

POLITICS '92: TAXES ARE NO LONGER JUST A GOP ISSUE

By Stuart Rothenberg

More than a dozen years after the tax revolt swept across the nation, taxes continue to be a significant topic of political debate both in the halls of Congress and in the 1992 presidential campaign.

But "the tax issue" plays very differently now than it did in 1980 or even in 1988, and that change poses considerable problems for George Bush, as well as opportunities for the Democratic party, in the 1992 elections.

The Silver Bullet

In the past two presidential elections, the Republican nominees have benefitted from economic prosperity, as well as from their successful portrayal of their Democratic opponents as tax increasers. For many Americans, the two parties' positions on taxes summed up their views on dozens of other issues, from economic growth to civil rights and welfare. As Thomas and Mary Edsall wrote in *Chain Reaction: The Impact of Race, Rights and Taxes on American Politics* (1991),

No longer the resource to create a beneficent federal government, taxes had come for many voters to signify the forcible transfer of hard-earned money away from those who worked, to those who did not....Federal taxation had become, in the new coded language of politics, a forced levy underwriting liberal policies that granted enlarged rights to those members of society who excited the most negative feelings in the minds of other, often angry voters. (p. 214)

Since Ronald Reagan's first term, most Democrats have approached tax policy from the perspective of "fairness," while the GOP has single-mindedly ar-

gued its opposition to income tax hikes. Not surprisingly, the voters got the message. A February 1985 ABC News/Washington Post survey, for example, found that by 51%-39%, those polled said that the Democrats would do a better job "seeing to it that taxes are fair to everyone," while a whopping 55%-34% said that the Republicans would do a better job "holding down taxes."

The election of George Bush—who in 1980 mocked Ronald Reagan's "voodoo economics" but eight years later told voters "read my lips: no new taxes"—did little to shake the public's perception that the Republicans were the anti-tax party. As late as March 1991, a Yankelovich Clancy Shulman survey for Time and CNN found that, by 56%-29%, Americans believed that the Democrats were "too quick to suggest tax increases as a means of reducing the federal budget." Even a plurality of Democrats, 45%, agreed with that conclusion.

Rewriting the Pledge

The first crack in the unified Republican opposition to tax increases appeared in June of 1990, when President Bush indicated that he would be willing to consider additional taxes in order to reduce the federal budget deficit.

That announcement outraged conservatives and brought immediate forecasts of doom for Bush from campaign strategists and anti-tax Republicans. Actually, however, the public's reaction was surprisingly mild.¹

A July 1990 NBC News/Wall Street Journal poll found that almost two out of three voters said that the president's flip-flop wouldn't change their opinion of him, and those who said they would be affected by his new position split almost

evenly over whether they thought more highly or less highly of him. Bush's approval rating in that poll dipped to 67%, from 72% in May, hardly a dramatic drop. Other surveys conducted during the summer showed little slippage in Bush's poll ratings.

In March 1991, an ABC News/Washington Post survey found the GOP still with a 44%-35% advantage as the party better able to hold down taxes. And three months later, a bipartisan national survey conducted by Tarrance & Associates, a GOP firm, and Greenberg-Lake: The Analysis Group, a Democratic pollster, found the Republicans with a 50%-24% edge over the Democrats as the party better able to hold down taxes.

But in spite of that continued GOP advantage, Republican pollsters agree that the president's flip-flop wasn't without effect. They say that during the October 1990 budget stalemate, when Congress and the White House were negotiating the size and nature of a tax increase, GOP House and Senate candidates dropped precipitously in the polls—as did Bush.

While the candidates recovered quickly, and the president's popularity skyrocketed when the Gulf crisis flared up, the drop reflected a fundamental political problem that ultimately reappeared after the war and the Clarence Thomas hearings. That same view was offered in the summer of 1990 by polling analyst Karlyn Keene, who suggested correctly that a tax hike supported by the president "might not have dire short-term consequences" for the president, but "could do significant long-term damage to the Republican Party."

Losing the Issue

Recent polls show the Republican advantage on taxes has eroded and the

Democrats have gained on an issue which has haunted them for so long. The GOP nosedive occurred during the fall of last year, long after the president indicated he would break his pledge and a full year after the 1990 budget accord. The change in the public's attitude on the issue coincided with growing dissatisfaction with the president following the national economy's failure to begin an expected recovery.

One of the early warning signs was an October 1991 CBS News/New York Times poll that found voters saying that by only 38%-33% a Democratic president was more likely to raise taxes than was Bush. That narrow five-point spread should have alarmed Republican strategists, since a February 1990 Gallup poll had found a healthy 54% saying that President Bush had made "progress" on avoiding raising taxes.

A December 1991 ABC News/Washington Post survey held even worse news for the Republicans. It found the Democrats, not George Bush and the GOP, held a 40%-38% edge as the party trusted to hold down taxes, and a January 1992 USA Today/CNN poll by Gallup found only 32% approving of the president's handling of taxes—far below the 49% who approved of his handling of the environment and only slightly better than the 27% who said they approved of his handling of unemployment.

"In focus groups we do around the country," said one GOP pollster, "core Republican voters hold two things against the president: his tax flip-flop and his public assessment (late in 1991) that the economy was turning around at the same time that the public was focusing on the severity of the recession."

The New Hampshire primary results confirm the importance of taxes to Republicans. According to an exit survey conducted by Voter Research and Surveys (which supplies poll data to ABC, CBS, CNN and NBC), 86% of New Hampshire GOP primary voters who voted for Pat Buchanan said that the president's reversal on his "no new taxes" pledge was

an important factor in their vote for the challenger. In fact, Buchanan relied heavily on the issue, both in advertising and on the stump.

But if George Bush shot himself in the foot by breaking his "no new taxes" pledge, the Democrats in 1991, for the first time in recent memory, took advantage of the president's mistake by trying to seize the issue.

The Recession and the Democrats

The change in the Democratic party position on taxes has been nothing short of dramatic. Two years ago Democrats either applauded Bush for accepting the necessity of a tax increase, or they ridiculed him for breaking his pledge. Sometimes they did both. But last year, with the economy still faltering and a presidential campaign fast approaching, many Democrats suddenly embraced tax cuts.

Both Arkansas governor Bill Clinton and Nebraska senator Bob Kerrey realized the appeal of tax cuts to swing middle class voters, and both were early advocates of middle class tax relief. Nor are they the only Democrats who have taken advantage of economic stagnation to advocate pro-growth tax cuts. House Budget Committee chairman Dan Rostenkowski (D-IL) and Senate Budget Committee chairman Lloyd Bentsen (D-TX) proposed tax plans offering middle class tax relief, and many in the party's liberal wing were immediately attracted to a proposal introduced by Senator Albert Gore (D-TN) and Congressman Tom Downey (D-NY).

The recession turned into a gold mine for the Democrats, for it not only undermined the public's confidence in George Bush and erased the GOP's advantage on economic management, it also forced Democratic officeholders to look for ways to stimulate the economy through tax cuts, rather than to look for new spending programs that would alienate taxpayers.

In emphasizing middle class tax relief, the Democrats have neutralized an issue that has given them great trouble,

and they have changed the nature of the tax debate. Those two developments could benefit them this year and beyond, depending on their nominee and the nature of the campaign they run.

As late as the fall of 1991, the president was still resisting the idea of a tax cut for fear that it would increase the deficit. The first sign of a change in White House policy came on December 5, when Treasury secretary Nicholas Brady, OMB director Richard Darman and Council of Economic Advisors chairman Michael Boskin suggested in testimony to the House Ways and Means Committee that the administration might be able to find a way to support a middle class tax cut. A few weeks later, in his State of the Union address, George Bush offered a number of pro-growth proposals, including an increase in the personal exemption by \$500 per child. But when the administration sent its economic proposals to Capitol Hill, the increased personal exemption was not in it.

From "If" to "Who"

Many Democrats now believe they have an advantage on taxes. "Because of the 1991 budget fiasco," argues pollster Mark Mellman, "tax equity becomes the fundamental question. The question is now *who* pays."

Of course, the Democrats' emphasis on "tax fairness" (meaning higher taxes for the wealthy) is nothing new. But before 1990 the party had no credibility on the issue, and the Republicans' blanket opposition to tax increases was more attractive to those voters who believed that Democratic politicians couldn't be trusted with making tax policy.

Even if Mellman is exaggerating the redefinition of the tax issue, he is certainly correct that Bush's flip-flop on taxes and the Democratic party's support for middle class tax relief helps the Democrats argue the issue is not whether there will be tax hikes but who will pay more taxes.

Both parties generally favor tax changes to encourage investment, and both

the president and Democratic legislators are on record favoring some type of middle class tax cut. But the Republicans continue to push a cut in the capital gains rate, even though support for it is lukewarm (43% in a December Time/CNN survey and 42% in a January NBC News/Wall Street Journal poll). On the other hand, the public strongly favors the Democratic preference for creating a higher tax rate for the wealthiest Americans. The NBC News/Wall Street Journal poll, for example, found 79% of voters favoring a tax increase for people with incomes over \$200,000 per year.

Support for increased taxes on the wealthy is not new, and the Republicans successfully opposed similar proposals in the past. However, they did so either by holding out for tax cuts for other Americans (thereby arousing Democratic opposition) or by convincing voters that if the Democrats start raising taxes they won't stop until they have raised *everyone's* taxes. Events no longer make those arguments quite as compelling as they once were.

Will Taxes Matter At All?

In spite of the tax cut bidding war being carried on by the two parties, polls show clearly that further tax relief is not a high priority among the voters. It is equally true, suggestions to the contrary notwithstanding, that while the anti-tax fever of the late 1970s and early 1980s has subsided somewhat, it has not disappeared altogether. There is no reason to believe that voters would be receptive to a general tax increase.

What has happened is that the voters' sensitivity toward taxes is now primarily a function of the local tax environment. "Where people are getting hit by state and

local tax increases, they will be angry about taxes in general," says pollster Jan Van Lohuizen of Voter/Consumer Research. That means that in states such as Connecticut and New Jersey, taxes are likely to be a more prominent issue to voters, and anti-tax candidates are likely to have greater appeal. But in places where state and local officials have been able to hold the line on taxes, taxes should be less of an issue in the 1992 presidential race.

Most voters still believe that they are paying enough in taxes to support the government. They just aren't convinced that elected officials are getting the most out of those tax dollars. According to pollster Glen Bolger of Public Opinion Strategies, "Tax cuts are much less of an issue [in 1992] than how those tax dollars are spent."

The exact role taxes will play this year is still unclear, primarily because the Democratic presidential hopefuls are split on the issue. While Clinton and Kerrey favor middle class tax cuts, Paul Tsongas and Tom Harkin oppose them. And while Tsongas calls for a capital gains cut, many liberal Democrats resist that proposal. The eventual Democratic nominee will almost certainly make an issue of Bush's flip-flop to raise questions about the president's promises and agenda, but the substance of the tax issue—and Bush's ultimate strength or weakness on it—will depend on who wins the Democratic nomination.

Even with the changing nature of the tax debate, it is not impossible for the Republicans to regain the issue for November. A late January/early February 1992 ABC News/Washington Post survey found that the Republicans once again

held a narrow 45%-41% advantage as the party better able to hold down taxes (one of the few areas other than foreign policy where the GOP still held the advantage), and the Democrats may well end up with a presidential nominee who could be painted as a "tax and spend Democrat." Fundamentally, the GOP is still far more fiscally conservative than the Democrats, who are more inclined to advocate increased domestic spending that would require increased revenue.

If the economy recovers soon, the GOP should regain some of its strength on the tax issue, just as it should recover in other areas. The problem for the Republicans is that they are now in the position of having to struggle to regain an issue which was so crucial to them and so lopsidedly in their favor. That's not a good position to be in at the start of a presidential campaign.

Endnotes

¹ Part of the reason many Americans reacted so little is that they expected the president to be forced to increase taxes. Less than two weeks after the 1988 elections, two out of three registered voters, including 54% of Bush voters, said they expected the president to raise taxes. Two-thirds also said that they *opposed* a tax hike.

² See Karlyn H. Keene, "George Bush: Read Your Polls," *National Review*, July 23, 1990, p. 34.

Stuart Rothenberg is editor and publisher of The Rothenberg Political Report, and a visiting scholar, the Department of Politics, Catholic University of America