PUBLIC OPINION AND
THE BALANCED BUDGET

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Abstract

While most Americans have long favored a balanced federal budget, not

all do. This paper uses cross-sectional differences among respondents to

two public opinion polls to try to discriminate among competing hypotheses

about why Americans want the budget balanced. Logit models are fit to

data from two different public opinion polls: a Gallup poll and a CBS/New

York Times poll conducted, respectively, in March and April of 1980, a time

when the proposed balanced budget amendment to the Constitution was very

much in the news.

In each case, a large majority favored a balanced budget requirement.

However, they favor it for a smorgasbord of reasons and at an unclear price.

It appears that political affiliation, ideology and personal circumstances

are far less important determinants of the choice than economic rationales.

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1. INTRODUCTION

Like wage-price controls, balancing the federal government budget
has long enjoyed greater popularity with the public than with economists.
A poll taken after a decade of the Great Depression, for example,
showed that 61% of the populace was willing to cut federal spending
immediately by enough to balance the budget, while only 17% were opposed.
(Stein [1969,p.118]). Nor has this idea's popularity declined over
time.

In 1949, only 38% felt that the government should incur a deficit
"to avoid the possibility of another depression." In 1953, 69%
favored balancing the budget over a personal tax cut. In a similar
vein, 79% of those surveyed in 1979 supported a tax cut, but only 38%
continued to favor lower taxes if it imposed a larger federal budget
deficit.[1]

Why the continued popularity of this proposal? One possibility
is that the polling data reflect simple-minded homilies about the evils
of debt based on invalid analogies to personal finances.("Neither a
borrower nor a lender be.") A second, somewhat related, possibility
is that the attractiveness of balanced budgets reflects a general
ideological attachment to fiscal conservatism. But these are not
the only possibilities. It could be that support for balancing the
budget is based on more or less coherent beliefs about how the economy

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[1]All survey data are from the Gallup Poll's, The Gallup Poll,
Public Opinion, various years.

and/or the government works. For example, some economists have favored a balanced budget as a way to control federal spending. Indeed, a Harris survey in 1982 found that Americans agreed by a 66% to 29% margin that a constitutional mandate to balance the federal budget would be "an effective way to keep federal spending under control."

While most Americans favor a _mandatory_ balanced federal budget, not all do. This paper uses cross-sectional differences among respondents to two public opinion polls to try to discriminate among competing hypotheses about why Americans want the budget balanced. In Section 2 the data and statistical methods are briefly described. Sections 3 and 4 present the results of analyzing data from two different public opinion polls taken at about the same time. Section 5 is a brief conclusion.

2. DATA AND METHODS

The data used are individual responses to a Gallup poll and a CBS/ New York Times poll conducted, respectively, in March and April of 1980, a time when the proposed balanced budget amendment to the Constitution was very much in the news and there was great public concern about inflation. The Gallup poll asked about support for the amendment. The CBS/NY Times poll asked respondents if they favored a requirement for a balanced budget even if it would require cutbacks in federal spending.

In each case, a large majority favored a balanced budget requirement. In the Gallup poll, the margin was 67% in favor, 13% opposed, and the rest undecided; thus, among those expressing an opinion, an astounding 84% favored the amendment. In the CBS/NY Times poll, which stressed

the need for cutbacks in spending, 61% supported budget balance while
32% were opposed (only 7% were undecided). The difference between the
two sets of answers to apparently similar questions is striking
testimony   to the sensitivity of polling results to the precise
wording of the question. It also suggests an unwillingness to
face the real costs of balancing the budget. In fact, a 1981 Harris
survey found that in no instance were a majority of respondents willing
to reduce spending on any domestic program rather than unbalance the
federal budget.

Both polls include the standard socioeconomic characteristics of
respondents such as age, sex, race, education, political affiliation,
and income. Beyond this, each poll has a particular strength.
In the Gallup survey, respondents were asked to present both the best
argument in favor of requiring a balanced budget and the best argument
against it. They were also asked how they thought balancing the budget
would affect the rate of inflation, tax burdens, federal government
employment, and federal government spending. Their answers give us an
interesting glimpse of individuals practicing amateur economic analysis.

The CBS/NY Times poll inquired more closely into political
ideology, economic values, and personal economic circumstances.
Respondents were asked whether they felt inflation or unemployment
was the greater economic problem, whether they would accept greater
unemployment in order to reduce inflation, and what they thought was
the best way to fight inflation.

Though a logit model was fit to the results of each poll, differences
in the data dictated rather different specifications of the independent
variables. In each case, however, there were so many potential

righthand variables that some preliminary data screening was necessary.
This was done by a series of chi-squared contingency tables to check
for dependence between different responses and the choice on the
balanced budget question. Results were used both to reduce the number
of potential independent variables and to reduce the number of discrete
responses entered for each independent variable. For example, individuals
in the Gallup poll were asked how they expected the balanced budget
amendment to affect taxes, and responses were categorized into:
"increase a lot", "increase a little", "stay the same", "decrease a little",
"decrease a lot", and "don't know". Preliminary screening indicated that only
those who answered "increase a lot" differed from the rest of the
sample, so we created a dummy variable for this response only. One
major result of this process was to eliminate all the people who
answered "don't know" to the balanced budget question, as there appeared
to be no significant information on these people.[2]

In an effort to   "play fair", the equations were first estimated
by entering all potential independent variables on the righthand side.
Variables were then eliminated on the basis of t-tests conducted at
the 10%   level. Once a final specification was arrived at,
previously eliminated variables were re-entered and tested for
significance.

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[2]Details of this process are included in Holtz-Eakin [1983].

3. RESULTS FROM THE CBS/NY TIMES POLL

The CBS/NY Times poll asked the following question:

"To deal with our economic problems, would you favor
or oppose requiring a balanced budget even if it means
spending less on military and domestic programs?"

A logit model fit to the responses (yes=1) gave the results

presented in Table 1. Estimates are based on 1262 cases remaining

after initial screening for "don't knows" and missing data.

Since many of the important explanatory variables are attitudinal,

and hence themselves cry out for explanation, we estimated the following

"decision tree."[3] Socioeconomic characteristics and personal economic

circumstances are assumed to influence ideology and value judgments.

All of these variables, in turn, are assumed to influence views on

how the economy works (e.g., are deficits inflationary?). Finally,

personal characteristics, ideology, and economic judgments are all

assumed to influence attitudes toward balancing the budget. To keep

the task manageable, we worked "down" the decision tree. First, the

determinants of the balanced budget choice were estimated -- including

economic judgments, ideological factors, etc. Then, the determinants

of these, lower level, decisions were estimated. The process continued

until the decision tree (and researchers) were exhausted.

Some explanation of Table 1 is in order. The first two columns

after the variable name give the estimated logit coefficient and its

t-statistic. However, the importance of each variable is best under-

stood by the "partial effect" shown in the third column. This measure

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[3] For a more detailed explanation of the model, including a justification
of the logit specification based on utility maximization, see Holtz-Eakin
[1983].

TABLE 1   Logit Estimates from CBS/NY Times Poll

Variable	Coefficient	t-statistic	Partial effect [f]	Sample mean
Socioeconomic characteristics				
Black	.59	2.5	.12	.090
Male	-.37	-3.0	-.08	.477
College graduate	.38	2.4	.08	.230
Personal economic circumstances				
Recent layoff[a]	.35	1.9	.07	.165
Better off[b]	-.28	-1.7	-.06	.190
Attitudes and values				
Best way to fight inflation[c]	.86	6.9	.19	.526
Inflation worse than unemployment[d]	.23	1.7	.05	.802
Willing to trade off[e]	.27	1.9	.06	.269
Constant	.056	0.3	--	--

Likelihood ratio statistic = 81.6
Likelihood ratio index[f] = .051

Notes:

a) Laid off during last year.
b) Better off than last year.
c) Balancing the budget is the best way to fight inflation.
d) Inflation is a greater economic problem than unemployment.
e) Willing to let unemployment rise to fight inflation.
f) See text for explanation.

is computed as the change in the probability of answering "yes" to the balanced budget question as each dummy variable is varied from zero to one, holding all other variables at their sample means.

For example, believing that balancing the budget is the best way to fight inflation increases the probability of favoring budget balance by .19. This is far and away the most important determinant of the dependent variable, reflecting the overwhelming concern about inflation at the time of the poll. (The other choices offered for how to fight inflation were cutting taxes, imposing wage-price controls, or none of the above.)

Among the socioeconomic variables, only race, sex, and education had any significant impact on attitudes toward balancing the budget. Blacks were .12 more likely to support a balanced budget requirement, men were .08 less likely, and those with a college education or more were .08 more likely. The result for blacks is certainly surprising, given their typical position on the economic ladder.

At least as interesting as this short list of variables that mattered is the much longer list of obvious socioeconomic variables that apparently, and often surprisingly, have no bearing on support for the balanced budget. These include age, income, political ideology, and party affiliation.

Variables reflecting personal economic circumstances also held some surprises: those who have been laid off within the past year were .07 more likely to support the balanced budget, while those who are better off than they were a year ago were .06 less likely. Perhaps people who are doing well want things left alone while those who are doing poorly seek change.

Two other attitudinal variables were found to be of some importance. Those who felt that inflation is a greater economic problem than unemployment were .05 more likely to favor a balanced budget and those who were willing to use unemployment to fight inflation were .06 more likely. These are appealing results. What is striking is the strength of the anti-inflation sentiment. 80% of the sample felt that inflation was the greater problem, an unusually high proportion. (Compare Hibbs [1982].) Note, however, that only 27% of the sample was willing to trade higher unemployment for lower inflation. Thus, while anti-inflation sentiment was high, willingness to bear the burden of contractionary policy was not.

In keeping with our decision tree model, logit equations were also estimated for each attitudinal variable. We have space only to describe briefly the most important of these: the equation explaining whether or not the respondent thought that balancing the budget was the best way to fight inflation. The items of major importance were as follows. Individuals with family incomes in excess of $10,000 (in 1979), and those who felt there was a weak link between budget deficits and inflation,were less likely to come to this conclusion. Those willing to use unemployment to fight inflation, and conservatives,were more likely to reach this conclusion. Thus, while ideology shows no _direct_ effect on the balanced budget question, there is an _indirect_ effect. Finally, respondents with college or greater education tended to conclude that balancing the budget was a good anti-inflation strategy. Notice that this effect of higher education reinforces the tendency found above -- that college graduates tend to be more in favor of balancing the budget.

Finally, Table 1 offers two measures of goodness of fit. The first is the standard likelihood ratio statistic, $-2\log(\frac{LS}{LC})$, where LC is the likelihood at convergence and LS is the likelihood when each case is assigned a probability of answering yes equal to the sample frequency. The second is a likelihood ratio index defined as $\frac{\log LC}{\log LS} - 1$. This measure gives the percentage improvement in the log-likelihood due to using individual data. This goodness of fit statistic is only 0.051, corresponding roughly to an OLS R-squared of 0.062. Thus our ability to predict attitudes toward balancing the budget from the information available in the CBS/NY Times poll is meager.

4. RESULTS FROM THE GALLUP POLL

The Gallup poll was simpler to handle. After screening out "don't knows" and missing data, 1260 observations were left and a single logit equation was estimated to explain the answers to the following question (yes = 1).

> "A proposed amendment to the Constitution would require
> Congress to approve a balanced federal budget each year.
> Government spending would have to be limited to no more
> than expected revenues, unless a three-fifths majority of
> Congress voted to spend more than expected revenue. Would
> you favor or oppose this amendment to the Constitution?"

Results are displayed in Table 2. The most interesting results pertain to the arguments for and against the amendment.

Respondents divided almost evenly among three general arguments in favor: that nations (like people) should "live within their means," that balancing the budget is anti-inflationary, and that balancing the budget is a good way to cut wasteful government programs. Certainly, most economists would agree that there are important grains of truth in the latter two arguments, while the first seems to reflect the naive homilies mentioned at the outset.[4] People selecting any of these three arguments are about .10 to .13 more likely to support the amendment. Believers in crowding out are presumably included in "miscellaneous."

The most popular argument against the amendment (selected by about 20% of the sample) is that it would tie the hands of policy makers. Others worried that it would reduce necessary military and domestic programs (15%)[5] or hurt the economy in times of emergency, that is, interfere with stabilization policy (13%). Those who selected one of these three arguments were .12 to .14 less likely to support the amendment.

It is also fascinating to note that 77% of the respondents thought that a balanced budget amendment would have only a small effect on inflation (up or down), while 19% thought it would lower inflation substantially. (Recall that 53% of the respondents to the CBS/NY Times poll nonetheless

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[4]This argument actually aggregates many similar responses such as: "the federal budget is no different than my budget," "You can't keep spending more than you take in," etc.

[5]The schizophrenic attitude of Americans toward government spending is evident. Nobody wants to undertake actions that will eliminate "necessary" programs, but using a blunt instrument like the balanced budget amendment to fight "waste" is perfectly acceptable.

TABLE 2   Logit Estimates from Gallup Poll

Variable	Coefficient	t-statistic	Partial effect	Sample mean
Socioeconomic characteristics				
Age[a]	-.0172	-3.1	-.014	44.2
Democrat	-.40	-2.1	-.03	.411
Union[b]	.39	1.6	.03	.244
Full-time student	-1.46	3.1	-.20	.030
High school[c]	.57	2.7	.045	.394
Graduate school[d]	-.96	3.0	-.11	.066
Arguments in Favor of Amendment				
Live within means[e]	1.73	6.2	.11	.254
To fight inflation	1.75	6.1	.105	.241
Will reduce wasteful programs	2.12	7.1	.13	.274
Miscellaneous	1.23	3.1	.066	.060
There is none	-1.57	-3.7	-.22	.034
Arguments Against Amendment				
Will hurt the economy	-1.09	-3.9	-.12	.127
Too restrictive	-1.74	-7.5	-.12	.196
Will reduce necessary programs	-1.225	-4.4	-.14	.146
Miscellaneous	-1.97	-5.2	-.31	.053
Perceived Effects of Amendment				
Small effect (+ or -) on inflation	.83	2.1	.08	.769
Lower inflation a lot	1.35	2.9	.08	.191
Raise taxes a lot	-.67	-2.6	-.07	.114
Lower welfare spending a lot	-.65	-3.0	-.06	.213
Constant	1.65	3.3		

Likelihood Ratio Statistic = 302.4
Likelihood Ratio Index = .276

Notes:

a) This is a continuous variable measured in years. The "partial effect" refers to raising age from 39.2 to 49.2.
b) Respondent or spouse is a union member.
c) High school of technical school education.
d) Some post-college education.
e) Best argument is that everyone should live within his means, or that the national debt is already too high.

believed that balancing the budget is the best way to fight inflation.)
Either of these groups was .08 more likely to support the amendment than
the small minority who thought budget balancing was strongly inflationary.
Finally, the minorities (11% and 21%, respectively) who thought that a
balanced budget amendment would lead to large increases in taxes or to
large cuts in welfare spending were .06 to .07 less likely to support the
amendment. The latter result surprised us.

A few socioeconomic variables were also significant. Fulltime
students (only 3% of the sample) were much more opposed to the amend-
ment, and those with some education beyond college (another 7% of the
sample) were moderately more opposed. These results on education
contradict those obtained in the CBS/NY Times poll. Older people and
Democrats were less in favor of the amendment, and union members were
more in favor; but each of these effects is small.

As in the case of the CBS poll, it is just as interesting to note
that many socio-economic variables typically thought of as important.
determinants of opinions toward federal budget policy were not significant.
These include race and sex, which turned out to matter in the CBS poll,
and income and geographical region, which did not.

Finally, notice that the likelihood ratio index of goodness of
fit is 0.276, a fivefold improvement over the CBS/NY Times poll,
and a figure which seems quite respectable relative to standard
econometric results based on cross-sections of individuals. (It
corresponds roughly to a OLS R-squared of .25.) One of the most
encouraging aspects of the results is the importance of economic
reasoning in obtaining this fit. The presumed effects of the balanced budget
amendment on inflation, taxes, and welfare programs all impact on the
decision. In addition, many individuals cite economic arguments for
and against the amendment, and these arguments affect their opinions.

5. CONCLUSION

What may we conclude from this exercise? Clearly, Americans favor some sort of balanced budget restriction, and probably always have. However, they favor it for a smorgasbord of reasons and at an unclear price.

From an economist's perspective, it is encouraging that political affiliation, ideology, and personal circumstances matter far less than economic rationales. The best evidence for this is the vastly superior fit of the Gallup poll estimates, which relied on information about respondents' economic reasoning, over the CBS/NY Times estimates, which relied more on individual characteristics and ideology. If this correlation really signifies causation, rather than rationalization of a decision reached on ideological grounds, then rational public discourse on government budget deficits may one day be possible.

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