

New Models

Employment, Senate Budget, Buffett Rule, Mortgages, and Social Security Taxes

February 2012

OVERVIEW

Presentation Testing conducted two mixed-gender focus groups in Atlanta, GA on February 8, 2012. One group contained 11 McCain-voting moderate Independents, and the other contained 12 Obama-voting moderate Independents. All respondents had at least some college education, and were age 22 or older. In three moment-to-moment dial tests conducted during each of the sessions, Jean, the GOP advocate, and Carla, the Democrats' advocate, make point/counterpoint arguments on video that are referenced throughout this report.

KEY FINDINGS

- 1) Obama-voting Independents expect improvement in unemployment numbers between now and next February; McCain-voting Independents are less optimistic**

Early in our sessions we asked: *The unemployment rate in the U.S. now stands at 8.3%. A year from today, do you expect it to be...*

The responses are in this chart:

	McCain-voting Independents	Obama-voting Independents
Under 5%	0	0
Between 5% and 6%	0	0
Between 6% and 7%	0	3
Between 7% and 8%	4	8
Between 8% and 9%	4	1
Between 9% and 10%	2	0
Above 10%	1	0

We did not have an opportunity to discuss these results, but plan to in our next project.

- 2) Republican messaging on the lack of a Senate budget works very well with McCain-voting Independents and moderately well with Obama-voting Independents**

McCain-voting Independents believe when Congress passes a budget that there is an implied attempt to keep spending under control. In the absence of a budget, it seems like Congress has a license to spend.

For many McCain-voting Independents, the Democrats' position is indefensible because it claims that something called the Budget Control Act, which ostensibly (given its name) should have controlled spending, failed to do just that. In the video, respondents noticed that Carla (the voice of Democrats) did not explain where budget cuts were made, despite her assertion that \$1.2 trillion in cuts would be forthcoming in the wake of the Super Committee's failure.

McCain-voting Independents believe that they were only getting part of the story from each side – they wanted the whole story. This would include how the out-of-control spending started, the history of the national debt, the history of spending and how we got into this mess, where we now stand, what the budget bills are currently doing and not doing, and in what ways the budget bills are adequate and inadequate.

We showed an eight minute point-counterpoint video about the lack of a Senate budget to both sessions. Afterwards, we asked who had the more persuasive argument. The results were:

	McCain-voting Independents	Obama-voting Independents
GOP Advocate	9	4
DEM Advocate	2	8

With the McCain-voting Independents, the GOP messaging that we dial tested was consistently effective, scoring in the 80s (out of 100) in terms of agreement. The respondents in the session said that they were far more familiar with the case made by the GOP advocate than that made by the Democrats' advocate (who argued that last year's Budget Control Act is a de facto budget).

The McCain-voting Independents said that Jean (the GOP advocate in the video) could have further strengthened her argument by explaining why the BCA is not a budget, how often a budget is typically passed, and what the specific consequences are of not having a budget.

In our McCain group, we heard:

“Just because you have a budget, it doesn't mean that it's a good budget. What are the results of that [budget]? We're still able to add an additional \$4 trillion to our debt. The whole idea of a budget is you're going to reduce debt eventually, right? You're going to eventually get into a surplus and potentially start reducing your debt. It's not happening.” – Alex, McCain-voting Independent

“[Carla] lays out, ‘Hey. We do have a budget. A budget was passed.’ She's expressing something that was done, but was it done to aid this country, or was it just something to [be able to say], ‘See you next year?’” – Chris, McCain-voting Independent

The Obama-voting Independents said that the GOP advocate could have made her argument more effectively in these ways:

“[The GOP advocate should have said] that it was true that President Obama did sign a budget to end the [debt] ceiling fiasco. But that’s true. She should explain her reasons that the Republicans – what they wanted at that time was a balanced budget amendment – and she could have explained herself better on that. She was fragmented.” – Tom, Obama-voting Independent

“Jean should have also emphasized that [the BCA’s 10 year plan is] not as important... as making a plan for the next year, which they did not do. A concrete plan for one year is better than a shaky plan for 10 years.” – Jessica, Obama-voting Independent

3) Republicans can get mileage out of the \$1.2 trillion in cuts already scheduled in the law

During the dial tests in both sessions, the lines spiked pronouncedly when the Democrats’ advocate said the following in reference to the Super Committee:

Since they were unable to come to a consensus about which cuts need to be made, \$1.2 trillion worth of cuts will be made automatically starting next January.

When we asked respondents why they agreed with that statement, they explained:

“It’s balancing the budget. Here is something concrete that they are doing to help balance the budget. You can’t come to a consensus [so] here’s what’s going to happen.” – Felix, Obama-voting Independent

“I like they gave themselves a consequence. We’ll see if they implement it.” – Jessica, Obama-voting Independent

“We don’t know where these cuts are coming from. We’re just thinking it’s a good thing.” – Female, McCain-voting Independent

Note: McCain-voting Independents conveyed concerns about which programs would be cut, but their visceral response is that they also like automatic cuts, since they see the budget as bloated and in need of cutting.

4) Republican messaging on the Buffett Rule is inadequate when compared to the President’s messaging, in large part because the President’s messaging plays into a widely held frustration with how wealthy people game the tax code

The news of Mitt Romney’s tax rate has reinforced the longstanding notion that wealthy people are able to get away with things that the middle class can’t even try. Independents are aggrieved by this, and want to see it remedied. The President’s plan, predicated on the Buffett Rule, is widely lauded for its ability to reinsert fairness into the tax code.

In our dial test, the GOP’s messaging split the McCain-voting Independents, and overwhelmingly put off the Obama-voting Independents:

	McCain-voting Independents	Obama-voting Independents
DEM Advocate	6	10
GOP Advocate	5	2

The fact is, our Independents dismiss out of hand most of the GOP arguments that point to the problems with the Buffett Rule. In fact, the GOP messaging in the dial test video flat-lined on this topic. When the GOP advocate said the following, for example, it was dismissed out of hand as patently false and unbelievable:

The wealthiest Americans are already paying a significantly higher tax rate than middle class Americans. As reported by the staff of Congress’s Joint Committee on Taxation, taxpayers with adjusted gross incomes of \$50,000 to \$75,000 pay a federal income tax rate of 4.5%. Those earning over \$1 million pay an average rate of 22%.¹

There are two main reasons why Obama-voting Independents disagreed so strongly with that statement. They believe they are paying a higher rate of tax than what is being reported by Congress, and they realize that percentage does not include all the taxes they pay, including payroll taxes.

In our group, we heard:

“[That statement] doesn’t apply to me. I’m in that range and I pay a lot more than an effective 4% [tax rate].” – Felix, Obama-voting Independent

“She mixed up terms of ‘federal income tax’ and ‘tax,’ which is two different things in the same sentence. It was very misleading – the way they put it.” – Male, Obama-voting Independent

Two other GOP assertions that performed poorly were attacks on President Obama’s motives. Both scored poorly in both sessions, but particularly with the Obama-voting Independents:

The President is on a mission to divide this nation by pitting the poor and the middle class against the wealthy.

AND

The U.S. economy is hobbling out of a recession, family incomes are falling, and 14 million Americans are unemployed, but the President’s top priority isn’t to reform the tax code to promote growth and job creation. His key focus is redistributing income.

¹ http://www.realclearmarkets.com/articles/2012/01/26/president_obamas_capital_gains_tax_envy_99485.html

In our group, we heard:

“I don’t think taxing the wealthy people at an appropriate rate is redistributing wealth because that’s not going to the poor people. The \$50 billion [that would result from raising taxes on the wealthy, that Carla raised in the video] is not going to me. I’m hoping that it’s going to balancing the budget so all of these things that we have to slash will be \$50 billion less because of this income that’s coming forth. I’d like to see that paired with other type of corporate tax increases, as well, because I do believe \$50 billion is a drop in the bucket, but it is a step in the right direction.” – Male, Obama-voting Independent

The McCain-voting Independents offered two key suggestions on how the GOP messaging on the Buffett Rule could be strengthened:

- First, Republicans should not be putting the emphasis on taxes, because all it does is remind middle class people that Republicans are complaining about higher taxes on the wealthy. Instead, Republicans should be talking about getting spending under control.
- Second, no one ever got a job from a poor person. It is people with means who are able to create jobs for other people. If the government puts up enough barriers to investment in the U.S., investors will take their money and invest in other nations that do not have such barriers.

McCain-voting Independents explained:

“I probably lean more towards Jean because my husband and I own a small business, and I’m the one writing the checks to pay all these taxes that we have to pay. My deal is with this whole topic is we are not talking about how we can stop spending so much. That’s what I want to see – not talking about raising anyone’s taxes. Quit wasting our money and get it under control. That’s what I think we need.” – Brenda, McCain-voting Independent

“My thought process is that all the jobs being created are created by the wealthy people. And I guess it’s an old argument...if you provide a lot of disincentives for them to leave their money here, they’re going to take it someplace else, unless everybody plays by the same rules. But you cannot force those rules in other countries. If you have another country that is going to have much lower capital gains and lower taxes, most likely that money is going to be moved there. The whole effective tax rate that they’re talking about, it’s true like they’re saying that Romney’s tax rate is 15% or something, but one of the things the tax rate doesn’t show you - how many jobs has he created? Just to kind of judge somebody by his or her tax rate is not enough.” – Alex, McCain-voting Independent

McCain-voting Independents also agreed that we need to encourage investors to take risks, and the Buffett Rule – requiring wealthy investors to be taxed at double their current rate (the rate

would increase from 15% to 30%) – would dramatically reduce risk-taking and investing in the United States.

Even one respondent who sided with Carla’s (Democratic) argument on the Buffett Rule agreed. She told us:

“I was on the Carla team, and yeah, I agree with that. If I were rich and I got taxed, I would lose [motivation] to invest. I want to try to figure out a way that I can put my money somewhere else where I don’t have to pay those taxes. I can understand that.” – Female, McCain-voting Independent

Obama-voting Independents disagree with Republicans who say that the extra \$50 billion would just be wasted and not used to reduce the deficit. They believe that even \$50 billion in extra revenue that would come from the Buffett Rule would be a step in the right direction toward reducing the deficit – it is more than just a drop in the bucket to them. They support tax increases to reduce the deficit as well as cuts in spending. They do not believe that spending cuts alone can balance the budget.

In our group, we heard:

“I think that the solution is to find additional revenue and cut expenses. I think maybe the politicians are getting closer to that, although we still got a ways to go.” – Male, Obama-voting Independent

“They have to cut spending and raise revenues... They’ve got to do both – got to do it.” – Male, Obama-voting Independent

“It’s not enough [to only cut spending].” – Male, Obama-voting Independent

- 5) Republican responses to the President’s plan for mortgages make the GOP look unsympathetic. Independents view their homes first as the places where they live and raise their families, not just as financial assets that can be allowed to “hit bottom.” Many Independents see government intervention in housing as warranted. There are much better ways to frame and convey the GOP arguments, however.**

As with the Buffett Rule, Republicans are losing the messaging war on mortgages. After viewing the video exchange, here’s what we saw in terms of who “won”:

	McCain-voting Independents	Obama-voting Independents
DEM Advocate	5	11
GOP Advocate	6	1

There are four things Republicans can do to get back on course:

- a) Show as much sensitivity to the plight of suffering families as they are to the overall health of the economy.

In the dial test, this Democratic messaging scored well:

This housing crisis strikes right at the heart of what it means to be middle class in America: our homes, the place where we invest our nest egg, the place where we raise our family, the place where we plant roots in a community, the place where we build memories.

What scored extremely poorly with Obama-voting Independents was this:

As to what to do for the housing industry specifically, the key is this: Don't try to stop the foreclosure process. Let it run its course and hit the bottom. The idea of the federal government running around and saying, 'We're going to give you some money for trading in your old car...or we're going to keep banks from foreclosing if you can't make your payments'...that's wrong. The right course is to let markets work.

We asked Obama-voting Independents why they reacted so negatively to those statements.

They told us:

"She made two comments that just floored me – when she said let the foreclosures [continue]. People lose their homes and don't worry about it. It'll be OK. That struck a nerve with me. Also, the values of the houses were going to be inflated again if you're refinancing at a lower cost. I don't see how that process works. I had more questions than answers at that point." – Felix, Obama-voting Independent

"It sounded like [the GOP advocate] didn't care about people who were going down. I do agree with her that the FHA shouldn't be burdening the debt. [The FHA] should shift that back onto the banks that they bailed out. They should shift that burden onto the banks because they're the ones who just bailed [the banks] out. They're the ones that need to be paying them back. [The FHA] should step out of it altogether but they should put the pressure on the banks to take care of it for keeping them afloat." – Jimmy, Obama-voting Independent

- b) Focus on past failures of mortgage policy—don't assume that people know what was done in the past. This is not like TARP or the auto bailouts where people think they know was done, and they often don't like it.

"[The GOP advocate] did have a point. The other [mortgage assistance] programs have failed. I agreed with that point that she made. I think [that argument] kind of did wash. I didn't lean that far towards one side or the other. For me, that [argument] kind of did wash. She said \$50 billion was not nothing when it came to raising taxes, but \$5 billion was all this money that the government was spending [on mortgages], so to me, it sounds like a contradiction." – Shawn, Obama-voting Independent

“The past programs they’ve tried ... they haven’t produced the results, so there’s no reason to think that we’re going to get significant results with any other programs.” – Nick, McCain-voting Independent

Also, remind people how the government’s policies contributed to the problem:

“Neither [Jean nor Carla] mentioned that it was the government that really caused all of this by requiring the standards to be relaxed so much when people were going to get these loans in the first place.” – Brenda, McCain-voting Independent

c) Talk more about growing the economy and making sure people have jobs

“[The GOP advocate] should have said the best mitigation against foreclosure is an economy in which people feel like they can take risks and provide jobs for other people. She should have tied it to the more broad concept of ‘let’s grow this economy and do it another way, and create jobs so people could afford their houses.’” – Jessica, Obama-voting Independent

d) Focus on personal responsibility

This was cited by one Independent in the McCain group, but we did not have time to explore how best to message this.

6) Independents remain generally unaware that a payroll tax cut was in place last year, and that workers’ paid less in FICA taxes in 2011 than in 2009

One quick point on Social Security—there’s still a major lack of knowledge about the payroll tax cut. As we did in Tampa last month, we asked our 23 respondents in Atlanta these two questions at the start of the session:

Imagine a worker earned gross wages of \$40,000 in 2009, and earned \$40,000 again in gross wages in 2011. When it comes to the FICA taxes that this person paid for Social Security and Medicare in 2011, was his tax rate in 2011...

1=Lower than it was in 2009 (7 responses)

2=The same as it was in 2009 (11 response)

3=Higher than it was in 2009 (5 responses)

Did you, and/or the workers you know, get a payroll tax cut last year?

1=Yes (9 responses)

2=No (7 responses)

3=Don’t know (7 responses)