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A DIVIDED PUBLIC POSES DEEP BUDGET CHALLENGES

BURGEONING CONCERNS WITH INEQUALITY

[Ottawa – March 5, 2012] – Budgets are the most attentively followed and important legislation that Governments produce. In a climate of growing economic anxieties where the Government has staked out the economy as its principal focus, this is even more so. On top of that, we have a federal government reeling from a nasty controversy over a potential vote suppression scandal which has seen its honeymoon period abruptly replaced with the NDP opposition nipping at their heels in the polls. To state that the budget will be important in this context would be a major understatement. A budget which squarely hits the mark could restore confidence in a restive citizenry and remind them of the reason they bestowed a majority only ten months ago. A misfire, coupled with growing controversies on other fronts, could accelerate a downward slide into a real political crisis.

Of all the areas which are prone to misinterpretation and distortion of true public preferences, none is more fraught with difficulty than charting budget priorities. No simple set of questions can adequately capture the complexity of the task, but there are some proven barometers that can help sort through the ambiguities and divisions in public opinion. Some of these divisions are simply disagreements across various defined communities of interest and values. Others are the product of the vagaries of the way questions are posed and interpreted.

Take for example the new consensus around the politics of austerity. There is little question that the public will respond very favourably to the offer of deep cuts to spending as an alternative to tax increases or continued even deepened deficits and public debt. In fact, there is an evergreen tendency of the public to believe that government is rife with waste, inefficiency and poor spending priorities.

HIGHLIGHTS

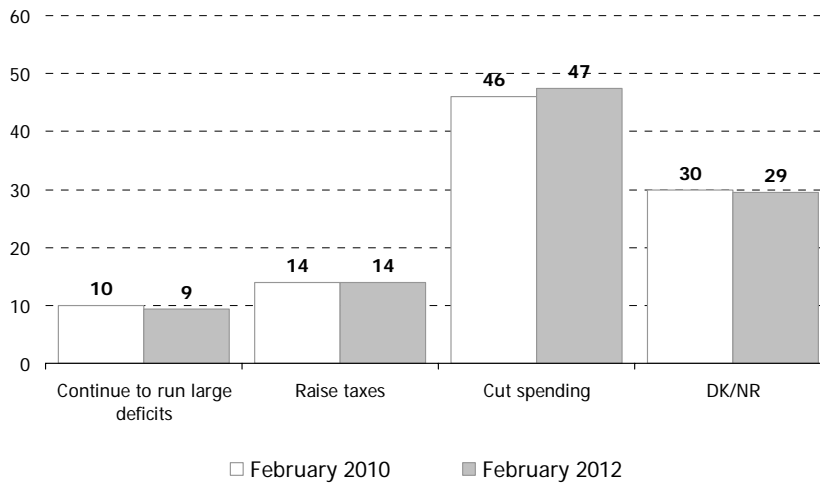
- **Preferred approach to the deficit:**
 - ☒ 47% cut spending
 - ☒ 14% raise taxes
 - ☒ 9% continue to run large deficits
 - ☒ 29% DK/NR
- **Preferred government priorities:**
 - ☒ 59% investing in social areas such as health and education
 - ☒ 18% keeping the deficit as low as possible
 - ☒ 16% keeping taxes as low as possible
 - ☒ 7% DK/NR
- **Most important issue for discussion:**
 - ☒ 31% income inequality
 - ☒ 26% economic issues
 - ☒ 24% social issues
 - ☒ 9% fiscal issues
 - ☒ 9% Don't know/None of these
- **No new taxes vs taxing the rich:**
 - ☒ 60% more likely to vote for a party that promises to raise taxes on the rich
 - ☒ 30% more likely to vote for a party that promises not to raise taxes
 - ☒ 10% DK/NR

Please note that the methodology is provided at the end of this document.

Figure 1.0: Preferred approach to deficit



Q. In your opinion, what should the Government of Canada's main approach to the deficit be for the coming year?



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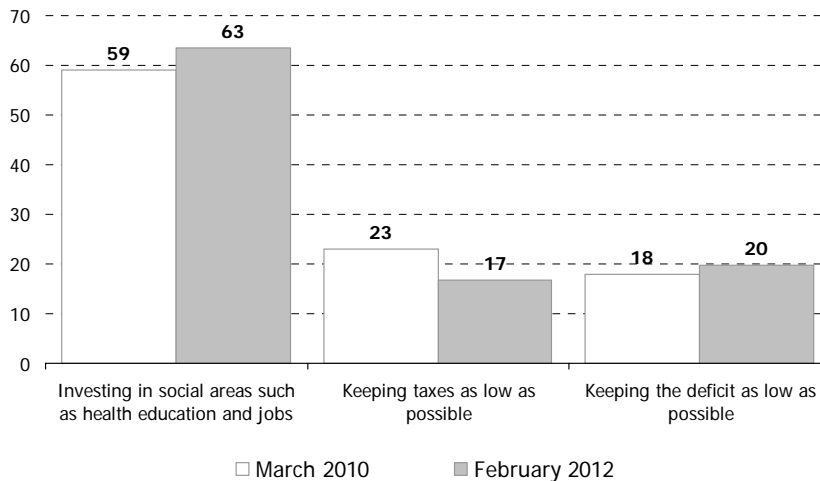
BASE: Canadians; most recent data point February 21-28, 2012 (n=3,699)

Figure 1.0 shows a fairly typical response to a standard question of this sort. While a prudent 30 per cent eschew answering such a simplistic question, the overall lean is to spending cuts. Well that was easy; the public will reward savage cuts and abhor new taxes or debt. Some have even claimed that this new austerity aspiration is significantly up. On this latter point, we ask the same question of a very large random sample in 2010 and we find that this public read is actually dead stable. So there is no new thirst for austerity. Is the apparent single mindedness of the public on this issue really that straightforward?

Figure 2.0: Preferred government priorities



Q. The federal government faces major challenges in dealing with its finances. The country also has major ongoing investment needs. Which of the following 3 priorities should be the most important principle for dealing with these challenges?



Note: In our most recent poll, this question was changed to give respondents the option of skipping the question. The 2012 results exclude the 7 per cent of respondents who did not provide a valid response.

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BASE: Canadians; most recent data point February 21-28, 2012 (n=3,699)

Consider Figure 2.0. Hmm. Well, if people prefer spending to tax and debt in the last exhibit, they prefer “investment in health, education and jobs” by an even larger margin. Also, at 63 per cent, that constitutes an overwhelming majority of Canadians and that number is up modestly but significantly since 2010 budget time. The emphasis on social investment dramatically higher among women, younger Canadians, university graduates, and among non-Conservative supporters. So the claim that (on a front page Globe and Mail Story of this week¹) that there is a huge and growing lean to cutting and that Canadians are in a “bloodthirsty” mood is only partially true (a point wisely acknowledged later in the story by Nik Nanos).

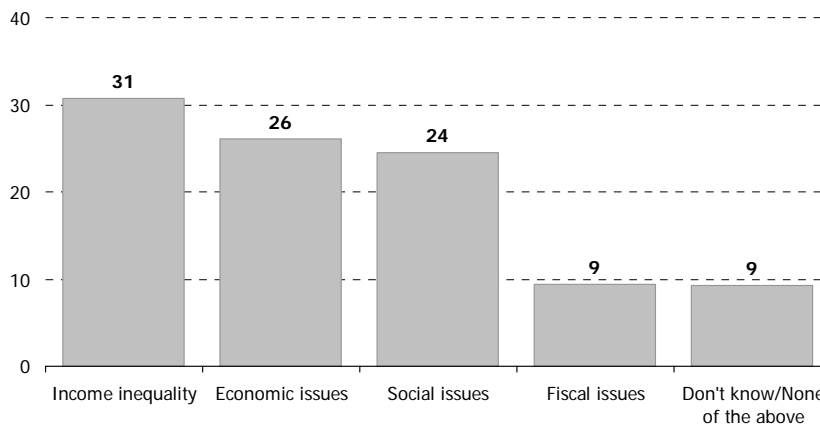
These perennial debates about where the public’s true budget priorities are shows the need for a more circumspect approach which recognizes that answers differ profoundly depending on how we ask the question and who is answering. For those who believe it is all about austerity, we would remind them that the highest scores we received were for social investment, not spending cuts.

¹ The article can be accessed at: <http://www.theglobeandmail.com/news/politics/ottawa-notebook/voters-primed-and-ready-for-deep-tory-spending-cuts-poll-finds/article2352039/>

Figure 3.0: Most important issue for discussion



Q. Which of the following do you think should be the most important issue in discussions about Canada's future? Should it be: 1) social issues like health and education; 2) issues related to the economy like economic growth and jobs; 3) Fiscal issues like taxes and debt; 4) Issues such as the growing gap between rich and poor; or 5) none of these?



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There is, however, something truly new and important on Canadians' minds this year which should have the attention of senior decision makers and budget planners. A range of diverse evidence is showing that income inequality has vaulted from relative obscurity to a pinnacle position in Canadians' hierarchy of economic and social concerns. In Figure 3.0, even arrayed against the hugely important issues of the economy (jobs and growth) and health care and education (social) the growing gap between rich and poor emerged as the top priority and dramatically eclipsed fiscal issues like taxes and debt by a margin of more than three to one. What on Earth is going on here? Is this a rogue error? Recall that we found in our Beyond the Horserace series² that income inequality appeared in a close second place of twenty topics for national discussion. Favourable attitudes to the Occupy movement dramatically outstripped favourable attitudes to the Tea Party movement (the poster child for austerity and minimal government). We also see evidence in the United States from both PEW³ and Rasmussen⁴ that inequality concerns are rising and there has been a dramatic shift to favouring taxing the

² The full report can be accessed at:
<http://www.ekospolitics.com/index.php/2012/01/beyond-the-horserace-complete-series-january-14-2012/>

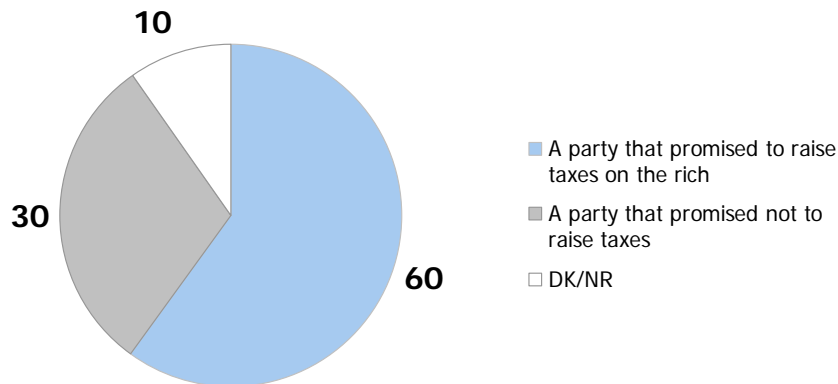
³ According to PEW Research, "...about two-thirds of the public (66%) believes there are 'very strong' or 'strong' conflicts between the rich and the poor—an increase of 19 percentage points since 2009."
<http://www.pewsocialtrends.org/2012/01/11/rising-share-of-americans-see-conflict-between-rich-and-poor/>

⁴ According to Rasmussen Reports, "Fifty-two percent (52%) instead would prefer a candidate who promised to raise taxes only on the rich. That's up five points from last month and is the highest level of support measured in four years of regular tracking." The report is can be accessed at
http://www.rasmussenreports.com/public_content/business/taxes/february_2012/52_favor_candidate_who_would_raise_taxes_on_wealthy

wealthy. This is transforming a political landscape in a public which are increasingly sceptical of corporate tax relief and trickledown economics.

Figure 4.0: No new taxes vs taxing the rich

Q. In the next federal election, would you be more likely to support a party that promised to NOT raise taxes or a party that promised to raise taxes on the rich?



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Figure 4.0 shows that this burgeoning concern with inequality can and probably will affect the political landscape in Canada. By a margin of two to one (and over three to one for those outside of the Conservative base) Canadians would be more likely to *vote* for a party that raised taxes on the rich than one which promised to keep taxes low. This dramatic shift to a search for greater fairness and social justice is reflected in deepening income inequality (which has risen dramatically over the past 25 years at the same time that wages among the working class have remained stagnant) and a growing sense of relative decline and deep fears of a further steep decline in the next 25 years. In an upcoming release we will see profound fears about the end of progress. It may be that apart from concerns of basic fairness, there is a growing conviction that dreams of a better future contrasted with a ladder with no middle rungs is having a paralytic effect on motivation and productivity in Upper North America.

All of this suggests a profoundly challenging and crucially important context for this budget.



Preferred Approach to Deficit

Q. In your opinion, what should the Government of Canada's main approach to the deficit be for the coming year?

	It should continue to run a large deficit	It should raise taxes	It should cut government services and spending	DK/NR	Sample Size	Margin of Error (+/-)
NATIONALLY	9%	14%	47%	29%	3699	1.6
REGION						
British Columbia	10%	20%	44%	26%	678	3.8
Alberta	7%	15%	49%	29%	461	4.6
Saskatchewan/Manitoba	9%	15%	42%	34%	229	6.5
Ontario	8%	15%	47%	30%	821	3.4
Quebec	12%	8%	53%	27%	960	3.2
Atlantic Canada	9%	13%	42%	36%	550	4.2
GENDER						
Male	11%	16%	50%	23%	1750	2.3
Female	8%	12%	45%	35%	1949	2.2
AGE						
<25	16%	13%	36%	35%	207	6.8
25-44	11%	14%	47%	29%	932	3.2
45-64	8%	15%	51%	27%	1464	2.6
65+	6%	13%	50%	32%	1096	3.0
EDUCATION						
High school or less	9%	7%	53%	32%	1188	2.8
College or CEGEP	9%	10%	49%	33%	1253	2.8
University or higher	10%	24%	41%	24%	1258	2.8
CURRENT VOTE INTENTION						
Conservative Party of Canada	6%	6%	64%	24%	1069	3.0
Liberal Party of Canada	10%	24%	42%	25%	694	3.7
NDP	12%	21%	35%	33%	916	3.2
Green Party	12%	18%	38%	31%	220	6.6
Bloc Quebecois	12%	5%	60%	22%	196	7.0
Other	8%	11%	52%	29%	94	10.1
Undecided	8%	7%	47%	38%	432	4.7



Preferred Government Priorities

Q. The federal government faces major challenges in dealing with its finances. The country also has major ongoing investment needs. Which of the following 3 priorities should be the most important principle for dealing with these challenges?

	Investing in social areas such as health, education, and jobs	Keeping taxes as low as possible	Keeping the deficit as low as possible	DK/NR	Sample Size	Margin of Error (+/-)
NATIONALLY	59%	16%	18%	7%	3699	1.6
REGION						
British Columbia	58%	13%	21%	7%	678	3.8
Alberta	56%	15%	22%	7%	461	4.6
Saskatchewan/Manitoba	59%	12%	20%	9%	229	6.5
Ontario	61%	15%	19%	5%	821	3.4
Quebec	59%	19%	15%	8%	960	3.2
Atlantic Canada	61%	17%	16%	6%	550	4.2
GENDER						
Male	54%	16%	23%	6%	1750	2.3
Female	64%	15%	14%	7%	1949	2.2
AGE						
<25	62%	15%	14%	9%	207	6.8
25-44	62%	15%	16%	6%	932	3.2
45-64	58%	17%	19%	6%	1464	2.6
65+	54%	15%	25%	7%	1096	3.0
EDUCATION						
High school or less	56%	17%	18%	9%	1188	2.8
College or CEGEP	60%	17%	17%	6%	1253	2.8
University or higher	62%	13%	20%	5%	1258	2.8
CURRENT VOTE INTENTION						
Conservative Party of Canada	41%	24%	31%	4%	1069	3.0
Liberal Party of Canada	65%	12%	18%	5%	694	3.7
NDP	74%	11%	10%	5%	916	3.2
Green Party	62%	11%	19%	9%	220	6.6
Bloc Quebecois	65%	18%	13%	5%	196	7.0
Other	63%	15%	14%	9%	94	10.1
Undecided	55%	16%	13%	15%	432	4.7



Most Important Issue for Discussion

Q. Which of the following do you think should be the most important issue in discussions about Canada's future? Should it be: 1) social issues like health and education; 2) issues related to the economy like economic growth and jobs; 3) Fiscal issues like taxes and debt; 4) Issues such as the growing gap between rich and poor; or 5) none of these?

	Social issues	Economic issues	Fiscal issues	Income inequality	Don't know/None of the these	Sample Size	Margin of Error (+/-)
NATIONALLY	24%	26%	9%	31%	3%	6%	3699
REGION							
British Columbia	26%	24%	8%	34%	4%	3%	678
Alberta	26%	23%	14%	28%	4%	5%	461
Saskatchewan/Manitoba	26%	21%	10%	32%	3%	7%	229
Ontario	21%	32%	9%	30%	4%	5%	821
Quebec	28%	20%	9%	31%	3%	9%	960
Atlantic Canada	24%	27%	9%	32%	3%	6%	550
GENDER							
Male	19%	29%	12%	32%	4%	4%	1750
Female	30%	23%	7%	30%	3%	7%	1949
AGE							
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45-64	21%	27%	10%	34%	4%	5%	1464
65+	25%	27%	8%	29%	3%	7%	1096
EDUCATION							
High school or less	23%	25%	10%	30%	3%	8%	1188
College or CEGEP	25%	25%	9%	32%	3%	6%	1253
University or higher	25%	28%	9%	30%	5%	3%	1258
CURRENT VOTE INTENTION							
Conservative Party of Canada	16%	40%	16%	22%	2%	4%	1069
Liberal Party of Canada	25%	30%	8%	30%	3%	4%	694
NDP	29%	18%	6%	39%	4%	4%	916
Green Party	28%	16%	3%	42%	4%	6%	220
Bloc Quebecois	35%	10%	7%	36%	3%	9%	196
Other	26%	19%	9%	31%	12%	2%	94
Undecided	29%	18%	8%	26%	6%	13%	432



No New Taxes Versus Taxing the Rich

Q. As you may know, the federal government recently introduced Bill C-30, which would require internet and telecommunications service providers to provide specific information about customers to police upon request and without a warrant. How do you think the government should proceed with this bill?

	A party that promised to not raise taxes	A party that promised to raise taxes on the rich	DK/NR	Sample Size	Margin of Error (+/-)
NATIONALLY	30%	60%	10%	3699	1.6
REGION					
British Columbia	28%	60%	12%	678	3.8
Alberta	34%	55%	11%	461	4.6
Saskatchewan/Manitoba	31%	59%	10%	229	6.5
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Green Party	19%	70%	12%	220	6.6
Bloc Quebecois	25%	68%	7%	196	7.0
Other	36%	53%	12%	94	10.1
Undecided	28%	55%	17%	432	4.7

Methodology:

EKOS' weekly tracking polls are conducted using Interactive Voice Response (IVR) technology, which allows respondents to enter their preferences by punching the keypad on their phone, rather than telling them to an operator.

In an effort to reduce the coverage bias of landline only RDD, we created a dual landline/cell phone RDD sampling frame for this research. As a result, we are able to reach those with a landline and cell phone, as well as cell phone only households and landline only households. This dual frame yields a near perfect unweighted distribution on age group and gender, something almost never seen with traditional landline RDD sample or interviewer-administered surveys. This methodology is not to be confused with the increasing proliferation of non-probability opt-in online panels which have recently been incorrectly reported in major national media with inappropriate margin of error estimates.⁵

The field dates for this survey are February 21-28, 2012. In total, a random sample of 3,699 Canadians aged 18 and over responded to the survey. The margin of error associated with the total sample is +/-1.6 percentage points, 19 times out of 20.

Please note that the margin of error increases when the results are sub-divided (i.e., error margins for sub-groups such as region, sex, age, education). All the data have been statistically weighted to ensure the samples composition reflects that of the actual population of Canada according to Census data.

⁵ For further reading, please see "*AAPOR Report on Online Panels*" by the American Association for Public Opinion Research, accessible online at:
http://www.aapor.org/AM/Template.cfm?Section=AAPOR_Committee_and_Task_Force_Reports&Template=/CM/ContentDisplay.cfm&ContentID=2223