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2020

AMERICAN COMPASS

RESEARCH

Americans Can Do a Budget Deal

*Why can't politicians?**June 2024*

EXECUTIVE SUMMARY

The partisan debate in Washington over the federal budget and ballooning deficit has devolved into a battle between radical and irreconcilable positions. Many politicians, and even some experts, deny the existence of a serious problem. Those who do recognize the crisis insist that it can and should be solved entirely by tax increases or entirely by spending cuts, though in neither case are their proposals anywhere near adequate.

Do these positions reflect the views of constituents, the will of the people? No. In a peculiar inversion of the typically assumed relationship between the irrational masses and their more reasonable representatives, it is the American people who recognize the gravity of the situation and widely accept the necessity of painful compromise.

In March 2024, American Compass partnered with YouGov to survey 1,000 Americans about their views on the federal budget deficit.

- **Americans strongly support both tax increases and spending cuts for deficit reduction.**
 - 85% of Americans, and >80% across parties, agree that “the budget deficit is a serious problem and the nation must be willing to take even painful steps to solve it.”
 - Fewer than 20% believe this should be done with only spending cuts or only tax increases; 63% believe at least one-quarter of the deficit reduction must come from each.
- **The median American would do 40% tax increases and 60% spending cuts; Republicans (25/75) and Democrats (50/50) are not that far apart.**
 - Republicans no longer support the position, if they ever held it, that taxes must never be increased; even among “strong Republicans,” 72% want tax increases as part of a deficit reduction plan.

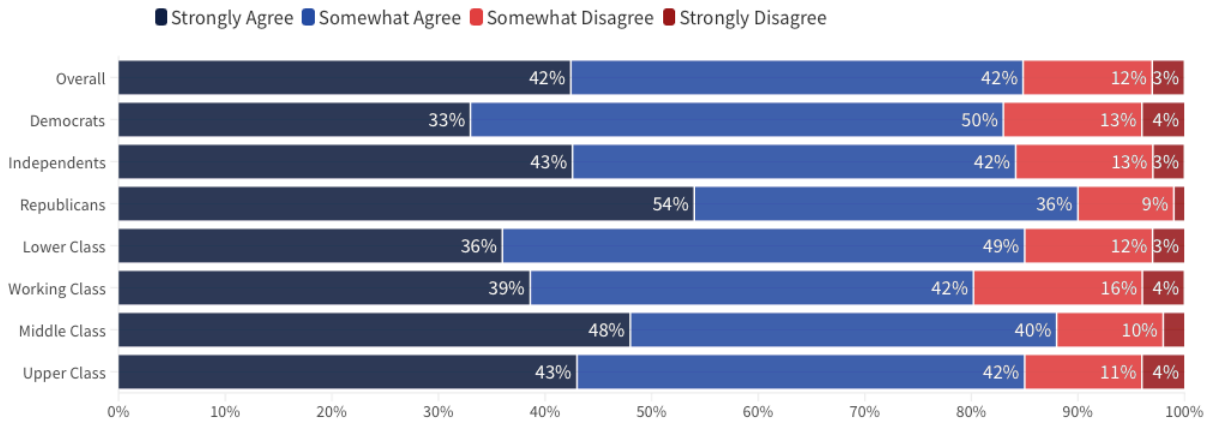
- Likewise, fewer than 10% of Democrats want to reduce the deficit through tax increases alone.
- **Broad agreement exists across parties on which taxes to increase, and level of support for most increases does not differ dramatically.**
 - Democrats and Republicans would both prioritize tax increases on incomes over \$250K and corporate profits.
 - For moderate to high incomes, tariffs, capital gains, and financial transactions, Republican support for tax increases is within 10 points of Democrat support.

RAISE TAXES OR CUT SPENDING? BOTH.

An overwhelming majority of Americans believe not only that “the budget deficit is a serious problem,” but also that “the nation must be willing to take even painful steps to solve it.” They agree overall by 84%, with 42% strongly agreeing. The view is widely shared among Democrats (83% agree), Independents (85%), and Republicans (90%) and at all education and income levels.

FIGURE 1. Nearly Everyone Believes Painful Steps Are Necessary to Address the Budget Deficit

“What is your view of the argument that the budget deficit is a serious problem and the nation must be willing to take even painful steps to solve it?”



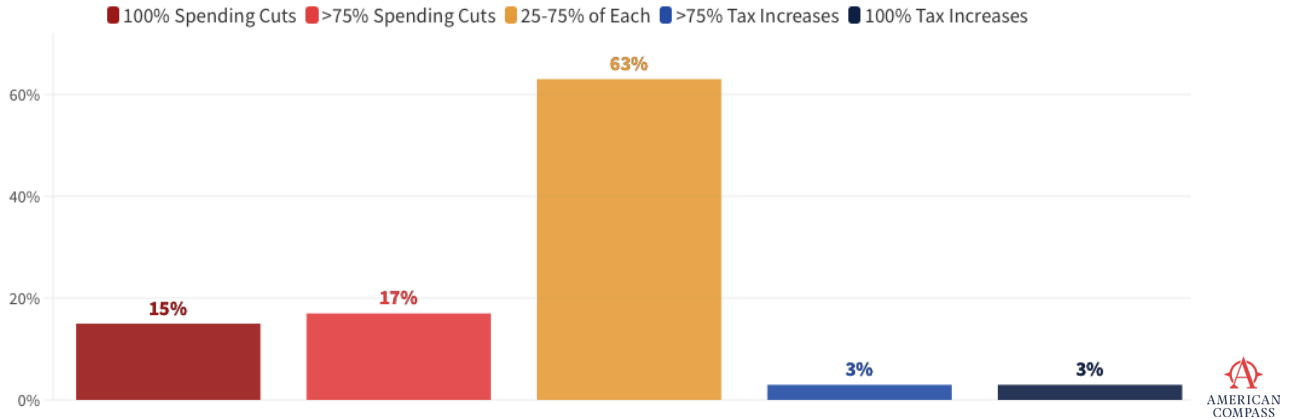
Source: American Compass Role of Government Survey (2024). N = 1,000 American adults



But what should those painful steps be? In Washington, Republicans insist that tax increases are off the table while Democrats reject the idea of spending cuts, but in the rest of America people believe that both must obviously be part of any serious effort to address the deficit. Asked “how much of the [budget] gap to close with tax increases and how much to close with spending cuts,” only 15% chose no tax increases while only 4% chose no spending cuts. An additional 20% weighted their approach more than three-quarters to one or the other. But more than 60% of respondents believed that both tax increases and spending cuts should account for at least one-quarter of the total deficit reduction.

FIGURE 2. Nearly All Americans Agree: Both Tax Increases and Spending Cuts Are Needed

Share with each response to “How much of the deficit would you want to close by raising taxes and how much by cutting spending?”

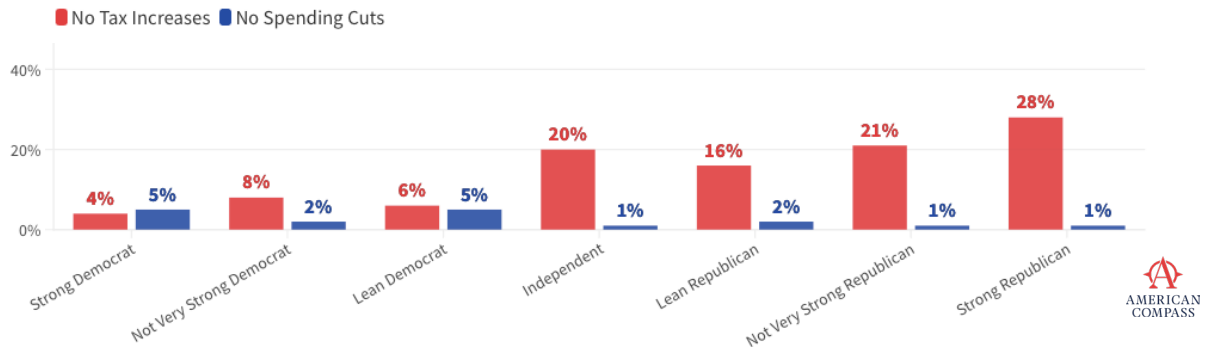


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “to develop a plan for closing the budget gap” and, specifically, “to decide how much of the gap to close with tax increases and how much to close with spending cuts.” Respondents assigned values between 0 and 100 to both “Deficit reduction through tax increases” and “Deficit reduction through spending cuts,” with the sum totaling to 100. N = 990 American adults

Even among the strongest partisans, the “only tax increases” and “only spending cuts” positions are unpopular. Among self-identified “strong Republicans,” 28% would pursue deficit reduction exclusively through spending cuts. Put another way, the vast majority of strong Republicans agree “the nation must be willing to take even painful steps” and the vast majority believe those painful steps should include tax increases. On the other side of the aisle, avoidance of spending cuts is even less popular, and barely more popular than the only-spending-cuts view.

FIGURE 3. Few Partisans Take the Extreme Positions Adopted by Politicians

“How much of the deficit would you want to close by raising taxes and how much by cutting spending?”

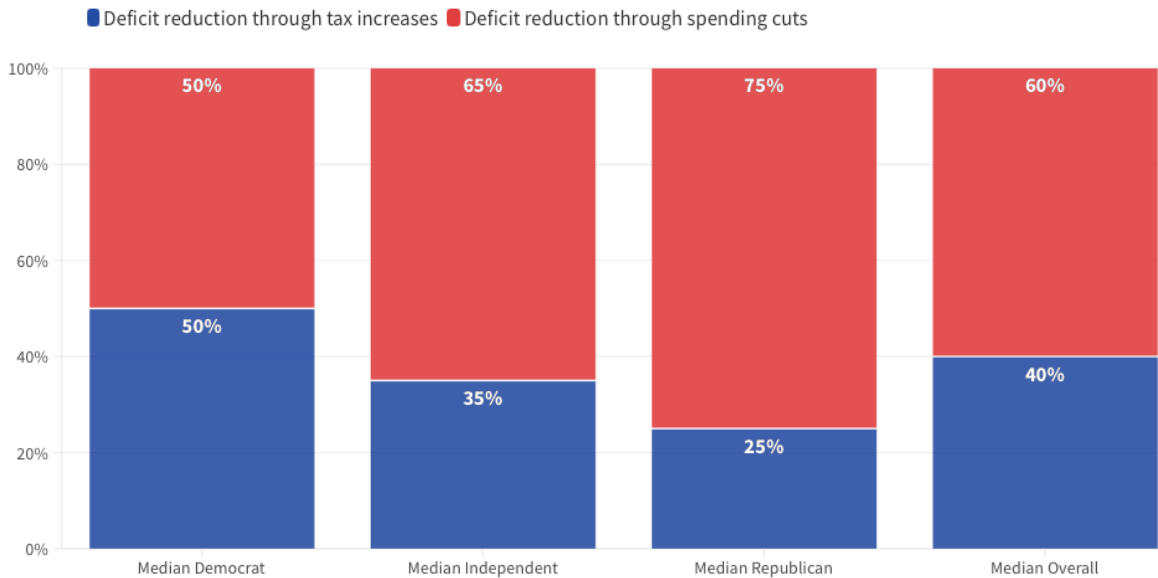


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “to develop a plan for closing the budget gap” and, specifically, “to decide how much of the gap to close with tax increases and how much to close with spending cuts.” Respondents assigned values between 0 and 100 to both “Deficit reduction through tax increases” and “Deficit reduction through spending cuts,” with the sum totaling to 100. Responses shown here assigned 0 to one category and 100 to the other. N = 990 American adults

Overall, the median American would address the deficit through 40% tax increases and 60% spending cuts. Between partisans, the divide is simply not that wide: The median Democrat stands at a 50/50 split, the median Independent at 65% spending cuts and 35% tax increases, the median Republican at 75% spending cuts and 25% tax increases. To restate the point: Most Democrats believe at least half of deficit reduction should come through spending cuts. Most Republicans believe at least a quarter should come through tax increases. The epic battles of “principle” cosplayed on Capitol Hill are on behalf of few people living in the real world.

FIGURE 4. The Median Republican, Democrat, and Independent All Support Closing 25–50% of the Deficit Through Tax Increases, the Rest Through Spending Cuts

“How much of the deficit would you want to close by raising taxes and how much by cutting spending?”

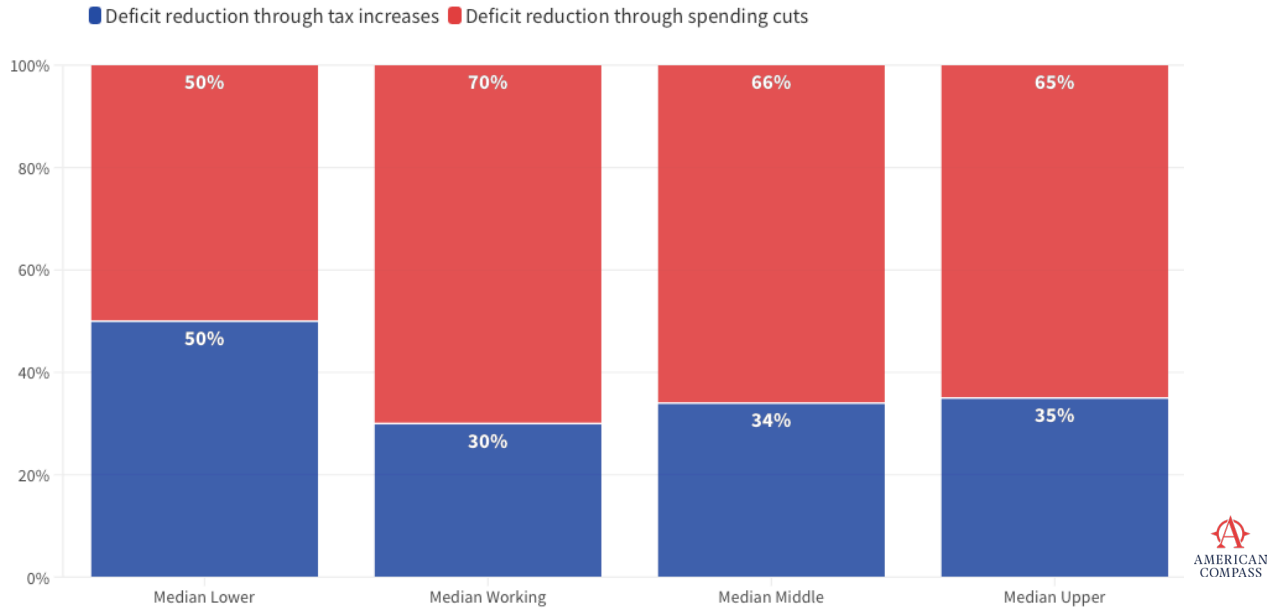


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “to develop a plan for closing the budget gap” and, specifically, “to decide how much of the gap to close with tax increases and how much to close with spending cuts.” Respondents assigned values between 0 and 100 to both “Deficit reduction through tax increases” and “Deficit reduction through spending cuts,” with the sum totaling to 100. Response shown here is at the 50th percentile for each cohort. N = 990 American adults

Distances between classes are even lower, with the median at every cohort opting for between 50% and 70% of deficit reduction through spending cuts and the remainder through tax increases.

FIGURE 5. Classes Likewise Have Similar Views on How Best to Achieve Deficit Reduction

“How much of the deficit would you want to close by raising taxes and how much by cutting spending?”



Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “to develop a plan for closing the budget gap” and, specifically, “to decide how much of the gap to close with tax increases and how much to close with spending cuts.” Respondents assigned values between 0 and 100 to both “Deficit reduction through tax increases” and “Deficit reduction through spending cuts,” with the sum totaling to 100. Response shown here is at the 50th percentile for each cohort. N = 948 American adults

WHICH PAINFUL STEPS?

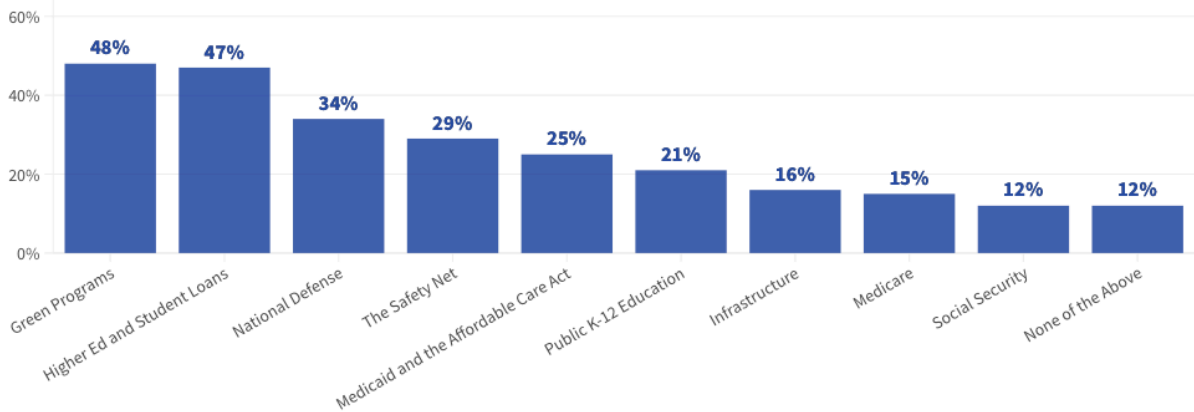
Endorsing the abstract need for both tax increases and spending cuts is one thing, deciding which ones is another matter. To push respondents toward their willingness to accept painful steps, the survey asked them to assume that “closing the budget deficit would require reducing the spending on major programs and/or raising your taxes” (emphasis in original). On that basis, they were instructed to “select all of the major programs where you would want to reduce spending before politicians started raising your taxes.”

The most popular choices by far were “Green Programs (supporting the production and purchase of clean energy and electric vehicles)” and “Higher Education and Student Loans (funding colleges and helping students afford tuition).” Perhaps coincidentally, these are the two areas in which the Biden administration has increased spending most aggressively over the past several years. At the other end of the continuum, “Medicare (health insurance coverage for the elderly)” and “Social Security (retirement income for the elderly)” were chosen least often. Perhaps coincidentally, these are the two areas where “fiscal conservatives” have insisted most vocally on focusing cuts.

Of course, slashing green programs and higher education subsidies would not be close to sufficient given the expectation across parties that at least half of deficit reduction come from spending cuts. Before touching anti-poverty programs or health care, the next most popular target was national defense.

FIGURE 6. Green Programs and Higher Ed Are the Most Popular Areas for Cuts

Share choosing each option for “where you would want to reduce spending before politicians started raising your taxes”

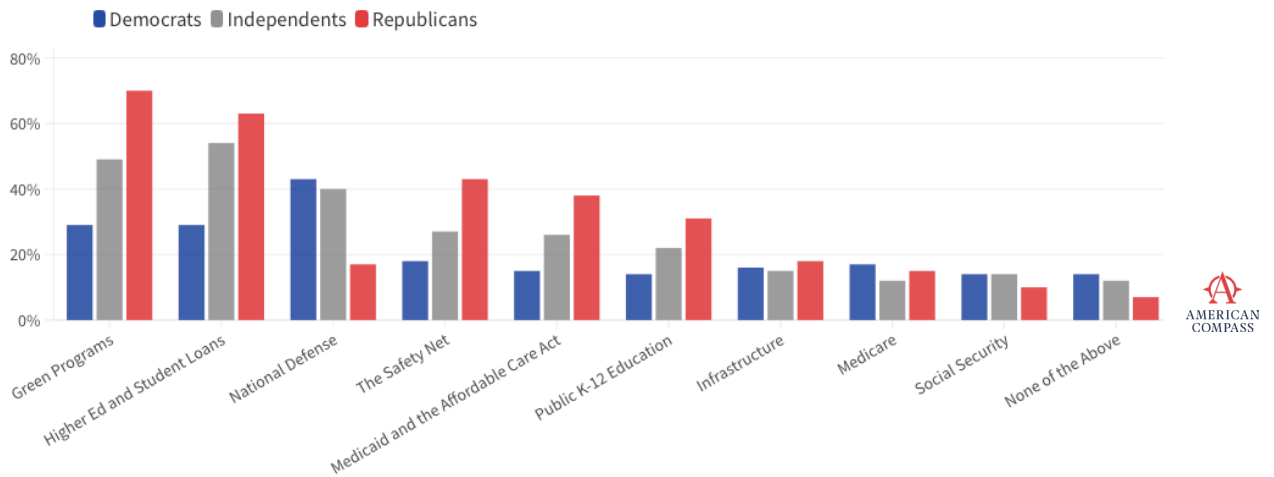


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “Politicians usually prefer to argue that they can solve problems without any pain, for instance by making cuts only to small and unpopular programs, by ending ‘waste, fraud, and abuse,’ or by promising to raise someone else’s taxes. But let’s assume for a moment that the tradeoffs are much harder than that and closing the budget deficit would require reducing the spending on major programs and/or raising your taxes. Select all of the major programs where you would want to reduce spending before politicians started raising your taxes.” See report appendix for explanatory text of each option. N = 1,000 American adults

At least some partisan polarization emerges on the question of spending cuts, with cuts to green programs and higher education subsidies far more popular amongst Republicans. But even among Democrats, those are the second and third most popular areas for cuts. Democrats place defense cuts first, but this preference will itself come under pressure as progressives expand the breadth of their international security commitments. No group has any interest in cuts to Medicare, Social Security, or—interestingly—infrastructure.

FIGURE 7. Democrats Would Cut Defense First While Republicans and Independents Focus on Green Programs and Higher Education

Share choosing each option for “where you would want to reduce spending before politicians started raising your taxes”

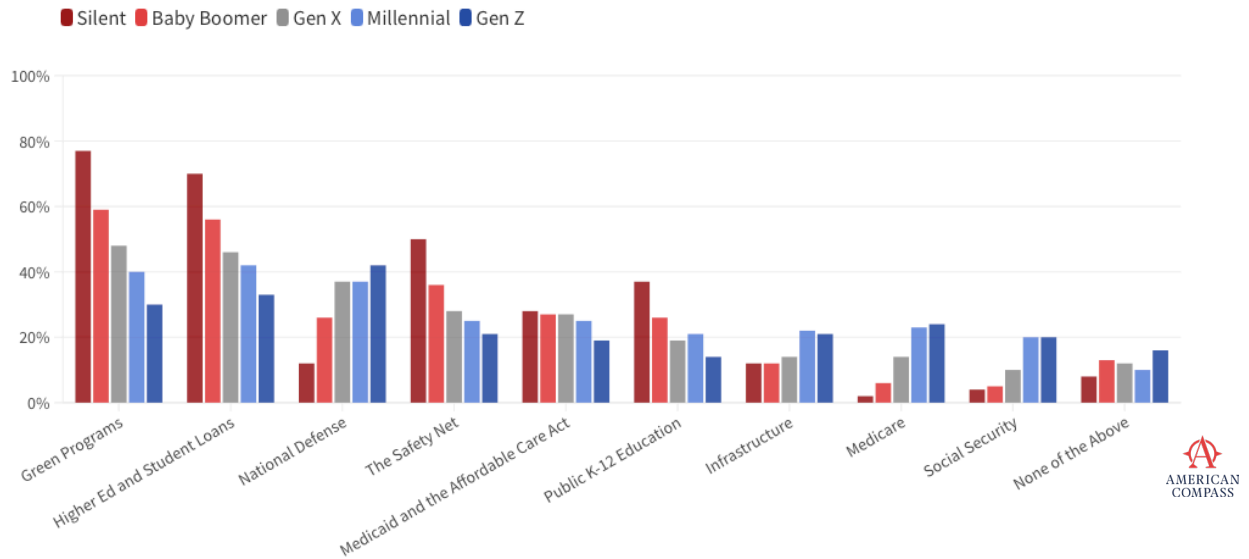


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “Politicians usually prefer to argue that they can solve problems without any pain, for instance by making cuts only to small and unpopular programs, by ending ‘waste, fraud, and abuse,’ or by promising to raise someone else’s taxes. But let’s assume for a moment that the tradeoffs are much harder than that and closing the budget deficit would require reducing the spending on major programs and/or raising your taxes. Select all of the major programs where you would want to reduce spending before politicians started raising your taxes.” See report appendix for explanatory text of each option. N = 902 American adults

Spending priorities skew more by generation than on other dimensions, with older Americans far more open to cutting green programs, higher education subsidies, the safety net, and public education, while younger Americans would prefer to cut defense, infrastructure, Medicare, and Social Security. But despite this relative skew, among younger Americans cuts to green programs, higher education, and defense are more popular than cuts to anti-poverty and social insurance programs.

FIGURE 8. Younger Americans Are Much More Open to Cutting Defense Spending and Medicare and Social Security

Share choosing each option for “where you would want to reduce spending before politicians started raising your taxes”

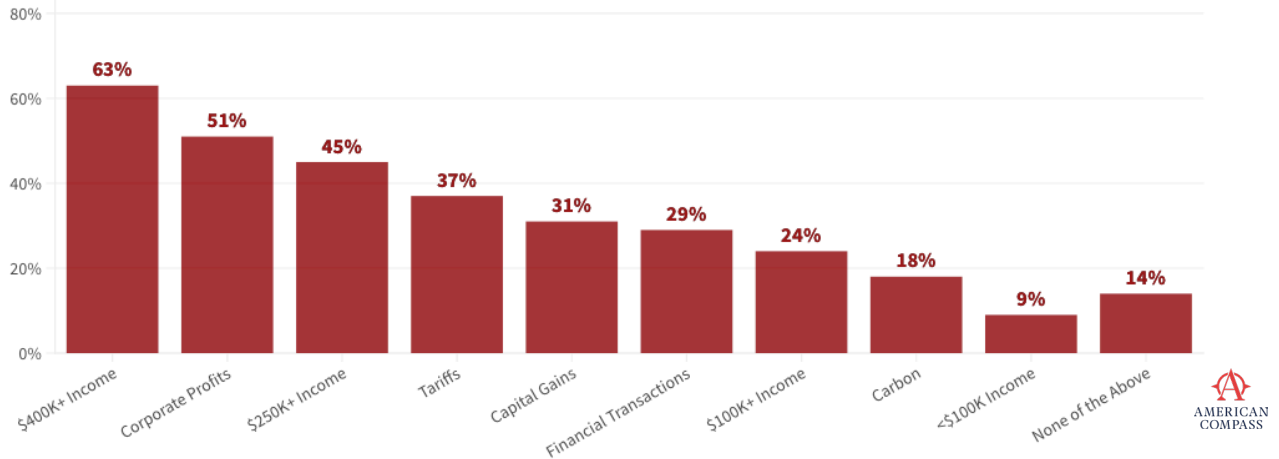


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “Politicians usually prefer to argue that they can solve problems without any pain, for instance by making cuts only to small and unpopular programs, by ending ‘waste, fraud, and abuse,’ or by promising to raise someone else’s taxes. But let’s assume for a moment that the tradeoffs are much harder than that and closing the budget deficit would require reducing the spending on major programs and/or raising your taxes. Select all of the major programs where you would want to reduce spending before politicians started raising your taxes.” See report appendix for explanatory text of each option. N = 1,000 American adults

In parallel to the hard-choices question about spending cuts, survey respondents were asked to “select all the kinds of tax that you would want to see raised before politicians start cutting spending on programs that you support.” Most Americans would raise taxes on the highest earners and corporations before cutting programs they support. Both raising taxes on incomes over \$250K and raising tariffs are also more popular than almost any category of spending cuts. Carbon taxes and income taxes on middle- and low-income households are least popular.

FIGURE 9. Support Is Strongest for Raising Taxes on High Earners and Corporations and Through Tariffs

Share choosing each option for “kinds of tax that you would want to see raised before politicians start cutting spending on programs that you support”

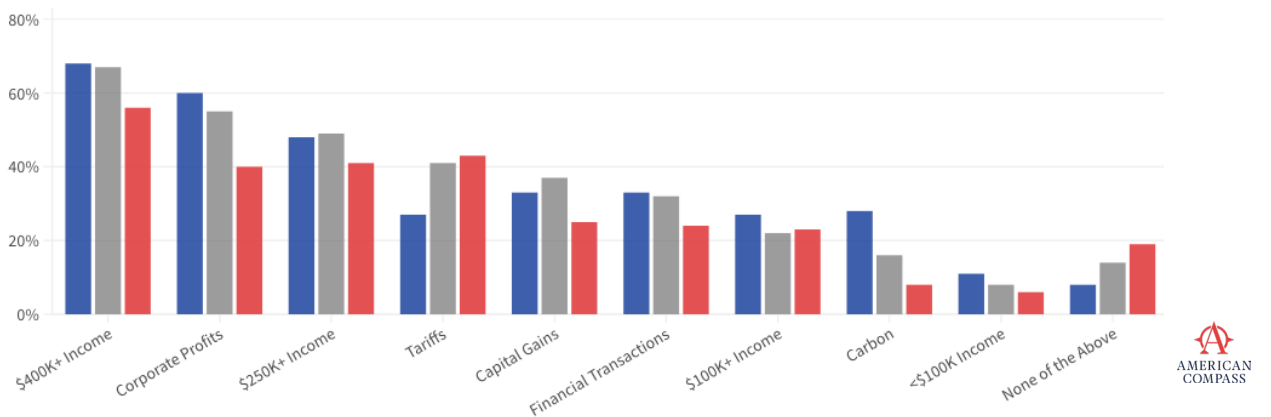


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “Now, instead of thinking about spending cuts, think about tax increases. If politicians were going to raise taxes, they could choose to focus the increases on different groups and different kinds of taxes. Select all the kinds of tax that you would want to see raised before politicians start cutting spending on programs that you support.” See report appendix for explanatory text of each option. N = 1,000 American adults

Strikingly, these responses were quite similar—both in sequence and magnitude—across parties. Tariffs, now associated with Trump, were less popular with Democrats. But otherwise, a broad consensus would focus tax increases on incomes over \$250K, corporate profits, and tariffs. For the highest earners, capital gains, and financial transactions, Republican support was within 10 points of Democrat support. Support among Democrats for a carbon tax was very low.

FIGURE 10. Support for, and Priority Among, Tax Increases Is Surprisingly Similar Across Parties

Share choosing each option for “kinds of tax that you would want to see raised before politicians start cutting spending on programs that you support”

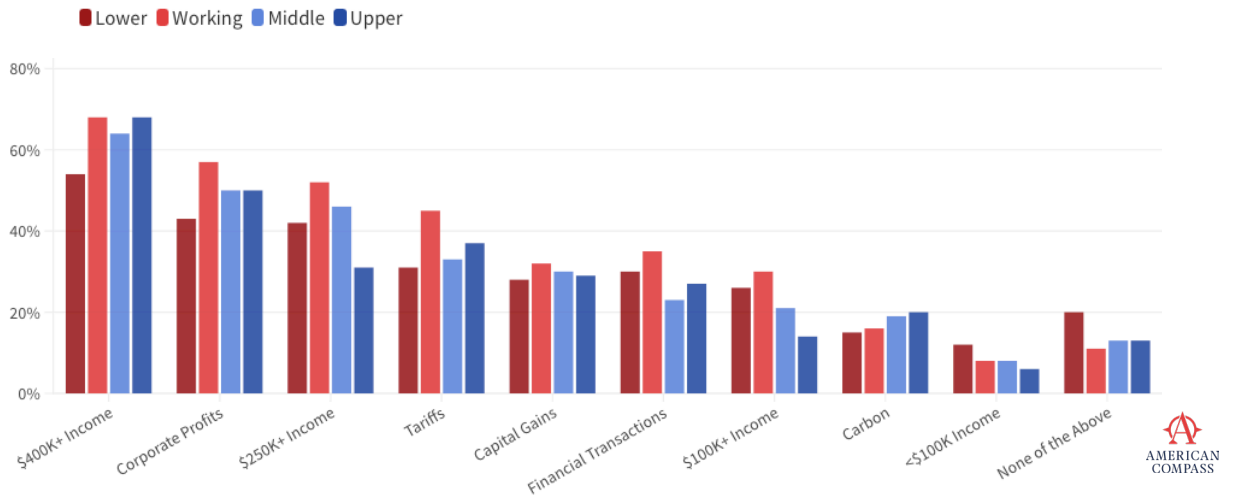


Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “Now, instead of thinking about spending cuts, think about tax increases. If politicians were going to raise taxes, they could choose to focus the increases on different groups and different kinds of taxes. Select all the kinds of tax that you would want to see raised before politicians start cutting spending on programs that you support.” See report appendix for explanatory text of each option. N = 902 American adults

While the working class focused most heavily on spending cuts, rather than tax increases, as a means of deficit reduction (see figure X 5), they were also most likely to support almost every type of tax increase. In general, classes shared the same order of prioritization for tax increases, though the upper class prefers not to see their own marginal rate in the \$250K+ category raised.

FIGURE 11. Working Class Voters Are More Supportive of a Variety of Specific Tax Increases

Share choosing each option for “kinds of tax that you would want to see raised before politicians start cutting spending on programs that you support”



Source: American Compass Role of Government Survey (2024). Note: Respondents were asked “Now, instead of thinking about spending cuts, think about tax increases. If politicians were going to raise taxes, they could choose to focus the increases on different groups and different kinds of taxes. Select all the kinds of tax that you would want to see raised before politicians start cutting spending on programs that you support.” See report appendix for explanatory text of each option. N = 948 American adults

The appendix provides additional detail on the prompts and context provided to respondents for these questions.

APPENDIX

The questions described in this report were asked after a series of questions about American attitudes toward government and government spending, as described in *The American Appetite for Government* (American Compass, 2024). Prior to this set of questions, respondents were given the following background information:

Over the past five years, dating back to before the Covid-19 pandemic, the federal government has averaged an annual deficit of more than \$1,000,000,000,000 (one trillion dollars), meaning that it has been spending \$1 trillion more per year than it collects in taxes. Comparing taxes collected (as a share of the economy) and government spending (as a share of the economy) to the last time the budget was balanced, in 2001, about 10% of the deficit we have now is the result of collecting less in taxes than we used to and about 90% is the result of spending more than we used to.

To cover this deficit, the government must borrow, which has led the national debt to rise from \$3 trillion in 2001 to \$25 trillion in 2023. This year, for the first time, the United States is expected to spend more on interest payments on this debt (about \$870 billion) than it spends on national defense (about \$850 billion).

Many policy analysts and politicians, both Republicans and Democrats, have raised the alarm that this situation is not sustainable and that the American people will have to make difficult choices about how to bring what the government spends back in line with what the government collects in taxes, through spending cuts and/or tax increases. But that is where the agreement ends. The following questions ask you to think how, if at all, you would want to see the deficit closed.

Tax Increases vs. Spending Cuts

The question asking respondents to allocate deficit reduction across tax increases and spending cuts as presented as:

Thinking first about the deficit in general terms, suppose you were assigned to develop a plan for closing the budget gap. You would have to decide how much of the gap to close with tax increases and how much to close with spending cuts.

Answer the question by assigning 100 points across tax increases and spending cuts. So, for instance:

- *Assigning 50 points to spending cut and 50 points to tax increases would mean cutting spending and increasing taxes by equal amounts.*
- *Assigning 75 to spending cuts and 25 to tax increases would mean cutting spending by three dollars for every one dollar of tax increases.*
- *Assigning 0 to spending cuts and 100 to tax increases would mean spending stays at the same level and taxes are raised enough to close the entire deficit.*

How much of the deficit would you want to close by raising taxes and how much by cutting spending?

Specific Spending Cuts and Tax Increases

When asked to select spending cuts and tax increases that they would support, respondents were provided with the following wording and descriptions, with the order always randomized and “none of the above” presented last:

Spending Cuts

- Medicare (health insurance coverage for the elderly)
- Social Security (retirement income for the elderly)
- National Defense (spending on the military and national security)
- Medicaid and the Affordable Care Act (health insurance for the uninsured)
- The Safety Net (anti-poverty programs like welfare, housing, and food stamps)

- Infrastructure (building and repairing roads and bridges, railroads, airports, water systems)
- Green Programs (supporting the production and purchase of clean energy and electric vehicles)
- Public K-12 Education (funding public elementary and high schools)
- Higher Education and Student Loans (funding colleges and helping students afford tuition)
- None of the above

Tax Increases

- Tax on income above \$400,000 per year
- Tax on income between \$250,000–\$400,000 per year
- Tax on income between \$100,000–\$250,000 per year
- Tax on income below \$100,000 per year
- Tax on investment gains in the stock market
- Tax on corporate profits
- Tax on buying goods imported from other countries (“tariff”)
- Tax on using fossil fuels for gas and electricity (“carbon tax”)
- Tax on trading stocks and bonds (“financial transaction tax”)
- None of the above

ABOUT THE DATA

The American Compass Family Survey was conducted by YouGov between March 1–5, 2024, with a representative sample of 1,000 Americans. YouGov interviewed 1,113 respondents who were then matched down to a sample of 1,000 to produce the final dataset. The sampling frame is a politically representative “modeled frame” of U.S. adults, based upon the American Community Survey (ACS) public use microdata file, public voter file records, the 2020 Current Population Survey (CPS) Voting and Registration supplements, the 2020 National Election Pool (NEP) exit poll, and the 2020 CES surveys, including demographics and 2020 presidential vote.

The matched cases were weighted to the sampling frame using propensity scores. The matched cases and the frame were combined, and a logistic regression was estimated for inclusion in the frame. The propensity score function included age, gender, race/ethnicity, years of education, home ownership, and region. The propensity scores were grouped into deciles of the estimated propensity score in the frame and post-stratified according to these deciles.

The weights were then post-stratified on 2020 presidential election choice as well as a four-way stratification of gender, age (four categories), race (four categories), and education (four categories), to produce the final weight.

In analysis of the results, “Class” is defined by education and income:

- “Lower” (N=209): less than a four-year degree and household income below \$30K; or did not report household income and do not have a high school diploma.
- “Working” (N=299): less than a four-year degree and household income \$30K–\$80K; or did not report household income and have either a high school diploma or some college but no degree.
- “Middle” (N=357): four-year degree or more and household income \$30K–\$80K; or household income \$80K–\$150K; or did not report household income and have a two-year or four-year college degree.
- “Upper” (N=93): household income above \$150K; or did not report household income and have a post-graduate degree.

Respondents with a four-year college degree or more but household income below \$30K are excluded from analyses using the “Class” variable (N=42).



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