailycaller.com/2010/05/04/gop-poll-confirms-that-lots-of-people-dont-like-the-value-added-tax/.

national sales tax would raise $408 billion dollars in 2022—and 50 percent of respondents favored this option.

9. **Reduce Medicare Benefits**: Like other polls, we found strong support for maintaining current levels of Medicare benefits. The poll proposed raising premiums and the eligibility age. Only about one-third of respondents chose this option.

10. **Reduce Social Security Benefits**: The least popular deficit reduction option was cutting Social Security benefits, with only 27% of respondents supporting the reductions. The poll option proposed reducing benefits by 15% and raising the retirement age gradually to 70.

While the headline results summarized above are interesting – and in the case of the support for the carbon and national sales taxes, surprising – policymakers may be more interested in the examination of respondents' decision making processes and socio-economic differences. These are discussed below.

B. "Second Round" Support of the Deficit-Reduction Options

The $900 billion savings requirement forced respondents to reconsider options that they initially declined. Consider the chart below. The dark blue area represents respondents who *originally selected* a particular savings option. The light blue area represents respondents who *originally declined* but, after failing to reach the budgetary target, *ultimately selected* a particular savings option. Put another way, the light blue area represents the compromises that the savings requirement induced. After the first round of choices, the first seven options drew in an additional 9 to 15 percent of respondents; the national sales tax drew in an additional 20 percent of respondents; and proposals to cut Medicare and Social Security benefits drew in the fewest "converts."

Figure 2. "Second Round" Support of the Deficit-Reduction Options
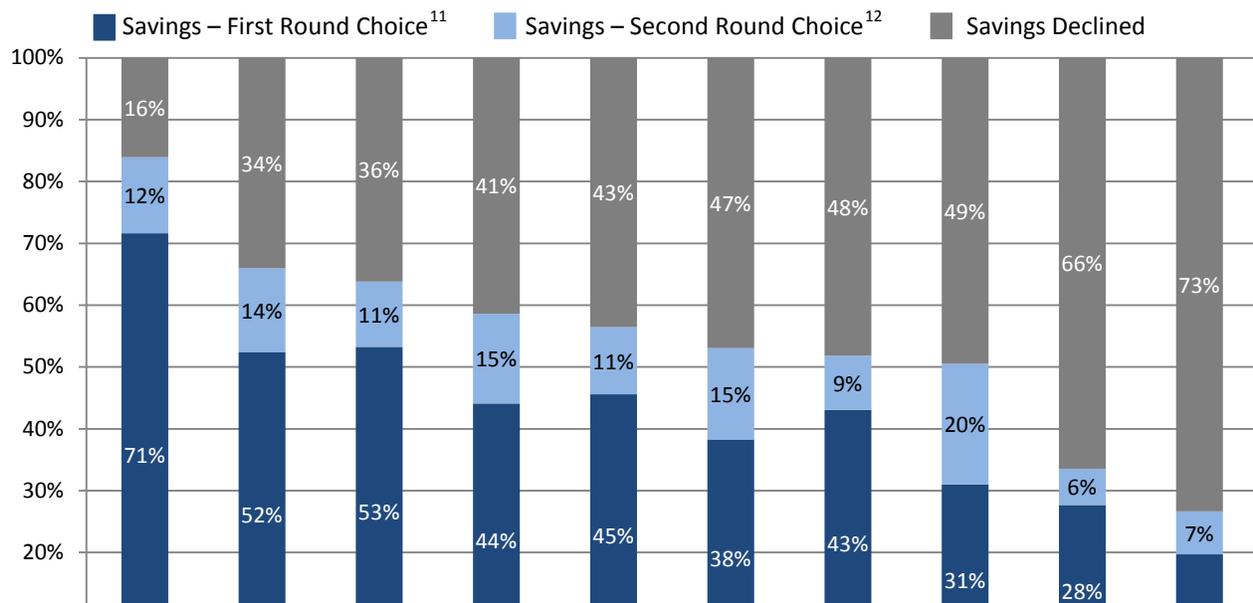
C. Support of the Deficit-Reduction Options Across Political Parties

The results by political party were in line with popular expectations and other poll results. These results, shown below, are not especially surprising. However, the results are meaningful given that the survey required respondents not only to express their budget-cutting preferences but also to achieve a specific level of savings.

Democrats[13] represented nearly 60 percent of the support for tax increases on high earners; Republicans, only 26 percent. Republicans represented approximately 60 percent of the support for cuts to entitlement spending; Democrats, less than 30 percent. A clear majority (61 percent) of respondents supporting defense cuts were Democrats. A slight majority (52 percent) of respondents supporting non-defense cuts were Republicans. Two in three respondents in favor of the carbon tax were Democrats. Two in three respondents in favor of repealing health insurance expansion were Republicans. There was bipartisan support for the elimination of the deductions for mortgage interest and state and local taxes.

Figure 3. Results by Political Party Affiliation								
	Strong Democrat	Not Very Strong Democrat	Lean Democrat	Indepen.	Lean Repub.	Not Very Strong Repub.	Strong Repub.	Not Sure
Higher Tax Rates on Incomes over $250,000	36%	14%	9%	13%	5%	10%	11%	2%
Higher Tax Rates for All	26	7	12	13	11	10	19	2
Reduce Non-Defense Gov't Spending	18	9	5	14	15	12	25	2
Reduce Military Spending	37	12	12	12	8	7	10	2
Eliminate the Deduction for State/Local Taxes	26	10	10	12	13	9	18	2

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[13] In this section, we include as Democrats those respondents who self-identified as "Lean Democrat" and as Republicans those respondents who self-identified as "Lean Republican."

Charge a Carbon Tax	42	13	13	13	4	6	7	2
Eliminate Mortgage Interest Deduction	25	11	7	16	12	10	17	2
Repeal Expansion of Health Insurance	9	7	2	13	20	15	31	3
Charge a 6% National Sales Tax	33	11	9	12	8	8	16	3
Reduce Medicare Benefits	16	7	5	11	18	13	28	2
Reduce Social Security Benefits	15	7	3	11	21	14	28	1

Our results highlight another political insight, if one focuses on the savings picked up after the first round of choices. We find that people from both sides of the political aisle were willing to make significant compromises, across many of the options. In other words, after initially failing to reach the budgetary goal, self-identified Democrats and Liberals, as well as self-identified Republicans and Conservatives, were willing to trade their support for a savings option to reach the savings target. Below are examples of "converts" to several of the options:

- A significant number of Republicans (+7.2% of total respondents) and Conservatives (+7.2% of total respondents) were willing to reconsider higher tax rates for at least some Americans.
- A significant number of Republicans (+5.8%) and Conservatives (+5.2%) were willing to accept military cuts.
- A significant number of Republicans (+5.7%) and Conservatives (+6.0%) were willing to sign on to the national sales tax.
- A significant number of Democrats (+7.1%) and some Liberals (+3.1%) were ready to accept considerable cuts to non-defense spending.
- A significant number of Democrats (+6.5% for elimination of mortgage interest deduction; +5.9% for elimination of state and local tax deduction) were willing to accept eliminating the specified deductions. In addition, a significant number of Republicans (+5.5% for elimination of mortgage interested deduction; +6.3% for elimination of state and local tax deduction) also moved to accept eliminating those deductions.

As we would expect, Democrats/Liberals remained extremely protective of Medicare (only +3.0%/+1.6% after the first round of choices) and Social Security (+3.0%/+1.9%), as well as the expansion of health insurance under the Affordable Care Act (+3.7%/+1.4%), even when running up against the budgetary requirement. Relatively few Republicans/Conservatives were pushed into accepting the carbon tax (+3.9%/+4.6%).

The results have important implications for elected officials. If we assume a certain level of savings "must" be achieved in the medium term, policymakers should consider how ordinary Americans would shift from their original preferences to achieve those savings. Two lessons follow from our poll: Democrats seem committed to preserving entitlement spending and the

recent expansion of health insurance; and Republicans seem relatively fixed against the idea of a carbon tax.

D. Support of the Deficit-Reduction Options Across Income Levels

Reinforcing the overall results is the fact that there seems to be strong agreement among people in different income groups. Except at the very top, cutting Social Security or Medicare is very unpopular. Strong majorities support income-tax rate increases. Majorities across income levels also support cuts to non-defense and defense spending. People in the lower income groups, however, may be more willing to eliminate the deductions for mortgage interest and state and local taxes. And instituting a national sales tax may be somewhat more popular among lower income earners.

Figure 4. Results by Income Level[14]					
	Overall Approval	Less than $50,000 (95% CI) (n=442)	$50,000-99,999 (95% CI) (n=290)	$100,000-149,999 (95% CI) (n=74)	Greater than $150,000 (95% CI) (n=49)
Higher Tax Rates on Incomes over $250,000	49%	50% (46-55%)	52% (46-58%)	45% (33-56%)	43% (29-57%)
Higher Tax Rates for All	35	37 (32-41)	31 (26-36)	34 (23-45)	39 (25-52)
Reduce Non-Defense Gov't Spending	66	66 (61-70)	65 (59-70)	62 (51-73)	59 (45-73)
Reduce Military Spending	64	62 (58-67)	63 (58-69)	66 (55-77)	73 (61-86)
Eliminate the Deduction for State/Local Taxes	58	64 (59-68)	54 (49-60)	68 (57-78)	33 (20-46)
Charge a Carbon Tax	56	60 (55-65)	56 (50-61)	57 (45-68)	63 (50-77)
Eliminate Mortgage Interest Deduction	53	61 (56-65)	50 (44-56)	41 (29-52)	39 (25-52)
Repeal Expansion of Health Insurance	52	50 (46-55)	52 (47-58)	46 (35-57)	47 (33-61)
Charge a 6% National Sales Tax	50	50 (46-55)	51 (45-57)	46 (35-57)	41 (27-55)
Reduce Medicare Benefits	34	26 (22-30)	40 (34-46)	36 (26-47)	51 (37-65)
Reduce Social Security Benefits	27	22 (19-26)	28 (22-33)	27 (17-37)	43 (29-57)

E. Incomplete Survey Responses

Aside from our sample of 1,000 Americans, an additional 72 respondents started but did not complete the poll. The reasons for the incomplete responses are of course unknown. It is

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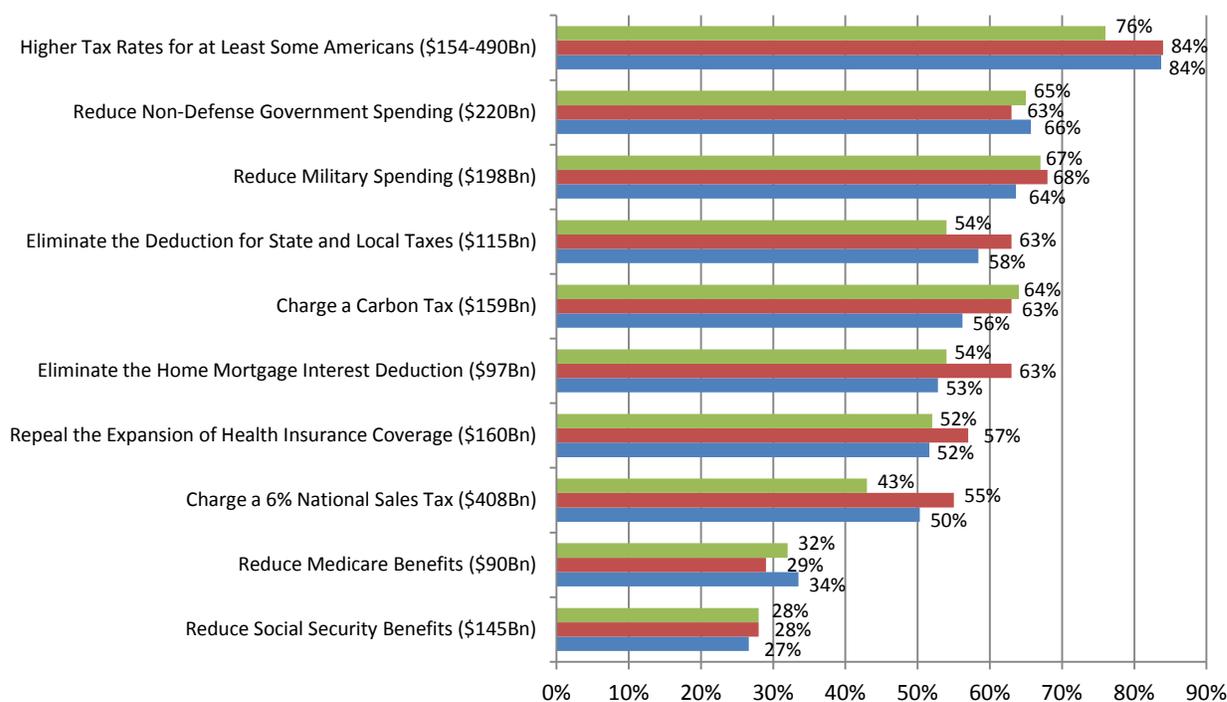[14] 145 respondents did not report their income level.

nonetheless instructive to consider which options these respondents selected before abandoning the exercise. These respondents were quick to select repealing health insurance expansion and reducing non-defense government spending—more than half of the respondents marked these options. But the other options received support from no more than one-third of the respondents. This is not surprising, as the average incomplete response reflected only about $480 billion in savings in 2022, well short of the $900 billion savings target. More striking is that the support for Medicare cuts (32 percent) and Social Security cuts (23 percent) was in line with the support found in the complete responses (34 percent and 27 percent, respectively), suggesting the extent to which (minority) sentiment against these programs is relatively fixed.

F. Error Checking

In conducting the survey, we attempted to avoid biasing the results through presentation. For example, each survey randomized the order of the deficit-reduction options, including the presentation of the three income-tax rate options. We did not detect a significant effect of question order across most of the options. Still, the tax reform options (eliminating the deductions for home mortgage interest and state and local taxes) and the national sales tax option did have a noticeable "order" effect; a greater percentage of respondents preferred these options when the options were presented first.

Figure 5. Results by Survey Order

■ If Choice is Presented Last　　■ If Choice is Presented First　　■ Final Results

Proposal			
Higher Tax Rates for at Least Some Americans ($154-490Bn)	76% / 84% / 84%
Reduce Non-Defense Government Spending ($220Bn)	65% / 63% / 66%
Reduce Military Spending ($198Bn)	67% / 68% / 64%
Eliminate the Deduction for State and Local Taxes ($115Bn)	54% / 63% / 58%
Charge a Carbon Tax ($159Bn)	64% / 63% / 56%
Eliminate the Home Mortgage Interest Deduction ($97Bn)	54% / 63% / 53%
Repeal the Expansion of Health Insurance Coverage ($160Bn)	52% / 57% / 52%
Charge a 6% National Sales Tax ($408Bn)	43% / 55% / 50%
Reduce Medicare Benefits ($90Bn)	32% / 29% / 34%
Reduce Social Security Benefits ($145Bn)	28% / 28% / 27%

While all survey responses are sensitive to the way in which questions are phrased, our attempts to probe the robustness of the responses to changes in presentation suggest our results are relatively robust. Responses were not sensitive to changes in the title of option 4—"Don't Expand Health Insurance Coverage" (selected by 260 respondents) vs. "Repeal the Expansion of Health Insurance Coverage" (selected by 256 respondents); changes in the title of option 6— "Charge a 6% National Sales Tax" (selected by 265 respondents) vs. "Impose a 6% National Sales Tax" (selected by 238 respondents); or the order in which the income-tax rate increases were presented—"Higher Tax Rates for Incomes Above $250,000" displayed first (selected by 244 respondents) vs. displayed second (selected by 247 respondents), and "Higher Tax Rates for All Taxpayers" displayed first (selected by 163 respondents) vs. displayed second (selected by 183 respondents).

III. Conclusion and Consideration of Current Deficit-Reduction Proposals

Ours is the first national survey to provide data on how ordinary citizens would make trade-offs to achieve the country's budgetary goals. If pressed to reduce the deficit: Americans would support increased income-tax rates for higher earners, which the fiscal cliff negotiations successfully produced; Americans would support deep cuts to military and non-defense discretionary spending, which lawmakers seem determined to avoid as the March 1 sequester approaches; and Americans would resist cuts to Social Security or Medicare, which lawmakers on both sides of the aisle are nonetheless contemplating. What's noteworthy is that the clearest parts of our results suggest that the people's grand bargain may look more like the recently

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avoided fiscal cliff than currently discussed alternatives, which seem to take for granted cuts to entitlement benefits and the preservation of defense spending.

In addition, our survey may offer insight to elected officials regarding how they frame the issue of deficit reduction options. The package of steps necessary to create a sustainable budget architecture in the medium and long-term will not be desirable in isolation; few voters prefer spending cuts or tax increases, all else equal. When framed as a necessity, with a clear deficit reduction goal, citizens may be willing to bear a surprising degree of cuts and tax burdens. The political obstacles remain, of course. The results of our survey offer some perspective on the ongoing deficit-reduction talks.