



Commentary

WSJ-NBC Poll: Making The False Case For Tax Increases

William Poole, 04.29.11, 12:01 AM ET

"Less than a quarter of Americans support making significant cuts to Social Security or Medicare to tackle the country's mounting deficit." That was the key finding of a *Wall Street Journal*-NBC poll released March 3.

The finding has appeared repeatedly in recent press stories about the federal budget debate. It makes Democrats quietly gleeful and Republicans nervous. If spending cannot be cut, the only way out of the budget disaster is a major tax increase. Why does *The Wall Street Journal* sponsor a poll that helps to make the case for tax increases, as opposed to spending reforms, with a poll question that is hopelessly flawed?

How is the question flawed? Question 25 of the poll asked respondents to indicate degrees of acceptability of reducing the deficit by cutting various programs. Fourteen programs were listed. Respondents could choose from four degrees of acceptability ranging from "Totally acceptable" to "Totally unacceptable." The problem is that respondents were not forced to select some way to solve the problem.

I think back to the first weeks of my study of economics, using Paul Samuelson's justly renowned intro economics text. One of the very first lessons appears in a subsection called "The Law of Scarcity." Samuelson points out that, "In the world as it is, even children learn in growing up that 'both' is not an admissible answer to a choice of 'which one.'" The *WSJ*-NBC poll permits or even encourages respondents to choose "both." That is, no entitlements cuts and no tax increases.

Actually, the fact that a quarter of the respondents approve cutting Social Security and/or Medicare shows that Americans are smarter than they appear. Logically, 0% of respondents should favor cutting entitlements if the programs can be maintained as they are with no consequences. A quarter of the respondents understand that these entitlements cannot continue as they are. They are implicitly answering a different poll question than the one actually asked.

Here is the poll question that ought to be asked: "Would you favor reforms reducing spending on Social Security and Medicare or, alternatively, a tax increase affecting every taxpayer that would permanently increase income taxes by 50%?" (In fact, an increase of income tax rates of 50% might well not be adequate to maintain entitlements as they are today, but let's not get carried away with the new poll question.)

Hit the Rich?

The *Wall Street Journal* article on the poll also said that "more than 60% of poll respondents supported reducing Social Security and Medicare payments to wealthier Americans." It is a no-brainer that people favor taxing someone else or reducing someone else's benefits rather than their own. Don't tax me, don't tax thee, tax the guy behind the tree. What else is new?

There is a valid debate about the extent to which income tax rates should be increased for upper-income taxpayers. Here again, though, questions should be phrased in a way that suggests there might be a cost to increasing upper bracket rates. Perhaps the question might be, "Should tax rates on upper-income families be increased even though doing so might lead small businesses to hire fewer workers?" We can ask economists to study the effects on employment of upper-bracket increases, but without the second part of the question, most respondents who are not in the upper brackets will, of course, favor taxing someone else if there is no cost to them.

Two Inconsistent Mantras

We profess to worry about the burden we are leaving to future generations. At the same time, we insist that no current Social Security recipients should be affected by cutbacks. We cannot have it both ways. So here is another poll question: "Should retirees accept modest reductions in their current benefits or should the entire burden of these benefits be borne by their children and grandchildren in the form of higher taxes?"

Polls like the *Wall Street Journal*-NBC poll are meant to illuminate public attitudes toward many topics. When it comes to

budgetary issues, questions should always include options that address the budget problem. There is no free lunch.

Is it too much to ask that poll designers understand that "both" is not an admissible answer?

William Poole is a senior fellow at the Cato Institute and distinguished scholar in residence at the University of Delaware. He retired as president and CEO of the Federal Reserve Bank of St. Louis in March 2008.