

# **New Models Economy, Taxes, Jobs, and Spending with Independents**

**October 2011**

## **OVERVIEW**

Presentation Testing conducted two mixed-gender focus groups in Deerfield, IL, on October 11, 2011. One group contained 14 McCain-voting moderate Independents, and the other contained 14 Obama-voting moderate Independents.

In each session, we gathered moment-to-moment readings during a 10-minute video using our dial testing methodology, and following up with an in-depth discussion about the economy, taxes, jobs, and spending. Your advocate in the video was Jean, and your opponent's advocate was Carla; they are referenced throughout this report.

## **KEY FINDINGS**

### **1) Taxing those with low incomes, as a stand-alone argument, is a non-starter**

It's a very hard sell to convince Independents that an American household making \$34,000 per year with two kids (we called them "the Johnsons" in the video) should start paying federal income taxes. That's true even after enumerating for Independents all the ways low-wage workers benefit from Federal spending on defense, infrastructure, inspected food, FDA-tested drugs, etc., without paying for them.

In our dial test, after hearing both sides of that argument, only two people in each session sided with the advocate for that position, while 12 in each session favored the opponent.

The reasons for the opposition ranged from a real empathy for a working family that has an income that is low, to a sense that these people need help—and that using tax policy to do so is a perfectly reasonable way to help them. There was virtually no resentment by our participants towards the Johnsons for their having to "carry," through taxation, a portion of the Johnsons' load. We heard a bit about how it is the responsibility of the strong to help the weak, both in Christian terms and in terms of social justice.

“[Carla] plays more to my personal feelings about social justice. I mean, try living off of \$34,000 a year. It's not really possible with a family of two children....So we cut someone like that a break. The United States is built around the common good. That's why

we have taxes, that's why we have social programs, to help other people." – Barbara, McCain-voting Independent

"It irks me. I work two jobs and I still end up paying taxes at the end of the year, so it irks me. But at the same point, I feel like I'm still doing OK because I can still pay my bills, and I can still feed myself, and I still have support systems that other people don't have. So I feel a social responsibility in a way to overlook things like that, because in a lot of ways, as hard as my life can be, it's probably nothing compared to some of these people. I'm lucky enough to be in a position where I do have two jobs, and I work two jobs and I'm able to take care of myself, regardless of what it takes for me to do that." – Katie, Obama-voting Independent

"I'm indifferent if the poor pay something or not, if they're truly poor. I would much rather they started [at] the other side of that, start with the people who make more of an extreme amount, take more from them, and if it trickles down that far to the poor, so they can pay, then fine." – Chad, Obama-voting Independent

What "protects" the Johnsons from the wrath of our Independents is that the Johnsons are Americans (not illegals), they both work (as opposed to collecting welfare), and they are not obviously gaming the system. If they were seen to be anything but perfectly pure in these three ways, then there would likely be far less support for their not paying taxes.

Furthermore, our dial tests and debrief suggested that the conversation cannot be framed as a referendum on whether the working poor should pay their fair share. That's an automatic non-starter. The reason is that taxing the working poor is seen as the anti-Willie Sutton: seeking money in the wrong place. Even the McCain voters thought that the money is to be found with the corporations and wealthy individuals who game the system and take advantage of loopholes. Simply put: You can't credibly say that poor should pay something when the rich are viewed as taking advantage.

Here's an exchange we had with the McCain-voting Independents:

Moderator: "When you have almost 50% of American household not paying federal income taxes, how do you react to that?"

Robert: "One of the things you just mentioned, the idea of personal responsibility, is you have a personal responsibility for maintenance of the things that work through government. But the other personal responsibility that you have is to care for those who can't care for themselves. You look around at people who sit and make no money, they're not capable of holding a job or affording healthcare. There were a couple of references to some of the

entitlement programs like Medicaid and Medicare, Social Security—you're talking about people who no longer can support or care for themselves, and that is a certain amount of personal responsibility that goes unrecognized in the conversation.”

Moderator: “You have a huge percentage of Americans closing in on a majority who are not paying federal income taxes. Is that fair to the people who are paying federal income taxes?”

Barb: “What’s your definition of fair? It’s how much money you make. Someone who makes poverty level salary, we cannot expect them to contribute maybe, because they’re keeping their head above water. And like Carla stated [in the video], they do pay other forms of taxes. This is the one tax they’re not paying.”

Moderator: “What if they didn’t pay any taxes for anything? How would you feel about that? If they were exempted from FICA tax, property tax, sales tax. Would that still be fair?”

Barb: “Probably not.”

Moderator: “So where do you draw that line? Why is it fair for them to pay some taxes and not others?”

Barb: “You have to have some skin in the game, otherwise there’s a disincentive. ‘I need to stay below this level so I can benefit from paying nothing.’ So we wouldn’t want to encourage that either.”

Moderator: “Aren’t we encouraging it by not forcing them to pay federal income tax?”

Barb: “I don’t know, realistically, if you can say that somebody truthfully, to not pay federal income tax, would maintain their income at a poverty level. It’s a different conversation if they’re getting benefits from the government because they have no income or whatever, that’s different. This is someone who is working, probably full time, minimum wage. I don’t think someone chose to remain at that level just so they cannot pay federal income taxes.”

Rob: “I picked Carla [in the video], but in actuality, I’d like more of both things to happen—that there’d be more of a flat tax, but nobody really said that on either side. One said, ‘don’t tax them,’ one said, ‘tax everybody.’ But nobody really said, ‘Tax everybody evenly.’ That’s why I picked [Carla], because I feel the wealthier

people could afford those taxes more than the poorer people, but there was no easy choice.”

Moderator: “For the 12 of you who chose Carla, would you be at all willing to tax the Johnson family a little if you knew those loopholes were being close for the wealthy?”

Group: “Yes.”

Moderator: “All of a sudden, loopholes are closed for the wealthy, all of a sudden it’s perfectly fine to tax the Johnson family that’s barely getting by?”

Len: “Not at a higher rate, at the same rate, and no loopholes.”

Moderator: “Barb was very eloquent in describing how these families are barely getting by with \$34,000 a year. A number of you echoed that comment. All of a sudden I’m willing to close the loopholes on the wealthy, and you’re willing to tax the Johnson family?”

Len: “Like I said, there has to be loopholes closed both ways. Get the scammers out of the poorer programs, there are a lot of them that could be eligible.”

Moderator: “You didn’t want your [low income] nephews [you referenced earlier] paying federal income taxes because of their income.”

Len: “I just said, socially, we could be exempt for people like that.”

Moderator: “We close all the loopholes that you want to close. Now it’s OK to tax your nephews?”

Len: “There has to be, I’m all for more of the flat tax and fairness for everyone; everyone pays their fair share. But from a social standpoint, there are people like that who could deserve a break. But at the same time, we have to eliminate those who are taking advantage of the system.”

Moderator: “Here’s my point. You have this class of people who have low incomes, and a number of you do not want to impose a federal income tax on them at all.”

Len: “I didn’t say I don’t want to tax them at all. There are some people who are really in a situation where they can’t better themselves. For the Johnsons, could they be doing better? I don’t know.”

Here are some comments we heard from the group of Obama-voting Independents about this:

“I think everyone should pay some portion of federal income tax. If you’re making money, you have to pay some money, even if it’s some minute amount. I think it’s simplistic for Carla to just say, ‘People at this end of the spectrum don’t have to pay anything.’ Because I think when you pay something, you have some interest and you are part of it. If you’re not paying anything, I think it’s taken for granted and there’s no appreciation....[I took exception to Jean because] I don’t think it’s that simple. We’re not going to make everything better by just including this portion of the population. We also need to get more money from the other [higher income] end of the spectrum. We’re not going to recover it all from this particular group. That’s why I said it was simplistic.”  
– Carol, Obama-voting Independent

“It seems like you’re putting it on them [the working poor] that they, or them as being a representative fraction of society, somehow had some [control, but] it was beyond their control, and clearly it is. It’s nothing that they can really account for, and they’re an innocent victim like so many of the others. It seems like it affects them on a bigger scale because to try to get by on a much smaller amount. I guess it comes back to the analogy of big kids, big problems, little kids, little problems. The poor have a hard time with all the sales taxes with everything else, they are contributing probably a higher proportion, but it doesn’t amount to really much money. Whereas the rich have better accountants, better lawyers, better ideas of how to avoid a lot of the taxes, shelter their taxes. And it thinks a lot of the Johnsons to make up what somebody making real money is probably avoiding.” – Jeff, Obama-voting Independent

So, if I were to re-frame and re-write the script, I would start off by talking about everyone’s needing to pay their fair share. That’s got to be the starting point. I’d talk about closing corporate loopholes, starting at the top of the income ladder, and working my way down. Candidly, I’m not optimistic that I could bring along a majority of these respondents, even with this re-framing. We might bring over some McCain-voting Independents if we specify how modest the tax would be on the working poor. Five dollars a week was generally regarded as acceptable by a few. A couple of other McCain voters would side with raising taxes on the poor if the U.S. had a flat tax system. Another respondent would be OK with imposing a federal income tax on them if some other taxes were lowered.

A couple of lines that worked fairly well in the script were these:

*Taxpayers know that keeping government spending in check is a way of keeping their Federal income taxes in check.*

AND

*If non-taxpayers continually vote for more government, and a bigger and bigger share of wealth, it will leave the minority paying the bill. And that's unfair also.*

But I'd be careful with these arguments—particularly with the second—because many respondents believe that families like the Johnsons would NOT actually vote for more government. That's a point that garnered agreement in the opponent's script. Again, if the Johnsons were on welfare, it's believable they'd vote for more government—but not paying Federal taxes is viewed as vastly different from collecting a welfare check.

Here is a conversation we had with McCain-voting Independents that emphasizes this point:

Connie: “[If we close the loopholes on the wealthy, it's OK to tax the Johnsons because] then we're making it fair. Which should be right. I'm upset that we have all these entitlements going to all these people who choose not to work, not because they can't work, or because of health or whatever. They choose not to work, and that's wrong. And they're getting food stamps and Link cards and everything, and I just find that appalling that my children and my grandchildren have to work like crazy to make their ends meet. Yes, some are more successful, but they're all paying their fair share and out there working. We shouldn't have to pay the taxes because people don't want to work. I think [the Johnsons] could be taxed at a fair rate, if we cut the loopholes and get rid of all those people...”

Moderator: “What about the social justice argument: they're making \$34,000 with two kids, and barely scraping by!”

Connie: “Oh, I don't want to tell you what I raised my children on, and we did just fine, and we paid those taxes! I didn't side with [Jean] because one of her comments was, ‘They're going to vote differently because they're expecting to get everything for free.’ That part really bothered me. I don't think that the majority of people are voting just to get more entitlements. I think it's the people not working and getting those entitlements who are going to vote that way.”

## 2) “Super-Committee?” What’s that?

Only 8 of 14 McCain Independents, and 5 of 14 Obama Independents, in a written exercise early in the sessions, could even come close to saying what the goal of the “Super Committee” is. When I asked the Obama Independents to name someone serving on the Super Committee, one person named Barney Frank; no one else could name anyone else. It should be noted that I did not ask this of the McCain Independents. It should also be noted that all of our respondents are college-educated.

Among the 13 who know (or came close to knowing) in the written exercise what the Super Committee’s goal is, we asked, “If the Super Committee does not reach that goal by November 23, what are the possible consequences that some people are very concerned about?”

We heard the following possible consequences cited from McCain Independents:

- “Cutting funds from the military & other defending”
- “Severe debt for future generations, government shutdown, loss of key social programs, devaluation of the dollar, economic instability”
- “I would guess it would be in regards to budget spending”
- “Reduction of government services”
- “Unrealistic cost-cutting, e.g. military; debt default”
- “Parts of the government shutting down and cuts in Medicare and Medicaid”
- “There are default cuts that will go into effect. These can/will affect defense spending, as well as social programs”
- “Automatic cuts in each budget.”

We heard the following from the Obama Independents:

- “Social Security issues with payment—layoffs”
- “Government shutdown”
- “Government default”
- “Raise the debt ceiling”
- “President Obama will not be able to raise the debt ceiling anymore.”

## 3) Sell the speed of decision-making, and the BBA

After the written exercise, we asked respondents to use their dials to rate eight key provisions of the law passed in early August that dealt with the debt ceiling and created the Super Committee.

The two provisions that had the highest favorability were:

- a) “Congress must cast and up or down vote on the joint committee’s plan, with no amendments and no delays, by December 23, 2011.” That garnered a 7.2 out of 10 in the McCain Independents group and a 7.5 out of 10 in the Obama Independents group. Respondents said that the situation is dire and that urgency is required.
- b) “By December 31, 2011, both houses of Congress must hold a vote on sending a balanced budget amendment to the Constitution to the 50 states for ratification.” That garnered a 7.5 out of 10 in the McCain Independents group and a 7.1 out of 10 in the Obama Independents group.

Conversely, the two provisions that scored the lowest were the ones that allowed the debt ceiling to rise by \$900 billion immediately, and would authorize another \$1.5 trillion rise in the ceiling upon passage of either the BBA or the joint committee’s plan. Here’s a comment we heard from a respondent about the increasing the debt, in general:

“I don’t think we can continue to increase the debt. The whole country is in debt, the whole world is in debt, and all we want to do is increase it again and just tax us until there aren’t any people left to tax. We’ve all gotten our recent statements from our retirement plans or whatever, and it’s all going in the wrong direction. I just don’t think we should increase [the debt].” – Connie, McCain-voting Independent

#### **4) Most respondents understand the bare bones of the jobs bill debate**

In another early-in-the-session written exercise, 11 of the 14 McCain Independents could cite at least one key provision of the jobs bill that Obama supports. In this group, the most commonly-cited provisions were related to more spending on infrastructure, giving tax incentives to businesses (to bring jobs back to the U.S.), and raising taxes on the wealthy. Ten of 14 Obama Independents could name one key provision of the jobs bill, and most of these were ones likewise cited by the McCain Independents.

Most respondents knew House Republicans are against the jobs bill, and the most-often-cited reasons the Republicans took that position were for partisan reasons, they wanted to oppose anything the President supports, the GOP thinks the bill is too expensive, the GOP does not want to raise taxes, it will give too much power to the “central government,” and other Obama initiatives have failed—and at great cost.

#### **5) Most respondents have a superficial understanding of the proposed surtax on \$1M+ incomes, and most support it**

Eight of the 14 McCain Independents, and nine of the 14 Obama Independents, could offer at least a minimal explanation of how the proposed surtax would work (i.e. many said that it would

impose a tax on those earning above a certain level.) Only one person out of 28 (an Obama Independent) mentioned that there would be a 5% tax on incomes above \$1 million.

In our McCain Independents group, seven of the 14 said they support the surtax; four oppose it; three were unsure or would want to see other policies introduced first. In our Obama Independents group, 12 of the 14 said they support the surtax; one opposes it; one is unsure.

#### **6) McCain-voting Independents would cut Congressional salaries, but the reasons for doing this seem to go beyond merely a way to cut spending**

In an extended conversation during the session, I pushed the group to explain the comments that several made when they were asked how they themselves would cut federal spending. We heard multiple respondents say that they would cut Congressional salaries and pensions. When I asked whether, in fact, that would go a long way towards helping the government balance its books, respondents recognized that Congressional salaries and pensions are just a drop in the bucket.

(NOTE: Only one of these respondents was aware that Congress had cut the budgets for their offices. In fact, another respondent noted that if that had happened, Congress had done a poor job of getting the word out. As one McCain-voting Independent said, “You think they’d be trumpeting that a little bit more.”)

Viscerally, respondents believe that cutting Congressional pay and pensions would make them feel better. More substantially, the belief is that Members are over-paid and out of touch with the needs of ordinary Americans. Therefore, they make decisions that lead to poor spending choices—and that’s why we have such large deficits. Here are some of the comments we heard during this discussion:

“They’re always talking in trillions—trillions and billions. I basically don’t think they’re cutting in the right places. [They should be cutting] in their own salaries and their own benefits. They talk about the entitlements, and the entitlements they’re talking about are our entitlements, not their entitlements, and I want their entitlements to be touched like ours are going to be if they start messing with these things.” – Barbara, McCain-voting Independent

“I think that people focus on this [Congressional salaries] as an issue because it makes sense to us, and we can relate to that. But no, it totally will not fix the problem at all. And even if what we suggest happened, it still would not address this issue. People are not aware of other problems and how we could fix them. We know salaries, we know benefits, so that’s where we can focus our attention and gripe about. But no, it’s not going to fix the problem. The problem is in, well, there are a lot of problems obviously, and one of them is probably waste and wasteful spending. Spending on

things that maybe we don't need to spend money in those areas when we're in an economic downturn right now. I'm one of the people who switched to 'they're doing just enough.' Not that I think this bill is going to solve the problem, but I think that there's so many issues here, and I am in favor of increasing the debt limit because in terms of looking at the Depression era, we didn't do this, we didn't increase the debt limit and the government did not do enough spending, and that's why we went into a deep depression. I'm no historian, but we certainly don't want to go there again. I know we're against increasing the debt limit, because we focus on things in terms of our own budgets at home. We can't keep piling debt on and survive." – Barb, McCain-voting Independent

"What I think you ignore here is the snowball effect. The Congressman is getting all these benefits. Well I, as a government worker, want better benefits too. And I, as a government worker, who is working locally think, while the state workers are getting these pensions, 'Why aren't we getting these pensions? Wait, I can get two pensions!' That is a massive snowball by the time it's all done...There's a massive snowball effect, as you've cut them, others get cut, others get cut, and you'd be surprised, by the time you get down to the local level, how much money suddenly appears." – Russ, McCain-voting Independent

"They're the ones [in Congress] that are spending our money...I feel if we start by cutting their budgets and putting demands on them, then they in turn will start listening to us, not the lobbyists, and cutting budgets where it can be done. Cutting things out like the spending that they're doing in foreign countries, saving some money in California, saving some fish...I know that's not that much of the budget, but get rid of that stuff and start concentrating on what we need to do here. Start at home, and work out...You've got to start someplace. You can't take them into a room and say, let's start with Afghanistan. No, we're going to start with you, and start working it out." – Connie, McCain-voting Independent

Here is a quick exchange we had one with McCain-voting respondent:

Barbara: "If they can learn to live on a lower budget, they can learn to pass laws and spending money on a more realistic amount."

Moderator: "OK, so by doing that, it puts them in a realm of realism? Is that because of what they make?"

Barbara: “Yes. Well, because of who they are. Their entitlements and things like that. They’re not on our level. We are the people of this country and I don’t feel we have much to say about what’s going on anymore.”

It seems as though respondents believe cutting salaries and pensions for Congress would send them a “wake-up call,” and make them work harder for us in solving our budget deficit problems. This can be related to the private sector—when a business is not doing well, the company may need to cut salaries, which may serve as some incentive for the employees to work harder at making the business prosperous again, thus leading to higher salaries again. This is not a perfect analogy, and in the interest of time we were not able to confirm with our respondents that this is precisely their line of thinking.

#### **7) There’s little support for both the Tea Party movement and the Wall Street protest movement**

While we did not discuss these movements, we did ask people how much they agreed or disagreed with the goals of the movement on a zero-to-10 scale. The McCain Independents scored the Tea Party at 6.0 and Wall Street protests at 4.6. The Obama Independents scored the Tea Party at 2.9 and Wall Street protests at 5.6.