

WHEN AND WHY HAVE AMERICANS SUPPORTED HIGHER TAXES?

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Under what conditions do Americans support tax increases? This question matters most during times of fiscal strain when important challenges must be met. Some pundits proclaim that Americans have always and everywhere been hostile to taxes, except briefly during crises such as major wars. But my research shows otherwise. Americans supported relatively high levels of taxation after World War II, between the late 1940s and the mid-1970s. In many states, majorities even voted to retain taxes challenged by strenuous opponents.

An Overlooked Era of Citizen Support for Taxation

During the postwar era, the United States embarked on unprecedented investments in infrastructure and social programs. Along with the national government, state and local governments became heavily involved in meeting new public demands for social investments, especially in public education for a growing population of school-age children.

At this time, state governments struggled to balance budgets and local school districts were almost exclusively reliant on property taxes – a financing system that led to large revenue disparities among districts. Many school districts had to hold special elections to obtain voter approval for added revenues, testing the patience of taxpayers who saw their property tax bills rise year after year. Many states responded to revenue pressures with proposals to modernize school financing by providing more state-level funding. The resulting increases in state revenues were dramatic, especially during the 1960s and 1970s:

- According to the Advisory Council on Intergovernmental Relations, a federal body that analyzed state fiscal trends, state and local government revenue as a share of America's Gross Domestic Product rose sharply, from 4.4 percent in 1945 to ten percent by 1972.
- Eight states instituted individual income taxes; twenty-two adopted sales taxes; and thirteen adopted corporate income taxes. Some states instituted both income and sales taxes.
- Only a small minority of U.S. states continued to forego both sales and income taxes.

Why Did Voters Accept the New Taxes?

Contrary to conventional wisdom, Americans often supported these new taxes. During the 1960s and early 1970s – the years of most intense tax-adoption activity – new taxes were frequently on the ballot in states that allowed the initiative and referendum. In most states where this happened, voters overwhelmingly supported new taxes. For instance, voters in Maine, Ohio, Massachusetts, Idaho, and Nebraska all expressed strong support for retaining new taxes when they were referred to the ballot by anti-tax groups. However, in a few states – such as Oregon and Washington – proposals for new taxes were repeatedly rejected at the polls.

My research probes why mid-century U.S. voters usually accepted new taxes when they were challenged in referenda, yet refused in a few cases. What explains whether or not voters would endorse a new tax at the polls? A decisive factor was timing – whether a new tax was implemented prior to a vote about its retention, or the vote came before the tax could go into effect.

Sequence Can Shape Politics

Voters consistently upheld new taxes in states where new taxes were put into effect immediately, allowing revenue to be collected and distributed months before a vote on whether the tax should be made permanent. But in states where a vote was a necessary prerequisite to the inception of the new tax, voters repeatedly refused to go along. Why was the sequence so crucial? For several reasons, I discovered:

- **The mobilization of supportive and oppositional coalitions.** In states where a new tax could be implemented prior to a vote on its retention, pro-tax groups could highlight the concrete benefits that the tax was already delivering, which would be lost if it were overturned. Supportive constituencies such as educators, parents of students, and local government advocates mobilized to protect their stake in the benefits from new revenues. In contrast, anti-tax groups had the advantage when voters had to decide before the new tax took effect, because opponents could exploit complexities and arouse anxieties. Opponents could also raise resources from businesses and individuals who might have to pay higher taxes.
- **Voter information.** If a new tax cannot be implemented before it is voted upon, voters only learn about the tax through political debates, which may be heated and misleading. Anti-tax interests can confuse issues or selectively highlight negative elements to stoke opposition. If a tax is already in force, voters already have some first-hand experience, which may reveal that the tax brings benefits and is not as detrimental as opponents have predicted.
- **Losses versus gains.** Voters are often reluctant to endorse costly policies – even those that would benefit them – because they are more sensitive to potential losses than to putative gains. When taxes and benefits are implemented before voters weigh in, voters hesitate to overturn a status quo involving benefits enabled by higher revenues. But when new taxes are proposed first, easily imaginable costs can seem more palpable than possible benefits. Timing shapes what voters perceive as losses and gains, as well as how losses and gains are weighed.

Larger Lessons

Enduring lessons can be garnered from the mid-twentieth century when American voters usually accepted higher taxes at the state level. Back then, sequences of events were crucial determinants of whether or not new taxes would garner popular support, because some new taxes could be implemented quickly and linked to concrete benefits. These developments in many U.S. states showed that Americans will support higher taxes when they are palpably linked to public investments. In addition to favorable sequencing, governors and others argued that higher revenue would underwrite progress, while failing to fund important programs would condemn states to the bottom in national rankings. Today, legislators who fund new programs must also face voters who wonder if the right choices were made. When new or increased taxes are involved, officials do well to deliver benefits quickly and clearly link revenues to specific, highly valued efforts in the public interest.