

HOW AMERICANS THINK ABOUT TAXES: LESSONS FROM THE HISTORY OF TAX ATTITUDES

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WITH THE TEA PARTY PROTESTS OF 2009, anti-tax politics has once again reared its head in the United States. From the nation's founding, to the tax strikes of the Great Depression (Beito 1989), to the tax revolt of the late 1970s that ushered in the Reagan era (Martin 2008), anti-tax sentiment seems remarkably easy to tap. As politicians who build their campaigns around small government, anti-tax messages appear to demonstrate, Americans hate taxes.

But as political scientist Stimson has noted, "Most of what is said about attitudes toward taxes in American politics is based on assumptions, not facts" (2004, p. 49). Chief among these is that Americans hate taxes in a monolithic, unvarying way. A closer examination reveals that tax attitudes vary considerably, across different kinds of taxes, across time, and across different kinds of individuals. Attitudes toward some kinds of taxes are relatively positive.

This paper highlights some of the data contained in my new book manuscript (Campbell, forthcoming). It shows how attitudes vary, often in congruence with individuals' material self-interest. That is, where and when taxes are higher, they are more unpopular (for the most part). Other factors that we might think would be highly influential on tax attitudes, like party identification, turn out not to matter much. Hence tax attitudes represent one arena in which the influence of self-interest is evident in public preferences. But self-interest doesn't explain tax attitudes entirely. The latter part of the paper goes on to show that the salience of taxes to the mass public appears driven by politician attention to taxes as an issue. This suggests that although there is a latent capacity for anti-tax attitudes among the public, it is elite attention that excites such attitudes, fomenting the outbreaks of anti-tax virulence that periodically mark American politics.

ROLE OF SELF-INTEREST

At first glance, self-interest would seem an apparent source of individual political attitudes.

Surely those with greater material stakes in a given issue or policy would have different opinions than those whose interests are less implicated. However, public opinion researchers have found little effect of self-interests in many policy areas: women and men do not differ in their opinions on women's issues (Mansbridge, 1985); the elderly are not more supportive of Social Security spending than the non-elderly (Day, 1990); the unemployed are not more favorable toward jobs programs than the employed (Schlozman and Verba, 1979); and so on (for reviews see Citrin and Green, 1990; Green and Gerken, 1989). The dearth of self-interest effects have several explanations: individuals may not recognize what their material stake in a given issue is (Simon, 1983); alternatively, as socially situated creatures, individuals may think not of their self-interest but rather choose altruistic, other-regarding, or ethical positions (Stoker, 1992). It may also be that stakes are particularly low in answering opinion surveys (Citrin and Green, 1991); higher cost activities like actual political participation may be more likely to exhibit patterns congruent with self-interest (e.g. Campbell, 2002).

However, tax attitudes appear to be different. Scholars have found much more evidence of the operation of material stakes and cost-benefit calculations that emerge from individuals' demographic characteristics and life situations. Hence, smokers are more likely to oppose cigarette taxes than are nonsmokers (Green and Gerken, 1989); homeowners were more likely to support California's Proposition 13 limiting the property tax (Sears and Citrin, 1985); middle-aged workers at the height of their earning power have more negative attitudes about the progressive federal income tax than do the retired elderly or the low-wage young (MacManus, 1995). What differentiates taxes from other attitude objects such that self-interest structures preferences? Citrin and Green (1990, p. 18) have concluded that self-interest has its most potent influence on attitudes where the stakes are "visible," "tangible," "large," and "certain," as is the case with taxes. Paying taxes is a common, measurable, and often memorable experience,

one of the chief ways in which citizens interact with government. With taxes, many people have real experience and genuine opinions (Hawthorne and Jackson, 1987). The following analysis of tax attitudes shows that they vary across different types of taxes, across time, and across differently situated individuals in ways congruent with material stakes (although sometimes perceptions of those material stakes differ from objective reality).

ATTITUDES TOWARD DIFFERENT KINDS OF TAXES

Americans' attitudes vary quite substantially across different types of taxes, in part because of the level of those taxes, in part because of design features that heighten or dampen those apparent costs. Surveys in 2005 and 2006 by Gallup and by political scientists Cole and Kincaid (2006) replicate earlier surveys performed by the Advisory Commission on Intergovernmental Relations (ACIR) between 1972 and 1994. These surveys asked respondents, "What is the worst tax?" they have to pay. In 2005, the property tax was the least popular, 42 percent of respondents saying it was the worst, followed by the federal income tax (20 percent), state sales tax (17 percent), Social Security tax (10 percent), and state income tax (7 percent). In 2006, Cole and Kincaid elicited similar responses, although their question did not include the payroll tax: 41 percent said the property tax is the worst, followed by the federal income tax (25 percent), state sales tax (15 percent), and state income tax (10 percent).

The popularity of different taxes appears to vary with their costs and their design features. Although economists like the property tax – because the same base is taxed as benefits from what taxation buys, minimizing fiscal illusion – it proves the most difficult for ordinary taxpayers to pay. It arrives as a lump sum; one can see the annual total owed; it is not responsive to one's income (with job loss or retirement, one's income tax automatically falls, and one can cut back on spending to reduce one's sales tax, but the property tax stays the same). That it is set on a building-by-building basis is public record, and can be contested and altered makes it seem arbitrary and raises peoples' fears that others are getting a better deal. Little wonder then that it is the most disliked tax.

The federal income tax comes next – and often shares the #1 position with the property tax as shown below. The income tax enjoys one favorable

design feature – it is withheld, making it easier to pay – but is plagued by other problematic features: one sees the total owed for the year; one has no idea how the money is spent, as it just goes into the general revenues pot, and it has been vilified by 30 years of conservative critiques.

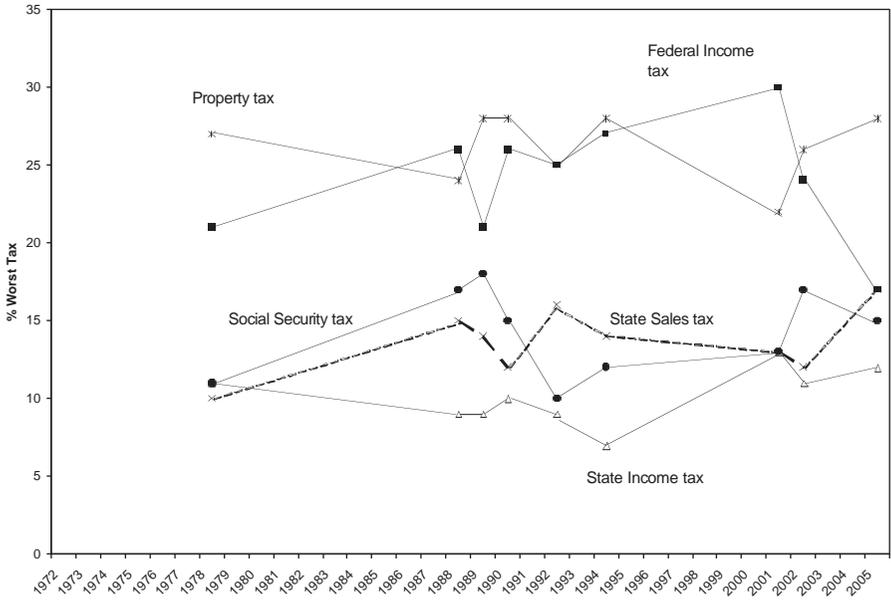
The next three taxes constitute the more popular grouping. The state sales tax has the advantage of never being totaled for the year and taken small bits at a time, making it easy to pay. The payroll tax for Social Security is earmarked for an extraordinarily popular program; is withheld, easing the burden; and benefits from a bit of citizen ignorance: three-quarters of Americans believe they pay more in federal income taxes than Social Security tax even though for three-quarters the opposite is true. That one never has to note for any purpose the total Social Security tax taken from one's wages – it is on the final W-2 of the year, but one need never record it, unlike the income tax – no doubt helps feed this impression. Finally there is the state income tax, which in surveys is regularly the most popular tax. This comes as a bit of a surprise, but perhaps its popularity is explained by the fact that states are the most popular level of government in the American federal system, state income taxes are much lower than federal income taxes, and they have not been critiqued to the same extent over time.

ATTITUDES ACROSS TIME

Attitudes toward taxes also vary over time, which we can see from two historical series. Results in the "worst tax" series is fairly steady over time, although the property and federal income taxes swap places as the most hated tax (Figure 1). The property tax began the series in the 1970s as the worst tax. After the property tax revolt of the late 1970s, the federal income tax assumed the top position in an almost unbroken streak until the Bush tax cuts reduced income taxes and ire toward them in turn. In the wake of those cuts – and increases in property taxes in many areas implemented to counteract the trickle-down decline in government revenues – the property tax once again became the most hated tax.

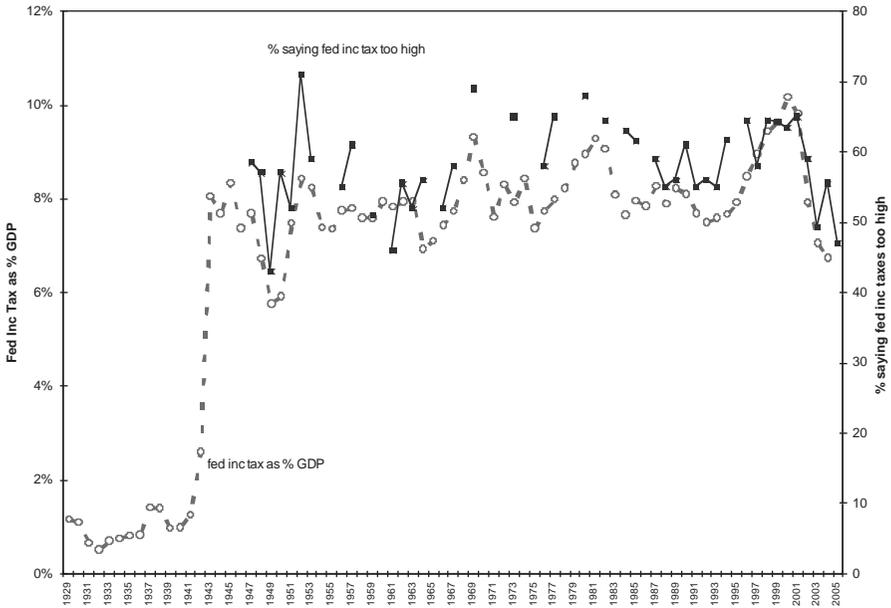
We also see variation in attitudes across time toward the federal income tax in particular (Figure 2). The longest existing time series on tax attitudes is the Gallup item asked since 1947: Are the federal income taxes you expect to pay this year too high,

Figure 1: **The Worst Tax**



Source: ACIR; Cole and Kincaid, 2006; CBS News/NTY

Figure 2: **Federal Income Tax "Too High" and Federal Income Taxes as % GDP**



Sources: Federal income tax too high from Gallup and General Social Survey; Federal income tax as % GDP from National Income and Product Accounts (NIPA) tables at the Tax Policy Center Web site.

too low, or about right? (the General Social Survey began asking this item in 1976; other pollsters have occasionally asked it as well, and the figure averages responses in years in which more than one data point is available). The percentage of Americans saying their income taxes are too high goes up and down over time, and tracks the level of taxes – measured as a percentage of GDP – remarkably well (43 percent of the variance in this stationary time series is explained by federal income taxes as a percentage of GDP). When taxes rose – as during the Korean War in the early 1950s, the Vietnam War in the late 1960s, and during the 1990s – the percentage saying their income taxes were too high rose as well. When taxes fell – after World War II, during the 1980s, and with the Bush tax cuts – dissatisfaction fell as well. Indeed, in 2005, when the Bush tax cuts had dropped federal revenues to their lowest level since 1949, dissatisfaction fell to 1949 levels as well.

ATTITUDES ACROSS INDIVIDUALS

Finally, attitudes vary quite substantially across differently situated individuals. Here we see the strong influence of self-interest, with high-income people more likely to say progressive income taxes are the worst, low-income people more likely to say regressive taxes are the worst, and attitudes toward the Social Security flat by income, presumably because the regressivity of the tax and progressivity of the benefits schedule balance out (Figure 3).

If income structures tax attitudes in much the way we would expect, given material self-interest, party identification is a surprisingly muted factor. Given the contrasting stances of the two major political parties on tax and spend issues, we might expect partisans among the public to display quite different sets of attitudes. However, the relative ranking of taxes as the worst is identical for Democrats and Republicans: in ACIR data pooled for 1983 and 1991 when party identification is available, 33 percent of Democrats and Republicans said the federal income tax was the worst; virtually identical proportions cited the other taxes as well. In a similar question asked in a 2003 poll for NPR and the Kaiser Family Foundation, 30 percent of Democrats and 32 percent of Republicans said the federal income tax was their “most disliked.”

But those questions simply ask for a relative ranking; given that the taxes have similar structures whether one is a Democrat or a Republican,

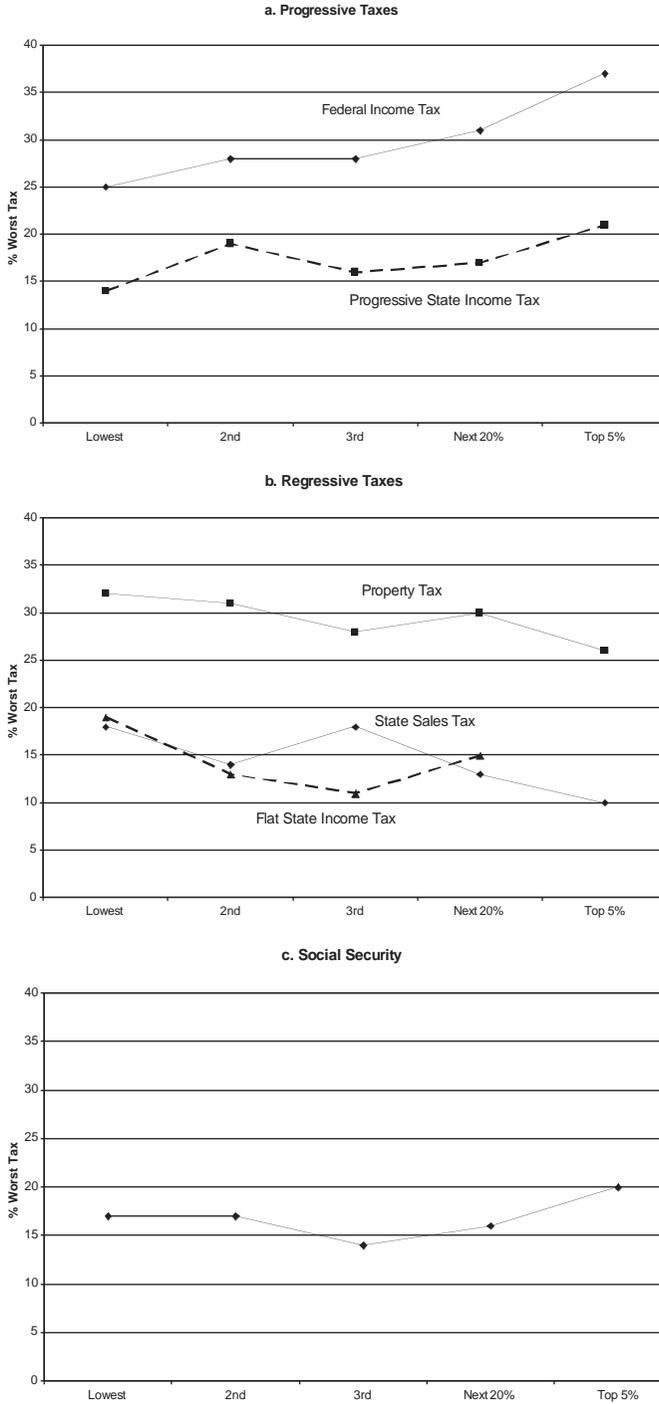
perhaps it is little surprise that taxes with the worst design features would be disliked the most by both groups. Given the anti-tax stance of the GOP, we might instead anticipate that Republicans would be routinely more likely than Democrats to say their federal income taxes are too high. However, analysis by party shows that is not the case; often Republicans are less likely than Democrats to say their federal income taxes are too high. Closer analysis reveals that Republicans are only more likely to say their federal income taxes are too high when there is a Democratic president (Figure 4). When a Republican occupies the White House, Republicans are no more likely or are about as likely as Democrats to say their federal income taxes are too high (in multivariate analysis this pattern persists even with controls for income, education, age, gender, and race). This suggests that some element of trust operates: one is more likely to rest assured that one’s tax dollars are being used wisely when one’s co-partisan heads the government.

THE POLITICAL CONTEXT

That Republican identifiers do not consistently dislike the federal income tax more than their Democratic counterparts points to the importance of political context. We turn now to a second set of findings on tax attitudes. In the current era we think that Americans hate taxes and view politics through the lens of taxes. But in fact, the salience of taxes has changed over time, arguably because politicians themselves have heightened the salience of taxes.

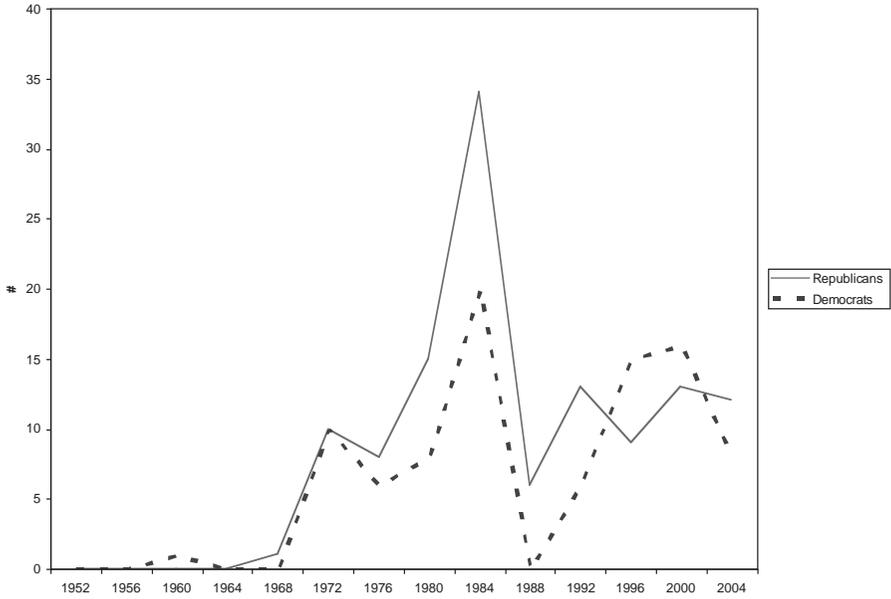
Tax politics broke open in the late 1970s, when the tax revolt in the states helped foment an anti-tax, small government revolution at the national level as well and a period of conservative ascendance that continued (at least) through the Bush tax cuts of 2001-03 (Martin, 2008). Prior to this period, however, historians argue that there was relative quiescence around taxes as lawmakers agreed to agree on revenue policy during the 1950s and 1960s (Brownlee, 2004; Ventry, 2002; Zelizer, 1998). It was easy to do so when the economy was so flush and tax revenues so bountiful. Republicans also had come to terms with popular New Deal programs like Social Security and were openly challenging neither the programs nor their financing. And there was convergence on tax issues, with Eisenhower’s Republican administration opposing tax cuts after the Korean war, and the Democratic party dominated

Figure 3: Attitudes toward Different Taxes by Income Group



Note: Income Quartiles. Source: 1983-1994 ACIR data, pooled.

Figure 5: Presidential Nomination Acceptance Speech Tax Mentions



Source: Author content analysis of acceptance speeches as compiled by the Woolley and Peters American Presidency Project.

Note: Figure shows the number of sentences in nomination acceptance speeches mentioning taxes.

Figure 6: Tax Mentions as Percent of All Likes and Dislikes of the Parties



Source: National Election Studies Cumulative File

Note: Figure shows percentage of all likes and dislikes of the Democratic and Republican parties that concern taxes.

CONCLUSION

Taxes are a rare issue in which attitudes are often congruent with self-interest. People like taxes less when they are more burdensome, either because their design makes them harder to pay or because the level is high. But how salient taxes are at any given moment depends crucially on politicians' rhetoric. We pay taxes every day, but whether we decide that's a problem depends on the degree to which elites choose to politicize them. In sum, taxes are a politically constructed issue, one which politicians can choose to heighten or to tamp down.

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