ECONOMIC SCENE

Connecting the dots from tax cuts for the wealthy to loss of benefits.

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CONSERVATIVE and liberal political commentators alike have wondered why most Americans have enthusiastically supported two of the largest tax cuts in history even though most benefits will flow to upper-income families. Adding to the conundrum, in public opinion surveys Americans routinely express support for spending more on government programs like education, opposition to government budget deficits, and disappointment that the gap in income between rich and poor has widened -- all of which are in conflict with regressive tax cuts.

In the most extensive analysis yet available, Larry Bartels, a political scientist at Princeton University, gives a simple but persuasive explanation: "unenlightened self-interest." Middle- and lower-income Americans supported tax cuts they suspected went largely to the rich because they thought they, too, would benefit, if only by a small amount, and because they failed to connect the tax cuts to rising inequality, their future tax burden, or the availability of government services.

Professor Bartels analyzed a small battery of questions added to the National Election Survey, a poll of 1,500 people interviewed in the six weeks before the November 2002 election, and again in the month after the election. The survey turned up some remarkable results, which he reports in "Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind."

For example, most Americans will never have to pay the estate tax, yet 70 percent expressed support for eliminating it anyway. Support for eliminating the tax was nearly as great -- 66 percent -- among people who had strong reasons to favor keeping it: namely, those in families earning less than $50,000 a year who said that the increase in income inequality was a bad thing, that government policy contributed to differences in income, and that the rich pay less than they should in taxes.

Changing the wording from "estate tax" to "death tax" only marginally increased support for eliminating the tax, so people were not fooled by the framing of the issue.

Yet, Professor Bartels said, they were fooled. A separate survey sponsored by the Kaiser Foundation found that half of respondents thought "most families have to pay the federal estate tax when someone dies." Just a third gave the correct answer of "only a few families." (Only about 2 percent of estates are now subject to the tax.)

Several polls have found that the 2001 and 2003 tax cuts were supported by a majority of the public, although, surprisingly, the tax cuts were not as popular as scrapping the estate tax.

People who thought their own taxes were too high were much more likely to support the 2001 tax cut and to oppose the estate tax. Paradoxically, whether someone thought taxes on the rich were too low or too high was irrelevant to their position on tax cuts. Professor Bartels said a misconceived notion of self-interest explains these findings.

Some have argued that Americans are not "demonstrating in the streets" over regressive tax cuts because they are indifferent to inequality. Yet the survey found that 74 percent of respondents recognized that the difference in incomes between rich and poor was larger than it was 20 years ago, and a majority of them considered this a "bad thing." Only one in 20 considered the rise in inequality a "good thing."

Of course, views expressed in polls can differ from actual voter behavior. Recent election results, however, suggest that low-income people who hardly benefit from tax cuts that jeopardize government services still favor tax cuts.

Consider Alabama, which in September voted down a tax referendum championed by the state's Republican governor. Alabama's threshold for paying state taxes is the lowest in the country at just $4,600 for a family of four; taxes are highly regressive. The referendum would have raised the threshold to $17,000, increased the tax rate for higher earners, ended the state's full deductibility of federal income taxes, and expanded the sales tax. The revenue would have more than offset the state's record budget deficit, with the surplus earmarked for a reading program for elementary-school children, higher teacher salaries in at-risk schools, and college scholarships.

Lower-income families clearly would have benefited. Yet only 36 percent of voters in the bottom half of counties ranked by median household income supported the referendum, just slightly more than 32 percent in the top half.

Professor Bartels, citing a 2003 Kaiser Foundation survey, points to "a good deal of ignorance and uncertainty about the workings of the tax system and the policy options under consideration." Sixty-one percent of respondents said they had not heard of President Bush's proposal to do away with the dividend tax. Even worse, most people said they paid more in federal income taxes than in Social Security and Medicare taxes, a confusion that has helped keep payroll tax cuts -- which would have stimulated job growth -- off the table. And only 29 percent of people thought high-income people would benefit most from Mr. Bush's proposal to speed up and make permanent the previously enacted tax cuts.

Norbert Schwartz, a cognitive psychologist at the University of Michigan, said he thought the study provided "a powerful illustration of how the combination of low factual information and good political spin creates preferences that aren't in people's interest."

Nonetheless, there is a limit to how much informing people can transform public opinion. Those who were better informed were much less likely than the uninformed to support the 2001 tax cut (although equal numbers of the most informed still supported and opposed it), but not less likely to support eliminating the estate tax.

Providing information is also unlikely to increase support for budget discipline. In a survey experiment, my Princeton colleague Alan Blinder and I found that most people woefully underestimated the size of the federal deficit, although a majority considered it a serious problem. But when we told a different 500 people how big the deficit actually was, they were less inclined to say it was serious.

Larry Bartels concludes that "most Americans support tax cuts not because they are indifferent toeconomic inequality, but because they largely fail to connect inequality and public policy." In this sense, Homer Simpson had it backward when he said, "Just because I don't care doesn't mean that I don't understand."