

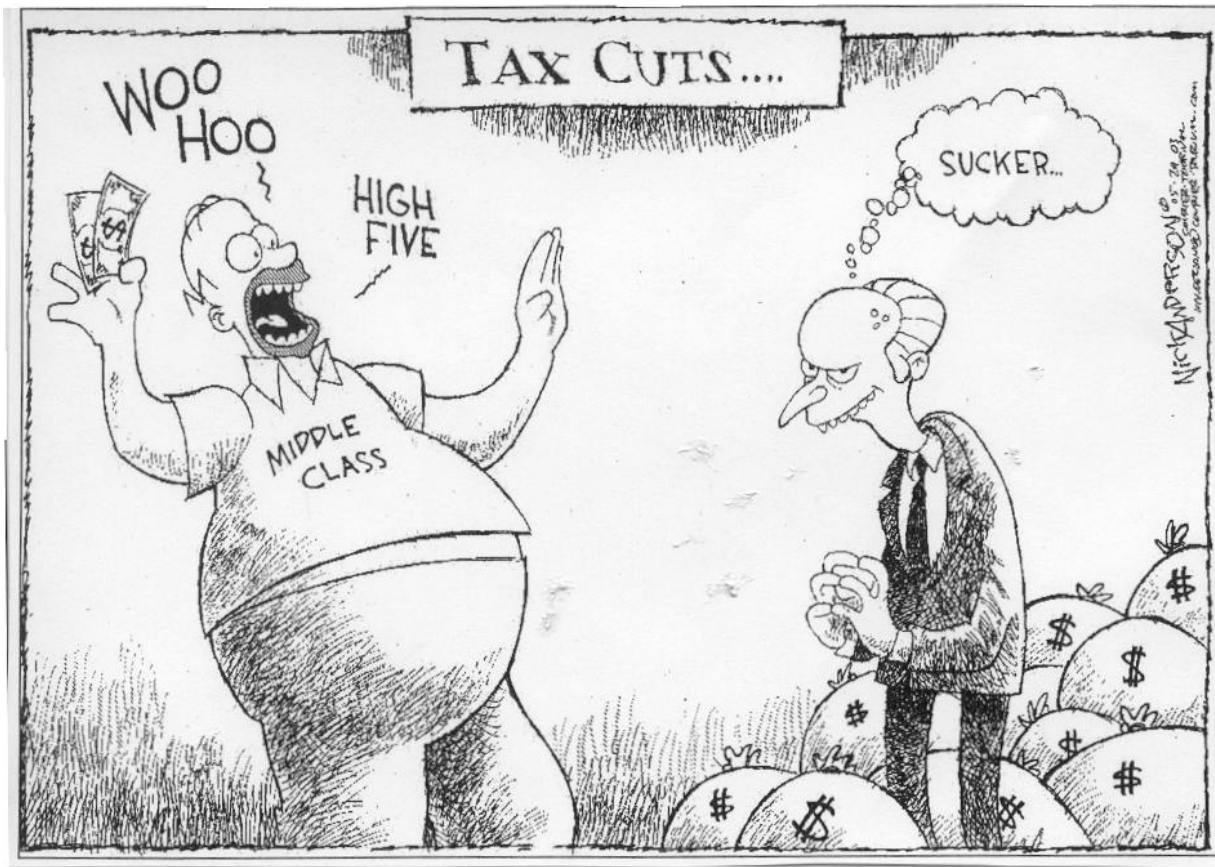
# Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind

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# **Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind<sup>1</sup>**

For the past thirty years, the United States has been conducting what one observer (Samuelson 2001) has called “a massive social experiment” regarding the political and social consequences of increasing economic inequality. The share of national income going to families in the bottom 40 percent of the income distribution declined by about one-fifth, from 17.4% in 1973 to 13.9% in 2001, while the share going to families in the top 5 percent increased by more than one-third, from 15.5% to 21.0% (Mishel, Bernstein, and Boushey 2003). Meanwhile, the share of income going to the top one-tenth of one percent quadrupled between 1970 and 1998, leaving the 13,000 richest families in America with almost as much income as the 20 million poorest families (Krugman 2002). The economic causes of these trends—technological change? demography? global competition?—are a matter of some scholarly controversy. But the important political point is that, whereas most rich democracies have significantly mitigated increasing economic inequality through government action, the United States has mostly been content to let economic trends take their course, doing “less than almost any other rich democracy to limit economic inequality” through employment and wage policies, taxes, and transfers (Jencks 2002, 64).

In light of these developments, business writer Robert Samuelson (2001) argued that “If Americans couldn’t abide rising inequality, we’d now be demonstrating in the streets.” Instead,

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<sup>1</sup> Earlier versions of this article were presented at the 2003 Annual Meeting of the American Political Science Association and in seminars and conferences at the University of Michigan, the Center on Budget and Policy Priorities, the Brookings Institution, and Princeton University. The research was generously supported by a grant from the Russell Sage Foundation to the Princeton Working Group on Inequality.

quite to the contrary, the past three years have seen a massive additional government-engineered transfer of wealth from the lower and middle classes to the rich in the form of substantial reductions in federal income taxes. Congress passed, and President Bush signed, two of the largest tax cuts in history in 2001 and 2003. One accounting put the total cost to the federal Treasury of those cuts from 2001 through 2013 at \$4.6 *trillion*—more than twice the federal government’s total annual budget.<sup>2</sup> Many of the specific provisions of the Bush tax cuts disproportionately benefited wealthy taxpayers, including cuts in the top rate, reductions in taxes on dividends and capital gains, and a gradual elimination of the estate tax. As a result, according to projections by the Institute on Taxation and Economic Policy, the total federal tax burden in 2010 will decline by 25% for the richest one percent of taxpayers and by 21% for the next richest four percent, but by only 10% for taxpayers in the bottom 95 percent of the income distribution.<sup>3</sup>

What is most remarkable is that this massive upward transfer of wealth has been broadly supported by ordinary Americans, despite a good deal of public suspicion that the benefits would go mostly to the rich. For example, a CBS News Poll in April 2001, shortly before the first big tax cut was passed, found that 51% of the public favored President Bush’s tax cut plan, while 55% said that “rich people” would “benefit most” from it.<sup>4</sup> A Harris Poll in June 2003 found that

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<sup>2</sup> The \$4.6 trillion figure includes additional interest payments stemming from the resulting increase in the federal budget deficit; in addition, it assumes that a variety of nominally temporary rate reductions and credits will subsequently be made permanent. See John Springer, “Administration Tax Cut Proposals Would Cost \$2.7 Trillion Through 2013,” Center on Budget and Policy Priorities, March 10, 2003: [www.cbpp.org](http://www.cbpp.org).

<sup>3</sup> This calculation is based on the assumption that major provisions scheduled to expire by 2010 will, in fact, be extended. Absent that assumption the total tax cut for the richest one percent is reduced by about one-third and the total tax cut for the bottom 95 percent is reduced by about one-half. See “Effects of First Three Bush Tax Cuts Charted,” Citizens for Tax Justice, June 4, 2003: [www.ctj.org](http://www.ctj.org).

<sup>4</sup> “Do you favor or oppose George W. Bush’s \$1.6 trillion tax cut for the country over the next 10 years?” Favor, 51% -- Oppose, 37% -- Don’t know, 12%. “From what you’ve heard so far, who do you

50% thought the 2003 tax cut was “a good thing,” while 42% said it would help “the rich” a lot and only 11% said it would help “the middle class” a lot.<sup>5</sup> An even more recent survey in which respondents were reminded that “President Bush and Congress have made two major cuts in federal income tax rates” found that 54% of the public approved of those cuts, while only 37% disapproved.<sup>6</sup>

My aim in this paper is to explore the bases of this remarkable public support for tax cuts. The primary data for my analysis come from the 2002 National Election Study survey.<sup>7</sup> The survey included 1,511 respondents interviewed by telephone in the six weeks before the 2002 midterm election; 1,346 of these respondents (89%) were reinterviewed in the month after the election.<sup>8</sup> The respondents answered a series of questions about their perceptions of economic

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think would benefit most from George W. Bush’s tax cut plan: rich people, poor people, or middle-income people?” Rich people, 55% -- Poor people, 4% -- Middle-income people, 26% -- Other, Don’t know, 13%.

<sup>5</sup> “The Congress passed and the President has signed a new tax cut. Overall do you think this tax cut was a good or bad thing?” Good thing, 50% -- Bad thing, 35% -- Not sure, 15%. “Do you think that the tax cut will help the rich a lot, some, only a little, or not at all?” A lot, 42% -- Some, 30% -- Only a little, 12% -- Not at all, 6% -- Not sure, 10%. “Do you think that the tax cut will help the middle class a lot, some, only a little, or not at all?” A lot, 11% -- Some, 39% -- Only a little, 31% -- Not at all, 11% -- Not sure, 8%.

<sup>6</sup> “In recent years, President Bush and Congress have made two major cuts in federal income tax rates. Do you approve or disapprove of these tax cuts?” Approve, 54% -- Disapprove, 37% -- Don’t know, 9%.

<sup>7</sup> The data, codebooks, and more detailed information about the study design are publicly available from the NES website: [www.umich.edu/~nes](http://www.umich.edu/~nes).

<sup>8</sup> Some of the questions analyzed here were included in the pre-election survey, some appeared in the post-election survey, and some were randomized (asked of half the respondents in the pre-election wave and of the other half in the post-election wave). The NES staff produced two sets of sampling weights, one for the pre-election data (V020101) and the other for the post-election data (V020102). Most of my analyses include data from the post-election survey (whether as dependent variables, explanatory variables, or instrumental variables), and so employ the post-election weights. However, in a few cases (for example, in reporting distributions of responses for pre-election questions) I am able to include respondents who were not reinterviewed after the election, and in those cases I employ the pre-election weights.

inequality and its causes and consequences, the 2001 Bush tax cut, the proposed repeal of the federal estate tax, and related issues.<sup>9</sup> Thus, the 2002 NES data provide an unusual opportunity to probe how ordinary Americans reason about economic inequality and public policy.

The results of my analysis suggest that most Americans support tax cuts not because they are indifferent to economic inequality, but because they largely fail to connect inequality and public policy. Three out of every four people say that the difference in incomes between rich people and poor people has increased in the past 20 years, and most of them add that that is a bad thing—but most of these people still support Bush’s tax cuts and the repeal of the estate tax. People who want to spend more money on a variety of government programs are *more* likely to support tax cuts than those who do not, other things being equal. And people’s opinions about tax cuts are strongly shaped by their attitudes about their *own* tax burdens but virtually unaffected by their attitudes about the tax burden of the rich—even in the case of the estate tax, which only affects the wealthiest one or two percent of taxpayers. Some of these peculiarities appear to be mitigated by political information, but others seem perversely resilient.

## **Americans’ Attitudes About Economic Inequality**

Why do millions of ordinary Americans support massive tax breaks for the rich in an era of accelerating economic inequality? One common hypothesis is that they do so because they embrace an American ideology of opportunity in which economic inequality is natural and unobjectionable. Samuelson’s (2001) own explanation for the fact that we are not

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<sup>9</sup> The inequality module in the 2002 National Election Study survey was funded by a grant from the Russell Sage Foundation to Larry M. Bartels, Nancy Burns, and Donald R. Kinder, and was designed by Bartels, Burns, and Kinder in collaboration with the NES Board of Overseers, with helpful advice from participants in the Russell Sage Foundation Social Inequality Summer Workshop, Madison, Wisconsin, June 2002.

“demonstrating in the streets” is that, “On the whole, Americans care less about inequality—the precise gap between the rich and the poor—than about opportunity and achievement: are people getting ahead?” In the same vein, Nathan Glazer (2003, 111) has argued that “Americans, unlike the citizens of other prosperous democracies, not to mention those of poor countries, do not seem to care much about inequality. . . . even after the Enron and other scandals, most Americans remain apathetic about inequality: What we have today is outrage against those who do not play fair—not outrage over inequality as such.”

Analysts of American ideology have often emphasized the potential for conflict and contradiction between the core values of economic opportunity and political equality. For example, Hochschild (1981, 111, 278) reported that, in the economic domain, her rich and poor respondents “agree on a principle of differentiation, not of equality. . . . They define political freedom as strict equality, but economic freedom as an equal chance to become unequal.” Similarly, McClosky and Zaller (1984, 63) wrote that vast differences in wealth and life chances result “partly from the play of economic interests and the desire of those who have prospered to retain their advantages, and partly from the widespread acceptance of a powerful set of values associated with the private enterprise system that conflicts with egalitarianism.” And Verba and Orren (1985, 251) likened the various aspects of equality to the faces of a Rubik’s cube: “Each adjustment on one face necessitates an adjustment on some other face of the cube—in some other domain of equality. Only the most adroit and complicated strategies have a chance of achieving acceptable outcomes in more than one domain at once.”

In light of these conflicts and complexities, it should not be surprising that analysts have also noted important exceptions to the general pattern of acceptance of economic inequality. For

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example, Hochschild (1981, 280) found that “almost everyone, rich and poor, is incensed that the very wealthy do not pay their fair share of taxes. They argue that loopholes are too large and that the tax structure itself is insufficiently progressive.” In the same vein, McClosky and Zaller (1984, 177-178) noted “signs of resentment toward the advantages enjoyed by corporations and the wealthy. A sizable majority of the mass public believes that corporations and the rich ‘really run the country,’ that they do not pay their fair shares of taxes, and that they receive better treatment in the courts than poor people do. A fair number of respondents (though not a majority) also believe that the laws mostly favor the rich.”

There is also some evidence that Americans’ attitudes about inequality have been shifting in recent years. For example, in a periodic cross-national study conducted as part of the International Social Survey Program, Americans have become noticeably less likely to agree that “large income differences are necessary for a country’s prosperity.” In 1987 the average response on a -1 (strongly disagree) to +1 (strongly agree) scale was -.02; in 1992 it was -.16; by 1999 the average response had declined to -.34, a figure almost identical to the average values for the United Kingdom, Germany, Spain, Sweden, and Norway (calculated from Osberg and Smeeding 2003, Table 2.1). Over the same 12-year period, the average coefficient of variation in the salaries each respondent said people should earn in a variety of specific jobs declined by almost 25% (Osberg and Smeeding 2003, Table 4.2-1).

The 2002 NES survey included a variety of questions probing respondents’ perceptions of economic inequality, its causes, and its consequences. Here, too, there is a good deal of evidence contradicting the notion that Americans are indifferent to growing economic inequality. For example, Table 1 presents the distribution of responses to a sequence of questions in the survey assessing respondents’ recognition of and reaction to the marked increase in income

inequality over the past two decades. The first question in the sequence asked whether “the difference in incomes between rich people and poor people in the United States today is larger, smaller, or about the same as it was 20 years ago”; those who said “larger” or “smaller” were asked whether the difference is *much* larger or smaller or only *somewhat* larger or smaller, and were also asked whether the change is a good thing or a bad thing.

**\*\*\* Table 1 \*\*\***

The distribution of responses in Table 1 demonstrates widespread public recognition of the sheer fact of growing economic inequality in contemporary America. Almost 75% of respondents said the difference in incomes between rich people and poor people was larger than 20 years ago, and more than 40% said it was *much* larger; only about 8% said it was smaller. Moreover, a majority of those who recognized that income inequality has increased said they thought that was “a bad thing”; most of the rest said they “haven’t thought about” whether it is good or bad, while only about 5% said it was a good thing.

If we ask, in the spirit of Hochschild (1981), whether and where there is potential political support for egalitarian redistribution in these responses, the obvious place to begin is with the 30% of the public who said that the difference in incomes between rich and poor is much larger than it was, *and* that that is a bad thing. These people are at the core of a somewhat larger group, consisting of a little more than 40% of the public, that both recognized and regretted the fact that economic inequality has increased. In contrast, outright supporters of economic inequality—those who applauded the fact that inequality has increased or believed with regret that inequality has declined—constitute only about 6% of the public.

The remainder of the public can be thought of as divided into two broad groups. The first



of these, consisting of about 25% of the total population, did not recognize that economic inequality has increased. People in this group lack, but could conceivably acquire, a *factual* basis for seeing growing economic inequality as a public policy problem. The second group, consisting of almost 30% of the public, recognized that inequality has increased but hadn't thought about whether that is good or bad. What these people seem to lack is a *moral* basis for seeing growing economic inequality as a public policy problem. Perhaps, like a few of the people in Hochschild's (1981) much more detailed conversations about distributive justice, they "do not seek redistribution because they do not care one way or the other about it." But if her respondents are indicative, it is more likely that they "are not forced to face the question of redistribution" in their day-to-day lives, and thus "fail to support any system of distributive justice very fully. They sometimes seek equality; at other times, they seek differentiation; too often, they do not know what they want or even how to decide what the possibilities are" (Hochschild 1981, 279, 278, 283).

In addition to asking respondents about their perceptions and evaluations of economic inequality, the NES survey included both open-ended and fixed-choice questions inviting respondents to *explain* why, "in America today, some people have better jobs and higher incomes than others do."<sup>10</sup> The fixed-choice questions offered a variety of potential explanations ranging from "some people just don't work as hard" to "discrimination holds some people back" to "God made people different from one another." Respondents were asked to indicate whether

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<sup>10</sup> Half the respondents got the open-ended questions in the pre-election survey and the fixed-choice questions in the post-election survey; the other half got the fixed-choice questions in the pre-election survey and the open-ended questions in the post-election survey. My analysis here is limited to the fixed-choice questions, regardless of whether they were asked before or after the election. The responses from the two random half-samples were generally similar, except that those who responded in the pre-election survey attached somewhat more importance to "government policies" – despite the fact that subsequent portions of the pre- and post-election interviews called attention to a variety of relevant government tax and spending policies.

each potential explanation is “very important,” “somewhat important,” or “not important.” Their answers are summarized in Table 2, which lists the seven potential explanations in order of popularity.

**\*\*\* Table 2 \*\*\***

The quintessential American belief that economic success is a matter of hard work fares well in Table 2, with about 45% of the public saying unequal effort is a “very important” cause of economic inequality. However, there is even more support (about 55%) for the notion that unequal access to a good education is very important; and two other social factors, discrimination and government policies, also loom fairly large as explanations for economic inequality. It certainly does not seem to be the case that most Americans view economic inequality as a merely natural phenomenon, even if it is attributable in part to in-born or God-given differences in ability.

The NES survey also included questions about the perceived tax burdens borne by the respondents themselves, “rich people,” and “poor people.” The distributions of responses to these questions are presented in Figure 1.<sup>11</sup> Almost half the respondents said they are asked to pay more than they should in federal income taxes, while a similar proportion said they are asked to pay “about the right amount”; fewer than 4% said they are asked to pay *less* than they should.

**\*\*\* Figure 1 \*\*\***

In response to the same question asked about “poor people,” almost 45% of respondents

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<sup>11</sup> The tax burden questions were each asked twice, once before and again after the election. The pre-election and post-election responses were similar, and are combined in Figure 1.

said that poor people are asked to pay more than they should, while a similar percentage said that poor people are asked to pay about the right amount. Fewer than 10% said that poor people are asked to pay less than they should. In striking contrast, more than half the respondents said that rich people are asked to pay less than they should, while fewer than 15% said that rich people are asked to pay more than they should.

Here, as so often, it is easy to disagree about whether the glass is half full or half empty. Half of the American public thinks that rich people are asked to pay less than they should in federal income taxes—but almost half do not think so. More than 60% agree that government policies have exacerbated economic inequality by helping high-income workers more—but more than a third deny that assertion, and more than 85% say that “some people just don’t work as hard.” More than 40% say the difference in incomes between rich and poor has increased over the past 20 years, and that that is a bad thing—but an even larger proportion either don’t recognize the fact or haven’t thought about whether it is a good thing or a bad thing.

On the other hand, what is pretty clearly absent in these data is any positive popular enthusiasm for economic inequality. Americans may cling to their unrealistic beliefs that they, too, can become wealthy; but in the meantime they do not seem to cherish those who already are. Fewer than 7% say that a larger income gap between the rich and the poor is a good thing (or that a smaller gap is a bad thing). Fewer than 15% say the rich are asked to pay too much in taxes, while three times that many say the poor are asked to pay too much in taxes. And the public as a whole likes “big business” even less than it likes people on welfare, liberals, feminists, the news media, and the Catholic church.<sup>12</sup> Thus, the mystery of apparent public

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<sup>12</sup> Respondents in the 2002 NES survey were asked to rate a wide variety of public figures, institutions, and social groups on a “feeling thermometer” ranging from 0 to 100. “Big business” got an average rating of 48.8, as compared with 52.8 for “people on welfare,” 51.1 for “liberals,” 53.0 for “feminists,”

enthusiasm for tax policies skewed in favor of the rich remains a mystery.

## **The Bush Tax Cuts**

Tax cutting was the centerpiece of George W. Bush's 2000 presidential campaign platform. Less than five months after President Bush took office, and at his urging, Congress passed a major package of tax cuts including phased reductions in federal income tax rates, increased child credits, higher limits on contributions to tax-free retirement and educational savings accounts, and a gradual elimination of the federal estate tax. According to the Joint Committee on Taxation, the total package will cost the federal Treasury more than \$1.3 trillion through 2010. At that point all of the changes are scheduled to expire, returning the whole tax system to the status quo ante; however, most observers seem to agree that future Congresses will feel compelled to make the cuts permanent, at an additional cost to the Treasury of more than \$200 billion per year.

The 2001 tax cut was criticized by many observers for providing too much tax relief to the wealthy and too little to the middle class and the working poor. For example, a study released by Citizens for Tax Justice estimated that the top 1% of households will receive a total of \$477 billion in tax breaks over the ten-year period (an average of \$342,472 each), while the bottom 60% will receive a total of \$268 billion (an average of \$3,251 each). Moreover, because most of the broad-based tax cuts in the law took effect immediately while most of the benefits for very wealthy taxpayers were back-loaded, "the distribution of the tax cuts changes remarkably over time," with the estimated share of benefits going to the top 1% of households increasing

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52.3 for "the news media," and 51.6 for "the Catholic Church." The only group with a lower average score was "gay men and lesbians," at 46.2. The average rating for "poor people" was 65.6.

gradually from 7.3% in 2001 to 51.8% in 2010.<sup>13</sup>

That is where matters stood at the time of the 2002 NES survey. In January 2003 President Bush proposed an “economic growth” package including more than \$700 billion in further tax cuts (and \$4 billion for personal reemployment accounts).<sup>14</sup> The centerpiece of the new package was a proposal to exempt corporate dividends from taxation as personal income and reduce capital gains taxes on sales of corporate stock. (Almost half of all capital gains income goes to households with incomes over \$1 million.) Bush also proposed accelerating major elements of the 2001 tax cut scheduled to take effect between 2006 and 2010, including reductions in the top four tax rates, making them effective immediately.

Critics called attention to the apparent mismatch between the upper-class tilt of the new round of proposed tax cuts and the putative goal of short-term economic stimulus.<sup>15</sup> They also raised alarms about the budgetary consequences of major additional tax cuts in the altered climate of economic stagnation, increasingly pessimistic deficit forecasts, and an expanding global war on terror. As one business reporter (Sloan 2003) observed, Bush “proposed massive tax cuts during the 2000 campaign, when things were booming, and proposed the same cuts when things tanked. Now he wants more cuts.” The *New York Times* claimed that “Bush’s Multitude of Tax-Cut Ideas Leaves Even Supply-Siders Dizzy” (Andrews 2003).

In late March, three pivotal moderate Republican senators concerned about the budget

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<sup>13</sup> “Year-by-Year Analysis of the Bush Tax Cuts Shows Growing Tilt to the Very Rich,” Citizens for Tax Justice, June 12, 2002: [www.ctj.org](http://www.ctj.org).

<sup>14</sup> The Joint Committee on Taxation put the 10-year total price tag at \$726 billion, including \$396 billion for the dividend tax repeal.

<sup>15</sup> Critics were not alone in noting this apparent mismatch. According to one sympathetic political columnist, George F. Will (2003), “When critics say the plan the president proposed Tuesday will have negligible short-term stimulative effects, the right responses are: Of course. And: good.”

deficit and the cost of the war in Iraq sided with Democrats in moving to limit the new tax cut to \$350 billion—less than half of what President Bush had proposed. Republicans in the House and Senate bargained, postured, and traded accusations of “arrogance and broken promises” for two more months before settling on a compromise bill brokered by Vice President Richard Cheney (Rosenbaum and Firestone 2003). The bill succeeded in fitting much of what Bush had asked for into a \$318 billion ten-year plan by making the most popular elements—tax breaks for married couples and an increased child credit—expire in two years, and the more expensive cuts in taxes on dividends and capital gains expire in five years. The revised package was passed by the House (231-200) and by the Senate (51-50, with Cheney casting the tie-breaking vote).

This new round of tax cuts was subjected to scathing criticism, not only from the political left but also from the center. According to political columnist David Broder (2003), “The Republicans in Congress cobbled together one of the strangest, least plausible tax bills in history and sent it off to President Bush, who discovered hidden virtues in a measure whose provisions he had repeatedly called woefully inadequate for the task of stimulating a sickly economy.” A former Republican cabinet official complained in equally strong terms about “Republicans’ irresponsible obsession with tax cutting” (Peterson 2003, 18). “Coming into power,” he wrote,

the Republican leaders faced a choice between tax cuts and providing genuine financing for the future of Social Security. (What a landmark reform this would have been!) They chose tax cuts. After 9/11, they faced a choice between tax cuts and getting serious about the extensive measures needed to protect this nation against further terrorist attacks. They chose tax cuts. After war broke out in the Mideast, they faced a choice between tax cuts and galvanizing the nation behind a policy of future-oriented burden sharing. Again and again, they chose tax cuts.

Criticism of the tax cut was heightened when it became clear that a “last-minute revision by House and Senate leaders” would prevent millions of families with incomes between \$10,500

and \$26,625 from receiving \$400 checks reflecting the increased child credit in the new bill (Firestone 2003). In the face of that criticism the Senate and White House signaled their willingness to reinstate the credits in separate legislation (at a cost of \$3.5 billion), but House leaders refused to consider the measure except as part of a broader package including \$78 billion in additional tax cuts for middle- and upper-income taxpayers. Meanwhile, for good measure, the House also passed a permanent repeal of the estate tax.

## **Public Support for Tax Cuts**

Anyone who looked at the data presented in Figure 1 on public attitudes about the tax burden borne by rich people would have good grounds to imagine that two successive rounds of tax cuts going primarily to the wealthy would have generated substantial public opposition. But as I have already noted, public opinion has been remarkably favorable toward the Bush tax cuts, even in the face of substantial elite criticism.

The 2002 NES survey included two sets of questions about tax cuts, one (in the pre-election wave of the survey) focusing on the 2001 tax cut and the other (in the post-election wave) focusing on the ongoing controversy about “doing away with the tax on large inheritances.” Figure 2 shows the distribution of respondents’ opinions about the latter issue. The question was asked in two forms, one referring to the “estate tax” and the other to the “death tax.” Since the “death tax” label has been aggressively championed by proponents of repealing the tax, it might be expected to generate more public support for repeal than the “estate tax” wording. It did; but only by a few percentage points. What is more striking is that large majorities in both cases favored repealing the tax; altogether, 51% of the public “strongly” favored doing so, while another 19% were less strong supporters of repeal. Only 25% opposed

repeal, and they were slightly more likely to be “not strong” opponents than “strong” opponents. (They were also less likely than supporters of repeal to say that this issue was “very important” to them personally.)

**\*\*\* Figure 2 \*\*\***

These results are consistent with those of other surveys that have asked about repealing the estate tax. For example, a 2003 survey sponsored by National Public Radio, the Henry J. Kaiser Family Foundation, and Harvard University’s Kennedy School of Government found 54% of the public in favor of repealing the “federal estate tax” and 16% opposed (with 29% saying they “don’t know enough to say”); 60% favored repealing the tax when the phrase “death tax” was mentioned in the question (with 15% opposed and 26% saying they “don’t know enough to say”).<sup>16</sup>

Some analysts have cast doubt on the depth of public support for repealing the estate tax implied by marginal distributions like these. For example, the NPR/Kaiser Foundation/Kennedy School survey included a series of questions proposing various exemption levels for the estate tax; a total of 52% of the sample favored keeping the current tax (15%) or raising the exemption level to \$1 million (26%) or to \$5 million (11%), while only 26% continued to support repeal even if the tax was “collected only on estates worth \$25 million or more.”<sup>17</sup> Similarly, a 2001

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<sup>16</sup> National Survey of Americans’ Views on Taxes, April 2003: [www.kff.org](http://www.kff.org), [www.npr.org](http://www.npr.org). As in the 2002 NES survey, the two questions were asked of random half-samples. “There is a federal estate tax—that is, a tax on the money people leave when they die. Do you favor or oppose eliminating this tax, or don’t you know enough to say?” Favor, 54% -- Oppose, 16% -- Don’t know enough to say, 29%. “There is a federal estate tax that some people call the death tax. This is a tax on the money people leave when they die. Do you favor or oppose eliminating this tax, or don’t you know enough to say?” Favor, 60% -- Oppose, 15% -- Don’t know enough to say, 26%.

<sup>17</sup> “Would you (still) favor eliminating the federal estate tax if it were collected only on estates worth \$1 million or more? . . . \$5 million or more? . . . \$25 million or more?” Keep estate tax, 15% -- Keep tax but



survey conducted by Mark Penn for the Democratic Leadership Council found substantial support for continuing to apply the estate tax to very large estates; when Penn offered respondents the choice of eliminating the estate tax, leaving it as is, or “exempting small family farms and small businesses from the estate tax, but not multimillionaires,” 56% chose the third option, while fewer than one in four continued to favor eliminating the tax.<sup>18</sup> Findings like these suggest that *some* form of continued estate tax could conceivably win substantial public support. Nevertheless, what is most striking in survey data is that a great many people with no material stake in repealing the inheritance tax seem remarkably eager to get rid of it.

The depth of public antipathy toward the inheritance tax is evident in Table 3, which shows how the proportion of people favoring repeal of the tax in the 2002 NES survey varied with relevant circumstances and political views. In the sample as a whole, almost 70% favored repeal. But even among people with family incomes of less than \$50,000 (about half the sample), 66% favored repeal. Among people who want to spend more money on federal government programs, 68% favored repeal.<sup>19</sup> Among people who said that the difference in

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only on estates of \$1 million or more, 26% -- Keep tax but only on estates of \$5 million or more, 11% -- Keep tax but only on estates of \$25 million or more, 7% -- Eliminate tax even on estates of \$25 million or more, 26% -- Don't know/Refused, 15%.

<sup>18</sup> Mark J. Penn, “What Americans Really Think About Bush’s Tax Cut,” March 2001: [www.ndol.org/blueprint/spring2001/penn.html](http://www.ndol.org/blueprint/spring2001/penn.html). “A key feature of President Bush’s tax cut proposal is the elimination of the estate tax. The estate tax is now levied against estates of more than \$600,000. That exemption will soon rise to \$1 million. Only the top 2 percent of estates are now subject to the tax. Which is closer to your view?” “We should eliminate the estate tax,” 23% -- “We should leave it as it is,” 16% -- “We should exempt small family farms and small businesses from the estate tax, but not multimillionaires,” 56% -- Don’t know, 5%.

<sup>19</sup> Respondents who were interviewed in both waves of the 2002 NES survey were asked whether federal spending in each of 17 specific areas should be increased, decreased, or kept about the same. My summary measure of spending preferences is a simple average of the responses to these 17 questions, each coded +1 for “increased,” -1 for “decreased,” and 0 for “kept about the same.” (Thus, respondents who favored more increases than decreases are counted as wanting more government spending.) The summary measure of spending preferences is strongly skewed toward increased spending, with a mean value of .38 and a standard deviation of .26. The 17 spending items focused on “building and repairing

incomes between rich people and poor people has increased in the past 20 years *and* that that is a bad thing, 66% favored repeal. Among those who said that government policy is a “very important” or “somewhat important” cause of economic inequality, 67% favored repeal. Among those who said that the rich are asked to pay too little in federal income taxes, 68% favored repeal. And finally, among those with family incomes of less than \$50,000 who want more spending on government programs *and* said income inequality has increased *and* said that is a bad thing *and* said that government policy contributes to income inequality *and* said that rich people pay less than they should in federal income taxes—the 11% of the sample with the strongest conceivable set of reasons to support the estate tax—66% favored repeal.

**\*\*\* Table 3 \*\*\***

No doubt, many of these people could be coaxed into preferring some form of near-repeal to “doing away with the estate tax” entirely. Nevertheless, the persistence of public support for repeal in the face of such a variety of seemingly contrary considerations is quite impressive. Indeed, it seems to me that the only way to account for it is to suppose that these “considerations” have not really been brought to bear on the inheritance tax at all, but occupy a separate domain in the minds of people who “are not forced to face the question of redistribution; in fact, nothing in their normal environment gives them any incentive ever to consider it” (Hochschild 1981, 278).

In addition to being asked whether they favored or opposed doing away with the

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highways,” “AIDS research,” “welfare programs,” “public schools” (or “big-city schools”), “dealing with crime,” “child care,” “homeland security” (or “the war on terrorism”), “unemployment insurance,” “defense,” “environmental protection,” “aid to poor people” (or “aid to the working poor”), “foreign aid,” “Social Security,” “tightening border security to prevent illegal immigration,” “aid to blacks,” “preventing infant mortality,” and “pre-school and early education for poor children” (or “pre-school and early education for black children”).

inheritance tax, respondents in the 2002 NES survey were asked whether they favored or opposed the “big tax cut” passed in 2001. As with the inheritance tax, the question was asked in two different forms: half the respondents were asked about the tax cut “Congress passed,” while the other half were asked about the tax cut “President Bush signed.” The distributions of opinion for both versions of the question are shown in Figure 3. In both cases supporters outnumbered opponents by more than 2 to 1, with most of these supporters saying they favored the tax cut “strongly.” These results suggest that the tax cut was extremely popular, especially when it was associated with President Bush.

**\*\*\* Figure 3 \*\*\***

However, unlike the question about repealing the inheritance tax, the tax cut question invited respondents to admit that they “haven’t thought about” whether they favored or opposed the 2001 tax cut. Remarkably, in view of the fiscal and political significance of the tax cut, more than 40% of the respondents availed themselves of that opportunity. Even associating the tax cut with President Bush only reduced that proportion to about 35%, while asking about the tax cut “Congress passed” left more than 45% of the sample unable to say whether they favored or opposed it.

Taken at face value, the results of opinion surveys—including the results from the 2002 NES survey presented in Figures 2 and 3—provide considerable evidence of strong public support for tax cuts along the lines pursued by President Bush. However, the fact that more than 40% of the respondents in the NES survey admitted that the 2001 tax cut was something they “haven’t thought about” suggests that public opinion in this domain probably should *not* be taken

wholly at face value. Notwithstanding the vastness of the stakes, public thinking about this issue seems to have been remarkably superficial.

A good deal of further evidence of public inattention and uncertainty in the general domain of tax policy appeared in the 2003 survey of Americans' views on taxes sponsored by NPR, the Kaiser Foundation, and the Kennedy School. Asked whether they pay more in federal income tax or Social Security and Medicare tax, 34% of respondents said they didn't know (and most of the rest were wrong).<sup>20</sup> Asked whether they were eligible for the Earned Income Tax Credit, 28% said they didn't know.<sup>21</sup> Asked whether Americans pay more or less of their income in taxes than Western Europeans, 42% said they didn't know.<sup>22</sup> Asked whether they had heard about a proposal in Washington to do away with taxes on corporate dividends—the centerpiece of President Bush's new tax proposal and a prominent feature of political debate in the month before the survey—61% said no.<sup>23</sup> Asked whether the 2001 tax cuts should be speeded up, 48% said they didn't know.<sup>24</sup> Asked whether the cuts should be made permanent rather than being

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<sup>20</sup> “Over the course of a year, do you pay more federal income tax, or more Social Security and Medicare Tax, or don't you know?” More federal income tax, 52% -- More Social Security and Medicare, 14% -- Don't know, 34% -- Refused, 1%. (In fact, a substantial majority of taxpayers pay more in payroll taxes than in federal income tax.)

<sup>21</sup> “The last time you filed your taxes, were you eligible for the Earned Income Tax Credit, or not, or don't you know?” Yes, 21% -- No, 50% -- Don't know, 28%.

<sup>22</sup> “Compared with the citizens of Western European countries, do you think Americans pay a higher percentage of their income in taxes, a smaller percentage of their income in taxes, about the same percentage of their income in taxes, or don't you know enough to say?” A higher percentage, 21% -- a smaller percentage, 30% -- About the same percentage, 6% -- Don't know enough, 42%.

<sup>23</sup> “There is a proposal in Washington now to do away with personal income taxes on corporate dividends. Dividends are what many companies pay to owners of their stock. Have you heard about this proposal, or not?” Yes, 38% -- No, 61% -- Don't know, 1%.

<sup>24</sup> “As you may know, in 2001 Congress passed President Bush's proposals for tax cuts that are to be phased in over the next few years. Do you favor or oppose speeding up those tax cuts so they go into effect sooner, or don't you know enough to say?” Favor, 31% -- Oppose, 21% -- Don't know enough to say, 48%.

allowed to expire in 2011, 60% said they didn't know.<sup>25</sup> Asked whether speeding up the cuts and making them permanent would mainly help high-income, middle-income, or lower-income people, 41% said they didn't know.<sup>26</sup>

In short, while public opinion is generally supportive of tax cuts, there is also plenty of evidence of ignorance and uncertainty about the workings of the tax system and the policy options under consideration (or actually adopted) in Washington. Much of the public is unclear about basic facts in the realm of tax policy; some of what the public does know is patently false; and a remarkable number of people, if offered the chance, will say that they "haven't thought about" a policy innovation whose consequences are reckoned by experts in *trillions* of dollars.

## **Unenlightened Self-Interest**

How can ordinary people in a state of ignorance and uncertainty orient themselves with respect to complex issues of public policy? The hypothesis explored here is that they do so, in large part, on the basis of simple-minded and sometimes misguided considerations of self-interest. While respondents in the 2002 NES survey were not asked directly whether they thought they would benefit personally from the Bush tax cut or from repealing the inheritance tax, the question about respondents' perceptions regarding their own tax burdens can provide significant indirect light on the impact of perceived self-interest among other potential influences

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<sup>25</sup> "As you may know, the 2001 tax cuts are set to expire in 2011. Do you support or oppose making those tax cuts permanent, or don't you know enough to say?" Support, 23% -- Oppose, 17% -- Don't know enough to say, 60%.

<sup>26</sup> "In his State of the Union address President Bush proposed speeding up the tax cuts and making them permanent. Do you think this mainly would help high-income people, middle-income people, or lower-income people, or would it treat everyone equally, or don't you know enough to say?" High income people, 29% -- Middle income people, 7% -- Lower income people, 6% -- Treat everyone equally, 18% --

on their views about tax policy. To the extent that respondents who believe that they are asked to pay too much in taxes are also more likely to support tax cuts, it seems plausible to infer that the additional support has something to do with their subjective sense of their own tax burden. The parallel questions in the NES survey about the tax burdens of the rich and the poor provide a valuable check on reasoning of this sort, since more general antipathy to taxes would presumably be reflected in one or both of those questions as well as in the question about respondents' *own* tax burden.

The regression results presented in the first column of Table 4 relate NES respondents' views about repealing the inheritance tax to their perceptions of their own tax burdens, the tax burden of the rich, and the tax burden of the poor. Since the primary direct effect of repealing the inheritance tax would be to reduce the long-run tax burden of the wealthiest one or two percent of American taxpayers, respondents who believe the rich pay too much in taxes should be much more likely to favor repealing the estate tax, while those who believe the rich pay too little in taxes should be much more likely to oppose repeal. Since repealing the inheritance tax would have no direct effect on respondents' own tax burdens (for all but the wealthiest handful) or on the tax burden of the poor, opinions about whether these taxes are too high or too low are less obviously relevant. However, if respondents recognize that repealing the inheritance tax is likely to lead, eventually, to increases in other, broader-based taxes (in some combination with reductions in government services and larger budget deficits), those who believe their own taxes (or the taxes paid by the poor) are too high may be inspired to oppose repealing the inheritance tax, producing negative coefficients in the first column of Table 4.

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Don't know enough to say, 41%.

\* \* \* **Table 4** \* \* \*

The parameter estimates reported in Table 4 are from instrumental variables regressions with perceived tax burdens in the pre-election survey used as instruments for the corresponding perceived tax burdens in the post-election survey. The instrumental variables estimator produces less efficient parameter estimates than ordinary regression, but avoids substantial biases due to measurement error in the perceived tax burdens.<sup>27</sup>

The results presented in the first column of Table 4 suggest that attitudes regarding the tax burden borne by the rich have a modest positive effect on support for repealing the inheritance tax—that is, people who think the rich pay too much in federal income taxes are somewhat more likely to favor repeal, while those who think the rich pay too little are somewhat less likely to favor repeal. So far, so good. However, this effect is dwarfed by the much larger effect of respondents' attitudes about their *own* tax burden. The latter effect is also positive, meaning that people who think *they* are asked to pay too much in federal income taxes are substantially more likely to support repealing the inheritance tax—despite the fact that the vast majority of them never have been or would be subject to the tax.

Perversely, this apparent misplaced self-interest is most powerful among people whose own economic circumstances make them least likely to have any positive personal stake in repealing the inheritance tax. For example, in separate regression analyses by income class (not

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<sup>27</sup> The correlations between perceived tax burdens in the pre-election and post-election surveys are .55 for respondents' own taxes, .55 for the rich, and .44 for the poor. Even with some allowance for genuine change in respondents' views between surveys, correlations of this magnitude suggest that the responses are subject to substantial measurement error. As a result, ordinary regression parameter estimates corresponding to the instrumental variables parameter estimates in Table 7 are greatly attenuated; for example, the estimated effects of *Own Tax Burden* and *Rich Tax Burden* in the third column of Table 7 are .413 and .159, but the corresponding ordinary regression estimates are only about half as large—.181 and .086.

shown), the estimated effect of respondents' own perceived tax burdens on their views about repealing the inheritance tax is about 70 percent *larger* for lower- and middle-class voters than for those in the top third of the income distribution (with family incomes over \$65,000).

Conversely, views about taxing the rich are virtually irrelevant among those in the bottom third of the income distribution (with family incomes under \$35,000), and less relevant to the middle class than to those in the top third of the income distribution.<sup>28</sup>

The second column of Table 4 presents the results of a more elaborate version of the analysis presented in the first column of the table. In addition to perceptions of respondents' own tax burden and the tax burdens of the rich and the poor, this analysis includes government spending preferences, general ideology, party identification, and family income as explanatory variables.<sup>29</sup> To the extent that the apparent effects of perceived tax burdens in the first column of Table 4 are artifacts of correlations between these perceived tax burdens and more general political views, those effects should disappear once measures of more general political views are added to the regression model.

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<sup>28</sup> The parameter estimates for *Own Tax Burden* are .49 (with a standard error of .25) for the 31% of the sample with family incomes under \$35,000, .47 (.18) for the 33% of the sample with family incomes between \$35,000 and \$65,000, and .28 (.11) among the 36% with family incomes over \$65,000. The parameter estimates for *Rich Tax Burden* are .08 (.19), .15 (.12), and .21 (.09), respectively.

<sup>29</sup> As in Table 7, I employ instrumental variables to avoid biases in parameter estimates due to measurement error in the survey items used as explanatory variables. In the case of *Government Spending Preferences* I use an index composed of eight spending items included in the pre-election wave of the 2002 NES survey as instruments for a similar index composed of eight items in the post-election wave; the correlation between the two indices is .55. (Half the respondents were asked the first eight items listed in note 18 in the pre-election wave and the last eight in the post-election wave, while the other half were asked the last eight items in the pre-election wave and the first eight in the post-election wave; since the distributions of responses for the two sets of items were quite similar, I treat them as interchangeable.) My instrument for *Conservative Ideology* (the respondent's self-placement on a seven-point liberal-conservative scale) is the difference in "thermometer ratings" assigned to conservatives and liberals; the correlation between the two measures is .58. My instrument for *Republican Party Identification* (both here and in subsequent analyses) is the respondent's reported vote in the 2000 presidential election; the correlation between party identification and reported presidential votes is .60.



Three of the four additional explanatory variables in the second column of Table 4 have significant effects on respondents' views about repealing the inheritance tax. (Family income seems to have no—direct—impact.) Two of these, ideology and party identification, have predictable effects, with conservatives and Republicans more likely to support repeal and liberals and Democrats less likely to do so. Government spending preferences also seem to matter, but in a counterintuitive way: respondents who want to spend more money on a variety of government programs are substantially *more* likely to favor repealing the inheritance tax, other things being equal.

Including spending preferences, ideology, and party identification to the analysis in Table 4 almost completely erases the apparent impact of the perceived tax burden of the rich. Thus, the only one of the tax burden questions that seems clearly relevant to the issue of repealing the inheritance tax does little or nothing to explain whether people favor or oppose repeal. On the other hand, respondents who think *they* are asked to pay too much in taxes remain considerably more likely to favor repealing the inheritance tax, even with a variety of more general measures of political attitudes included in the analyses. The estimated effects of respondents' own perceived tax burdens are smaller in the second column of Table 4 than in the first column, but still slightly larger than the estimated effects of ideology and party identification. Moreover, since respondents are much more likely to think that they are asked to pay too much in taxes rather than too little, the impact of these views on the overall distribution of opinion about repealing the inheritance tax is substantial, accounting for about one-third of the net public support for repeal.<sup>30</sup>

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<sup>30</sup> The sample mean value for the (−1 to +1) estate tax variable is .415. Multiplying the sample mean value for *Own Tax Burden*, .417, by the parameter estimate in the second column of Table 4, .324, accounts for 33% of this net support for repealing the estate tax.

These results provide further, albeit still circumstantial, support for the notion that what I have referred to as “misplaced self-interest” is a powerful source of public support for repealing the inheritance tax. Additional evidence to that effect appeared in the 2003 survey of Americans’ views on taxes sponsored by NPR, the Kaiser Foundation, and the Kennedy School. Asked whether “most families have to pay the federal estate tax when someone dies or only a few families have to pay it,” half the respondents said that “most families have to pay,” while an additional 18% said they didn’t know.<sup>31</sup> Thus, two-thirds of the American public seems not to understand the single most important fact about the estate tax: that it is only paid by very wealthy people. Another question in the same survey asked respondents who favored eliminating the estate tax (57% of the sample) about their reasons for doing so. All four of the reasons proposed in the survey were endorsed by substantial majorities, including “It affects too many people” (62%) and “It might affect YOU someday” (69%).<sup>32</sup> These results, too, suggest that a very substantial number of people support repealing the inheritance tax because they mistakenly believe that their own taxes will be lower as a result.

The regression results presented in the third column of Table 4 parallel those in the first column, using respondents’ perceptions of their own tax burden, the tax burden of the rich, and

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<sup>31</sup> “Do you think that most families have to pay the federal estate tax when someone dies or only a few families have to pay it?” Most families have to pay, 49% -- Only a few families have to pay, 33% -- Don’t know, 18%.

<sup>32</sup> “Why do you favor eliminating the estate tax as it is now? Is this a reason or not?” “The money was already taxed once and it shouldn’t be taxed again.” Yes, a reason, 92% -- No, not a reason, 7% -- Don’t know, 2%. “It affects too many people.” Yes, a reason, 62% -- No, not a reason, 34% -- Don’t know, 3%. “It might affect YOU someday.” Yes, a reason, 69% -- No, not a reason, 30% -- Don’t know, 1%. “It might force the sale of small businesses and family farms.” Yes, a reason, 74% -- No, not a reason, 22% -- Don’t know, 4%.

the tax burden of the poor to account for their views about the 2001 Bush tax cut.<sup>33</sup>

(Respondents who said they “haven’t thought about” whether they favored or opposed the tax cut are excluded from this analysis.<sup>34</sup>)

The relevance of perceived tax burdens is a little less clear for the 2001 tax cut than for the repeal of the inheritance tax, since (unlike the repeal of the inheritance tax) the tax cut included some direct benefits for most taxpayers. Thus, there was some reason for respondents who thought they are asked to pay too much to support it. On the other hand, since most of the benefits were concentrated on the wealthy—according to one estimate, 63% on the top one-fifth of households and 36% on the top one-hundredth, as against 20% on the bottom three-fifths—most respondents had even better reason to oppose the tax cuts if they felt that rich people are asked to pay too little, and perhaps some reason to oppose the cuts if they felt that they are asked to pay too much (to the extent that they viewed tax cuts for the rich as likely to increase their own future taxes through burden-shifting).

The analysis reported in the fourth column of Table 4 examines self-interested support for the Bush tax cut in the context of a more elaborate regression model including the same measures of more general political preferences employed in the second column—government spending preferences, liberal-conservative ideology, party identification—plus family income. The apparent effects of these control variables on support for the Bush tax cut are generally

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<sup>33</sup> In this case the parameter estimates are from instrumental variables regressions with perceived tax burdens in the post-election NES survey used as instruments for the corresponding perceived tax burdens in the pre-election survey. Since the tax cut questions appeared in the pre-election wave of the survey, using perceived tax burdens in the post-election wave as instruments for perceived tax burdens in the pre-election wave rather than vice versa guards against the possibility that survey context or question ordering effects inflate the relationship between perceived tax burdens and views about the tax cut.

<sup>34</sup> A more complex estimation strategy designed to guard against potential selection bias due to this censoring of the sample (Heckman 1979) produced very similar parameter estimates, except for a somewhat smaller intercept.

similar to the effects reported for repeal of the inheritance tax; conservative ideology and Republican party identification are strongly related to support for the tax cut, while wanting to spend more on government programs has a strong but counterintuitive *positive* effect and family income has rather little—direct—effect. Again, however, the primary question is whether the apparent effects of perceived tax burdens are significantly altered once these more general political attitudes are added to the regression models as additional explanatory variables.

The short answer to this question is that respondents' own perceived tax burdens continue to have a powerful impact on their views about the tax cut, even after controlling for spending preferences, ideology, and party identification.<sup>35</sup> Indeed, the apparent effect of respondents' own perceived tax burdens is reduced by less than 5% in moving from the third column to the fourth column of Table 4, and no other variable aside from party identification has as large an impact on support for the tax cut.

On the other hand, including spending preferences, ideology, and party identification in the analysis in the fourth column of Table 4 completely erases the apparent impact of respondents' attitudes about taxing rich people on support for the tax cut, just as it did on support for repealing

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<sup>35</sup> The results reported in Table 4 are from pooling the data for respondents who were asked about the tax cut "Congress passed" and those who were asked about the tax cut "President Bush signed." Results for these two half-samples considered separately (not shown) suggest that the impact of respondents' own perceived tax burdens was much greater for the tax cut "Congress passed" than for the tax cut "President Bush signed." In the absence of any clear cues about where the tax cut came from or whose interests it served, respondents seem to have fallen back on simple-minded self-interest in deciding what (if anything) they thought about it. The half of the public who thought their own tax burdens were about right were roughly equally likely to favor or oppose the tax cut, while the half who thought their own taxes were too high were virtually certain to support it. In contrast, those who were asked about the tax cut "President Bush signed" seem to have weighed their own tax burdens much less heavily in deciding what they thought about it. Associating the tax cut with President Bush produced a higher level of across-the-board support (reflected in the significantly larger intercept for the "President Bush" wording), and probably also emphasized the relevance of views about the tax burdens born by the rich (though this difference between the two half-samples may be coincidental).

the inheritance tax. Meanwhile, the perceived tax burden of the poor continues to have no discernible impact. Thus, both of the measures in the NES survey tapping other-regarding attitudes about the federal tax system seem to have no independent effect on support for the tax cut, while respondents' views about their own tax burdens continue to have a powerful effect—indeed, to account for most of the net support for the tax cut in the NES sample.<sup>36</sup>

## **The Impact of Political Information**

So far, I have argued that public support for the Bush tax cuts derives in considerable part from unenlightened considerations of self-interest on the part of people who do not recognize the implications of Bush's policies for their own economic well-being or their broader political values. Millions of citizens say that the federal government should spend more on a wide variety of programs, that the rich are asked to pay too little in taxes, and that growing economic inequality is a bad thing—but simultaneously support policies whose main effects will be to reduce the tax burden of the rich, constrain funding for government programs, and exacerbate growing economic inequality. One is left to wonder how these people would resolve the contradictions implied by their simultaneous antipathies toward inequality and taxation—if they recognized those contradictions.

Elsewhere, I have proposed a way to explore admittedly hypothetical questions of this sort by observing how the political preferences of well-informed citizens differ from those of less-informed citizens who are similar in politically relevant ways (Bartels 1990; along related lines

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<sup>36</sup> The sample mean value for the (-1 to +1) tax cut variable (excluding respondents who said they "haven't thought about" whether they favored or opposed it) is .352. Multiplying the sample mean value for *Own Tax Burden* among these same respondents, .482, by the corresponding parameter estimate in the fourth column of Table 4, .426, accounts for 58% of this net support for repealing the inheritance tax.

see Bartels 1996; Delli Carpini and Keeter 1996; Fishkin 1997; Gilens 2001). If well-informed citizens have systematically different perceptions and preferences, the logic goes, might not additional information move less-informed citizens in the same directions? In the present context, if well-informed citizens seem to reason differently, draw on different premises, and reach different conclusions about tax policy, might not additional information move less-informed citizens to do likewise?

It is not hard to show that well-informed citizens have systematically different views about the extent and implications of economic inequality in American society. Table 5 presents three examples of regression analyses relating NES survey respondents' perceptions of economic inequality to variation in levels of political information.<sup>37</sup> The analyses include party identification and family income as control variables.

**\*\*\* Table 5 \*\*\***

The dependent variable in the first column of Table 5 is derived from responses to the NES question about whether “the difference in incomes between rich people and poor people in the United States today is larger, smaller, or about the same as it was 20 years ago.” (The responses are recoded to range from -1 for “much smaller” to +1 for “much larger.”) The results of the regression analysis indicate that politically informed respondents were much more likely to recognize that incomes have become more unequal over the past 20 years. While the

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<sup>37</sup> The 2002 NES survey did not include the battery of political information “quiz” items included in most recent NES surveys. Instead, I use the subjective rating of respondents’ “general level of information about politics and public affairs” (on a five-point scale ranging from “very low” to “very high”) provided by the interviewer at the end of the pre-election interview. I use the corresponding rating provided (almost always by a different interviewer) at the end of the post-election interview as an instrument for the pre-election rating; the correlation between the two measures is .35. For evidence regarding the validity of the interviewers’ assessments of respondents’ political information, see Zaller

predicted response for the least informed respondents (assuming average family income and partisan neutrality) was about halfway between “about the same” and “somewhat larger,” the predicted response for the most informed respondents was about halfway between “somewhat larger” and “much larger.”<sup>38</sup>

The second column of Table 5 presents the results of a parallel analysis of respondents’ *evaluations* of the increasing difference in incomes between rich people and poor people (excluding the 25% of the sample that did not recognize that incomes have, in fact, become more unequal). The impact of information in this case is even larger and more striking. The predicted response for the least informed respondents (again, assuming average family income and partisan neutrality) was almost exactly zero, suggesting that they were very unlikely to have thought about whether the larger gap in incomes was a good thing or a bad thing. (Rather few actually said it was a good thing.) At the opposite extreme, the predicted response for the most informed respondents was in excess of .9 on the –1 to +1 scale, suggesting that they were virtually certain to say that the increasing income difference between rich and poor was a bad thing.

The regression results in the third column of Table 5 show that better-informed respondents were also much more likely to perceive broad social implications of economic inequality. Asked whether “a poor person has the same chance of getting a fair trial as a wealthy person does,” even the least informed respondents were more likely to disagree than to agree; but the most informed respondents were almost certain to disagree (with a predicted value of .88 on the –1 to

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(1985).

<sup>38</sup> It may be natural to wonder whether this strong relationship simply reflects the fact that interviewers assigned higher information scores to respondents who knew how the difference in incomes between rich people and poor people had changed over the past 20 years. However, my use of the post-election information rating as an instrumental variable has the beneficial side-effect of purging the interview-specific variance in the pre-election information rating, including any variance attributable to responses to

+1 scale). These results, too, suggest that better-informed people have markedly more pessimistic views about equality in America.<sup>39</sup>

Of course, the fact that better-informed people have different views about the extent and meaning of economic inequality does not necessarily imply that they have different policy preferences. However, it would be surprising if they were not more likely to have policy preferences of *some* sort, and in fact they are. For example, the regression results presented in the first column of Table 6 show that political information had a huge positive effect on the probability of having “thought about” the 2001 tax cut; respondents at the bottom of the political information scale were virtually certain to say that they “haven’t thought about” the tax cut, while those at the top of the political information scale were virtually certain to express an opinion in favor or in opposition.<sup>40</sup> The regression results presented in the second column of the table show that better-informed respondents were also somewhat more likely to say the tax cut issue was important to them personally.

**\*\*\* Table 6 \*\*\***

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the income gap question itself.

<sup>39</sup> Better-informed people also provided systematically different *explanations* for economic inequality, stressing social causes (inequality in educational opportunities, discrimination, and government policies) more heavily than less-informed people did. They were also somewhat less likely to say that rich people are asked to pay too much in taxes—but no more or less likely to say that poor people are asked to pay too much, or that *they* are asked to pay too much. Nor were they more or less likely to think that corporate accounting scandals are widespread. As for perceptions of the partisan politics of inequality, they were much more likely to recognize the differences in positions of the Democratic and Republican parties on specific tax policies, and much more likely to say that the Republicans are “generally better for rich people” and that the Democrats are “generally better for poor people.”

<sup>40</sup> As in Table 5, this relationship cannot be the result of interviewers basing their ratings of respondents’ political information on whether the respondents claimed to have “thought about” the tax cut; the assessment of political information that is doing the work in the instrumental variables regression analysis is derived from a separate interview conducted weeks later, almost always by a different interviewer.



The regression results presented in the third column of Table 6 show that better-informed respondents were not only much more likely to express views about the tax cut, but also much more likely to express *negative* views. The average predicted response for the least informed respondents (on a scale with  $-1$  corresponding to “strongly opposing” the tax cut and  $+1$  corresponding to “strongly favoring” it) was  $.84$ , indicating almost certain support. In contrast, the average predicted response for the most informed respondents was  $-.06$ , indicating that they were at least as likely to oppose the tax cut as to favor it.<sup>41</sup> If we are willing to take this cross-sectional difference in views as indicative of the impact of information on political preferences, it appears that the strong plurality support for Bush’s tax cut in Figure 3 is attributable to simple ignorance.

Can the same thing be said of the strong support for repealing the inheritance tax evident in Figure 2? That question is addressed in Table 7, which relates respondents’ attitudes about the estate tax to political information, party identification, and family income levels.<sup>42</sup> The results presented in the first column of Table 7 are from a regression analysis exactly parallel to the regression analysis for tax cut preferences reported in the third column of Table 6. In this case, however, the results are starkly different: better-informed respondents were no more or less likely than less-informed respondents to favor repealing the estate tax. Thus, there seems to be no reason to imagine that more information would produce a noticeably different distribution of

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<sup>41</sup> The  $t$ -statistic for this difference is 2.9, indicating that it is very unlikely to have arisen by chance. The  $t$ -statistics for the other differences between highly informed and uninformed respondents in Tables 5, 6, and 7 range from 2.3 to 3.9.

<sup>42</sup> Since the inheritance tax question appeared in the post-election wave of the 2002 NES survey, I use political information in the post-election wave as the relevant explanatory variable and political information in the pre-election wave as an instrumental variable—the reverse of the usage in Tables 5 and 6. As in Tables 5 and 6, I use respondents’ self-reported 2000 presidential votes as an instrument for party identification.

public opinion on this issue.

**\*\*\* Table 7 \*\*\***

The regression results presented in the second and third columns of Table 7 put this non-finding in a somewhat different light. The regression analyses replicate the one presented in the first column of the table, but separately for two distinct subgroups in the NES sample. The results presented in the second column are based on the preferences of respondents who said that the difference in incomes between rich people and poor people in the United States today is larger than it was 20 years ago, *and* that that is a bad thing; these are the people for whom growing economic inequality might provide a reason to oppose repealing the estate tax. (These respondents made up a little more than 40% of the total sample.) The results presented in the third column are based on the responses of those who said that the difference in incomes between rich people and poor people has not increased (about 24% of the total sample), *or* that the larger income gap is a good thing (about 5%), *or* that they didn't know or hadn't thought about whether the larger income gap is a good thing or a bad thing (about 30%). What these three groups have in common is that they lack either a factual basis or a moral basis (or both) for thinking of growing economic inequality as a problem that might be exacerbated by repealing the inheritance tax.

Dividing the sample in this way produces dramatically different estimates of the effect of political information on views about the inheritance tax.<sup>43</sup> Among those who had reason to be

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<sup>43</sup> The results presented in Table 5 indicate that better-informed respondents were more likely to recognize that the income gap between rich and poor has grown and more likely to think that that is a bad thing. Thus, it should not be surprising that the average level of political information is higher for the subgroup of respondents analyzed in the second column of Table 7 than for the subgroup analyzed in the

concerned about growing economic inequality, politically informed respondents were vastly more likely than those who were less well-informed to oppose repealing the inheritance tax; the predicted value (on the -1 to +1 scale) for the best-informed respondents was zero, indicating that they were equally likely to favor or oppose repeal, while the predicted value for the worst-informed respondents was in excess of .8. Conversely, among those who had no reason to be concerned about growing inequality, politically informed respondents were a great deal more likely to *support* repealing the inheritance tax; the predicted value for the best-informed respondents was .9, while the predicted value for the worst-informed respondents was less than .1. (Party identification had a similar significant effect in both groups, while family income had a similar miniscule effect in both groups.)

These results highlight the extent to which the political effects of information may hinge on a conjunction between specific bits of policy-relevant knowledge (Gilens 2001) and specific moral interpretations of relevant facts (Stoker 1992). Among people who happened not to know or care that economic inequality has increased, the best informed about politics and public affairs were, by far, the most likely to *support* repealing the inheritance tax. Both a recognition of the economic trend and a moral judgment that it is “a bad thing” were necessary to make well-informed, politically sophisticated people more likely to *oppose* repeal.

At the same time, these results highlight the real limits of political education as a transforming force. In the case of the inheritance tax, even well-informed citizens who recognized and regretted the increasing gap in incomes between rich and poor in contemporary America were only about as likely to oppose repeal as they were to favor it. And less well-

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third column. Nevertheless, the variation in political information *within* each subgroup is sufficient to estimate the effects of information on policy preferences with tolerable precision.

informed, less sophisticated people were correspondingly more likely to favor repeal, even if they recognized and regretted the fact that economic inequality has increased. Viewed from this perspective, the results in Table 7 suggest that, even if every person in America could be made to see that economic inequality has increased *and* made to feel that that is a bad thing, the overall distribution of public opinion about the inheritance tax would change very little.<sup>44</sup>

## **Chump Change**

In his first three years in the White House, George W. Bush presided over two of the biggest tax cuts in American history. In both cases the benefits went disproportionately to the wealthy while the costs were put off to the future, presumably to be borne a good deal more equally in the form of eventual tax increases, cuts in government programs, and deficit economics. In both cases the views of ordinary Americans—insofar as such views could be said to exist—were largely supportive of Bush’s tax cuts.

Some observers have inferred from these facts that ordinary people are simply confused about what is in their own interests. For example, in the course of describing presidential candidate Richard Gephardt’s proposal to repeal President Bush’s tax cuts and spend the money on universal health care, economist and *New York Times* columnist Paul Krugman wrote that “If American families knew what was good for them, then most of them—all but a small, affluent minority—would cheerfully give up their tax cuts in return for a guarantee that health care would

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<sup>44</sup> The predicted attitudes toward the inheritance tax implied by the results in the first column of Table 7 for the full sample (assuming average family income and partisan neutrality) range from .40 at the lowest level of political information to .45 at the highest level; for respondents with average levels of political information the predicted value is .42. The corresponding predicted values implied by the results in the second column of Table 7 range from .81 at the lowest level of political information to  $-.02$  at the highest level; for respondents with average levels of political information the predicted value is .43.

be there when needed.”

Other observers, while a bit more circumspect about stipulating what people would do if they knew what was good for them, have still managed to raise significant doubts about the capacity of the American public to reason effectively about tax policy. For example, in the course of reflecting on the Bush era of “‘Let Them Eat Cake’ economics,” *Newsweek* columnist Jonathan Alter (2003) worried that “even if the tax cuts help stimulate a modest recovery, we have dug ourselves a deep hole.” He added that

Explaining all this politically is a “bank shot,” to use a billiards term. It requires trusting the voters with complexity. Will they see that their new \$400 child credits are chump change compared with all the new fee hikes and service cuts? Will they understand that they’re paying more in state and local taxes so that a guy with a Jaguar putting up a McMansion down the block can pay less in federal taxes? Will they connect those 30 kids cramming their child’s classroom to decisions in far-away Washington?

The answer to these questions suggested by my analysis is: Not likely.

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**Table 1**  
**Perceptions of Economic Inequality**

“Do you think the difference in incomes between rich people and poor people in the United States today is LARGER, SMALLER, or ABOUT THE SAME as it was 20 years ago? (Would you say the difference in incomes is) MUCH larger [smaller] or SOMEWHAT larger [smaller]? [If larger or smaller,] Do you think this is A GOOD THING, A BAD THING, or haven’t you thought about it?”

	<b>Good thing</b>	<b>Bad thing</b>	<b>Haven’t thought; DK; NA</b>	<b>Total</b>
<b>Much larger (+1)</b>	2.3%	29.8%	9.9%	42.0%
<b>Somewhat larger (+.5)</b>	2.2%	11.5%	18.5%	32.1%
<b>About the same (0)</b>	---	---	16.2%	16.2%
<b>Somewhat smaller (-.5)</b>	2.1%	0.8%	3.1%	6.0%
<b>Much smaller (-1)</b>	0.3%	1.0%	0.4%	1.8%
<b>DK; NA (0)</b>	---	---	1.9%	1.9%
<b>Total</b>	7.0%	43.2%	49.8%	100%

Source: 2002 National Election Study. N = 1511 (Pre-election).



**Table 2**  
**Explanations for Economic Inequality**

“Next, we’d like to know WHY you think it is, that in America today, some people have BETTER [WORSE] JOBS and HIGHER [LOWER] INCOMES than others do. I’m going to read you some possible explanations, and I want you to tell me how IMPORTANT you think each is – VERY important, SOMEWHAT important, or NOT IMPORTANT AT ALL.”

	<b>Very important (+1)</b>	<b>Somewhat important (+.5)</b>	<b>Not important (0)</b>	<b>Mean {Std Dev}</b>
<b>Some people don’t get a chance to get a good education</b>	54.6%	34.9%	9.3%	.724 {.332}
<b>Some people just don’t work as hard</b>	44.6%	41.8%	12.7%	.658 {.345}
<b>Some people have more in-born ability to learn</b>	33.0%	43.0%	23.4%	.546 {.373}
<b>Discrimination holds some people back</b>	25.7%	50.3%	23.0%	.511 {.349}
<b>Government policies have helped high-income workers more</b>	24.8%	38.6%	34.5%	.446 {.382}
<b>Some people just choose low-paying jobs</b>	18.9%	38.4%	40.6%	.386 {.370}
<b>God made people different from one another</b>	22.2%	26.1%	49.1%	.359 {.400}

Source: 2002 National Election Study. N = 1427 (Pre/Post-election).

**Figure 1**  
**Perceived Tax Burdens**

“Do you feel you are asked to pay MORE THAN YOU SHOULD in federal income taxes, about the RIGHT AMOUNT, or LESS THAN YOU SHOULD? What about rich people? What about poor people?”

	<b>More than should (+1)</b>	<b>About the right amount (0)</b>	<b>Less than should (-1)</b>	<b>Mean {Std Dev}</b>
<b>Pre-election</b>				
<b>Self</b>	48.0%	45.8%	3.8%	.442 {.568}
<b>Rich people</b>	15.2%	29.9%	53.1%	-.379 {.735}
<b>Poor people</b>	45.4%	43.4%	8.6%	.368 {.637}
<b>Post-election</b>				
<b>Self</b>	44.8%	50.9%	3.1%	.417 {.552}
<b>Rich people</b>	12.4%	35.6%	50.1%	-.377 {.695}
<b>Poor people</b>	43.5%	45.7%	8.0%	.355 {.624}

Source: 2002 National Election Study. N = 1511 (Pre-election), 1346 (Post-election).

**Figure 2**  
**Public Support for Repealing the Inheritance Tax**

“There has been a lot of talk recently about doing away with the tax on large inheritances, the so-called “estate tax” [“death tax”]. Do you FAVOR or OPPOSE doing away with the estate tax [death tax]? Do you favor [oppose] doing away with the estate tax [death tax] STRONGLY or NOT STRONGLY?”

	“Estate tax” wording	“Death tax” wording	Total
<b>Favor strongly (+1)</b>	49.4%	51.9%	50.8%
<b>Favor not strongly (+.5)</b>	18.4%	19.1%	18.7%
<b>Other; depends; DK; NA (0)</b>	5.2%	5.5%	5.4%
<b>Oppose not strongly (-.5)</b>	13.8%	12.6%	13.2%
<b>Oppose strongly (-1)</b>	13.2%	10.9%	12.0%
<b>Mean</b>	.386	.443	.415
<b>{Std Dev}</b>	{.748}	{.716}	{.731}

Source: 2002 National Election Study. N = 1346 (Post-election).

**Table 3**  
**Obtuse Support for Repealing the Inheritance Tax**

	Favor Repeal	Oppose Repeal	N
<i>Total sample</i>	69.5%	25.2%	1346
<i>Among those who . . .</i>			
<b>have family incomes &lt; \$50,000</b>	66.2%	26.4%	650 (48%)
<b>want more spending on government programs</b>	68.1%	26.3%	1232 (92%)
<b>say income gap is larger <i>and</i> that is a bad thing</b>	66.1%	30.3%	594 (44%)
<b>say government policy contributes to differences in income</b>	67.0%	27.5%	844 (63%)
<b>say rich people pay less than they should in federal income taxes</b>	68.2%	27.4%	722 (54%)
<b><i>All</i> of the above</b>	65.8%	29.2%	146 (11%)

Source: 2002 National Election Study. N = 1346 (Post-election).

**Figure 3**  
**Public Support for a Big Tax Cut**

“As you may recall, Congress passed [President Bush signed] a big tax cut last year. Did you FAVOR or OPPOSE the tax cut, or is this something you haven’t thought about? Did you favor [oppose] the tax cut STRONGLY or NOT STRONGLY?”

	<b>“Congress passed”</b>	<b>“President Bush signed”</b>	<b>Total</b>
<b>Favor strongly (+1)</b>	24.7%	31.8%	28.3%
<b>Favor not strongly (+.5)</b>	13.1%	14.5%	13.8%
<b>Haven’t thought; DK; NA (0)</b>	46.0%	35.5%	40.8%
<b>Oppose not strongly (-.5)</b>	5.4%	6.4%	5.9%
<b>Oppose strongly (-1)</b>	10.8%	11.8%	11.3%
<b>Mean</b>	.178	.241	.209
<b>{Std Dev}</b>	{.608}	{.656}	{.633}

Source: 2002 National Election Study. N = 1511 (Pre-election).

**Table 4**  
**Self-Interest, Political Values, and Support for Tax Cuts**

Parameter estimates from instrumental variables regressions (with standard errors in parentheses).

	<b>Inheritance Tax Repeal</b>		<b>Big Tax Cut</b>	
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
<i>Own Tax Burden</i> (-1 to +1)	.413 (.091)	.324 (.104)	.445 (.094)	.426 (.095)
<i>Rich Tax Burden</i> (-1 to +1)	.159 (.070)	.033 (.076)	.350 (.069)	-.017 (.075)
<i>Poor Tax Burden</i> (-1 to +1)	.046 (.110)	-.022 (.129)	.060 (.115)	.037 (.120)
<i>Government Spending Preferences</i> (-1 to +1)	---	.348 (.183)	---	.298 (.177)
<i>Conservative Ideology</i> (-1 to +1)	---	.292 (.144)	---	.264 (.200)
<i>Republican Party Identification</i> (-1 to +1)	---	.267 (.101)	---	.586 (.135)
<i>Family Income</i> (in \$1000s)	---	.00025 (.00079)	---	-.00180 (.00090)
“Death tax” wording	.076 (.040)	.031 (.042)	---	---
“President Bush” wording	---	---	.008 (.050)	-.075 (.046)
<b>Intercept</b>	.247 (.046)	.125 (.080)	.237 (.058)	.101 (.108)
<b>Standard Error of Regression</b>	.737	.731	.734	.674
<b>R-squared</b>	.03	.06	.14	.30
<b>N</b>	1346	1346	896	896

**Table 5**  
**Political Information and Perceptions of Economic Inequality**

Parameter estimates from instrumental variables regressions (with standard errors in parentheses).

	<b>Income gap is larger (-1 to +1)</b>	<b>Larger gap is a bad thing (-1 to +1)</b>	<b>Poor don't get a fair trial (-1 to +1)</b>
<i><b>Political Information (0 to 1)</b></i>	.468 (.170)	.937 (.240)	.542 (.237)
<i><b>Republican Party Identification (-1 to +1)</b></i>	-.105 (.035)	-.187 (.050)	-.194 (.048)
<i><b>Family Income (in \$1000s)</b></i>	.00005 (.00063)	.00088 (.00087)	.00022 (.00088)
<b>Intercept</b>	.281 (.074)	-.059 (.105)	.331 (.103)
<b>Standard Error of Regression</b>	.512	.609	.713
<b>R-squared</b>	.01	.05	.03
<b>N</b>	1346	1006	1346

“Do you think the difference in incomes between rich people and poor people in the United States today is LARGER, SMALLER, or ABOUT THE SAME as it was 20 years ago?” (Would you say the difference in incomes is) MUCH larger [smaller] or SOMEWHAT larger [smaller]?”

[If larger], “Do you think this is A GOOD THING, A BAD THING, or haven't you thought about it?”

“In the U.S. today, a poor person has the same chance of getting a fair trial as a wealthy person does.’  
Do you AGREE, NEITHER AGREE NOR DISAGREE, or DISAGREE?”

**Table 6**  
**Political Information and Opinions About a Big Tax Cut**

Parameter estimates from instrumental variables regressions (with standard errors in parentheses).

	<b>Have “thought about” tax cut (0 to 1)</b>	<b>Perceived importance (0 to 1)</b>	<b>Favor big tax cut (-1 to +1)</b>
<i>Political Information</i> (0 to 1)	1.142 (.168)	.292 (.106)	-.907 (.314)
<i>Republican Party Identification</i> (-1 to +1)	-.030 (.035)	-.003 (.022)	.760 (.055)
<i>Family Income</i> (in \$1000s)	.00061 (.00062)	-.00037 (.00039)	.00023 (.00111)
<b>“President Bush” wording</b>	.129 (.028)	.029 (.018)	-.080 (.049)
<b>Intercept</b>	-.083 (.074)	.426 (.047)	.873 (.153)
<b>Standard Error of Regression</b>	.508	.319	.722
<b>R-squared</b>	.08	.01	.23
<b>N</b>	1346	1346	896

“As you may recall, Congress passed [President Bush signed] a big tax cut last year. Did you FAVOR or OPPOSE the tax cut, or is this something you haven’t thought about? Did you favor [oppose] the tax cut STRONGLY or NOT STRONGLY?”

“How important is this issue to you personally—VERY important, SOMEWHAT important, or NOT IMPORTANT AT ALL?”

**Table 7**  
**Political Information and Support for Repealing the Inheritance Tax**

Parameter estimates from instrumental variables regressions (with standard errors in parentheses).

	<b>Full sample</b>	<b>Respondents who say income gap is larger and that is a bad thing</b>	<b>Respondents who say income gap is not larger or larger gap is not bad</b>
<i>Political Information</i> (0 to 1)	.043 (.233)	-.828 (.356)	.820 (.353)
<i>Republican Party Identification</i> (-1 to +1)	.390 (.048)	.355 (.089)	.339 (.065)
<i>Family Income</i> (in \$1000s)	.00066 (.00083)	.00052 (.00120)	.00037 (.00117)
<b>“Death tax” wording</b>	.049 (.039)	-.001 (.065)	.068 (.051)
<b>Intercept</b>	.345 (.097)	.786 (.176)	.037 (.133)
<b>Standard Error of Regression</b>	.712	.761	.698
<b>R-squared</b>	.07	.05	.08
<b>N</b>	1346	594	752

“There has been a lot of talk recently about doing away with the tax on large inheritances, the so-called “estate tax” [“death tax”]. Do you FAVOR or OPPOSE doing away with the estate tax [death tax]? Do you favor [oppose] doing away with the estate tax [death tax] STRONGLY or NOT STRONGLY?”