

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

Chapter: Unlikely Allies: Republican Anti-Tax Coalition Building

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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.

First, a definition of anti-tax policy will be given, followed by a discussion of party-building itself. But next, 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? I have broken down different aspects that identify such positions as beneficial for parties as such:

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 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.

* * *Defining What Being an “Anti-tax” Party Means* * *

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”.¹ 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.

¹ Pollack 2003, p. 12

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.² 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.

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.

² Stevenson 2003

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%³ While these figures have been subject to change over time,⁴ by 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.⁵

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

³ Payroll taxes are also called FICA taxes, after the Federal Insurance Contributions Act.
http://www.ssa.gov/policy/docs/quickfacts/prog_highlights/index.html

⁴ 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>

⁵ Democratic efforts to extend the 2010 payroll tax cut (to 4.2% from 6.2%) instead of expiring in December 2011 were rebuffed by Congressional Republicans. (Steinhauer 2011.)

rates--he closed loopholes instead.⁶ With the exception of the revenue-neutral bipartisan 1986 Tax Reform Act, which raised only the capital gains tax rate, this pattern holds true.⁷ It is not 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 shift to the latter by the end of his tenure.

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.⁸ 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.⁹

⁶ 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>

⁷ Tempalski 2006, p. 10-14

⁸ Arnold 1990, p. 195

⁹ 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.

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 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.

* * *What Policy-based Party-building Looks Like* * *

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”.¹⁰ 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.

¹⁰ Schattschneider, 1935

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 Electorally: 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 Electorally: 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 Electorally: 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 capital—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.¹¹ 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,

¹¹ 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) also deemphasizes policy—but by focusing on the development of the organizational structure of the two parties.¹² Galvin’s account of party-building is important to understanding important phenomena, but is diametrically opposed in scope to the policy-based view of party-building advanced here. 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”. 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.

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. 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

¹² 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.)

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.” 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.

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. 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.¹³

¹³ <http://www.annenbergpublicpolicycenter.org/american-public-has-much-to-learn-about-presidential-candidates-issue-positions-naes-shows/>

Previous work suggests that issue areas that citizens judge to affect them personally will engender greater knowledge and less polling volatility.¹⁴ 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 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.

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

¹⁴ Keene and Sackett 1981 (see Asher, p. 47)

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.

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.

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 1980.¹⁵ 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”¹⁶ 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”.

¹⁵ Sinclair (2006)

¹⁶ 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.

Next Gingrich, in his capacity as the leader of the task force on tax reduction for the 97th Congress (1981-1983),¹⁷ 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.¹⁸ 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

¹⁷ 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.

¹⁸ 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”.¹⁹ 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.””²⁰ 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

¹⁹ 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.

²⁰ Ibid

Policy Information noted that “President Reagan’s most frequent promise during the 1980 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.”²¹ 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.”²²

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.”²³ 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

²¹ 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.

²² 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.

²³ 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.”²⁴

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.²⁵

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

²⁴ Memo, Joshua Gilder to Patrick Buchanan, September 26, 1985, folder “Taxes (4 of 5)”, box 3, Pat Buchanan Files, Ronald Reagan Library.

²⁵ 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.

three brackets because many lower income people—six million, we estimate—will be taken off the rolls altogether. Their bracket will be zero, so there's a third bracket—zero, 15, and 28.²⁶

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 above²⁷

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.

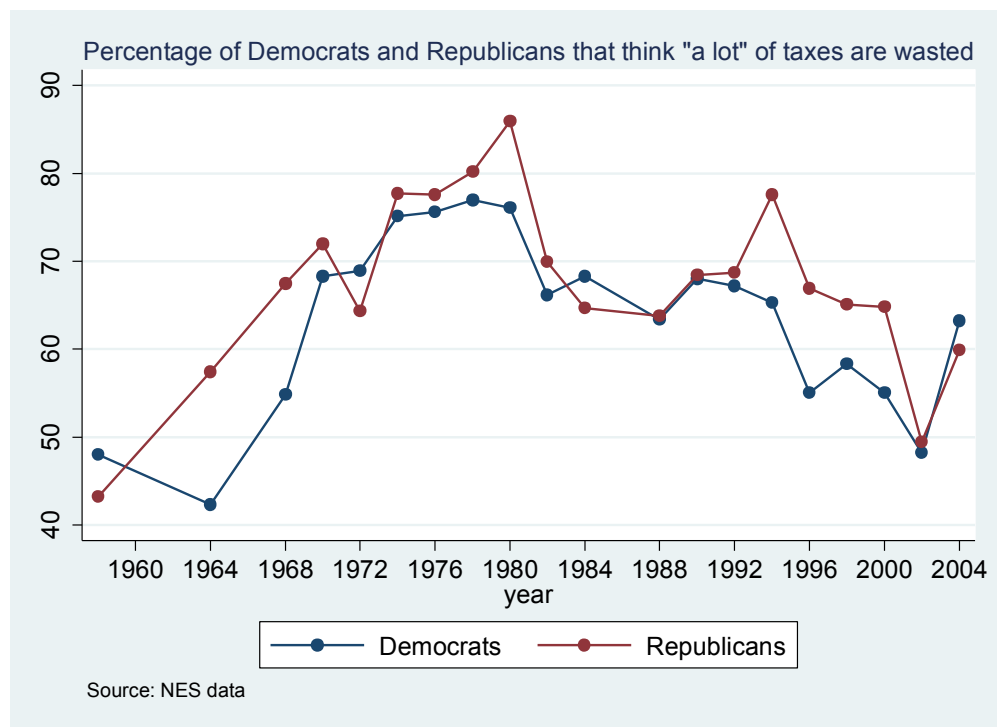
Republicans, in addition to responding to public opinion, are able to influence it. Specifically, they appear to be driving concern for "wasted" taxes and a belief that the national

²⁶ 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.

²⁷ 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.

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 FICA 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.”²⁸ 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 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.

²⁸ Cooper (2010)

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.) 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.²⁹

²⁹ 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.

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.³⁰

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 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.)

³⁰ 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.

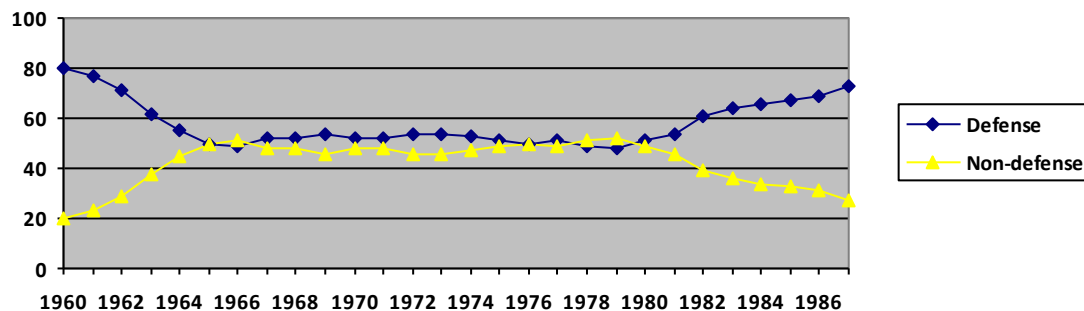
A briefing book prepared for the executive branch in 1983 explicitly reflects these changed priorities. In the section on research and development, it notes that “budgets for FY 1982 and 1983 shifted priorities for types of R&D supported by the federal government.” After noting that the President would 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.”³¹

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

³¹ 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.

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.³² 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.

Figure 2: Percentage of Federal Defense vs. Non-Defense R&D Budget Over Time:³³



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

³² 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.

³³ Derived from Savage, 1987, p.39 table of federal R&D obligations.

(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 higher education.³⁴³⁵ 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.

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

³⁴ 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.

³⁵ 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.)

\$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 restraint.”³⁶ 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.”³⁷

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

³⁶ 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”.)

³⁷ 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”.)

should bear the major cost.”³⁸ Being able to quote the administration’s rationale is important, here. It reveals a truly changed notion of what spurs economic growth.³⁹

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

³⁸ Ibid. (See section on “Student Financial Aid”.)

³⁹ 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 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.

“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.

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.⁴⁰ 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 Regan (Treasury

⁴⁰ 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 re-inflating [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.”

Secretary), as well as those evaluating deficit spending from a perspective on unemployment (the Keynesian position).⁴¹

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

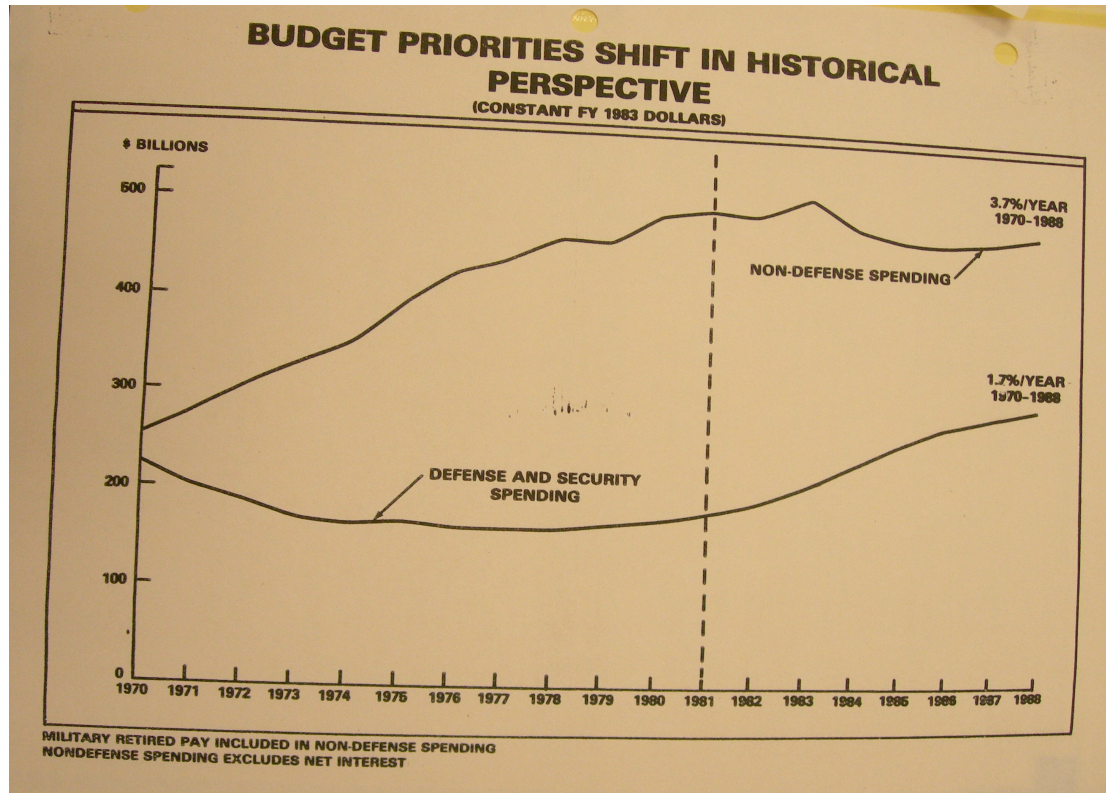
⁴¹ Savage (1988), p. 209-214

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.⁴²

⁴² 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.

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



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.⁴³ Specifically, a good deal of religious political 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

⁴³ Patashnik (2008), p. 28

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.⁴⁴ 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.⁴⁵ 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 appreciate a fuller range of interest group influence by including outliers or PACs that do not fit a standard pattern.

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

⁴⁴ Wright (2003), p. 148

⁴⁵ Baumgartner, et al (2009)

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.⁴⁶ 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.

⁴⁶ <http://ctj.org/about/background.php>

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 even 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 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.⁴⁷ 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

⁴⁷ Phillips-Fein (2009), p. 188

companies, securities and investment firms, real estate agents, and commercial banks. (Ranked by sector, “miscellaneous business” is not far behind.)⁴⁸

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 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.”⁴⁹ 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

⁴⁸ <http://www.opensecrets.org/lobby/background.php?id=F&year=2013>

⁴⁹ Author’s interview, Steve LaTourette, December 17, 2013

important votes to exert pressure. Such tactics are not broadcasted to the media, only to the targeted legislators.⁵⁰ 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 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.⁵¹ 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.)⁵² 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.

* * * *Early Organizing: 1981 and 1982* * *

⁵⁰ Author's interview, Sarah Chamberlain (COO of the Republican Main Street Partnership), February 12, 2014.

⁵¹ <http://www.opensecrets.org/news/2014/01/koch-network-a-cartological-guide.html> and Gold, 2014.

⁵² 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".

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.⁵³ 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, mostly by tightening tax 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.⁵⁴

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).⁵⁵ In

⁵³ Orszag (2001)

⁵⁴ Tempalski (2006)

⁵⁵ 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.

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.⁵⁶ The administration even managed to recruit Howard Jarvis, the force behind California’s Proposition 13, to personally deliver two million signatures for tax reform 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.⁵⁷

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,⁵⁸ while administration members lobbied the Chamber’s leadership—President Reagan made a series of phone calls immediately before passage.⁵⁹ In a June 29, 1982 memo from Elizabeth Dole to the administration heavyweights Meese, Baker, and

⁵⁶ Memo, Wayne Valis to Elizabeth Dole, July 7, 1981, folder “Tax Action Group”, F009 box 15, Elizabeth Dole Files, Ronald Reagan Library.

⁵⁷ 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.

⁵⁸ 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.

⁵⁹ 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

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.”⁶⁰ DRAG members also lobbied reluctant House Republicans, spurred by former ally Jack Kemp.

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”.⁶¹

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

⁶⁰ 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.

⁶¹ Press Briefing by the President, August 13, 1982, folder “Tax bill July-August 1982 (2)”, F009 box 15, Elizabeth Dole Files, Ronald Reagan Library.

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. They had not engaged with social conservatives or the Christian Right in particular. 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.⁶² 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.⁶³ 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.⁶⁴

⁶² 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.

⁶³ 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.

⁶⁴ 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.

The “Great Communicator” have 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.

* * *The Development of the Coalition: 1985-1986* * *

The 1986 Tax Reform Act was a remarkable accomplishment. Lauded by liberals and conservatives alike, the comprehensive reform 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. 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, for this is not the case. 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). Instead, the Republican messaging and outreach is what is remarkable here.

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.

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.”⁶⁵ 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:

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 back⁶⁶

⁶⁵ 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.

⁶⁶ 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.

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).⁶⁷ Of these four, Americans for Tax Reform embodies a major development in coalition strategy and issue framing.

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

⁶⁷ 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.

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.”⁶⁸ 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).⁶⁹ 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 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).⁷⁰ (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.”⁷¹) 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, 1985.⁷² By a September 10, 1985

⁶⁸ Memo, Mary Jo Jacobi to Linda Chavez, May 14, 1985, folder “Americans for Tax Reform,” box OA 13026, Linda Chavez Files, Ronald Reagan Library

⁶⁹ Memo, J. Douglas Holladay to Linda Chavez, May 30, 1985, folder “Tax Reform Briefing,” box OA 17954, Carl Anderson Files, Ronald Reagan Library

⁷⁰ 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

⁷¹ Ibid.

⁷² 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

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. 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-

fairness, pro-family, pro-growth”.⁷³ ATR’s composition helps to embody this new rhetoric towards the old goal of lower rates.⁷⁴

Image 1: Reagan’s outreach to the Christian Right on taxes:⁷⁵



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

⁷³ 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 Reagan Library.

⁷⁴ 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.)

⁷⁵ 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.

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.”⁷⁶ Considering that Reagan made an identical statement three days prior, it is unlikely that he was being prompted by anyone besides his speechwriters.⁷⁷

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 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.”⁷⁸ 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

⁷⁶ “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.

⁷⁷ 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.

⁷⁸ 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.

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".⁷⁹ 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 2.⁸⁰ In similar "Dear Colleague" letter after the bill's passage, he urges more members to sign the pledge to protect that legislation from erosion, either by raising the rates or adding additional tax expenditures (or, inevitably, both).⁸¹

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."⁸² 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

⁷⁹ 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.

⁸⁰ Congressional Record-House (H 9011), October 2, 1986, folder "Tax Reform 15-27-33", box 1F, Elise Paylan Files, Ronald Reagan Library.

⁸¹ 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.

⁸² 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.

number of years after the 1986 bill—newspaper and archival searches turn up little. 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 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 and 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.⁸³ 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.

⁸³ 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.

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.

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.⁸⁴ 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 been 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.

⁸⁴ Focus on the Family magazine, Carl Anderson - box OA 17954 – folder "Tax reform background material (3of4)", Ronald Reagan Library

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.⁸⁵

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”.⁸⁶

⁸⁵ <http://www.taxpolicycenter.org/taxtopics/Marriage-Penalties.cfm>

⁸⁶ Author’s interview with Tom Davis, February 7, 2014.

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 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.

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.⁸⁷

How the ATR pledge is enforced is not particularly well known. Firstly, some legislators have publicly complained that Norquist counts anti-tax pledges signed decades ago as

⁸⁷ Tomz and Van Houweling (2012). This experiment was done with respondent responding to theoretical cues, and not to voters interacting with Norquist's group.

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 legislators are “deathly afraid of primaries”.⁸⁸ 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,⁸⁹ 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).⁹⁰ To be sure,

⁸⁸ Author’s interview with Sarah Chamberlain, COO of the Main Street Partnership, February 12, 2014.

⁸⁹ 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.

⁹⁰ Cantor (2012)

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.⁹¹

* * *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.

⁹¹ Savage (2003), p. 263

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