

- Announcer:* Welcome to the Tax Policy Podcast, produced by the Tax Foundation in Washington. Visit us online at www.taxfoundation.org.
- Scott Hodge:* Welcome. I'm Scott Hodge, President of the Tax Foundation. I am pleased to have with me today Karlyn Bowman. Karlyn is a Resident Fellow at the American Enterprise Institute. She edits opinion polls for AEI and writes the column "POLLitics" for *Roll Call*. Previously Karlyn has been the editor of *American Enterprise*, managing editor for *Public Opinion*, and a Fellow at the Kennedy School of Government at Harvard University.
- Karlyn, thanks for joining me today.
- Karlyn Bowman:* Thank you for having me.
- Scott Hodge:* Well, we are a week out from the election and I suppose now that the dust has settled, it is time to kind of objectively look at things. I think the conventional wisdom has always been that elections, especially midterm elections, are all about local politics. "All politics is local," or "people vote with their pocketbook" and so forth, but the Iraq War was really by and far the largest issue in this election, wasn't it?
- Karlyn Bowman:* There is no question. And as a matter of fact, the exit pollsters asked a question. They asked people, "Are local or national issues more important to your vote this year?" And people said by an overwhelming majority that national issues were more important to their vote. And you are correct. It was the Iraq issue that washed over everything else.
- Scott Hodge:* That said, obviously we have a new Democratic majority in both the House and the Senate and they have come forth with an agenda of their own--"Six for '06" I think they called it--an action plan. And almost all of those issues in that "Six for '06" action plan are all domestic issues. Is there a mandate that they can follow here?
- Karlyn Bowman:* Well that is a good point. I think the issues that they have identified--implementing the 9/11 Commission's recommendations, raising the minimum wage, dealing with subsidies for big oil, and the like--those are pretty popular crowd pleasing kinds of issues overall.
- Scott Hodge:* Poll tested maybe?

- Karlyn Bowman:* I don't know whether they were a poll test or not. I wouldn't be surprised since many things are in Washington these days, but those ideas are pretty popular. And also I think another one is dealing with the high cost of college tuition.
- Scott Hodge:* Well, that is kind of interesting. On the minimum wage issue obviously there has been discussion and they will tackle that perhaps even first. Does that look possible or do you think that the White House is just going to block that altogether?
- Karlyn Bowman:* I don't know whether the President, who has been very reluctant to use the veto pen thus far, will veto this if presented to him. Certainly it is an idea that has very strong popular support. When Gallup started asking about the minimum wage in 1938, and the public supported the idea then. I guess the belief being that there should be a floor for people who were willing to work hard. And I think in every poll I have seen the issue has enjoyed substantial majority support. That is true today overall.
- So I don't know how the President will approach this one. I don't know whether the Democrats will accept some sort of amendments that might make this easier for small businesses who are affected profoundly by the minimum wage. That remains to be seen.
- Scott Hodge:* Well on the tax front, which seems to have fallen to the back of the queue, I guess, is not really at the forefront of the debate. On the other hand, Democrats have promised to fix the AMT and at the same time however, they are promising to be fiscally responsible and bring back the "pay as you go" rules, which would require a tax increase somewhere else in order to offset the revenue from fixing the AMT. Now to some degree this could require, if what I am hearing is right, they would lift the taxes on some of the upper income brackets to pay for AMT fix. Are Americans supportive of this kind of thing? Do you see polls which they would support a higher tax on the other guy behind the tree in order to pay for that tax cut?
- Karlyn Bowman:* I think the public, as a general rule, is not very receptive or very positive about tax increases. It is certainly true that they are more positive about tax increases for the rich. But I was interested in the new PSRA Newsweek poll released this morning, which asked about what should be the top priority of the Democrats. And they asked about ten or 12 different issues, things like increasing the minimum wage was cited by 68 percent that should be a top priority. Separately allowing the government to negotiate directly

with pharmaceutical companies to lower drug prices--75 percent said that that should be a top priority for the Democrats.

But then they were asked about rolling back some of the Bush tax cuts, and only 40 percent said that that should be a top priority, that probably is about the number of Democrats today. Thirty-two percent said it should be a lower priority, and 24 percent said it shouldn't be done at all. So you can see just from this battery of questions that asked people to rank various issues that it certainly ranks lower than other issues overall.

Democrats wanted it to be a top priority--58 percent of Democrats compared to only 20 percent of Republicans, and 35 percent of Independents. So again you see the Democrats sort of standing alone on that one overall in terms of the only group in which a majority supports rolling back some of the Bush tax cuts.

So, if I were the Democrats, I don't think I would start there because that is just not going to be a very popular idea. I think the tax issue has changed a lot in the last five to ten years. I think a politician who is seen as raising taxes still has a lot to fear, but at least nationally though -- I think it is very different at the state and local level -- at least nationally I am not sure that a politician, with the exception of the Republican base, and that is a pretty big exception, gains a lot from being seen as a tax cutter these days overall.

Scott Hodge:

How about the issue of tax reform? Senator Ron Wyden and Congressman Rahm Emanuel have put forward a Flat Fair Tax, they call it. Obviously their goal is to make the tax code a little more progressive, but at least they are talking about reform and trying to simplify the tax system. Is that something that the basis of a compromise can be made?

Karlyn Bowman:

I actually think that Wyden is someone the Republicans can work with on this issue overall. They are going to clearly have to. This is something the Republicans have talked about for a long time, but they clearly need Democratic allies, and I think Wyden would be an important one if they move ahead on this. Tax reform doesn't seem to me to have a lot of political sizzle. But that said, it is the right thing to do and I think that many Americans, if they believed it was really going to happen, they would be fairly enthusiastic about it.

Scott Hodge:

People are mentioning some of the poll numbers on allowing the government to negotiate on prescription drugs. And obviously the

Medicare prescription drug bill was the centerpiece of some, at least for the Republican agenda a few years ago, and they thought it would inoculate them on that issue. And yet we saw a couple of congressmen go down, Clay Shaw in particular in Florida, and Nancy Johnson in Connecticut. What happened on that issue? Did that just simply backfire?

Karlyn Bowman: Well perhaps, surprisingly, seniors were the Republicans' best age group in this election overall. They split pretty even for the Democrats over the Republicans in the House vote overall. I think a lot of Democrats thought that Medicare Part D was going to be a real difficult issue for the Republicans, but it didn't turn out that way. The polling suggested that of seniors who enrolled, first of all, most of them didn't have a difficult time enrolling, and second, we now have polls from the Kaiser Family Foundation saying that three-quarters of the enrolled seniors would choose the same plan over again.

So they seem to be pretty happy with the plan overall. I think it probably had an affect in a couple of races, and you cited two that are certainly ones that I would like to go back and look at more carefully. But it wasn't a big plus for the Republicans, nor was it a substantial minus.

Scott Hodge: Well, something has kind of troubled me throughout the last couple months. And as you see good economic data after good economic data on the unemployment rate coming down to really the lowest level in a generation, and the stock market has hit well over 12,000, and everything seems to be flying well, but the public mood seems to be very bad. They seem to be perceiving the economy as not being as good as the data would say it is. Where does the disconnect come from?

Karlyn Bowman: I think the disconnect, perhaps surprisingly, comes from Iraq. Iraq has such a powerful affect on public opinion and it tends to wash over everything else, making us pessimistic about the economy, pessimistic about a lot of things overall. Whenever we have troops in harm's way as we do right now, I think the public is anxious and I think that explains concerns about the economy overall. They are just not appreciating the good news.

Scott Hodge: Looking forward, and obviously there is going to have to be bipartisanship if anything is going to get done, and both sides are talking about bipartisanship, and it seems the American people kind of prefer to some degree split government. Am I right in reading that or are they saying something else?

Karlyn Bowman: I think they are. I think they would give probably two cheers for divided government. If you ask the question about, “Do you prefer to have one party control, or the White House controlled by one party, and the Congress controlled by another?” most people say, “Yes, I prefer divided government.”

When you say, “or doesn’t it really make much difference?” again, opinion shifts and people are not sure it really makes a great deal of difference. But I think they like the idea of one body having a check on the President, and the President having a check on the other body. So I think that is popular.

Scott Hodge: Well I guess as a last question I would kind of ask you about the political color palette of the United States. Obviously for the last couple of years people thought that the nation was turning red, toward a more conservative voter base, and yet obviously, Democrats carried the day on this election. Is America turning purple?

Karlyn Bowman: Well, we know that the Democrats held their supporters, and the Republicans held theirs. What we had was a significant increase in the number of Independents turning out to vote. People in the middle were always looking for new groups: soccer moms, security moms, angry white males. What we had this time was the familiar group that often makes a difference in elections, and that is Independents, and they pulled the lever for Democrats this time, and that has really been the story all year in public opinion. I think we should have been more sensitive to that as we looked at the numbers in February and March, that Independents were really very sour on this administration, and that is the explanation for the Democrats’ victory.

Scott Hodge: Well it is certainly going to make next year and the year after very interesting to watch and see which way it turns.

Karlyn Bowman: It will indeed.

Scott Hodge: Thank you so much Karlyn. I appreciate it.

Karlyn Bowman: Thank you.

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