The New Politics of Taxation: The Republican Party and Anti-tax Positions

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Abstract

Our contemporary tax politics constitutes a wholly new politics of taxation. The puzzle that drives this research is to explain the change from the mid-1950s to mid-1970s "old politics of taxation" (where a balanced budget consensus reigned, and taxes were not highly politicized) to the current "new politics of taxation" (where the opposite is true). Furthermore, the "new" politics shows a different pattern of opposition to taxes than what we've seen in all of previous American history, namely that before one could observe opposition to a specific tax solely by the group who felt ill effects, an opposition that faded if matters were ameliorated. In contrast, currently we see a true "anti-tax" position where Republicans strongly oppose all federal income taxes, regardless of group affiliation. Furthermore, this opposition is in an ongoing manner that does not reflect changed policy or economic circumstance, seeing tax cuts as advisable in any climate. A party-building explanation, rather than economic or ideological approaches, is what is most useful in discovering the true roots of this change.

This inquiry into GOP anti-tax politics is a detailed case study for the larger question of why parties adopt issues. Unlike other works in the party-building literature, my account is a policy-based conception of party-building, and is thus in the tradition of Schattschneider's classic observation that "policy creates politics". I define parties as seeking three things when they select party-building issues: public opinion (leading to electoral advantage), coalitional compatibility (and expansion), and financial advantage. Depending on the degree to which a policy delivers in these respects, different partisan behaviors are expected in different institutional venues and electorally.

Using mixed methods, I chart how GOP anti-tax party-building plays out in the coalitional arena, as well in Congress and the Presidency, showing a sharp shift to this position in the late 1970s. Both branches have sets of institutional tools that they've used to further this position. Each of these three chapters includes a developmental arc of three case studies. The anti-tax notion was not initially Republican or conservative, but the Republican Party saw their electoral benefits and seized on them as a powerful coalition builder. This issue has defined an era for the party—so much so that we must begin to question whether the GOP is beginning to become a victim of their own political success.

Dedication

There are a number of people to whom I am deeply indebted. I could not have asked for a better dissertation committee, which included Sidney Milkis, Eric Patashnik, James Savage, and Craig Volden. I want to thank Sid Milkis, my chair, in particular for his mentorship over many years. Over my time doing research for Sid, co-authoring with him, and receiving valuable advice on my dissertation, Sid got me hooked on archival work and continuously set a standard for research, teaching, and academic collaboration. I want to thank Eric Patashnik for his advice both in framing aspects of the dissertation and on approaching the job market. Jim Savage's expertise in budgetary politics has been an invaluable resource, as has been his willingness to go over chapters with a fine-toothed comb and suggest readings. Craig Volden gave great advice on the job market and on my dissertation, both now and on the project going forward, particularly with an eye towards reaching a broader audience. As a Miller Center Dissertation Fellow, I was fortunate enough to have Andrea Campbell as my fellowship mentor. Andrea provided a crucial insight into refining my definition of "anti-tax", as well as a host of other excellent advice on both my project and publishing. I am deeply thankful for the generous fellowships provided by the Department of Politics, the Miller Center of Public Affairs, and the Bankard Fund for Political Economy. My family and friends have been incredibly supportive throughout this journey, for which I am grateful. Most of all, I want to thank my brilliant and amazing husband Todd Rosa, who kept me sane and kept me smiling throughout this process. Todd makes me want to be a better person and a better scholar. It is to him that I dedicate this dissertation.

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Chapter 1: Introduction

The Republican Party has become stridently opposed to taxes over the past several decades. Recent events show this passion for tax cutting in sharp relief. The GOP enacted large cuts in 2001 when there was a budget surplus and advocated the same policy in the 2008 recession. Even the debt ceiling's August 2010 threat of defaulting on the national debt could not move the GOP to even consider raising taxes. A momentous shift has clearly occurred: the two parties have starkly different visions for what the tax regime should look like. Gone are the days of the mild voice of reason in technocratic policymaking. These observations are in the line of Schattschneider's classic observation that "policy creates politics". Yet these actions paint a different picture than what we might expect from polarizing parties or the endurance of the welfare state, or other phenomena from the literature. How have our politics developed this way, and what has driven this change? Specifically, what makes a party strategically adopt an issue to define itself, for party-building? To answer these questions, we must begin by first describing the shift in tax politics between the previous "old politics of taxation" and the new politics that now prevails, as well as defining exactly what anti-tax policy is advocated. Next, an articulation of why parties adopt policies is given: a theory of policy-based party-building. A discussion of other works and methodology follows, along with an explanation of why other hypotheses (economic circumstance or ideology) are not causing this shift in tax policy. Finally, the topics addressed in following chapters will be detailed.

THE PUZZLE:
THE SHIFT FROM THE OLD TO THE NEW POLITICS OF TAXATION

In order to understand how the current climate of stark tax politics represents something new, we need to understand what came before this change. Midcentury tax politics, approximately from the mid-1950s to the mid-1970s, were distinct in a number of important ways from how tax policy is legislated today. First, consider bipartisan values at midcentury, when both parties were invested in creating balanced budgets. They largely succeeded: from the mid-1950s to the mid-1970s the federal government ran surpluses for four years, but when deficits were run they were almost always very small, representing less than 1.5% of GDP. By contrast, balanced budget concerns clearly no longer reign—the inauguration of an era of significant yearly deficits and longstanding national debt began with the Reagan administration and only temporarily abated with the end of Clinton's tenure. This is starkest when one looks at the total amount of federal budget surplus or deficit (figure 1), but even when taken as a percentage of GDP (where an economic downturn can make a deficit that would look more modest in normal years look pronounced), the deficits are kept on a reasonably short leash prior to the 1980s.

Figure 1: Federal Budget Surplus or Deficit, in millions of dollars, 1955-2013:

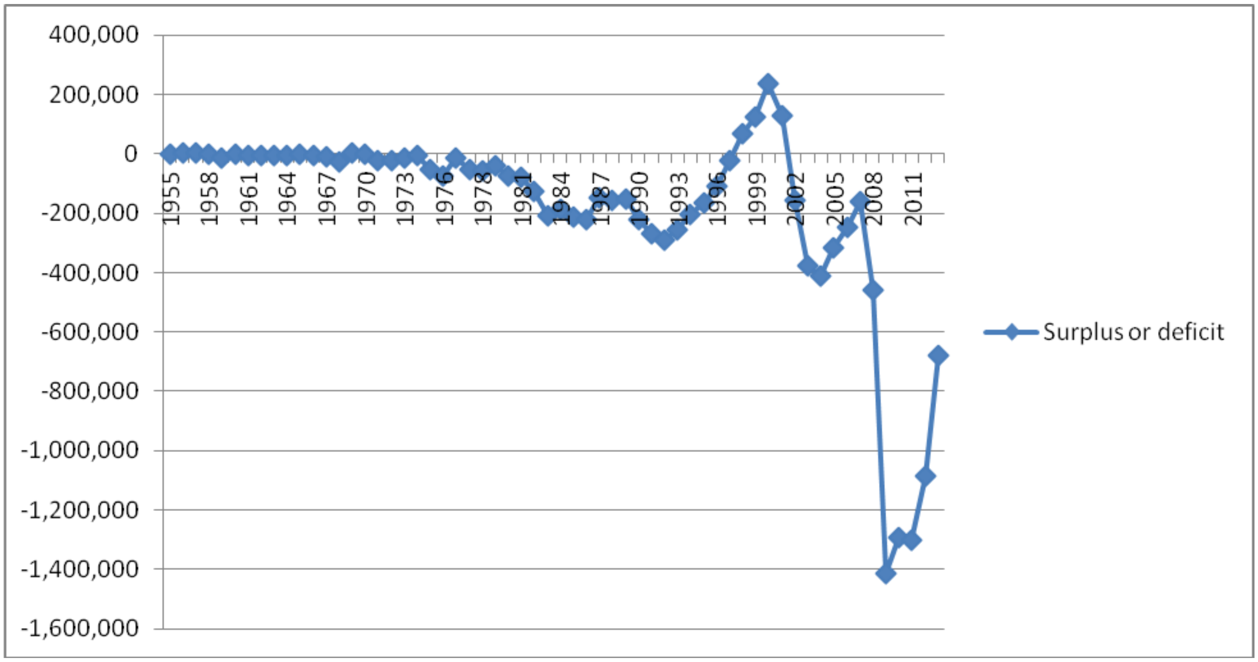
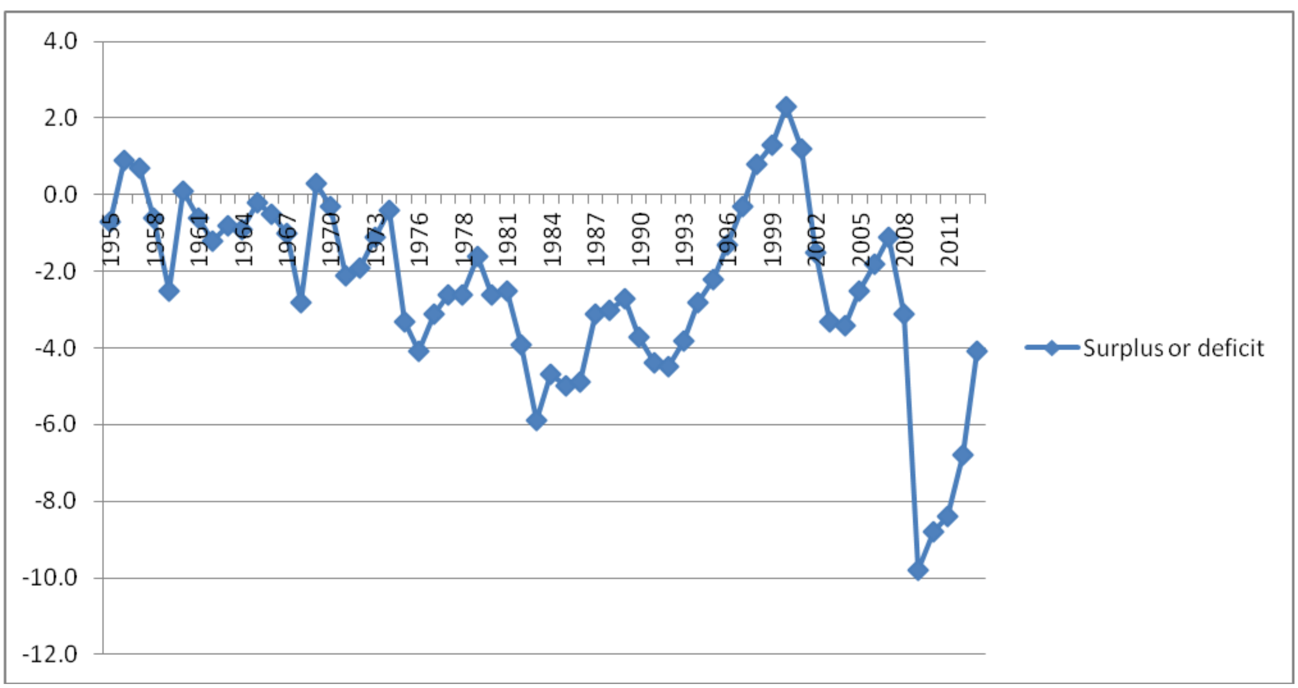


Figure 2: Federal Budget Surplus or Deficit as a Percentage of GDP:



Beyond the record of the deficits themselves were the ideals of balanced budgets espoused by the two major parties. White and Wildavsky (1989) note that balanced budget are a powerful symbol in American politics, noting that two contemporary sources exist for distaste of deficits: the suspicion of government wastefulness and the notion that that deficits fuel inflation.[1] Savage (1988) goes into more detail, noting distinct periods of balanced budget values: for the accountability of preventing corruption during the time of Jefferson and Jackson, for the purpose of administrative efficiency between the Civil War and the beginning of FDR's tenure. While the Democrats justified Keynesian deficit spending during the Great Depression and WWII, in the post-war period deficits were considered indicative of inefficiency, and a lack of discipline, and that full-employment budgeting was idealized. Savage notes that this conventional distaste of deficits fades in the first term of the Reagan administration.

Another shared value at midcentury was that tax politics were not highly politicized like they are today. From the mid-1950s, taxes were seen as largely a venue for technocratic discussion and the embodiment of Madison's "mild voice of reason".[2] In contrast, today taxes are highly politicized—they are seen as an acceptable topic for strident language and bare-knuckled electoral contention. Often discussions of how to improve the economy are reduced to deliberations over the top marginal rates. Before midcentury there were a number of high-profile tax fights—over the tariff, over the creation of the income tax, in the 1920s when Harding and Coolidge reduced income taxes (and states significantly raised taxes in response). Even as late

[1] White and Wildavsky (1989), p. 20-21.

[2] Zelizer (1998), p. 9, 147-176 describes the tax policy community (postwar to 1975) as sharing common ideals and prizing technocratic competence. While he notes that there were important nuances (three factions included those who most prized social security, growth manipulation, and tax reform), he lists "radical conservatism" (his term) as one of the rejected alternatives.

as the beginning of the Eisenhower administration, he was using opposition to taxes as a major campaign issue in 1952. The periodization here is thus begins with Eisenhower's embrace of a balanced budgets ideal (though recognizing deficits when required by economic circumstance)[3] and a calmer national discourse. The main features of the national state, post-New Deal, were largely validated by Eisenhower as the next Republican President after FDR. Part of the staying power of the new politics of taxation is that is stands in opposition to our modern welfare state. What we have now is an ideological tax grievance against the role of government, one that exists separately from a distinct group mobilizing against a specific tax.

A third contrast between today's "new politics of taxation" and what preceded it involves a different pattern of opposition to taxes. This also represents a new rhetorical and policy shift from the political norms on tax policy for the entirety of American history, not merely the midcentury period. That is, previously one could observe opposition to a specific tax solely by the group who felt ill effects--an opposition that faded if matters were ameliorated.[4] In contrast, currently we see a true "anti-tax" position where Republicans strongly oppose all taxes, regardless of group affiliation, whereas in the past only the group affected by a tax, such as homeowners or farmers, objected. Furthermore, this blanket opposition to taxes by the GOP

[3] See esp. Savage (1989), p. 175

[4] There are a number of examples of opposition to specific taxes by the specific groups affected throughout American history. These include the Whiskey Rebellion (1791-1794), where farmers who turned excess grain into whiskey rebelled at the excise taxes for liquor. Shay's Rebellion (1786-1787) where hearings for taxes and debts threatened to take away the property of Massachusetts residents (including many war veterans who had not been paid, and complicated by an economic downturn and merchants' demand for payment in hard currency)—those who were stood to lose rebelled. Before the income tax, the main federal tax was the tariff, which was opposed by the farmers and agricultural sectors who paid it. Flashpoints over the tariff such as the Nullification Crisis (1832-1833) were settled both by the threat of federal force but also by a substantial renegotiation of the tax owed. Even the 1920s income tax-cutters preferred the tariff; preferred to shift the tax to a different group.

does not reflect changed policy or economic circumstance, with Republicans viewing tax cuts as advisable in any climate.

The tax revolt of the late 1970s, which notably produced California's Proposition 13, as well as a number of other similar state-level anti-property tax referenda, is the last example of the older style of politics. Cash-strapped homeowners, their property values and taxes ballooning from inflation, were genuinely fearful of losing their homes, and they rebelled by attacking the specific tax that grieved them. The GOP learned a great deal from this grassroots tax revolt. National polls reflected similar anger against the tax code. The Survey Research Center's survey showed that citizens thinking that income taxes were "too high" rose from 45 percent in 1962 to over 70 percent in 1980. Similarly, the SRC's polling identifies that the proportion of Americans who believe "the government wastes taxpayers' money" rose from 45 percent in 1956 to 80 percent in 1980.[5] These ideas and events were not initially Republican or conservative, but the Republican Party saw their electoral benefits and seized on them as a powerful coalition builder. President George H.W. Bush, speaking to the Howard Jarvis Taxpayers Association in 1992, would recount that Jarvis "fired the first shot in what later became known as the Reagan Revolution."[6]

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[5] Hansen (1983), p. 215

[6] Speech: Remarks by the President in Address to the Howard Jarvis Taxpayers Association, June 20, 1992, folder "Jarvis Tax Reform 6-20". OA/ID 13819, White House Speechwriting Office, George H.W. Bush Presidential Library. A number of major national Republican figures noted the importance to Jarvis to the shift in the GOP, including (perhaps improbably) Richard Nixon, who similarly noted that "Howard Jarvis fired the first shot in the Reagan Revolution." See: Newspaper article: LA Times "Jarvis Eulogized as a Tireless Battler", August 16, 1986, folder "Jarvis Tax Reform 6-20". OA/ID 13819, White House Speechwriting Office, George H.W. Bush Presidential Library. While the same sentiment is not surprising, the nearly identical wording is because Bush's speechwriters used Nixon's speech as inspiration.

DEFINING “ANTI-TAX” POSITIONS

The term “anti-tax” is not novel, but it is not currently well-defined. Others, when they take care to define the term, describe an anti-tax position as one that always favors tax cuts. Sheldon Pollack’s book *Refinancing America: The Republican Anti-Tax Agenda* has a titular interest in the term. But he does not go farther than to say that “to anti-tax Republicans, tax reduction is always the appropriate economic policy”.[7] Other authors use this term in the same way—Hacker and Pierson in *Off Center*, Graetz and Shapiro in *Death by a Thousand Cuts*, Martin in *The Permanent Tax Revolt*.

To be clear, what is meant here by “anti-tax” advocacy is viewing taxes as intrinsically bad, and promoting their significant reduction under all conditions. As such, not all tax cuts can be fairly characterized as being “anti-tax” efforts. For example, the revenue-neutral 1986 Tax Reform Act included some cuts, but also tax raises, but was not advocated for anti-tax reasons. For the first two-thirds of the 20th century it was common to raise taxes during wartime and cut them during peacetime. In 2003, the Bush Administration won congressional approval for a large tax cut during wartime, in some ways marking the apex of the new anti-tax ideology.[8] The advent of an anti-tax agenda is marked firstly by unusually large cuts and secondly as being seen as advisable independent of specific economic circumstance.

[7] Pollack 2003, p. 12

[8] Stevenson 2003

There are two other important distinctions that describe anti-tax advocacy. Just as anti-tax supporters see large tax cuts as advisable in all economic circumstances, their tax-cutting passion applies to all types of federal personal income taxes, specifically lowering the marginal rates, whether it be for income taxes, corporate taxes, or capital gains taxes. These types of taxes are the ones that garner the vast majority of revenue collected, and apply to the most people. As such, they receive the most political and rhetorical attention, and will be prioritized in this work. This definition also encompasses the estate tax and dividend taxes. But it is also notable that the GOP also stands for reducing other taxes, such as the windfall profits tax for oil companies, for example. To be clear, state taxes are not discussed here, though we also see a strategy to lower income taxes on this level, albeit with a slightly different timeline from the national level, Recent efforts here include efforts to lower (or eliminate) state income taxes, which are at times connected to efforts to raise state sales taxes. Besides state level taxes, this characterization also notably does not cover payroll taxes. Along with the state sales tax (we have no national consumption tax), both taxes are regressive taxes. As such, these anti-tax efforts are inherently anti-progressive tax efforts.

The American tax system is internationally distinctive for the absence of a national consumption tax, known as a VAT (Value-Added Tax). A core principle for American income taxes is that it is a progressive system of taxation: wealthier individuals pay higher marginal rates. The payroll tax finances social security and Medicare by taxing the first $ 113,700 of an individual's salary at 6.2%[9] While these figures have been subject to change over time,[10] by

[9] Payroll taxes are also called FICA taxes, after the Federal Insurance Contributions Act. http://www.ssa.gov/policy/docs/quickfacts/prog_highlights/index.html

definition those with income about the cut-off rate are paying a lower tax rate, making this a regressive tax. Consumption (i.e. sales) taxes are similarly regressive in that wealthier individuals are paying a lower effective tax rate, since they don't spend as large a percentage of their income. The Republican Party often uses populist tax-cutting language emphasizing that everyone benefits from tax cuts, which certainly targets a larger electoral coalition. Yet it should be noted that an across-the-board percentage rate reduction gives the greatest absolute benefit to the wealthiest. Further, this federal income tax-cutting passion does not extend to payroll taxes; the GOP has even opposed FICA tax reductions at times.[11]

Many of the major tax cuts addressed here involve cutting at least one of these marginal rates, and they never involve raising any of the marginal rates. Republican rhetoric is consistent in this. In fact, even when President Reagan raised taxes after the major revenue losses of his 1981 tax cut, he maintained that he didn't truly raise taxes because he didn't raise the marginal rates--he closed loopholes instead.[12] With the exception of the revenue-neutral bipartisan 1986 Tax Reform Act, which raised only the capital gains tax rate, this pattern holds true.[13] It is not

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[10] In 1935 the Social Security Act taxed the first $3,000 of one's income at 2%, which was first collected in 1937. Both numbers have been raised many times since.
http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=45&Topic2id=50

[11] Democratic efforts to extend the 2010 payroll tax cut (to 4.2% from 6.2%) in the fiscal negotiations surrounding January 2013's fiscal cliff were rebuffed by Congressional Republicans.
http://www.nytimes.com/2011/08/26/us/politics/26dems.html

[12] In the October 7, 1984 debate against Mondale, Reagan remarked that, "we have seen a $21 billion reduction in the deficit from last year, based mainly on the increased revenues the Government is getting without raising tax rates." He uses this formulation a number of times. Mondale famously promises to raise taxes in the 1984 election. The text of the debate can be found at: Woolley, John T. and Gerhard Peters, *The American Presidency Project* [online]. http://www.presidency.ucsb.edu/ws/index.php?pid=39199

[13] Tempalski 2006, p. 10-14

within the scope of this work to argue what should count as a tax raise: raising marginal rates or raising revenue in any way at all, such as by ending tax expenditures, which is sometimes described as closing loopholes. It is worth pointing out that originally Reagan subscribed to the first definition, but that his party shifted to the latter by the end of his tenure. It is also important to note that Republicans are open to greater revenue collection only in the specific circumstance that economic growth causes the existing tax structure to collect more money. They believe cutting taxes has a stimulative effect, though the initial (highly optimistic) supply-side claims made up to 1981 are no longer proffered after they did not materialize (see chapter four).

The second distinction is that, not only do anti-tax proponents want to cut all kinds of federal income taxes in all economic circumstances, they appear to hold this position regardless of the opportunity cost involved in the tax reduction. Before Republicans adopted an anti-tax party plank, the US government would habitually raise taxes to finance wars, but the last time we raised taxes for an armed conflict was 1968, to help pay for Vietnam.[14] Similarly, paying for the highway fund and tax-raises for Medicare used to enjoy some political special treatment that made taxes easier to raise that reflected that these items were priorities.[15]

This definition of "anti-tax" is thus more detailed than the typical characterization, which implies a passion for tax-cutting at all times. This distinction is part of identifying a clearer shift to the previously mentioned new politics of taxation that we are living in today. Not only does

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[14] Arnold 1990, p. 195

[15] Weiss 2008. See also Lang 2012. The Federal Highway Fund is paid for by the federal gas tax, which has not been raised since the Clinton administration. Medicare, paid for by FICA payroll taxes, has faced many problems with financing over the years as well—see Vobejda and Spencer 1995. To be sure, both programs are harder to fund in more recent times for a variety of reasons.

our politics look different from the midcentury paradigm of a balanced budget consensus and low levels of politicization, but the nature of opposition to taxes is a new pattern in all of American history. This anti-tax position demands the reduction of marginal rates of *all* types of federal income taxes in *all* economic circumstances irrespective of *any* potential items revenue increases might be needed for.

A THEORY OF POLICY-BASED PARTY-BUILDING

Multiple views of party-building exist, including many associated concepts that may or may not use the term party-building explicitly. To be clear, what is investigated here is what makes a party strategically adopt a policy issue—specifically, with the goal of building winning electoral coalitions, having the three general qualities outlined above. This flows from E.E. Schattschneider's classic observation that "policy creates politics".[16] From this notion and the three qualities of party-building issues, a number of different expected behaviors can be extrapolated. Tax-cutting is an ideal case study because it provides extraordinary levels of party-building support in all three dimensions—a truly model issue on which to stake a party's reputation. The table below links expected party behaviors to levels of party-building capacity.

[16] Schattschneider, 1935

Table 1: Expected Party Behaviors for Policies of Varying Party-Building Capacity:

Party-building capacity	Engagement level of party	Expected party behaviors
High	National eg: tax-cutting	Congress: parliamentary-style voting, Responsible Party Government-type accountability President: strong, consistent agenda item & rhetoric Electoral arena and coalitions: Deployed strongly & universally
Medium	Selective eg: abortion	Congress: polarized but not lockstep voting, party defections likely electorally sensitive President: vague, more centrist rhetoric used, not a consistent agenda item Electoral arena and coalitions: deployed selectively
Low	Hidden eg: most financial deregulation	Congress: opacity in legislation and debate, voting may contain defections President: opacity in rhetoric and agenda priority Electoral arena and coalitions: deployed only in private settings for policy supporters

The above table identifies the level of party engagement and expected activities for each level of party-building capabilities. Tax-cutting is an excellent example for a "high" level of party building capabilities, as along every component of party-building, tax-cutting is not merely useful but provides extraordinary benefits: strong public opinion favorability, strong coalition compatibility (and building) and strong financial support (with no real opposition). These elements will be described more fully in the sections that follow. For now, it should be noted that for an issue with such power, certain actions can be expected in different venues. In Congress, a pattern of virtually unanimous voting for the issue should properly undergird its place in the party. Such voting patterns should (nearly or actually) embody a parliamentary system and the ideal of Responsible Party Government, where a party promises and follows through on policy when they have control of the government, and can thus be held accountable. After all, if this issue is to be used to distinguish the party and court voters, a strong party record must be maintained, and defectors punished. Party negotiations in Congress should be consistent with pushing this as an agenda item and with maintaining party cohesion.

The executive's rhetoric and priority agenda items should reflect that policy's priority status. Presidential rhetoric should be strong and consistent on the issue, which may be measured through Presidential party platforms, other electoral messages, as well as messages while governing, from regular messages such as the State of the Union to other addresses. The policy must also be a clear administration priority, as remarked by top officials and reflected in the expenditure of political capitol—often pushing the policy very early after an election. In both venues, political activity will be accompanied by partisan credit-claiming. Both Presidents and congressional party caucuses are important to party-building and must work together to retain any issue as a priority.

Finally, for an issue with "high" party-building capacity, that policy should be deployed universally and not selectively in elections. Such a policy should have the capacity to enlarge the party, reaching voters and groups that may not be traditional elements of a party's base. Efforts to make this policy highly salient to voting, as well as favorable priming and framing will also be apparent. A strategy of coalitional outreach to new groups should also be apparent by major political players. Tax-cutting is a particularly good issue to observe the logic of party-building for a number of reasons: to begin with, the Republican Party's shift on this allows one to compare new patterns with the old in a dramatic fashion. Second, the panacea nature of GOP anti-tax policy makes it clearer that these policies are not pushed in connection to specific economic circumstance. Finally, the very nature of fiscal policy allows one to see both rhetorical and tangible benefits directed at different groups.

For policy areas that are of "medium" or "low" party-building activity, we expect to see lesser forms of commitment to the policy in the electoral arena and in institutional venues, as outlined above. Members of Congress unlikely to pay an electoral price will vote for such measures, with such issues reflecting a pattern of polarization but not virtual (or actual) party unanimity. The less attractive the issue is as a party-builder, the less visible party action on it will be. This does not mean that there will be no party action—there are many issues with powerful (but unpopular) advocates, or policies that partisan may favor while their traditional base does not.

The above lists of expected party behaviors is designed to cover the essential functions of political parties: V.O. Key's parties in government, parties in the electorate, and (the more nebulous but no less important) parties as organization.[17] The notion of "parties in government" covers congressional voting, rhetoric, and creation of legislation, as well as Presidential rhetoric and pushing an agenda. "Parties in the electorate" is observed through the electoral and coalitional activity described. Finally, there are a number of ways to study political parties as organizations. This could include the national committees, convention delegates, or other measures. Indeed, this is the aspect of parties receiving the least attention in the literature,

[17] V.O. Key (1964), also Frank Sorauf (1980)

perhaps owing to a lack of consensus over what to study, a lack of availability of data, or perhaps even questions of how influential different party organs truly are. Here, the focus will be on a party's coalitional backing. As such, various political advocacy groups and ideological factions can be observed via measurements familiar to the interest group and public opinion literatures, but will also feature in the thick description of different legislative episodes.

This notion of party-building is closer to some conceptions than others. It looks to a policy's utility to the party as indicative that the party will behave in certain ways—to what degree they will try to "own" the issue, deliver on it, and seek votes because of it. This does not mean that parties will not pursue policies unlikely to aid them electorally, but that they will do so with a different set of (less observable) behaviors. This conception does not treat policy as an afterthought, or a mere means to an end, but as central to the life of the parties and their coalitions. In Downs' (1957) classic conception, parties ultimately want to win office, seeing policy as a means to an end only, with the parties acting as a spoils system. While his work also emphasizes some aspect of partisan self-interest, his account is distinct from mine. For Downs, both parties are seen as similarly ideologically situated and in close competition for the median voter, using policy in a relatively interchangeable way. Yet both parties have coalitions that genuinely care about (and may stridently oppose) policy—not only can a party not adopt any issue it wants for easy electoral gain, partisan positions rarely turn on a dime. Besides, the conception outlined in the table above shows different levels of the warmth of a party's embrace, with correlating expected party action. Downs offers no such variation.

More contemporary research offers a variety of views on the party-building question. Dan Galvin (2010) has a different focus: the development of the organizational structure of the two parties.[18] Galvin's account of party-building is important to understanding important phenomena, and complementary to the policy-based view of party-building advanced here. After all, one of the objectives of the Republican National Committee was to start emphasizing policy in a way not previously done by the national committees.[19] Other views of party-building refer to party elites building policy coalitions (such as James 2000), or the reverse: partisan interest groups coalescing to select party elites (Zaller et al, 2008). Some focus on the national committees (Klinkner 1994), some on party machines (Shefter, 1994). Not all of this literature use the term party-building, and some, like Petrocik's (1996) may focus on narrower but crucial concepts—in this example, the lasting reputation a party has on an issue, "issue ownership". (Egan 2013 elaborates upon this phenomenon, also noting its pitfalls.) My conception is different in that, not only is it policy-centered, but it covers a wider range of phenomena to ask the question of "why do parties chose an issue?", including the behavior of Congress, the executive, and electoral and coalition-building behavior.

To be sure, strategic deployment of an issue is at the heart of this dissertation—works like Carmines and Stimson's *Issue Evolution* are also applicable. They note that an issue evolution involves an issue being strategically chosen that then transforms the partisan landscape—they write on the subject of racial politics but tax politics are equally applicable here.

[18] Galvin is explicit: "Presidential party building aims to enhance the party's capacity to: 1. Provide campaign services, 2. Develop human capital, 3. Recruit candidates, 4. Mobilize voters, 5. Finance party operations, 6. Support internal activities." (Galvin, 2010, p. 5.)

[19] See Milkis (1993), p. 266-274.

R. Kent Weaver's work *Ending Welfare As We Know It* shows that as the Republican Party shifted to the right on welfare policy, instead of polarizing in the other direction the Democrats shifted a bit to the right as well. We are seeing the same phenomena with the two parties on tax policy—the Republicans have moved significantly to the right, but the Democrats have not moved equally to the left (they appear to have stayed largely stationary and if anything have made slight concessions towards the right). Karol (2009) provides an different conception of coalitional change (a group-based account of coalitional maintenance or expansion) though he, too, does not hone in on the tax issue. While Karol provides a good overall account of coalition change, his treatment of fiscal policy errs by labeling it a "groupless" issue, where parties changed but not in an attempt to court an organized group that could then constrict their actions.

A final note is warranted, on the subject of functionalism. A policy may become more or less valuable to a party's reputation over time, at which point one can expect to see partisan strategy evolve, though such evolution is not guaranteed. Many factors which are not exhaustively theorized here can contribute to such a shift—whether these are "focusing events" of the variety Kingdon (1984) details, or a more gradual shift in public opinion, or a reconfiguration of advocacy groups or their resources. Similarly, while certain party actions can be expected given a policy's party-building potential, political actors do not always act as expected. On the rare occasions where they defy expectations, however, party-building is inhibited rather than promoted, along the same line of reasoning. Such a party may lose voters, coalition members, funding, and desired policies—the very things they sought to gain. Sometimes such a maverick move is for a higher purpose, such as when, after signing the 1964 Civil Rights Act, President Johnson reportedly noted that he had "lost the South for a generation." Even if this story is apocryphal, LBJ understood the possible political shift this legislation could have. Sometimes reaching farther than party supporters desire leads to an abrupt policy reversal, such as when President Clinton pushed for allowing gays to serve openly in the military shortly after winning the 1992 election, compromised on "Don't Ask, Don't Tell", and then later backtracked even farther on gay rights, signing the Defense of Marriage Act in 1996, despite his likely distaste for the policy.

Mine is an account that gives a role for both agency and structure. It identifies institutional venues of interest—Congress and the Presidency, with major players being those playing party and policy leadership roles in these venues. As far as coalition-building and electoral activities go, the major players are defined in a somewhat tautological fashion, as those who are engaging on these issues, as party formal structures may or may not be indicative of actual influence. It insists that policy is central to the things that make democracy function: public opinion, coalitions, and money. It predicts trends of party behavior based on how likely an issue is to help build the party. It is thus a larger theory of party activity that lends itself to both quantitative and qualitative measurement. This is how this notion of party activities, and party-building in particular, is different from the existing literature.

BROADER LITERATURE

Beyond the works on party-building, this work is connected to many different literatures. Much of this scholarship can be divided by institutional venue in the manner that the following chapters are. Beyond integrating party-building and tax policy into these venues, there are a number of literatures this work interacts with. Perhaps the biggest challenge of an existing literature involves the Congress chapter and the polarization literature.[20] This may not be so much a disputation of the findings of the polarization literature as a plea for additional context: polarization scholars find that over time, the parties have become more internally cohesive and externally distinct, by aggregating partisan voting on all issues. This is not wrong, but it misses that there are issue areas that do not behave in a gradual polarizing fashion—and tax policy is a clear punctuated equilibrium pattern, which identifies a central role for party strategy and not merely larger shifts (regional, media, inequality, etc.) that McCarty (2007) identifies.

For the coalitions chapter, both the behavioralist findings[21] on public opinion and the interest group findings are engaged. The most applicable of the behavioralist work done is Andrea Campbell's analysis linking Republican vote choice to attitudes about taxes. This dissertation expands upon those findings by also noting that Republicans in the electorate are more concerned about waste and deficits when a Democrat is in the White House. The interest group literature is bifurcated in that a great deal of it tries to find evidence of average PACs buying votes, fails, and concludes that PAC money does not influence legislative outcomes, while other works find in the opposite direction, with little in between. By focusing on PACs role in party coalitions (as well as differing in more typical ways, such as how much money they contribute) this chapter provides a conception of PACs that gives a rationale for their potential, but not assured, power in American political affairs. For the Presidency chapter, there are a

[20] See McCarty (2007), McCarty, Poole, and Rosenthal (2006 and 2007), Fleisher and Bond (2004) Theriault (2006 and 2008).

[21] Other major applicable public opinion works would be the disagreement between Hacker and Pierson (2005) and Bartels (2005) over whether the population supported the Bush tax cuts, the contestation between Fiorina and Abramowitz in *Red and Blue Nation* that questions how polarized the electorate is, and Zaller's classic 1992 piece showing mainstream and polarization effects of citizens listening to mainstream versus partisan sources, with their viewpoints diverging accordingly.

number of works that evaluate presidential rhetoric from different angles,[22] but they do not typically connect it to party-building as a phenomenon.

Beyond these individual literatures, there are a number of excellent works on fiscal politics or legislative histories specifically. A number of these identify the development of tax policy throughout American history, broken up into different thematic budgetary eras: Ippolito (2003) and (2012), Brownlee (2004), Witte (1985). Some cover smaller swaths of budgetary history--White and Wildavsky (1989) covers the 1980s, Zelizer (1998) covers 1945-1975 via Wilbur Mills, Steurle (2008) covers Reagan to Bush 43, and Gilmour (1990) covers 1966 to the late 1980s, with a focus on Congressional procedural elements. Some take a special focus within American budgetary policy, such as Savage (1989)'s focus on the balanced budget ideal. Some take a on a specific tax: often the income tax (such as Witte 1985), but also work done other taxes such as the estate tax: Graetz and Shapiro (2005) and Bartels (2004). Some focus on one particular law—Birnbaum and Murrary (1987) and Patashnik (2008) cover the 1986 Tax Reform Act. A number cover the 2001 and 2003 Bush tax cuts (or all of them), including Hacker and Pierson (in 2005, 2007) and Bartels (2005).

All of the above works on fiscal policy are well done—the contributions of this work largely aim to complement rather than counteract. But in addition to putting forth a new view of party-building, this work also seeks to add to our understanding of different tax policy episodes. In the coalitions chapter (chapter 2), the middle case study shows 1986's Tax Reform Act to be a coalition-building, party-building exercise that reaches out to new groups, and not just an

[22] Edwards (2003), Canes-Wrone (2006), Miller (1993), Mouw and Mackuen (1992), Kernell (1997), Tulis (1998), Bessette (1994), Lowi (1985), Milkis, Tichenor and Blessing (2013), Hacker and Pierson (2005), Bartels (2005).

unexpected moment of bipartisanship and technocratic competence, as it is typically displayed. The 1986 case study also reveals the true founding story of Americans for Tax Reform, which is not published elsewhere. This also highlights how much this organization has changed from its original conception, and how much power it and like-minded allies have in redefining what a tax raise is. The Congress chapter uses the 1964 case study and NOMINATE data to show that conservative Republicans were against large tax cuts—and more so than moderate Republicans. The 1982 TEFRA revenue-raising bill is shown not merely as an inevitable failure of supply-side theory, as is common, but as a precursor for 1990's revolt by Gingrich against Bush 41. Finally, the Presidency chapter covers the value-added tax in a way not typically addressed in the literature: specifically anathema to GOP party-building because of the nature of the tax. Republican organizing after the adoption of the anti-tax mantle reveals this position, which is also not found elsewhere. Finally, deeper roots than are currently recognized for the Tea Party are revealed.

METHODOLOGY & SOURCES

The methodology presented here is mixed methods. A variety of different quantitative markers are used to show the shift towards the new politics of taxation and GOP anti-tax politics. Such sources help compare party positions across time in an equivalent manner. Partisan divisions in roll call votes of the biggest revenue-raisers and losers (identified in a Treasury report) help pinpoint when Republicans in Congress become anti-tax, and NOMINATE scores of legislator ideology disprove that ideological moderation might have an effect on tax votes after this transformation. A content analysis of presidential rhetoric, using presidential party platforms, shows this shift for the executive branch as well. Both of these institutional venues necessitated building data sets from scratch. Polling data on deficits and wasting taxes also show that Republicans are able to prime greater concern for this during Democratic presidential administration. Campbell (2009)'s work on the link between thinking one's taxes are too high and voting Republican is also cited.

Qualitative sources are also used in detail to show the path of this development over time. This includes readily available secondary sources and primary sources available online: journalistic accounts, the Papers of the Presidents available via the American Presidency Project, and Miller Center transcripts of interviews with political actors from past presidential administrations. It also includes a number of interviews with past and present national political actors, including former Representatives Steve LaTourette (R, OH), Tom Davis (R, VA), Amo Houghton (R, NY), and current Representative Gerry Connolly (D, VA), as well as Republican Main Street Partnership COO Sarah Chamberlain and former Ways and Means staffer Kirk Walder. Finally, there is a wealth of archival research here, covering both presidential administrations and key members of Congress. Research was performed at the Presidential libraries of Kennedy, Reagan, and Bush 41, as well in the papers of House Minority Leader Robert H. Michel, Speaker Tip O'Neill, and Representative Jack Kemp.

FACTORS THAT DO NOT CAUSE THE SHIFT TO ANTI-TAX

A party-building rationale for the shift in tax politics is being advanced here instead of other possibilities. There are other prominent alternate explanations for this change, or for any change in tax policy, as the exact dichotomy and periodization established above is unique to this work. The most prominent of these explanations come under the general categories of economic change or ideology. While a number of factors, including both of these, contribute to the window of opportunity for the shift towards an anti-tax GOP, neither explain the endurance of the "new politics of taxation" described above or the unfaltering anti-tax GOP position.

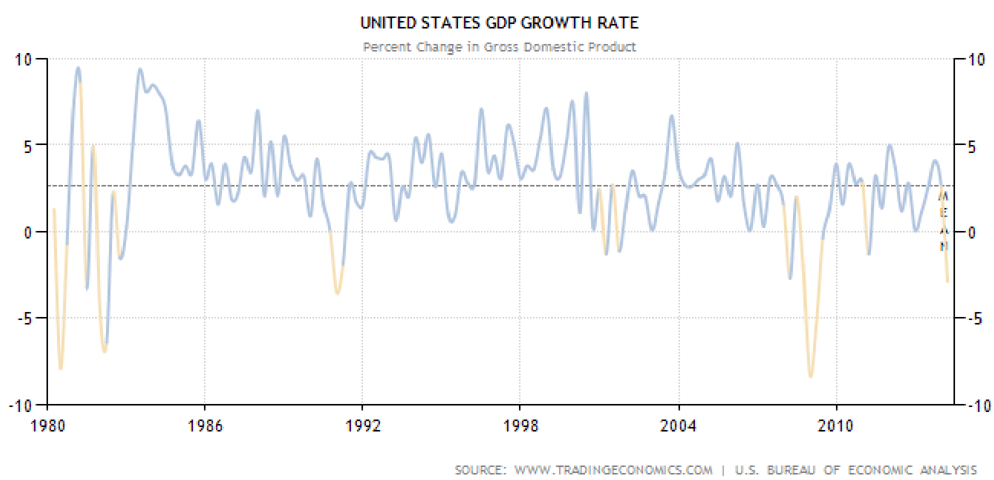
Various economic factors certainly contributed to the willingness of the Republican Party to adopt an anti-tax position and to their ability to get those policies enacted, starting with the fiscal legislation in 1981. Economists had not previously thought it was possible to have the low growth and inflation ("stagflation") that plagued the US economy in the mid to late 1970s. Government intervention, whether it be the Federal Reserve's tight money policy under Paul Volker, or social spending, or the austerity that was imposed on Great Society spending (among other reasons, to pay for Vietnam), or smaller tax cuts in the mid to late 1970s—nothing seemed to work, or work fast enough. This period of transition will be detailed more fully in the Congress chapter (chapter 3). There are a number of different economic indicators that could potentially prompt advocacy of different policies. Needless to say, the economic pain of the late 1970s was connected to GDP, inflation, interest rates, and unemployment, as well as a number of connected phenomena, such as bracket creep and the price of oil.[23] Economic factors are also important to the "old politics of taxation"—Brownlee (2004) calls much of this period the "era of easy finance" because the US had a booming economy, a newly strong middle class, and very little international competition. Because of the strong growth and because the tax rates had not

[23] This is not intended to be a truly exhaustive list of potential economic variables that could cause policy change. For example, the role of international credit in ballooning deficits and government financing is discussed in Krippner (2011).

yet been indexed to inflation, it was possible to cut tax rates without reducing revenue collected. This state of affairs certainly made calmer, technocratic tax politics and balanced budgets easier.

What is important is that none of these indicators, or economic explanations generally, are able to explain the "new politics of taxation" or GOP anti-tax positions over time, as they advocate for tax-cutting regardless of economic circumstance (as detailed in the above definition of the "anti-tax" position). The four economic indicators mentioned above, for example, change substantially over time but do not prompt a change in Republican tax policy, or a return of the balanced budget consensus and low levels of politicization of the old politics of taxation.

Figure 3: Percentage Change in GDP, 1980-2014[24]:



[24] The Bureau of Economic Advisors publishes the GDP numbers. This graph was created using www.tradingeconomics.com (The mean GDP growth percentage is marked in the graph, as are recessions, marked in orange—recessions being at least two consecutive quarters of negative GDP growth.)

Figure 4: US Consumer Price Index, 1980-2014:[25]

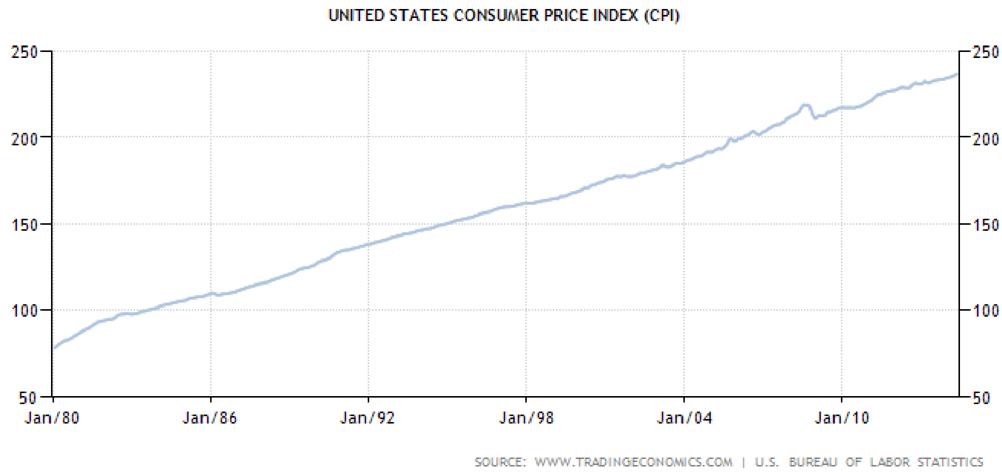


Figure 5: US Unemployment Rate, 1980-2014:[26]

[25] The Bureau of Labor Statistics publishes the CPI numbers. What is used here is the regular CPI (i.e., not the chained CPI that was developed in 2002 to be a more accurate measure)—the rationale being that these are the numbers the political system was reacting to at the time. This is the CPI-U figure for all urban consumers that covers most (89%) of the population, not the CPI-W figure that covers urban wage earners and clerical workers and only represents 28% of the economy. (See: Bureau of Labor Statistics, 2014.) This graph was created using www.tradingeconomics.com

[26] The Bureau of Labor Statistics publishes the unemployment numbers. This graph was created using www.tradingeconomics.com

Figure 6: US Interest Rate, 1980-2014:[27]

The economic indicators above, during the period of an anti-tax GOP shown (roughly 1980 to now), undergo major changes. Yet the Republican position on taxes does not change. The best economic argument that can be made is that the American state is crafted in such a way as to make public opinion backlash against taxes more likely for structural reasons. Zelizer, for example, note that Americans have a tax-opposing culture.[28] Perhaps a more specific notion of what is driving public opinion would include that the United States has, of developed countries, the most observable system of taxation and the least observable system of social benefits. Suzanne Mettler's 2011 book, *The Submerged State*, asserts the latter claim. This work asserts the former. Americans rely on progressive taxation that is nonetheless riddled with tax expenditures and which for that reason (and creative, even fraudulent, accounting) gives the

[27] This graph was created using www.tradingeconomics.com

[28] Zelizer (2003). Some measurement issues are clearly at stake here, as Zelizer makes some claims (such as positing a great desire for lower taxes in the 1950s) that are directly contradicted by other scholars, such as Andrea Campbell. Yet, there are a number of episodes of strong contestation over taxes in American history—episodes that (as mentioned earlier) used to have a pattern of opposition (people harmed by the tax opposed it, not everyone).

impression of far higher tax rates than are actually paid.[29] Additionally, the personal income tax requires anyone who pays it (or who expects a refund) to fill out tax paperwork—a far more visible interaction than many value-added tax (VAT)-reliant European states. (Many of which have most of their population exempted from such an exercise, because they pay a consumption tax and are not wealthy enough to pay any additional income tax aimed at the rich.) But what this means is that it is easier to prime Americans to oppose taxes. The Republican Party is now, since the late 1970s, playing the role of capturing and driving such antipathy over taxes.

The second large category of alternate explanations concerns ideology. To be sure, it is not being advanced that ideology cannot prompt changed economic policy—Hall (1989) has ably documented the shift to Keynesianism in the 1930s. And the shift to Republican anti-tax positions does build off of a host of impulses that one could describe as somewhat ideological in nature: anti-statism in those who oppose the welfare state, for example. Rather, what is being specifically advanced here is that specific economic theories are not prompting this change. Indeed, virtually every economic theory except Keynesianism has been used as evidence for the need for large tax cuts: supply-side economics, monetarism, balanced budget views, and neoclassical economics.

[29] See for example the *New York Times* Pulitzer Prize-winning series "But Nobody Pays That": Kocieniewski (2011): http://topics.nytimes.com/top/features/timestopics/series/but_nobody_pays_that/index.html See also Steinmo (1989)'s account of the creation of tax systems in America, Sweden, and Britain, which shows that in other countries, liberals who wanted both steeply progressive tax rates and a robust system of social provision compromised on the first to enshrine the second. This is particularly exaggerated in the Swedish case. Conservatives who favored regressive taxation were more likely to agree to larger safety nets, given that the lower classes had paid into the system (more so, if measured as a percentage of total income and not an absolute value) and thus that claims of downward economic redistribution were difficult to make.

The initial contrast many focus on as the departure from the Keynesian consensus is the emergence of supply-side economics. At its most basic, supply-side economics insists upon a focus on the "supply" side of the economy rather than the focus on stimulating demand that is one of the hallmarks of Keynesian policy. (Other aspects of Keynesian thought most relevant to economic political history are the acceptance of deficit spending during emergencies such as war or economic recession, while deficits are otherwise thought to be inflationary; a focus on achieving full employment and consumer spending are also important.)[30] As such, supply-side economics views attempts to tax or regulate businesses and individuals alike as inhibiting their economic output, which is largely assumed to find a demand once supplied. The supply-side camp, unlike Keynesians, were interested in reducing the marginal rates of taxation (rather than effective rates of taxation that Keynesians focused on), thinking that rational actors in the economy, seeking to maximize their resources (income, investment, saving, corporate output, etc.) would expend additional resources to capture a larger share of their efforts once marginal rates were reduced. The focus on marginal rates has endured as a key Republican focus even if supply-side economics is rarely invoked now. The attention to marginal rates also aids the Republicans in showcasing their political accountability on the tax-cutting issue: it's easier to engage in clearer credit-claiming when you can point to lower rates.

Most economic theories contain some diversity of views within them, but supply-side economics is notable for containing more significant divergence.[31] It must be said that the major

[30] For a more detailed treatment of different economic theories on what the first-order effects of deficits are, see Savage (1994).

[31] See Feldstein (1986) for a gentler treatment of this spectrum by a more moderate supply-sider (and former Reagan administration CEA chair) that nevertheless identifies that "the "new" supply-siders were much more extravagant in their claims: "The height of supply-side hyperbole was the "Laffer curve" proposition that the tax

principals surrounding the 1981 tax cut espoused the more extreme variant of supply-side economics. This is true both in the Reagan administration (OMB Director David Stockman, but also Norman Ture and Beryl Sprinkel at the Treasury) and advocating from Congress (led by Jack Kemp) and outside (economist Arthur Laffer, journalist Jude Wanniski). These individuals asserted that the tax cut would pay for itself, that it would stimulate economic growth significantly higher than historical norms, as well as other claims (stimulating a rise in saving, reducing inflation). Additionally, a number of these individuals viewed supply-side economics are also requiring substantial reduction of the welfare state and tough deflationary monetary policy (for some this was merely tight money, for others it was the hard money policy of returning to a gold standard).[32] It is thus possible to say that even this particular variant of supply-side economics was not solely consulted for the 1981 cut.[33]

What is notable about supply-side economics is not only that it is rarely invoked now (or even by the mid- to late-1980s) owing to how its exceedingly optimistic predictions did not materialize, but that anti-tax policies continue to be advocated in the absence of explicit supply-side claims. Similarly notable is the panoply of other economic theories that are also used to

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cut would actually increase tax revenue because it would unleash an enormously depressed supply of effort…The experience since 1981 has not been kind to the claims of the new supply-side extremists that an across-the-board reduction in tax rates would spur unprecedented growth, reduce inflation painlessly, increase tax revenue, and stimulate a spectacular rise in personal saving. Each of those predictions has proven to be wrong."

[32] See Stockman (1986) for a description of these actors, which is also covered in the executive branch chapter (chapter 4).

[33] Feldstein (1986) rightly notes that some of these claims are quite self-serving—that supply-side proponents are tempted to claim that if their vision had been fully realized that the economy would have rebounded (immediately, not after a few years) following the 1981 cut, and that a host of other economic indicators would have been more favorable. Laffer and Wanniski show particular chutzpah in this regard, rather incredibly claiming that the economy would have been much better had a gold standard also been adopted.

advocate for anti-tax policies, both during the seminal 1981 tax cut and thereafter. After supply-siders, the second most notable group in the early Reagan administration were monetarists. Perhaps the most prominent individual monetarist was William Niskanen in the Council of Economic Advisors (CEA). Monetarists focus on the use of the Federal Reserve's monetary policy—the open market operations used to expand or contract the money supply, with an expansive money supply thought to be inflationary, leading many to advocate a "tight" money policy. While reversion to the gold standard is a possible monetary policy, it should be highlighted that very, very few monetarists would seek such a policy. The handful of supply-siders (Kemp, Laffer, Wanniski) who advocated a hard money policy should be seen as distinct outliers for supply-siders, for monetarists, for conservatives, or for economists. But in terms of monetarists being used at different times to justify tax-cuts, they are occasionally influential. As one can see from figures four and six above (the consumer price index and the interest rate from 1980 to 2014), inflation and interest rates (prime concerns for monetarists) change over time, but tax-cutting advocacy does not.

Other schools of economic thought are occasionally used by anti-tax advocates as well. A detailed report circulated to the Republican caucus (by Kemp and the House leadership) as a detailed rationale for the 1981 tax cut is on the classical economic case for the tax cuts.[34] Classical economics is, broadly speaking, laissez-faire. It is also not a modern cohesive group of economists that take that explicit name—that this is used as an economic theory in support of the 1981 cut shows just how ideologically malleable this advocacy was. Neoclassical economics, is however periodically used in support of tax cuts—the notion of individuals as rationally

[34] 1981 GOP Monograph report: "The Classical Economic Case for Cutting Marginal Income Tax Rates", Box 94, folder 5, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

maximizing their resources is central to this line of thought (it shares this in common with the supply-side description above). Major neoclassicists include, most prominently, Alan Greenspan.[35]

Lastly, those espousing balanced budget aims are also periodically used in support of tax cuts. There have been a number of attempts by Republicans to create a balanced budget amendment, gaining steam in the mid-1990s. These Republicans had no intention of raising taxes to effect this (see Gingrich's treatment of Bush 41 in 1990, and the Congressional response, detailed in the Congress chapter—chapter 3). Rather, balanced budget requirements would have helped shrink the welfare state, pleasing a major part of the anti-tax coalition. Taken as a whole, these various economic theories show that the drive to cut taxes exists in a large variety of economic circumstances and can use many different economic theories (sometimes in combination, sometimes at different times) as justification.

CHAPTERS IN THIS WORK

The coalition chapter (chapter 2) identifies the party-building bases of support for the GOP anti-tax policy. Parties seek to adopt groups that give them three benefits: favorable public opinion (leading to electoral advantage), ideological compatibility with the party's coalition, and

[35] See White and Wildavsky (1989), p. 27 for a discussion of neoclassicists and how they bridged the political instincts of supply-siders and Keynesians, lending respectability to tax-cutting. "The swing vote among economists was held by the neoclassicists, who shared the Keynesians' basic model of the economy but had the supply-siders' trust in markets and dislike of wage-setting unions. Representing a large segment of established academic economists, neoclassicists commanded the paraphernalia of authority (econometric models, chaired professorships at universities) needed to impress the nonexpert…Neoclassicists shared the Keynesian concern with interest rates and the supply-sider dislike of taxes. Their ideal was low taxes and low spending, with occasional pump-priming if economic growth severely declined."

financial support. First, tax attitudes in the electorate are discussed. Tax-cutting does retain a genuine populist appeal that is borne out in NES polling data, but such surveys also show the influence of Republicans' ability to frame the debate. Outreach to many disparate groups, including social conservatives, via the tax-cutting issue helps to build a larger party coalition without alienating any core Republican supporters. Indeed, little organized opposition of any kind exists: while some may call for "fairer" taxes, mobilization behind raising taxes is essentially nonexistent. Finally, interest groups and other supporters who favor lower taxes have unusually deep pockets and are adept at political organizing, making them PAC outliers in terms of influence. In order to show the developmental arc of this coalition-building, three case studies highlight the unexpected alliance of the Christian Right and anti-tax advocates, particularly Americans for Tax Reform (ATR). This arc begins with business-only outreach for the 1981 and 1982 laws, a fuller coalition around the 1986 Tax Reform Act, and the development of that coalition during Bush 43's tenure and thereafter. New coalition members affect rhetoric and policy details. Even more importantly, the coalition pushing for tax cuts in powerful enough to redefine the issue itself: while lowering marginal rates is always the goal, the anti-tax coalition gets to redefine a tax raise as anything that raises revenue, including closing loopholes; hardly Reagan's position.

This chapter is followed by a chapters on Congress (chapter 3) and the Presidency (chapter 4), where stark, not gradual, shifts are evident. From 1978 on, virtually every Congressional Republican votes for tax cuts, irrespective of ideological moderation. This shift is also reflected in the language of every GOP platform, beginning in 1980. Interestingly enough, the Democrats do not follow an equal and opposite pattern. They often vote alongside the

Republicans, and only oppose tax cuts with large majorities when such cuts are historically extreme in terms of lost revenue; such bills also tend to disproportionately benefit the wealthiest Americans. The Congressional data includes roll call votes and NOMINATE scores, while the Presidential chapter uses a content analysis of Presidential Party platforms to show these stark shifts. Each chapter details a set of potential institutional tools for furthering fiscal party-building. In Congress, this includes levers for the party's Congressional leadership, committee system reforms from the 1974 Budget Act, indexing, dynamic scoring, and supermajoritarian reform attempts. In the executive branch, this includes presidential rhetoric, staffing, and economic analysis.

Three case studies are given for the Congress chapter. We begin with the 1964 Kennedy tax cut to show a case of the old politics of taxation. Here, the negotiations around the bill show the strength of the balanced budget consensus: LBJ has to significantly cut the budget to make headway in negotiations. The rationale for the bill is also anything but anti-tax in nature; those justifications as well as the development of the policy itself are detailed. Next, the period of transformation is discussed, beginning in the late 1970s but focusing on the 1981 tax cut as a signature piece of legislation. Ground laid by supply-side intellectuals, the tax revolts, Jack Kemp's early agitating in Congress (and early coordination with Reagan) all create a fertile environment for a major policy shift. The 1981 tax cut itself is distinct from 1964 in bearing the marks of an anti-tax policy. The 1982 bill, which raised revenue mainly via closing loopholes and greater enforcement, strove to preserve Reagan's signature three years of personal income tax cuts from 1981, while also foreshadowing an oppositional style that would be realized in 1990. Finally, the 1990 tax raise under George H.W. Bush is cited as an exception that proves the rule of the Republican anti-tax position. Bush, espousing anti-tax principles, tried to craft the least objectionable tax bill while still avoiding a catastrophic sequestration. Even this was considered heresy, which Bush would apologize for in the 1992 elections while Congressional Republicans ran *against* his record.

Three case studies also show a developmental arc for the Presidency chapter. This begins with a detailed analysis of a case before the GOP becomes anti-tax: Nixon's advocacy of a value-added tax (VAT) from 1969 to 1972. While other aspects of Nixon's tax policy as discussed as being anti-tax, any reform including a VAT would severely undercut anti-tax party-building considering the nature of the VAT itself. Republican actions and rhetoric against a VAT after the GOP becomes anti-tax is also detailed. The last two case studies concern the development of Republican presidential rhetoric around taxes. Language used initially (principally around the 1981 cut), such as supply-side economics, Laffer/the laffer curve, and evaluative standards such as the tax cut paying for itself and balancing the budget (by 1984, or at all), are discarded. In their place, language is used that explicitly embraces a larger coalition, reaching out to many demographic groups, that takes on and repurposes the "fairness" question, and that replaces previous evaluative standards by advocating that the budget be balanced via spending cuts. Tea Party rhetoric is also briefly addressed.

The conclusion chapter (chapter 5) covers the influence of the anti-tax position on current events and political developments of the past few years, including debt ceiling showdowns, sequestration, gridlock, and earmarks. Republicans' refusal to allow raising revenue in negotiations for such high-stakes dealings help to explain how these events play out. In addition, other effects of the anti-tax position are elaborated, most notably the myriad effects of policymaking in an atmosphere of fiscal scarcity. Next, the degree to which an anti-tax policy is sustainable in the future is considered. The Republicans have won many political fights for implementing their preferred policy positions. Unless the United States wants to drastically restructure its governing commitments, more revenue is needed. Additionally, remarks such as Romney's "47 percent" and actions showing a rift between parts of the anti-tax coalition hinder party-building on this issue. The GOP may become a victim of their own success.

CONCLUSION

This dissertation aims to advance our understanding both of party-building and tax policy as its case study, the latter of which is particularly underrepresented in political science work. Both are situated at the nexus of many literatures, from those specific to institutional venues, to the polarization literature, to presidential rhetoric, to public opinion and PACs, while also containing implications for works on the welfare state and inequality. While this is a mixed methods work, it takes both developments over time and policy very seriously. Considering the implications for the discipline and the need for understanding contemporary tax developments, this work aims to make contributions for political scientists as well as an interdisciplinary range of readers.

<u>Chapter 2:</u> Republican Anti-Tax Coalition Building

The Republican Party has become stridently opposed to taxes over the past generation. This unified position is in stark contrast to both the Democratic Party's views and previous Republican positions, and can be seen in both long-term fiscal trends and increasingly worrisome newspaper headlines. This new politics of taxation has done away with the low levels of politicization and the balanced budget consensus that reigned during the midcentury (mid-1950s to mid-1970s). Since the late 1970s, Republican opposition to taxes is in an ongoing manner that does not reflect changed policy or economic circumstance, seeing tax cuts as advisable in any climate. In trying to understand this transformation, this chapter evaluates how this issue interacts with the Republican Party's coalitional base. Unlike other issues where support may waver, even where the party brand has a strong reputation, the tax-cutting imperative carries virtually no defectors. This chapter seeks to understand the coalitional and electoral bases for such support in an effort to explain why tax-cutting appears to be an inviolable principle where others are not.

This chapter will devote itself to the larger question of party-building vis-à-vis coalitional support: which policies and groups are targeted by political parties, and why? The qualities of ideal party-building policies are as follows:

Parties' strategic adoption of policies or groups—they seek:

1) Favorable public opinion, leading to electoral advantage (polling, framing, media outreach)

2) Ideological compatibility with the party's coalition

3) Financial support

In order to confer electoral benefits, a policy should help secure public opinion (and therefore votes) for the party. This can encompass a number of different things: polling favorability of the issue before and after enactment, framing success by the issue coalitions, and media outreach capacities. Secondly, a policy should be ideologically compatible with other major (ideally all) groups in a party's coalition. Such compatibility should not only avoid losing the ardor of other partisan groups, but should cohere and build the coalition, ideally making at least a claim for centrists in the electorate. (Whether said policy actually benefits centrists is a different matter.) Thirdly, those favoring the policy position should be able to contribute financially to the campaigns of party members. If this is truly to be a party-building activity, such coalition members should have overwhelmingly chosen a partisan home. What is notably absent in this conception of issue coalitions is their ability to craft or promote "good" legislation by any metric. The above conception relies on the party's voters to judge this issue.

Finally, all three aspects will be seen qualitatively in the networking that forms long-lasting support for an issue. A developmental arc will demonstrate the unusual reach and influence of the anti-tax coalition. These case studies include the early organizing around the 1981 and 1982 bills, the development of the coalition in 1985-1986 around the push for the Tax Reform Act of 1986, and evidence of an enduring coalition with the Bush 43 presidency and beyond. There are two major changes these case studies will show. One evolution is the growing networking capacities of the tax-cutting coalition, which does not initially include the Christian Right but later both incorporates them and enacts their specific policy preferences. The other is that the tax-cutting coalition becomes so strong that they are able to dictate the definition of a tax raise: initially Reagan allows curtailing tax expenditures, but later, any raise in revenue is derided as a tax increase. A coalition that can redefine an issue is a powerful one indeed.

TAX ATTITUDES IN THE ELECTORATE

To establish the attractiveness of tax-cutting as an issue, it is best to first contextualize this issue. This includes the volatility of public opinion, nuances of tax attitudes in particular, the successful linking of tax policy preferences to voting Republican, the intentional electoral strategy of the GOP on taxes, the Republicans' ability to influence public opinion and in setting the terms of debate.

Volatility of Public Opinion

To begin, there are a number of difficulties inherent in citizen education on issues, and linking policies to voting and party preference. Some issues are easier to grasp and subject to better information than others. Some issues are more likely to affect votes than others. Polling on public competence can be discouraging. There are plenty of such polls, which take a variety of forms. The 2008 Annenberg report is an applicable example that queries citizens on what policies competing presidential tickets hold shortly before an election. There were three candidate policy preference questions where majorities of those polled were correctly able to match the viewpoint to the politician. One of these was taxes—specifically, 63% knew Mr. Obama favored eliminating the Bush tax cuts for individuals above a certain income level. But there were other issues where citizens showed very little familiarity at all—only 28% identified Senator McCain as supporting more free trade agreements like NAFTA, and only 42% knew he was the candidate who wanted *Roe v. Wade* overturned.[36]

Previous work suggests that issue areas that citizens judge to affect them personally will engender greater knowledge and less polling volatility.[37] Beyond this more theoretical observation, scholars have broken down which types of issues voters align more closely with their parties (or which policies are passed). Page and Shapiro (1983) find that there is the closest correlation between civil rights policy and policies enacted. This was surely a very visceral issue for people; they find that foreign policy has the weakest link. Fiorina and Levendusky (2006) in

[36] http://www.annenbergpublicpolicycenter.org/american-public-has-much-to-learn-about-presidential-candidates-issue-positions-naes-shows/

[37] Keene and Sackett 1981 (see Asher, p. 47)

a better example for our purposes, note that the percentage of voters that agree with their party's position can vary widely by issue. It is important to identify these trends in public opinion. It is crucial to a Republican strategy that voters be influenced to vote upon tax-cutting as an issue. But understanding the importance of framing and citizen information help fully analyze this phenomenon. There is a genuine populist appeal to tax cuts, but political scientists can often disagree over how to interpret polls. And considering the findings above, including that racial policy and policies that personally affect voters are likely to be the most politically salient, we should not be surprised to find appeals that link tax policy to both race and highly personalized finances. Edsall and Edsall (1991) and others note that calls for lower taxes (in this case, California's Proposition 13 property taxes) can contain explicitly racial appeals.

Attitudes About Different Kinds of Taxes

Some examples of tax policy are tangibly observable to (and thus clearly opposed by) those who pay them—such as cigarette taxes (Green and Gerken 1989) or property taxes, which were strongly opposed by wealthier homeowners for Proposition 13 (Sears and Citrin 1985). Yet there are other taxes that the public is profoundly misinformed about. Bartels' 2004 work on widespread public disapproval of the estate tax by people who are not nearly wealthy enough to qualify is a particularly extreme example.

In terms of major revenue-generating items such as the federal income tax and larger federal tax code, public polling shows a public whose ambivalence and lack of information can give mixed signals. In particular, Hacker and Pierson (2005) criticize Bartels (2005) for his description of the popularity of the Bush tax cuts. Bartels cites polling done when the bills were proposed, and Hacker and Pierson note that such polls don't well reflect their true values (were respondents given follow-up questions on the matter that forced them to choose between tax cuts and reduced social services, the tax cuts would quickly lose their luster).

Neither position is incorrect—these scholars are mostly talking past each other. Politicians can frame a debate different ways, and pick the popular response they want—and can be devilish with the details of legislation that may be (initially) unobservable to voters. But this doesn't mean that such support is not present, even if it is for a policy problem that is defined to a politicians' liking. Hacker and Pierson underestimate the appeal of tax cuts by making the case that politicians should heed a different, perhaps a more "responsible", expression of popular policy wishes than merely the beguiling question of whether one wishes to pay less in taxes.

Linking Tax Views to Partisanship

For our purposes, some of the best work on tax attitudes links them to partisan vote choice. Specifically, Andrea Campbell's 2009 chapter "What Americans Think of Taxes" notes that for presidential elections beginning in the 1990s, those who considered their federal income taxes excessive were "nine to eleven points more likely to vote Republican than those who though their taxes were about right". (Campbell, 2009, 65.) Of course, she notes that a failure to find this trend earlier than the 1990s might indicate that it took a little time for the anti-tax message to sink into the public consciousness or that Republicans were unlikely to be as upset with taxes under a Republican president. Both hypotheses seem plausible, though it is also possible that Republicans saw how substantially Reagan had cut federal income taxes (from a top rate of 70% to 28% under his tenure) and approved. At any rate, for the purposes of this work, it is enough that Republicans enshrined a party-wide strategy that they were confident could deliver—which Dr. Campbell's work shows well. Even if such a strategy does not work equally well each election cycle, that does not mean that it is not being employed. It certainly explains the lock-step voting patterns and messaging of the party.

Republican Strategy

Beyond showing that this approach was successful, it must be identified that this was intentional. Republicans both make an explicit electoral argument about voting for them as the party of tax-cutting and work to maintain a positive framing on the subject. Having perceived a policy desire (via the tax revolt and national polling) they have campaigned on the issue and delivered time and again. Reagan runs an explicitly supply-side, tax-cutting campaign in 1980.[38] Republican members of Congress are given talking points and marching orders from the beginning, including the February 1981 report titled "The Classical Economic Case for Cutting Marginal Income Tax Rate"[39] And from the beginning of this new anti-tax position, Republicans were very concerned about framing, specifically about being dubbed the "party of the rich".

[38] Sinclair (2006)

[39] 1981 GOP Monograph report: "The Classical Economic Case for Cutting Marginal Income Tax Rates", Box 94, folder 5, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

Newt Gingrich, in his capacity as the leader of the task force on tax reduction for the 97th Congress (1981-1983),[40] shared this apprehension. In a July 9, 1981 report on tax legislation strategy and public opinion, he cautions that voters may see the Republican Party as the party of wealth and punish them at the polls.[41] He notes that, though Republicans have won a number of votes in the (Democrat-controlled) House, the Democrats are working on bolstering their party branding. "The Liberal Democratic paradigm is this: The Democratic Party is the party of the working man. The Republican Party is the party of big business." He goes on to warn that the success of Democratic framing is having electoral consequences: a narrow win in an Ohio district that should have not been close, a loss in a previously Republican Mississippi district, and recent disparaging polling results. He cites a number of items from this MOR/NRCC poll that demonstrate that respondents are increasingly associating the GOP as the party of wealth, as compared to a year prior. Gingrich uses the study to argue that these polls are approaching the electoral nadir of the "dark days of 1974". He lays out a multi-part strategy, which includes credible economic analyses to show that the GOP plan really does a better job of fighting inflation, creating jobs, and reducing the deficit than the Democratic alternative ("…or we really are the party of the rich."). He goes further to say that the GOP should successfully identify the Democrats as the cause of the current economic malaise, and mobilize the upper-middle class. This economic strata should both be convinced that Reagan's tax cut is good for America, but

[40] Edward Madigan (Republican Research Committee chair) to Robert Michel, March 3, 1981, folder "Leadership 97th Republican Task Forces", Leadership Series, Leadership Files 1963-1996, box 4, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

[41] Report authored by Newt Gingrich on tax reduction strategy and public opinion, July 9, 1981, folder "Tax Legislation 1981-1988 (2)", Staff Series: William Pitts, Box 11, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

also good for them specifically: the “Reagan tax cut is across-the-board, giving the biggest cuts to people paying the most taxes”.

In 1982, as the economy entered a short but deep downturn, the concern about being the party of the rich was still present. The White House commissioned a poll which noted that “contributing to the negative perceptions of the economic program is the predominant view that Reagan’s plans favor the rich”, noting that 59% of respondents replied that “Reagan’s economic program best meets the needs of upper income people”.[42] A Camp David meeting on the matter was called, with a group headed by Mike Deaver charged with the following: ““Our agenda ought soon to include consideration of the following: What to do to counter the trend toward characterization of this administration as pro-rich, pro-business, do-nothing-for-the-little-guy, etc.?”[43] Of course, with the economy rebounding by 1984 Reagan was able to ask voters whether they “were better off now than four years ago”, doing much to alleviate the GOP’s fears of negative party branding. Mondale’s promise to raise citizens’ taxes was an extra, serendipitous Republican advantage that electoral cycle.

Reagan’s tax-cutting party-building claims go far beyond his good fortune in a 1984 opponent. The administration viewed itself as having made a strong promise to the public on tax-cuts (usually more so than any other issue), and viewed the 1984 landslide as a tax-policy mandate. Writing to Ed Meese in early 1983, Kevin Hopkins from the White House Office of Policy Information noted that “President Reagan’s most frequent promise during the 1980

[42] Memo, Richard Darman and Craig Fuller to Ed Meese, James Baker, Michael Deaver (etc.), February 5, 1982, folder “Cabinet and Cabinet Council memos, 1981-1982”, box 1, Richard Darman Files, Ronald Reagan Library.

[43] Ibid

campaign, and a key reason why he won election, was his consistent pledge to reduce tax rates. Indeed, when asked directly which of his three goals (reduced tax rates, stronger defense and balanced budget) he would defer should that become necessary, Reagan quickly responded that he would defer the balanced budget."[44] Reflecting on the 1984 election, Richard Darman identified Reagan's "electoral mandate": "it seems not insignificant to recall that the President was reelected with a 49-state electoral vote majority in a campaign that had only one clear and consistent substantive focus: The President said he wanted to bring personal income tax rates further down, not up."[45]

Looking towards the nascent 1986 tax reform bill, Pat Buchanan seized on a coalition building strategy: "Politically, the central element of tax reform that will do the most to cement working class and middle class America to the Republican Party is the doubling of the personal exemption… This would be a tremendous Reagan boon to Black America, Hispanic America, white working class America—and the Republican Party would gain permanent credit."[46] Pat Buchanan engaged in even more ambitious attempts to redraw the political map with tax policy. The Reagan administration made a serious attempt to repeal the state and local tax deduction in the 1986 Tax Reform Act, which would cause residents of states and localities with high taxes to

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[44] Memo, Kevin Hopkins (Office of Policy Information) to Ed Meese and Edwin Harper, January 10, 1983, folder "Tax Policy (3)", box OA 11845, Ed Meese Files, Ronald Reagan Library.

[45] Speech by Richard Darman, Deputy Secretary of the Treasury, April 15, 1985, folder "Tax Reform-Treasury Statements", box OA 17954, Carl Anderson Files, Ronald Reagan Library.

[46] Memo, Pat Buchanan to Donald Regan, March 23, 1985, folder "Taxes (1 of 5)", box 3, Pat Buchanan Files, Ronald Reagan Library.

pay considerably more in federal taxes. They were strongly rebuffed, but some had hoped such a reform could be a "'Trojan horse' to spark Proposition 13-like revolts in the high tax states."[47]

Reagan himself, beyond believing in lower taxes as good policy, saw the issue as a political winner on a large scale, capable of substantially enlarging the Republican voting base. At a 1986 rally for Jeremiah Denton, Alabama's first Republican Senator since Reconstruction, Reagan made a clear push for votes denied his party for generations:

> And I pledge today to oppose any effort to raise the tax rates and negate the hard fought progress we've made. … Jerry Denton represents—those of you who are Democrats or who were Democrats—far—he represents your views far better than the liberals who run the Democratic party in Washington and right here in Alabama. We must never mistake the rank-and-file of the Democratic Party for the liberals who lead the Party—the liberals who want to betray everyday Democrats by going back to the failed old tax policies of tax and tax and spend and spend. So I ask all Alabama Democrats to consider whether just maybe they ought to join the Republican Party as I did—and as Alabamians like Sonny Callahan did. I know it isn't easy. But as Winston Churchill said, "Some men change principle for party, and some men change party for principle." And even if you can't quite bring yourself to change parties—well, you can still send the liberals a message by voting for Jerry Denton, Bill Dickerson, Guy Hunt, and Sonny Callahan.[48]

Reagan appealed to Hispanic voters as well, who were likewise not typically Republican voters.

> One of the major goals of our administration has been to expand opportunity to all Americans. And, if I read the Hispanic community right, that's all that's expected. I've always found it strange that the idea that people should work hard to support their families and improve their well being is labeled the "Protestant work ethic". From everything I know, it could be called the "Hispanic ethic."… Well, our tax program will be a major boon to working people. It simplifies the system, reducing the number of tax brackets from 14 to two—15 percent and 28 percent. And I should say that there will be three brackets because many lower income people—six million, we estimate—will be

[47] Memo, Joshua Gilder to Patrick Buchanan, September 26, 1985, folder "Taxes (4 of 5)", box 3, Pat Buchanan Files, Ronald Reagan Library.

[48] Remarks by the President at a Rally for Senator Jeremiah Denton, September 13, 1986, folder "Tax Bill Signing Ceremony (Requests to Attend) (1/2)", box OA 15703, Donald Danner Files, Ronald Reagan Library.

> taken off the rolls altogether. Their bracket will be zero, so there's a third bracket—zero, 15, and 28.[49]

Tax-cutting continues to be tied to electoral strength for the Republicans, by their party's national leadership. For the 1992 cycle tax-cutting was seen as the preeminent issue for making the Republican case, and one with universal appeal, unlike more divisive issues such as abortion. In a listing of ways to identify Democratic challengers in the election, a report disseminated by Speaker Robert Michel includes the following:

> First look at the "seven deadly sins"
> -voting to raise taxes
> -voting for legislative pay raises
> -missing votes/other measures of non-performance
> -flip-flops
> -ethical misconduct
> -emotional unsolved local problem not receiving adequate attention
> -repeat offenses of any of the above[50]

It is notable that of all the items above, voting for tax raises (if the Democrat in question did indeed vote thusly) is the only policy on the list. Not only do Republicans coordinate around this issue for electoral gain, but it appears to be an issue above all others. As we will see below, their ability to build a coalition around such an issue is what makes this policy so attractive.

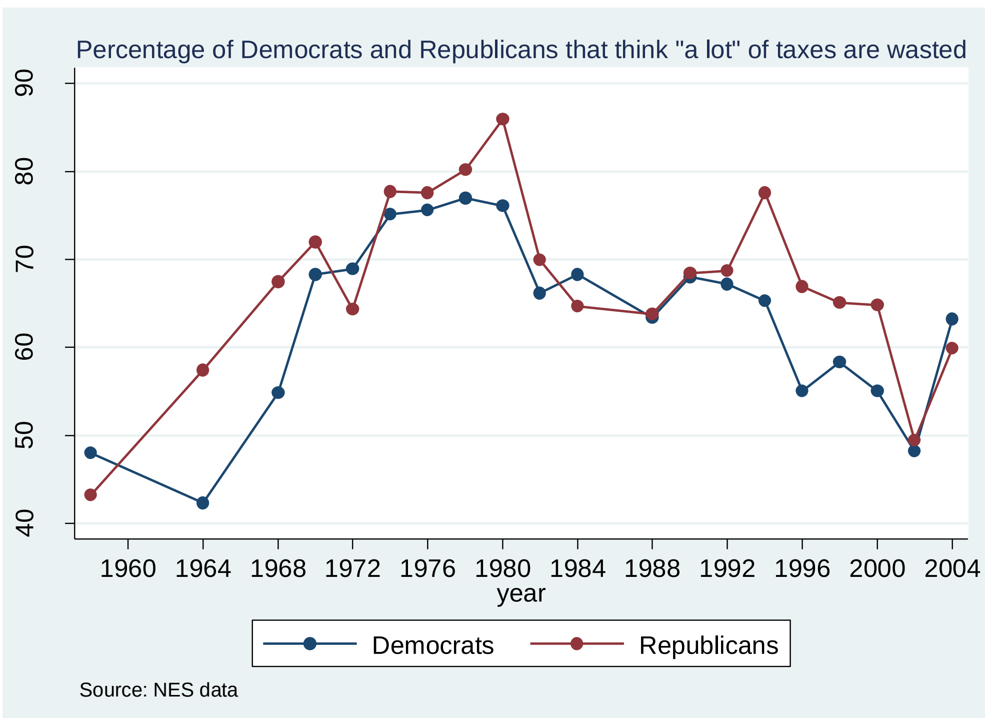
[49] Remarks by the President at a ceremony for Hispanic Heritage Week, September 16, 1986, folder "Tax Bill Signing Ceremony (Requests to Attend) (1/2)", box OA 15703, Donald Danner Files, Ronald Reagan Library.

[50] 1992 campaign strategy report: "An Overview of Research [by] W. D. McInturff", folder: "Campaign 1992 (1)", box: Staff Series, Ted Van Der Meid Files, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

Republicans Influence Public Opinion

Republicans, in addition to responding to public opinion, are able to influence it. Specifically, they appear to be driving concern for "wasted" taxes and a belief that the national debt is too high—interestingly enough these worries are of greater concern to Republicans in the electorate when a Democrat is in the White House. The figure below shows this phenomenon:

Figure 1: Partisan views of wasted federal taxes over time:



After these feelings peak in 1980, the years where a Democrat is in the White House see Republicans as considerably more upset over the perception of wasted taxes. On average, about 10% more people identifying as Republicans think that "a lot" of taxes are wasted. Contrast this to the years a Republican (Reagan, Bush 41 and Bush 43) are in office, where one's party identification does not prompt any significantly greater concern on this matter. This question, while not perfect, is the best available through NES that is asked with such frequency and over a long period of time. For those who closely follow national public discourse, these patterns are not surprising. Prominent conservatives, including politicians and public commentators, regularly bemoan deficits and wasteful spending during Democratic administrations but rarely mention the balance of payments during the years of a Republican administration. This is most notable if one compares the debt-heavy presidencies of Reagan and George W. Bush in particular to Clinton or Obama.

In more recent years, the George W. Bush administration has made the individual benefits of tax cuts even more tangible to voters. Instead of just receiving a lower tax bill, taxpayers received rebate checks in 2001 and 2008, making even low-information voters directly aware of the policy. A telling contrast is the manner in which the Obama administration distributed the payroll tax cuts that were part of the 2009 stimulus package. Having seen research suggesting that the Bush rebate checks often resulted in saving rather than spending, the Obama administration planned to have less FISA taxes withheld from paychecks, reasoning that people would be more likely to spend the small amounts of cash that were regularly deposited in their paychecks, creating a greater stimulative effect overall. In a 2010 interview, President Obama noted that this structuring of the tax cut "was the right thing to do economically, but politically it meant that nobody knew that they were getting a tax cut."[51] Of course, when the payroll taxes returned to 6.2% (from 4.2%)—the Obama administration pushed for their further extension without success—the Obama administration faced public disapproval, as people finally

[51] Cooper (2010)

noticed their take-home pay diminish. The contrast is instructive—these are the different actions consistent with one party engaging in party-building around a policy issue, while the other eschews said political strategy.

Republicans Set the Terms of Debate on Taxes

Part of the reason why the Republicans have used the issue of tax cuts so successfully is that they have been very effective at setting the terms of debate when people discuss improving the economy. Such a discussion carries the potential for the inclusion of a wide array of policy actions (as well as a dialogue about exogenous shocks and population trends largely if not completely outside the control of the government). Yet what seems to garner the main focus in economic conversations in the "new" politics of taxation is taxation, particularly the marginal rates. (And, if a Democrat is in the White House, a concern over debt and deficits.)

A New View of R&D

This was not always the case. For example, two items that often featured prominently (but not exclusively) in the old politics of taxation were a focus on Research and Development and education (particularly for STEM disciplines and advanced degrees, but also in a wider sense) and a different attitude towards deficits. Heavy government investment in both was part of Eisenhower's policy response to the famous "Sputnik moment"—in the National Defense Education Act of 1958. These goals were shared by the administrations that followed. For example, in an October 11, 1962 speech to a business audience, Treasury Undersecretary Henry

Fowler lauded Eisenhower's efforts and underscored that the Kennedy administration shared these goals. He does not mince words:

> One of the most important areas of government policy which will help translate these favorable factors into actual business expansion is the role of Government in research and development. Government's role is a major one. It finances more than 70 percent of university research, and almost 60 percent of research in industry. Overall, Government pays for about two-thirds of the total national research effort.[52]

This focus on these two factors remains a bipartisan goal well into the Ford administration. A particularly revealing exchange between Jack Kemp and Ford's OMB Director, James Lynn, reveals both the "old" politics of taxation sensibilities held by those working for Ford, as well as the significant way Kemp sought to change the conventional wisdom. When presented with Kemp's Jobs Creation Act (which is rather moderate—a far cry from the Kemp-Roth bill he would start introducing in 1977). Lynn had this to say to Kemp:

> While your tax measures move in the right direction and would result in more productive investment, various studies of our economic history have demonstrated fairly conclusively that factors other than capital investment have accounted for an extremely large share of our economic growth. Specifically, technological change and the increasing educational level of the labor force have been particularly important.[53]

Of course, it is not being implied here that R&D and education were the only other items of interest—simply that they were major ones. The above quotes were specifically chosen because their authors make clear that these are indeed *major* items of interest—these are not cherry-picked quotes. In a dramatic reversal of past policy, the Reagan administration both enacts a major cut in taxes and the Pell grant program in 1981. Since then, R&D and education

[52] Speech, Henry Fowler: "National Policies for Business Expansion", October 11, 1962, "Tax Cut 10/3/62 to 10/19/62" folder, Ted Sorensen Papers, box 40, JFKL.

[53] Letter, James T. Lynn (OMB Director) to Jack Kemp, May 1975, Box 88, folder 9, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

have not been spending priorities (with the notable exception of defense R&D) for Republican administrations, and existing educational programs have faced cuts. (For example, like Reagan, George W. Bush has cut Pell grants, and the Department of Education typically is under fire when Republicans are in power—in terms of both funding as well as being a oft-used target for public condemnation, often in the form of its proposed elimination. (Bush 43's No Child Left Behind policy is only a partial deviation from this general course: the teacher and school accountability focus favored by the GOP is the forefront of this reform, and the promised funding that helped convince Democrats such as Sen. Ted Kennedy to sign the bill never materialized.)

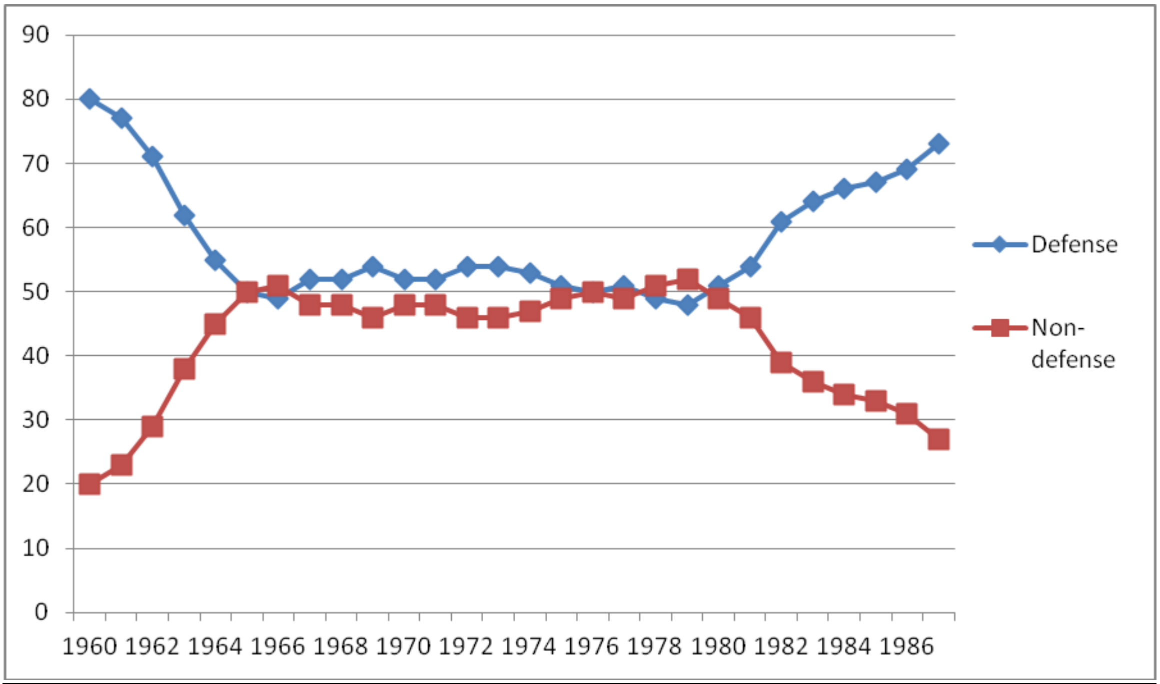
A briefing book prepared for the executive branch in 1983 explicitly reflects these changed priorities. In the section on research and development, it notes that "budgets for FY 1982 and 1983 shifted priorities for types of R&D supported by the federal government." After noting that the President would request to increase total R&D funding by $6.9 billion to $47.8 billion for FY 1984, with virtually all of that increase ($6.7 billion) going to the Department of Defense, the report included a rationale for these preferences. "Why is R&D for defense increasing sharply without a corresponding increase for civilian R&D?" it queries. Beyond noting that they believe DOD had not been adequately funded, that technological advantages over others must be maintained, and that defense is an inherent responsibility of the federal government, it goes further. "For civilian R&D…the federal government…should provide a climate for technological innovation that encourages private sector R&D investment. The administration is fulfilling this responsibility primarily by reducing government spending growth, regulation, and tax rates."[54]

Before addressing Reagan's shift in educational funding, some additional nuance is necessary with respect to R&D funding. Defense R&D funding had long been in decline as a percentage of overall federal R&D funding for many years, from just over 80% in FY 1960 to hovering around just half of total R&D in the Carter years. (Savage, 1987, 38.) As such, Reagan's proportional boosting of defense funding to roughly double that of all other R&D throughout his tenure is indeed dramatic. Beyond the general division between defense and domestic R&D, however, there were other meaningful distinctions to the administration, albeit ones that further underscored Reagan's conservative view on governance priorities. James Savage (1987) details that there were a few non-defense areas that received favorable treatment: in addition to the NIH (though not other health and biological sciences) physical sciences, math, engineering, and computer science were viewed positively.[55] However, even in these areas applied science that would lead to product commercialization was deemed outside the purview of the federal government. Not all science R&D prospered; a number of different science R&D projects were targeted for disinvestment. Such projects notably included the alternative fuels programs in the Energy Department as well as high energy and nuclear physics, non-NIH health and biological science, and the social and behavioral sciences.

[54] Report: "Fairness II: An Executive Briefing Book" compiled by the White House Office of Policy Information, May 1, 1983, folder "Fairness II -briefing book 5-1-83 (5)", box 39, Michael Deaver Files, Ronald Reagan Library.

[55] Savage, 1987, p. 44 and 41. He notes that much of this research was funded by the National Science Foundation, in their three directorates aimed at basic research: 1) Engineering, 2) Mathematical and Physical Sciences, and 3) Astronomical, Atmospheric, Earth and Ocean Sciences.

Figure 2: Percentage of Federal Defense vs. Non-Defense R&D Budget over Time:[56]



The Reagan administration's R&D priorities were further underscored by their reaction to the automatic Gramm-Rudman-Hollings (GRH) sequestration cuts and their use of tax expenditures for R&D. By carefully shifting research funds, the Strategic Defense Initiative (SDI) was spared the GRH across-the-board cuts for all non-protected items (essentially entitlements) that would have affected all research programs. A number of tax expenditures show Reagan's push towards privatization of R&D: the 1981 tax law contained considerable tax incentives for corporate R&D, and the 1982 Small Business Innovation Act funneled grants to small businesses, though the administration's general wariness of research universities extended to opposing corporate tax credits for donating computers and other equipment to institutions of

[56] Derived from Savage, 1987, p.39 table of federal R&D obligations.

higher education.[57][58] To be sure, administration preferences are not always translated into legislation; Reagan was more successful in his FY 1982 and FY 1983 budgets than with the congressional compromises in the next two budgets. Still, the administration has shifted both federal funding and Republican positions on R&D.

A New View of Education Spending

In terms of Reagan's views of government's role in education, the previously mentioned 1983 "Fairness" report reveals increasing disinvestment here as well. In terms of federal funding for public K-12 schools, it is noted that Reagan requests substantially less than Carter, and less than Congress approves in some years (Reagan's 1983 request is $4.3 billion; Congress approves $6.7 billion). This reevaluation of priorities is also shown in job training: "federal vocational spending…popular with the states and scheduled for turnback under the New Federalism, is not a high federal priority and should not be funded at high levels in a time of federal fiscal

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[57] Savage, 1987, p. 47-49. The 1981 ERTA provisions include increasing the cost recovery allowances for capital expenditures, and a tax credit for corporate R&D spending that exceeded the three previous years. Savage notes that because of uncertainty over whether corporate expenses were merely reclassified as research, that "the tax act itself appears at best to have stimulated a small marginal increase in corporate R&D." The 1982 Small Business Act required ten federal agencies with research budgets in excess of $100 million to use at least 1.25% of their funds for small business R&D, specifically touted by Reagan as "privatizing" federal R&D efforts. Finally, Congress did not yield to the administration's 1983 testimony against tax credits for corporate equipment donations for education.

[58] While a thorough account of Republican opposition to non-defense R&D up to the present day is outside the scope of this work, it should be noted that ongoing GOP rhetoric continues along these lines. Sometimes national Republican politicians target the NSF specifically, and sometimes they identify particular funded projects as undesirable. A more memorable example of the latter was 2008 Presidential nominee John McCain's frequent stump speech inclusion about funding for grizzly bear DNA: "I don't know if it was a paternity issue or criminal, but it was a waste of money." (See: Ballantine 2008.)

restraint."[59] The Comprehensive Employment and Training Act (CETA) of 1973, which incorporated earlier job corps training programs and public jobs programs, received $10.8 billion in the 1978 budget, but was transformed into the Job Training Partnership Act (JTPA) of 1982, which eliminated the public jobs programs and saw significantly reduced funding: Reagan requested $3.9 billion for FY 1982 and $2.4 billion for FY 1983. The given rationale: "history proves that the federal government cannot create jobs…the government destroys private jobs in the process of "creating" public jobs…the Works Progress Administration (WPA), in particular, did not work."[60]

A number of different policies for subsidizing higher education saw reforms, as well, including lowering the acceptable income levels for Pell grants, similarly means-testing those eligible for Guaranteed Student Loans (GSL), as well as reducing overall funding for GSL, and other reforms. The purpose of these financial aid reforms was to "restore the primary role of the family and the student in meeting the responsibility for postsecondary education costs. Because students and families are the primary beneficiaries of education, they and not the taxpayers should bear the major cost."[61] Being able to quote the administration's rationale is important, here. It reveals a truly changed notion of what spurs economic growth.[62]

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[59] Report: "Fairness II: An Executive Briefing Book" compiled by the White House Office of Policy Information, May 1, 1983, folder "Fairness II -briefing book 5-1-83 (3)", box 39, Michael Deaver Files, Ronald Reagan Library. (See section on "Elementary, Secondary, and Vocational Education Aid".)

[60] Report: "Fairness II: An Executive Briefing Book" compiled by the White House Office of Policy Information, May 1, 1983, folder "Fairness II -briefing book 5-1-83 (4)", box 39, Michael Deaver Files, Ronald Reagan Library. (See section on "Job Training and Employment".)

[61] Ibid. (See section on "Student Financial Aid".)

[62] This is not to say that all Republicans were on board with these shifts when they appeared, only that they were not able to get the Reagan administration to change course. During the agency appeals process following the

A New View of Deficits

Finally, the critical juncture in fiscal policy embodied by Reagan is exemplified by one other major policy aspect. In addition to a passion for anti-tax positions and a reversal on previous favored policies for economic stimulus, the Reagan administration fundamentally changed how policymakers thought about and reacted to deficits. (Of course, such an issue is brought up selectively when a Democrat inhabits 1600 Pennsylvania Avenue, as was previously discussed.) Unlike the shift on R&D and education funding, this new view of deficits has academic backing, from economists of various ideological stripes. Certainly, it has become empirically obvious to those without advanced degrees in economics.

Before the Reagan administration, the conventional view of economists and policymakers alike was that yearly deficits and overall debt would increase inflation, as well as a number of related phenomena, including "crowding out". The latter is the notion that private borrowers are "crowded out" from accessing funds in financial markets by boosting interest rates. Reagan's top economic advisors first began to push back against the conventional wisdom in late 1981, as leaked figures of yearly $100 billion deficits loomed over the horizon.

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release of the President's budget in 1981, both the Department of Education as well as some in the White House opposed the significant cuts the administration wanted in various programs. Education Secretary Bell went public with his displeasure. (Babcock 1981.) Within the White House, Elizabeth Dole pushed back against the cuts, with particular attention to students of color who would be affected. In a December 11, 1981 memo, she urges: "Cutting the Pell Grant Program will be viewed as a reversal of the President's commitment to Black Colleges…better than 80% of the students at the Black Colleges receive Pell Grant support and approximately two-thirds of a typical freshman class are from families with incomes less than $12,500, these cuts will drastically reduce the revenues of Black Colleges by reducing enrollment." See: Memo, Elizabeth Dole to Richard Darman, December 11, 1981. Folder "[Budget] Darman and staff memos on appeals," box 7, Elizabeth Dole Files, Ronald Reagan Library.

But these efforts cannot be dismissed as political opportunism. In a December 1981 American Enterprise Institute conference, Murray Weidenbaum (the chair of Reagan's Council of Economic Advisors) presented a paper, with two other CEA members also presenting some initial analyses doubting this previously indubitable connection. Evincing "only a slightly camouflaged sense of shock", the conservative establishment at AEI listened to the advisors. The CEA's William Niskanen had a particularly detailed report, presenting charts of deficits along with inflation, money growth, and interest rates over the previous fifteen years, showing a lack of correlation. He went further, noting that the connection between deficits and inflation is "about as empty as can be perceived" and rejected crowding out as also lacking empirical evidence.[63] Such analyses questioning the economic effects of deficits continued, with serious empirical analysis done by outside economists of various political proclivities. In 1983 Reagan publicly stated that concern over the deficits was misplaced. Thus, Reagan was inspired by Niskanen and others, who provided the intellectual justification of a changed view of deficits. In relatively short order he had the support of classic supply-siders like Rep. Jack Kemp, monetarists like Niskanen (from the CEA), as well as those in the administration without strictly doctrinaire positions, like Murray Weidenbaum (CEA Chair) and Don Reagan (Treasury Secretary), as well as those evaluating deficit spending from a perspective on unemployment (the Keynesian position). [64]

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[63] Rowen 1981. Revealing the anti-tax priorities of the administration, Niskanen also noted that "It is preferable to tolerate deficits of these magnitudes either to reinflating [the economy] or to raise taxes. Other things being equal, I would like to see lower deficits, too, but other things are not equal." He also addressed Reagan's campaign promises, noting that the elimination of the deficit "was not billed as an important feature of the program."

[64] Savage (1988), p. 209-214

Future administrations learned the lesson: Paul O'Neill, Bush 43's first Treasury Secretary, recounted that Dick Cheney told him that "Reagan proved that deficits don't matter." (O'Neill 2006.) Today, it is clear that high yearly deficits or high total debt do not cause inflation. After all, the recent deep recession of 2007-2008 prompted extra governmental expenditures (and thus higher deficits)—but interest rates remained at rock-bottom rates. This insight was not obvious in 1981, however. A fundamental reconsideration of how we should read and react to deficits is an important legacy of the Reagan administration.

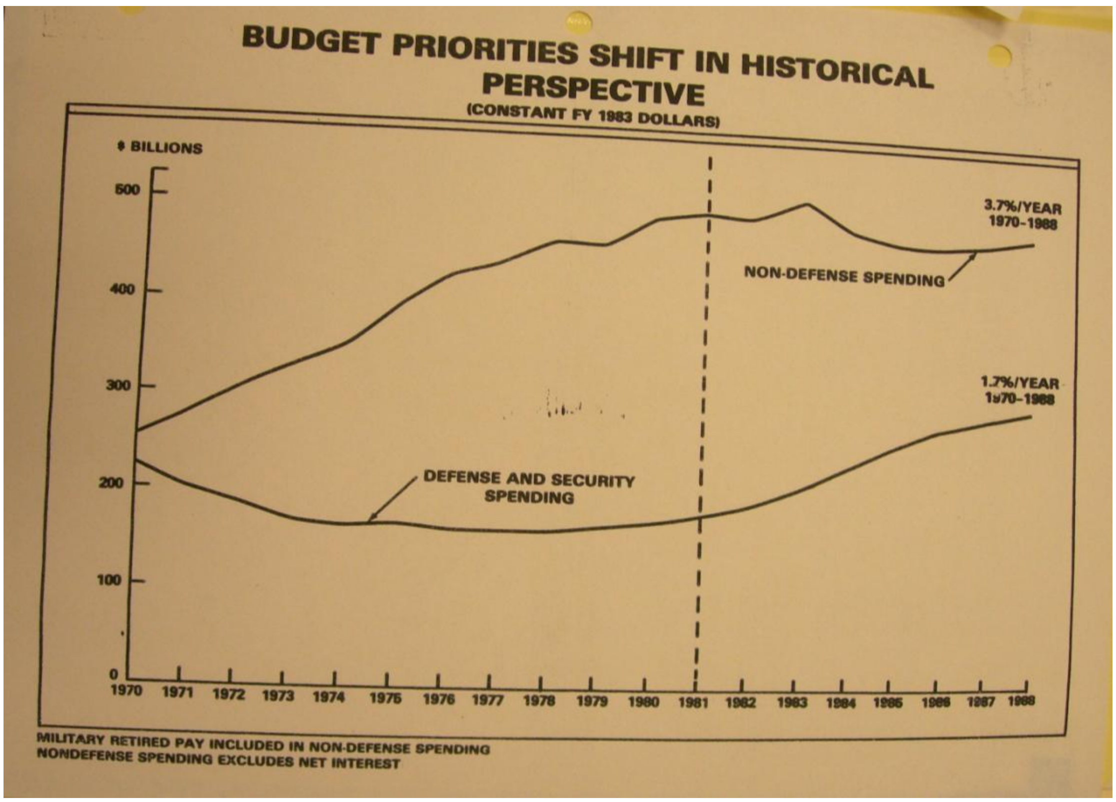
A DIVERSE COALITION

Republican anti-tax party-building efforts enjoy an unusually broad coalition. The Republican Party has a number of groups within it that, on the surface, appear to be unlikely allies to occupy the same party, never mind the same issue area. This includes both the wider distance between the social conservative and economic conservative camps, but also important differences within each. The coalition is so broad as to invite comparison to the "fusionism" conservative intellectual Frank Meyer observed for the Cold War era. That is, the Cold War united disparate groups under the Republican Party tent. Economic conservatives disliked the central planning economic policies of the Soviets, while social conservatives opposed the atheism of the evil empire. Today we have a new fusionism—many groups want lower taxes, if for different rationales.

The anti-tax prescription brings together those who wish to shrink the welfare state, economic populists, libertarians, and a number of socially conservative groups (from religious schools seeking a tax-exempt status to those who oppose government funding of services like

Planned Parenthood). Some Republicans don't object to the use of federal funds but rather prefer said funds to be used for their preferred spending projects. Many prefer a distribution of federal dollars that saw defense spending as larger than social spending, before the Great Society programs. Below is a graph from a 1983 Reagan administration report showing how social spending had outstripped defense spending and how they sought to work to correct these trends.[65]

Figure 3: Reagan administration defense v. non-defense budget priorities:



[65] Report: "Fairness II: An Executive Briefing Book" compiled by the White House Office of Policy Information, May 1, 1983, folder "Fairness II -briefing book 5-1-83 (2)", box 39, Michael Deaver Files, Ronald Reagan Library.

Of course, many libertarians would push for a smaller government in general, not merely spending less on social welfare programs—but tax cuts still unites these groups. Similarly, economic populists might want tax cuts for everyone, but might oppose programs (or tax expenditures) benefiting large corporations.

The social conservatives represent a less intuitive part of this tax-cutting coalition. The Christian Right in particular is very protective of their tax-exempt status, and has brought a "pro-family" characterization to tax policy appeals. Such prescriptions call for eliminating the "marriage penalty" which could charge couples more who filed jointly. Similarly, such groups pushed successfully for increases in deductions taken for dependent children as well as the creation and expansion of the child tax credit. The nuances of this development will be detailed in the case studies.

There is a larger point to be made about how ideological compatibility with the party's coalition is an important factor which policies parties choose to adopt. Tax-cutting is effective in this regard not merely because of said compatibility. They're able to hold together a larger coalition around an issue. They're capable of bringing in groups that might otherwise take their votes elsewhere. (In theory, libertarians seem to be a Republican-Democrat hybrid, favoring a smaller government role both in the economy and also in upholding traditionalist social mores—yet in practice, they both organize with Republicans and tend to vote thusly.) And lastly, they're able to weaken potential adversaries—what Eric Patashnik refers to as a Shumpeterian "creative destruction" of opposing policy coalitions.[66] Specifically, a good deal of religious political

[66] Patashnik (2008), p. 28

advocacy has been focused on aiding the "least of these", typically with social welfare programs or greater funding to things like education—not with tax cuts. While the Reagan administration makes significant inroads into the advocacy patterns of some groups with the abortion issue (the Catholic Church is a good example), being able to brand one's economic policies of cutting taxes as "pro-family" is an effective strategic move to blunt potential opposition.

ANTI-TAX INTEREST GROUPS AND FINANCING

The ability to bring financial benefits to a party is another important consideration, especially as the cost of national political campaigns rise. Yet the literature on PACs must be critically assessed in order to fully appreciate the importance of tax-cutting advocates. Those who study interest groups have found that by a number of different operational definitions, that PACs do not change political outcomes. By combining the thousands of PACs that exist into one sample, it is easy to find that financial contributions or support are not the primary benefit of PACs to politicians. After all, most PACs are not financial power-houses, and they do legitimately provide short-cuts to expertise that is valuable to legislators.[67] Alternatively, by looking (in aggregate again) at many issue areas of contestation, political scientists find that in most fights, PACs do not pick winners because both sides tend to be evenly matched.[68] Even if one accepts that PAC campaign contributions are a major measurement of interest, the quest for generalizability has its casualties. These are important findings, to be sure. Yet they do not

[67] Wright (2003), p. 148

[68] Baumgartner, et al (2009)

appreciate a fuller range of interest group influence by including outliers or PACs that do not fit a standard pattern.

Anti-Tax Interest Groups: Not Your Average PACs

In this particular case, tax-cutting represents one such outlier. In many ways its advocates represent a collective action ideal originally espoused by Mancur Olson. Organizations that advocate for lower taxes have very deep pockets, a strong interest in holding onto their money, a number of groups with an outsized interest in favorable policies, and membership enforcement mechanisms that lessen free-riders. Depending on how one defines opposition, their opponents are either weaker or non-existent. The complexities of tax policy can be a major barrier as well, especially if one envisions the opposition as middle and lower income Americans who would benefit from a more robust social safety net. The Democratic Party (as is detailed in the Congress chapter) only cohesively opposes the deepest tax cuts and often advocates for middle class or small business tax cuts that will not reduce government revenues as much as a Republican alternative. They may occasionally push for higher taxes on the rich or big corporations, using the rhetoric of fairness and insisting that these groups pay "their fair share". Yet there are many conservative Democrats in Congress who find tax cuts compelling. Cutting taxes has genuine populist appeal, and the Democrats have wavered in their attempts to contest the Republicans. They are often rhetorically weak or tactically in disarray.

If one defines opposition in terms of campaign-contributing PACs, none exist that push for higher taxes. The best example of an organization that engages in tax advocacy that more closely hews the (admittedly wavering) line hewed by Democrats is Citizens for Tax Justice. Founded in 1979, this 501(c)(4) organization is primarily engaged in producing research on the manifestations of federal, state, and local taxes. To be sure, they coordinate with lawmakers, produce reports intended for both the media and government officials, and testify in congressional hearings. But not only do they not contribute money to campaigns, but they are thoroughly outmatched when one considers the panoply of powerful tax-cutting advocates.[69] There are a number of other organizations that promote a vision of tax equity that more closely aligns to that of the Democratic Party, but they, too, do not contribute money to congressional campaigns. Such groups include the (more centrist) Center on Budget and Policy Priorities (CBPP), the Center for Effective Government, and the Economic Policy Institute.

Tax-cutting PACs and other advocates could not be more different—more powerfully financed, better connected, or more able to influence legislator behavior. Tax-cutting PACs are thus able to exert powerful financial pressure upon weak opponents, to overwhelm them—a Powell doctrine of PACs, if you will. But focusing on campaign contributions alone misses a number of phenomena of importance. They may engage in networking and institutional creation, using these as platforms to lobby elites and establish access to them. They may be compatible with the rest of a partisan coalition, may expand that coalition, and may event co-opt possible opponents. They may employ tools for transforming public opinion: they may be successful at framing an issue, possibly via congressional ratings and/or pledges, they may effectively use media outreach or improve polling favorability. This includes the ability of the coalition to shift

[69] http://ctj.org/about/background.php

the policy's definition itself. None of these examples are idle abstractions—each represents a form of issue-area coalitional power that exists in spades for tax policy.

When the Republican Party turned towards anti-tax policies in the late 1970s, an explosion in the number of business PACs had just occurred. The ranks of corporate PACs had grown to 821 in 1978, when they had numbered only 89 four years prior. It also became typical for big businesses to flex political power with their own public affairs offices. Eighty percent of Fortune 500 companies had such offices in 1980, a transformation from a decade prior when most did not.[70] Decades later, groups who have a natural interest in lower taxes (as well as less regulation) continue to dominate the interest group scene. The Center for Responsive Politics notes that the largest contributor to political campaigns by sector is finance, including insurance companies, securities and investment firms, real estate agents, and commercial banks. (Ranked by sector, "miscellaneous business" is not far behind.)[71]

Notable Anti-Tax PACs

Some tax-cutting advocates have been around far longer than the advocacy explosion. The Chamber of Commerce was founded in 1912, has traditionally been one of the largest contributors in political cycles. Beyond their contributions, they have run educational seminars and leadership training to create more organized advocacy organizations. They were an early

[70] Phillips-Fein (2009), p. 188

[71] http://www.opensecrets.org/lobby/background.php?id=F&year=2013

supporter of Kemp-Roth, the building blocks for Reagan's 1981 tax cut, and remained a formidable lobbying force thereafter.

Other, newer advocacy organizations bring still more assets to the table besides fundraising. Grover Norquist's Americans for Tax Reform (ATR) has been asking national and state politicians to sign "the pledge" not to raise taxes since 1986. Republicans who do not sign (or who renege by ATR's judgment) are publicized, particularly for the possibility of attracting primary challengers. Congressman Steve LaTourette recalls ATR's wall of political targets: "if you go to Grover Norquist's office, he has a wall of people that he's taken out for--well, not signing it is sort of a new iteration, but those who signed it and then broke their pledge, he in a very public way goes out and either recruits somebody in the general or primary election and takes them out."[72] The Club for Growth has a similar accountability mechanism—it gives all members of Congress a score based on tax votes they deem important. Both organizations attempt to enforce their tax-cutting orthodoxy by contacting representatives' offices prior to important votes to exert pressure. Such tactics are not broadcasted to the media, only to the targeted legislators.[73] Of these two groups, the Club for Growth puts a considerable amount of funding into individual races.

To be sure, there have since been newer PACs (that favor tax-cutting) created that, particularly in a post-*Citizens United* landscape, can raise a staggering amount of money and lean on legislators. Americans for Prosperity, FreedomWorks, and Heritage Action are among

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[72] Author's interview, Steve LaTourette, December 17, 2013

[73] Author's interview, Sarah Chamberlain (COO of the Republican Main Street Partnership), February 12, 2014.

the most aggressive actors. A joint analysis between the *Washington Post* and the Center for Responsive Politics revealed that the Koch brothers, two oil magnates behind Americans for Prosperity and other ventures, managed to raise a full $400 million from their network of organizations during the 2012 election.[74] This is not to claim that every race such groups engage in is a race they win. (The Club for Growth has backed a number of unconventional, far-right candidates who won their primaries, only to lose the general election, for example.)[75] But in terms of PAC power (fundraising and otherwise), there is hardly a more powerful issue than tax-cutting—or one involving more asymmetrical mobilization.

FIRST CASE STUDY: EARLY ORGANIZING, 1981-1982

The Reagan administration's early efforts in tax policy advocacy seem minimal only by what endeavors were to follow. They engage the very powerful interests identified in the previous section, with the Chamber of Commerce exerting outsized influence. Interestingly, the two tax bills during this period could not have been more different. Reagan's 1981 tax cut, the Economic Recovery Tax Act (ERTA), was, among other things, a phased-in 23% cut in personal income taxes over three years, lowering the top marginal rate from 70% to 50%. In short, this lost a tremendous amount of revenue—of all tax cuts after WWII, ERTA and the Bush tax cuts are significant outliers and are roughly equal to each other.[76] By contrast, 1982's tax bill, the Tax Equity and Fiscal Responsibility Act (TEFRA), raised the most revenue of any post-war bill, nearly edging out the 1990 and 1993 cuts. TEFRA achieved this mostly by tightening tax

[74] http://www.opensecrets.org/news/2014/01/koch-network-a-cartological-guide.html and Gold, 2014.

[75] Author's interview, Sarah Chamberlain (COO of the Republican Main Street Partnership), February 12, 2014. Ms. Chamberlain notes that "we call them the Club for *Democratic* Growth".

[76] Orszag (2001)

enforcement mechanisms and closing items derided as “loopholes”. TEFRA was also a direct consequence of the deep deficits caused by ERTA, with lawmakers scrambling to find revenue, though such course correction only recouped a fraction of the tax dollars forfeited by the 1981 law.[77]

Lobbying for both the 1981 and 1982 bills focused exclusively on business groups, with organizing entailing ad-hoc coalition building centered out of the White House. Marching orders were loosely given to these groups, which then mobilized their collective rolodexes. For the 1981 bill, the Tax Action Group (TAG) is formed on June 25, 1981 and was modeled on a similar group created to push for the 1981 budget (the Budget Control Working Group).[78] In discussing TAG, White House staffers discuss it as an “across-the-board business coalition” employing “identical” tactics to the earlier budget fight, including massive letter (and telegram)-writing grassroots efforts, a larger communications efforts spanning newspaper ads and internal publications, phone calls by CEOs to legislators, as well as direct visits by major company figures. They note that a mass rally at the US Chamber of Commerce will drastically increase TAG’s membership.[79] The administration even managed to recruit Howard Jarvis, the force behind California’s Proposition 13, to personally deliver two million signatures for tax reform

[77] Tempalski (2006)

[78] Memo, John F Kelly (Treasury) to Wayne Valis, June 25, 1981, folder “1981 Tax Package Support-TAG”, box OA 17726, Wayne Valis Files, Ronald Reagan Library.

[79] Memo, Wayne Valis to Elizabeth Dole, July 7, 1981, folder “Tax Action Group”, F009 box 15, Elizabeth Dole Files, Ronald Reagan Library.

from all 50 states to the House Speaker. Tip O'Neill's mail reportedly weighed in at 5,000 pounds, arriving in 168 boxes that day.[80]

The outreach for the 1982 bill was coordinated by the Deficit Reduction Action Group (DRAG). Another business group created on August 5, 1982 by the administration, DRAG engaged many of the same activities, with the added major focus of lobbying the US Chamber of Commerce, which was opposed to a raise in revenues. DRAG sent out 5,000 Presidential letters to local Chambers of Commerce,[81] while administration members lobbied the Chamber's leadership—President Reagan made a series of phone calls immediately before passage.[82] In a June 29, 1982 memo from Elizabeth Dole to the administration heavyweights Meese, Baker, and Deaver, she warns that "The Chamber of Commerce is taking the lead in trying to forge a coalition in support of no tax increases. This will mark the first time the Chamber is in direct legislative combat with us. Do not expect this will develop into a broad-based group; however, Conable comments of no taxes before election keep this option as viable."[83] DRAG members also lobbied reluctant House Republicans, spurred by former ally Jack Kemp.

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[80] Memo from Elizabeth Dole to President Reagan, July 23, 1981, folder "Meeting with Howard Jarvis 7/23/81", box 118, Elizabeth Dole Files, Ronald Reagan Library.

[81] Memo, Elizabeth Dole to Ed Meese, James Baker, and Michael Deaver, August 11, 1982, folder "Tax Bill House (H) July-August 1982 (3)", F009 box 15, Elizabeth Dole Files, Ronald Reagan Library.

[82] Log of Presidential Telephone Calls re: tax bill (and attached memos and talking points), August 10-19, 1982. Folder "Tax Bill-House (H) Jul-Aug 82 calls re: tax budget", F009 box 15, Elizabeth Dole Files, Ronald Reagan Library

[83] Memo, Elizabeth Dole to Ed Meese, James Baker, and Michael Deaver, June 29, 1982, folder "Tax Policy (4)", box 3, Ed Meese Files, Ronald Reagan Library.

Ultimately the administration prevailed. The Chamber changed their tune mere days before passage. The White House convinced a number of groups and legislators that the magnitude of the deficits created the previous year put the economy at risk and might cause worsened inflation. They argued that they still were overall cutting taxes a tremendous amount, and were fighting to preserve the later phases of the 1981 cut. They noted that the 1982 bill didn't represent a true tax raise since it did not raise marginal rates and largely closed loopholes, promoting "fairness".[84]

There are a number of characteristics of this last fight that will prove instructive contrasts later on. Firstly, Reagan is able to hold on to his definition of what constitutes a tax raise. That is, raising the marginal rates would constitute a tax raise, but stepping up enforcement or removing tax expenditures (likely derided as loopholes) would not qualify, even if more revenue was garnered by the federal government. In later years coalition members would redefine a tax raise as anything that raised revenue.

Secondly, they do not have to compete against an anti-tax group or coalition with broad-based support. They would create such an entity in short order—Americans for Tax Reform would morph into one of several such groups, which became more interested in calling the shots than taking orders. Thirdly, they had not yet broadened their tax-cutting coalition to include groups and interests beyond the traditional fiscal conservative business groups.

[84] Press Briefing by the President, August 13, 1982, folder "Tax bill July-August 1982 (2)", F009 box 15, Elizabeth Dole Files, Ronald Reagan Library.

In particular, they had not engaged with social conservatives or the Christian Right. These groups, interestingly, had begun to engage with them—a press release shows a long list of almost exclusively socially conservative religious groups opposing TEFRA in late July of that year.[85] Among the list is their future tax-cutting ally, James Dobson of the group Focus on the Family. The Christian Right would lean on the Reagan administration to keep its tax-exempt status, particularly for the proliferation of Christian schools that had emerged over the past generation.[86] The Reagan administration's support of Bob Jones University holding its tax-exempt status despite not permitting interracial dating was not a political success. Ultimately resolved by the Supreme Court after a public backlash to the Treasury department's extension of tax exemption, BJU at a minimum alerted the administration to a common cause. The Christian Right could be tax allies, and were increasingly interested in administration briefings on, among other things, tuition tax credits, vouchers, and other tax policies affecting Christian schools.[87]

The "Great Communicator" had not yet begun to use tax-cutting appeals that targeted a truly diverse coalition for reasons beyond economics. No one had yet considered characterizing cutting taxes as "pro-family" or appealing directly to racial minorities. Staying true to the goal of cutting marginal rates further would require an evolution in strategy.

[85] Press Release: Conservative Leaders Denounce Reagan Tax Hike, July 20, 1982, folder "Tax Bill 1982 (1 of 2)", box 24, Morton Blackwell Files, Ronald Reagan Library.

[86] Phillips-Fein (2009), p. 232. In the early 1950s there are fewer than 150 private Christian schools, which grows to about 18,000 by 1981. Many of these schools were considered "segregation academies" and could lose their tax-exempt status for showing racial discrimination.

[87] Presidential Luncheon background and agenda memo, Faith Ryan Whittlesey to staff, April 18, 1984, folder "Presidential Luncheon with and Briefing of US Catholic Cardinals 4/18/84 (1)," box OA 12421, Robert Reilly Files, Ronald Reagan Library.

SECOND CASE STUDY: COALITION DEVELOPMENT, 1985-1986

The 1986 Tax Reform Act was a remarkable accomplishment. Lauded by liberals and conservatives alike, the comprehensive legislation defied expectations of reform before and since its passage. The law pleased liberals by being designed as revenue-neutral, neither gaining or losing revenue, while removing the poorest citizens from filing income taxes altogether. Conservatives were delighted that the marginal rates were substantially reduced for the personal income tax (to a top rate of 28%) and corporate income taxes (to a top rate of 34%)—though raising the capital gains tax did draw ire. Both sides of the aisle were happy to see the tax code simplified, the number of tax brackets reduced, with a host of special interest tax expenditures removed, minimum payments for corporations, and a raised personal exemption. Indeed, this is the standard interpretation of this legislation in the literature: that the Tax Reform Act was a rare example of bipartisan legislating, both procedurally and substantively. It's also lauded for achieving a number of good governance objectives (horizontal equity via eliminating loopholes, simplification, and equity for various groups).[88] This focus is not wrong, but it is incomplete. To be clear, the Tax Reform Act is included here for its importance in coalition development, not because it is emblematic of an anti-tax ideal[89], for this is not the case. This legislation plays a

[88] Works that include this interpretation include Birnbaum and Murray's 1987 *Showdown at Gucci Gulf*, White and Wildavsky's 1989 *The Deficit and the Public Interest*, and Patashnik's 2008 *Reforms at Risk* (the latter notes underscores technical expertise as well as bipartisanship, and notes that these reforms did not last). Even Steurle's 2008 book, *Contemporary US Tax Policy*, which is written with an eye towards corrective truth-telling on various tax laws and trends, does not highlight this coalitional aspect (rather, he notes that the Tax Reform Act did not achieve everything, explaining where the reform fell short).

[89]The 1986 Tax Reform Act is not an "anti-tax" law. Whether one considers a "tax cut" to be one where revenue is lost or where marginal rates are reduced, it is hard to describe the entire law (and not individual provisions). The Tax Reform Act is both designed as revenue neutral and lowers some rates (personal and corporate) while raising others (capital gains).

major role in party-building, reaching out to welcome new groups to the anti-tax coalition and making a favorable impression on public opinion.

This innovation was critical to success. Regardless of when one identifies the beginning of this effort—with some of the earliest congressional efforts in 1984 or the administration's proposal in 1985—this was a prolonged, arduous effort. In late 1985 many considered the reform dead. Without appealing to liberal interests—or conservatives' interest in lowering the marginal rates—reform would not be possible. The administration would have to try a new strategy.

Advocacy Groups Target Reform

First, some context on the larger lobbying efforts is needed. The 1986 bill attracts a tremendous number of advocacy organizations, because of both its ambition and how long it lingers in the corridors of Congress. The billions in endangered tax breaks attract an army of lobbyists, causing some to refer to the "Lobbyists' Relief Act of 1986."[90] These well-heeled advocates were known for staking out the hall near the Finance Committee. In addition to other Gucci references, Secretary James Baker lauded the bill's triumph over such powerful interests in a playful, multi-stanza accounting of the legislative progress for supporters, including the following.

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[90] Birnbaum & Murray (1987), p. 177. The authors also note (on p. 179-181) that in the 18 months preceding June 30, 1986 that included most of the Congressional debate, PACs contributed $66.8 million to Congressional candidates, with $19.8 million going to those on tax-writing committees in the (nonelection) year of 1985 and double what they'd raised in 1983. Ways and Means chair Rostenkowski told journalists that he was "nauseated" by the influence such contributions seemed to have.

Rosty started hearings before the fall
They were Gucci to Gucci out in the hall
December came, reform was off track
So to the Hill rode the Gipper, to bring it back[91]

There was a long road to this victory, however: the Chamber of Commerce continues to trouble the administration's efforts, and a number of House Republicans in particular did not find the bill to be sufficiently conservative. On the side of the administration are a plethora of groups, the differences among them at times great, prompting more than a few observations of the "strange bedfellows" working together.

There was a relatively small group of core supporting organizations, each of which were made up of a constellation of member institutions. These key tax reformers, as identified by the Office of Public Liaison, were the Tax Reform Action Coalition (TRAC—an effort in the exact style of 1981-82 administration organizing), the 15-27-33 Coalition (so named for their desired tax rates), Americans for Tax Reform, and the American Business Conference (the only group that had existed prior to the lobbying effort and a consistent supporter of the administration).[92] Of these four, Americans for Tax Reform embodies a major development in coalition strategy and issue framing.

[91] Department of the Treasury News Release: Remarks by Secretary Baker, September 16, 1986, folder "tax bill signing ceremony (requests to attend ceremony) (1/2)", box OA 15703, Donald Danner Files, Ronald Reagan Library.

[92] Memo, Mari Maseng (Dir., Public Liaison) to Don Regan, September 19, 1986, folder "Briefing Supporters for Tax Reform 9/23/86", box OA 15704, Donald Danner Files, Ronald Reagan Library.

The Creation of Americans for Tax Reform

By 1985, the Reagan White House was looking for a more permanent group to engage in their tax-policy advocacy, which would bring in new groups to their message. Grover Norquist has noted, when asked about ATR's origins, that Reagan asked him to create it in 1985. This is not entirely accurate. Specifically, the truthful parts of that description are that ATR was created in 1985, and that the White House itself helped bring the group together.

What is not accurate about Norquist's description is that he was initially at the helm. Here is where the coalition-building aspect comes in—when the White House begins to put together another advocacy organization (these tended to be loose associations of major interested parties who would use their separate resources to lobby with one voice). A May 1985 memo from the Office of Public Liaison suggests they "'round up the usual suspects' as we did on the budget for a no-holds-barred session to find out where our key association contacts are."[93] But this time the administration goes beyond the typical business groups, and includes major figures from the Christian Right in a May 29, 1985 White House tax reform briefing of interested parties. (Here, Norquist is one of 74 people invited, and then hailed from the pro-Reagan PAC Citizens for America).[94] On June 18, 1985 Reagan met with the (White House-appointed) three co-chairs of the newly formed Americans for Tax Reform: a strategic mix of John Richman (representing business, the CEO of Dart-Kraft Inc.), James Dobson (representing the Christian

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[93] Memo, Mary Jo Jacobi to Linda Chavez, May 14, 1985, folder "Americans for Tax Reform," box OA 13026, Linda Chavez Files, Ronald Reagan Library

[94] Memo, J. Douglas Holladay to Linda Chavez, May 30, 1985, folder "Tax Reform Briefing," box OA 17954, Carl Anderson Files, Ronald Reagan Library

Right, founder of the group Focus on the Family), and Robert Woodson (representing minority pro-business interests, founder of the National Center for Neighborhood Enterprise).[95] (At the time ATR was described as: “a nationwide coalition of corporate, family, fraternal, and community leaders recently organized to support the President’s reform.” [96]) Reagan, who would use the (then thriving) religious media often, also gave a group of around 200 members of the evangelical media a briefing on his tax policy on August 1, 1985.[97] By a September 10, 1985 White House meeting Norquist is made the Executive Director of ATR (much of the funding coming from John Richman).

Reagan’s expansion of the tax-cutting coalition is a serious strategic move that furthers his party-building objectives. By including the social conservatives and the Christian Right in particular, he brings together the full conservative coalition (at least on domestic policy) under the umbrella of tax-cutting. He gives these groups policy incentives and organizational spaces in which to collaborate. He blunts possible criticism of economic policy from religious groups—at least, he seriously muddies the waters. He also creates a novel framing for tax policy: pro-family tax policy. Under this formulation, cutting any family’s taxes is providing aid—particularly if one raised the personal exemption, or created (or expanded) the child tax credit, or worked to remove the marriage penalty. This is a language that has endured to our contemporary discourse.

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[95] Schedule Proposal, Fred Ryan to Linda Chavez, August 21, 1985, folder “Interview – James Dobson with President 9/10/85,” box OA 17967, Carl Anderson Files, Ronald Reagan Library

[96] Ibid.

[97] Memo, Linda Chavez to Ronald Reagan, July 31, 1985, folder “Christian media tax reform 8/1/85 (1 of 3),” box OA 17954, Carl Anderson Files, Ronald Reagan Library

Image 1: Reagan's outreach to the Christian Right on taxes:[98]

Reagan also sought to attract minorities and low-income groups with the organizing and language of the 1986 bill. He repurposed the "fairness question" Democrats had wielded against him in previous legislative episodes, noting that there were now a reasonable group of people who would not have to pay any income tax at all. He also argued that correctives were also taken against wealthy interests that had paid rock-bottom effective rates. In a 1985 national address titled "A Second American Revolution" he summed up the administration's efforts as "pro-

[98] Focus on the Family magazine, November 1985, folder "Interview-James Dobson with President 09/10/1985," box OA 17967, Carl Anderson Files, Ronald Reagan Library.

fairness, pro-family, pro-growth".[99] ATR's composition helps to embody this new rhetoric towards the old goal of lower rates.[100]

The famous "Taxpayer Protection Pledge" (or simply "the pledge") likely draws its inspiration from a Reagan speech. In a newsletter article, Norquist admits that Reagan took the pledge "informally" in a speech on September 16, 1986 with the words (distinct from the official pledge): "I pledge today to oppose any effort to raise the tax rates…In addition, I call on all members of Congress to take the same pledge."[101] Considering that Reagan made an identical statement three days prior, it is unlikely that he was being prompted by anyone besides his speechwriters.[102]

ATR Corrals Republican MCs

Regardless of the true inspiration for the pledge, its initial use shows how much ATR has changed since. In a "Dear Colleague" letter sent to all members of Congress, House Minority

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[99] Address by the President to the Nation: "A Second American Revolution" fact sheet from the Office of the Press Secretary, May 28, 1985, folder "Mainline Protestant Group Tax Reform 7/24/85", J. Douglas Holladay Files, Ronald Regan Library.

[100] In hindsight, Reagan's success as "the Great Communicator" in re-framing issues may not be a surprise. It was certainly a long-term strategy: writing in the *National Review* after Goldwater's failed Presidential bid, he believed that the messengers but not Republican conservatism had failed in 1964. He advised, "time now for the soft sell to prove our radicalism was an optical illusion." (Reagan, 1964.)

[101] "NTU to candidates: Pledge to Keep Low Tax Rates" article in the National Taxpayer Union's Dollars and Sense newsletter, October/November 1986, folder "Tax Reform 15-27-33 (2)", box 1F, Elise Paylan Files, Ronald Reagan Library.

[102] Remarks by the President at a Rally for Senator Jeremiah Denton, September 13, 1986, folder "Tax Bill Signing Ceremony (Requests to Attend) (1/2)", box OA 15703, Donald Danner Files, Ronald Reagan Library.

Leader Robert Michel urged all members to sign the pledge on September 18, 1986, roughly a month before the bill's passage on October 22. Robert Michel had experienced difficulties with his caucus before: the previous December, tax reform had almost permanently stalled, despite Reagan's express direction to vote for the House Ways and Means bill if the GOP version could not pass. In a public statement Speaker O'Neill had blasted the House Republicans: "We received 188 Democratic votes while only 14 out of 182 Republicans voted for the President's position. Today, with glee in their faces, Republican congressmen voted to humiliate the man who had led them to victory. They showed their contempt for the White House by voting overwhelmingly against the tax reform process."[103]

Nine months later, the vote count still wasn't certain. The *Wall Street Journal* reported on September 24th that "Rep O'Neill, who said the legislation hasn't yet garnered enough solid support to pass the House, claimed that only 40 of the House's 182 Republicans have said they will vote for the bill. GOP sources said the number of Republican supporters was closer to 70, however, and they predict that a majority of both parties will vote for the bill".[104] In his "Dear Colleague" letter, Michel is trying to secure votes for a seminal piece of legislation, and Newt Gingrich urges the same action on the floor of the House on October 2.[105] In similar "Dear Colleague" letter after the bill's passage, he urges more members to sign the pledge to protect

[103] Statement of Speaker Thomas P. O'Neill, Jr., December 11, 1985, folder "Staff, Pitts, Tax Legislation, 1981-1988 (9)", Staff Series: William Pitts Files, box 12, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

[104] Wall Street Journal 9/24/86 article "Reagan Expected to Press Congress to Pass Tax Bill", September 24, 1986, folder "Briefing Supporters for Tax Reform 9-23-86 ", box OA 15704, D. Danner Files, Ronald Reagan Library.

[105] Congressional Record-House (H 9011), October 2, 1986, folder "Tax Reform 15-27-33", box 1F, Elise Paylan Files, Ronald Reagan Library.

that legislation from erosion, either by raising the rates or adding additional tax expenditures (or, inevitably, both).[106]

In his first letter, Michel notes that while ATR is administering the pledge, that "the Tax Reform Pledge Coalition is made up of many grass roots, community and civic organizations such as Americans for Tax Reform, the Chamber of Commerce of the USA, National Taxpayers Union, Tax Reform Action Coalition. National Tax Limitation Committee, Competitive Enterprise Institute, et al—and hundreds of businesses."[107] Indeed, while ATR's efforts in promoting the pledge are important to the passage of the 1986 Tax Reform Act, Norquist's assertion that this was his organization's exclusive effort is flawed. ATR loses prominence for a number of years after the 1986 bill—newspaper and archival searches turn up little.

ATR's Development

ATR's efforts in the public sphere since the mid-1990s is markedly different in a few ways. Firstly, the original pledge is created to secure passage of a revenue-neutral bill that lowered personal income and corporate rates but raised capital gains rates. Norquist currently considers any tax revenue increase to be a tax raise; something that was not designed to cut revenue collected (and raised capital gains taxes) would not qualify as a tax cut. The 1986 law is

[106] Dear Republican Colleague Letter (from Bob Michel, Trent Lott, Jack Kemp, Dick Cheney, and Guy Vander Jagt), January 21, 1987, folder "Leadership, 100th, Dear Colleague, 1/21/87: No tax increase", Leadership Series, box 10, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

[107] Dear Colleague Letter, September 18, 1986, folder "Staff, Pitts, Tax Legislation, 1981-88 (10)", Staff Series: William Pitts Files, box 12, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

remarkable for eliminating a multitude of special interest tax expenditures, but ATR currently would consider closing any such loophole as raising taxes, since doing so would raise revenue.

There is one respect that ATR's early organizing efforts is indicative of their later behavior. Aided by prompting by Robert Michel and Newt Gingrich, ATR was able to collect 218 signed pledges on October 8, 1986—the bill would pass on October 22. ATR was able to get wide support in this effort, including from the previously mercurial Chamber of Commerce. But these 218 signatures weren't only from elected members of Congress—they were also from challengers who wanted to supplant the incumbents.[108] ATR has since become an enforcing of anti-tax orthodoxy by their own selected definition, actively identifying those who commit infractions and recruiting unwavering hopefuls to challenge them.

THIRD CASE STUDY: ANTI-TAX LOBBYING FOR BUSH 43 AND BEYOND

Reagan's tax-cutting coalition, his new fusionism of fiscal and social conservatives, has endured and strengthened in a number of ways. The social conservatives have seen a number of their favored policies enacted, and a hybrid PAC membership that includes their partisans endures, albeit in a slightly different form. Yet anti-tax advocates have exerted incredible influence, both in shaping voting behavior and in defining the tax issue itself, specifically in defining the party's bête noir, the tax raise.

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[108] Americans for Tax Reform New Release: "Americans for Tax Reform Announces List of No-Tax-Increase Pledge Signers", October 8, 1986, folder "Tax Reform 15-27-33 (2)", box 1F, Elise Paylan Files, Ronald Reagan Library.

Pro-Family Tax Policy Endures

The "pro-family" tax policies that began to be articulated in 1985 have seen a considerable amount of subsequent success in getting enacted, particularly in the Bush tax cuts. Initially, the Christian Right lobbied for relatively small reforms, such as increasing the deduction taken for dependent children.[109] Instead of merely deducting from taxable income, (affecting one's tax liability only), tax-cutters have pushed for tax credits, not just tax deduction. While the Clinton 1997 tax cut allowed a $400 Child Tax Credit, the Bush tax cuts raised this figure to $600 and then to $1,000, which was initially sunsetted but was extended in 2004 and then made permanent in 2012. Perhaps this particular revision benefits from being seen by Republicans as "pro-family" and by Democrats as a progressive part of the tax structure, since it phases out for households making between $110,000 and $130,000. In either event it has wiped out the income tax bills of some families altogether, while significantly reducing others.

Action to provide marriage penalty relief, at any rate, has also been enacted since 2001. This, too, has come with sunset provisions, but has been extended a number of times, most recently in 2009. Marriage penalty relief is not explicitly progressive in design like the Child Tax Credit, though politicians often discuss such reforms under a desire to promote "fairness"—some couples (usually ones who have a large disparity between their incomes) are able to gain marriage benefits in the tax code or other government services, after all.[110]

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109 Focus on the Family magazine, Carl Anderson - box OA 17954 – folder "Tax reform background material (3of4)", Ronald Reagan Library

110 http://www.taxpolicycenter.org/taxtopics/Marriage-Penalties.cfm

The Anti-Tax Coalition and Other Diverse Groups

Another element of Reagan's large tax policy coalition is the diversity of different groups represented. In some ways this continued through the Bush years and beyond. A number of tax-cutting groups as well as the Tea Party movement (and its associated PAC FreedomWorks), retain a substantial chunk of evangelicals as their organization's membership. This has helped preserve the influence of the coalition partners, particularly considering that many Christian Right PACs have not themselves endured, including major players like the Moral Majority and the Christian Coalition. ATR also engages in considerable networking activities, including his Wednesday meetings for various political groups to make presentations and make connections to future allies. In an interview, former National Republican Campaign Committee chair and Virginia representative detailed the appeal of coalition building (and policy coordination) with Christian Right groups:

> the Child Tax Credit, the marriage penalty, punishing the institution of marriage—that was a big deal for Republicans…Tony Perkins, Focus on the Family, they'd try to focus on different things and tie them back. So when you put a tax bill together, they're part of the coalition, you're rewarded. Both sides are rewarded by the coalitions when they get in. And those are the things they look at for a "pro-family"… it lets you go back to the churches and say "I stand for marriage".[111]

However, there is no serious attempt to reach out to lower-income or minority groups, whether using tax policy (such as Enterprise Zones) or in general. In particular, the emergence of challenges to voting rights over the past five years does not bode well for this sort of outreach. Perhaps that is not substantively different from Reagan's tax-cutting coalition, considering that, while a handful of localities create Enterprise Zones, the federal government largely fails on this

[111] Author's interview with Tom Davis, February 7, 2014.

front, in addition to alienating racial minorities in a few ways not tied to tax policy. Still, the Reagan administration does make a publicized push for these voters on the basis of tax policy—certainly an attempt at party-building.

Redefining what a Tax Raise is

Finally, the new tax-cutting advocates have dramatically succeeded in redefining what constitutes a tax raise. Interestingly, there is no serious pushback on labeling every increase in revenue an increase in taxes. Republicans in national politics appear to largely accept this definition. Perhaps this is mainly due to how effective the Pledge is in influencing electoral support. An analysis by Tomz and Van Houweling indicates that even voters who support taxes are put off by the notion of a politician who breaks a pledge. Having to operate in an environment where such promises are highly publicized changes incentives and behavior, they argue.[112]

How the ATR pledge is in enforced is not particularly well known. Firstly, some legislators have publicly complained that Norquist counts anti-tax pledges signed decades ago as still active. But what makes the pledge so powerful is that it is used directly to shape behavior before votes. ATR will contact Republican offices before a vote is called, identifying that they will be scoring it, how they expect members to vote, and that members may incur a primary challenge for voting counter to their instructions. This is particularly powerful because many

[112] Tomz and Van Houweling (2012). This experiment was done with respondent responding to theoretical cues, and not to voters interacting with Norquist's group.

legislators are “deathly afraid of primaries”.[113] Some new groups (Club for Growth and FreedomWorks) also have been scoring votes recently, too. This scoring, which occasionally affects otherwise popular items such as disaster relief aid,[114] is a tool in enforcing the new definition of a tax raise as any raise in revenue.

Recent events during the Obama administration will be addressed more fully in the Conclusion chapter, but one example is illuminating: in a 2012 Republican primary debate, when the nine candidates present were asked if they would take a deal that had $10 in spending cuts for every $1 in tax raises, every single presidential hopeful refused to allow to even a hypothetical tax raise under extraordinary favorable circumstances. It is not unusual to see GOP politicians read their current proclivities into President Reagan, either. In a January 2012 *60 Minutes* interview, Majority Leader Eric Cantor asserted that Reagan never raised taxes to an incredulous Leslie Stahl (only to have his campaign manager temporarily stop the filming).[115] To be sure, Reagan’s larger legacy is that of tremendous tax cuts—but ATR would not accept even his record. By their definition he would have raised taxes 14 times.[116]

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[113] Author’s interview with Sarah Chamberlain, COO of the Main Street Partnership, February 12, 2014.

[114] Hurricane Sandy aid was scored by Club for Growth and FreedomWorks, causing a minority of the House Republican caucus to vote for it. Author’s interview, Tom Davis, February 7, 2014.

[115] Cantor (2012)

[116] Savage (2003), p. 263

CONCLUSION

The Republican Party has undergone a tremendous transformation to become the party of tax-cutting since the late 1970s. Yet when one considers what party-building advantages they had to gain, it is easy to see how such a position could appear irresistible. Considering that parties select issues that can help them win over public opinion, be ideologically compatible with their coalition (and ideally grow it or strengthen its bonds), and bring in financial and other resources to win elections, one can see that tax-cutting policies have these qualities in spades. After discussing anti-tax positions along these lines, it is important to consider the developmental arc of coalition-building, beginning with the tax bill efforts in 1981 and 1982, progressing to the 1986 Tax Reform Act, and evolving further to the status of anti-tax advocacy in the Bush (43) years and beyond. Not only is tax-cutting a potent party-builder for the individual rationales given (public opinion, compatibility, and financial resources), but the way that this issue has been employed by the national Republican Party over time to build a powerful issue-based coalition is truly extraordinary. The tax-cutting issue's strength does much to define an era of Republican Party politics, comparable to other big issues in party history, such as the Democrats and Social Security since 1935.

Chapter 3: Congress and Taxes

Congress is a very rich institutional venue to observe the transformation of the GOP to an anti-tax party. This change has prompted the new politics of taxation, doing away with the low levels of politicization and the balanced budget consensus that reigned during the midcentury (mid-1950s to mid-1970s). The role of institutional rules and processes, party leadership, electoral calculations, and outside influences, as well as larger trends in the literature (such as polarization) can all be evaluated. Also, for the issue of taxation in particular, Congress has a special role. As the Constitutional branch privileged with the power of the purse, they are charged to promote the "mild voice of reason" in such matters, protecting the long-term interests of the many from the short-term avarice of the few. As much as there has been a loss for the deliberation envisioned by the founders, the cause is as old as democracy itself: the anti-tax party is responding to electoral considerations, tying their party-building strategy directly to delivering on promises to voters to cut taxes. To chart the transformation of our tax politics through the lens of Congress, we must measure the new anti-tax position's presence in voting, evaluate its presence in the use of other Congressional legal and partisan institutions, and trace its progression through important case studies. The episodes detailed here will include a treatment of the congressional reaction to the 1964 Kennedy tax cut to show Republican legislative priorities before they adopted an anti-tax position. Next, the short period of Republican transition to anti-tax ideals and their aftermath will be addressed, spanning the mid-1970s (right before the transition) to the early 1980s (right after it). Jack Kemp plays a particularly prominent role as a political entrepreneur, pushing against the conventional wisdom before the tide turns his way. Finally, the power of this position will be revealed with the congressional treatment of President George H. W. Bush in 1990. Mr. Bush is the rare exception that proves the rule here, as a minor tax raise born of deficit concerns caused a GOP backlash. Such defection brings a high cost, one that no other national Republican has since attempted.

MEASURING CONGRESSIONAL PARTY-BUILDING

United Partisan Voting for Tax Cuts

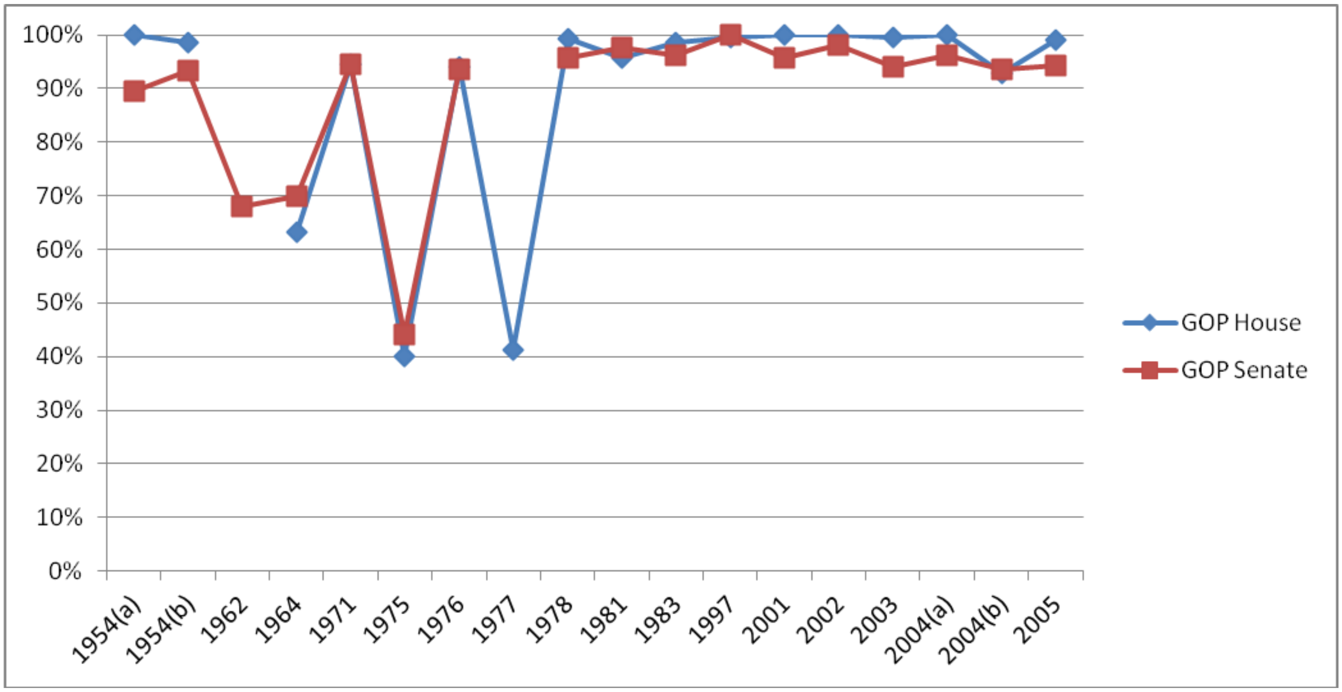
Congress is well-suited for measuring the execution of an anti-tax party-building strategy. Roll call votes and leadership positions can quantify a party's record and establish if it matches their rhetoric. Further analysis of such data can test alternate explanations. To be a strong party-building issue, Congressional voting should approach parliamentary-level party cohesion. This should allow the issue to function like the Responsible Party Government ideal. That is, party accountability is achieved because a party has staked out a position before winning election, wins election under that policy promise, and implements the policy if garnering a controlling number of seats. In addition to the unity in voting, a strong party-building issue like tax-cutting should come with strong party rhetoric, an explicit electoral connection, and the utilization of the

Congressional institutions towards these goals. Thus, the trends presented here will both confirm the doctrinaire adherence to the anti-tax position, as well as discounting other common congressional explanations. In particular, the positions taken by congressional Republicans represent a case of unified party-branding that happens quickly, and not the classic polarization pattern generally found.

There was a sea change in GOP voting in 1978 that conforms to anti-tax views for tax-cutting. Before 1978, Republican votes on major tax-cutting bills varied considerably: sometimes a majority of the Republican caucus in each chamber would oppose a measure, and sometimes a majority would support it. For example, during the debates on the 1964 Kennedy tax cut, many Republicans worried that this bill would add to the deficit in an irresponsible manner, and as a result about a third of the Republicans in each chamber eventually voted against final passage.[117] Such rhetoric is presently all-but exclusively employed by congressional Democrats. But in 1978 and afterwards, rarely does the percentage of each chamber's Republicans voting opposite the party position rise to 5%, and it never reaches 10%. They truly do vote in lock-step. (See Figure 1.)

[117] Congressional Record, February 1, 1964. See also: CQ Almanac 1964 for votes, p. 608-609, 669

<u>Figure 1: Percentage of Republicans Voting for Major Tax-Cutting Bills</u>[118]



These patterns are clearly borne out by the data set of partisan divides on significant tax votes. The choice of what tax bills to include in this data set is important. In order to evaluate congressional data on anti-tax voting major tax bills were selected for evaluating partisan variation. A US Treasury report ("Revenue Effects of Major Tax Bills," by Jerry Tempalski) was used to identify the most significant tax bills: he identifies the biggest revenue generators and losers from 1940 to 2006. Some cases, such as the 1986 Tax Reform Act, bills were dropped from the data set; the 1986 bill was designed explicitly to be revenue-neutral. The few laws that did not present a consistent pattern of only losing or only gaining revenue for the four years after their enactment were dropped. This focus includes the major bills from the balanced budget-era on, beginning with the Revenue Act of 1950, which errs on the side of pre-dating the

[118] See full listing of laws in the Appendix.

balanced budget era. The website www.thomas.gov and the CQ Almanac were used to fill in the partisan roll call balance on these bills. In order to measure this trend and compare House voting records with those of the Senate, the *percentage* of Republicans voting for a major tax-cutting bill were compared. This was calculated with a denominator of all Republicans who voted, not out of all in the chamber.

Another puzzle on the Republican side of the aisle concerns major tax bills that *raised* revenue. (See Figure 2 below.) Here, the trends do not conform to the sea change observed after 1978 and the low level of defection thereafter. The majority of the Republican caucus in virtually all cases voted to raise taxes under President Reagan's direction and under considerably dire circumstances. The 1981 tax cutting bill was so extreme that economic forecasters were predicting revenue shortages that could upend the ship of state. Despite the preference for shrinking government, people were genuinely fearful. It should be noted, however, that even though Reagan did raise taxes a number of times after the massive 1981 cut, the net of all his tax legislation was negative. Also, Republicans focus on reducing the marginal tax rates: Reagan truthfully insists that he hasn't raised taxes because he does not raise the rates.[119] The only exception to this is the 1986 Tax Reform Act, which raised the marginal rates for capital gains; but this bill was intended to be revenue-neutral, and actually slashed the income and corporate tax marginal rates. Still, Reagan was the recipient of considerable conservative patience. While not all of his revenue-raising bills were large enough in magnitude to earn a place on Tempalski's list, and besides the 1986 bill designed as revenue-neutral, Reagan signed fourteen

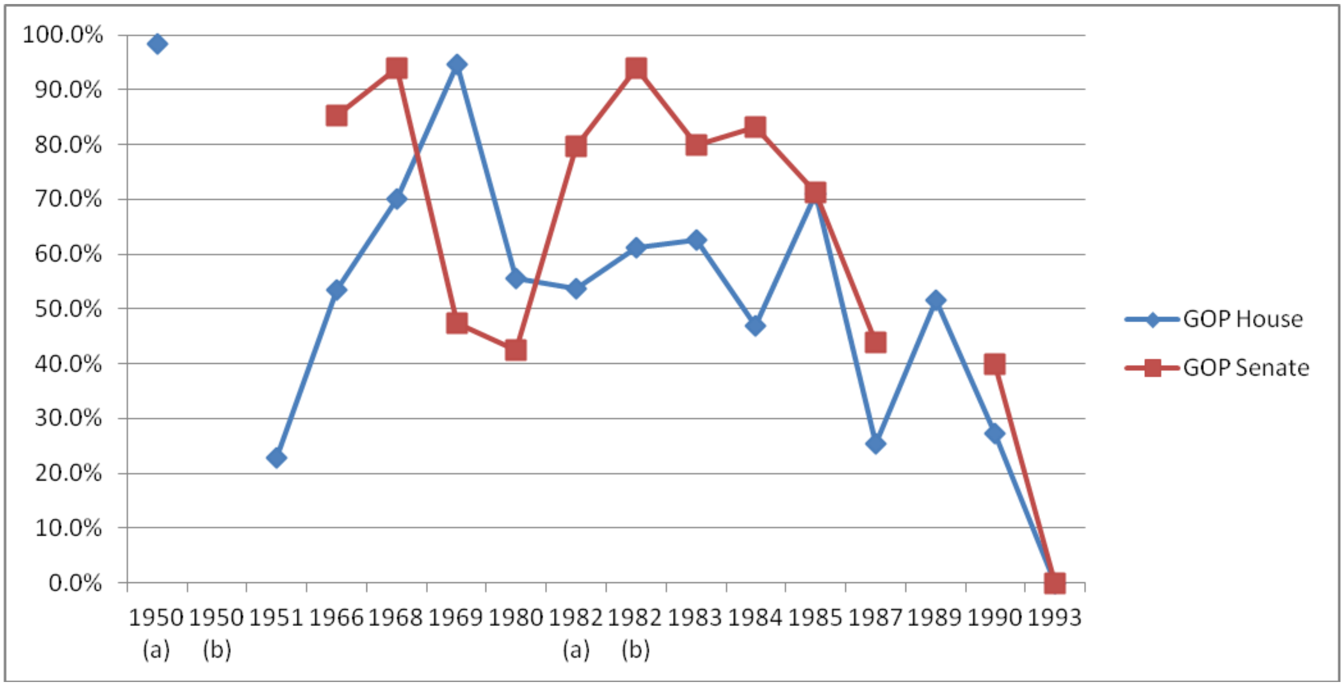
[119] Presidential debate, Oct. 7, 1984: Woolley, John T. and Gerhard Peters, *The American Presidency Project* [online]. http://www.presidency.ucsb.edu/ws/index.php?pid=39199 . While Reagan certainly upset some in the party, including Jack Kemp, with this formulation, many conservatives found it permissible. See Birnbaum 1986.

other tax bills after 1981, and all of them raised revenue—which, after his tenure, would be derided as raising taxes and a breach of faith.[120]

All Republican patience ended with George H.W. Bush. Despite the difficult fiscal situation inherent in trying to avoid the automatic cuts of impending sequestration procedures, President Bush was chastised by tax-cutters led by Newt Gingrich. It is somewhat remarkable that he got as many votes as he did (27.2% of House Republicans and 40% of House Senators). His public criticism for reneging on his "no new taxes" campaign promise sapped him of political capital and weakened his 1992 candidacy. But he had not just raised revenues by closing loopholes—he had actually raised the top marginal income rate (to 31% from 28%). In 1993 when Bill Clinton raised the income rate again, he received no Republican votes for his measure. This tax raise by President Clinton and Congressional Democrats also prompted frequent conservative commentary both predicting economic ill-effects as well as an identification that such a move was quintessentially Democratic.

[120] Savage 2003, p. 263

Figure 2: GOP Votes for Major Tax-Raising Bills[121]

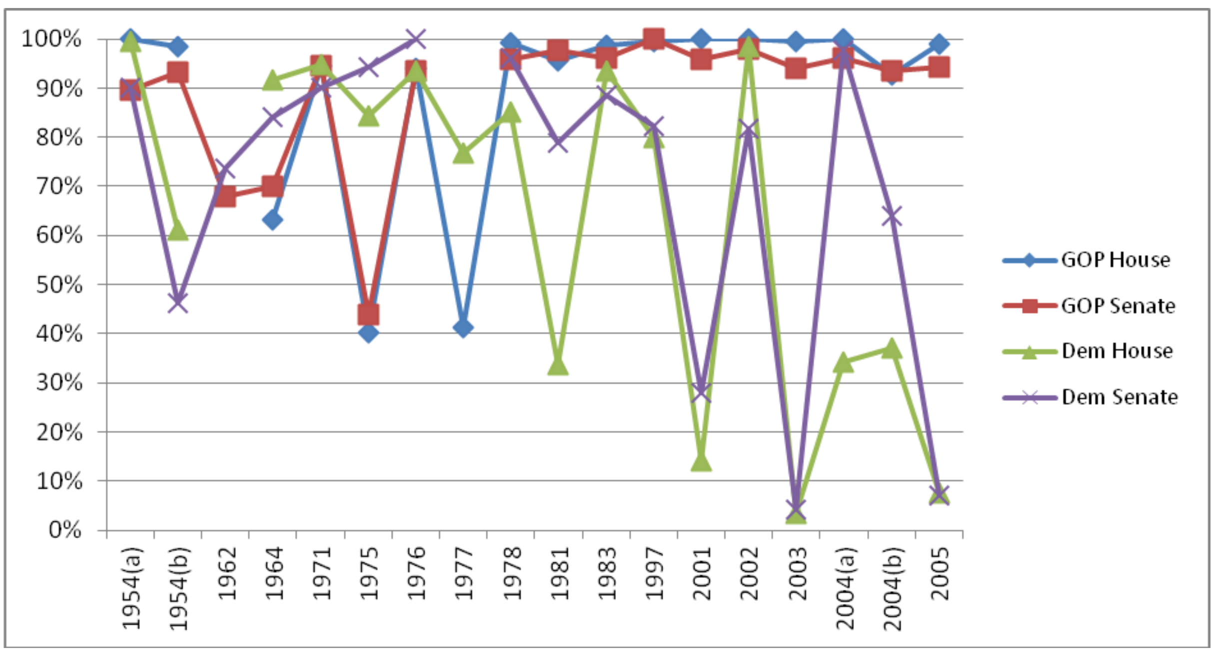


The Democrats, by contrast, do not appear to show much of an overall pattern on the major tax-cutting bills. The Democrats' votes are interesting in that they sometimes vote alongside the Republicans in large percentages, and sometimes stridently oppose. Of course, while the biggest revenue-losers are isolated here, there are other salient elements of this legislation that such a measure does not account for: some bills may be more egalitarian in their distribution than others, and some are clearly in response to economic distress. It is the Republican voting record that appears unchanged in the face of these changes, but not the Democrats. Among the four biggest examples of Democrats standing up against a tax cut, three of these are the biggest revenue losers we've ever seen, which disproportionately favor the wealthy (more so than other cuts): the ERTA bill in 1981 and the 2001 and 2003 Bush tax cuts. The fourth, in 2005, was an extension of the major Bush tax cuts. The Democrats have had a

[121] See Appendix for a full listing of tax-raising bills

hard time adapting to the Republican anti-tax message. Often their strategy is merely to offer a smaller tax cut that is more targeted to the middle and lower classes. For example, this was tried in vain in 1981 by congressional Democrats, and in the 2000 Presidential race Al Gore decided to offer a smaller tax cut to George W. Bush's larger reduction in rates. But Democrats rarely coordinate their message as cohesively as Republicans, which can be seen in both the volatile roll call voting below and also in different political episodes. For example, in 1992 Democrat Paul Tsongas offered a tax fairness plank for the Presidential party platform, which developed into a major intra-party fight but was defeated soundly.[122]

Figure 3: Percentage of Republicans and Democrats Voting For Tax-Cutting Bills



These patterns show the Republicans voting cohesively in a manner that suggests a party-building strategy. The data above does much to confirm the partisan theory advanced here, but it

122 Congressional Quarterly's *Presidential Elections 1789-1996*, p. 241

also shows other explanations to be inconsistent with the data. It is notable that the patterns revealed by congressional voting patterns do not comport with a traditional polarization pattern. The fact that the GOP experiences such a stark shift belies the importance of the anti-tax issue as a key element of what it means to be a Republican. This is truly an article of faith and of definition, not merely one of many other issues that slide towards greater conservatism over time. This is not the gradual shift that the polarization literature might lead us to expect—it is looks precisely like a punctuated equilibrium. This literature shows the growing ideological separation between congressional Republicans and Democrats using a variety of roll-call-based measures.[123] Unlike polarization findings, which show the slow ideological divergence of the parties from the mid- 1970s up to the present, tax politics looks very different.[124] Part of this, of course, is that the polarization measures are taken as the aggregate of all roll call votes in Congress.[125] These aggregate findings, while important, obscure other important shifts.

Of course, the polarization literature tends not to make explicit claims that individual issues look like the aggregate patterns. While some may include a discussion of the importance of various factions of the conservative movement in larger works that address polarization,[126] these do not come with attendant claims that sharp shifts have occurred. And while a similar analysis of votes on other conservative issues is not presented here, many of them can be

[123] Major scholarly works include Sinclair 2006; Theriault 2006, 2008; and McCarty, Poole, and Rosenthal 2006

[124] McCarty 2007, p. 224 and McCarty, Poole, and Rosenthal 2006, p. 7

[125] This is true if one is using Poole and Rosenthal's DW-NOMINATE scores, which incorporate all roll call votes. Other scores, such as the advocacy group Americans for Democratic Action (ADA), are found to yield similar findings by scholars; here a representative sampling of different issues is employed.

[126] Sinclair 2006, p. 36

expected to show a gradual shift. This is true for the important issue of abortion. A representative *New York Times* article, after perhaps the biggest anti-abortion congressional push of the 1980s, notes a lack of party-line Republican support. Both a Constitutional amendment to ban abortion and a statutory law to do the same were in the works but ultimately fail, leaving the GOP to largely switch tactics for the rest of the decade and try to instead reduce access to abortions via regulations and decreased funding, a more plausible political goal. The article notes that socially conservative votes were in shorter supply than fiscally conservative ones, and quotes Jesse Helms as saying of his caucus, "Conservative it ain't, Republican it is."[127] Congressional scholars of the late 1970s and 1980s also have noted that budget politics looked considerably different from other issue areas in terms of providing stark partisan divides.[128]

The Effect of Ideological Moderation

A quantitative way of measuring that tax-cutting is a special issue is to examine how predictive ideological moderation is of defection on a tax-cutting vote. After all, the Republican Party used to have many moderates, and even liberals, in its ranks. Most moderate rhetoric in both parties is typically characterized by a desire for balanced budgets, and not support for supply-side theory. Yet what we find is that the moderates overwhelmingly vote for tax cuts, too.

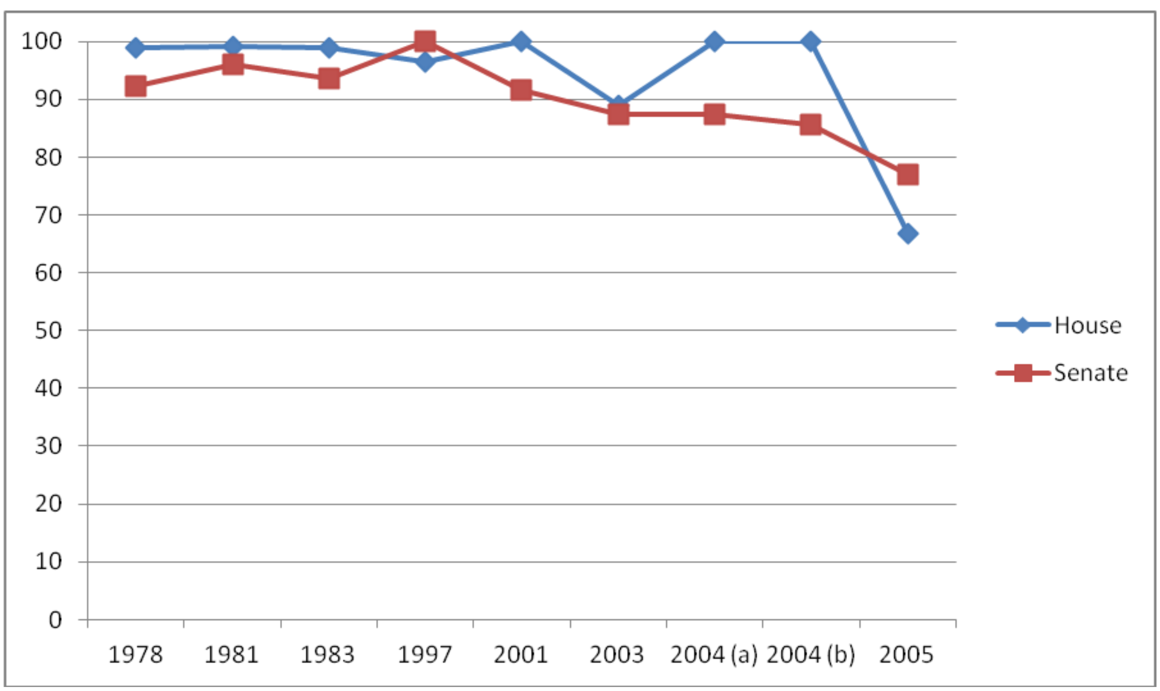
To be sure, the Republicans who vote against the biggest tax cuts have a tendency to be moderates, but the majority of moderates always vote for tax cuts. In order to more thoroughly

[127] Roberts 1982

[128] Ellwood 1985, p. 339

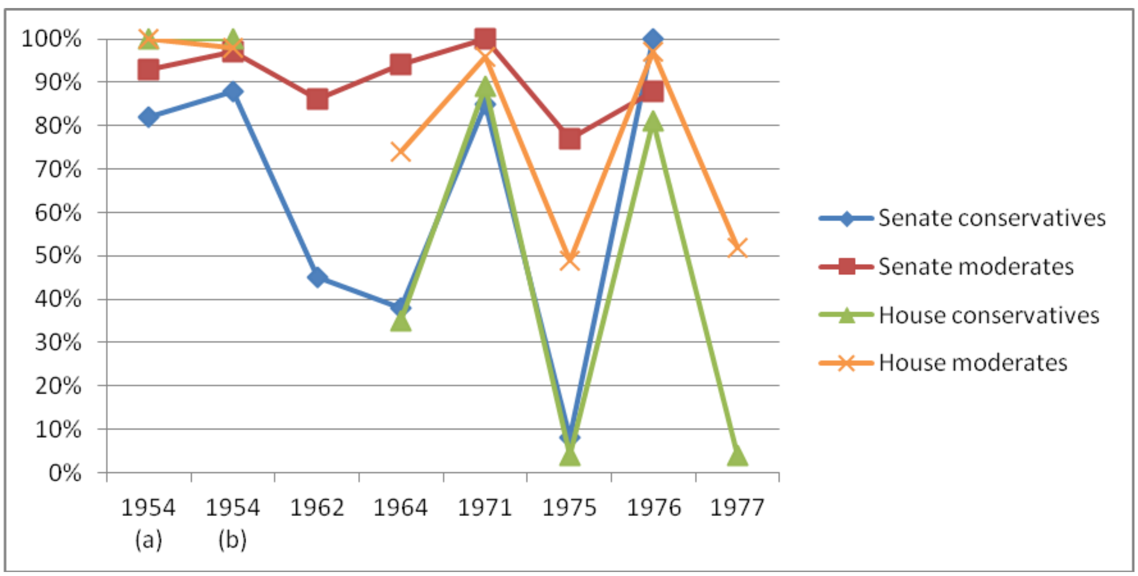
investigate this, a data set has been compiled that includes both ideological scores for members of Congress and how they voted on the major tax-cutting bills. The ideological scores used are DW-NOMINATE scores, which range from (roughly) -1 (the liberal end of the spectrum) to 1. A "moderate" range is generally thought to be around -.3 to .3 (scholars differ slightly here, Poole and Rosenthal (2010) use a range of -.25 to .25, while Theriault (2006, 2008) uses a range of -.33 to .33). In order to discuss the effect of ideological moderation on tax-cutting votes while mitigating controversy, the method here has simply split the difference: any member whose DW-NOMINATE scores fall between -.3 and +.3 is considered to be a moderate. However, after compiling this data, not only is the independent variable of ideological moderation not remotely statistically significant, but the vast majority of moderates vote for tax cuts. The better visual representation is not a regression table but rather the following. (See Figure 4.)

Figure 4: Percentage of Republican Moderates Voting For Tax Cuts



With so many moderates voting for large tax cuts, there are other factors at play. It is important to note that by the later years, there were barely any moderates in the GOP caucus, so the lower percentages shown above do not translate into more legislators. With such large numbers voting for tax cuts, it is unlikely that there is any significant replacement versus conversion effect: virtually every Republican immediately converts to a position of favoring tax-cutting. What we have here is not anything less than the sudden strategic adoption of an entirely new issue.

Figure 5: Percentage of Republicans Voting for Tax Cuts, by Chamber and Ideology:



As one could expect, viewing votes on tax cuts during the years before the GOP became the anti-tax party shows a lack of any consistent position. Just as when the moderates and conservatives are not disaggregated (figures 1 and 3), there is considerable variation above. Sometimes the bulk of the party caucuses votes for tax cuts, and at other times they are opposed. But something more is also happening here. Figure 5 shows us that a legislator's degree of ideological moderation often helped determine one's votes on tax cuts. With the exception of a few years (1971 and 1976) with overwhelmingly popular tax cutting bills, Republican conservatives tended to oppose tax cuts, while Republican moderates tended to support them. To be sure, these earlier tax cuts were not as extreme in magnitude as the ones that would follow. Also, the bipartisan balanced budget consensus created attempts to balance these tax cuts with spending cuts, that, while not always successful in eliminating yearly deficits, at least tethered them to be considerably smaller than the ballooning deficits that would follow beginning in the 1980s. But this is the picture of a very different GOP on taxes than what develops after 1978.

On the other side of the aisle, the sum of the Democratic ambivalence may be considered to push them slightly to the right over time, not to the left like a classic polarization story would expect. As with the Republican tax patterns, we also do not see a gradual polarizing shift with the Democrats. But unlike the Republicans' punctuated equilibrium on tax-cutting, the Democrats look highly ambivalent. This continues to hold true if one looks at the substantive content of Democratic tax policy efforts. To the extent that the Democrats push for policies we think of as "liberal", they uphold the ideal of progressive taxation that has always been a bedrock principle of our tax system. That is, they attempt to uphold this principle (and often defect), whether one evaluates the marginal income taxes or other taxes with a progressive nature to them (the estate tax, for example), one cannot deny that over time our tax system has become less and less progressive.[129]

[129] Thompson 2011

Other Potential Factors for Voting

Finally, it is fitting to briefly reiterate other potential causes of Republican anti-tax votes from the introductory chapter. As is noted above, it is likely that Democratic voting patterns have a link to some economic indicators, since they appear to oppose the largest tax cuts en masse. Typical Democratic rhetoric usually notes that middle- and lower-income individuals may deserve targeted, perhaps temporary, tax relief during tough economic times. But the very nature of the Republican anti-tax position is that it is proffered irrespective of economic situation. Indeed, whether one considers the state of the economy as a boom-to-bust cycle, or by rates of inflation, or types of taxes cut, none of these indicators affect Republican positions, and plenty of variation has been in evidence over the past generation.

Perhaps similarly, it appears that ideology, while initially playing a powerful role in the Republican adoption of anti-tax positions, does not continue to play a significant role over time. Supply-side theories of tax-cutting play an initial role, but their use gets considerably more muddled over time. At different times over the past generation monetarism, neoclassical economics, and even balanced budget attempts have been used to justify Republican tax policies. The latter may appear the most unusual in the face of the deficits engendered by tax-cutting, but the idea has perennial popularity, with minor attempts at a balanced budget amendment being offered over the years.

CONGRESSIONAL TOOLS FOR ANTI-TAX PARTY-BUILDING

Legislators can promote their chosen policies in a number of different ways besides the final vote on bills. The fiscal policy arena in Congress, in particular, has many different tools that can be used to engage in party-building on a signature issue. Such tools can be used to enforce the anti-tax party line in other Republican members of Congress. They can also be used to shift various institutional rules to make it easier to deliver on tax-cutting promises. There are both procedural and partisan institutions that the Republican Party has used in a manner consistent with pushing a strong party-building issue over time. Some represent past successes, some are ongoing efforts that must be upheld, and some are attempts at further institutional change that has not yet been achieved. The procedural institutions include the use of reconciliation and summit meetings, the use of indexing tax brackets to inflation, the use of dynamic scoring, and attempts at passing bills that would require a supermajority to raise taxes. For partisan institutional change, legislators are kept in line both via their district constituencies and the party leadership in Congress, while the committee system has developed to privilege the anti-tax position, both in the dissemination of anti-tax policies by the political committees, as well as the increased importance of the Budget Committees for ambitious legislators.

Procedural Institutions: Effects of the 1974 Budget Act

The anti-tax position has changed the processes and behavior of the institution of Congress itself. In some cases the transformation of procedural institutions preceded the advent of anti-tax orthodoxy, only to be repurposed by it. The major reforms of the mid-1970s certainly set the stage for higher-profile partisan clashes. The 1974 Budget Act created the Budget Committees, the reconciliation procedure, and a new, centralized budget process. The 1975 reforms, spurred by growing numbers of liberal Democrats frustrated with the powerful conservative Democrats who chaired committees, decreased the power of chairs in favor of party leadership (as well as rank-and-file members).

These changes occurred before the GOP became the anti-tax party. Yet once their position changed, the combination was striking. The reconciliation procedure is optional under the 1974 Budget Act, cannot be filibustered, and is a tool for meeting fiscal guidelines. Never used in the 1970s, it was inaugurated in 1980—garnering David Stockman's attention, among others. It was next used with Reagan's massive 1981 cuts. It has become common since then, as have the summit meetings over such legislation with the executive branch. These reforms were designed to streamline the process, increase accountability, and decrease deficits. But the sum effects of these changes is to make high-stakes partisan clashes over taxation more visible and more institutionalized. The Budget Committees, which set revenue guidelines for other committees to follow and do not vote on actual legislation, makes them a virtually irresistible platform for costless political posturing. Introducing an anti-tax party to such a changed institutional setting gives it the opportunity to really capitalize on these reforms. Paul Craig Roberts, Kemp's economic advisor (and late-1970s minority staff economist for the House Budget Committee) notes the importance of having such regular opportunity for stating partisan fiscal policy:

> Without the Congressional Budget Act of 1974, there probably would not have been a Kemp-Roth bill. Tax bills are not a regular occurrence, and they do not provide a vehicle for debating general economic policy. Budget resolutions, however, appear regularly twice a year (at least) in the House and Senate, which provides a minimum of four opportunities each year to offer an alternative economic policy. It seemed obvious that the success of supply-side economics depended on its becoming a party issue. A committee responsible for the party's position on budget policy was the place to launch a new movement.[130]

[130] Roberts (1984), p. 32

These changes have also coincided with the reduced influence of the Treasury Department's extensive nonpartisan staff.[131]

Of course, major fiscal conflicts between party leaders do not only produce an increase in reconciliation bills and summit meetings (also involving the White House). In recent years these clashes have caused the failure to effectively negotiate, as passing a budget instead of a Continuing Resolution has become the exception and not the rule. The unintentional consequences of these laws were not inevitable. But they became an irresistible platform for party-building.

Indexing

Two additional procedural institutions that involve accounting calculations: indexing and dynamic scoring. Before the 1981 tax cut, as inflation caused wages and prices to rise over time, individual taxpayers would find themselves pushed into higher tax brackets, even if this rise did not represent a gain in real wages. This process, called "bracket creep" would produce the effect of automatic tax raises over time without legislators needing to pass tax raises. In the midcentury Era of Easy Finance (Steurle 1996), economic growth was robust enough that with a growing economy, relatively low inflation, and mostly discretionary spending, Congress could spend more while also cutting taxes. By the 1970s, the growth of two-earner families with the entrance of women into the workforce also contributed to bracket creep, as did the much higher

131 Steurle (2008), p. 72

rate of inflation. Bracket creep is genuinely problematic when it happens quickly, but in most economic circumstances it has the effect of giving political cover to raising revenues, while also giving politicians the opportunity claim credit for cutting taxes. The 1981 tax cut changed this. By indexing tax brackets to inflation (which began to take effect in 1986), the 1981 bill eliminated this politically easy way of raising taxes, and assuring that every cut in taxes would indeed be a true tax cut, not just a partial correction back to an earlier effective rate of taxation.

Dynamic Scoring

Another accounting method is dynamic scoring. Dynamic scoring is the term commonly given to the use of macroeconomic impact analysis of fiscal policy: evaluating the long-term budgetary effects of major legislation, which would include changes in GDP. Fiscal policy analysts are quick to identify that standard revenue estimates of the Joint Committee on Taxation and the Treasury's Office of Tax Analysis are not completely static but do include (on a far smaller scale) analyses of incentive systems causing (economically salient) changed behaviors.[132] But these are not macroeconomic analysis that measures whether, for example, cutting taxes for different individuals or corporations prompts them to pursue additional work, work that will be taxed at a new, lower rate. Ever since the first Congressional supply-siders, and continuing on to the latest sustained round of tax cuts under George W. Bush, the GOP has been eager to show that tax cuts provide substantial economic stimulus, even paying for themselves. Kemp and Reagan initially asserted that the 1981 cut would unshackle the economy,

[132] Said effects include "shifts in the timing of transactions and income recognition, shifts between business sectors and entity form, shifts in portfolio holdings, shifts in consumption, and tax planning and avoidance strategies." Barthold 2011.

providing explosive growth that would raise revenues despite the lower rates. Massive structural deficits did follow that legislation, but the capacity for economic stimulus is still of central interest to anti-tax partisans, in addition to other arguments about reducing the size of government. As such, using an economic tool that highlights the possibility of economic stimulus is of interest to tax-cutters.

Many fiscal analysts, from a wide spectrum of economic viewpoints, highlight that there are potential problems with dynamic scoring: these computations involve using uncertain estimates (including how and when such policies will be paid for), and, partly due to this uncertainty, economists can differ wildly in their assessments of fiscal policy. Former CBO Directors Douglas Holtz-Eakin and Rudolph Penner are among those that voice such critiques.[133] A common concern is that such a tool can be easily manipulated for political ends. Members of Congress who have been lobbied by outside PACs employing their own dynamic scoring can be particularly wary. Steve LaTourette (R, OH) noted that such experiences can be jarring. He cautioned: "I think dynamic scoring is some kind of voo-doo magic."[134]

Congressional Republicans have pursued the use of dynamic scoring as a potential tool for justifying tax cuts. As one might expect, their control of Congress during different periods has allowed them to pursue this possibility. After regaining the House in the 1994 elections for the first time in a half-century, the House began a series of investigations into the matter. The

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[133] Van de Water, 2012. Penner notes that "The fact of the matter is that economists differ significantly in their assessment of the effects of tax cuts. . . . There may come a day when there is sufficient agreement about dynamic effects to automate the process using powerful computers. But we are many decades from such technology." Penner was CBO Director under Reagan's tenure; Holtz-Eakin held the position under Bush 43.

[134] Author's interview, December 17, 2013.

hearing "Review of Congressional Budget Cost Estimating" began in early January 1995. Two years later, the House adopted a rule: the Ways and Means Committee chair can request dynamic scoring analysis for informational purposes. In 2003 another Republican majority replaced that rule with a weightier one: the Joint Committee on Taxation, where possible, was to create macroeconomic impact analysis for bills reported by the Ways and Means Committee.[135] More recent efforts have been to do more than make such analysis available to lawmakers in a regular fashion. Some proposals call for the inclusion of dynamic scoring in the CBO's cost estimates of legislative proposals, which play a crucial role in the Congressional budget process and are typically projected for the next ten years. Considering the CBO's sterling reputation for nonpartisan analysis, such a change would be significant. Since the Republicans regained the majority in the House, that chamber has annually proposed (and passed) four bills with this reform. In addition to the Pro-Growth Budget Acts of 2011, 2012, 2013, and 2014, [136] the inclusion of dynamic scoring was considered by the 2011's debt supercommittee.[137]

Supermajoritarian Hurdles

Finally, perhaps the most obvious attempt to change the institutional rules to make it more difficult to raise taxes continues to be the most elusive. These are the efforts to require a

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[135] http://crfb.org/document/report-understanding-dynamic-scoring

[136] Van de Water 2012 and a keyword search of legislation on www.thomas.gov. The Senate has, unsurprisingly, not reported these bills out of committee.

[137] Montgomery 2011.

super-majority to raise taxes, though they propose doing so in different ways. Such bills were introduced in 1991, 1993, 1995, 1996, 1997, 1999, 2001, 2003, 2005, 2009, and 2011.[138]

Methods of Partisan Leadership Control

There are a number of different partisan Congressional institutions that can be used to promote and enforce the anti-tax position throughout the Republican caucus. Part of these developments are also traceable to the 1974 Budget Act Reforms. The Budget Committee has also become an unexpected venue for ambitious Republicans, most recently Paul Ryan. *Roll Call*, a close observer of Congress catering to those inside the beltway, notes of the Budget Committee, "What was a longtime B-level committee has become a launching pad for many political stars."[139]

Beyond reconfiguring venues for ambitious legislators, Congress holds a number of different partisan levers for controlling a party's caucus. While the preceding chapter (chapter two, on coalitions) covers the interaction with the electorate in greater detail, it's important to note that members of Congress are held in check by their district's constituents. Beyond that, the Congressional leadership has a number of disciplinary tools at their disposal, which are more likely to be used on fiscal policy:

> The budget is very much seen as a team vote. If you don't perform on the team vote, I mean, things can happen to you…Maybe you don't get an amendment, maybe your bill doesn't get called up to the calendar, maybe you don't get that assignment. They don't throw a lot of people off, but you know the Steering Committee [the House Republican Steering Committee makes committee assignments] is made up of the leadership of the Party and there were 27 of us when I was on it. And you talk about things like how much

[138] See Appendix for full listing.

[139] Newhauser 2012

> money has a person raised and given to the Party. How much…what kind of a team player are they? When we needed his vote did he give us his vote? Is he a troublemaker? And those that have those negative answers don't get on committees.[140]

It seems that, given the right issue, Congressional parties can be quite strong. Sometimes scholars describe American legislative parties as weak in comparison to other nations that have programmatic parties where (except for occasional "votes of conscience") legislators must vote with their parties. In our Presidential system that lacks programmatic parties, the parties were always on weaker footing to begin with in terms of enforcing party orthodoxy in a member's voting record. But Congressional reforms over time[141] have strengthened parties' capability for cohesive action, particularly reforms strengthening the party leadership. Our current period rivals the strong Congress period of Speaker Cannon's czar rule for strong national parties. Still, the rise of contested primaries and the fact that parties provide a small percentage of the money needed to run a campaign can serve to counteract strong party control—though these developments largely cause the electoral process to be more policy-oriented. Depending on the policy, parties can exert different degrees of control on their rank-and-file members. (Think, for example, of the Democrats' difficulty in getting every member to vote for abortion rights or gun control.) But on the issue of taxes, Republicans vote in percentages that mimic a programmatic party. A closer look at various tax legislation episodes will show the strategy and strength of the Republican Party. And while such a strategy has been extremely effective in getting national politicians to fall in line, the few exceptions show that heretics defy no paper tiger.

[140] Author's interview with Steve LaTourette, December 17, 2013. Mr. LaTourette did note that it was very unusual to be kicked off a committee as punishment. He also noted that while the Congressional leadership has methods of enforcement, that district-level incentives are often more powerful on tax issues, though this judgment reflects the contemporary environment of deep-pocketed PACs and primary challenges. Still, both types of incentives are used to serve as enforcers of anti-tax party-building.

[141] See especially Schickler (2001)

PROCESS-TRACING WITH THREE CASE STUDIES

After designating the time period under examination, some process-tracing will help us identify what strategic shifts are taking place. There are a number of tax cuts in the late 1970s, but it takes the GOP some time (i.e. until 1978) to start voting in a way that looks like adhering to a party line. As such, it is fitting to briefly illuminate how congressional Republicans behaved before they adopted anti-tax policies, and the 1964 Kennedy tax cut will serve us well as a case study. Next, the transformation of the party itself in the late 1970s to early 1980s will be given more detailed attention. Finally, the backlash George H.W. Bush received will be evaluated—an exception that proves the general rule. While some debate the meaning of process-tracing, here the term is used to cover a variety of qualitative investigations: careful description of the trajectory of change, giving close attention to the timing and sequence of phenomena in this party-building development.[142] This shows how party actors act expected ways described by the incentives in my theory of policy-based party-building. It also gives close attention to other more nuanced phenomena that have implications for how successful party-building efforts are, such as redefining a tax raise as raising revenue in any fashion, not the original notion of tax raises raising the marginal rates.

FIRST CASE STUDY: THE 1964 KENNEDY TAX CUT

The 1964 tax cut is a good case study to demonstrate the "old" politics of taxation. This is not because it was representative of that time in terms of magnitude. As promised, it cost the

[142] This account of process-tracing largely concurs with Collier (2011)'s description.

government $11.5 billion,[143] making it by far the largest tax cut of that period. Rather, the design and advocacy of the tax cut are notably different from the anti-tax ethos we see today. Equally as important, the partisan positions and rhetoric are representative for that time period.

In terms of the creation of the 1964 tax cut, a number of different things mark it as incongruous with the anti-tax ethos later developed by the Republican Party. While this chapter on Congress is not the place to extensively detail the inner workings of the executive branch, it is notable that Kennedy did not engage in partisan branding over the tax cut. He did not run on a tax cut,[144] and initial polling on the matter was not favorable.[145]

The design of the tax cut also identifies it as not being party to "anti-tax" politics. Advocates of the tax cut noted that the tax system had not been altered to reflect a changed political situation: elevated levels of wartime taxation had outlived the actual war. The top

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143 The $11.5 billion is in 1964 dollars. Jerry Tempalski gives this an estimate of $44.6 billion in 1992 dollars. (Tempalski 2006, p. 15.)

144 The Democratic Party Platform can be viewed at: Woolley, John T. and Gerhard Peters, *The American Presidency Project* [online]. A number of initial speeches (an April 20, 1961 address on taxes, and the 1962 State of the Union Address) both register support for a balanced budget, that all measures be revenue-neutral. The first time a net reduction in taxes is announced is a June 7, 1962 press conference. See: Presidential Message to Congress on "Our Federal Tax System", April 20, 1961, "Tax Cut 4/20/61-7/31/62" folder, Theodore Sorensen Papers, box 40, John F. Kennedy Library. Also: Presidential Press Conference, June 7, 1962, "Tax Cut 4/20/61-7/31/62" folder, Theodore Sorensen Papers, box 40, JFKL. The timeline on this is also established by this document: *Nation's Business* magazine article "More Tax Cuts Coming," May 1964, "Tax Cut 5/64 to 8/64" folder, Walter Heller Papers, box 24, JFKL.

145 Memo, Walter Heller to John Kennedy, October 3, 1962, "Tax cut 10/3/62 to 10/19/62" folder, Ted Sorensen Papers, box 40, JFKL. Heller had sent previous polling to Kennedy earlier in the administration—in this document he writes, "The Michigan Survey Research Center has done a careful, non-loaded, survey of tax cut attitudes…Note that those who consider tax reduction "a good idea" went up from 42% in 1961 to 65% in 1962, and "a bad idea," down from 43% to 19%" The American public held the same strong goal of balanced budgets (and fear of deficits) as those in Congress, which explains these figures.

income tax marginal rate was still at 91%, a relic of the Korean War. Secondly, a spectrum of mainstream economists believed that the unused industrial capacity in the stagnant economy would-when combined with the tax cut-spur additional economic growth. Thirdly, while the tax cut was the centerpiece of Kennedy's economic policy, it did not stand alone. Other major components were investments in research and development, and increasing the quality of and access to education.[146] And while a line-by-line evaluation of the tax cut is outside the scope of this chapter, the Kennedy cut did target lower-income citizens for considerably greater benefits than the tax cuts of the past generation. This was widely publicized. In Kennedy's September 13, 1963 television address, he gave examples of how those earning less would get bigger percentages of their taxes cut.[147] All of these things identify the Kennedy cut as anything but a panacea prescription.

The partisan congressional rhetoric surrounding the Kennedy tax cut is also indicative of the old politics of taxation. Firstly, considering the balanced budget consensus of the time, it was very difficult to get this through Congress. Even with a number of mainstream economist advocates promising that the economy would grow, in short order erasing the yearly deficit left by the bill, legislators were very skeptical, and thus the entire process, from exploratory hearings to final passage, took just under two years. (The Kennedy administration's work on the issue predates the congressional actions, making this effort a particularly long slog.)

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[146] Speech, Henry Fowler: "National Policies for Business Expansion", October 11, 1962, "Tax Cut 10/3/62 to 10/19/62" folder, Ted Sorensen Papers, box 40, JFKL.

[147] Presidential Address, September 18, 1963, "Radio and television address to the nation on test ban treaty and tax reduction bill, 18 September 1963" folder, Papers of John F. Kennedy, President's Office Files, JFKL.

Johnson knew he needed to get the administration's proposal to include a significantly smaller budget to assuage the balanced budget sensibilities of members of Congress. In a meeting on November 25, 1963, Johnson met with the "troika" of administration personnel behind the tax cut—Walter Heller (chair of the Council of Economic Advisors, and the main architect of the tax cut), Douglas Dillon (Secretary of the Treasury) and Kermit Gordon (Director of the Bureau of the Budget, what we now call the Office of Management and Budget). He cautioned the men that, unless the budget was down to around $100 billion, the tax bill would never make it to a floor vote, such was Johnson's appreciation for the strength of balanced budget concerns at the time. (Johnson is quoted as saying that unless they got the budget down to $100 billion "you won't pee one drop".) Heading off the inevitable complaints from liberals intent on social programs, Johnson said of "Heller's liberal friends" to "tell them to lay off, Walter…I'm for them…I know they have good programs…the budget should be $108 billion."[148] The press also picked up on Johnson's legislative strategy. By submitting a budget $4 billion less than the late President, "the substantially reduced budget will absolutely guarantee the early passage of the $11 billion tax cut which most of the business community, most of the labor leaders, and most of the Nation's economists believe will benefit the country".[149]

Beyond the difficulties Kennedy had in selling the tax cut to the Congress as a whole, the partisan rhetoric also reveals the old politics of taxation. The final votes on the bill reveal bipartisan approval—these are not party unity votes where the majority of one party opposes the majority of the other. In terms of the Republicans, 108 House members and 21 Senators vote for

[148] Highly Confidential Troika Meeting with President Johnson, November 25, 1963, "Tax Cut 11/63" folder, Walter Heller Papers, box 23, JFKL.

[149] Drummond 1964.

the bill, leaving (roughly) a full third of both caucuses opposed. The Republicans proved tougher to deal with (as well as certain Senate Finance Committee members such as Robert Byrd)—shortly before passage, Walter Heller wrote a memo to Johnson noting that "it is clear that the semi-official Republican line is that the tax cut is too big."[150] Eisenhower voiced his public displeasure at the deficit the tax cut would create, sticking to his belief in generally balanced budgets (he'd allow that they could not always be balanced every year, but surely every two years should be possible, he reasoned).[151] Remarks from the congressional Record include charges (from Congressman Taft, Republican of Ohio) that Johnson's tax cut efforts amounted to an "invitation to a fiscal happy hour".[152] To further underscore the distinction between that era and today, it is also important to point out that the opposition to the tax cut was not the objection of the moderate and liberal Republican legislators that then existed in sizable numbers. Barry Goldwater—"Mr. Conservative" himself—voted against the 1964 tax cut and charged the administration with "phony fiscal policy".[153]

SECOND CASE STUDY: THE PERIOD OF TRANSFORMATION

In the mid-1970s, the Republican Party had not yet adopted an anti-tax position. An initial stage of agitating for this position is done by supply-side academics, journalists, and the paltry number of politicians swayed by their ideas. During the mid-1970s the Ford

[150] Memorandum, Walter Heller to Lyndon Johnson, February 3, 1964, "Legislative Leaders Meetings, 1/7/64-2/18/64" folder, Ted Sorensen Papers, box 59, JFKL.

[151] Porter 1964

[152] Congressional Record, February 1, 1964.

[153] Goldsmith 1964

administration, as well as the bulk of congressional Republicans, held on to the balanced-budget principles that had defined their party for decades. Finally, Republican electoral frustration and a window of opportunity provided by bad economic times spurred change. Republicans took a chance on a new message with proven popular appeal, which also appealed to their various constituencies. With the election of Ronald Reagan (who ran an explicitly supply-side campaign) and the takeover of the Senate in 1980, Republicans coordinated to induce their members into voting for large tax cuts. The 1981 tax cut is a triumph for Republican anti-tax party-building. The following year's tax law, which raised revenue, revealed the direction tax-cutting politics was to play out in the Republican Party. Reagan is able to hold onto his initial claim that marginal rates should be cut, while raising revenue is acceptable via curtailing tax expenditures thought to be loopholes and increasing tax enforcement. But the anti-tax forces in Congress that push back against 1982's TEFRA (Tax Equity and Fiscal Responsibility Act) set the stage for opposing any raising of revenue. This is, at least, the beginning of our coordination story; that developmental arc will be detailed here.

The Mid-1970s: Early Organizing and Opposition from the GOP Establishment

In the mid-1970s, a number of supply-side journalists and academics were publishing in popular, respected journals. Jude Wanniski, while not an economist by training, made frequent use of his journalistic trade to publish supply-side articles, often in venues such as the *Wall Street Journal*. His 1976 piece "Taxes and a Two-Santa Theory," published in the *National Observer*, outlines much of the economic argument Jack Kemp would later adopt and spread in the halls of Congress. This piece notes that tax cuts have a simulative effect on the economy, and that Republicans should adopt tax-cutting as a major partisan plank to become more electorally competitive. The "two Santas" metaphor notes that the Democrats are well suited to be the "Santa" of social spending, but that the Republicans have yet to play their (ideologically natural) role of being the "Santa" of tax cuts—both tactics have strong appeal to voters. While Wanniski is widely connected with newspaper advocacy, it is not noted in the secondary literature how closely connected he was with the political process. Kemp notes that Wanniski was a significant influence on him (also introducing him to other supply-siders, including Dr. Laffer). But Wanniski at times would directly deal with Congress—for example, he authored four different economic reports for the Senate Republican Conference in August 1978.[154]

Similarly, Dr. Arthur Laffer appears to have a more involved role than the secondary literature affords him. He is widely known for the creation of the "Laffer Curve"—the idea that government can potentially tax its citizens at 0% or 100% or somewhere in between, and that at both extremes the government would collect zero revenue, but that there is an ideal point in the middle where revenue can be maximized. Laffer argued that the 1970s tax rates were in excess of said optimal tax rate. This theory was, famously, drawn on a napkin for Nixon/Ford administration staffers (Donald Rumsfeld and Dick Cheney, but also Wanniski) in 1974. But the famous economist has since said that his didactic exercise was taken out of context. A deeper look at the archival record shows a much more involved Laffer, advocating for tax cuts in op-eds (both in an explicitly partisan manner during the 1980 campaign as well as before and

[154] Memo, David Smick to Lou Roderman, August 1978, Subject: "Four Papers on Kemp-Roth written for the Senate Republican Conference by Jude Wanniski", Box 200, folder 9, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

afterwards).[155] Laffer created an economic consulting firm, A.B. Laffer Associates, which provided economic analysis to Congress members. Laffer even proposed his own tax reform plan in 1983 (amid the early period where multiple plans were circulated, cumulating in the famous 1986 revenue-neutral, tax simplifying act that has won near-universal acclaim).[156] Though Laffer plays a significant role in the GOP's transformation, he was not without scholarly critics, including conservative economist critics. While detractors like Alan Greenspan and George Stigler thought taxes should be cut, they criticized the idea that a cut in taxes would lead to revenue gains, and Kemp-Roth specifically.[157]

Jack Kemp, who press accounts (and later White House memos) identify as the congressional instigator of--and agitator for--deep tax cuts, makes important connections during the mid-1970s. Before Kemp created Kemp-Roth, the major tax-cutting provision (including a 10% cut in marginal rates each year for three years in a row) that would find its way into the 1981 Reagan tax cut, he pushed a rather moderate measure. The Jobs Creation Act (which he unsuccessfully proposed in 1975 and 1976) was deemed too extreme for his fellow GOP caucus members, but Kemp wrote to Reagan in 1975 asking him to support this legislation.[158] Reagan

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[155] Arthur Laffer LA Times op-ed "Tax Cuts would More than Pay for Themselves", May 27, 1980. Box 94, folder 5, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[156]Memo, John Mueller to Jack Kemp, August 16, 1983. Box 98, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[157] Business Week article: "The Fallacy of Slashing Taxes Without Cutting Spending" by Seymour Zucker, August 7, 1978, box 94, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C. In the article George Stigler is quoted as saying the following: "Laffer is no longer a very serious scholar. He is playing the role of the propagandist, and as such he is providing some service. But I would not base a $125 billion tax cut on his work."

[158] Letter, Jack Kempt to Ronald Reagan, October 10, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

returns the favor. While some (Barbara Sinclair, among others) have noted that Reagan ran an explicitly supply-side campaign in 1980, what people fail to include is that he also ran such a campaign in 1976. In an October 12, 1976 editorial in the *Washington Post*, Reagan came charging out of the gate:

> Warren Harding did it. John Kennedy did it. But Jimmy Carter and President Ford aren't talking about it. That "it" that Harding and Kennedy had in common was to cut the income tax. In both cases revenues went up instead of down.[159]

This piece continues on to laud Coolidge as well, and contemporary economists—and only one member of Congress: Jack Kemp. Reagan's advocacy continued in his 1980 campaign, where again, he specifically endorsed Kemp's legislation.[160] While much of the tax-cutting rhetoric was developed in the mid-1970s, it has a few (very few) examples of being refined over time. Deciding to laud JFK and the economic expansion of the 1960s and to leave out Harding, Coolidge, and the 1920s is one such rare change.

However, for a few years Kemp was a rather lonely (if loquacious) voice for tax cuts. While one could certainly point to a number of different sources to identify the balanced budget Republican rhetoric of the time, an exchange between Kemp and the Ford administration is particularly instructive. Kemp wrote to Ford in November of 1975, asking for his endorsement of Kemp's Jobs Creation Act.[161] It should be noted that this is a pretty moderate bill by any

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[159] Op-ed by Ronald Reagan in the Washington Post, October 12, 1976, Box 134, folder 5, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[160] Ronald Reagan Campaign Statement, June 25, 1980, Box 91, folder 2, , Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[161] Letter, Jack Kemp to Gerald Ford, November 13, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

reasonable characterization: it includes a few tax expenditures, but the only marginal rate it lowers is for small businesses (it wants to lower it 6%). The federal tax books were already quite accustomed to tax expenditures (the suggestion to eliminate many, derided as loopholes, was a familiar cry), and such a targeted lowering of a small business corporate tax rate would be drops in the fiscal bucket compared to Kemp-Roth. Nevertheless, James Lynn, Ford's Director of the OMB, wrote back to Kemp, cautioning him that his bill was too extreme to be passed by the current Congress. If nothing else, this shows the huge change the Republican Party still needed to undergo to pass Kemp-Roth years later. But the OMB Director went further, noting that while tax cuts may have stimulative potential, historical studies show that other factors account for "an extremely large share of our economic growth"—specifically technological innovation and an increased educational level of the labor force. This is clearly the voice of bipartisan, midcentury tax politics talking. (The OMB Director also forwarded some of Kemp's economic analysis to the Treasury Department, which found major faults with the modeling.)[162]

Kemp and other supply side forces continued to agitate until Reagan won the 1980 election. Kemp kept pushing (in outside speeches, media outreach, and in the congressional Record) for the Republican Party to be the party of tax cuts. A May 6, 1980 Congressional Record speech is fairly typical—he excoriates Republicans who didn't vote for the 1964 tax cuts and who wouldn't endorse his legislation, either. At this point he had introduced Kemp-Roth

[162] Letter, James Lynn to Jack Kemp, May 27, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C. For the Treasury Department's critique of the Ture analysis, see: Letter, William E. Simon (Treasury) to Jack Kemp, May 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C. On the same point see: Memo to Jack Kemp, March 15, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

every year since 1977.[163] Many of these speeches cite Laffer, many quote President Kennedy, and after 1978 many feature Proposition 13's success in California (a referendum that sliced property taxes to 1% and required a two-thirds majority to raise taxes in the state legislature). Paul Craig Roberts, an economist who began working for Kemp in 1975, pinpoints 1978 as the year when large tax cuts justified by supply-side economics were accepted on a large scale in Congress.[164] (This matches up both with the 1978 tax revolt as well as with the earlier charting of roll call votes: 1978 is the point of Republican transformation to virtually unanimous voting for tax-cuts.) Roberts notes that the dialogue had changed from the 1977 tax fight, where the partisan maneuvering reflected that "Republicans were still tied to Barry Goldwater's prescription from the 1964 presidential campaign of paying for tax cuts with spending cuts."[165] Like Wanniski's illustration of the two-Santa theory, Roberts notes that before embracing tax-cutting, Republicans felt like the tax collector for Democratic social welfare programs. He lamented that this "focus on the deficit had left the Republicans without a competitive political program…that simple fact explained the decline of the Republican Party."[166]

The Republican Party Embraces Tax-cutting

In the 1970s, the Republican Party as a whole suffered major electoral defeats. The unpopularity of Nixon led to a heavily Democratic win in 1974, the freshman class of which will

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[163] May 6, 1980 Congressional Record speech by Jack Kemp, Box 91, folder 2, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[164] Roberts (1984), p. 7-8

[165] Roberts (1984), p. 19

[166] Roberts (1984), p 21

always be known as the "Watergate babies". Conservatives within the party were unhappy with Nixon's relatively liberal policies, and were frustrated that Ford managed to wrest the 1976 convention away from Reagan (a convention that has received little scholarly attention despite being a modern convention that was heavily contested). And if there was any time that was ripe for a tax-cutting Santa, it was the late 1970s. There was stagflation, property tax revolts, and in many cases taxes that needed to be pared down—though the supply-side approach was arguably too strong, sending deficits spiraling and scaring even those who had passed the historically large 1981 cut.

In the 1980 elections Republicans, including most prominently Reagan, started taking Wanniski and Kemp's advice on tax cutting rhetoric. And, while a number of factors were surely at play, 1980 was a special year for the GOP: they retook the Presidency, and they took over a majority in the Senate for the first time since 1954. To clarify, a "great man theory" regarding Kemp is not being advanced here. His actions are consequential, but it is the changing economic and electoral conditions that allow him to succeed where previously he had failed.

After 1980, there is significant evidence of Republican coordination on major tax cuts as party orthodoxy. This new orthodoxy also adopted Kemp's admonition to base party rhetoric on tax cuts, and to relinquish the mantle of the party of balanced budgets and deficit control.[167] While the late 1970s saw the Republican members of Congress starting to slowly get behind

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[167] News Release from Jack Kemp's Office, March 12, 1978, Box 363, folder 5, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

Kemp's RNC Speech in New Orleans, September 30, 1977, Box 363, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

Kemp (and Kemp-Roth),[168] the 1980 elections show significant coordination sanctioned and sponsored by the party leadership. A recurring monograph addressed to GOP legislators titled "The Classical Economic Case for Cutting the Marginal Income Tax Rate" was circulated under the aegis of Bob Michel (House GOP Leader), Trent Lott (House Whip) and (of course) Jack Kemp.[169] Whereas a 1974 Republican Steering Committee report showed a GOP in search of economic solutions (the title: "Fifty Ways to Fight Inflation")[170], the 1980s show that they had settled on one solution in particular: cut taxes, specifically marginal rates.

Jack Kemp's advocacy of Kemp-Roth paid off: it became the basis of the historically large 1981 Reagan tax cut. Like the earlier analysis of the 1964 Kennedy tax cut, both the composition, rationale, and partisan position-taking around the 1981 tax cut reveals its nature. It belongs clearly in the new politics of taxation, though ironically the Kennedy tax cut was used rhetorically to promote the 1981 cut. Walter Heller, the main architect of the 1964 tax cut, was particularly aggrieved by this comparison; a comparison he felt was not applicable.

Jack Kemp began annually introducing Kemp-Roth in 1977. This act would become the Economic Recovery Tax Act (ERTA) of 1981. One major change was that Kemp-Roth detailed

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[168] Pat Buchanan Chicago Tribune op-ed: "Tax Cuts Spell Hope for GOP", October 25, 1977, Box 94, folder 4 , Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C. See also: Human Events article "Burns Supports Kemp's Tax Cut Strategy", November 5, 1977, Box 94, folder 4 , Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C. See also: National Journal article "GOP Hops Aboard the 'Tax Revolt' Bandwagon", July 15, 1978, Box 94, folder 4 , Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[169] 1981 GOP Monograph report: "The Classical Economic Case for Cutting Marginal Income Tax Rates", Box 94, folder 5, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[170] October 1974 Republican Steering Committee report: "50 Ways to Fight Inflation", Box 88, folder 1, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

income tax cuts for each of the marginal rates by ten percent each year for three years in a row; ERTA ended up compromising, turning the 10-10-10 cuts into 5-10-10 cuts, with a five percent cut in income taxes for the third year instead of ten. Heller sought to set the record straight. In both correspondence with members of Congress and testimony at congressional hearings, he pointed out a number of ways the 1964 cut was significantly different from ERTA. The main points include that the 1964 cut was dissimilar in that it was undertaken at a time of low inflation. Also, there was greater unused industrial capacity in 1964 than the late 1970s; indeed, this was a major rationale for having the 1964 cut.

Heller was puzzled by the supply-side emphasis, as the goal with the Kennedy tax cut was to spur consumer spending, which focuses on demand. He also notes that the numerical estimates of growth from the tax cuts given by Norman Ture, who would later join the Treasury Department under Reagan, are extremely optimistic. "Such findings stretch both credulity and facts. As Rudolph Penner of the American Enterprise puts it, 'there can't be two or three times more bang in a Kemp-Roth tax cut than we've had with any other.'"[171] Of course, it is difficult to precisely untangle how much of the growth from the 1960s came from the stimulative effect of the tax cut and how much came from the Great Society spending. Crediting all of the 1960s growth to the tax cuts alone would be erroneous.[172] And in terms of the 1920s cuts, the largest

[171] Memo, Walter Heller to Rep. Butler Derrick and Rep. Timothy Wirth, June 26, 1978, box 249-50, folder 9, Thomas P. O'Neill, Jr. Congressional Papers (CA2009-01), John J. Burns Library, Boston College.

[172] Martin 2003, p. 354-407 explains the combined approach of the administration. In addition to the Great Society programs created by President Johnson, it should be noted that President Kennedy also had a focus on social programs. The 1962 Public Works Acceleration Act provided $1.9 billion to create and accelerate public works projects. See: John F. Kennedy: "Remarks Upon Signing the Public Works Acceleration Act.," September 14, 1962. Online by Gerhard Peters and John T. Woolley, The American Presidency Project. http://www.presidency.ucsb.edu/ws/?pid=8870.

was in 1925, at which point the economy had already been growing strongly since the beginning of the decade.[173] The 1920s are also a poor fit for the economic troubles of 1981 as they, too, had low levels of inflation.

There is no strong historical evidence that cutting taxes alone leads to explosive or even significant growth. The 1964 cut was sold as a counter-cyclical policy, one that reflected a change from wartime to peacetime levels of taxation, and one that particularly hoped to capitalize on unused industrial capacity. The current Republican rhetoric is truly anti-tax, that tax cuts always lead to growth, preferably big tax cuts leading to big growth.

The 1981 Tax Cut

The rhetoric and vote totals on the 1981 cut also reflect this anti-tax view. While the Senate vote is not a party unity vote, the majority of Democrats in the House oppose the majority of Republicans in that chamber, with 94 of the 142 voting Democrats standing against the bill. Only one Republican in each chamber voted against the 1981 cut.[174] The Democrats had proposed a tax cut that year, a cut large enough to make them uncomfortable but they hoped large enough to entice their colleagues across the aisle. They were incorrect—and taken off guard, many were baffled.[175]

[173] Smiley 2010

[174] CQ Almanac for 1981, p. 42-S, 58H-59H

[175] The Baltimore Sun, "Democrats' budget shows how political debate has swung to the right" by Fred Barnes (4/10/81) 26- 7-2, Thomas P. O'Neill, Jr. Congressional Papers (CA2009-01), John J. Burns Library, Boston College.

The major legislative negotiations on the 1981 tax cut took place in the House, and in particular with Dan Rostenkowski, the (Democratic) chair of the Ways and Means Committee. Rostenkowski's initial position in May was to propose a one year cut, while the administration began by advocating the three-year, 10-10-10 cut schedule of the Kemp-Roth proposal.[176] Republicans held the Senate, but not the House, leading the administration to target southern Democrats (nicknamed "boll weevils") as a possible place for picking up votes. After a series of separate negotiations with these conservative Democrats, Treasury Secretary Don Regan determined that they would vote for a 5-10-10 plan, far closer than Rostenkowski was willing to go. After rebuffing a two-year tax cut compromise, the administration announced the new 5-10-10 package.[177] What followed has been universally labeled a "bidding war" in the literature as the Reagan administration and the Ways and Means Democrats each sought to appeal to the boll weevils with additional goodies for various interest groups, including the oil industry, the savings and loans firms, as well as other groups.[178] Reagan also made a well-reviewed televised appeal for the tax cut on July 27, calling the bill "the first real tax cut for everyone in almost twenty years."[179] The bill's provision to index tax brackets to inflation (starting in 1984), thus preventing bracket creep underlines how devoted Republicans were to tax-cutting. Gone were the days when inflation alone could raise revenue without holding a single legislator complicit.

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[176] White & Wildavsky (1989), p. 161. Rostenkowski told reporters on May 27, 1981 that he favored a one-year cut.

[177] White & Wildavsky (1989), p. 160-163

[178] A July 9th article in the *New York Times* quotes James Jones, the chair of the House Budget Committee: "we're in a bidding war…Any economic foundation for the tax bill has been abandoned." (Cowan 1981.)

[179] White & Wildavsky (1989), p. 177

The administration had advertized, aggressively pushed for, and won the major tax cut it had promised voters.[180]

Having delivered on the signature tax issue, the administration was not about to back down on this valuable part of their legacy. They held fast to this position—whereas initially they had hoped for the explosive growth promised by supply-side economics, they were greeted by a sudden, deep recession and increasingly dismal deficit projections. The legislative maneuvering that produced the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA) allows us to witness party-building behavior around taxes during difficult economic circumstances, with a revealing prioritization of different policy goals.

The 1982 Tax Raise

TEFRA also allows us to witness the interplay of different factions in Congress. Normally these factions, and the phenomena of the disappearance of Republican moderates over time is whitewashed by the lockstep voting and rhetoric in favor of tax cuts. To the extent that one can differentiate between a moderate like Bob Dole (who is also concerned about deficits, even with a Republican President) and a conservative like Jack Kemp (who is not), those distinctions are borne out in the legislative packages each design or decry, typically far before

[180] There are additional provisions in the bill that are not given as much detail here but are significant policy changes. The Accelerated Cost Recovery System (ACRS) represented a significant windfall for corporate interests won by business lobbyists, who were able to write off the cost of equipment as it depreciated faster than before. (Steurle(2008), p. 78, 85.) White & Wildavsky (1989) note that the Treasury's Tax Policy Staff did not think the 10-5-3 depreciation schedule differentiated enough for different kinds of equipment, as well as being too generous in general: in some cases negative tax rates were achieved, effectively paying corporate interests to invest. (White & Wildavsky, p. 164.) Steurle (2008, p. 81) includes a list of the provisions added to ERTA in the bidding war.

any voting takes place. Kemp's actions in this instance are also a sign of things to come, namely a redefinition of what constitutes a tax raise—not merely raising the marginal rates, but any raising of revenue at all. This was not Reagan's position on tax raises, but it would take time for this new view to solidify, along with a supporting coalition. Kemp's leadership of an unsuccessful House Republican revolt against TEFRA may have been instructive for a close colleague of his at the time: Newt Gingrich.

The Tax Equity and Fiscal Responsibility Act of 1982 raised a significant amount of revenue, edging out the tax raises of 1990 and 1993 for the biggest revenue-raising post-war tax bill.[181] TEFRA notably did not raise any marginal federal income tax rates, and collected revenue from a variety of different measures. These included increased enforcement of existing tax rates (particularly for corporations), the elimination or reduction of a number of corporate tax expenditures (including some of the accelerated depreciation tax breaks enacted by ERTA), and a smattering of other items, including requiring federal employees to pay FICA (ie payroll) taxes for Medicare, and temporarily increased excise taxes for telephones and cigarettes.[182]

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[181] Tempalski (2006), p. 16-17. The four-year average, post-enactment, in constant 1992 dollars, for TEFRA is $47 billion per year, whereas the 1990 tax raise is $30.9 billion and 1993 is $42.1 billion. If one were to compare these acts as a revenue effect as a percentage of GDP the differences are more pronounced: TEFRA's 4 year average shows 0.98% growth of revenue collected as a percentage of GDP, while the 1990 act raises 0.50% GDP and 1993 raises 0.63% GDP. Of course, measuring something compared to GDP introduces the variable of economic performance to a discussion of total government spending (recessions cause smaller GDP numbers, so the same amount of taxing or spending looks bigger relative to a diminished economy). If one were to measure TEFRA as a percentage change in federal receipts owing to the tax law, the 4 year post-enactment average shows an increase of 5.7% collected, whereas 1990 raises an additional 2.7% and 1993 raises an additional 3.5%. For the purposes of this work, it is enough to note that, by raising a historically significant amount of revenue, TEFRA represents an adjustment in administration policy for the tax-cutting brand. This is tolerated for the nuances of how those taxes were raised, but such a nuanced position would not survive for long.

[182] 1982 CQ Almanac, p. 29-32.

TEFRA was designed in direct response to a stormy economic forecast following ERTA's passage. The economic news for 1982 was not good on most counts, and kept getting worse. While interest rates and inflation both dropped, every other major economic indicator was worrisome. Unemployment rates hit record highs for most of 1982, and factories closed nation-wide, leading many to fear that lost jobs were unlikely to return.[183] What had the most consequences for fiscal policy was the recession and the worsening deficit projections. In September of 1981, the Congressional Budget Office testified to Congress that $80 billion deficits were projected for 1982 and spending cuts of $100 billion were required if the budget were to be balanced by 1984. These projections were made before a recession hit later that year.[184] Congress began to react: as early as October 1981, three months after the passage of the 1981 tax cut, Senate Republicans started preparing legislation that would raise about $60 billion over the next three years.[185] Working together in the service of Congressional leaders, in particular (Finance Committee Chair) Senator Dole and (Budget Committee Chair) Senator Domenici, Treasury and Finance staffs finally centered on a target of roughly $100 billion in revenue increases over three years.[186]

[183] 1982 CQ Almanac, p. 27. While reducing interest rates and inflation was certainly good for consumers, it was bad for deficit projections. That is, the administration was counting on inflation to partly pay for ERTA's tax cuts, as it pushed taxpayers into higher tax brackets before the indexing provisions took place in 1984. The administration's stated position was that they sought, and their policies would provide, both lower inflation as well as greater economic growth, leading (despite lowered rates) to balancing the budget in 1984. On the administration's quiet strategy on inflation, see White & Wildavsky (1989), p. 78. On the larger issue of numerical projections as an aspect of executive branch party-building strategy, see chapter 4 on the executive branch.

[184] Steurle (2008), p. 98-99

[185] Edsall (1981). Edsall puts this early revenue target in perspective: this fiscal intervention was made to stem the projected loss of ERTA, which, if not amended, would cost about $280 billion by 1984.

[186] White & Wildavsky (1989), p. 251

Unlike the heavy involvement of the White House in the 1981 legislative process, Congress took the reins with TEFRA, with the White House coming in at the very end of the process in a reluctant last-minute push for passage.[187] Describing the process in the *Wall Street Journal*, economist Walter Heller noted that "Congress and the Federal Reserve—not the natural instruments for economic leadership—heave been forced to take the initiative, with the President eventually signing on."[188] Heller went on to note that Senators Dole and Domenici in particular played significant roles, along with the President's distaste for the final bill. The White House's position revealed both political strategy and ideological opposition to taxes. After passage of the bill, White House spokesman Larry Speakes told reporters that "I don't think that the President's faith in his program has diminished one iota."[189] Skelton quotes a White House adviser saying that Reagan telling (Treasury Secretary) Regan firmly that he is not interested in raising taxes—this aide noted that in Reagan's view, "it is preferable—both from the standpoint of politics and personal philosophy—for Congress to forcibly change the direction of his Administration than for him to alter course voluntarily. He would rather lose a congressional battle than reverse policy."[190] Thus the White House, in both propitious and unfavorable economic circumstances, acts in a party-building fashion to strengthen their position as tax-cutters.

One might wonder why the White House endorsed TEFRA at all, even in a belated fashion. The economic policy expectations of the time were such that national politicians, major news organs, and the American people reacted strongly to the massive growth in deficits and

[187] 1982 CQ Almanac, p. 27, Steurle (2008), p. 99-100.

[188] Heller (1982)

[189] Skelton (1982)

[190] Skelton (1982)

expected a course correction to reduce them. It was only after TEFRA's passage that Reagan and his economic advisors would first make a case that deficits and debt might not have the deleterious effects for inflation, high interest rates, and crowding out that was the prevailing view.[191]

Beyond that, TEFRA was carefully crafted to preserve, not repudiate, Reagan's economic policy. Senator Bob Dole, the chair of the Senate Finance Committee and a major player in this and other episodes, understood the administration's position well. Dole's identity as a moderate Republican would register as indicating a stronger concern over deficits. But like the rest of the Republican caucus, he favored lower taxes and accepted the party's new branding as the anti-tax party. He warned the administration that if it did not back their proposal, which largely looked to close loopholes and increase enforcement for the corporate sector, they might get something they really could not abide. Namely, Dole sought to protect the signature element of the 1981 tax cut: the three-year phased cuts to the federal personal income tax. Dole made this argument to Reagan, saying that "we're willing to raise revenues, and we believe we can protect the third year" of the individual tax cut.[192] The Democratically-controlled House was particularly keen on eliminating the third year of scheduled individual tax cuts, making this no idle threat on Dole's part.

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[191]Rowen, 1981. This case against the then-conventional wisdom was first made by members of the administration in December 1981 at a conference at the American Enterprise Institute. This view on deficits faced opposition before being more widely accepted. In any event, such a notion was neither circulated (never mind more widely accepted) early enough to assist in the TEFRA negotiations. See chapter two on Coalitions for a more in-depth treatment of this episode.

[192] White & Wildavsky (1989), p. 251

Besides, of all the possible sources for revenue, corporate tax breaks (not the corporate marginal rates, which affect all businesses, including small and mid-sized enterprises) have a more populist flair. The well-publicized "bidding war" from the 1981 tax cut was not a good advertisement for those who would wear the tax-cutting mantle. Dole, as well as congressional and Treasury staff assisting him, identified such cuts as their major source of revenue. Robert Lighthizer, the staff director and chief counsel for the Senate Finance Committee, made this case: "how can you do anything about a $150 billion deficit if you can't assure that major corporations pay a 15 per cent tax?"[193] Dole himself went after the Safe Harbor Leasing provisions, which allowed less profitable businesses to sell their tax breaks to profitable corporations. In February Dole noted that "however desirable many tax theorists find the current…leasing rules in the abstract, they are indefensible in a year in which the federal deficit will reach nearly $200 billion." In an unusual example of Dole sounding off, he warned, "Corporations entering into leasing deals after today do so at their own risk."[194]

Foreshadowing: Republican Opposition to TEFRA

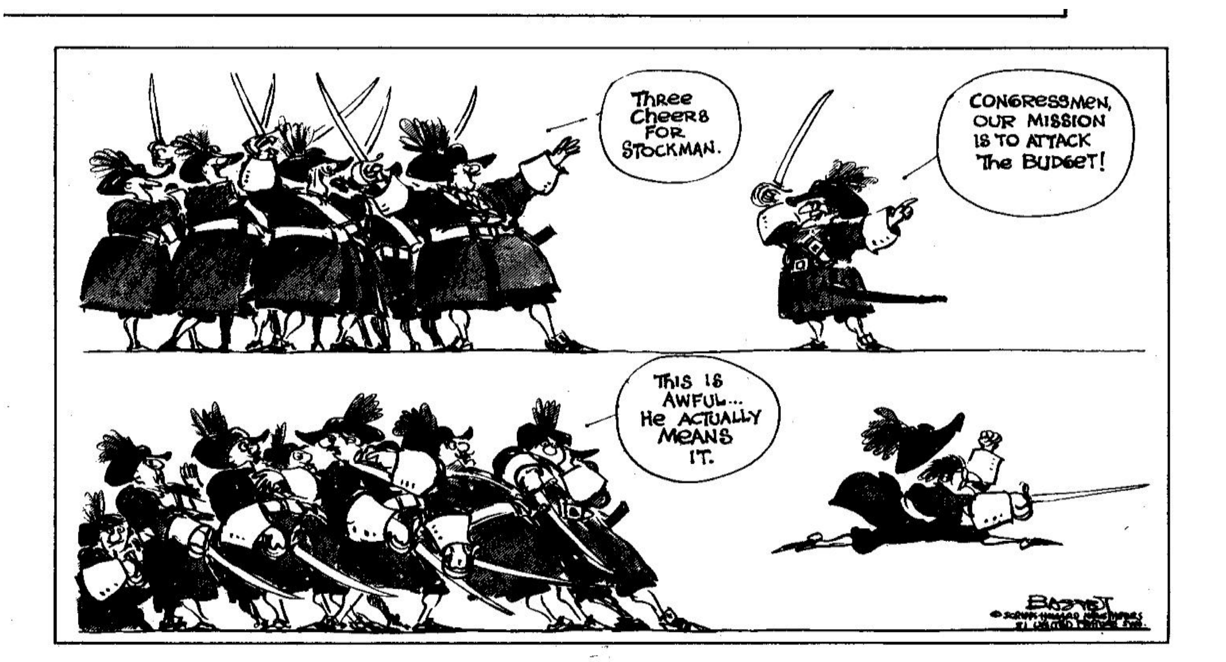
Traditional accounts of TEFRA typically stop here. (Granted, the focus on party-building, revealed with some of the above newspaper accounts, is not a focus, either.) But there is a story beyond the negotiating roles of Dole, Domenici, Rostenkowski, and a few administration members such as Darman. Fights within the Republican caucus are very revealing for how party strategy would be refined, and play out, in the future. Republican

[193] White & Wildavsky (1989), p. 251

[194] White & Wildavsky (1989), p. 250

members of Congress did not like being asked to vote for a tax increase right after voting for the 1981 tax cut. Besides feeling jerked around (and nervous about that November's midterm election), many of these legislators wanted to see the deficit narrowed from the spending side. However, despite the large spending cuts enacted the year before, Congress had notoriously found it difficult to cut spending, at least by enough to act as a deficit reduction measure. The 1981 budget did make significant cuts into a variety of programs, particularly means-tested ones, but the larger (and more popular) entitlement programs that provided more help to the middle and upper classes were left intact. In addition, defense spending went up considerably—it should be little surprise that large deficits resulted the following year.

<u>Illustration 1: OMB Director Stockman's Difficulties with Cutting Spending:</u>[195]



[195] *Conservative Digest* Cartoon, February 1981, folder "Conservative Digest," box OA 9448, Ed Meese Files, Ronald Reagan Library.

Messaging from the White House to Republicans in Congress reflects that the administration understood this preference for cutting spending rather than tax raises (even as they likely understood the difficulty of significant spending cuts with a Democratic House, and the same Congress that had not garnered larger cuts in 1981). In February, House Minority Leader Bob Michel acknowledged in a letter to GOP members that they would "have to face some tough decisions this year" and forwarded a press release from treasury Secretary Don Regan. Regan noted that "the budget deficit can and must be narrowed from the spending side." But this very address contained the seed of its own political destruction: it noted that the Treasury had been "very conservative in [their] real growth estimate….of 4.7 percent from 1982 to 1987."[196] This was optimistic indeed, considering the worsening recession already occurring at the time.

Much later, as the administration geared up for final passage in mid-August, a memo from Mike Baroody to the White House staff continued to reflect these concerns. They were still espousing the hopeful line that greater budget cuts would come after the tax bill—specifically, "$3 saved in outlays for every $1 in increased revenue".[197] While $17.5 billion in cuts would be found for the final passage, nothing like this materialized.[198] (This should have seemed likely considering the timing—and besides, in December, 1982 also saw the passage of a separate bill to fund infrastructure maintenance by increasing the gas tax from 4 cents to 9 cents though

[196] Dear Republican Colleague letter from Bob Michel, February 9, 1982, folder "Leadership, 97th, Dear Colleague,2/9/82; Reagan Budget/Fiscal Program", box 4, Series: Dear Colleague Letters, Leadership Series, Robert H. Michel Papers, the Dirksen Congressional Center, Pekin, IL.

[197] Memo, Mike Baroody to White House Staff, August 10, 1982, folder "Tax Legislation (1)", box OA 11845, Ed Meese Files, Ronald Reagan Library.

[198] 1982 CQ Almanac, p. 84-H.

1988.)[199] This memo on for White House staffers went on to toe Reagan's line on what ways were appropriate to raise revenue: "more than three-quarters of the increased revenues come from this stepped-up compliance and from closing tax loopholes…they don't come from raising individual marginal tax rates." The strong message is that they had successfully maneuvered to keep the third year of the tax cut, keep indexing, as well as most of the additional tax provisions for business (much of ACRS, etc.), all of which had been targeted by the Democrats. They note that taxes, all told, are still down considerably. They emphasize that the revenue increases do not affect most people—except for the excise taxes for telephones, which add a paltry amount to a monthly phone bill. The hopes for future spending reduction were far too optimistic, but the rest of this message is both an accurate portrayal of legislative deliberations as well as the contents of the tax bill.

In a sign of things to come, a sizeable group of House Republicans, led by Jack Kemp, were angered at the proposal offered to them. They were unhappy that revenue was being raised in any fashion, and thought that spending cuts should have played a much larger role. They lashed out against the notion of returning to their former role of tax collectors for Democratic spending programs. A Heritage Foundation "Backgrounder" publication from August 3, 1982 underlines these positions. They also note that a letter drafted by Jack Kemp and signed by over 70 House Republicans served notice to the President that they did not like Dole's Finance

[199] Tempalski (2006), p. 15

Committee's package of tax raises and would not support them unless Congress first considered the $40 billion in budget cuts promoted by the previous June's Budget Resolution.[200]

Tellingly, they took this position against Reagan in the name of Reaganomics. Heritage called "the Finance Committee's tax package…a fundamental betrayal of Reaganomics and a massive denial of supply-side principles." Heritage quoted Kemp's letter's concern that the Republicans would pay an electoral price: "House conservatives were assured that there was only one way to achieve substantial savings in spending: to 'hold our noses' and swallow the largest peacetime legislated tax increase in history…the Republican Party is in danger of making a U-turn back to its familiar role of tax collectors for Democratic spending programs. This is potentially and explosive scenario politically because the GOP clearly will take the blame for any tax increase passed by Congress."[201]

Kemp, using his position as the chair of the Republican conference, kept pushing against TEFRA until its passage.[202] He had enough help from parts of the whip structure to make it unusable by the Republican leadership. He also had help from Newt Gingrich, who also lobbied the House Republican caucus, and would lead the House revolt against a later President.[203]

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[200] Heritage Foundation "Backgrounder" publication: "Breach of Faith: The Tax Package", August 3, 1982, folder "Tax Legislation (5)", box 11, Staff Series: William Pitts papers, Robert H. Michel Papers, the Dirksen Congressional Center, Pekin, IL.

[201] Ibid.

[202] Mass memo to unspecified members of Congress from Jack Kemp, received August 17, 1982, folder "Tax Legislation (5):, box 11, Staff Series: William Pitts, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

[203] Dear Colleague letter, Newt Gingrich to members of Congress, August 16, 1982, folder "Tax Legislation (5):, box 11, Staff Series: William Pitts, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL. Kemp's

Minority Leader Bob Michel kept trying to both incorporate his caucus' concerns and herd them towards the passage of the bill.[204] Ultimately, almost half of the House Republicans voted against TEFRA (89 voted against the measure, 103 voted for it).[205] The Senate enjoyed greater Republican support, perhaps convinced by Reagan's original view of tax-cutting instead of the insurgents'. But even supporters registered wariness with the administration. In early 1983, Senator Roth (whose co-sponsored bill with Kemp was the basis for ERTA) sent Reagan a clear message in a letter. He, too, couched his views as a support for the true meaning of Reaganomics:

> I take second place to no one when it comes to support of your previous proposals to reinvigorate our economy. …In the last year, Congress at your urging has passed $124 billion worth of tax increases. I supported the two major bills, somewhat reluctantly, but supported them just the same, because I believed that loopholes needed to be closed and revenue raised to repair our deteriorating highways. Now I hear that the Administration may propose a ten percent income tax surcharge, as well as massive energy taxes, in order to balance the budget. Enough is enough…We cannot tax ourselves out of this recession. The Administration was elected to reduce taxes. But unless you kill these kinds of high tax proposals, your Administration will be well on the way to becoming the greatest tax raisers in American history. Please put this dumb idea out of its misery, and stay on the road of lower taxes that the American people want." [206]

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language can be aggressive, but Gingrich's tends to go further—this particular letter from Gingrich, in its entirety, reads: "Dear Colleague: Talk about fairness: Before we vote this week on the Rostenkowsku/Dole tax increase, I urge you to consider the fact that the bill would allow corporate executives to deduct the cost of their three-martini lunches, while cracking the tax whip down on those "wealthy" waitresses, waiters and other workers who receive tips. Another "victory" for fairness in the tax code. Vote against the Rostenkowski/Dole tax increase."

[204] Dear Republican Colleague letter, from Bob Michel, August 5, 1982, folder "Tax Legislation (5):, box 11, Staff Series: William Pitts, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL. This last minute attempt at herding cats contains the following: "I am sending you a summary, prepared by the Treasury Department of the Senate-assed tax bill, so that you may acquaint yourself with its major provisions. As a result of the conversations I have had with a lot of you, I am aware that some have problems with several, if not all, of the tax provisions. In order that the Republican Leadership might better understand your position with regard to this measure, I am asking each one of you to list, in order of concern, the top three provisions about which you have major objections. Please return this list to me no later than 12:00 noon on Monday, August 9."

[205] 1982 CQ Almanac, p. 84-H

[206] Letter, William Roth to Ronald Reagan, January 19, 1983, folder "Tax Legislation (1)", box OA 11845, Ed Meese Files, Ronald Reagan Library.

Of course, Republican position-taking on taxes extends far beyond these episodes in 1981 and 1982. This position has solidified since. The economic downturn of 1982 and the congressional elections certainly gave the GOP a scare, as did the increasing complaints of tax "fairness". As early as February 1982, members of the Reagan administration were concerned that they would be electorally hurt that the economy wasn't getting better fast enough and that Reagan's economic policies were seen as benefitting the rich. Following a Camp David meeting on the matter, the administration commissioned a poll which noted that "contributing to the negative perceptions of the economic program is the predominant view that Reagan's plans favor the rich", noting that 59% of respondents replied that "Reagan's economic program best meets the needs of upper income people".[207] This was a major concern for the participants attending the meeting, not merely one statistic buried in a file. OMB Director Richard Darman included a special note for the members of the "Deaver group" (Michael Deaver did much to manage Reagan's public image): "Our agenda ought soon to include consideration of the following: What to do to counter the trend toward characterization of this administration as pro-rich, pro-business, do-nothing-for-the-little-guy, etc.?"[208] While Congressional Republicans suffered

[207] Memo, Richard Darman and Craig Fuller to Ed Meese, James Baker, Michael Deaver (etc.), February 5, 1982, folder "Cabinet and Cabinet Council memos, 1981-1982", box 1, Richard Darman Files, Ronald Reagan Library.

[208] Ibid. To be sure, any anxiety on this topic did not extend to a change in policy. The suggestions in the file are that, in domestic policy "(1) Do what's necessary to get a budget resolution out of the Senate, (2) Hype Federalism for as long as it will play, (3) Develop and implement plans for minor (low cost) and symbolic actions for key constituencies—aged, Spanish-surnamed, white ethnics/blue collar, populist/rednecks, (other?). (4) Distract attention from economic focus until the economy is clearly turning up—via a combination of foreign and domestic actions, as noted above." I include this here not to showcase impolitic language, which is present in every party, but rather to establish that abandoning tax-cutting was not a consideration. Furthermore, members of the Reagan administration were concerned with poor economic performance—so much so that they looked at a remarkably wide range of policy solutions, including a flat tax and going back to the Gold Standard; Reagan establishes the aptly titled "Gold Commission" to study the subject. But as many different options they considered, and as far

significant losses (large even for a midterm election) in 1982, this position was solidified early on by the eventual rebounding of the economy. Reagan was able to ask voters in 1984 to consider whether they were "better off now than four years ago".

THIRD CASE STUDY: 1990 BUSH TAX RAISE

George H.W. Bush's 1990 tax raise shows a developed anti-tax policy as party-building orthodoxy. This period of high drama showcases a number of actions that are consistent with party-building behavior, including an attention to policy-based electoral fortunes and to enforcement of policy uniformity in legislative negotiations and voting. Once can also observe that other policy objectives (such as balanced budget goals or robust defense funding) to be secondary when placed in competition with the larger party-building objective of tax-cutting. This episode reveals Bush 41, an uneasy anti-tax convert at best, take a campaign pledge encouraged by congressional Republicans, face a political trial by fire: raise taxes and suffer politically, or refuse and witness catastrophic automated cuts to government spending. In his efforts Bush attempted to find the least objectionable tax raises, lost the confidence of his caucus, was forced to raise taxes in the way he feared most, and paid a political price.

The Creation of Bush's "No New Taxes" Pledge

Long mistrusted by conservative Republicans for his Eastern Establishment credentials, George H.W. Bush had criticized Ronald Reagan's "voodoo economics" in the 1980 primaries,

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away from the status quo as those considerations were, they never considered backing off of their commitment to cutting marginal rates.

giving a detailed April speech to students at Carnegie Mellon University on the "economic madness" proposed by Governor Reagan.[209] As a party nominee and later as Vice President he refused to levy the same charge, though the "voodoo economics" line proved memorable to his opponents, from Carter to Clinton.[210] The new anti-tax tenet forced him to run in the new mold of Republicanism: in accepting his party's nomination he famously promised "read my lips: no new taxes".[211] Speechwriter Peggy Noonan recalls opposition by Richard Darman, who would be appointed OMB Director, but also a strong prompt from congressional anti-tax Republicans. She notes that "Jack Kemp told me, hit hard on taxes. Bush will be pressured to raise them as soon as he's elected, and he has to make clear he won't budge."[212] The line was picked up by the networks, causing Bush to employ it frequently in the last months of the campaign. After winning the election, Bush's pollster Robert Teeter surveyed voters on what they remembered Bush saying during the campaign. The most comment answer was the "read my lips" pledge.

After the election Darman had not warmed to the pledge. In 1989 he conferred with Ed Rollins, the head of the Republican Congressional Committee, on whether Bush could forsake his campaign rhetoric, as the budget numbers were looking increasingly unworkable. Besides, Darman reasoned, Reagan had raised taxes. Rollins did not equivocate: "You can't give it up…You're going to get killed…this is the most sacred pledge he made…I'm promising

[209] Shogan 1980

[210] Clinton: http://bushlibrary.tamu.edu/research/public_papers.php?id=4967 Carter: http://www.presidency.ucsb.edu/ws/index.php?pid=29408&st=voodoo&st1=

[211] Woodward (October 4) 1992

[212] Woodward (October 4) 1992

you…[Bush] will get hurt…I'm the guy whose got more polls in this party than anybody else…It's the last line between us and the Democrats that anybody can differentiate."[213]

Tough Economic Circumstances

Darman had a good reason to be concerned that Bush might have to raise revenue in some way. In response to the high deficits of the early Reagan years, Congress passed the Gramm-Rudman-Hollings (GRH) Act in 1985 that set a series of yearly targets to eliminate the deficit in six years. After a Supreme Court case ruled it unconstitutional, a modified version was passed in 1987, with the same deficit reduction strategy: if a deficit was projected in excess of the target, automatic cuts (sequestration) would fall on most programs. Generally considered a failure[214] at constraining deficits, GRH loomed over the 1990 budget negotiations for FY 1991. These potential cuts amounted to $100 billion in government programs, and would shut down the government.[215] To put these cuts in perspective, GRH would cut 25% from defense and 38% from domestic programs: dangerous for the economy, and deadly for political careers.[216] After this fiscal episode GRH would be determined to be unworkable and abandoned for the PAYGO system.

In his attempts to remain faithful to his pledge Bush eschewed the potential political cover the National Economic Commission potentially afforded. This bipartisan, nearly-

[213] Woodward (Oct 4) 1992

[214] Patashnik (2004), Schick (2007)

[215] Schick 2007, p. 24-25

[216] Woodward (October 6) 1992

unanimous group issued their report to Congress on March 1, 1989—but Bush would have none of it.[217] Besides keeping his word, Lee Atwater was quick to supply him with polling on tax issues which favored lower taxes.[218] As late as January 1990 he was promising to veto any tax increases, but then the economic projections turned sour.[219] In his 1990 State of the Union he promised a plan that "balance[d] the budget by 1993 with no new taxes."[220] By July 1990 the deficit was estimated to exceed $230 billion, roughly twice as high as projections six months earlier—and far in excess of the GRH-allowable deficit target of $64 billion for that year.[221] It was time to act.

The Budget Negotiations

A budget summit with representatives from both congressional chambers and the executive branch was formed. In May 1990, at the opening of these negotiations, Bush promised that there would be "no preconditions". Congressional Democrats understood this to mean that tax raises were a possibility, and congressional Republicans were upset. Bush met with four major Republican members of Congress on May 24 to assuage their concerns: Leader Bob Michel, Whip Newt Gingrich, Republican Conference Secretary Vin Weber, and Budget Committee Ranking member Bill Frenzel. The purpose of the meeting was to assure them,

[217] Woodward (October 5) 1992

[218] Woodward (October 6) 1992

[219] Schick 2007, p. 24-25

[220] Woodward (October 6) 1992

[221] Schick (2007), p. 22-24. To put this in further context, the US federal budget was $1.25 trillion in 1990 and $1.38 trillion in 1991, making such shortfalls large in both absolutely and proportionally. (http://www.whitehouse.gov/omb/budget/historicals)

particularly Vin Weber, that Bush would stand firm against raising taxes. "You have already received a letter from twenty GOP Senators urging you to maintain your pledge of 'no new taxes.' Republicans have for the most part been cooperative in not publicly expressing their concern, although Vin Weber has been a notable exception."[222] Having assured these Republicans, as well as the press, that taxes would not be raised, Democrats were nonplussed. A round of strategy sessions in late June with Darman and Treasury Secretary Brady and Democratic congressional leaders pushed Bush to make a stronger statement, as talks had stalled. Drafted by Darman and approved by Bush, the statement released on June 26 read "It is clear to me that both the size of the deficit problem and the need for a package that can be enacted require…tax increases."[223]

Needless to say, this prompted public and private outrage from congressional Republicans. In context, however, Bush had strenuously attempted to uphold his pledge in an impossible situation. Resigned to some kind of tax increases, he next moved towards the least objectionable variety to the Republican anti-tax cause. After agreement on the summit agreement was reached at the fiscal eleventh hour, a continuing resolution was passed on September 30 to give Congress a chance to vote on the measure as the new fiscal year began on October 1. Meeting with congressional Republicans on October 2 in hopes of persuading more of the caucus, he noted that he was proud of the agreement forged in difficult times.

[222] Memo, Frederick McClure to President Bush, regarding May 24, 1990 meeting, folder "POTUS luncheon w/Republicans 5/24/90, 12:00 Roosevelt Room," OA/ID 08436, White House Office of Legislative Affairs, East Wing Files, George H.W. Bush Presidential Library.

[223] Woodward (October 6) 1992

> Thank you all very much for coming down today. On Sunday, I was joined by the bipartisan leaders of the Congress to announce a budget agreement that will reduce the deficit by $500 billion over five years…this would be the largest deficit reduction package ever enacted. …This budget agreement may be the toughest bill I've had to pass through Congress. It may also be the most important. I wouldn't ask you to vote for it unless I was absolutely convinced it was the best thing for the country and the economy—<u>and I am</u>. It is easy to find fault with specific elements of the package, but you all know that you can't achieve massive deficit reduction without making some tough choices. And I'm committed to getting this deficit under control. Working under the constraints of a Democratically-controlled Congress, our negotiating team did an outstanding job. We saved the defense budget from the deep cuts the Democrats wanted to impose…We cut over $100 billion in entitlements…We stayed away from Social Security…We avoided one of the most serious political traps the Democrats wanted to lay for us—raising individual and corporate tax rates.[224]

In this summit agreement, the revenue raising provisions included gas, tobacco, and alcohol taxes, as well as a series of other taxes and fees, in addition to larger Medicare cuts.[225] Bush understood that this would be a tough vote, but in closed door meetings with Republican congressmen in late September he was still hopeful, and still praising the efforts of Newt Gingrich by name.[226]

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[224] President Bush's opening remarks, Congressional meeting, October 2, 1990, folder "POTUS w/Republicans Budget- 10/2/90, 10:00am," OA/ID 08436, White House Office of Legislative Affairs, East Wing Files, George H.W. Bush Presidential Library.

[225] Woodward (October 6) 1992

[226] In a September 26, 1990 meeting he praised the negotiating efforts of executive and legislative members: "Dick Darman, John Sununu, and Nick Brady have all been hard at work, as have Bob Michel, Bob Dole, Newt Gingrich, and the rest of our summiteers." See: President Bush's opening remarks, Congressional meeting, September 26, 1990, folder "GOP Leadership 9/26/90 9:00," OA/ID 08436, White House Office of Legislative Affairs, East Wing Files, George H.W. Bush Presidential Library.

Tax Revolt in the House

This guarded optimism was not to last, for a House revolt lead by Whip Newt Gingrich led to a temporary defeat of the proposal on October 5.[227] There was a brief government shutdown and the package had to be reworked. Bush notably vetoed a continuing resolution passed directly after the summit proposal failed, forcing Congress to deal with the issue instead of deferring it. The reworked passage was forced to rely upon Democratic votes for passage, as a strong majority of Republicans in both chambers voted against it. This time the anti-tax heresy was far more pronounced: the package included a raise in the top marginal income tax rate, from 28% to 31%. Bush continued to be punished by his party in the national press over the issue, weakening his electoral prospects in 1992.[228]

Before noting the political fallout Bush experienced, a fuller examination of his time in office is necessary. Beyond his reticence to raise taxes from 1989-1990 that is detailed above, it is also significant that he pushed hard for a capital gains tax cut, both during earlier phases of the 1990 budget summit meetings and throughout his tenure.[229] Such a tax reduction had been a major priority for the Republicans and their anti-tax coalition ever since the rate had been raised in the 1986 Tax Reform Act. Additionally, Bush vetoed two tax bills in 1992 on the grounds that

[227] Steuerle 2008, p. 147

[228] Brownlee 2004, p. 191-192. Also Woodward (October 6) 1992 notes that Bush, his OMB Budget Director Richard Darman, and Treasury Secretary Nicholas Brady (those accurately seen as responsible for the 1990 budget) were regularly attacked by conservatives throughout 1991.

[229] Schick (2007), p. 25

they raised taxes. In addition to a clear stance this was an historically unusual one, as the last President to veto a tax bill had been FDR.[230]

Electoral Consequences

The political punishment Bush received reflects both that the GOP had accurately gauged the electoral power of their party-building position, as well as the fact that fellow Republicans sought to mete out retribution on this basis. Pat Buchanan challenged the sitting President for the nomination—itself an unlikely event. Buchanan, before the second summit agreement was crafted, wrote a column noting that "Mr. Bush no longer seems like a sure bet for 1992." Other conservative voices joined his throughout the next year.[231] A Bush campaign memo from late March noted that Buchanan had been running ahead of his overall state percentages with Republicans naming the economy/jobs as well as taxes. This was a bad sign for a party whose partisans identified those two issues as their leading issues.[232]

More importantly, Bush was hemorrhaging polling points over taxes to his Democratic challenger. Another late March poll showed that on taxes, 47% of the country thought Clinton would do a better job, whereas only 38% thought Bush would do better.[233] The tactical

[230] Steurle (2008), p. 158. See also Sinclair 2014.

[231] Woodward (October 6) 1992

[232] Memo, Fred Steeper to President Bush, March 27, 1992, folder "Political File [1]", OA/ID 12923, Marlin Fitzwater Files, White House Press Office, George H. W. Bush Presidential Library.

[233] Collection of Polling data, folder "Political File [1]", OA/ID 12923, Marlin Fitzwater Files, White House Press Office, George H. W. Bush Presidential Library.

conclusion of the campaign in late April was that “The Democrats hold the upper hand on taxes. The sooner the President leaves the tax issue, the better for him, politically.”[234] At the advice of his pollster Teeter, Bush formally apologized on March 3 for breaking his “read my lips” pledge, noting that “if I had to do it over, I wouldn’t do what I did then, for a lot of reasons, including political reasons.”[235] He tried to draw a contrast between himself and Clinton, noting that Clinton would be more apt to raise taxes in the future. But Clinton was no Mondale—Bush proved a weak competitor. And while Ross Perot is generally remembered as wanting to balance the budget, he was also against raising taxes.[236] His extraordinary popular vote showing for a third party candidate (19%) ate into Bush’s margins. There were certainly other issues in the campaign, the bad economy included. But none predicted and delivered on political failure like breaking the tax pledge, or prompted Congressional Republicans to revolt against the head of their party.

The party tried to gloss over this transgression in the 1992 platform, but by that time damage had already been done. Bush faced far more significant challenges in the 1992 Republican primaries than an incumbent typically would. Normally, a President secure with

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[234] Strategy Group Background Information: Analysis Memos: Primary, April 21, 1992, folder “Political File [1]”, OA/ID 12923, Marlin Fitzwater Files, White House Press Office, George H. W. Bush Presidential Library.

[235] Woodward, (October 6) 1992

[236] “Capital Gang” CNN show transcript, June 13, 1992, folder “Jarvis Tax Reform 6-20”, OA-ID 13819, White House Office of Speechwriting Files (Chronological File), George H. W. Bush Presidential Library:

In a 6/13/92 transcript of CNN’s the Capital Gang: this includes that (as yet undeclared Presidential candidate) Ross Perot has come out as being pro-choice on abortion and anti-tax increase, they have a clip of him saying “raising taxes is like taking dope from politicicans. You’ve got to stop raising taxes, you’ve got to bring discipline so we—unless there’s some kind of emergency that I can’t envision, absolutely not.”

Of course, the 1992 Perot campaign is also remembered for its promise to raise the gas tax as well as the major focus on balancing the budget.

both his party's voters and higher-level activists would run essentially unopposed. This was not the case: in the New Hampshire primary Pat Buchanan made a strong enough showing that there were initial concerns that Bush would be renominated. Even after winning New Hampshire 53-37% to Buchanan, Bush still had difficulties.[237] Bush 41 would be a lesson in the politics of tax policy—perhaps most notably to Bush 43.

The electoral manifestations of Bush 41's tax raise serve for an even more interesting story that cements the anti-tax position further. Ed Rollins, the head of the Republican Congressional Committee, saw polling data on the issue and advised Republican candidates to distance themselves from Bush in their elections.[238] (Ed Rollins also went to work for the Perot campaign in 1992, to add additional salt to the wound.) In the 1994 campaigns, Republicans were still trying hard to reestablish themselves as the tax cutters. A journalistic account at the time showed that Democratic pollster Mark Mellman characterized the Republican electoral situation thus:

> Republicans have a more difficult task than reviving the perception of Democrats as tax raisers and Republicans as tax cutters: they must regain GOP credibility on the issue. The once-solid Republican advantage on the tax cutting issue has been significantly diminished…largely as a result of Bush's 1990 decision to agree to raise taxes after having said repeatedly during his 1988 campaign "Read my lips: no new taxes."[239]

The Republicans did more than regain credibility—they took back the House for the first time in 50 years. The 1994 elections are notable for not just the total performance of the Republican Party, but also for a memorable race. Marjorie Margolies-Mezvinsky was a first-term

[237] Woodward, (October 6) 1992

[238] Miller Center 2011 (Interview with John Sununu)

[239] Edsall 1994

representative from a swing district in the affluent Philadelphia suburbs, a seat she had won narrowly. Clinton's 1993 budget (which included tax raises) came down to the wire during the voting process, and Rep. Margolies-Mezvinsky had promised her vote only in the event that she made the difference between it passing or not. Otherwise, she knew her constituents would be (in the very least) skeptical of her vote. As she walked down the aisle to vote, her Republican colleagues jeered "bye-bye Marjorie" at her.[240] Not a single Republican voted for the measure, Margolies-Mezvinsky lost her reelection bid, and the Republicans, having painted Clinton as a tax-raiser and then being vindicated, marched back to majority party status in the House for the first time in generations. They were back in the game.

CONCLUSION

Congress gives a remarkable view of the GOP transformation to an anti-tax party. This institutional venue helps us view this phenomenon as the party-wide change it is. This shift is measured though the new anti-tax position's presence in voting, where even ideological moderation cannot sway Republican legislators from aligning with their fellow partisans. A series of Congressional tools for fiscal party-building are seen in Congressional legal and partisan institutions, including reforms in the 1974 Budget Act, indexing, dynamic scoring, supermajoritarian reform attempts, and party leadership tools for keeping members in line. Finally, the shift to an anti-tax GOP is detailed in a developmental arc of three case studies of major legislation. The episodes detailed here include, first, a treatment of the congressional reaction to the 1964 Kennedy tax cut to show Republican legislative priorities before they

[240] Krauss 1993

adopted an anti-tax position. Second, the short period of Republican transition to anti-tax ideals and their aftermath is addressed, spanning the mid-1970s (right before the transition) to the early 1980s (right after it). Jack Kemp plays a particularly prominent role as a political entrepreneur, relentlessly pushing against the conventional wisdom before he is afforded a window of opportunity. Finally, the power of this position is revealed with the congressional treatment of President George H. W. Bush in 1990. Mr. Bush is the rare exception that proves the rule here, as a minor tax raise born of extreme sequestration concerns caused a GOP backlash—and representatives distancing themselves from him during the election. The President may be the head of his party, but the anti-tax commitment appears to rule all.

<u>Chapter 4:</u> The Executive Branch and Taxes

The Executive Branch allows us a variety of different lenses through which to view party-building and policy change. The position of the president is unique in American democracy as the one elected official that can claim to speak for all US citizens. As such, presidential pronouncements resonate more, and reach a wider audience than other political speech. The president is notable as an individual leader of a Constitutional branch of government, while the Executive Branch as a whole is as populous as it is complex. The many agencies and organizations tasked with implementing both the president's political program and executing the laws can be wielded in many ways. For the issue of taxation in particular, the president has an important role, and one that has grown with modern procedural innovations. These changes have given the president an institutionally distinct voice on fiscal policy as well as expert bodies to craft and analyze such messages. While not constitutionally privileged with the power of the purse, the executive has been statutorily endowed with the obligation to present the president's budget since 1921, along with the expert body the Bureau of the Budget (now the Office of Management and Budget). The "troika" of economic advisors also includes the Council of Economic Affairs (CEA) and the Treasury Department, with its extensive expert staff. To view the development of tax politics through the venue of the executive branch, we must measure the GOP's new anti-tax presence in presidential rhetoric that speaks for the party, most notably through presidential party platforms and presidential nomination acceptance speeches. In addition to the importance of presidential rhetoric in policy-based party-building is the importance of the staffing and economic analyses of the executive branch, which can also be used to promote policy.

Finally, different stages of Republican anti-tax party-building can be traced through important case studies. First, the Nixon administration's fiscal policies clearly establish them as existing in the "old politics of taxation", before the Republicans became the anti-tax party. While this is true for Nixon's economic efforts in general, his promotion of a Value-Added Tax (VAT) between 1969 and 1972 identifies this contrast in the starkest terms. They pursued a policy hailed for its ability to raise revenue, judged to be likely to increase taxes over time, and—equally importantly—a more hidden, less painful manifestation of taxes that would make politicizing taxation much more difficult. Next, the initial GOP anti-tax presidential rhetoric, and economic analysis that advocated the 1981 tax cut, are addressed. While the 1981 tax cut is a policy clearly indicative of anti-tax party-building, there is some language that is initially used that does not endure. Specifically, more explicit economic claims, whether about theoretical basis or empirical expectations, are dropped: supply-side economics, the laffer curve, and the promise that the tax cuts will balance the budget by 1984. The last case study covers what presidential rhetoric and policies have endured since that time, particularly centered on the "fairness" question, the idea that tax cuts should be done for a variety of "deserving" citizens, and the idea that the budget can be balanced via cuts in spending. Coalition-building legislation such as the 1986 Tax Reform Act, or provisions such as the Child Tax Credit (for "pro-family" tax policy) underscore this more successful anti-tax position.

MEASURING PRESIDENTIAL PARTY-BUILDING

There are a number of ways that party-building around a policy can be observed in the executive branch. The presidency is a powerful force that can set policy agendas, wield administrative power in government and lead party organizations outside of government. Being the head of a political party confers great power on the president. However powerful many of these tools are, it can be difficult to compare them in an equivalent fashion, or over time. The best candidate for examining party-building actions around policy promotion is presidential rhetoric in comparable and significant venues. Presidential party platforms and presidential nomination acceptance speeches are used here. The party platforms provide a statement of the party's principles and policies to voters for every presidential election. There is no clearer or more comprehensive statement of party policy for American parties, and the regularity and similar format allows for these statements to be compared over time. The acceptance speeches underscore the importance of the presidential nominee's own rhetoric in addition to the committee-created platforms. As noted in the introduction, in the theory of policy-based party-building, for issues of high party-building capacity such as tax-cutting, the presidency is expected to bolster that policy as a strong, consistent agenda item, with rhetoric to match. Both types of statements do indeed show that dramatic shift to embracing anti-tax policy. This shift happens at the earliest possible time after the shift observed in congressional voting: the 1980 presidential election.

Party Platform Content Analysis

A content analysis is preformed on Republican platforms from 1952 to 2012 for evidence of this shift. Every mention of the root word "tax" has been counted in each platform, and then categorized as to whether said utterance is a) not indicative of anti-tax attitudes, b) indicates hostility towards a specific kind of tax, or c) indicates hostility to taxes in general.[241] The total number of words in the platforms have also been counted, so as to provide a baseline for comparison. While it is difficult to claim that a specific numerical threshold exists beyond which the platforms can be deemed "anti-tax", the trends shown below will forcefully show this change. While the category of mentions of hostility to taxes in general is seen as the true anti-tax evidence, the category of grievances against specific taxes is also important. While in theory one can oppose a single tax without opposing the principle of taxation, platforms from 1980 and afterwards both assert anti-tax feelings and then go on to specifically oppose virtually every tax one can think of. The 1952 platform, both substantively and by the numbers, marks a transition to the tax consensus period but does not firmly belong in that period. The 1952 platform, being closer to the high taxes of WWII (the top marginal rate was 94%) and not as firmly in our era of partisan tax consensus, has more anti-tax notions than the other years. However, this section is still not primarily about cutting taxes—eliminating waste and corruption is a major concern, as is inflation and local control. Taken as a whole, then, these specific tax concerns also show a larger picture of anti-tax philosophy.

[241] Hostility to specific taxes would show the feeling that a specific tax was too high, should be cut, or that it was good that it has already been cut (this includes specific tax breaks)—hostility towards taxes in general would show the same sentiments. Not included are related sentiments that taxes are being wasted (a negative tax attitude to be sure, but not one that necessarily objects to a level of taxation—just its misuse). For a full listing of categorization rules, see Appendix A.

Table 1: Presidential Party Platforms and Anti-Tax Rhetoric:

Platform Year	Total Tax Mentions	(Mentions of) Opposition to Specific Taxes (Proportions in parentheses)	(Mentions of) Opposition to All Taxes (Proportions in parentheses) (Anti-tax measure)	Total Number of Words	Section Devoted Primarily to Tax-Cutting? (Anti-tax measure)
1952	24	3	6	5,988	No
1956	14	5	4	11,390	No
1960	6	0	0	10, 680	No
1964	24	9	3	8,740	No
1968	16	9	2	10,013	No
1972	57	20	5	24,407	No
1976	49	16	4	20,463	No
1980	139	51	59	34,558	Yes
1984	125	50	44	27,408	Yes
1988	91	47	23	36,250	Yes
1992	132	44	40	28,536	Yes
1996	110	27	39	27,817	Yes
2000	96	51	26	34,679	Yes
2004	131	49	50	41,421	Yes
2008	96	33	34	23,672	Yes
2012	93	13	23	30,629	Yes

As the above chart shows, there is a significant change in 1980—the average number of general anti-tax attitudes is *three* in the years 1956 to 1976, and jumps to *thirty-nine* in the years 1980 to 2008. Adjusting for longer platforms does not begin to redress more than a small fraction of this difference.

The number of anti-tax sections in each platform is also important—the difference between before 1980 and after is even clearer here. (See Appendix B for a full listing of these sections.) While there may be a few years that seem lower (and not negligibly) than the average of thirty-nine mentions (twenty-three mentions in 1988 and 2012, and twenty-six in 2000 are the outliers), not only are these numbers far higher than the previous (1952-1976) period, but they have sections (planks, if you will) that demonstrate the party's fidelity to anti-tax principles. Every platform in the consensus period of 1956-1976 does not have an anti-tax section—or anything that remotely resembles one. Every platform from 1980 onwards does have such a section (occasionally, they have multiple sections). If anything, this is the cleanest proof of the party adopting a new strategy—there is a clear punctuated equilibrium here.

Anti-tax Principles in Party Platforms

Beyond counting mentions of the root word tax and categorizing them, there are individual quotes that note that Republicans (qua Republicans) fundamentally oppose taxation. In 1984 they assert this opposition to raising taxes "categorically": "Democrats claim deficits are caused by Americans' paying too little in taxes. Nonsense. We categorically reject proposals to increase taxes in a misguided effort to balance the budget." In 1992 they refer to the philosophy of their party: “The Democrats' response was predictable—instead of cutting taxes, they passed a $100 billion tax increase that would have smothered growth and jobs. The President, true to our Republican philosophy, vetoed this tax hike, and sustained his veto with the support of Republicans in Congress… Our Republican position is equally clear: we will oppose any attempt to increase taxes.”

The 1992 platform has more direct tax policy comparisons than other years in the simpler rhetorical format of “our President cut taxes/vetoes tax increases/opposed some specific tax-raising effort” versus “those Democrats wanted the opposite”. In addition to the rhetorical clarity this gives us, it also provides an important glimpse of what Republican candidates must be in order to win their party’s backing and favor. George H.W. Bush had criticized Ronald Reagan’s “voodoo economics” in the 1988 primaries. Yet the new anti-tax tenet forced him to run in the new mold of Republicanism. And after he broke his pledge of “no new taxes”, he was punished by his party (even while they try to gloss over said transgression in the 1992 platform). Thus this new Republican principle bends even the unconverted to sing its praises. In any event, in later years this sort of arm-twisting is no longer necessary—the Eastern Establishment of the first President Bush is a relic of the past as the parties have further polarized.

Continuing with a few more quotes of general principle, in 1996 under the first section of the platform labeled “Principles,” they assert: “we believe in lower taxes within a simpler tax system”. In 2004 they again note that opposition to taxes is inherently Republican—they cite the “Republican commitment to low taxes”. In 2008 they put forth that “That is why Republicans advocate lower taxes, reasonable regulation, and smaller, smarter government." A more detailed statement of specifically Republican philosophy from the same 2008 platform is the following:

> The most important distinction between Republicans and the leadership of today's Democratic Party concerning taxes is not just that we believe you should keep more of what you earn. That's true, but there is a more fundamental distinction. It concerns the purpose of taxation. We believe government should tax only to raise money for its essential functions.

The 2012 platform also underlines that tax revenue should only be spent sparingly and for "services that are essential and authorized by the Constitution", reasoning that "Taxes, by their very nature, reduce a citizen's freedom." It goes on to propose cutting marginal rates by twenty percent across the board, as well as reducing or eliminating a series of other taxes.

These statements of principles and philosophy not only assert Republican anti-tax philosophy but contrast them with the Democrats. The Democrats are described, with varying levels of nuance, as the party that believes in higher taxes. The 2008 platform even has a subsection entitled: "The Democrats Plan to Raise Your Taxes". Because of the way in which this platform analysis was done, many of the assertions that Democrats will raise taxes in one way or another were considered opposition to hypothetical taxes (not anti-tax attitudes towards existing taxes)—less scrupulous coding could have likely found greater numerical evidence of anti-tax claims. (Again, see Appendix A for a full listing of coding rules.) The Republicans are clearly trying to create concern about higher taxes and declare themselves the party to fix such a threat.

Advocating Super-majorities for Raising Taxes

If anything is possibly more convincing than the above explicit statements of Republican principle or philosophy, the repeated assertions that a super-majority should be required to raise taxes is particularly persuasive. The platforms of 1988, 1992, 1996, 2000, 2004, 2008, and 2012 have included a call for such a requirement. This sort of claim is not designed to win any sort of populist favor (it's hardly a talking point or popular buzzword—surely no protester has ever put the procedural detail "super-majority" onto a placard). Even if one believes in anti-tax philosophy, there is no logical requirement that this procedural innovation would find its way into a platform, especially as no large faction is expecting it. What this would achieve is to make is virtually impossible to raise taxes, short of overwhelming Democratic dominance of Congress. Though the platforms do not explicitly say how large of a super-majority they would like, by way of comparison the state of California's two-thirds required super-majority has made raising taxes all but impossible. This has proven true even in difficult economic times, when state revenues are precipitously low.

Anti-Tax Outreach to Many Demographics

All of the above party platform analysis is predicated on the idea that these assertions of principle not only are truthful but are also predictive of what Republicans will attempt to do once in office, given the chance. While there could be areas where Republicans may feel compelled to "spin" their philosophy or their record to sound more appealing to voters, this issue is not one of them. They are not shy about asserting their distaste for taxes both in general and including specific taxes. Just like any political party, there are topics that they've chosen to interpret creatively to make themselves more appealing. For example, while Democrats may chose to see abortion rights, equal pay, and (at one time) ERA as key positions to take to support women, Republicans note that they support female-led businesses with lower taxes and levels of regulation, and a tax code without the "marriage penalty" that would help women—they are quite explicit in portraying themselves as women-friendly. So, too, with African-Americans: aid to this group is interpreted in terms of how they are helped with lower taxes and levels of regulation.

But general opposition to taxes does not appear to fall in this "spin" category. To the degree that tax-related claims are made that are subjective, they come in lesser forms. For example, the opposition to the estate tax (or "death tax") is almost always couched as necessary because it would hurt family farms (later, small businesses also make an appearance alongside the farms). Also, effort is occasionally expended to show how tax cuts help the poor—and sometimes how the tax cuts proposed would help the poor in particular, over other groups. But in terms of whether or not the Republican Party is truthful about its anti-tax feelings (and indeed, in seeing tax cuts as a solution for a wide and ever-expanding variety of policy problems), we cannot doubt their sincerity.

Content Analysis of Presidential Nomination Acceptance Speeches

The presidential nomination acceptance speeches are similar to the platforms in that they make a case for electing the party's ticket and detail policies and political philosophies of that ticket, often with some contrast to the other party. The speeches are more closely identified with the individual nominee, as the process of creating a presidential party platform is executive-centered, but often engages a variety of shareholders, including (potentially) members of Congress, people from the party's national committee, and state and local party representatives. The speeches are also considerably shorter, and do not have section headings. As such, in place of sections devoted to anti-tax principles, we will evaluate instead any clear statements of these ideals. Finally, unlike the party platforms, acceptance speeches tend to cover a small set of policy issues, which allows us to evaluate the issues that are of greater concern to the party. Tax-cutting, as expected, is consistently a high priority.[242]

For the sake of easy comparison, the data from the acceptance speeches is presented in table 2 in a nearly identical table format as the party platforms. The important potion of the table is the presence of anti-tax mentions and statements.

[242] All party nomination acceptance speeches come from the American Presidency Project: http://www.presidency.ucsb.edu/nomination.php

Table 2: Presidential Nomination Acceptance Speeches and Anti-Tax Rhetoric:

Year	Total Tax Mentions	Mentions of Opposition to Specific Taxes	Mentions of Opposition to All Taxes	Total Number of Words	Clear Statement of Anti-Tax Ideal?
1952	0	0	0	1,131	No
1956	0	0	0	4,342	No
1960	0	0	0	5,356	No
1964	0	0	0	3,186	No
1968	2	0	0	4,664	No
1972	11	1	3	4,348	No
1976	8	0	0	2,895	No
1980	20	1	8	4,640	Yes
1984	38	9	11	5,251	Yes
1988	7	0	4	4,139	Yes
1992	20	2	8	4,985	Yes
1996	12	5	4	5,771	Yes
2000	13	3	5	4,118	Yes
2004	13	3	5	5,119	Yes
2008	8	2	5	3,971	Yes
2012	3	1	0	4,087	No

There is a clear pattern above that nonetheless contains two years that do not quite function as expected. Beginning in 1980, anti-tax principles are espoused every year, and often many times over despite the short length of these speeches. The two years that appear to be deviations from this otherwise clear pattern are 1972 and 2012. In 1972 Nixon makes a few statements—that his administration has “provided the biggest tax cut in history, but taxes are still too high" and that he opposes "any new spending programs which will increase the tax burden on the already overburdened American taxpayer". Still, while he wants to provide tax relief (it was, after all, the 1970s), he is strongly committed to balanced budget principles and his statements of tax reliefs do not appear to go beyond the situation-specific difficulties of the 1970s economy to a larger philosophy of strong anti-tax opposition to taxes at all times. The 1972 party platform is certainly not anti-tax in nature.

The other year that does not quite conform to the anti-tax pattern that begins in 1980 is 2012. Unlike 1972, which is a slight deviation and not clear evidence of an anti-tax position, the 2012 outlier is more significant. But here, too, there is significant mitigating evidence that this might not be an outlier to the anti-tax pattern. The 2012 platform is strongly anti-tax. The Romney-Ryan ticket very prominently promised to cut income taxes across the board by 20%. The campaign stuck by the electoral promise even after their calculations came under strong and repeated criticism.[243] The speech does note that "unlike President Obama, I will not raise taxes on the middle class". It is entirely possible that Romney felt his promises to cut taxes were clear, or that he was embarrassed by the 47% remarks, which identified that percentage of Americans not paying income taxes and thus unwilling to vote for his tax-cutting message. It is also possible that the criticism of his personality and campaigning as wooden led to a speech with a different focus than most. Unlike other acceptance speeches, 2012 dwells at length on Romney's upbringing and personal life, and mostly deals with policy in the context of opposing President Obama.

[243] Rampell 2012

Besides these two cases, there is a clear contrast. The early speeches don't mention opposition to taxes, and often don't mention taxes at all. In their place, there are a number of statements that would not be issued from today's anti-tax Republican Party. The 1952 speech, coming before the mid-1950s, does not properly belong in the "old politics of taxation". The speech itself is short and virtually devoid of any policy content; perhaps not surprising from a war hero initially running as a man largely above party. That being said, the 1952 Republican was heavily contested between Eisenhower and Taft, who made clear his desire to cut taxes.

The 1956 speech makes a number of statements one would not see in today's anti-tax GOP. This includes an interest in government's role in confronting the important challenges of improving infrastructure and education.[244] The 1960 speech notes that "government has a role, and a very important one" though it goes on to note that the Democrats have a more expanded view of what government should do. The 1960 statement also unequivocally comes out in favor of foreign aid, which is typically identified as wasteful spending by today's GOP: "it may be just as essential to the national interest to build a dam in India as in California." The 1976 platform identifies that middle-income taxpayers are suffering and deserve relief; hardly an all-encompassing anti-tax position, and certainly true for the time. Additionally, it wants to reduce the growth of government, but not government in absolute terms, while improving Medicare to include better coverage.

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[244] The applicable passage here is: "The present and the future are bringing new kinds of challenge to federal and local governments: water supply, highways, health, housing, power development, and peaceful uses of atomic energy. With two-thirds of us living in big cities, questions of urban organization and redevelopment must be given high priority. Highest of all, perhaps, will be the priority of first-class education to meet the demands of our swiftly growing school-age population." By contrast, today's GOP (as noted in chapter 2 on coalitions), does not see the same primacy for government funding of education, and regularly refuses to raise taxes for the Highway Fund, which used to enjoy a privileged status.

Reagan's 1980 acceptance speech brings with it a new Republican tax language. He notes that he has "long advocated a 30 percent reduction in income tax rates over a period of three years." He goes on to laud "every major tax cut" in the twentieth century for bringing a variety of economic benefits, including new revenue, while noting that "government program exist at the sufferance of the American taxpayer". A fairly common comparison, in both the party platforms and the acceptance speeches, is the identification that Republicans will lower taxes whereas Democrats will raise them. The 1984 speech contains a number of such comparisons, including this rather blanket criticism of past actions: "our friends in the other party have never met a tax they didn't like or hike." He also predicted Democrats' future aims: "Our opponents are openly committed to increasing our tax burden." Republicans' advocacy of tax cuts are designed to bring about a host of positive changes, and are "pro-work, pro-growth, and pro-family". Bush 41's 1988 acceptance speech also contains this contrast, as well as a rather memorable campaign line:

> I'm the one who won't raise taxes. My opponent now says he'll raise them as a last resort, or a third resort. When a politician talks like that, you know that's one resort he'll be checking into. My opponent won't rule out raising taxes. But I will. The Congress will push me to raise taxes, and I'll say no, and they'll push, and I'll say no, and they'll push again, and I'll say to them, "Read my lips: no new taxes."

Incredibly, Bush's 1992 acceptance speech manages to continue to make this contrast while also apologizing for "going along" with the Democratic tax increase.

> Now let me say this: When it comes to taxes, I've learned the hard way. There's an old saying, "Good judgment comes from experience, and experience comes from bad judgment." Two years ago, I made a bad call on the Democrats tax increase. I underestimated Congress' addiction to taxes. With my back against the wall, I agreed to a hard bargain: One tax increase one time in return for the toughest spending limits ever.
>
> Well, it was a mistake to go along with the Democratic tax increase, and I admit it. But here's the question for the American people. Who do you trust in this election? The candidate who's raised taxes one time and regrets it, or the other candidate who raised taxes and fees 128 times and enjoyed it every time?

Dole, in addition to adding Jack Kemp, the original Congressional anti-tax advocate, to his presidential ticket, promised steep tax cuts. He promised a 15% cut across all marginal rates for all taxpayers (implicitly for personal income taxes). He also claims that Clinton signed the biggest tax increase in American history—a bold assertion for a major architect of the larger 1982 tax raise.[245] Bush 41 is not the only ambitious Republican that was forced to don an ill-fitting anti-tax mantle. In 2000 Bush 43 promised to reduced tax rates for all taxpayers, emphasized his record of tax-cutting as the Governor of Texas, and promised to give the surplus back to the taxpayers. In 2004 he ran on his record of the largest tax reduction in a generation, proposing that they be made permanent, noting that his opponent John Kerry opposed these tax cuts. In 2008 McCain listed a "belief in low taxes" as one of a litany of inherently Republican positions, further stating that he would "keep taxes low and cut them where I can" whereas his opponent "will raise them".

A Brief Consideration of the Democratic Side

The Democrats have had a hard time adapting to the Republican anti-tax message. Tax cuts, after all, do have reasonably broad appeal (when described properly—see chapter 2). Often their strategy is merely to offer a smaller tax cut that is more targeted to the middle and lower classes. For example, this was tried in vain in 1981 by Congressional Democrats, and in the 2000 Presidential race Al Gore decided to offer a smaller tax cut to George W. Bush's larger one to give back the surplus. But they rarely coordinate as cohesively, which can be seen in both the

[245] See Tempalski (2006), p. 16 comparison of the bills in constant 1992 dollars.

volatile roll call voting shown in the Congress chapter (chapter 3) and also in different political episodes. For example, in 1992 Paul Tsongas offered a tax fairness plank for the Presidential party platform, which developed into a major intra-party fight but was defeated soundly.[246] This platform addition would have proposed delaying any middle class tax cut (or child tax credit for families) until the deficit had been tamed.

Typical Democratic strategies include identifying how much of Republican tax cuts benefit the richest Americans and decrying a lack of "fairness", while sometimes also promising smaller, better, more targeted tax reform aimed at the middle class or other deserving entitites. In 1980 Carter decried a "bizarre program of massive tax cuts for the rich [and] service cuts for the poor". In 1984 Mondale declared that Reagan gave "each of his rich friends enough tax relief to buy a Rolls Royce." Continuing the automotive theme, in 1992 Clinton accused Bush of raising "taxes on the people driving pickup trucks and lowered taxes on the people riding in limousines." (Perhaps a bold claim, considering the Democratic Congress behind the 1990 tax legislation.) In 1996 Clinton proposed a variety of tax cuts, noting "every tax cut I call for tonight is targeted, it's responsible, and it is paid for within my balanced budget plan." In 2000 Gore also proposed taxes for "the right people—to the working families", adding that he would not propose "a huge tax cut for the wealthy at the expense of everyone else and wreck our good economy in the process." Kerry in 2004 and Obama in 2008, similarly identify the middle class but not the wealthy as deserving of tax relief. Obama directly, if sarcastically, criticized the panacea nature of anti-tax advocacy in 2012.

[246] Congressional Quarterly's *Presidential Elections 1789-1996*, p. 241

> And that's because all they have to offer is the same prescriptions they've had for the last 30 years: Have a surplus? Try a tax cut. Deficit too high? Try another. Feel a cold coming on? Take two tax cuts, roll back some regulations, and call us in the morning.

But it is very difficult for Democrats to propose middle class tax raises. After postponing the expiration of the Bush tax cuts, in January 2013 President Obama negotiated to keep the income cuts for all but the very affluent: families making $450,000 a year or more. His previous calls for raising taxes on households making significantly less, $250,000 yearly, still only identified the wealthiest 2% of Americans.[247]

PRESIDENTIAL TOOLS FOR ANTI-TAX PARTY-BUILDING

The executive branch acts in other ways besides issuing the presidential party platforms where the consistency of strong anti-tax concern is observed. The president occupies an important role for policy-based party-building. As both the party and the head of the executive branch, the president has a number of tools that can be used to engage in anti-tax party-building. These tools include strategic rhetoric in a variety of venues, which can reveal an issue's priority to the party as well as strategic framing and coalitional outreach. Other tools include the vast bureaucracy the president heads. For party-building around fiscal policy, the most important bureaucratic tools include staffing decisions and the calculated use of economic analysis. A number of contemporary trends make presidential party-building easier to observe. Milkis (1993) identifies FDR's tenure as creating an executive-centered party system. Such a system initially diminished the power of parties in Congress, particularly considering how internally divided both major parties were at the time and for much of the 20th century. However, as

[247] Sorkin 2011

parties and the electorate have sorted and polarized, the possibility for the president to work cohesively alongside his party in Congress has grown. Additional contemporary trends include the greater use of media and public appeals as enabling the greater use of presidential rhetoric. Also, the executive branch as a whole can be used for fiscal party-building as the bureaucracy has become a venue for political contestation as well as capable of increasingly sophisticated economic analysis.

Presidential Rhetoric

As the head of the party, the president is the most visible spokesperson for party policy. Neustadt has notably observed that "the power of the presidency is the power to persuade."[248] The development of presidential rhetoric has become considerably more far-reaching since Neustadt initially penned these words in 1960, as an increasing variety of interested parties and the public have been politically courted. Senator Bob Dole noted these expanded efforts, saying "Nixon thought he could build a conservative majority that was above party, and Ford tried to strengthen the traditional Republican Party. Reagan is trying to expand the Republican Party to include a majority."[249] Because Reagan is the first Republican president to engage in anti-tax party-building, his popularity helps his ability to party-build. Many have noted that Reagan was

[248] Neustadt (1960)

[249] Milkis and Nelson (2008), p. 373. While Milkis (1993) notes that the FDR created an executive-centered party system where Congressional parties are diminished, he notes this as an important developmental shift and still recognizes an important role for Congress. See Milkis and Nelson (2008), p. 373: "Significantly, it was Reagan who broke with the practice of the modern presidency and identified his presidency closely with his party. The president worked hard to strengthen the Republicans' organizational and popular base, surprising his own White House political director with his "total readiness" to raise funds and make speeches for the party and its candidates."

more popular than many of the policies he espoused—it is also significant that he was more popular than many of his fellow partisans in Congress.[250]

A few more words are warranted on the subject of presidential party platforms as an important example of presidential rhetoric. The presidential party platforms are not binding documents like the counterparts found in programmatic parties such as in Britain. But they are the closest available such statement of party principle available in the United States. In addition to this status as matter of principle, negotiations between the principals creating platforms reveal that they treat it with this level of seriousness. For example, when the 1984 Republican platform was crafted, Treasury Secretary Donald Regan expressed the importance of this formal statement in a memo to the President.

> I want to express my deep concern over a number of the provisions in the Republican Platform dealing with fiscal and monetary policy. Although I realize a party platform technically cannot bind a President, if it is represented as a statement of an Administration's policies and principles, it cannot be ignored. As a result I am terribly concerned that a number of the provisions added to the platform could prove troublesome to you during the campaign and in the second term.[251]

The revisions undertaken by various executive branch staffers underscore the importance due the platform, though they certainly recognize it to not be (as above) technically binding. For example, Donald Regan, James Baker, and Richard Darman collaborated to remove any advocacy of a Gold Standard.[252] This calculation shows more than that such a monetary policy

[250] Galvin (2010), p. 120. Galvin notes that on the district level, Reagan's electoral margins surpassed those of over two-thirds of Republican candidates running in both 1980 and 1984.

[251] Memo, Donald Regan to Ronald Reagan, August 16, 1984, folder "Republican Platform-Comments," box 7, Richard Darman Files, Ronald Reagan Library.

[252] Donald Regan was (at that time) the Treasury Secretary, James Baker was the Chief of Staff, and Richard Darman was Baker's deputy.

reform was not normatively or politically advisable. It also reflects that while the party platforms do center on the executive branch, that they include collaboration from a variety of political actors, including members of Congress, to truly speak for the party.

The major transformation to an anti-tax Republican Party takes place during Reagan's tenure, but as the consistency of the party platforms show, this is a phenomenon that spans many Republican presidencies, as well as serving as a requirement for all who seek the nomination. George H.W. Bush establishes himself as the more resolute tax-cutter early in the 1988 primaries against Bob Dole.[253] In the 1992 election, as the Congress chapter details, Bush 43 tried his best to establish himself as the anti-tax candidate, while also facing uncertain support from his party over his questionable record on the subject. In 1996 Jack Kemp's addition to the ticket alongside Bob Dole conveyed the importance of tax-cutting to the ticket. A major campaign promise for George W. Bush was to cut taxes, which he delivered on most notably in 2001 and 2003, but also in additional legislation which continued after the 2004 election. One of the few things voters in 2008 could distinguish between McCain and Obama was on taxes.[254] And the 2012 election saw a field where, in a Republican primary debate, each of the nine hopefuls on stage solemnly promised that they would not raise taxes even in a trade that heavily favored them—specifically,

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Memo, Fred Fielding to Richard Darman, July 30, 1984, folder "Reagan Platform [July-August 1984] (1)", box 9, Richard Darman Files, Ronald Reagan Library.

Memo, Richard Darman to James Baker, August 7, 1984, folder "Reagan Platform [July-August 1984] (1)", box 9, Richard Darman Files, Ronald Reagan Library.

[253] *Wall Street Journal*. 1988. "Taking the Pledge." 28 November.

[254] http://www.annenbergpublicpolicycenter.org/american-public-has-much-to-learn-about-presidential-candidates-issue-positions-naes-shows/

$10 in cuts for every $1 in taxes raised.[255] The Romney-Ryan ticket ended up promising 20% cuts across the board for the marginal rates in their platform.

Presidential Rhetoric Literature

Presidential rhetoric is clearly both an important tool of the executive as well as a way of measuring policy-based party-building. It's important to situate the claims made here about presidential rhetoric with the findings of others. Different scholars investigate the effect of presidential rhetoric on other phenomena of interest, with a spectrum of findings of how consequential said rhetoric is. Some investigate the effect of presidential rhetoric on public opinion. Edwards (2003) notes that presidential appeals usually fail to help the president's legislative agenda because the president is unable to change how citizens feel about policies. Canes-Wrone (2006) by contrast, identifies the circumstances under which public appeals can be useful, and notes that such strategic messaging increases the possibility that popular initiatives will pass.

Other scholars explore the effect of presidential rhetoric on bargaining with other elites, typically involving members of Congress. Miller (1993) notes that the executive's pronouncements can move bills from the committees to the chamber floor, while Mouw and Mackuen (1992) identifies that such presidential action moderates the positions of legislators. Kernell (1997) notes more broadly that presidents "going public" can burn bargaining partners but can benefit a popular president. Still others study the effect of presidential rhetoric on the

[255] Friedersdorf 2011

quality of discourse and/or legislation. Tulis (1998) and Bessette (1994) note a negative effect of such appeals, as does Lowi (1985), who notes that they can cheapen into "plebicitary" exchanges. Accounts of positive presidential rhetoric exist, as well, including Milkis' work on LBJ and the Civil Rights Movement.[256]

Whether presidential rhetoric as a tool is mighty or meek largely depends on how amenable the public is to such appeals. Like Canes-Wrone (2006), this work acknowledges the major role mass opinion has in modern policy-making with its focus on the electoral aims sought by policy-based party-building. Schattschneider (1960) asserts that the influence of public opinion depends on the scope of the policy conflict, with the general public exerting power on issues of greater scope while smaller interest groups dominate items of smaller scope. This work similarly agrees that the president (albeit in the capacity of a party leader) is a major force in increasing the influence of citizens by calling upon them to be salient to a policy's formation.

What this work contributes to these larger claims is the conception of presidential rhetoric as a tool of explicit party-building rather than other phenomena. The coalitions chapter of this work notes how GOP language does have an effect on public opinion: both Campbell's work showing that those whose who think their taxes are too high are more likely to vote Republican beginning in the 1990s, and the original analysis showing a greater Republican concern for wasted taxes and deficits when a Democrat is in the White House. This chapter shows how presidential rhetoric can measure the presence or absence of a party-building issue by evaluating presidential rhetoric. The case studies of this chapter will also show presidential

[256] Milkis, Tichenor, and Blessing 2013

rhetoric as a window into how public claims are adjusted to be the most effective. Hacker and Pierson (2005) note that polling shows that the self-reported values of the public do not square with the Bush tax cuts, thus noting that this legislation does not truly have public support. Larry Bartels (2005) notes that polling shows explicit support for the Bush tax cuts. These two observations are not truly in conflict: the public can be persuaded that the proposed legislation is in fact in line with values it already holds. As the shift from rhetoric used to promote Reagan's 1981 tax cut versus that employed thereafter shows, even the Great Communicator had a learning curve. Such rhetoric states the position of a party in a higher-profile way than Congress can achieve. Any disagreement is thus the burden of Congress to prove emphatically and cohesively. Rhetoric makes appeals to the public—most successfully using values the public is already known to hold. This language also reveals outreach to specific groups, as well as outreach to the middle of the political spectrum or the party's base. Appealing to the middle of the political spectrum is the most effective strategy for attracting the most votes (à la the median voter theorem), to the extent that such a discernible middle exists. This observation explains much of the success of tax-cutting as a party-building strategy.

Executive Branch Personnel

Staffing the executive branch is another important tool for engaging in policy-based party-building. While the bureaucracy cannot literally make laws, it often has a hand in suggesting legislation and has a considerable amount of leeway in implementing laws. A number of works identify the president's political appointments as levers for exercising political power, particularly when the executive branch disagrees with Congress. Lewis and Moe (2010) identify presidential tools for such contestation in the bureaucracy, placing particular emphasis on the appointment of agency officials and the budget as a major example of where the president can impose his political vision. They note that in modern times the number of political appointees has increased, owing to this political utility, despite reports that such an increase threatens the "expertise and neutral competence" of the federal bureaucracy.[257] Lewis (2008) also cites administration officials from multiple presidential administrations who attest to this strategic imperative. A George W. Bush personnel official said, "This is not a beauty contest. The goal is to pick the person who has the greatest chance of accomplishing what the principal [that is, the president] wants done." Going further still, Reagan aide Lyn Nofziger said, "as far as I'm concerned, anyone who supported Reagan is competent."[258] Of course, such bureaucratic control is also used in service of the president's party, not simply in opposition of Congress in the event of disagreement (partisan or otherwise).

For fiscal policy, executive branch appointments are particularly important. The Treasury Department is one of the most powerful cabinet-level agencies, and in addition to its Secreatry, includes the Office of Tax Policy, which typically drafts detailed legislation to implement the president's tax policies. The Director of the Office of Management and Budget (OMB) oversees an agency that creates the president's budget, a regular and very important example of president-initiated legislation. The Office of Management and Budget (OMB) is situated within the Executive Office of the President (EOP) and also assists in review of

[257] Lewis and Moe (2010), p. 382. The reports they cite are: National Commission on the Public Service, Leadership for America: Rebuilding the Public Service, Washington DC (1989); and National Commission on the Public Service, Urgent Business for America: Revitalizing the Federal Government for the 21st Century (Washington, DC: Brookings Institution Press, 2003).

[258] Lewis (2008), p. 27

executive agencies, produces economic analyses, and engages in tax policy as well; it is the largest body within the EOP. The Council of Economic Advisors (CEA) is far smaller and advises the president on economic policy, as well as preparing the annual Economic Report of the President. The positions of the OMB Director, Treasury Secretary, and Chair of the CEA are sometimes referred to as the "troika" as they often work together in crafting and implementing the president's economic policy.

Political control of these fiscal policy agencies can be seen in both numerical accounts of the increasing percentage of political appointees over time as well as more detailed considerations of the economic views of the individuals heading them. Steurle (2008) notes that in the 1970s, the strong control of the president's tax policy by the large nonpartisan Treasury staffs was about to change.[259] Rockman (1988) notes that, measured by the percentage of political appointees, Reagan significantly politicizes the executive branch, more than the previous few presidents (and pushing the constraints of the law at the time), with OMB being particularly so.[260] Lewis (2008) later finds that OMB (along with the Small Business Administration) to be the most politicized agencies outside of the cabinet.[261]

If we look at the individuals who staffed important roles, we can see the transformation of the executive branch to one where anti-tax people of a variety of stripes held the major offices

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[259] Steurle (2008), p. 72

[260] Rockman (1988), p. 9-10. Rockman notes that an analysis of three White House staffs (Nixon, Carter, and Reagan) shows Reagan's to be "by far the most ideologically homogenous." (p.9) Rockman goes on to detail that from 1980-1986, the percentage of career Senior Executive Service (SES) officials went down by 5.3%, while the percentage of major political appointees (noncareer SES officials) rose by 13.1 %.

[261] Lewis (2008), p. 81

of influence. A quick caveat: what these staffers have in common is a belief that taxes should be much lower, but there are a number of other things upon which they disagree. These distinctions between economic ideologies are more fully detailed in the introduction chapter. The different camps are the supply-siders (OMB's David Stockman, as well as Paul Craig Roberts and Norman Ture at the Treasury), the monetarists (CEA's William Niskanen, and Beryl Sprinkel at the Treasury), and those that defy any easy categorization, the most prominent of whom is CEA chair Murray Weidenbaum. Stockman notes how the massive Kemp-Roth tax cut was the easiest part of Reagan's larger economic program. It was "the political gravy—the easiest part of the revolution."[262]

Different Personnel, Different Policy: an Example

An example of how changing staffers can change policies involves the transformation of acceptable economic forecasting between 1975 and 1981. As is recounted in the Congress chapter, in 1975 Jack Kemp was advocating his Jobs Creation Act, which reduced taxes on business (by a modest amount; a far cry from Kemp-Roth). President Ford's OMB Director, James Lynn, noted that such a plan was "too extreme" to pass the current Congress, and that Kemp should also be mindful that items such as workforce education and research and development had historically been proven to have a large impact on causing economic growth.[263]

[262] Stockman (1986), p. 54

[263] Letter, James Lynn to Jack Kemp, May 27, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

Lynn correctly judged congressional proclivities, as Kemp's bill never made it out of the Ways and Means Committee—it was never voted on in the committee, either.[264]

However, the contrast goes deeper still. Kemp had sent President Ford (as well as emerging politician Ronald Reagan) a summary of the economic effects of his proposed legislation. He had outsourced the economic analysis of his bill to Norman B. Ture Consultants, Inc.[265] Forecasting much greater economic growth than traditional models predicted was a hallmark of supply-side analysis, analysis that would later push through Reagan's 1981 cut. This allows them to identify that a tax cut has a strong stimulative effect, and will not cause deficits (of any significant size, or at all). By predicting extremely robust growth, this analysis created for Kemp also promised a host of economic balms. Kemp's response from the Ford administration went beyond a prodding to consider education and R&D. Budget Director Lynn forwarded the economic analysis sent by Kemp to the Treasury. There, Treasury Secretary William E. Simon wrote the following to Kemp:

> My only criticism of your letter involves the quantitative assumptions described on page three. My economists tell me that the potential output capability of the U.S. economy in real terms has been approximately 3-3/4 to 4 percent during the past decade… This growth potential is based on relatively simply assumptions about the labor force composition, long-term productivity trends, the average annual hours works and the anticipated levels of unemployment…Accordingly, the output potential in real terms is expected to be 3.2 percent during the 1980 to 1985 period. Beyond that date the labor force growth will decline even further. In other words, the assumed 5.2 percent growth rate suggested in your letter is already above our current capability and is far more than

[264] www.thomas.gov legislative record.

[265] Letter, Jack Kemp to Gerald Ford, November 13, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

Letter, Jack Kemp to Ronald Reagan, October 10, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C. (This included a shorter economic analysis overview than the version Kemp sent Ford.)

> we can expect for the time period beyond 1980. We both agree that capital investment is the crucial variable in future economic growth but it is not the only factor. Therefore, your underlying assumption appears to exaggerate the future output increases.[266]

To be clear, both the Budget Director and the Treasury Secretary are not opponents of Kemp. They both mention that they'd like to see some variety of such tax cuts, and suggest both advice and collaboration in future endeavors. Simon is quite clear that he supports Kemp in a more general fashion: "These suggestions are meant to be constructive and they do not reduce the importance or validity of your basic arguments which I strongly support…I also suggest that some of my economic advisers might get together with members of your staff to discuss our mutual concerns and recommendations." His handwriting adds a coda to the letter: "Keep swinging Jack, you're a great American."

The contrast is this: in Reagan's administration, Norman Ture was the first Undersecretary of the Treasury. No one questioned his high growth projections; they echoed them. Budget Director Stockman's predictions for 1982's GDP growth was 5.2 percent. He describes this decision thus: "Historically, real GNP growth has averaged about 3 percent. We therefore had to expect 5 to 6 percent. Otherwise, what was the point of the whole miracle cure we were peddling?"[267] Stockman provides the following chart[268] of GDP growth projections,

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[266] Letter, William E. Simon to Jack Kemp, 1975, Box 88, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

[267] Stockman (1986), p. 100

[268] Stockman (1986), p. 105. Of course, economic forecasting can be a difficult endeavor. Most accounts of this time period note that the Fed's tight money policy finally succeeded in bringing down inflation in 1981, a process that was accomplished much faster than most economic analysts had foreseen. But curbing inflation had the most significant effects on producing larger deficits than more traditional economic projections (inflation would have otherwise have kept taxes higher, which were not indexed until 1984). Had supply-side economics worked as predicted by the administration, substantial growth would have been evident. It should be noted that this particular form of political manipulation of economic forecasting has not been practiced by all anti-tax Republican

which shows the moderating effect (CEA Chair) Murray Weidenbaum had on bringing down the supply-siders projections, which initially exceeded the optimistic 5.2%.

Table 2: The Reagan Administrations' Different GDP Projections and the Reality:

Quarter	Supply-side/Monetarist Consensus	Final Weidenbaum Forecast	Actual Outcome
1981:4	4.0%	4.0%	-5.3%
1982: 1	9.4%	5.2%	-5.5%
1982: 2	7.8%	5.2%	0.9%
1982: 3	6.8%	5.2%	-1.0%
1982: 4	5.4%	5.2%	-1.3%

The Anti-tax Personnel of the First Anti-tax Administration

A look at the major principals for creating Reagan's fiscal policy reveals a host of individuals strongly committed to tax cuts. David Stockman as OMB Director was the driving administration force on the 1981 tax cuts and budget cuts. Stockman describes himself as a strong advocate of supply-side economics. To him, this meant monetary restraint, lower taxes, and smaller government.[269] He notes that he really believed that tax cuts on the level of Kemp-Roth would result in significant economic growth—enough to balance the budget. Stockman believed that the budget had to be significantly cut and government priorities reordered—a

administrations, especially as a lack of concern for deficits obviates the need for such predictions. Van de Water (2012) notes that "Even under a very optimistic economic scenario, for example, President George W. Bush's own Treasury Department estimated that the macroeconomic effects of his tax cuts would offset less than 10 percent of their conventionally estimated cost."

[269] Stockman (1986), p. 53 Also see Feldstein 1986 for nuances within supply-side economics.

process that would produce temporary pain but long-term prosperity. This belief in balanced budgets led to his advocacy of politically unpopular cuts, the second round of which, for FY 1983, were considered unrealistic and thus politically dead on arrival by both Domenici's Senate Budget Committee as well as his House counterparts,[270] leading Congress to take the reins on much of the 1982 fiscal legislation. After the massive deficits created by 1981's tax cut (while raising the defense budget and not cutting social spending enough to make up the difference), Stockman claims to have been disillusioned by the "triumph of politics" and particularism he found inherent in Congress. He then committed himself to taking steps to reduce the deficit.[271] Stockman's role and thought process throughout these heady days have been written about by William Greider's *Atlantic* article. Greider benefitted from regular communication and candor—Stockman claims he did not understand the free rein he gave Greider for using their taped conversations. After being "taken to the woodshed" for such admission such as "none of us really understands what's going on with all these numbers", Stockman wrote his own similarly candid account: *The Triumph of Politics* was published in 1986.[272]

Stockman identifies Representative Jack Kemp, economist Arthur Laffer, and journalist Jude Wanniski as the core of the original supply-side advocates. Though he was not among them, Stockman notes that these supply-siders advocated a return to the gold standard.[273] While the Reagan administration did seriously consider a return to the gold standard (they created a

[270] 1982 CQ Almanac, p. 27

[271] Stockman (1986), p. 14

[272] Greider 1981

[273] Stockman (1986), p. 65-66. Stockman also lists (New Jersey Senatorial candidate) Jeff Bell as another supporter of the gold standard.

Gold Commission to study the issue), they never seriously advocated it. This is a good example of how different economic divisions existed within the administration (and party), but that such factions did not threaten the push for anti-tax policies. Anti-tax positions were what influential staffers and the congressional caucus had in common—it is not implied that they agreed on every facet of economic policy.[274]

Other administration figures of importance included Treasury Secretary Don Regan, who did not share Stockman's concern for the mounting deficits after 1981.[275] While supply-siders such as Kemp were not concerned by the deficits,[276] Regan appears to have been carrying out Reagan's program without himself converting to any supply-side doctrine.[277] Beyond the top post at Treasury, supply-siders such as Norman Ture also held top posts, as has been previously mentioned.

Reagan's first CEA chair was Murray Weidenbaum, a highly respected economist who'd served in the Nixon administration's Treasury Department. Weidenbaum, who was brought on later than the other main players,[278] appears to have initially functioned to restrain the irrational

[274] Even when deficits mount and other economic problems trouble the Reagan administration, keeping the signature 1981 tax cuts remained the priority. Rockman (1988), p. 22 notes that "President Reagan knew firmly what he wanted and, above all, what he wanted was lower taxes or at least no retreat from the accomplishments of 1981."

[275] Rockman (1988), p. 20

[276] Stockman (1986), p. 57

[277] Stockman (1986, p. 90) calls Regan an "ideological neuter". Others identify Regan as a liberal or moderate Republican more generally.

[278] Weidenbaum's selection is announced on January 23, 1981. (See: Reagan 1981: http://www.presidency.ucsb.edu/ws/?pid=43746)

exuberance of Stockman's projections. Stockman, who had aided the Reagan campaign (though he had initially wanted Kemp to run), sought the post of Budget Director and received the official call from Reagan on December 3, 1980.[279] Stockman put himself on a self-described break-neck schedule to craft an economic proposal and the budgetary projections to go with it in time for Reagan's February 18, 1981 address to a joint session of Congress.[280] Stockman noted that he was able to play an outsized role in this task:

> The professional economist who heads the CEA is usually the one in charge of such forecasts. But by early January, no one had been appointed head of the Council of Economic Advisors. The Secretary of the Treasury also usually plays a major role in economic forecasting. However, Don Regan somehow got the idea that it was only technical formality—something the OMB director needed in order to come up with his budget numbers. "It looks to me like I'm going to have a month to catch up while you work your tail off on budget cuts," he said. "I didn't come to make tax policy. My job is to execute and sell what the President has already decided. So there's not much left to do except tie the ribbon on Kemp-Roth and 10-5-3."[281]

Weidenbaum would keep his misgivings about supply-side economics quiet while he still worked in the administration. (His work showing that deficits do not necessarily create inflation or high interest rates, discusses in the coalitions chapter, would be useful to the administration.) His replacement, Martin Feldstein, publicly quarreled with Treasury Secretary Regan. After Feldstein left, the CEA chair position went vacant. Rockman (1988) notes that the administration did not find the position particularly useful. "Eventually, after a long interregnum, Beryl Sprinkel, a monetarist and former Treasury official earlier in the administration, was chosen to head a CEA whose role in the Reagan White House had been

[279] Stockman (1986), p. 70

[280] Stockman (1986), p. 88-104

[281] Stockman (1986), p. 91.

greatly diminished."[282] Other notable CEA members who did not chair the council included William Niskanen, a prominent monetarist. While not a supply-sider, he too supported the 1981 cuts.

Economic Analysis

While not a conventionally recognized tool for party-building or policy promotion, economic analysis can be used towards these ends. Most comparisons of the venues for economic analysis often note that those located in the executive branch must be viewed through the prism of promoting the president's policies. Many accounts contrast OMB with CBO, noting the latter has maintained a reputation for nonpartisan, high-quality analysis.[283] Of course, there are other parts of the executive branch (primarily Treasury and the CEA) that can also produce a range of policy alternatives, economic forecasts, and a variety of other recommendations. Such expertise can be used in a variety of ways that is politically useful.

It can perform analyses of possible reforms that jibe with administration philosophy, highlighting different possible manifestations as well as general advisability of such reforms. The previously mentioned interest in a gold standard is a good example of this. Such a reform would have been one way of achieving the Reagan administration's early advocacy of monetary policy to break the fever of inflation. Besides the core group of original supply-side advocates,

[282] Rockman (1988), p. 22

[283] Schick (2007), p. 63 notes this comparison with an example from a Democratic administration: President Clinton's OMB projections pertaining to his health care proposals.

some in Congress (including Ron Paul) advocated such a reform.[284] The Gold Commission that was formed to study the issue was chaired by Treasury Secretary Don Regan, and also included CEA Chair Weidenbaum, as well as another CEA member (Jerry Jordan), and representation from the Federal Reserve, both chambers of Congress, academia, and the private sector. The Commission recommended that such a reform not be pursed,[285] and the Federal Reserve, led by Paul Volker, continued on its more conventional tight money course, which is typically credited as efficacious.

Economic analysis can also be used in other ways that yield political benefits. An administration can highlight research that prompts a reconsideration of how people think about economic policy. If this research is well done, it will not only add to our understanding of the economy, but may also yield political benefits for the presidential administration at the time. The example given in the coalitions chapter on the work by the CEA's Weidenbaum, Niskanen, and others showed that deficits did not create the inflation, high interest rates, and crowding out that the conventional wisdom had held were linked. This is a valuable insight that also allowed the Reagan administration to run large deficits (and the Bush 43 administration to do the same). This is not to say that deficits ceased to have any consequence for the Reagan administration; the Gramm-Rudman-Hollings (GRH) legislation was a prolonged but ultimately failed attempt to

[284] Memo, Michele Fratianni to Murray Weidenbaum and Jerry Jordan, September 16, 1981, folder "Gold Commission" box OA 10878, William Niskanen Files, Ronald Reagan Library. Ron Paul was a member of the Gold Commission.

[285] Gold Commission, 1982. The Gold Commission issued its report to the Congress on March 31, 1982, and had been working since the previous July. This example is not meant to imply that the Gold Commission was politicized in its analysis, but rather that its expert recommendation ended up being politically useful by being efficacious policy. In the judgment of the commission and a broad swath of respected economists then and since, returning the dollar to being pegged to the price of gold would have a variety of deleterious economic effects. This is an episode that does not receive a lot of scholarly or journalistic attention.

rein in deficits. But the administration managed to keep its cuts to the marginal rates, keep most of the net revenue loss engendered with the 1981 cuts, and continue its expanded defense funding. Abandoning the balanced budget ideal in previous years would have been tantamount to another third rail of politics; it appears that only Social Security retains that distinction.

Unorthodox Economic Analysis

The last method that economic analysis can be used for political ends is by using unconventional analyses as supporting evidence for an administration's favored policies. A number of Reagan's speeches contained economic claims that showed a "cavalier attitude towards accuracy."[286] [287] [288] This approach is inherently risky, particularly when it is used as the

[286] Steurle (2008), p. 92. Steurle notes Reagan's famous February 5, 1981 address to the country on the economy (which also identified that he'd make a detailed speech to Congress on February 18 with the details of his fiscal policy—which would be predicated on similarly flawed analysis). Steurle details that the White House speechwriters had sent the speech to the Treasury Department, who took issue with the line that "Prior to World War II, taxes were such that on the average we only had to work just a little over one month each year to pay our total federal, state, and local tax bill. Today we have to work four months to pay that bill." When the uncorrected claim (the tax burden had about doubled, not quadrupled) was aired, the speechwriters claimed that Reagan had not said how long prior to WWII he was counting from.

[287] Stockman (1986) p. 74 notes that a major campaign speech on the economy on September 9, 1980 (usually referred to as the "Chicago statement") included "numbers [that] were worthless", calculating a smaller defense buildup and less costly business tax cut than the campaign promised in order to make more optimistic economic claims.

[288] Stockman (1986), p. 97 identifies Reagan's statements on "waste, fraud, and abuse" as being problematic: "These simplifications undoubtedly had a cost I didn't recognize at the time. They made the impending bruising political battle to shrink the welfare state spending sound too much like nostrums about waste, fraud, and abuse. It wasn't the same thing at all." A number of works take issue with claims about "waste, fraud, and abuse" taking up substantial amounts of federal spending (in some claims, eliminating this would balance the budget). Similarly, claims that welfare spending (AFDC or its current incarnation TANF, or a broader conception) or foreign aid consumes a large portion of spending, or that reforming or eliminating it could balance the budget are also problematic. (See Patashnik, 2004, p. 679-680 for one such treatment.) These are problematic claims from a policy-making or civic discourse standpoint, but they are also problematic for anti-tax party-building. When people believe such rhetoric, the inability of the GOP to balance the budget by eliminating these (or eliminating them for

basis for legislation that is enacted. Of course, sometimes the conventional wisdom turns out to be wrong. But unjustified heterodoxy has the potential to discredit a president, a party, or a policy. This is particularly true for legislation when clear evaluative standards for claiming success and failure exist. Using such unconventional analysis, or worse, clear falsehoods, in rhetoric is can also be costly. Creating impossible expectations can ultimately be very damaging for party-building. Ideal policy-based party-building is built on accountability and credible claims: delivering on promises. A few examples of such heterodoxy, particularly OMB Director Stockman's "rosy scenario" will be discussed in the case studies.

PROCESS-TRACING WITH THREE CASE STUDIES

FIRST CASE STUDY: NIXON'S VAT ADVOCACY, 1969-1972

Before delving into the first case study, a little context is necessary. There are a number of aspects about fiscal policy in the mid-1950s to mid-1970s that identify this period as the "old politics of taxation." The introduction identifies the balanced budget consensus a low politicization of taxes as defining this period. This manifested itself in rhetoric lauding balanced budgets as a norm, a benchmark of accountability for national politicians, a symbol of a governmental restraint.[289] This also resulted in tangible budgetary outcomes: low deficits and periodic surpluses, a reasonably approximation of the balanced budget theory in practice.[290]

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other reasons) frustrates partisans. Strategically, the GOP can credibly claim to have substantially lowered taxes—their inability to deliver on other budgetary claims may have initially captured voters' attention, but it is now creating anger against a Republican Party leadership for not delivering on impossible promises.

[289] White & Wildavsky (1989), p. 50. See also Savage (1989)'s discussion of balanced budgets as evincing different symbols over time. They initially were cited as evidence of a lack of corruption, then as a hallmark of an efficient,

The characteristics of this time period are themselves undergirded by a number of different aspects specific to the Executive Branch. During this time the President's tax policy was strongly directed by the Treasury, making greater use of its extensive nonpartisan civil servants.[291] These staffers have since become less consequential for policy, often helping transform a president's political promises into legislation rather than engineering policies aimed at achieving more general economic goals.[292] While different fiscal policy factions elevated different legislative priorities at this time[293], such goals were not mutually exclusive and were mediated by the nature of the tax legislating. Conservative Democrat Wilbur Mills, the longtime chair of the House Ways and Means Committee, cultivated an environment where policy was considered and enacted in a "neutral, technocratic matter."[294] The level of agreement on economic theory and goals led Milton Friedman to despair that "we are all Keynesians now" in a 1965 issue of Time Magazine. Later he would explain that the lack of sharp disagreement at elite levels meant that distinctive viewpoints were difficult to discern: "In one sense, we are all

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professional state (and a lack of graft) before the Reagan administration challenged the conventional wisdom of economically deleterious deficit spending.

[290] Patashnik (2004), p. 670

[291] Steurle (2008), p. 72

[292] Steurle (2008), p. 16

[293] Zelizer (1998) identifies (p. 9) that the tax community had three factions: social security, growth manipulation, and tax reform. The first favored contributory social welfare spending as the mechanism to provide the most generous programs given America's political culture. The second group emphasized the stimulative potential of adjusting the income tax. The third pushed for closing loopholes to broaden the base and better horizontal equity goals (the idea that people/corporations making the same amount of money should be paying roughly the same in taxes).

[294] Zelizer (1998), p. 159

Keynesians now; in another, nobody is any longer a Keynesian."[295] It is this statement that Nixon echoes when he told a reporter in January 1971 that "we are all Keynesians now."[296]

There are a number of different legislative episodes that would reveal this period to be clearly in the "old politics of taxation" and before the advent of GOP anti-tax party-building. To investigate the presidential side of such efforts, there are a few Republican administrations to pick from: Eisenhower, Nixon, and Ford. As the only elected president squarely within the mid-1950s to mid-1970s timeframe, Nixon's administration is perhaps the best candidate. Efforts of the Ford administration to dissuade Kemp's tax-cutting passion, while also a fitting example, have been detailed earlier in the third chapter, on Congress. Additionally, a number of academics (Galvin 2010) and journalists (Perlstein 2008) identify Nixon as the forefather of the modern conservative Republican Party. There are many ways one might advance this claim—from an organizational party-building standpoint writ large (Galvin), from regional shifts (and the variously-defined "Southern Strategy"), to media strategies or various policies (particularly "law and order" claims). Many of Nixon's policies were quite liberal, however. And most importantly for our purposes here, his tax policies are not those of the contemporary anti-tax Republican Party. Viewed through the most important GOP party-building issue of the past several decades, the modern Republican party begins with Reagan.

[295] Bartlett 2013.

[296] Silk 1971.

The Larger Context of Nixon's Fiscal Policy: A Broad Spectrum of Policy and Rhetoric

The Nixon administration attempts a far wider array of solutions than tax cuts and deregulation that marks the party after 1980. The next two case studies will detail specific presidential rhetoric and phrases used as the initial 1981 anti-tax rhetoric matures. The fuller context of Nixon's fiscal policy is given here both to identify his administration as not being party to the Republican anti-tax politics of the new politics of taxation, as well as engaging in an extremely wide variety of presidential tax rhetoric. The administration both promoted policies anathema to anti-tax advocates as well as generally engaging in a wide variety of new and experimental actions. While some economic indicators were positive, inflation was beginning to cause problems and difficulties balancing the budget were worsening.[297]

The Nixon administration successfully passed a number of notable laws: a tax raise in 1969, which made a notable effort at reducing tax expenditures used by the wealthy to substantially reduce their tax bills, if not eliminate them altogether. Outgoing Treasury Secretary Joseph Barr famously provided the impetus for this loophole-closing effort, testifying in Congress in January 1969 that an impending "taxpayer's revolt" may be imminent as citizens discovered the vast inequities in the system.[298] While Nixon signed the bill, many of the administration's proposals were not accepted, with Congress developing the vast majority of the legislation.[299] A number of aspects would identify this effort as belonging in the "old politics of

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[297] Bowles (2005), p. 41-42

[298] Birnbaum & Murray (1987), p. 14. Barr uncovered IRS figures showing that 155 people making incomes over $200,000 paid no income taxes in 1967, including twenty-one millionaires.

[299] 1969 CQ Almanac, p. 589

taxation" beyond the lack of a Republican push for tax-cutting that would define their agenda. In addition, this bill showed the willingness of a Republican administration sign on to a tax raise,[300] as well as the desire to raise revenue to pay for a war. This was to offset the costs of Vietnam, the last time American legislators would seek revenue for a war effort.

The Nixon administration also signed a tax cut into law in 1971, got the country off the Gold Standard in 1971, and enacted wage and price controls. As the administration sought to fight inflation, promote growth, and tame deficits, they considered a wide array of different policies. One major fiscal policy considered by the administration was the Family Assistance Plan (FAP), which would have provided all American families with children with a guaranteed annual income (GAI). This traditionally liberal policy was proposed by the administration in August 1969, suffered from slow action and too many adversaries, finally reaching its denouement in 1972.[301] Considering how commonly Nixon would try to attract different ideological factions in Congress at different times, his revolving door of different legislative partners has been characterized as "floating coalitions."

While these legislative examples would identify the Nixon administration as emblematic of the Republican Party before the "new politics of taxation" and anti-tax party-building, perhaps the best example to underscore this periodization is Nixon's unsuccessful push for a value-added tax (VAT). This advocacy may be, substantively speaking, the farthest away from anti-tax party-building that an American politician can get. This is tied to various aspects of a VAT, as well as

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[300] Bowles (2005), p. 42. Nixon successfully pushed to extend the temporary income tax surcharge that LBJ passed to help pay for Vietnam, and which Nixon had excoriated during the 1968 election.

[301] Michelmore (2012), p. 99-106

Nixon's prolonged interest in the subject and political capital expended in its pursuit. In focusing on this episode, we can see presidential party-building in the rhetoric and political capital expended, as well as the role of staffers and other advocates, and the careful crafting of economic analysis. Crucially, after the GOP becomes anti-tax, all three of these presidential party-building tools reverse to oppose a VAT.

The Economics and Politics of a VAT: Explaining Anti-tax Opposition

A VAT is a consumption tax. While American state governments often use sales taxes of varying, albeit low, levels to generate revenue, a VAT is a consumption tax that is different in meaningful ways. The absence of a national sales tax is the major fiscal distinction between the United States and other nations, particularly other economically advanced democratic systems. Not only do these nations have such a tax on the national level, but they can generate sizable portions of national revenue. Each nation varies somewhat in exact VAT rates, and a number also apply income taxes (often to only wealthier citizens). In addition to these distinctions, a VAT, unlike a state's sales tax, taxes a good at each stage of production. For example, a baker making bread would see the wheat, flour, eggs, and other materials taxed whenever one company purchased supplies from another—with the consumer paying the final tax. Different variations exist on VATs worldwide—in order to soften the regressive nature inherent in a VAT, some systems impose lower VATs (as low as 4% in some nations) on food, so as to not unduly burden poorer citizens. Some also contain higher rates for luxury items, to effect the same softening of regressivity. A VAT has benefits for businesses, as the costs of machinery are often exempted. A VAT plays a significant role in fostering international trade, as, under the rules of international law, a VAT can be deducted from the price of a product a company exports, making them more competitive in international markets that also use a VAT (which is many).

There are a number of different economic and political implications that stem from using a VAT that would cause anti-tax advocates to oppose it. These include the visibility and burden taxpayers would face under such a change, as well as the revenue-generating capability and implications for coalitional politics. Firstly, because taxpayers pay for a VAT at the same time that they purchase goods and services, they are aware they are paying a tax, but likely cannot easily judge their yearly tax bill. This is very different from the lump-sum payment that is due on April 15 for federal income taxes—or, for that matter, state and local property taxes that homeowners pay. The payroll (ie FICA) taxes that come out of citizens' paychecks are perhaps an apt comparison in that they do not cause taxpayer angst in April (Americans never received the funds withheld, so paying them back does not decrease their bank accounts), though FICA taxes are far more visible and easy to calculate. If one wants engage in party-building around the burden of tax-paying, a VAT is the least advantageous system.

A second politically-salient implication of a VAT is its revenue-generating capability. As a Treasury official noted during Nixon's advocacy period, a VAT "can raise one hell of a lot of money."[302] For Republicans, those in their party and their wider coalition believe that a reliable, robust stream of government revenue is a questionable goal. Pursuing a VAT would not please these people. Larry Summers noted this in 1988 when he explained both major parties' objections to a VAT. "Liberals thinks it's regressive and conservatives think it's a money

[302] Rowen 1972

machine."[303] While the conservative concern is accurately stated, this merely scratches the surface as an explanation of why a VAT is unlikely to happen.

What is missing in discussions of VAT political feasibility is that the Republicans' anti-tax coalition and electoral strategy strongly opposes this tax. They want the issue. Specifically, they want taxes to be politically salient, a visible burden that can be used as an electoral issue. This is even more important than some anti-statist coalition partners opposing robust government funding—after all, when in power Republicans have not shrunk federal outlays, but rather spent on different priorities. During the "new politics of taxation" when Republicans party-build around tax-cutting, they have worked to oppose any tax reforms that have included a VAT. These efforts will be detailed after Nixon's efforts are described.[304]

Nixon's VAT Advocacy

The fact that the Nixon administration spent political capital pushing for a VAT marks the absence of anti-tax party-building efforts. While a VAT does occasionally surface in American fiscal reform conversations, it typically does so as an academic exercise that is quickly pushed aside. Nixon's VAT advocacy is an exception to this, giving this tax the strongest and

[303] Rosen 1988

[304] Another issue pertinent to the question of VAT adoption in the US, but not pertinent to a discussion of anti-tax party-building, is the problem federalism poses for VATs. States and localities see VATs as another consumption tax poaching on their fiscal turf (sales taxes). See Purohit 1997, who notes on page 357 that "although more than 100 countries have gone in for a system of Value Added Tax (VAT), it is not a sheer coincidence that most of the federations have not adopted it." VATs have organized political forces opposing them, and none proposing them. Analysts regularly miss this political aspect when they talk about the possibility of adding a VAT to the American system.

most sustained push with powerful political forces it would ever see in the US. After studying different possible uses and forms of a VAT, the Nixon administration centered on a federal VAT that would have funded public K-12 schools. Under the administration's plan, the federal government would have distributed VAT funds to the states via a federal revenue-sharing arrangement. In turn, the states would be prohibited from using local property taxes to finance public schools.[305] In addition to answering complaints from the states about a "fiscal crisis"[306], concerns about school funding, and general difficulties in balancing budgets, this plan also sought to alleviate property taxes, which were rising alongside inflation. It is no small irony that in his quest for political success, Nixon tried to snuff out the spark of the anti-tax revolution: the statewide tax revolts spurred on by high property taxes.

Nixon uses presidential rhetoric, staffing, and economic analysis to push for a VAT. Within the first nine months of his tenure, Nixon appointed a commission to study the federal tax system, particularly the nature of the burden placed on corporations. A VAT was a likely possibility for a panel so constituted: the business community had been considering a VAT for years, and the commission included Dan Throop Smith, a tax expert in Eisenhower's Treasury Department, who was described by the *New York Times* as "possibly the nation's most ardent advocate of the value-added tax".[307] By early November 1970 it was reported that Nixon ordered the Treasury Department to create a detailed draft of the VAT proposal for possible

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[305] Venters, Hauptli, and Cohen-Vogel (2012), p. 36.

[306] Dale (1972)

[307] Venters, Hauptli, and Cohen-Vogel (2012), p. 46-47

inclusion in the President's budget.[308] The reform idea began garnering attention in the press, and statements from interested parties. In January of 1971, John Connally, Nixon's Treasury Secretary nominee, told the Senate Finance Committee that Nixon wanted broad reform that could include a VAT.[309] That same month, Nixon was interviewed on network television. One topic of the many addressed was a VAT, which Nixon noted that the administration was considering.[310] Later in the summer and fall of 1971, the idea of linking a VAT with reduced property taxes and school funding emerged within the administration as being more politically auspicious.[311]

Such clever maneuvering would not be enough. The legislative discourse with Congress soured considerably in late 1971 and throughout 1972. When Nixon administration touted how much revenue could be raised, Representative Fulton (D, TN) labeled the tax "insidious" for being both hidden and regressive. A Democrat opposing less visible taxes is perhaps as surreal as the Republican administration countering that they would limit its regressivity. In Congress, the most common complaint, particularly among liberals, was the regressive nature of the tax. In early 1972 Senators McGovern and Muskie both publicly denounced the VAT plan on these grounds.[312]

[308] Shanahan (1970 b)

[309] Venters, Hauptli, and Cohen-Vogel (2012), p. 47

[310] Nixon noted that "I do not plan to ask for new taxes. I have considered the possibility of the value-added tax as a substitution for some of our other taxes, and, looking to the future, we may very well move into that direction." (Nixon 1971.)

[311] Venters, Hauptli, and Cohen-Vogel (2012), p. 49

[312] Naughton (1972). In early February when both men announced their opposition to a VAT and unveiled their own proposals to alleviate local property taxes, Muskie was the early establishment favorite before McGovern would go on to win the nomination.

The administration attempted to note that various mechanisms would reduce the regressive nature of the tax, to no avail. In a June 22, 1972 press conference Nixon attempted to make this case, only to quickly change the subject.[313] By September the administration was turning away from a VAT even more clearly. In a September 18, 1972 statement, Treasury Secretary George Schultz noted that, vis-à-vis a VAT, "The probability that the President would want to do that seems to be declining."[314] Schultz went on to note that "interaction" of a federal VAT with existing state and local taxes was problematic. Nixon had requested the Advisory Commission on Intergovernmental Relations (ACIR) to study the use of a VAT specifically as a replacement for property taxes to go to fund residential public schools in January of 1972.[315] While late 1972 saw the Nixon administration backing away from a VAT, the report issued by the ACIR in January of 1973 pulled the window of opportunity definitively shut. It denounced such a reform in strong terms, beginning with the report's title: "Financing Schools and Property Tax Relief: A State Responsibility."[316]

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[313] Venters, Hauptli, and Cohen-Vogel (2012), p. 52. In another news conference in February of 1972, Nixon also recognized the problem of regressivity, but while he was not enthusiastic about a VAT did not reject it outright:

"That is why when you discuss value-added--and Secretary Connally and I have had a long discussion about this just 2 days ago and we are going to discuss it again in Florida tomorrow, along with other problems of that type--when you discuss value-added, it can't even be considered unless the formula can be found to remove its regressive features, if you had it across the board. I don't know whether such a formula can be found.

But to sum up, we have made no decision with regard to a value-added tax. At the present time, we have not yet found a way, frankly, that we could recommend it to replace the property tax. But, with the obligation to face up to the need to reduce or reform property taxes, the Treasury Department necessarily is considering other methods of taxation." (Nixon 1972 b.)

[314] Milius (1972)

[315] Nixon (1972 a)

[316] Advisory Commission on Intergovernmental Relations (1973)

The Importance of Staff and Advocates: Later Anti-Tax Figures Push for a VAT

A number of later anti-tax proponents helped Nixon promote the idea of a VAT, further underscoring this period as a time before the Republicans became anti-tax. Caspar Weinberger worked as Nixon's OMB Director—whose passion for slashing social spending would later earn him the nickname "Cap the Knife". David Stockman, then a young staffer, helped the White House lobby, gaining press attention from the *New York Times* for his efforts.[317] Jude Wanniski is also notable as the later proponent of a "Two Santa Claus Theory" where Republicans would offer tax cuts as their popular proposal to counter the Democratic "Santa" of social spending. Wanniski penned a *Wall Street Journal* editorial titled "An Idea Worth Considering" that identified the benefits of a VAT and lamented that, by April of 1972, it had not garnered enough serious discussion.[318] It is hard to overstate the about-face on Wanniski's part. The Republican tax-cutting Santa is the core of their electoral message. His and others' advocacy of a VAT shows that they had not yet converted to the anti-tax position at this time.

[317] Stockman (1986), p. 34. He notes that "the White House needed some Congressional support for its revenue-sharing proposal, which was then under attack by Wilbur Mills, chairman of the House Ways and Means Committee." The only White House revenue-sharing proposal pushed at this time (and thus also the only one opposed by Mills) was the VAT proposal. Stockman himself admits that during this time in his professional life he was in search of "grand theory". This search for new solutions (grand or not) does not make him unusual—many national politicians were searching, with increased desperation as the 1970s progressed, for policy fixes to their economic woes. History has seen multiple episodes of willingness to experiment in the face of inexplicable economic hardship. But these particular actors' actions show that at this time the GOP had not yet identified its tax-cutting solution.

[318] Wanniski (1972)

The Contrast: How an Anti-Tax GOP Treats a VAT

VATs have been periodically investigated in American history, often when war, new spending programs, or big deficits prompt an inquiry into new revenue.[319] After the GOP becomes anti-tax, we can observe the organized Republican opposition to a VAT that is characteristic of an anti-tax party-building strategy. When a VAT is considered, or tax reform appears imminent, Republicans often react by inserting anti-VAT provisions in their party platforms. The first time this ever appeared was in 1988, a time period where efforts to rein in deficits, particularly with the flawed Gramm-Rudman-Hollings (GRH) Act, were doing poorly. The next presidential party platform in 1992 also contained such a provision, with both identifying Democrats as the advocates of such reform. By that time GRH had been discarded in favor of PAYGO, which had not yet begin to show its later benefits (which would later help balance the budget, along with the 1990 and 1993 tax raises, spending cuts, and a booming economy). The platforms of 2008 and 2012 also contain anti-VAT language, likely out of concern for methods of funding the Affordable Care Act (a campaign promise in 2008, and a program that had received high level suggestions of VAT funding by 2012).[320]

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[319] See Schenk (2011). A VAT was considered to finance the Civil War in 1862, as well as World War II in 1942. After Nixon's efforts, the next effort on the national level was in January 1977, in a report by Ford's outgoing Treasury Secretary William Simon, which included a VAT as a possibility. It never even saw committee action. In addition to the episodes listed in this chapter, a VAT was also considered in 2009 and 2010 by advocates outside of government such as Paul Volker. A spokesperson for Budget Director Orzag, Kenneth Baer, noted that a VAT is "unlikely to be in the mix" as a financing mechanism for health care. He went on to note that "while we do not want to rule any credible idea in or out as we discuss the way forward with Congress, the VAT tax, in particular, is popular with academics but highly controversial with policymakers." (See Montgomery 2009.)

[320] Those passages are as follows:

1988: "Many economists advising the Democrat Party have publicly called for a national sales tax or European-style Value-Added Tax (VAT) which would take billions of dollars out of the hands of American consumers. Such a

Beyond the clear message sent by the rhetoric of the party platforms, the staffing and economic analysis in Republican administrations can also be used to dissuade lawmakers from instituting a VAT. An example of this occurs in 1984. As lawmakers geared up for major tax reform again, a wide variety of reforms were considered in what would ultimately become the Tax Reform Act of 1986. The Treasury produced a considerable amount of reform analysis during this time, which included a multi-volume report on tax reform in 1984 that covered a VAT. While the Treasury analysts succeeded in describing a wide range of tax reform options, they also had a section on "Political Concerns" connected to a VAT that warned against it: "Foreign experience indicates that those countries with value-added taxes tend to be high tax, and presumably high government spending, countries…Over a longer time span, for nearly all

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tax has been imposed on many nations in Europe and has resulted in higher prices, fewer jobs, and higher levels of government spending. We reject the idea of putting a VAT on the backs of the American people."

1992:" Leading Democrat Members of Congress have called for a national sales tax, or European style Value Added Tax (VAT), which would take billions of dollars out of the hands of American consumers. Such a tax has been imposed on many nations in Europe and has resulted in higher prices, fewer jobs, and higher levels of government spending. Republicans oppose the idea of putting a VAT on the backs of the American people."

2008:" In any fundamental restructuring of federal taxation, to guard against the possibility of hyper-taxation of the American people, any value added tax or national sales tax must be tied to simultaneous repeal of the Sixteenth Amendment, which established the federal income tax."

2012: "In any restructuring of federal taxation, to guard against hypertaxation of the American people, any value added tax or national sales tax must be tied to the simultaneous repeal of the Sixteenth Amendment, which established the federal income tax."

All major party platforms can be found on: Woolley, John T. and Gerhard Peters, The American Presidency Project: http://www.presidency.ucsb.edu/platforms.php

European countries with a value-added tax, total taxes have increased as a percentage of national output since the introduction of the value-added tax."[321]

Republican VAT Opposition beyond the Presidential Level

There are a few other episodes of note that show Republican opposition to a VAT. After the Republican Party in Congress becomes decidedly anti-tax in 1978, the House Ways and Means chair, Al Ullman (D, OR), promoted the idea of a VAT.[322] Understanding that a new tax might be unpopular, he proposed that it be used as a substitute for payroll taxes, and opened up a number of wide-ranging hearings on a VAT. HR 5665, the Tax Restructuring Act of 1979 did not attract any cosponsors or even make it out of the committee. While there were a variety of reasons for the proposal's failure, concerns over regressivity and rising prices in a time of inflation were particularly pronounced.[323] [324] Both of these arguments garnered wide concern.

[321] Report: "Tax Reform for Fairness, Simplicity, and Economic Growth: The Treasury Department Report to the President—Volume 3: Value-Added Tax," November 1984, folder "Tax Reform," box OA 11850, Edwin Meese Files, Ronald Reagan Library.

[322] Ullman has also been painted by anti-tax advocates as losing the 1980 election because of his VAT advocacy. (See: *Wall Street Journal* 1993: "Beware the VAT".) Schenk (2011, p. 58) notes that this "political lore" is likely flawed (his narrow loss could also have been due to the fact that his opponent showcased that his only residence in the state was a hotel room, and a war injury prevented active campaigning). It is enough to show anti-tax strategy that this cautionary tale is told, irrespective of how accurate it actually is.

[323] Considering the levels of inflation during the late 1970s, this would seem a particularly bad time to introduce such a tax. Rising prices (as taxes levied on a good in earlier stages of production get passed along to consumers) are a commonly-cited manifestation of a VAT. The French (the first to adopt a VAT), use the (French) acronym TVA, and joke that it really means "tout va augmenter"—everything will cost more. (Rowen 1971.)

[324] A description of the bill's difficulties: "Miller Cites VAT Problems As House Tax Hearings Begin" Nov. 17, 1979 CQ article by Dale Tate, Box 243-44, file 5: "Taxes: Value-Added Tax. 1979", (Malcolm Russell's Files), Thomas P. O'Neill, Jr. Congressional Papers (CA2009-01), John J. Burns Library, Boston College.

The comments of Barber Conable (R, NY), the ranking minority member of the Ways and Means Committee, are particularly instructive for the Republican partisan viewpoint. He had a few telling comments in a conference on a VAT hosted by the Chamber of Commerce in October 1979 (closed to the public and summarized by a Congressional Research Service Report). In addition to stating that he preferred more decentralized government and feared that a VAT would encourage the growth of the central government, he did not want to add another tax. He was skeptical that the VAT would truly be a substitute for the payroll tax, thinking it would end up being an additional tax. His larger views on taxation show not just the typical GOP opposition to taxes, but the strategic impetus behind it—namely that they want the issue. They want taxes to be highly politically salient so that they can capitalize on them. Part of the summary of his remarks reads that "Conable feels that taxes should be obvious and perhaps somewhat painful so that the public is inclined to monitor their leaders on the issue of taxation. Hidden taxes mean that the politicians don't have to go on the line for their tax policies."[325] When Republicans assail "hidden taxes", this is part of their objection.

Beyond congressional action, anti-tax coalition partners have organized against a VAT. An outshoot of Americans for Tax Reform, the organization (one suite over) "Citizens Against a National Sales Tax/Value Added Tax" claims its beginnings in 1987, and by 1993 had amassed a list of 108 members of Congress who pledged not to vote for a VAT. (Only five of the 108 were Democrats—despite liberal distaste for regressivity, contemporary opposition to a VAT is a largely Republican phenomenon.) This organization justified its position in familiar terms: a

[325] Congressional Research Service: "Value-Added Tax: Implications for Business. Summary of the Value-Added Tax Conference, Chamber of Commerce of the U.S." October 3, 1979. Box 229-30, file 19: "Taxes- Value Added Tax- Implications for Business, 1979", (Jack Lew's Files), Thomas P. O'Neill, Jr. Congressional Papers (CA2009-01), John J. Burns Library, Boston College.

VAT would lead to higher taxes, as well as hidden and politically easy taxation: "A VAT would greatly increase the tax burden on the American people…The European experience with value added taxes demonstrates that after a VAT is imposed, the initial "low" rate is rapidly increased…and that other taxes actually increase faster than before…The hidden nature of the VAT makes it easy for politicians to raise taxes."[326] Such efforts were mobilized in 1993's fiscal policy climate where the Clinton administration was openly considering (but never strongly advocating) a VAT.

Nixon's advocacy of a VAT marks 1969-1973 as distinctly before the GOP adopted an anti-tax party-building position. This is true even though the policy was not enacted and despite the fact that there were other economic policies that Nixon pushed harder for. An anti-tax Republican, never mind an entire Republican administration, would have never advocated for this tax. A VAT would make it very difficult, if not impossible, to party-build on the issue of tax-cutting. In the absence of a Democratic White House and overwhelming Democratic control of Congress, there is no chance for such a reform while the GOP remains the anti-tax party.

SECOND CASE STUDY: PRESIDENTIAL PARTY-BUILDING AND THE 1981 CUT

Reagan's initial fiscal policy and the 1981 tax cut in particular can be dissected from many different angles. The administrations' coordination with interest groups, as well as a look at party-building in the legislative process have already been covered in previous chapters. Here,

[326] Citizens Against a National Sales Tax/ Value Added Tax list of Congressional caucus members, March 2, 1993, file: "tax issues, value-added (1993)," Staff Files: Karen Buttaro, Robert H. Michel Papers, The Dirksen Congressional Center, Pekin, IL.

the development of party-building rhetoric, as well as important staffers and their economic analysis is charted. These rhetorical claims match the actions of the Presidential administration, particularly Budget Director Stockman and his economic analysis.

Presidential Rhetoric and the 1981 Tax Cut

This initial period shows the Reagan administration using the rhetoric and arguments Kemp, Laffer, and Wanniski had made since the mid-1970s. Reagan had been in contact with Kemp during this time, and had used similar arguments in his 1976 presidential run.[327] These supply-side arguments argued that substantially cutting the marginal income rates (and taxes generally) would unleash tremendous economic growth, enough to more than pay for the costs to revenue of the cuts themselves. These arguments often made comparisons to the 1920s tax cuts and (more often) to the 1964 Kennedy tax cut. These arguments were the rationale behind the Kemp-Roth bill that would form the backbone of the 1981 tax cut. As such, they were the first iteration of anti-tax rhetoric that wanted to prove itself against skeptics, and had not yet been tested by the politics and economic manifestations of becoming law.

This presidential rhetoric shows what evaluative criteria the party should be judged upon as well as which groups the party is reaching out to. The administration initially justified its position using experts and expertise to counter the prevalent skepticism by mainstream

[327] The Congress chapter (chapter 3) includes this information. One of the clearest examples of Reagan using this rhetoric is in an op-ed he wrote during the 1976 campaign: "Warren Harding did it. John Kennedy did it. But Jimmy Carter and President Ford aren't talking about it. That "it" that Harding and Kennedy had in common was to cut the income tax. In both cases revenues went up instead of down." See: Op-ed by Ronald Reagan in the Washington Post, October 12, 1976, Box 134, folder 5, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C.

journalists and economists. Here, the initial major claims will be charted, with their replacements noted in the last case study. (No such comprehensive account of Republican tax rhetoric exists elsewhere.[328]) This can be seen in the early use of more technical economic claims, including Arthur Laffer and the Laffer Curve, supply-side economics, and claims that the tax cut will pay for itself by spurring economic growth, as well as the claim that the budget would be balanced by 1984. The Kennedy tax cut is also cited by way of comparison—rhetoric initially popularized by Jack Kemp in Congress in the mid-1970s. While the Kennedy comparison is still occasionally invoked, the other examples of rhetoric have faded away. Some of the evaluative criteria (balancing the budget by 1984, and that the tax cut would spur enough growth to pay for itself) simply failed to be realized. The references to specific economic concepts (Laffer and supply-side economics) ran a few risks. Not only did such specific claims create the possibility for criticism by those experts, or by their connection to the previously mentioned evaluative criteria, but these claims were unlikely to compel the average voter.

The references to specific economic concepts—supply-side economics, Laffer, and the Laffer curve—all fade away relatively quickly. Dr. Arthur Laffer was part of the core group of supply-side advocates in the mid-1970s that also included journalist Jude Wanniski and Representative Jack Kemp. He is well-known for the "Laffer Curve", the concept that the state could tax its citizens at a rate between 0% and 100%, and at both ends of this spectrum the revenue collected would be zero, but that there is a middle point at which revenue can be

[328] To the extent that others cover individual rhetoric claims either for their own sake or rhetoric that also represents an evaluative criterion of policy, James Savage's book *Balanced Budgets and American Politics* (1988) and Berman and Milanes-Reyes 2013 article "The Politicization of Knowledge Claims: The "Laffer Curve" in the US Congress" are recommended.

maximized. Laffer then argued that the 1970s tax rates were in excess of the ideal hypothetical optimal tax rate. (In 1974 he drew this curve on a napkin for Nixon/Ford administration staffers Donald Rumsfeld and Dick Cheney, as well as Wanniski—later mentions of Laffer often involve napkins.) As is noted in the Congress chapter, Laffer did not represent mainstream economists or conservative economists.[329] He did lend professional credibility[330] and tireless political advocacy to promoting his view of supply-side economics (a combination of significantly lowered taxes and monetary reform) both in the 1970s and in the early years of Reagan's tenure.

A search of the Public Papers of the Presidents[331] shows that Reagan initially cites Laffer as providing legitimization and scholarly support for his fiscal policy. A December 17, 1981 press conference lists Laffer as one of many economists consulted on the advisability of the 1981 tax cut.

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[329] The Congress chapter notes that while detractors like Alan Greenspan and George Stigler thought taxes should be cut, they criticized the idea that a cut in taxes would lead to revenue gains, and Kemp-Roth specifically. See: Business Week article: "The Fallacy of Slashing Taxes Without Cutting Spending" by Seymour Zucker, August 7, 1978, box 94, folder 4, Jack Kemp Papers, Manuscript Division, Library of Congress, Washington, D.C. In the article George Stigler is quoted as saying the following: "Laffer is no longer a very serious scholar. He is playing the role of the propagandist, and as such he is providing some service. But I would not base a $125 billion tax cut on his work."

[330] During the 1980 election Carter noted the role of having an economist endorse the "Reagan-Kemp-Roth" tax cut:

"I understand that former President Ford was given a briefing on the Reagan-Kemp-Roth proposal by, I think, Governor Reagan himself—at least in his presence—and announced that he could not support it. And I don't know of any qualified economist, except Mr. Laffer, who originated this concept, who is endorsing the Reagan economic program."

See: Carter 1980. http://www.presidency.ucsb.edu/ws/?pid=45014

[331] The American Presidency Project contains the entirety of the Public Papers of the Presidents in a keyword-searchable format. As such it is possible to claim the exact number of presidential public statements made about subjects such as Laffer or supply-side economics.

> I have met with our Council of Economic Advisers that crosses the spectrum; Milton Friedman, George Schultz, Arthur Burns returned from Germany briefly for this, Alan Greenspan, Arthur Laffer, Paul McCracken, any number. I should stop because I know I won't name them all, and I apologize to them for that. All of them are of a single mind with me: We stick with our tax program; we go forward with the reduction in tax rates. And I have no plans for increasing taxes in any way.[332]

Such support of Laffer as one voice in a spectrum of respected economists was not to last. There are three other mentions of Laffer or the Laffer Curve by Reagan, and none by any other Republican president. The other three mentions by Reagan are retrospective views mainly told to conservative audiences.[333]

Laffer likely fades from anti-tax rhetoric for a few reasons. For one thing, the explosive growth he promised the 1981 tax cut would unleash did not appear to materialize, as the country went into a short but deep recession in 1982. Secondly, after the passage of the 1981 tax cut, Laffer publicly criticized the Reagan administration's economic policy, particularly because they would not adopt a Gold Standard.[334] It is difficult to hold up an individual to legitimize your policy if both their claims have been unsubstantiated and they no longer endorse you. Work by Berman and Milanes-Reyes suggests that the Laffer Curve became highly politicized over time in congressional discourse, thus not performing a legitimizing function.[335]

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[332] Reagan 1981 (b). http://www.presidency.ucsb.edu/ws/?pid=43367

[333] One was a March 1, 1985 speech to the Conservative Political Action Conference, recalling the early days of the New Right generally. Another was a December 1, 1988 dinner honoring Jack Kemp and praising his interest in the marketplace of ideas—again, not exactly an endorsement of Laffer. The last of the three was not a retrospective address honoring a conservative person or organization, but the section of the speech that contained it was a retrospective listing of different conservative economists who'd gained recognition. This July 10, 1987 address also did not use Laffer to justify any policy.

[334] Laffer 1982. (Wanniski also publishes vociferously, decrying a lack of a gold standard.)

[335] Berman and Milanes-Reyes (2013) performed an analysis of all 425 uses of the term "Laffer Curve" in the Congressional Records from 1977-2010. Democrats used the phrase in a positive way in 9% of these utterances,

Supply-side economics follows a similar pattern to mentions of Laffer, though with a larger number of total mentions in presidential rhetoric.[336] The first five mentions of supply-side economics, in 1981 between March and November, follow the administration's initial projections that the tax cut will quickly usher in economic growth, paying for itself. There are a few comparisons to the Kennedy tax cut as another tax cut that prompted economic growth (reporters in these interviews often push back, noting differences between the 1981 legislative agenda and the 1964 tax cut). The next six mentions, from December 1981 to August 1982, often involve a reporter asking Reagan whether he is still a supply-sider, considering the effects of the legislation passed. All six involve Reagan on the defensive, including on July 28, 1982 when he notes that he wanted to implement the full supply-side program, including far greater social spending cuts, but Democrats did not allow this. There are two mentions, in 1986 and 1987 when the economy was performing better, that are positive about supply-side economics while also backing away from any technical definition, noting that it was supply-side economics "or incentive economics", "or Chicago school economics", or merely Reaganomics broadly defined that was what was working. The last two mentions for Reagan involve a 1987 interview where Reagan declines to criticize supply-side to a skeptical reporter, and a dinner honoring Kemp that is largely a retrospective account. Bush 41 does not mention it once in his public papers. (He dodged a reporter's pointed question on the faults of supply-side in 1990, but never

while Republicans used it negatively 8% of their total mentions. They divided the 33 years up into 3 different periods, and they found that it began to be talked about as a "cognitive symbol" in the first period, but was talked about as "a theory that had clearly been disproven" by Democrats in the second time frame. In the third period, "Democrats nearly stopped using it as an intellectual concept at all, referring to it instead as a polluted symbol for a particular political group – supply siders and the Reagan administration". (Page 74.)

[336] These public statements occur on: 2/18/81, 3/3/81, 10/1/81, 11/6/81, 12/17/81, 12/23/81, 4/14/82, 7/23/82, 7/28/82, 8/10/82, 8/13/82, 6/10/85, 4/15/86, 7/10/87, 10/22/87, and 12/1/88. See bibliography for full citations.

brings it up himself.) Like the Laffer Curve, supply-side becomes a tainted symbol. Similarly, the claims that the budget would be balanced by 1984, made so prominently in 1980 and 1981, disappear. Claims that the budget can and must be balanced from the spending side appear instead.

Party-Building via Staff and Economic Analysis: The Rosy Scenario

The rhetoric used to push for the 1981 tax cut is directly connected to the economic analysis performed to push for this legislation. In this particular case, the 1981 cut is based on unorthodox economics. The name of this heterodoxy is memorable enough to have a name: David Stockman's "Rosy Scenario."[337] Stockman's use of the term was enough to cement it in the (fiscally knowledgeable) popular imagination as synonymous with a fanciful projection. The Reagan administration was to begin with an early statement of fiscal policy on February 18, 1981 to a joint session of Congress. In order to fill out the details of that speech, Stockman and other members of the administration had to work feverishly to create a comprehensive program, along with economic projections. Stockman describes the bargaining between different ideological factions: "we got out our economic shoehorn and tried to jimmy the forecast numbers until all the doctrines fit."[338] The supply-siders and monetarist positions were stitched together, creating an initial compromise with very low levels of inflation.

[337] See White & Wildavsky (1989), p. 98-101; Stockman (1986), p. 85-105; Greider (1981).

[338] Stockman (1986), p. 99

CEA Chair Weidenbaum, noting that a forecast of low inflation was not generally expected, forced Stockman to alter his projections, threatening to take his objections to the President.[339] Threatened with the prospect of sending Reagan to his congressional address empty-handed, the factions began to bargain again. Stockman recalls that on February 7, he bargained with Weidenbaum that in exchange for keeping the real growth rate "reasonably high" that Stockman would go along with any inflation estimation Weidenbaum could abide as an economist.[340] In addition to the economic projections, Stockman's larger program included targets for cutting social spending. Adding further to the fiscal lexicon, Stockman created the notion of a $44 billion "magic asterisk" for cuts he could not yet account for and get an administration consensus behind.[341] Constrained by the tax cuts, the administration's statement that major entitlements would not be touched, and a large growth in defense spending, Stockman was forced into an untenable situation.

The Rosy Scenario, along with political arm-twisting of Senate Budget Chair Domenici,[342] the goodwill afforded Reagan after the assassination attempt, and the logrolling of Southern "Boll Weevil" Democrats all contributed the success of much of Reagan's economic

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[339] Stockman (1986), p. 100-103. Stockman notes that irony that the initial low-inflation compromise, the more ideologically-driven analysis, actually projected far higher deficits, which could have been politically deadly. In any event, the projections they created substantially diverged from CBO's, as well as involving bargaining between ideological factions.

[340] Stockman (1986), p. 103

[341] Stockman (1986), p. 171. Stockman notes that the White House did not understand what this $44 billion figure truly meant: that they had to go after Social Security.

[342] Stockman (1986), p. 178. Stockman describes "playing rough" with Domenici "until he saw the light", including influencing a Wall Street Journal Op-Ed titled "John Maynard Domenici" which accused him of trying to "single-handedly destroy the Republican Revolution."

program. The tax cuts and indexing were enshrined and protected even as other revenue was raised and the 1984 target for a balanced budget came and went. The Rosy Scenario, once revealed by journalist William Greider,[343] may have shortened Stockman's career in politics, but it aided anti-tax policy by helping pass the 1981 cut.

The Legacy of the Rosy Scenario

Stockman's actions would cause later administration officials to try to recapture the public's trust. However admirable we may judge such attempts to be, it is clear that they must walk a strategic line. To the extent that they establish standards for credit-claiming that are based on achievable political and economic actions, they help foster party-building. For example: the pledge to cut taxes if given the chance--and not to raise them--is the classic anti-tax credit-claiming. But if they prevent anti-tax policy that they will cause political problems. Bush 41's Chief of Staff, John Sununu, noted that Budget Director Dick Darman wanted to create a respectable budget. Sununu, noted that "Dick Darman is not a non-taxer" and "he [Darman] thought that the success of getting a budget that would work, instead of a Stockman budget that didn't work, would have great political positive repercussions."[344]

In addition to his work with the 1990 budget, Darman sought to police wayward economic claims more generally. For example, early drafts for a 1992 speech to the Howard Jarvis Taxpayers Association reveal the following claim: "Reforming education and welfare

[343] Greider 1981.

[344] Miller Center 2011

alone would go a long way toward solving our fiscal crisis. When we get these reforms in place, we will realistically be able to balance the federal budget without raising taxes—and without piling new burdens onto state and local taxpayers." When the speechwriters forwarded this to Darman, he crossed out the statement, writing: "Note: unaware of any analysis that supports this claim."[345] The sentence containing the balanced budget line was stricken from the speech, but such claims have resurfaced in recent years. They may fire up anti-tax aficionados, but the inability to deliver on these claims means that a party cannot engage in credit-claiming. To be effective, heterodox economic analysis must either turn out to be correct, or help pass legislation the party wants to take credit for--without becoming its own rallying cry.

THIRD CASE STUDY: ENDURING ANTI-TAX RHETORIC

The anti-tax rhetoric that has endured after the 1981 cut is marked by more effective electoral outreach, making more plausible evaluative claims, and challenging (and thus blunting) anti-tax criticism. The more specific economic philosophies and experts that were initially cited are rarely mentioned—certainly not as supporting evidence for promoting policy. In the place of claims of balanced budgets and tax cuts creating sufficient growth to pay for themselves has emerged the claim that the budget can be balanced through spending cuts. While this may be virtually politically impossible, it is arithmetically possible. It also has the benefit of focusing on

[345] Memo, Phillip Brady to Darman (and others) (re: Presidential Remarks: Howard Jarvis Taxpayers Assn.), June 15, 1992, OA/ID 13628, White House Office of Speechwriting, Speech Draft Files, Chron File 1989-1993, George H.W. Bush Presidential Library. Another staffer reacted similarly to the line, saying "Delete AFDC is 2% of federal spending! 5% of the deficit. The rhetoric is overstated." See: Memo, Phillip Brady to Richard Porter (and others) (re: Presidential Remarks: Howard Jarvis Taxpayers Assn.), June 15, 1992, OA/ID 13628, White House Office of Speechwriting, Speech Draft Files, Chron File 1989-1993, George H.W. Bush Presidential Library. Richard Porter was the Assistant to the President for Economic and Domestic Policy.

shrinking the welfare state, as many anti-tax coalition members seek. Mondale noted that in doing this, Reagan practiced the "politics of subtraction."[346] Patashnik notes that large deficits created what Washington insiders called "the fiscalization of the policy debate."[347] Similarly, the identification of supply-side economics and the Laffer curve have virtually disappeared.

In the place of these claims, a number of efforts to reach out to various groups has appeared. The administration's outreach to the Christian Right in particular (but also Hispanics, conservative Southern Democrats, and the poor) is detailed in the coalitions chapter. This is not an exhaustive list, however—platform details from earlier in this chapter would add women and African-Americans to that list. The Reagan administration (along with Jack Kemp) long advocated for Enterprise zones in urban areas to entice businesses with low taxes. Clearly, some of those efforts have been more successful (ie the Christian Right via "pro-family" rhetoric and Southerners) than others. Such innovation has helped to build a powerful coalition and has been prominently displayed for legislation such as the 1986 Tax Reform Act (see chapter 2), as well as in continued efforts (eg the Bush tax cuts) to increase the Child Tax Credit.

The Reagan administration also pivoted to take on the "fairness" question around 1982. When their policies were described as helping the rich and hurting the poor, they came together to craft a serious response to this charge. To be sure, Democrats had made many statements concerning a lack of Republican concern for the poor prior to the Reagan administration. But

[346] Milkis & Nelson (2008), p. 374

[347] Patashnik (2004), p. 679

these cries became more specific to tax policy with the advent of anti-tax Republicanism, as well as more vociferous. Journalist Michael Kinsley described these efforts in January 1983:

> Fairness and compassion are indeed the great themes of Democratic rhetoric these days, and the rhetoric often comes buttressed by statistics. For example, according to the Congressional Budget Office, the combined effects of Reagan's personal tax cuts and his social welfare cuts will leave the average family $740 better off in 1983—but this represents an average gain of $15,130 for families with $80,000 a year or more, and a loss of $240 for the typical family making less than $10,000.[348]

The Reagan administration convened a February 1982 meeting at Camp David to discuss the upcoming election and the impression that the GOP was the party of the rich. This meeting generated a number of actionable items, many of which made their way into a formal report put together by Richard Wirthlin and titled simply "A Political Action Plan". This document expresses concern that the administration's "support eroded considerably among the swing coalitions that provided the incremental muscle to defeat Jimmy Carter"—providing polling data for blue collar, Hispanic, Southern, ideologically moderate, and union voters. The overview of the strategic objectives is short and clear: "There are only two issues that require our undivided attention in 1982: economic recovery and the perceived fairness of our program."[349] Reagan began peppering speeches with claims of tax fairness, both in general and with respect to specific groups. This occurred in private and public speeches, to audiences large and small. Reagan's 1985 State of the Union address grandly called for a "Second American Revolution", including

[348] Harper's article "Who's the Fairest of Them All?" by Michael Kinsley, January 1983, folder "Mainline church briefing packets 8/30/84", box OA 12267, J. Douglas Holladay Files, Ronald Reagan Library.

[349] Report ("A Political Action Plan") (sent to James Baker from Richard Wirthlin), March 1982, folder "Polling Information 1982 (2 of 6)", box 65, Mike Deaver Papers, Ronald Reagan Library. The report continues: "If the recovery occurs, the bite will clearly be taken away from the charge that our administration is insensitive and unfair. However, that will not happen automatically, and we must view every presidential action and every presidential policy—economic, domestic, and foreign—against this criterion: Does this action/policy say to American that we are fair, especially to the least fortunate members of our society?"

“tax simplification for fairness and growth”, tax reforms “to restore fairness to families” and for passing “a tax bill for fairness, simplicity, and growth”.[350]

One last example of the influence of anti-tax rhetoric concerns tea party rhetoric. To be sure, this is not properly categorized as solely or particularly presidential rhetoric. It has also not been embraced by national politicians on a large scale prior to 2009, and thus is functionally distinct from the other examples of enduring Republican rhetoric that have been used for explicit party-building from at least since the mid-1980s. But it does suggest the power that rhetoric can have in building political coalitions. This is discussed here as adding additional context to other accounts (principally that of Skocpol and Williamson 2012) which do not recognize the deeper roots of organizing around this rhetoric.

Skocpol and Williams identify a timeline where the first mention of (anti-tax, anti-statist) tea party rhetoric issuing from CNBC commentator Rick Santelli in a televised diatribe against President Obama’s proposed housing policies, on February 19, 2009. They then identify the first Tea Party protests as occurring in dozens of locations nationwide on February 27.[351] To be fair to these authors, they note that “the Tea Party is a new incarnation of long-standing strands in US Conservatism”—but then note that “opposition is concentrated on resentment of perceived federal government “handouts” to “undeserving” groups”.[352] Some journalistic accounts trace the current incarnation of the Tea Party back to earlier in the 2000s (most prominently Mayer

[350] Ronld Reagan 1985 (a) http://www.presidency.ucsb.edu/ws/?pid=38069

[351] Williamson, Skocpol, and Coggin (2011), p. 37

[352] Ibid, p. 26

2010, in covering the Koch brothers). While these observations are well-supported, they are incomplete: they do not make the link to anti-tax party-building, or even necessarily a distinctly Republican agenda.

To be sure, disconnected groups over many, many decades have independently thought to compare their tax grievance metaphorically to the American Colonists' Boston Tea Party. But over the past two decades Republicans have recognized the utility of such groups to national, partisan politics. Reagan makes the comparison as a rhetorical flourish in a 1985 speech, linking anti-tax revolts to Republican ascendance:

> In the seventies the antitax movement begins. Actually, it was much more than an antitax movement, just as the Boston Tea Party was much more than antitax initiative. In the late seventies Proposition 13 and the Sagebrush Rebellion; in 1980, for the first time in 28 years, a Republican Senate is elected; so, may I say, is a conservative President. In 1984 that conservative administration is reelected in a 49-State sweep.[353]

Howard Jarvis' California-based anti-tax organization, the Howard Jarvis Taxpayers Association, engaged in colonial themed tax protests. A 1991 newsletter for the association made such a claim in an explicit fashion:

> There are great similarities between the spontaneous outburst of California property owners to the imposition of taxes in… 1991 and the Colonists' reaction to the British Stamp Act of 1765. Members of the Sons of Liberty tarred and feathers stamp agents to protest the tax which required stamps to be affixed on such things as business licenses, legal documents, diplomas, and newspapers. Modern day tar and feathering for officials who voted for a new tax on property comes in the form of recall petitions.[354]

The stylistic comparisons did not end with the above language.

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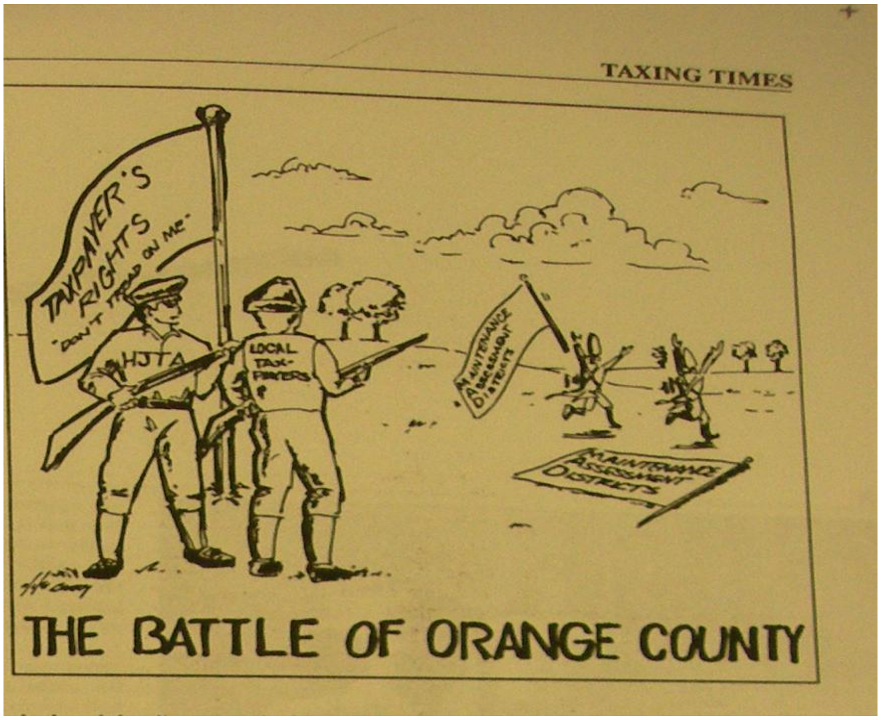
[353] Reagan 1985 (b) http://www.presidency.ucsb.edu/ws/?pid=38274

[354] Newsletter article: "The People Want a Vote in Their Taxation" by Joel Fox (in Taxing Times, the official newsletter of the Howard Jarvis Taxpayers Association), winter 1991, folder "Jarvis Tax Reform [2]," OA/ID 13819, White House Office of Speechwriting, George H.W. Bush Presidential Library.

Illustration 1: *Taxing Times* Anti-Tax Political Cartoon:



The best example of an earlier Republican anti-tax party-building link to the Tea Party comes in 1994. A number of Republican national figures planned demonstrations for April 15 to energize the public on the tax-cutting issue. Then-House Minority Whip Newt Gingrich and Americans for Tax Reform President Grover Norquist organized reenactments of the Boston Tea Party in a number of major cities nation-wide, including Boston, Indianapolis, San Diego, Atlanta, and Washington. Norquist also specified that smaller demonstrations would be held at town post offices, often for the purpose of getting signatures for anti-tax referenda on the state level. Gingrich highlighted the strategic aspect to this display:

> It's not as hot as in the late '70s, but it does help us a lot to remind voters which party raises taxes. You don't have the kind of bracket creep pressure you had in the 1970s [before the system was indexed to inflation], but wherever taxes have been on the ballot, they [proponents of lower taxes] have won, and where Republicans have made taxes a campaign theme, they have won.[355]

[355] Edsall (1994)

Skocpol and Williamson's work documents the expansion of Tea Party groups once they were promoted by conservative news outlets and bolstered by advocacy groups with deep pockets. The existence of these claims goes back much further than Rick Santelli's 2009 diatribe, and are best understood in the context of party-building efforts that begin in the late 1970s.

The Republican Party has come a long way from the wide variety of fiscal policies under Nixon, to the initial rhetoric and economic analysis of the 1981 tax cut, to the matured, coalition-building rhetoric and policies begun later in Reagan's tenure. This evolution may not be finished, however. The very last example, the Tea Party, also serves to illustrate a possible shift currently underway in anti-tax party-building that will be more fully discussed in the conclusion chapter. That is, because the Republican Party has been so successful at lowering marginal rates for federal income taxes, people pay less and a larger number of people pay no personal income taxes at all. Republican presidential nominee Mitt Romney told a private party that because 47% of Americans don't pay income taxes, they will not vote for the Republican candidate. Both the claim and the reality undercut the appeal of this party-building issue. Previous national Republicans emphasized tax cuts as helping a wide swath of the population, often highlighting non-wealthy demographics. It is possible that this issue is shifting away from the political center towards its extremity.

CONCLUSION

The presidency is a unique window to view the dramatic shift towards an anti-tax Republican Party. Presidential rhetoric in party platforms can be used to measure the presence of this claim over time, as a dramatic shift towards an anti-tax position is evident in 1980. The executive branch has a number of tools at its disposal to engage in policy-based party-building around taxation. Presidential rhetoric is one such tool—beyond showing the strength of the commitment to this issue over time, statements by the executive can reveal coalitional outreach to different groups and changing political tactics. The larger executive branch can also be used to promote anti-tax party building via staffing choices (particularly for OMB, CEA, and the Treasury), as well as economic analysis.

The development of presidential anti-tax positions is shown with three case studies. The first involves the Nixon administration's fiscal policy, in particular their advocacy of a VAT. The very nature of this tax identifies this period as not embracing anti-tax ideas, as does later GOP organizing against the VAT on anti-tax terms. The second case study covers the initial rhetoric and analysis used to create the 1981 tax cut. The third case study shows the maturation of the anti-tax position in rhetoric and policy. While anti-tax Republicans have always contended that taxes are too high, that the state is too large, and that both are connected and have a variety of deleterious effects, there is an interesting shift in other rhetoric. Organizing around the 1981 tax cut used economic terms and people (supply-side economics, Arthur Laffer and his curve) as well as evaluative criteria (balancing the budget by 1984, the tax cut paying for itself) that are quickly discarded. In their place, the Republicans claim the fairness issue for themselves and engage in outreach to a variety of groups in an expanding anti-tax coalition. There is a coda to this story, however: the organizing and rhetoric of the Tea Party has far deeper roots than has been previously recognized. The rhetoric of such groups (particularly the more recent 47% and makers v. takers language) threatens to undermine Reagan's coalitional efforts. The future of anti-tax party building in a new environment will be discussed next, in the conclusion chapter.

Chapter 5: **Conclusion**

The preceding chapters have detailed the extraordinary rise of the anti-tax position in Republican politics. This anti-tax position was not originally conservative, but the GOP saw their electoral benefits and seized on them as a powerful coalition builder. The ultimate party-building policy, tax cutting provides favorable public opinion (and thus votes), ideological compatibility with the party's coalition, and financial support. It brings together a host of different groups and demographics in a new fusionism that unites a variety of socially and fiscally conservative groups and reaches out to new voters. This transformation is traced via the public opinion efforts and interest groups involved in coalition-building (chapter 2). This position is also embraced with the institutional tools available in Congress and the executive branch. The high level of party-building capacity around the tax-cutting issue leads to a variety of expected party behaviors in different venues, which are detailed in the three case study arcs for the coalition, Congress, and presidency chapters.

Just like any other policy position in a political arena, the anti-tax position will confront new challenges and developments. The past few years have seen a number of such challenges confront this position, testing its strength. A series of recent events have been complicated by the anti-tax position, including debt ceiling showdown in 2011, which created the fiscal cliff and sequestration. Other procedural phenomena include a worsening of Washington's gridlock, as well as some new factors that drive it, including CUTGO and the GOP's new opposition of earmarks. The previous pages have detailed the unusual strength of the anti-tax position as a powerful builder of the party and its coalition. But there is no permanence in politics. We must ask how long the anti-tax position can endure, or endure in its current form. We must question whether this is sustainable both from a revenue position, as well as whether the anti-tax coalition can withstand new fissures. The Republican Party has truly achieved much in enacting this favored policy, as well as reaping political benefits. We must ask if they have become a victim of their own success.

RECENT EVENTS COMPLICATING THE ANTI-TAX POSITION

The 2011 Debt Ceiling

The debt ceiling is an unusual device, unique to the United States, which requires Congress to raise the total amount of debt the country can hold. Created in 1917 to give the Treasury greater (but not absolute) control in issuing bonds and certificates during wartime, the debt ceiling has since been passed over seventy times by Congress, and usually without fanfare. This particular procedural nuance of fiscal politics need not interfere with anti-tax politics, as there is no requirement to raise taxes in order to raise the debt limit.

The 2011 debt ceiling fiasco was different, however. In December of 2010, the CBO published a report titled "Economic Impacts of Waiting to Resolve the Long-Term Budget

Imbalance."[356] This report was a gentle nudge to policy makers, advising of the myriad ill effects of continuing to hold higher debt—between the Bush tax cuts, their two-year continuance in 2010, and deficit spending to combat the recession, the federal government was running trillion dollar deficits at the time. Then in January 2011, the two biggest (of three) credit ratings agencies, Standard and Poor's and Moody's, warned that if US debt kept growing, they would downgrade the American credit rating from the perfect AAA rating it had always held.[357] None of these organizations, of course, tied taming the deficits to the debt ceiling.

When Treasury Secretary Timothy Geithner sent a letter to Congress, instructing them to raise the debt ceiling, as the government's borrowing limit was (then) estimated to expire sometime between the end of March and mid-May. The Republicans had retaken the House after the 2010 midterm elections, and a number of Republicans joined the chamber already pledging to vote against raising the debt limit. Boehner's response to Geithner was that major spending cuts would have to be enacted in exchange for raising the borrowing limit.[358] While tying such reform to the debt ceiling was not ideal, both sides recognized the need for reform and hoped for a grand bargain to bring deficits under control.

Negotiations did not get off to a promising start. Early on in January, the conservative Republican Study Committee wanted much more cut than even the House Republican

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[356] Rampell (2010)

[357] Bowley (2011)

[358] Calmes (January 6) 2011

leadership.[359] In early February, Federal Reserve Chair Bernanke took the unusual position of weighing in on political posturing: he told the GOP not to "play around with" the debt ceiling, using it as a bargaining chip.[360] The initial Republican plan in April included substantial tax cuts.[361] The plans that emerged in April and May, from the House Republicans and the White House, were extremely far apart, with the Republicans making clear that they would not allow any tax raises (or any revenue raises of any kind) as part of the package. In late May, the House had a display vote on a clean debt ceiling, to show that they had the votes to reject it overwhelmingly.[362] By this time the Treasury had begin engaging in a series of extraordinary measures to avoid default.[363]

Republicans continued to oppose any tax increases as part of the package. In late June House Majority Leader Cantor and Senator John Kyl quit the negotiation sessions led by Vice President Biden over the issue of tax raises. President Obama held a news conference in response arguing that a balanced approach including tax raises needed to be part of the package. Even with this fundamental disagreement, both sides agreed in early June that they wanted to try for the biggest possible deal, then hoping for $4 trillion in savings over a decade.[364] June also brought a number of troublesome outside developments. A number of Republican Presidential candidates questioned the ill effects of failing to increase the debt limit. Even more moderate

[359] Herszenhorn (2011)

[360] Chan (February 2) 2011

[361] Calmes (April 10) 2011

[362] Calmes (May 31) 2011

[363] Calmes and Hulse (May 31) 2011

[364] Landler and Hulse (July 7) 2011

Tim Pawlenty specified that he did not want Congress to sign on to an increase.[365] Meanwhile, prominent Republican members of Congress acted to downplay the debt ceiling. Speaker Boehner said of the consequences of inaction that "nobody really knows" while admitting that the markets might be unhappy.[366]

The Republican refusal to include tax increases continued to gridlock the process until late July, even with the Treasury's warning that all extraordinary measures would be exhausted by August 2. Democrats fretted about how far their side was willing to go in making compromises palatable to the GOP. The President urged citizens to inform their representatives of their wishes, jamming the House phone lines multiple times.[367] The Chamber of Commerce, hardly a Democratic affiliate, struggled to tell the Republicans it helped elect months earlier that it was imperative that they raise the debt ceiling.[368] Grover Norquist published an Op-Ed in the *New York Times* to warn congressional Republicans not to raise taxes, underlining that any raise in revenue, even cutting tax expenditures, would count as a tax raise. He also noted, in a statement that would be relevant for the fiscal cliff of January 2013, that voting to curtail the Bush tax cuts was verboten, but that no members of Congress could be blamed if they expired without the matter coming up for a vote.[369]

[365] Zeleny and Hulse (2011)

[366] Shear (June 29) 2011

[367] Shear (July 29) 2011

[368] Appelbaum (2011)

[369] Norquist (2011)

Norquist need not have worried. Resolving the debt ceiling came right down to the wire, but no taxes were raised. The Senate rejected Speaker Boehner's short term plan on July 29,[370] with the House voting down Senate Majority Leader Reid's plan on July 30.[371] Finally, with just a day remaining for the drafting and voting of the legislation, Obama, Reid, and Boehner announced that they had struck a deal on July 31.[372] On August 1, one day before default, Congress voted to raise the debt limit. Representative Gabby Giffords (D, AZ), who had been absent from the capitol for months after suffering a gunshot to the head, came to vote, as she was initially unsure the measure would pass.[373] The deal did not require that any revenue be raised. It passed on the hopes for a grand bargain to a newly created entity: the bipartisan, bicameral Super Committee, which was created to cut $1.2 trillion from the deficit over a decade. Standard and Poor's downgraded the American credit rating anyway, in the absence of a default.

This dramatic episode shows how holding an anti-tax position can complicate lawmaking, make large scale reform difficult if not impossible, and occasionally come close to triggering catastrophic consequences, which would have occurred had the US defaulted on its debt. This is not to say that the debt ceiling has never been used to highlight partisan political disagreements. In 1983 Reagan had harsh words for Republicans who objected to raising the ceiling. As a Senator, Obama voted against the debt ceiling to show disapproval of the Bush administration's policies, a move he later derided as playing politics and ill-advised. There are

[370] Hulse and Pear (2011)

[371] Hulse (July 30) 2011

[372] Shear (July 31) 2011

[373] Shear, Wheaton, and Zeleny (2011)

certainly other examples. But in these earlier cases, the debt ceiling has been used as a soap box to highlight political issues, without coming anywhere near close to default.

2011 Debt Ceiling Aftermath and Sequestration

The aftermath of the 2011 debt ceiling is worth briefly detailing, as it shows the influence of the anti-tax position in a few other important ways. After the August 1, 2011 deal formed the Super Committee to cut $1.5 trillion from the deficit over ten years, this creation also failed to achieve a grand bargain in late November. In December 2011 the Budget Control Act is passed, which does make some cuts, but which also creates sequestration procedures. These automatic cuts (aimed to achieve $1.2 trillion in cuts over a decade) would go into place on January 2, 2013 if Congress could not figure out a more palatable way to cut the same amount of money. The sequestration procedure was designed to be equally odious to both parties—the cuts that would tear at the conservatives' hearts were to the defense budget. A year passed with little progress on this third attempt at a grand bargain. In November 2012 the CBO predicted a double-dip recession, should the sequestration go into effect while the Bush tax cuts expired, as they were scheduled to on December 31, 2012 (the Tax Relief Act of 2010 extended them for two years).[374] The combination of these two scheduled phenomena was dubbed the "fiscal cliff".

Thankfully, the consequences of cliff diving were not credit default. The fact that the US did go over this feature of fiscal topography does tell us something about partisan priorities, however. On the Bush tax cuts, Republicans could not bargain to lessen the extent of these cuts

[374] Bernanke (2012)

before they expired. If they did, they would be charged with tax raising, as identified by Norquist during the 2011 debt ceiling fight. The Bush tax cuts expired for a day, with a new deal struck on January 2, 2013 to preserve them for all but the very wealthiest: families making $450,000 and above in annual income. As for the sequestration provisions, virtually all of these remained intact. Republicans may hate cutting defense, but they hate raising taxes even more.

PROCEDURAL PHENOMENA COMPLICATING THE ANTI-TAX POSITION

Gridlock

As the above episode on the 2011 debt ceiling and its aftermath suggests, holding an anti-tax position during legislative negotiations has the potential to lead to gridlock. Members of Congress realize this difficulty. In describing the likelihood for any large bore fiscal reform, both parties note the influence of the anti-tax position as a nonstarter for such talks. Steve LaTourette (R,OH), a recently retired congressman, said that while Democratic recalcitrance on entitlements was problematic for reform, "but they have no cause to even have a serious conversation if we say that revenue is off the table, it all has to come from spending."[375] Democratic congressman Gerry Connolly noted that reform cannot place all of the political risk on one party.

[375] Author's interview with Steve Latourette, December 17, 2013.

> The Republican point of view about tax reform is we need comprehensive tax reform to simplify the tax code and reduce tax rates, but by the way, whatever we do under the guise of tax reform should be net revenue neutral. Well, that rules out common ground immediately, because I can tell you, from the Democratic point of view, we're not going to go through the heartache, and political pain, and cost, of tax reform, which is going to step on a lot of toes, and a lot of industries, from banking to real estate to auto loans to state and local taxes and pensions and everything else. We're not going to do that, only to have a net revenue neutral product. Hokum. No way. I mean, if we're going to go through the pain of tax reform, it has to produce net new revenue because the budget needs it![376]

Connolly goes on to describe a phenomena of significant interest to this work: the redefinition of what constitutes a tax raise as anything that raises revenue. He notes that the anti-tax position of Grover Norquist in particular has gotten to define what constitutes a tax increase, and that this position hamstrings negotiations.

The anti-tax position has the potential to derail more than tax reform. Passing a yearly budget is no longer expected, as Congress relies increasingly on Continuing Resolutions (CRs) to continue funding the government.[377] The two parties are simply too far apart in their preferred policies. Prolonged government shutdowns (most famously in 1995-6, and more recently in October 2013) highlight that CRs can be a preferred outcome.

CUTGO

A recent innovation to the budget process is the House Republicans adoption of "CUTGO" when they regained majority status in the House after the 2010 elections. They have

[376] Author's interview with Gerry Connolly, December 23, 2013.

[377] Tollestrup (2011)

rejected the PAYGO provisions originally put in place by George H.W. Bush (and generally lauded by a wide swath of different analysts as contributing to balanced budgets). Instead, to more forcefully combat a congressional process they claim is tilted in favor of spending increases, CUTGO requires spending increases to be directly offset with cuts elsewhere, but tax cuts can be enacted without any sort of offsetting compensation. CUTGO would additionally allow a repeal of the Affordable Care Act, which is (initially) estimated to save over $140 billion in a decade without any way of making up those revenue losses.[378] CUTGO is not in place in the Senate, which has retained its PAYGO procedures. But this is a clear way in which anti-tax principles have influenced recent Congressional procedures.

Earmarks

One recent procedural innovation that has not gained a lot of attention is the new Republican opposition to earmarks. Using party rules, the Republicans have banned their use for themselves after the 2010 midterms.[379] There had a previous effort in 2007 to identify members of Congress who sponsor earmarks,[380] and Senator Jim DeMint had opposed them for a number of years. But in a nod to the party gains made in 2010, the GOP wanted to recognize the Tea Party's antipathy to legislator-directed monies. While prohibiting earmarks does not cut taxes, it has been enacted because of the larger anti-tax coalition. It belongs in a larger discussion of

[378] Hulse (January 5) 2011

[379] Hulse (November 15) 2010

[380] Steurle (2008), p. 15

procedural elements leading to gridlock. Whether one likes an earmark usually was in the eye of the beholder. Regardless of their individual or collective merit, earmarks could be used for coaxing "yea" votes and getting legislation passed.

The lack of earmarks also engenders a general antipathy in Congressional appropriators. Steve LaTourette (R, OH) joined the Appropriations Committee, right before this change, thinking that "there's never a bad time to be an appropriator." He details the change in attitude towards appropriations:

> So there apparently *is* a bad time to be an appropriator. And now with this budget stuff, there used to be how to manage the spending and allocate amongst accounts. Now it's how much are you going to cut from…and which groups are going to be mad. So it wasn't so pleasant…now appropriators are almost seen as evil by rank and file Republicans.[381]

The anti-tax position has not always interfered with the debt ceiling, or with procedural elements that lead towards gridlock. Recent developments, however, have proven problematic in high-profile episodes for anti-tax positions, even as legislators continue to show strong commitment to this issue.

IS AN ANTI-TAX POSITION SUSTAINABLE?

Revenue and Sustainability

The Republican Party has been extraordinarily successful at cutting taxes. Whatever one may think about the anti-tax definition of tax raises (any revenue raised is a tax raise) and

[381] Author's interview with Steve LaTourette, December 17, 2013.

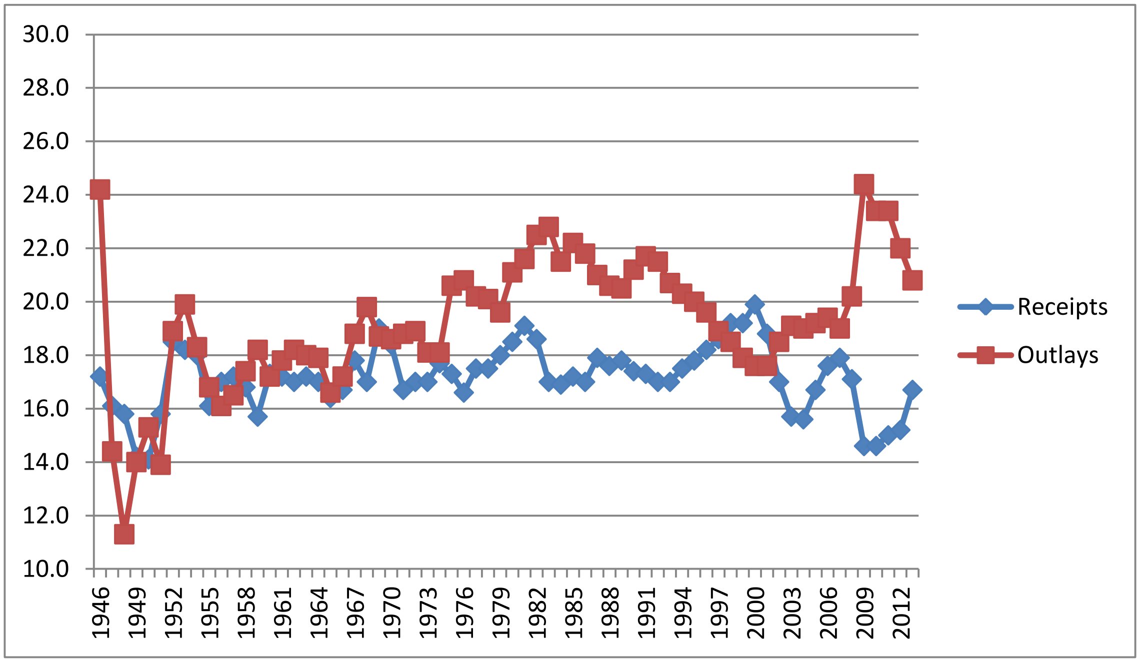
Republicans such as Reagan violating that principle, or Bush 41 raising the rates themselves, these overall fiscal picture is clear. Overall, taxes have been cut significantly. The one major tax Republicans do not oppose because of its regressive nature, the payroll tax, makes up a much larger proportion of the total federal revenue collected as other taxes have gone down.[382] Enacting and continuing the Bush tax cuts has reduced federal revenues by about three percent of GDP as well as the proportion coming from the income tax.[383] While it is possible to continue deficit spending in the short term, in the longer term the US must either decide to raise taxes or substantially alter its governing commitments. For an illustration of the mismatch between federal receipts and outlays, see figure 1. Americans have exceptionally low revenue for a developed nation.[384] While all developed nations face fiscal hardship from time to time, the US is unusual for the small amount of taxes it collects.

[382] Campbell (2012) cites an Urban-Brookings Tax Policy Center study on the matter: payroll taxes rose from 23% of federal revenue in 1970 to 43% in 2010. The majority of Americans pay more in payroll taxes than in federal income taxes, she notes.

[383] Campbell (2012) identifies that the Bush tax cuts have reduced federal revenues to levels not seen since right after WWII. The income tax has fallen from constituting 10.5 percent of GDP in 1981 to 8.8 percent in 2005.

[384] Campbell (2012) cites OECD data—when looking at pre-recession data from 2006, only Korea has lower total taxes than the US of all 34 members of the Organization for Economic Cooperation and Development.

Figure 1: Federal Receipts and Outlays over Time, as a Percentage of GDP:



These governing commitments include items large and small. Our costliest programs are our entitlements (Social Security, Medicare, and Medicaid) and defense funding. Even optimistic projections suggest that these will continue to be very expensive programs, especially as the baby boom generation retires. Of course, there are arguably many smaller programs that have been underfunded, whether through policy drift (for example, lessening funds going to a program that has not been indexed for inflation) or because programs for particularly the poor have been politically easier to cut.[385]

One such example of an important program that has been hamstrung by both shrinking funds and an inability to raise taxes is the federal Highway Trust Fund. Federal highways and

[385] The 1982 budget cuts under Reagan as well as Clinton's cuts to welfare are the major examples here. See Stockman (1986), p. 422 on disproportionately cutting these programs.

bridges are funded by an 18.4 cent tax on gasoline; the last time this was raised was in 1993, and it was never indexed for inflation. As a result, over the past decade the highway fund has run into periodic shortfalls—in 2008 it had to be bailed out with federal funds from general revenue. American infrastructure regularly receives troublesome ratings.[386] Last summer, Kim Cawley of the CBO warned that "the current trajectory of the highway trust fund is unsustainable."[387] The current fund will run out this August if Congress does not act, which would stall projects and place as many as 700,000 jobs at risk.[388] This example highlights a problem: for many governing commitments, we either need to raise taxes or drastically change the welfare state. There are many possible fixes for this particular problem, but they all cost money, and the easiest would be to simply raise the gas tax and index it to inflation. This particular proposal is recognized by all as a political nonstarter. The Republican-controlled House will never vote for a tax raise, and President Obama, who is not shy in identifying the GOP as causing gridlock, will not even bother suggesting the idea.

This work primarily concerns itself with national politics, but it is worth noting that there are examples of states that have significantly cut taxes. The drop in revenue has the potential to be politically salient for Republican anti-tax positions. After California's famous Proposition 13 tax revolt in 1978, the state used the large state surplus to pay for government obligations after 1978. As a result, the shortfall policy analysts warned about did not immediately materialize, (though plenty of academic work has subsequently been done on the state of public education in

[386] The American Society of Civil Engineers gave all of American infrastructure a D+ in 2013. http://www.infrastructurereportcard.org/

[387] Webber (2013)

[388] Davis (2014)

particular). Howard Jarvis claimed vindication. For some of these more recent cases, the results of revenue losses has been swift and politically obvious to voters.

A number of anti-tax organizations also try to influence the state level. Americans for Tax Reform taxes tax pledges for state-level actors and generally maintains a high level of involvement, as do other organizations such as the Club for Growth and Americans for Prosperity. ALEC (American Legislative Exchange Council) aids these organizations (and those of other conservative issues) by drafting, distributing, and promoting model state-level legislation. The state level is different from the federal level in an important way: because states cannot deficit spend like the federal government, the effects of fiscal policies are felt quickly. It is under the guidance of these groups that a remarkable situation has developed in Kansas.

Kansas Governor Sam Brownback, who has had past (and possibly future) presidential ambitions, has put into place the largest tax cuts in the state's history, lowering income taxes in 2012 and 2013. The moderate Republicans of the state had resisted cuts that large—in response, Brownback backed more conservative primary challengers for a number of state senators, with eight moderate Republican state senators losing their seats.[389] The tax reductions have cut deep into revenues: this spring tax collections from personal income taxes were only $369 million from an expected $651 million. Then in May, Moody's downgraded the state's credit rating, citing concern with the tax cuts and a slow economic recovery.[390] What suggests that the anti-tax position is unsustainable in this case is not merely the revenue shortfall. In what may be an

[389] Marso (2012) and Shields (2012)

[390] Bosman (2014)

unprecedented show of Republican *opposition* to tax-cutting, 104 Republicans have organized as the Republicans for Kansas Values, and are endorsing the Democratic candidate for Governor in a (currently) competitive race.[391] Their statement of support[392] for the Democratic challenger focuses primarily on Brownback's tax cuts and the spending cuts they have engendered. Still, the status of tax-cutting in the US is such that, even with this unusual opposition to large tax cuts, the Republicans are not suggesting tax raises to remedy the situation.

The Coalition and Sustainability

Beyond the issue of vanishing revenues, there is the important issue of coalition sustainability. Reagan built a remarkable coalition around tax cutting, one that brought together different strains of economic conservatives as well as social conservatives. He reached out to southern conservative Democrats on explicit tax policy grounds. He also reached out to blue collar and poorer Americans on the tax issue, as well as a number of groups that are not traditionally Republican, from Hispanics to African-Americans to women. The 1986 Tax Reform Act can be seen as the high point of such expanded outreach. In addition to the groups mentioned, Reagan is explicitly proud of removing many poorer Americans from the income tax rolls entirely.

[391] Bosman (2014), Sullivan (2014). The group of 104 are largely former and current state officials.

[392] Republicans for Kansas Values (2014)

Part of the trouble with coalition sustainability is connected to revenue sustainability. That is, Republicans have been very successful at achieving their tax policy goals. In particular, poorer Americans do not pay much in taxes—particularly in the progressive taxes that Republican target for reduction. This is due to 1986 Tax Reform Act, which removed many low income Americans from the income tax rolls, as well as policies such as the Earned Income Tax Credit (EITC) and the Child Tax Credit, in addition to rising economic inequality. Currently, 51% of Americans do not pay income taxes.[393] Of course, many of these people who do not pay income taxes are still paying taxes—such as payroll taxes and sales taxes. But Republicans are not interested in cutting the regressive payroll taxes, and sales taxes are a state matter. For a party that advertizes itself as the cure to tax woes, having a large section of the population without an income tax burden is a serious problem. The GOP had previously made the case to low income voters paying very little in taxes that they could lower them further. But this new state of affairs makes the position of Wanniski's tax-cutting Santa difficult indeed.

This problem was highlighted in the 2012 election. During a private fundraiser, Mitt Romney identified that 47 percent of Americans did not pay income taxes—and the repercussions he saw of this.

> There are 47 percent of the people who will vote for the president no matter what. All right, there are 47 percent who are with him, who are dependent upon government, who believe that they are victims, who believe that government has a responsibility to care for them, who believe that they are entitled to health care, to food, to housing, to you name it…These are people who pay no income tax. Forty-seven percent of Americans pay no income tax. So our message of low taxes doesn't connect.[394]

[393] The Joint Committee on Taxation found the 51% figure in 2009. Cited by the US Sentate Committee on Finance (2011)

[394] Corn (2012)

This observation and rhetoric severely hurts anti-tax party-building. While there are many different reasons that President Obama won reelection, the 47 percent comments did add to his margins after this news broke.[395]

To be sure, Republicans running for office in the future will almost assuredly not make similar statements. It is entirely possible that a sizeable portion of the electorate may forget this episode, or mentally associate the remarks with the messenger only. They may connect such comments with a worldview of a wealthy candidate who managed to avoid paying a considerable portion of taxes himself. But this is still a problem for party-building going forward. Tom Davis, a former Republican congressman from Virginia and former chair of the NRCC (National Republican Campaign Committee) has a deep perspective on the party's electoral strategy. He notes that many of that "47 percent" are white rural voters who are attracted to the GOP's cultural issues. Even given that this sizable portion of the 47 percent will vote Republican, he said that, going forward, "whatever saliency cutting taxes has had on a national basis is to some extent blunted by the fact that we have so many non-taxpayers."[396]

There are other ramifications of the shrinking number of citizens paying personal income taxes. This includes opposition of tax expenditures previously supported by the GOP. One of the policies that contributes to removing individuals' tax liability is the EITC. The EITC is a tax credit for the working poor that refunds a fixed percentage of their income, with higher refunds (and higher allowable incomes for eligibility) going to parents (both single and two-parent),

[395] Silver (2012)

[396] Authors's interview, Tom Davis, February 7, 2014.

rising with the number of children, up to three children. The EITC is thus designed to reward work and lift the working poor out of poverty—it has been very successful in achieving these goals. The EITC was originally a Republican idea, and was enacted during the Ford administration in 1975 and substantially expanded under Reagan in 1986 and later on. It has traditionally enjoyed bipartisan support. This has recently changed, however.[397]

The newfound opposition of Republicans to the EITC may be, in part, because they hope to increase the number of Americans paying personal income taxes, that they can then appeal to them, or because paying some taxes is a civic duty.[398] More acerbic voices have noted that 30% of Americans not only do not pay taxes but receive money back, come tax time. A RedState.com (a major conservative website) blogger notes that of this 30%, most (95%) are receiving these additional funds from the EITC and the Additional Child Tax Credit. He then proceeds to characterize this negative tax liability as "tax handouts" promoting "dependency".[399] This position identifies how Republicans have become a victim of their own success on tax cuts. Fewer people pay income taxes, leaving a smaller audience for this appeal. And yet, any attempts to raise the number of people paying income taxes alienates the same low income group by attempting to raise their taxes.

[397] Interviews with both Gerry Connolly (D,VA) on December 23, 2013 and with former congressman Steve LaTourette (R, OH) on December 17, 2013 confirm that this position describes most of the Republican caucus. See also Cook (2012).

[398] Cook (2012) quotes Senator Orrin Hatch (R-UT) as saying that "everyone needs to have some skin in the game and recognize that they are part of the government….I don't want the truly poor to pay anything, but you can't tell me that 51 percents of all Americans are truly poor."

[399] Horowitz (2011).

Finally, there are fault lines in the anti-tax coalition that are not related to tax policy. The cohesion of the anti-tax coalition has been remarkable considering the variety of views and the longevity of the coalition. That being said, there are some groups that have begun to butt heads in significant ways. The older business PACs (particularly the Chamber of Commerce and the National Association of Manufacturers) tend to fight for various types of government assistance for businesses, whereas some of the newer anti-tax groups favor a more purist laissez-faire position. These groups include Americans for Tax Reform, the Club for Growth, and Americans for Prosperity. To be sure, there have always been portions of the coalition that have opposed each other on these grounds, but the older, establishment business groups used to win these fights, which would then avoid alienating the business interests, leaving the free market purists mildly miffed but nobody's tangible interests harmed.[400]

A few recent developments have started to tip the balance in favor of the newer, more laissez-faire groups. McCain-Feingold, and then Citizens United have increased the amount of money that can be spent in electoral cycles, which gives a tactical advantage to the groups with smaller numbers of donors with deeper pockets, such as the Koch brothers. The continuation of polarization and the advent of the Tea Party Caucus in Congress has pushed the GOP farther to the right and more willing to take unorthodox positions.

In addition to the 2011 debt ceiling fight already cited, a good recent example of these factions is the fight over the Export-Import Bank. The Export-Import Bank was created by FDR and provides billions in financing for foreign corporations to buy American goods. The free

[400] Edsall (1995) notes that Americans for Tax Reform opposed the Chamber of Commerce over the Clinton administration's failed attempt to pass universal healthcare. In other words, this is not a new pattern.

market purists in the Republican Party have attempted to shut down the Ex-Im Bank on the grounds that it distorts the markets, engages in crony capitalism, and costs the taxpayers money. What most discussions of the recent fight miss is how far back this disagreement goes. In 1981 when Budget Director Stockman was prompting substantial budget cuts, he targeted the Ex-Im Bank for these reasons:

> This was an initiative close to my free market heart. Export subsidies are a mercantilist illusion, based on the illogical proposition that a nation can raise its employment and GNP by giving away its goods for less that what it costs to make them. They are nothing less than philanthropy on an international scale. Export subsidies subtract from GNP and jobs, not expand them.[401]

Stockman admits that he quickly lost this political battle to the Secretary of Commerce. But this issue has popped up a few other times along these sorts of political divisions, including in 1995[402] and 2012.[403] Currently, the Ex-Im Bank may be the closest it's ever been to failing reauthorization. Opponents include Americans for Tax Reform, the Club for Growth, and Americans for Prosperity, as well the Tea Party wing of the House Republicans.[404] Supporters include the Chamber of Commerce, the National Association of Manufacturers (NAM), and a number of state governors, including 15 Republican governors.[405] The new House Republican Majority Leader, Kevin McCarthy, has reversed his position to oppose the bank.[406] If the bank is not reauthorized by September 30, 2014, a number of traditionally Republican interests—as well

[401] Stockman (1986), p. 121

[402] Wilson (2014)

[403] Nocera (2014)

[404] Zahourek and Petrick (2012), Hoover (2014).

[405] See Wilson (2014) for Republican governors' support of the Ex-Im Bank. See Chamber of Commerce (2014) for the Chamber and NAM's support.

[406] Wilson (2014)

as state-level Republicans who will feel the job losses more acutely—will have to contend with a more hostile coalition than they are used to.

CONCLUSION

Anti-tax positions have been the cornerstone of the Republican coalition since the late 1970s. Different challenges to this position have, within the past few years, begun to present themselves. Recent events, beginning with the 2011 debt ceiling, are complicated by the anti-tax position. Procedural phenomena, including both gridlock and the new GOP distaste for earmarks, are also exacerbated by the anti-tax position. Finally, one must question how sustainable the position is from both a revenue and a coalitional angle. This is not to say that the party is likely to change quickly—this is still a very useful issue, if not to the near-universal extent it used to be. These new cracks in the tax-cutting edifice are very recent events; perhaps the party can come together to resolve them. Political parties can also be slow to change, and better issues slow to emerge. We can expect party behavior to become more selective in the deployment of the tax-cutting issue as its party-building capacity lessens. We should also be deeply aware that both parties take their most prominent positions using electoral considerations. Under the best conditions government will "refine and enlarge the public views". But we are still tied to those public views—the government cannot manifest our better angels out of whole cloth. We cannot expect better government than what voters demand.

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Appendix: Congressional Data:

Full listing of tax-cutting bills:

The tax-cutting laws for the years listed are as follows—1954 (a): the Excise Tax Reduction Act of 1954; 1954 (b): the Internal Revenue Code of 1954; 1962: the Revenue Act of 1962; 1964: the Revenue Act of 1964; 1971: the Revenue Act of 1971; 1975: the Tax Reduction Act of 1975; 1976: the Tax Reform Act of 1976; 1977: the Tax Reduction and Simplification Act of 1977 (note: there is no vote for the Senate recorded in 1977 because it was approved by a voice vote—the same is true of the House in 1962); 1978: the Revenue Act of 1978; 1981: the Economic Recovery Act of 1981; 1983: the Interest and Dividend Tax Compliance Act of 1983; 1997: the Tax Relief Act of 1997; 2001: the Economic Growth and Tax Relief Reconciliation Act of 2001; 2003: the Jobs and Growth Tax Relief Reconciliation Act of 2003; 2004(a): the Working Families Tax Relief Act of 2004; 2004(b): the American Jobs Creation Act of 2004; 2005: the Tax Increase Prevention and Reconciliation Act of 2005.

Full listing of tax-raising bills:

The tax-raising laws for the years listed are as follows: 1950 (a): the Revenue Act of 1950; 1950 (b): the Excess Profits Tax of 1950; 1951: the Revenue Act of 1951; 1966: the Tax Adjustment Act of 1966; 1968: the Revenue and Expenditure Control Act of 1968; 1982: the Tax Equity and Fiscal Responsibility Act of 1982; 1983: the Social Security Amendments of 1983; 1984: the Deficit Reduction Act of 1984; 1990: the Omnibus Budget Reconciliation Act of 1990; 1993: the Omnibus Budget Reconciliation Act of 1993. Years lacking a data point indicate a voice vote in that chamber.

Full listing of bills including a super-majority to raise taxes:

It's important to note that this is true of all of these bills, though they accomplish this in slightly different ways. For example, the "Freedom and Fairness Restoration Acts" require a supermajority for all tax changes, or some target tax increases but only for one chamber, or a chamber must agree to consider tax increases by a super-majority vote—perhaps the vote for final passage need not be super-majoritarian. These bills were identified with a keyword search of www.thomas.gov and include the following: 1991: S.809: Tax Fairness and Accountability Act of 1991; 1993: S. 430: Tax Fairness and Accountability Act of 1993; 1995: HR 2060: Freedom and Fairness Restoration Act of 1995; 1996: S. 242: Tax Fairness and Accountability Act of 1996; 1997: HR 1040: Freedom and Fairness Restoration Act of 1997; 1999: HR 1040: Freedom and Fairness Restoration Act of 1999; 2003: HR 3060: Tax Simplification Act of 2003; 2005: S. 1099: Tax Simplification Act of 2005; 2009: S. 932: The Simplified, Manageable, and Responsible Tax Act; 2011: S. 1340: Cut, Cap, and Balance Act of 2011.

Appendix A: Categorization Rules for Republican Platform Analysis:

For all tax mentions that do not carry an anti-tax message:

- These tax mentions do not involve the implication that a tax or taxes in general are too high (or should be cut, or that it was good that they were reduced).
- This includes mentions of wasting taxes—which, while it is a common sentiment among those who think taxes are too high, is not sufficient to qualify as anti-tax ideology because it only laments misuse of taxes, not the level of taxation.
- This includes mentions of hypothetical taxes that would, were they enacted, be too high. Since said taxes do not yet exist, opposing them cannot fairly be categorized as being against the level of current taxes. One can think of any number of hypothetical things that would be inappropriate that also do not necessitate dissatisfaction with the status quo.
- This includes mentions of "fairer" taxes (they have to explicitly say lower in some way even if I think that's what they likely mean by "fairer"), mentions of "tax reform" (again, that doesn't explicitly say lower taxes), tax "simplification", tax "abuses", or tax "improvements" (if taxes were "improved" to help certain types of businesses, for example, that would be specific enough to count as an anti-tax message about specific tax(es)).
- This category includes mentions of different ways to manage finances that do not involve cutting taxes or disliking them—for example, the suggestion that people be able to pay money into tax-free Health Savings Accounts that could then only be used to pay their medical expenses should be seen as an innovation, but not one that wants taxes to be lower.
- This category often includes calls to respect "the taxpayer"—a word that is almost exclusively put in this category.

For all tax mentions that carry an anti-tax message about a specific tax:

- This category includes all mentions that a specific kind of tax is too high, should be cut, or that it was good that it was reduced.
- All tax expenditures for tax deductions for specific items or specific taxpayer qualifications (a tax deduction for dependent children, for educational purposes, etc.)
- This includes the word tax in a law that cut a specific tax (but not one that cut many taxes—for example, the 1981 ERTA cuts and the 2001 and 2003 Bush tax cuts are counted as generally anti-tax, not against a specific tax).
- This includes cutting taxes for certain kinds of people (the poor, the elderly, or a certain profession, etc.), or specific kinds of businesses.
- Taxes categorized under this heading include: the estate tax, the "marriage penalty", the mortgage interest deduction, different kinds of taxes on savings (capital gains, dividends, etc.), raising the tax exemption for dependent children, school vouchers, sales tax, the Windfall Profits Tax, and tax incentives for a myriad number of things (from research to parents paying for college to lowering different kinds of taxes on businesses, etc.).

For all tax mentions that carry an anti-tax message about taxes in general:

- This category includes all mentions that taxes in general are too high, should be cut, or that it was good that they were reduced.

- The categories of federal, state, and local taxes are counted under this category—they are not seen as being "specific enough" as they encompass a variety of taxes. Personal taxes (income and payroll, which are the most visible to Americans because they apply to the most people –except for perhaps sales taxes in applicable states, which would apply to even the poorest people) are counted as evincing a general anti-tax message. For the same reason, being able to save more in tax-deferred accounts (IRAs, etc.) was coded as general anti-tax because it reduced a tax that was coded as showing general anti-tax feelings.
- Mentions of taxes on individuals or employers or businesses, where not further specified, were placed in this category (small businesses would be coded as anti-specific tax).
- The categories of "working Americans", where not further specified, were seen as general enough to evince an anti-tax message in general and be in this category. The same is true of "families" (when not mentioning a specific child tax credit or some such)—not only is this too big of a category to be seen as "specific" rhetorically, but the tax policies themselves would not be able to distinguish cuts for families in these situations.

<u>Problems of categorization:</u>

- Occasionally a mention of "tax" will be in a sentence that mentions opposition both to a specific tax and to taxes in general. In these (rare) cases, this mention of tax will count twice—both as evidence of antipathy towards a specific tax and towards taxes in general.
- Categorizing these mentions of the root word "tax" was undertaken carefully and rules were created when the material dictated it. Still, there was one mention of "tax" that seemed to elude categorization efforts. A section heading in the 2000 platform reads: "Taxes and Budget: Render to Caesar, but Let the People Keep Their Own". The "render unto Caesar" Biblical line is hardly esoteric, and taken as a whole this essentially translates as "pay the government taxes, but keep your money". This is directly contradictory—both the first and third categories above rebut each other. I have chosen to code this as the first (i.e., non-normative) category, but only out of a desire to not appear to inflate my own claims of anti-tax sentiment.

Appendix B: List of Presidential Party Platform Sections Devoted to Tax-Cutting:

A little more detail on some of the individual sections is warranted. Firstly, some of the platforms are structured with sections, and some with subsections—both count for the purposes of this count (the subsections are usually as substantively rich as the sections, and both are often significantly long). In 1980, the applicable sections are "Taxes" and "Taxes and Government Spending" (there are also a number that also exclusively cover the size/scope of government). In 1984, the applicable section is "Fiscal and Monetary Policy"'s subsection "Taxation". In 1988 the anti-tax section is "Reducing the Burden of Taxes" (and there are others that concern lowering federal spending mainly that also have a strong anti-tax emphasis). The 1992 anti-tax section is "Security and Opportunity in a Changing Economy—subheading: Keeping what you earn." In 1996 the "Tax Relief for Economic Growth" was the anti-tax section (although "Improving the Standard of Living" had significant, but not primary, tax-cutting messages). For 2000, the anti-tax section was titled "Taxes and Budget: Render to Caesar But Let the People Keep Their Own." The two sections for 2004 were "Tax Relief: Making It Happen, Making It Permanent" and "Lower Taxes and Economic Growth". Recognizing only subheadings (and not further divisions of them, of which the 2008 platform has in abundance), the 2008 platform has one anti-tax subsection: Within "Expanding Opportunity to Promote Prosperity" that subsection is "Republican Tax Policy: Protecting Hardworking Americans". For the 2012 platform the section is "Tax Relief to Growth the Economy and Create Jobs".