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Are Really  
Thinking.*

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AHEAD OF THE CURVE

September, 2006

Volume 9, Issue 8

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## Talking Turkey Over Taxes

It's that time of [election] year again, when Republicans across the nation start thinking and talking about cutting taxes – and Democrats respond by saying the rich are paying too little and the poor are paying too much. Oh, we know it's not the top issue on the political hit parade this time around the block – war and terrorism share that prize – but it is always on the minds of politicians, even when it's not the first thing that voters may be thinking about.

This year, Republican candidates for Congress may have taxes higher than normal on their lists of campaign talking points because they are in a titanic struggle to make this election a matter of local issues – domestic, not international in scope – so that voters, a majority of whom say they are now opposed to the war in Iraq, start thinking about something else.

Of course, this is a tough nut to crack, as likely voters across the nation tell us that the two most important issues to them are the war and terrorism. Number three is the economy. Taxes are lower on the list, which typically happens anyway during good economic times.

### Did You Know?

One in three Americans (32%) have not purchased something in the past because of the sales tax.

A new Zogby Interactive survey on taxes shows just why Republicans keep coming back to this issue: a stunning 93% of Americans say that the federal income tax is too high, and the same percent say that their tax dollars are spent unwisely.

Our newest polling shows that by claiming the federal income tax system favors some over others, Democrats seem to be simply talking past the average Americans, who tell us they hold not a practical, but a philosophical grudge against the government's penchant for taking a healthy chunk of what they earn on the job. More than half – 52% – told us the spending of wealth should be taxed, rather than the creation of wealth. And respondents cited the federal income tax as the most unfair of all.

But as long as the income tax is around, most think everyone should have to contribute. While one in every three Americans (37%) do not pay any federal income taxes, 68% of respondents said that everyone should have to pay at least some income tax, regardless of income. Majorities in both parties agreed this is a fair principle – 59% of Democrats and 79% of Republicans agreed with it.

## Is There Life After Income Taxes?

This begs the question, if income taxes were to be abolished and sales taxes doubled, would Americans be happy with more money in their pockets from their jobs but higher costs at the store?

It would certainly spread the burden over a wider pool of taxpayers, but some don't like that idea. Since a third of America doesn't pay any income tax, the feds could drop the income tax altogether and make up for it by adding a federal sales tax of about 12% on top of each state's sales tax, government estimates show. One of the pressing concerns of the current political election cycle plays into this proposal – conservatives say that such a system would be fairer in part because the government would recoup some of the tax money it spends on services for immigrants who live and work in this country illegally.

When asked if it would affect the way they shopped if the income tax were replaced by a flat sales tax, about half (48%) said it would not – they would buy about the same as they do now. But 25% said they would buy at least a little less than they do now. Fourteen per cent of respondents said that they would purchase more than they currently do, using what to them would seem like more of their earned money in their pockets (the money not withheld from their paychecks).

Since only 63% of Americans actually pay income tax, and people don't start paying income tax until they earn about \$25,000 a year, we wondered: "At what income level should people begin to pay federal taxes?" Forty per cent of respondents said \$20,000/yr, and 21% said \$30,000/yr.

The Wal-Mart shopper demographic shows us once again that peoples' political ideals tie in with the rest of their life – most people who never shop at Wal-Mart think that the creation of wealth should be taxed rather than the spending of wealth, while those who frequent the massive consumer goods discounter disagree.

## Short of Scrapping the Income Tax, Should It Be Dramatically Overhauled?

Assuming that the income tax remains, Americans were split over the idea of a flat rate income tax. Overall, 49% of respondents said they would favor it, while 45% said the current method of a progressive rate tax is more fair. Republicans and Democrats are polarized on this idea, which was popularized in the 2000 presidential election campaign of Republican Steve Forbes.

<p><b>Did You Know?</b></p> <p>As it is today, the top 5% (above \$130,080) income bracket pays 20.74% on what they make, while the bottom 50% (below \$29,019) pays 2.95%.</p>	<p>Seventy-six per cent of Democrats favor the current method of progressive taxation, but 78% of Republicans say a flat tax would be more fair. Independents are evenly split between a flat and progressive tax system.</p> <p>More Demographics: Among Midwesterners and men, 53% favor the concept of a flat tax over the current progressive tax system, while 48% of women and 52% those who live in the east lean toward a progressive tax. People between the ages of 18 and 34 favor a progressive tax – just one in three said a flat tax is more fair – but 54% of people 35 and older favor a flat tax.</p>
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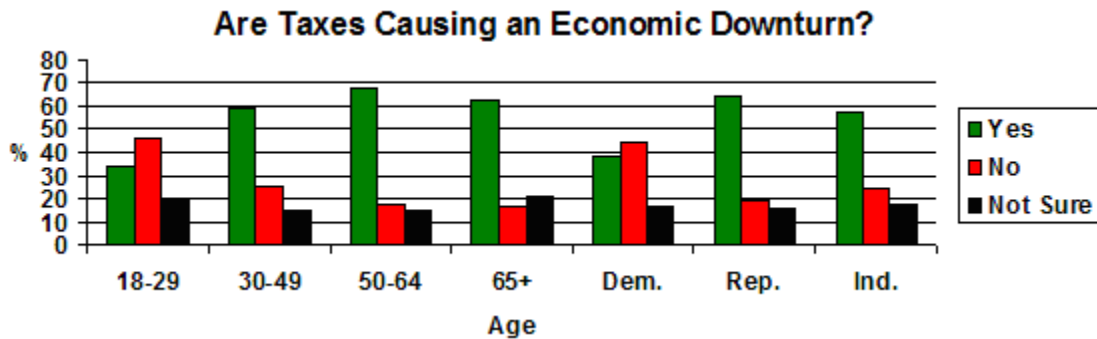
But, given that a bare majority support for a flat tax is just barely a majority, it is reasonable to assume that no one in Washington is going to risk their political neck to push such an idea. Especially in the current atmosphere on Capitol Hill, which could best be described as poisonous.

## Sin and School Taxes

We also asked about other taxes that most people pay, whether or not they realize it. When asked what tax is most fair, most popular were sin taxes, such as cigarette or alcohol taxes.

At the other end of the scale were school (property) taxes – they came in dead last in every demographic when asked what the fairest tax is, behind state sales tax, income tax, sin taxes, and gasoline taxes.

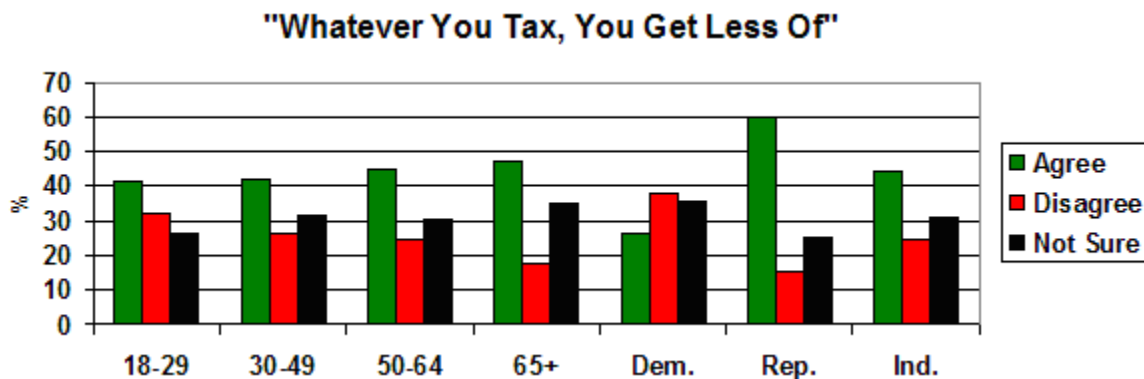
Respondents age 18–29 said income taxes were the second-most fair tax (second to sin taxes), but then, those in their early career years aren't earning as much as their elders, and may not be feeling as much "withholding pain". Among those who have been punching the clock for a few years (those age 30 and older), just 18% of respondents agreed. Among Democrats, 32% said the income tax is the most fair form of taxation. A majority of Republicans disagreed, saying the sales tax was the most fair tax.



Two-thirds (66%) of Americans agree that if taxes are too high, they can choke economic development and cause an economic downturn. An overwhelming 91% of Republicans agree, as do 63% of Independents. But 48% of Democrats agree. Asked whether the current level of taxes was harming the economy, young people (age 18-29), are not convinced – just 34% agreed. Among those who are older, most (59%) said they think taxes are harming the economy.

We asked a philosophical question about taxes – wondering if people agreed or disagreed with the concept that taxation directly impacts what people do with their money – and we found an interesting collection of responses. Although 30% of respondents said they're not sure, 44% of Americans agree that whatever the government taxes, they get less of. Another 25% disagreed.

Here are some specifics:



It is important to remember that 93% of the American public believes that their tax dollars are being spent unwisely. But that massive federal debt and deficit aside, respondents don't feel the culprit is the federal government. More than a third - 38% - of respondents say that the Fed is the most responsible branch of government with their money.

States come in with a lackluster 13%, seen as the least responsible level of government at handling tax dollars. Eighteen per cent said that no branch of government has any fiscal responsibility when it comes to their tax dollars.

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## High Gas Prices Driving Politics

Okay, so you might not be among those who went out and bought a thirsty SUV just before gas prices shot through the \$3-per-gallon mark this summer. Still, chances are good you are among those who are scouring the countryside looking for someone to blame.

While the breathless petroleum emergency chronicled by blow-dried television reporters has subsided, at least temporarily, people are starting to think the problem might be a permanent one. Even with the news that big oil deposits have been found in the Gulf of Mexico, a lot of water must pass under the bridge between discovery and the gas pump at the corner.

More than half - 59% - have already changed their driving habits due to the high prices, but 20% say they'll never change, no matter how high gas prices soar. However, the percentage of people who said they would never change their driving habits is actually down 5% from this spring, when we asked the same question.

While gas prices is one of those things that mostly transcends partisanship, we found that 14% more Democrats than Republicans have changed their driving habits due to the price of gas. The increased cost is apparently triggering a connection to their drive to conserve.

So, who do Americans think is responsible for the high gas prices? According to 21% of the American voting public, the government's "corrupt" links to the oil industry are to blame – more than any other factor. Oil company executives were next on the list, blamed by 19% of Americans. Increased industrialization around the world and the subsequent demand for crude is blamed by 15% of respondents.

Among Democrats, nearly half - 47% - said price gouging as the reason for high gas prices – but only 22% of Republicans agree. Another one in five Dems point to war and political instability in the Middle East. Republicans spread the blame across the board, from 22% of them saying it is a problem of worldwide demand outstripping supply, to 15% saying the price spike is the result of environmental regulations.

When asked how much responsibility for gas prices lies on the shoulders of President Bush, 92% of Dems heap some blame on the chief executive – but as is common these days, Republicans disagree. Just 17% of Republicans said the price hikes are Bush's fault.

This question proves again the philosophical differences between those who shop at WalMart, compared to those who do not. Eighty per cent of people who never shop at Wal-Mart blame Bush for the prices at the pump, while only 38% of those who shop there regularly.

So, while there is a vein of resistance to changing driving habits among the American public in reaction to the increased cost of fuel, the price spikes have gotten the attention of car buyers. More than a third – 38% - said it is the most important factor they consider now when going to purchase a new vehicle. That's slightly more than the percentage who said the quality of the car is the most important factor.

Women were more likely than men, and Democrats much more likely than Republicans, to consider gas mileage as the most important factor in buying a car.

**GASOLINE (continued)**

Republicans were optimistic when it comes to where they think gas prices are going in the next twelve months – 27% said fuel will either stay the same or go down in the next 12 months. By contrast, 93% of Dems said they think gas prices will go up at least a little over the course of the next year.

When asked if the U.S. should get preferential treatment when it comes to oil supply and pricing because of our military efforts in the Middle East, the nation is split. Forty-five percent said the U.S. should get preferential treatment, while 42% said we should not. Not surprisingly, 61% of Republicans said we should, but only 26% of Democrats agree.

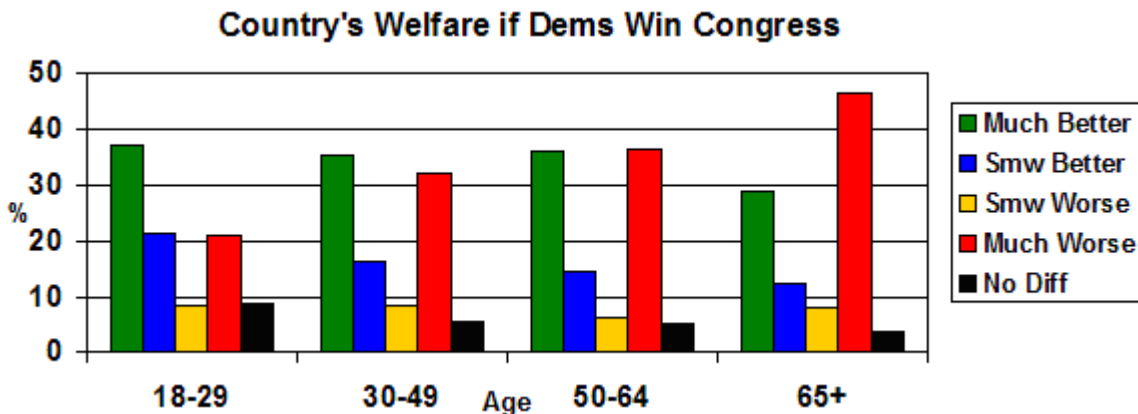
**Imagine envying the President’s job approval rating**

**Most Say Congress Doing A Poor Job**

Maybe we get so used to seeing the low numbers, but it is still amazing - a shocking 81% of Americans think that Congress is ineffective in dealing with the problems currently facing the nation, which begs the question – do people watch too much C-SPAN, or not enough?

Only 12% of likely voters approve of the job that Congress is doing (the rest are unsure), and although there is a Republican majority in Congress, just one in four GOPers give the collective body positive marks for their work. Democrats, who are now engaged in a massive national effort to take back control of at least one of the houses of Congress, have an understandably lower opinion – just 3% of them give positive ratings its work. Asked whether they believed members of Congress were more interested in doing their job or whether their top priority was to jockey for political advantage, just 6% said they thought the first thing on the minds of the national legislators was to get some useful work done.

Given the tremendous importance of this year’s midterm elections, we thought it was important to know which party likely voters think should come out on top. Fifty-one per cent of Americans say that the country would be better off if the Democrats won control of Congress, but 41% say that the country would be worse off, while 6% say there would be no difference.



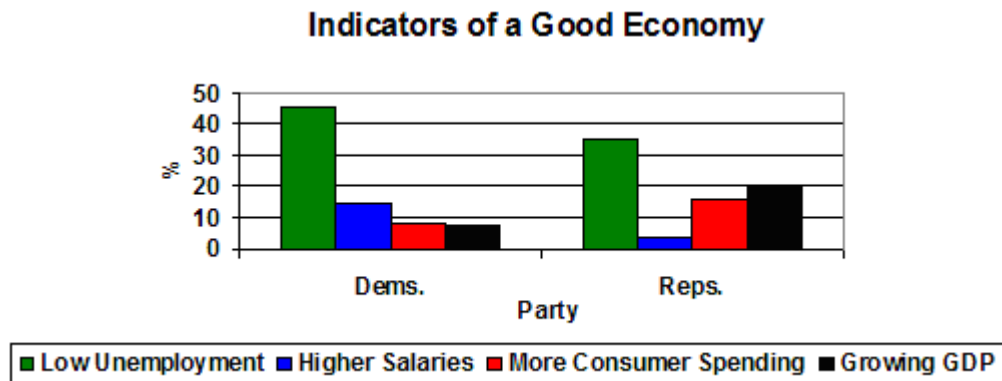
The younger generation is ready for change in Congress (see above chart), as 58% of young people between the ages of 18-29 say that the country would be at least somewhat better off if the Democrats win control of Congress. However, faith in change wanes as citizens get older - 54% of those 65 years and older say that the country would be worse off if the Republicans lose control.

### Most Say Congress Doing A Poor Job (continued)

If the war and the war on terrorism, and gas prices, give way to other issues in deciding who will win control of Congress, it may well be how people feel about the national economy that makes a difference – especially in those toss-up districts that will drive the future make-up on Capitol Hill.

It’s interesting to see how the partisans look at the issue. When asked what the best indicator of a strong economy is, 45% of Democrats responded that it is low unemployment. In 2004, 61% of Democrats said that was a key indicator of a good economy. Of course, that was in the heat of the Bush-Kerry presidential election battle, when Democrats nationwide (but especially in the Midwest) decried a “jobless recovery” that they said featured improving economic numbers but which showed little or no job growth. Just 3% of Democrats said that the best indicator of a strong economy is higher salaries, down from 15% who said the same thing earlier this summer.

Republicans (40%) also agreed that low unemployment was the best indicator of a healthy economy, with a growing Gross Domestic Product the second most important factor (19%). Third was strong consumer spending, followed by increasing wages.



Zogby Interactive poll conducted 8/12/06-8/14/06 MOE +/- 1.1%

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**Road to New Hampshire!**

## Remembering The September 11, 2001 Terrorist Attacks

This month is filled with television, radio, and newspaper retrospectives of the horrible day five years ago that changed us all forever. This is a natural thing – this being the fifth anniversary of the terrorist attacks. Besides, Americans always love important anniversaries.

But this is a day some say that should be remembered every year, and respondents to a recent Zogby Interactive poll shows that most would like those commemorations to be a permanent part of our national mindset.

Almost three in four – 71% - said they think the attacks amount to the most significant historical event of their lifetime, while 28% disagreed.

Six in 10 said Sept. 11 should be “a national day of remembrance” to forever honor and remember those killed that day, and by previous terrorist attacks. Interesting, 19% said they “strongly disagreed” with this idea.

It is unknown what went into that thinking, but this may be a factor – as a nation we remember Dec. 7, 1942, as a “day that will live in infamy” to mark the bombing at Pearl Harbor without aid of anything official to mark the occasion. Especially because the Sept. 11 attacks were likened to the Pearl Harbor attacks at the time, people may think that it should and will be remembered in the same way. It is hard to imagine a time when people would look at their fall calendars and not recall what happened.

But, should it be made an official national holiday, like, say, the Fourth of July? Well, no, our respondents tell us. Just 26% said they think that would be a good idea, while 70% said they do not want it to become a national holiday.

While we were at it, we asked more about the attacks, and found that Americans were split over whether the news media should be showing the graphic images of the attacks more, less, or not at all.

A plurality (43%) said they would like to see the images more to help them remember, while 34% said they would like to see less of the images of the planes hitting the buildings, people jumping to their deaths, and of the buildings collapsing. Sixteen percent said they just weren't sure what to think on that question.

Of those who said they would like to see more of the graphic images of that tragic day, 35% said it helps them remember the danger posed by terrorists. Another 22% said it helps them remember the events of day, while another 22% said the sights serves as motivation to continue the war on terror.

More than one third of respondents – 37% - said the memories of that day are as emotionally vivid and dramatic today as they were five years ago. Slightly more than half (52%) said the memories have begun to fade, while 10% said they have a hard time dredging up memories of the events. Of those who said their memories have diminished, most (74%) said it is simply a function of human life that such things fade over time. Others said they think the nation does not do enough to remember the attacks, or that they try not to think about it.

The five years since the attack have included one presidential election, two congressional elections, and many twists and turns to the aftermath that include three wars – Afghanistan, Iraq, and an ongoing worldwide battle against scattered terrorist cells. There have been accusations and fingerpointing across the political aisle in Washington, and in other Western capitals, including allegations of falsified documentation to support the wars and the execution of them. In some corners, there have even been conspiracy theories spawned, including charges that the U.S. government was somehow complicit in the attacks. Our polling shows that nearly half of Americans think there has been some sort of a cover-up by the government.



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## Remembering The September 11, 2001 Terrorist Attacks (continued)

Knowing all this, we asked – would you say that your belief that the government can be trusted to do the right thing is now more, now less, or is the same as it was before Sept. 11 – and we found that 49% felt they could trust their government less. Another 20% said they trusted their government more because of its response to the attacks, while 27% said their attitude toward the government is the same as it was before the attacks.

These questions were explored in a Zogby Interactive survey conducted Aug. 25-29, 2006, and includes 10,181 respondents. The margin of error is +/- 1.0 percentage points.

## What To Do With Saddam?

The trial for Saddam Hussein has been in and out of the news as the Iraqi tribunal trudges its way through the several charges leveled against the former Iraqi dictator. So what do Americans think will happen to him? Eighty-five percent think he will be convicted. Among Democrats, 80% said they think he will come out on the wrong end of the verdicts, while 90% of Republicans agree. So then, what about his life post-trial?

Life in prison with or without a chance of parole would not satisfy 80% of

Republicans. Almost half want blood - 45% want to see Hussein hanged immediately. As the former dictator is being charged for ethnic cleansing among six other charges against humanity, most Democrats (53%) want to see the former dictator imprisoned for life with no chance of parole.

The most surprising statistic: 3% of Americans would give Saddam life in prison—with a chance for parole.

### Did You Know?

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