

*Taxing America*  
*Wilbur D. Mills, Congress,*  
*and the State, 1945–1975*

Julian E. Zelizer



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## *Introduction*

### *Building a State in America*

“A critical turning point” were the words one official used to describe President Lyndon Johnson’s showdown with Wilbur Mills over the Great Society in the summer of 1968.<sup>1</sup> For almost two years, the administration had unsuccessfully lobbied Congress to enact a tax increase. At first, Johnson claimed the increase was needed to finance the war in Vietnam without depleting funds from the Great Society. By the winter of 1968, administration economists also warned that the increase was absolutely essential if Congress wanted to end skyrocketing inflation. The tax increase could provide a shield protecting Johnson’s domestic accomplishments while preventing further price increases.

But Wilbur Mills, the powerful chairman of the House Ways and Means Committee – the committee in charge of income taxation and Social Security – refused to support the measure until the administration agreed to a significant reduction in domestic spending. Mills said the deflationary effects of a tax increase would be negated should the government pour money back into the economy through public spending. He also contended that Congress needed to tighten its own spending belt before asking citizens to do the same. Mills insisted that Johnson had to choose between guns or butter.

In exchange for the tax increase, President Johnson accepted more than \$6 billion in spending cuts (from a federal budget of about \$184 billion), significantly weakening the Great Society. Johnson had little choice in his decision since Mills had accumulated enough political capital to block the tax increase should the administration refuse his demands. As the Speaker of the House complained, the chairman had “blackmailed” the administration and the Democratic leadership.<sup>2</sup> Even worse, Mills walked away from the battle without any notable scars, while the president emerged as

<sup>1</sup> Joseph Califano to Lyndon Johnson, 2 May 1968, LBJL, White House Central File, Box 54, File: LE/FI 11-4, 5/1/68–5/15/68.

<sup>2</sup> John McCormack (D-MA) cited in Barefoot Sanders to Lyndon Johnson, 9 May 1968, LBJL, White House Central File, Box 54, File: LE/FI 11-4, 5/1/68–5/15/68.

the man who sold out the poor to finance a bloody war in the jungles of Southeast Asia.<sup>3</sup>

For those who remember Mills's drunken escapades in the Tidal Basin, this historic confrontation with Lyndon Johnson seems inconceivable. For those who worked with the chairman during the prime of his career, however, the confrontation was unforgettable.<sup>4</sup> Either way, the struggle hints at the critical role Mills played in the development of the American state during a crucial period in its history, a period that began with a significant expansion during the New Deal and ended with political reform in the 1970s.

During this transformation of the American state, the Cold War pushed the nation into a new role in international affairs, while it helped legitimize the permanent need for a strong government at home. The Cold War also led federal officials from both parties to expand the budget to an unprecedented size to pay for military operations and domestic activities related to the war. Economic growth brought rising wages and improved living conditions to many segments of the nation: home ownership grew by almost half, while average incomes rose by more than 50 percent. Amidst prosperity, organized labor and capital reached an accord that centered on collective bargaining. Citizens excluded from the comforts of this era participated in national movements that demanded an end to racial, ethnic, and gender discrimination.<sup>5</sup>

Economic growth generated a constant stream of revenue into the federal government. Each increase in an individual's income resulted in a corresponding increase in the individual's tax contribution; rising income also brought more revenue into Social Security. As a result, Congress found itself with an excess of revenue without raising taxes or cutting spending. Between the 1940s and 1970s, other factors produced automatic revenue, including periodic reductions in the massive defense budget. Given the size of the military expenditures (over 14 percent of GDP by 1953), small reductions produced considerable revenue. Together, this income thrust policymakers into a discussion over reducing taxes or increasing spending. This stands in sharp contrast to the early 1990s, when a combination of diminished revenues, large national deficits and debt, and entrenched bud-

<sup>3</sup> Irving Bernstein, *Guns Or Butter: Lyndon Johnson's Presidency* (New York: Oxford University Press, 1995).

<sup>4</sup> This battle was most recently recalled during the debates over the balanced budget in 1996. See Joseph A. Califano, Jr., "Balancing the Budget, L.B.J. Style," *The New York Times*, Sunday, 31 December 1995, section E; Sander Vanocur, "When Mills Balked," *The New York Times*, 4 January 1996.

<sup>5</sup> James T. Patterson, *Grand Expectations: The United States, 1945-1974* (New York: Oxford University Press, 1996).

getary commitments produced a debate that centered on the trade-off between spending reductions and increased taxation.<sup>6</sup> In the postwar period, however, it seemed to many officials that an ever-expanding economic pie could prevent such difficult debates. Congress could distribute a benefit to one group of citizens without imposing a direct cost on another group.

During this period, the state increased in size and scope on an unprecedented scale in American life. Broad segments of society – including the poor, the physically disabled, elderly retirees, middle-class consumers, private investors, and corporations – came to depend on social and economic assistance from the federal government, including public welfare, contributory old-age insurance, disability insurance, macroeconomic income-tax adjustments, and tax breaks.

### CHALLENGES AND OBSTACLES

These policies were not achieved without considerable challenge. Throughout the twentieth century, state-builders encountered formidable obstacles. First, the nation's anti-statist culture caused politicians and citizens to resist any sizable expansion of centralized government. Born in a revolution against central government, American political culture was rooted in the concepts of popular sovereignty, local democracy, and individual autonomy.<sup>7</sup> Although this cultural bias was not immutable, and contradictory pro-government sentiment did emerge, anti-statism and a devotion to minimal taxation imposed limits on state-building.<sup>8</sup> Among most business leaders,

<sup>6</sup> C. Eugene Steuerle, "Financing the American state at the turn of the century," in *Funding the Modern American State, 1941–1995: The Rise and Fall of the Era of Easy Finance*, ed. W. Elliot Brownlee (Cambridge: Cambridge University Press and Washington, D.C.: Woodrow Wilson Center Press, 1996), 409–444; Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge: Cambridge University Press, 1994), 149–155.

<sup>7</sup> James T. Kloppenberg, "The Virtues of Liberalism: Christianity, Republicanism, and Ethics in Early American Political Discourse," *Journal of American History* 74, No. 1 (June 1987): 9–33.

<sup>8</sup> Gareth Davies, *From Opportunity to Entitlement: The Transformation and Decline of Great Society Liberalism* (Lawrence: University Press of Kansas, 1996), 10–53; Morton Keller, *Regulating a New Economy: Public Policy and Economic Change in America, 1900–1933* (Cambridge, MA: Harvard University Press, 1990); David T. Beito, *Taxpayers in Revolt: Tax Resistance During the Great Depression* (Chapel Hill: University of North Carolina Press, 1989); Charles Lockhart, *Gaining Ground: Tailoring Social Programs to American Values* (Berkeley: University of California Press, 1989), 23–25; Ellis Hawley, "Social Policy and the Liberal State in Twentieth Century America," in *Federal Social Policy: The Historical Dimension*, eds. Donald T. Critchlow and Ellis W. Hawley (University Park: Pennsylvania State University Press, 1988), 117–141; Terrence J. McDonald,

moreover, “a sense of suspicion toward the state has managed to survive the most impressive and decisive political triumphs.”<sup>9</sup> Even when domestic programs were enacted, they were often locally administered, limited in coverage, stigmatized, under-financed, and vulnerable to retrenchment.

The second challenge involved the fragmented institutional structure of government. The constitutional separation of powers, the doctrine of federalism, and a paucity of civil servants created numerous opportunities for particular interest groups to undermine public policies. Without a centralized system of governance, state-builders were forced to push their proposals through various levels of government. This required exhaustive efforts by those who hoped to maintain public policies over long periods of time.

Despite these obstacles, the state achieved a significant presence in the United States during the second half of the twentieth century. Amidst the crisis of the Great Depression and World War II, the Roosevelt administration had presided over the creation and expansion of an unparalleled number of federal programs including welfare, labor protection, old-age pensions, unemployment compensation, rural development, income taxation, and price controls. In the process, these programs continued to strengthen the executive branch, a process that had begun during the progressive era.<sup>10</sup> In the national crisis, Roosevelt and his allies found an opportunity to expand government, while their opponents, inside and outside of Congress, were generally muted. Historian Doris Kearns Goodwin concludes that by 1945, “Big government – modern government – was here to stay. The new responsibilities of government amounted to nothing less than a new relationship between the people and those whom they chose for service, a new understanding, a revised social contract, one framed within the democratic limits of the original understanding, but drastically changed in content.”<sup>11</sup>

*The Parameters of Urban Fiscal Policy: Socioeconomic Change and Political Culture in San Francisco, 1860–1906* (Berkeley: University of California Press, 1986); Alan Brinkley, *Huey Long, Father Coughlin, & The Great Depression* (New York: Vintage Books, 1983); Barry D. Karl, *The Uneasy State: The United States from 1915 to 1945* (Chicago: The University of Chicago Press, 1983); Morton Keller, *Affairs of State: Public Life in Late Nineteenth Century America* (Cambridge, MA: Harvard University Press, 1977); James Holt, “The New Deal and the American Anti-Statist Tradition,” in *The New Deal: The National Level*, eds. John Braeman, Robert H. Bremner, and David Brody (Columbus: Ohio State University Press, 1975), 27–49.

<sup>9</sup> David Vogel, *Kindred Strangers: The Uneasy Relationship Between Politics and Business in America* (Princeton: Princeton University Press, 1996), 30.

<sup>10</sup> Sidney M. Milkis, *The President and the Parties: The Transformation of the American Party System Since the New Deal* (New York: Oxford University Press, 1993).

<sup>11</sup> Doris Kearns Goodwin, *No Ordinary Time: Franklin & Eleanor Roosevelt: The Home Front in World War II* (New York: Touchstone Books, 1994), 625–626.



But the survival of the expansionist state after 1945 was not guaranteed. Although crises had enabled Roosevelt to develop the infrastructure of the state, its institutionalization remained uncertain, and its future depended on support within Congress, especially among committee chairmen such as Wilbur Mills who had the legislative muscle to protect and expand programs. Even in the Great Depression, many new programs had been administered at the state and local level, and several major policies were dismantled once the economy recovered. The state's capacity to raise revenue had remained limited until the war.<sup>12</sup> During the immediate postwar period, opponents intensified their attacks on the legacies of the New Deal and World War II.<sup>13</sup> At the local level, some citizen's groups attempted to stifle the implementation of programs such as neighborhood integration and public housing.<sup>14</sup>

In the workplace, management attempted to curtail the scope of labor regulations. At the same time, the National Association of Manufacturers mounted a public relations campaign against domestic programs, while the business press expressed strong reservations about all government intervention.<sup>15</sup> While NAM mounted an anti-statist and anti-labor campaign, millions of blue collar workers – a key constituency in the New Deal coalition – procured benefits and job security from the corporation. Beginning in World War II, the union movement and welfare capitalists constructed elaborate systems of private benefits within their institutions, ranging from health insurance to workers' pensions, that offered an attractive supplement, or alternative, to the welfare state. Subsidized by government benefits

<sup>12</sup> Alan Brinkley, *The End Of Reform: New Deal Liberalism In Recession And War* (New York: Alfred A. Knopf, Inc., 1995); Brian Balogh, *Chain Reaction: Expert Debate & Public Participation In American Nuclear Power, 1945–1975* (Cambridge: Cambridge University Press, 1991), 11–13; Anthony J. Badger, *The New Deal: The Depression Years, 1933–40* (London: Macmillan Education Ltd, 1989), 299–312; Mark H. Leff, *The Limits of Symbolic Reform* (Cambridge: Cambridge University Press, 1984); Karl, *The Uneasy State*, 80–182; Herbert Stein, *The Fiscal Revolution in America*, revised edition (Washington, D.C.: AEI Press, 1990), 39–130; Ellis W. Hawley, *The New Deal and the Problem of Monopoly* (Princeton: Princeton University Press, 1966).

<sup>13</sup> David Plotke, *Building a Democratic Political Order: Reshaping American Liberalism in the 1930s and 1940s* (Cambridge: Cambridge University Press, 1996), 190–262.

<sup>14</sup> Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton: Princeton University Press, 1996), 209–258.

<sup>15</sup> Elizabeth Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945–1960* (Urbana: University of Illinois Press, 1994); Robert Griffith, "Forging America's postwar order: Domestic politics and political economy in the age of Truman," in *The Truman Presidency*, ed. Michael J. Lacey (Cambridge: Cambridge University Press and Washington, D.C.: Woodrow Wilson International Center for Scholars, 1989), 57–88; Nora K. Moran, "Visions of Management: The American Business Press in the Postwar Era, 1945–1985" (Ph.D. diss., Johns Hopkins University, 1997).

such as tax breaks, this private welfare state weaned blue collar support away from the American state.<sup>16</sup> After 1938, an alliance of congressional conservative southern Democrats and Republicans possessed enough votes to become an ongoing source of opposition to social policy, particularly concerning labor and civil rights.<sup>17</sup> To preserve and expand the state, supporters needed to overcome resistance at multiple levels of politics.

Yet scholars know relatively little about the accomplishments in American state-building during the postwar period. Most historians and historical social scientists have focused on the failures of American state-building, explicitly or implicitly portraying the West European and Canadian states as normative, and have provided sophisticated analyses showing how the nation's fragmented government and its anti-statist culture hampered policymaking.<sup>18</sup> In short, most scholars have begun with the question, "Why did the American state achieve so little in the twentieth century?" In answering this question, they have provided a comprehensive history of the policies and policymakers who failed to achieve their goals in the twentieth century. We thus know much about the roads not taken in postwar American politics.<sup>19</sup> This book takes a different approach.

*Taxing America* begins with the question, "How did the American state achieve what it did between 1945 and 1975, despite the nation's anti-statist culture and despite its fragmented political institutions?"

<sup>16</sup> Michael K. Brown, "Bargaining for Social Rights: Unions and the Reemergence of Welfare Capitalism, 1945–1952," *Political Science Quarterly*, 12, No. 4 (Winter 1998): 645–674; Sanford M. Jacoby, *Modern Manors: Welfare Capitalism Since the New Deal* (Princeton: Princeton University Press, 1997); Nelson Lichtenstein, "Labor in the Truman Era: Origins of the 'Private Welfare State,'" in *The Truman Presidency*, 128–155.

<sup>17</sup> Clyde P. Weed, *The Nemesis of Reform: The Republican Party During the New Deal* (New York: Columbia University Press, 1994), 168–203; Ira Katznelson, Kim Geiger, and Daniel Kryder, "Limiting Liberalism: The Southern Veto in Congress, 1933–1950," *Political Science Quarterly* 108, No. 2 (1993): 283–302; David L. Porter, *Congress and the Waning of the New Deal* (Port Washington: National University Publications, 1980); James T. Patterson, *Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933–1939* (Lexington: University of Kentucky Press, 1967).

<sup>18</sup> For an excellent critique of this tendency and a cogent review of the literature on state-building, see Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States* (Cambridge, MA: The Belknap Press of Harvard University Press, 1992), 1–66.

<sup>19</sup> Michael B. Katz, *The Undeserving Poor: From the War on Poverty to the War on Welfare* (New York: Pantheon Books, 1989); Margaret Weir, *Politics and Jobs: The Boundaries of Employment Policy in the United States* (Princeton: Princeton University Press, 1992); Jill Quadagno, *The Color of Welfare: How Racism Undermined the War on Poverty* (New York: Oxford University Press, 1994); Brinkley, *The End of Reform*.

Wilbur Mills's experiences provide four important historical answers to this question.

### *Congress and the state*

Congress played a crucial role in the institutionalization of the state. Nowhere was this clearer than with taxation. After all, taxation was central to state-building: Politicians extracted money from citizens to pay for government. Unlike the way it handled issues such as foreign policy, Congress never ceded its constitutional jurisdiction over taxation to the executive branch, not even during World War II.<sup>20</sup> As a result, Congress continued to exert tremendous influence over taxation throughout the century.

Without understanding the history of Congress it is impossible to understand the evolution of national tax policy during this period.<sup>21</sup> Between 1945 and 1975, Congress influenced tax politics through the decentralized committee system, which created an insulated arena for representatives from both parties and from competing regions to achieve difficult compromises without public scrutiny.<sup>22</sup> The specialized committee system dispersed power throughout Congress while simultaneously enhancing the power of the representatives who became committee chairmen (many of whom were senior southern Democrats). Within the House of Representatives, for example, committee chairmen maintained authority over committee staffs, they created and dismantled subcommittees, they controlled the committee agenda and parliamentary procedure, they scheduled committee proceedings, and they served as the floor managers for committee bills.<sup>23</sup>

Although committees had been an important part of Congress since the eighteenth century, the power of committee chairmen increased dramatically during the twentieth century. Traditional sources of congressional leadership, such as the Speaker of the House and the Democratic Caucus, had weakened significantly by World War II as a result of institutional and partisan reform. Within a congress-

<sup>20</sup> Bartholomew H. Sparrow, *From the Outside In: World War II and the American State* (Princeton: Princeton University Press, 1996), 33–66; 97–160; 270.

<sup>21</sup> On the historiography of congressional studies, see Joel Silbey, "The Historiography of the American Legislative System," in *Encyclopedia of the American Legislative System: Studies of the Principal Structures, Processes, and Policies of Congress and the State Legislatures Since the Colonial Era*, ed. Joel Silbey (New York: Charles Scribner's Sons, 1994), 281–299.

<sup>22</sup> Richard F. Bensel, *Sectionalism and American Political Development, 1880–1980* (Madison: University of Wisconsin Press, 1984), 175–255; 317–367; 403–412.

<sup>23</sup> Richard Fenno, *Congressmen in Committees* (Boston: Little, Brown & Company, 1973).

sional system that valued specialized expertise and revolved around seniority, moreover, committee chairmen secured strong positions within the House as they mastered particular areas of policy. Committee chairmen also served for longer terms following the war; approximately 60 percent of committee chairmen held their positions for more than five years, and almost a dozen served for over a decade.<sup>24</sup> These chairmen provided the type of continuity within national government that political executives and bureaucrats had long contributed in Western Europe.<sup>25</sup> As a result of their position, chairmen such as Mills were a formidable presence at all stages of policymaking process.

### *Policy communities*

The second answer from Mills's career to the question of the American state's achievements concerns the role that policy communities played in helping to facilitate policymaking despite the fragmented structure of the state. In particular, they offered an arena where congressional leaders would interact with other members of the state on a regular basis. A policy community, according to one political scientist, "hums along on its own, independent of such political events as changes of administration and pressure from legislators' constituencies."<sup>26</sup> To shape policies at every stage of the tax-writing process, Mills worked closely with a specialized tax community whose members included political party officials, leaders and experts from umbrella business and financial associations (such as the Chamber of Commerce), staff members of the executive and congressional branch, bureaucrats and administrators, university professors, independent specialists, editors and writers of the specialized policy media, and participants in think tanks.<sup>27</sup>

Ultimately, policy communities needed to sell their ideas to committee chairmen. Mills often identified with and operated through the tax community. By balancing the competing needs of its members and translating their ideas into concrete legislative victories, he

<sup>24</sup> Steven S. Smith and Christopher J. Deering, *Committees in Congress*, 2nd edition (Washington, D.C.: Congressional Quarterly Inc., 1990), 39–45.

<sup>25</sup> Joseph White and Aaron Wildavsky, *The Deficit and the Public Interest: The Search for Responsible Budgeting in the 1980s* (Berkeley: University of California Press and New York: Russell Sage Foundation, 1989), 544.

<sup>26</sup> John W. Kingdon, *Agendas, Alternatives, and Public Policies* (Glenview, Illinois: Scott, Foresman, 1984), 124.

<sup>27</sup> Although in earlier work I have referred to this group as the "fiscal policy community," I have decided that "tax policy community" better defines the boundaries and the agenda of the membership.

expanded his influence in the state. Similar to his interaction with members of Congress and their interest groups, Mills hammered out compromises with the tax community, the tax men of Washington, D.C. The community traded information, agendas, and networks to the president, as opposed to the interest groups that tended to exchange money and constituents for political support.<sup>28</sup> The relationship between Mills and the community was unbalanced. Although Mills benefited from negotiating with this community to expand his influence in policymaking, as chairman of Ways and Means he could maintain his power simply by sitting on the chairmanship. The policy community, on the other hand, depended on Mills to achieve any legislative success. Nonetheless, through a strong working relationship, both partners in this marriage could increase their influence and productivity.

The tax community included three factions, categorized as Social Security, Growth Manipulation, and Tax Reform.<sup>29</sup> As chairman of Ways and Means, Mills negotiated with, and participated in, all three factions. The Social Security faction promoted contributory social insurance as the most generous form of government assistance that could be maintained within the nation's anti-statist culture. The growth manipulation faction argued that adjustments to the income-tax code, especially stimulative rate reductions, offered an effective form of economic policy. While members of this faction argued over questions of timing and size, they all agreed that tax manipulation surpassed government regulation, aggressive monetary policy, or public spending as a means of boosting economic growth. The tax reform faction supported an ongoing, incremental reform process in which Congress would periodically cleanse the tax code by eliminating as many tax breaks as possible. By demonstrating its willingness to control the system, according to this faction, Congress could maintain political support for a progressive, growth-oriented tax code and for the tax breaks that Congress deemed essential on economic and political grounds.

Together, these factions constituted a larger community that

<sup>28</sup> It is interesting to note that recent scholarship suggests that interest groups also engaged in the politics of information and agenda-setting. See Gary McKissick, "Issue Manipulation: Interest Group Lobbying and the Framing of Policy Alternatives" (Ph.D. diss., University of Michigan, 1997) and Theda Skocpol, *Boomerang: Clinton's Health Security Effort and the Turn Against Government in U.S. Politics* (New York: W.W. Norton, 1996), 133–172.

<sup>29</sup> These are labels that I have given to the various factions of the community. The factions at the time perceived themselves within these distinct groupings. While the members would certainly classify their interests around these typologies, the actual labels are my own construction.

achieved considerable influence within the tax-writing committees during Mills's career. Although the names of the faction members – such as Robert Ball, Andrew Biemiller, Wilbur Cohen, Henry Fowler, Walter Heller, Robert Myers, Joseph Pechman, Herbert Stein, Stanley Surrey, and Laurence Woodworth – meant little to the average voter in New York or Arkansas, they were members of a community that helped design several monumental pieces of legislation, including the Revenue Acts of 1962 and 1964, Medicare in 1965, the Tax Reform Act of 1969, and the Social Security Amendments of 1972. The community was the product of a distinct historical period, an era that was characterized largely by economic growth, the Cold War, and the decentralized congressional committee system.

A “culture of tax policy” provided a considerable degree of coherence to this community. This political culture included a distinct discourse with its own vocabulary and conceptions of the political economy, certain types of social interactions between members of government, and established ways of learning the political process.<sup>30</sup> One scholar has defined the term “political culture” as “the underlying assumptions and rules that govern behavior in the political system . . . the political ideals and operating norms of a polity . . . the manifestation in aggregate form of the psychological

<sup>30</sup> My understanding of the term “political culture” comes from the following works: Kathryn Kish Sklar, *Florence Kelley & The Nation's Work: The Rise of Women's Political Culture, 1830–1900* (New Haven: Yale University Press, 1995); Frank Dobbin, *Forging Industrial Policy: The United States, Britain, and France in the Railway Age* (Cambridge: Cambridge University Press, 1994); Philip J. Ethington, *The Public City: The Political Construction of Urban Life in San Francisco, 1850–1900* (Cambridge: Cambridge University Press, 1994); Michael McGerr, “Political Style and Women's Power, 1830–1930,” *The Journal of American History* 77, No. 3 (December 1990): 864–885; Robert Kelley, “The Interplay of American Political Culture and Public Policy: The Sacramento River as a Case Study,” *Journal of Policy History* 1, No. 1 (1989): 19; Paula Baker, “The Domestication of Politics: Women and American Political Society, 1780–1920,” *American Historical Review* 89, No. 3 (June 1984): 620–647; Jean Baker, *Affairs of Party: The Political Culture of Northern Democrats in the Mid-Nineteenth Century* (Ithaca: Cornell University Press, 1983); Daniel Walker Howe, *The Political Culture of the American Whigs* (Chicago: University of Chicago Press, 1979). In their book, *A History of Taxation and Expenditure in the Western World* (New York: Simon and Schuster, 1986), Carolyn Webber and Aaron Wildavsky argue that political culture offers the best way to understand the tax and spending systems of particular nations across time and space. Although their work provides one of the most comprehensive histories of fiscal policy and a powerful argument for the influence of political culture on policy, their book plays down the relevance of institutional design, special interests, and policy. Their definition of culture is vague, and broad characterizations are used to label entire portions of a population. I attempt to use a much more specific definition of culture, by focusing on the particular culture of a distinct group within the U.S. government.

and subjective dimensions of politics . . . the product of both the collective history of a political system and the life histories of the members of the system. . . .”<sup>31</sup>

By examining such important issues as language, rituals, and attitudes, the history of political culture reveals how the unexamined assumptions of political actors played a pivotal role in political development. Political discourse was an important aspect of the community. The postwar discourse helped Mills and other policymakers to communicate and to devise substantive policies. It also led Mills to conceive of himself as involved in a common intellectual and political project with other policymakers.<sup>32</sup> Policy communities worked most effectively with the individuals and organizations who embraced the main aspects of their culture and with those who had access or who held key institutional positions of power. These communities, according to one analysis, “effectively express cultural norms about appropriate political strategies, tactics, and actions.”<sup>33</sup>

### *Taxation as liberal policy*

The third answer from Mills’s career to how the American state achieved so much involves the centrality of taxation to postwar liberalism and its domestic agenda. Taxation was much more than a purely technical, administrative endeavor at the periphery of political life.<sup>34</sup> Through taxation, Mills and the community were able

<sup>31</sup> Cited in Jo Freeman, “The Political Culture of the Democratic and Republican Parties,” *Political Science Quarterly* 101, No. 3 (1986): 327–328.

<sup>32</sup> In discussing political discourse, I draw on Dorothy Ross, *The Origins of American Social Science* (Cambridge: Cambridge University Press, 1991) and J.G.A. Pocock, *Virtue, Commerce, and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century* (Cambridge: Cambridge University Press, 1985), 1–34.

<sup>33</sup> David Knoke, Franz Urban Pappi, Jeffrey Broadbent, Yutaka Tsujinaka, *Comparing Policy Networks: Labor Politics in the U.S., Germany, and Japan* (Cambridge: Cambridge University Press, 1996), 218. For theoretical discussions about policy communities, see the following: Frank R. Baumgartner and Bryan D. Jones, *Agendas and Instability in American Politics* (Chicago: University of Chicago Press, 1993); Paul Burstein, “Policy Domains: Organization, Culture, and Policy Outcomes,” *Annual Review of Sociology* 17 (1991): 327–350; Jack L. Walker, “The Diffusion of Knowledge, Policy Communities, and Agenda Setting: The Relationship of Knowledge and Power,” in *New Strategic Perspectives on Social Policy*, eds. John E. Tropman, Milan J. Dluhy, and Roger M. Lind (New York: Pergamon Press, 1981), 75–97.

<sup>34</sup> *Taxing America* builds on an emerging school of literature that pays closer attention to the role of taxation in American state-building, which includes the following work: Brownlee, ed., *Funding the Modern American State, 1941–1995*; John J. Coleman, *Party Decline in America: Policy, Politics, and the Fiscal State* (Princeton: Princeton University Press, 1996); Sheldon D. Pollack, *The Failure of U.S. Tax Policy: Revenue and Politics* (University Park: Pennsylvania State University Press, 1996); Theda Skocpol, *Social*

to sell various economic and social programs within the nation's anti-statist culture. As the chairman of a tax-writing committee, Mills perceived the relevance of taxation to both social welfare and economic policy. Mills pressured, and often coerced, liberal policymakers to fashion an agenda that was politically and economically viable within Congress. This agenda centered around contributory, wage-related social insurance, moderate macroeconomic fiscal policy, and a growth-oriented tax code.

Between the 1940s and 1970s, Mills and the tax community transformed federal taxation from a revenue-raising device into a mechanism for earmarking government benefits and for managing economic growth. The first area where taxation was central to post-war liberalism was social welfare policy. Regarding social welfare, Mills grasped that strong income-transfer programs, such as Social Security, required sound revenue-raising mechanisms to finance them. Taxes were not just incidental to social programs, Mills understood, and they could serve as a mechanism that guaranteed strong political support. Mills and the community ensured that Old-Age and Survivors' Insurance remained the centerpiece of U.S. social welfare. The "pay-as-you-go" earmarked tax system became an essential component of the success of Social Security during this period as it legitimized the absence of a means test. It helped secure broad middle class support and it seemed to ensure that Congress had to raise enough taxes to cover the cost of annual benefits. Congress defended the exclusive symbolic link between the Social Security tax and the social insurance benefit, thereby eliminating the possibility of directly financing Social Security pensions through general revenue. For government officials, this decision strengthened the insurance component of Social Security since they felt the payroll tax distinguished the programs it financed. Once it secured this link, the community began

*Policy in the United States: Future Possibilities in Historical Perspective* (Princeton: Princeton University Press, 1995); Richard Richards, *Closing the Door to Destitution: The Shaping of the Social Security Acts of the United States and New Zealand* (University Park: The Pennsylvania State University Press, 1994); Christopher Howard, "The Hidden Side of the American Welfare State," *Political Science Quarterly* 108, No. 3 (1993): 403-436; Ronald King, *Money, Time, and Politics: Investment Tax Subsidies and American Democracy* (New Haven: Yale University Press, 1993); Ann Shola Orloff, *The Politics of Pensions: A Comparative Analysis of Britain, Canada, and the United States, 1880-1940* (Madison: University of Wisconsin Press, 1993); Robert Stanley, *Dimensions of Law in the Service of Order: Origins of the Federal Income Tax, 1861-1913* (New York: Oxford University Press, 1993); Sven Steinmo, *Taxation and Democracy: Swedish, British, and American Approaches to Financing the Modern State* (New Haven: Yale University Press, 1993); Skocpol, *Protecting Soldiers and Mothers*, 112-130; Cathie J. Martin, *Shifting the Burden: The Struggle over Growth and Corporate Taxation* (Chicago: University of Chicago Press, 1991).



an intensive campaign to expand social insurance to an increasingly middle-class constituency while reducing welfare.

But the success of the earmarked tax system was not automatic. It was challenged repeatedly on many grounds – by those who wanted a more expansive program, by those who wanted to undermine the program by eliminating this powerful tax, or by others who believed on economic grounds that this tax was inefficient. Throughout his career in Congress, Mills would devote a great deal of his time working with the Social Security faction of the community to protect this earmarked tax system and its “pay-as-you-go” structure. Mills would be successful until the very end of his career – between 1969 and 1972 – when politics and the popularity of the program overwhelmed the system.

The historical scholarship on Social Security has focused on benefits, particularly on the racial and gender dynamics behind who received different types and amounts of benefits. This research argues that the two-track structure of Social Security tended to benefit white male retirees, who had been industrial wage-earners, and their dependent wives (social insurance), while Social Security provided meager assistance to single women, African-Americans, and the unemployed (public assistance).<sup>35</sup> *Taxing America* focuses on the question of taxation with respect to Social Security, especially on the fiscal mechanisms through which policymakers distinguished social insurance from public welfare.

Without these symbolic distinctions, social insurance would not have been as attractive, as generous, or as desirable. One main reason

<sup>35</sup> Robert C. Lieberman, “Race and the Organization of Welfare Policy,” in *Classifying By Race*, ed. Paul Peterson (Princeton: Princeton University Press, 1995), 156–187; Gwendolyn Mink, *The Wages of Motherhood: Inequality in the Welfare State, 1917–1942* (Ithaca: Cornell University Press, 1995); Alice Kessler-Harris, “Designing Women and Old Fools: The Construction of the Social Security Amendments of 1939,” in *U.S. History as Women’s History: New Feminist Essays*, eds. Linda Kerber, Alice Kessler-Harris, and Kathryn Kish Sklar (Chapel Hill: University of North Carolina Press, 1995), 87–106; Nancy Fraser and Linda Gordon, “‘Dependency’ Demystified: Inscriptions of Power in a Keyword of the Welfare State,” *Social Politics* 1, No. 1 (Spring 1994):4–31; Linda Gordon, *Pitied But Not Entitled: Single Mothers and the History of Welfare* (New York: The Free Press, 1994); Quadagno, *The Color of Welfare* and Jill Quadagno, *The Transformation of Old Age Security: Class and Politics in the American Welfare State* (Chicago: University of Chicago Press, 1988); Rickie Solinger, *Wake Up Little Susie: Single Pregnancy and Race Before Roe v. Wade* (New York: Routledge, 1992); Katz, *The Undeserving Poor* and Michael Katz, *In the Shadow of the Poorhouse* (New York: Basic Books, 1982); Ann Shola Orloff, “The Political Origins of America’s Belated Welfare State,” in *The Politics of Social Policy in the United States*, eds. Margaret Weir, Ann Shola Orloff, and Theda Skocpol, (Princeton: Princeton University Press, 1988), 65–80; James Patterson, *America’s Struggle Against Poverty, 1900–1985* (Cambridge, MA: Harvard University Press, 1981).

citizens and politicians privileged social insurance was the perception that it was an earned right. As a result, claimed the policymakers, its benefits did not create dependency on the government. This definition of the policy was not inherent to the benefit, but had to be constructed through a complex tax system with its symbols and its rhetoric. Mills's career thus provides a stronger understanding of how social insurance and public welfare were distinguished and defined within the state. By focusing on taxation, I reconstruct the discourse that was used among tax policymakers during most of the debates over social welfare, thereby providing a richer sense of the culture and logic that drove these important decisions. Mills's career suggests that issues other than race and gender – the issues on which most historical studies have focused – were also crucial to the development of Social Security and to the intentions of those who constructed the program.<sup>36</sup> In particular, policymakers sought to create an expansive social insurance program grounded in a distinct system of contributory finance that could withstand the anti-statist culture of the United States.

The second area where taxation became central to postwar liberal governance involved economic policy. Mills discerned that the manipulation of tax rates and the creation of tax breaks enabled the government to help manage the economy indirectly without infringing on the prerogatives of economic institutions. Unlike the nineteenth-century state that relied on the court system and tariffs for particular regional industries, or the period between 1900 and 1945 when the state added regulatory commissions and administrative agencies, the postwar state relied increasingly on macroeconomic fiscal policy to intervene in the national economy from the late-1940s to the mid-1970s.<sup>37</sup>

<sup>36</sup> For an insightful critique of the racial analysis of Social Security history, see Gareth Davies and Martha Derthick, "Race and Social Welfare Policy: The Social Security Act of 1935," *Political Science Quarterly* 112, No. 2 (Summer 1997): 217–235.

<sup>37</sup> For different strategies for government intervention in the economy that took hold before the 1940s, see the following: William J. Novak, *The People's Welfare: Law and Regulation in Nineteenth-Century America* (Chapel Hill: The University of North Carolina Press, 1996); Brinkley, *The End of Reform*; Judith Goldstein, *Ideas, Interests, and American Trade Policy* (Ithaca: Cornell University Press, 1993); Christopher L. Tomlins, *Law, Labor, and Ideology in the Early American Republic* (Cambridge: Cambridge University Press, 1993); Ellis W. Hawley, *The Great War and the Search for a Modern Order: A History of the American People and Their Institutions, 1917–1933*, 2nd edition (New York: St. Martin's Press, 1992), and Hawley, *The New Deal and the Problem of Monopoly*; William E. Forbath, *Law and the Shaping of the American Labor Movement* (Cambridge, MA: The Belknap Press of Harvard University Press, 1991); Steven Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877–1920* (Cambridge: Cambridge University Press, 1982); Keller,

By this point in history, moreover, “fiscal policy . . . meant tax policy.”<sup>38</sup>

The World War II mass tax, made permanent in peacetime through the recodification of 1954, had a major impact on Mills and the community. Indeed, the revised code in 1954 validated the direction taxation had taken during World War II and the Korean War – toward high progressive rates, the use of numerous tax breaks for non-wage income, and dependence on withholding on wages at the source. Following the enactment of the mass tax, policymakers could no longer ignore the macroeconomic impact of income taxation. Through its permanent high tax rates and its massive withholding system, the federal government would continue to absorb billions of dollars each year from the national economy. Through its complex system of tax breaks, moreover, the federal government would have considerable influence on national private investment decisions. The recodification confirmed that the income tax had become much more than a revenue-raising mechanism. Although government officials of earlier historical periods were aware that taxation affected matters such as capital investment and regional industry, they did not deliberately manipulate taxation to help manage the national economy. The postwar period was different. Income-tax policy was used as a macroeconomic tool through which expert officials could stimulate national economic growth or restrain excessive expansion.

From 1955 through 1964, Mills conducted several congressional hearings that promoted this concept in political debate. Meanwhile, the practical experience of constantly rewriting the code forced congressional representatives to acknowledge the immense economic impact of each technical provision. Like Medicare, the Revenue Acts of 1962 and 1964 represented an important achievement for Mills and his colleagues. To stimulate economic productivity and private investment and to achieve full employment, the Revenue Acts enacted the largest postwar tax reductions to that date (and the largest until 1981) and, for the first time, openly endorsed temporary peacetime deficits in non-recessionary times. The legislation also gave rise within Congress to a crucial concept of tax reform. According to the experts, incremental reform would create a more favorable climate for economic growth and “horizontal equity,” the notion that equal incomes should pay equal taxes, and that there should thus be

*Regulating a New Economy and Affairs of State*; Robert Wiebe, *The Search for Order, 1877–1920* (New York: Hill and Wang, 1967); Samuel P. Hays, *The Response to Industrialism, 1885–1914* (Chicago: University of Chicago Press, 1957).

<sup>38</sup> Steinmo, *Taxation & Democracy*, 136.

fewer distinctions between different types of income. Importantly, tax reform did not attempt to destroy the tax-break system with the hidden benefits it bestowed on powerful interest groups and political constituencies. Rather, it aimed to preserve the income-tax structure by distinguishing “legitimate” tax breaks, defined as those provisions that were currently endorsed by the leaders of the tax community and Congress, from those that could no longer be defended effectively. These efforts culminated in the concept of “tax expenditures,” which posited that the government actually spent money through a hidden budget of tax breaks for individuals and organizations.

### *Fiscal conservatism and the state*

Finally, the fourth lesson from Mills’s career involves the active role of fiscal conservatives in building tax policies of the American state between the New Deal and the 1970s.<sup>39</sup> During this period, several influential fiscal conservatives entered into a fragile alliance with the state. By the 1960s, fiscal conservatism meant more than a strict adherence to balanced budgets. Many fiscal conservatives in government, particularly those within the Democratic Party, supported a state that used moderate tax reductions to stimulate economic growth, even if the reductions required occasional deficits; they supported a state that limited non-defense general-revenue expenditures; and they supported a state that provided contributory social insurance for the elderly. Fiscal conservatives such as Mills hesitantly accepted the growth of a particular version of centralized govern-

<sup>39</sup> Thus far, little attention has been given to the role of fiscal conservatism in the growing historical literature on conservatism since the 1930s. The only exception comes from the political scientist James D. Savage, whose *Balanced Budgets & American Politics* (Ithaca: Cornell University Press, 1988) provides an interesting account of the importance of balanced budgets before the New Deal and since the 1980s, but provides less analysis of the crucial period in between. On the history of conservatism, see the following: E.J. Dionne, Jr., *Why Americans Hate Politics* (New York: Simon & Schuster, 1991); Charles W. Dunn and J. David Woodward, *The Conservative Tradition in America* (Lanham, Maryland: Rowman & Littlefield, 1996); Godfrey Hodgson, *The World Turned Right Side Up: A History of the Conservative Ascendancy in America* (Boston: Houghton Mifflin, 1996); Paul Gottfried and Thomas Flemming, *The Conservative Movement* (Boston: Twayne Publishers, 1988); David Green, *Shaping Political Consciousness: The Language of Politics in America from McKinley to Reagan* (Ithaca: Cornell University Press, 1987); George H. Nash, *The Conservative Intellectual Movement in America Since 1945* (New York: Basic Books, 1976); and “AHR Forum: The Problem of American Conservatism,” *American Historical Review* 99, No. 2 (April 1994): 409–452.

ment. The state offered them enticing political opportunities. For example, Social Security enabled congressional representatives to distribute generous “self-supporting” benefits to constituents, to increase their power within the Democratic party and among moderate Republicans, and to avoid being marginalized as reactionaries while continuing to defend fiscal restraint.

Although many fiscal conservatives accepted the need for substantial government expenditures and occasional budget deficits, they still dedicated themselves to restraining the long-term growth of government through the power of the purse. The congressional tax-writing committees were institutions that promoted fiscal conservatism within the state. Congress had delegated to members of these committees, particularly the chairmen, the responsibility of controlling tax rates, the national debt, and annual deficits. Fiscal conservatives expressed ongoing concern about the detrimental effect of deficits on consumer prices, national savings, and the international stability of the dollar. As a result, they tended to define policy debates in terms of budgetary cost, tax burdens, and potential effect on the deficit. In doing so, fiscal conservatives stood out amidst the “era of easy finance,” and foreshadowed the type of debate that would dominate the 1990s.

### *The organization of the book*

The convergence of these aspects of Mills’s experience – the influence of Congress, the relevance of a specialized tax policy community and its culture, the centrality of taxation to postwar liberalism and its domestic policy, and the alliance between fiscal conservatives and the state – frames the narrative of *Taxing America*. My account of Mills and the community is divided into three sections.

Part I explores the development of the tax policy community, and the ways in which Mills began to use his relationship with members of this community to enhance his influence from inside Congress. This part also discusses the political discourse that helped to unite the tax community throughout Mills’s tenure in Congress.

Part II turns to state-building and public policy. Once the community had formed and obtained positions of power, it needed to translate its agenda into public policy. The narrative thus focuses on how the tax community transformed federal taxation from being primarily a redistributive and revenue-raising device into a mechanism to stimulate economic growth and earmark government

benefits. Drawing on Mills's work, this section also examines how some fiscal conservatives came to terms with the state on specific legislative battles.

Part II also explores how policies restructured politics.<sup>40</sup> Once enacted, policies often took on a life of their own, beyond the control or original expectations of those who had created them. Provisions such as Social Security and tax breaks created a sense of entitlement among recipients that fueled demands for liberalization. Mills and the community constantly dealt with the tensions produced by this dynamic; this became most evident in the debates over Medicare and tax reform.

Part III examines congressional reform, the disintegration of the tax community, the unraveling of its tax system, and the flight of fiscal conservatives from their alliance with the state.

To understand the history of the political, economic, and professional elites who dominate this story, my analysis draws on the methodology of social and cultural history, which has focused on social communities and social movements. Scholars of state-building have generally played down the social history of political elites. Rather, they have focused on macroeconomic forces that drove institutional development or on individual leaders isolated from any social context. *Taxing America* looks at the social and cultural history of the political elites who constructed the state's tax policies during the postwar period.

This type of analysis sheds new light on the development of political institutions. It pays close attention to the role of personal networks, contingency, and human agency in the rather abstract process of state-building. By examining the importance of a policy community and its culture, *Taxing America* shows that personal networks and individual choices were instrumental in the development of the state – an aspect of political history that the “new institutionalism” has tended to play down. I emphasize the interaction between these networks, their discourse, and the institutional structures within which they operated.<sup>41</sup>

<sup>40</sup> Pierson, *Dismantling the Welfare State?* 39–41.

<sup>41</sup> Some social scientists have started to explore the relationship between ideas and institutions. See Margaret Weir, “Ideas and the politics of bounded innovation,” in *Structuring Politics: Historical Institutionalism in Comparative Analysis*, eds. Sven Steinmo, Kathleen Thelen, and Frank Longstreth (Cambridge: Cambridge University Press, 1992), 188–216; M. Stephen Weatherford with Thomas B. Mayhew, “Tax Policy and Presidential Leadership: Ideas, Interests, and the Quality of Advice,” *Studies in American Political Development* 9, No. 2 (Fall 1995): 287–330; Paul J. Quirk, “In Defense of the Politics of Ideas,” *The Journal of Politics* 50, No. 1 (February 1988): 31–41.

## SHAPING THE POLICY AGENDA

Most scholars who have discussed Mills have taken his power for granted or have focused on the process through which he maintained this power.<sup>42</sup> They have not analyzed how Mills learned to exercise his power or how he expanded his influence beyond the official duties of the chairmanship. As a result, scholarly accounts of the period present Mills and his committee as “obstacles” to modern fiscal and social welfare policymaking. Like most accounts of Congress, they suggest that the chairman derived his power exclusively from his ability to block presidential initiatives and to remain outside the state policymaking process.<sup>43</sup>

Framed by an analysis of how Congress shaped the development of the state, *Taxing America* examines how Mills expanded his influence by working *within* the tax policy community and not just *against* it. By learning the skills of modern congressional politics, and by learning to work both with the policy communities that had emerged

<sup>42</sup> *Taxing America* takes a different approach than John Manley’s classic study of Mills and the Ways and Means committee in Manley’s *The Politics of Finance: The House Committee on Ways and Means* (Boston: Little, Brown, 1970). Manley’s work used a Parsonian model to explain how Mills achieved such power during the 1960s. Mills did so, according to Manley, through a consensus-building approach to issues, through his actual expertise, and through the value system of the committee. Manley, however, was interested primarily in timeless processes, and his study largely picked up after 1964, once Mills had achieved his power, and ends before 1972, when his power came under intense challenge. By developing a more comprehensive historical interpretation of Mills and viewing the 1960s in the context of the 1950s, I hope to show that Mills’s success was anything but inevitable or consensual: Mills had to learn how to be influential as chairman. His growing influence during this period stemmed from two important factors that Manley neglects: First, he developed a close relationship to the policymaking community outside of Congress; second, he mastered the discourse that shaped that community. My concept of Mills’s mastery of the “discourse” encompasses, but is broader than, Mills’s “actual expertise,” which Manley stressed. Unlike Manley, I examine critically the notion of “expertise” as a construct within a larger political culture and as a part of an ongoing discourse about the nature of politics in the postwar era. Finally, I focus much of my analysis on the policies that Mills passed, rather than just the process through which he devised them. In my analysis, those policies structured Mills’s subsequent politics as much as vice versa.

<sup>43</sup> For works that tend to present Mills in this light, see Martin, *Shifting the Burden*, 81–106; Steinmo, *Taxation & Democracy*; Howard Winant, *Stalemate: Political Economic Origins of Supply-Side Policy* (New York: Praeger, 1988); Stein, *The Fiscal Revolution in America*; Stein, “The fiscal revolution in America, part II: 1964–1994,” in *Funding the Modern American State, 1941–1995*, 201–209; Robert M. Collins, “Growth Liberalism in the Sixties,” in *The Sixties: From Memory to History*, ed. David Farber (Chapel Hill: University of North Carolina Press, 1994), 11–44; Lawrence C. Pierce, *The Politics of Fiscal Policy Formation* (Pacific Palisades, California: Goodyear Publishing Company, 1971); 135–178.

during this period and the powerful interests that predated them, Mills helped to shape tax policies from their conception to their enactment.<sup>44</sup> Mills used the “positive power” of the chairmanship in addition to its “negative power.” Positive power revolved around extra-procedural tactics such as using policy information for political advantage, building alliances with talented staff and experts, and exploiting personal relationships.<sup>45</sup> Negative power included procedural tactics such as blocking a bill from coming to the House floor and establishing limits on debate. In exercising positive power, Mills’s relationship with the tax community reveals how, in some arenas, Congress continued to influence the entire policymaking process during the period of the “Imperial Presidency.”<sup>46</sup>

Mills operated effectively in three different political arenas: the tax policy community, Congress, and his congressional district. Within Congress, for example, Mills crafted the technical substance of bills so that they gained broad bipartisan support in the tax-writing committees, in the House, and in the Senate.<sup>47</sup> Mills’s thirty-eight years in Congress (including his reelection after the Fanne Fox scandal), moreover, reveals his popularity among voters in the second district of Arkansas.

*Taxing America* focuses on Mills’s relationship with the tax policy community, considering the other two arenas as they relate to the first. Before legislation reached the House floor, Mills struggled to influence the issues that would dominate the policy agenda, how particular pieces of legislation would be packaged, and which policy alternatives would be ignored. This complex process, which social scientists have labeled “agenda-setting,” required skillful intellectual and rhetorical negotiation.<sup>48</sup> By bringing his legislative skills to the

<sup>44</sup> The process of “social learning” within the state has been explored in two important volumes from the Woodrow Wilson Center: Michael Lacey and Mary Furner, eds., *The State and Social Investigation in Britain and the United States* (Cambridge: Cambridge University Press and Washington, D.C.: Woodrow Wilson Center Press, 1993) and Furner and Barry Supple, eds., *The State and Economic Knowledge: The American and British Experiences* (Cambridge: Cambridge University Press and Washington, D.C.: Woodrow Wilson International Center For Scholars, 1990).

<sup>45</sup> The concept of positive and negative power was developed in Smith and Deering, *Committees in Congress*, 10–13.

<sup>46</sup> Arthur M. Schlesinger, Jr., *The Imperial Presidency* (New York: Popular Library, 1974) and *The Cycles of American History* (Boston: Houghton Mifflin Company, 1986), 277–336. See also James L. Sundquist, *The Decline and Resurgence of Congress* (Washington, D.C.: The Brookings Institution, 1981).

<sup>47</sup> Manley, *The Politics of Finance*.

<sup>48</sup> Kingdon, *Agendas, Alternatives, and Public Policies*, 3–4; 206–209; Nelson W. Polsby, *Political Innovation in America: The Politics of Policy Innovation* (New Haven: Yale University Press, 1984).



agenda-setting process, Mills brokered compromises among the various factions of the tax community. He shaped the policy agenda and packaged legislation so that numerous members of the community could perceive it as a partial victory.

While participating in the agenda-setting process, Mills acted both as a political chameleon and a political sphinx. As a chameleon, he absorbed the interests, the ideas, and the language of each faction in the tax community. By immersing himself in each faction, Mills was able to define the policy agenda so to appear as a partial validation of their efforts. As a sphinx, Mills refused to commit himself to any particular proposal until the very end of deliberations. This strategic approach entailed more than evasiveness. Rather, it enabled Mills to fulfill his duty as a legislative leader by fostering negotiation and designing compromise. As a chameleon and a sphinx, Mills brought his legislative skills to the intellectual world of policymakers. In the end, his relationship with the tax community remains one of the most distinctive aspects of his tenure on Ways and Means, and it offers considerable insight into the process through which policy communities and congressional committees developed the nation's public policy, its political agenda, and its governmental institutions.

At the same time, Mills packaged the policy agenda and legislation so that the ideas of the policy community would be politically attractive to members of Congress and their interest groups. As chairman of Ways and Means, Mills faced numerous pressures, ranging from the president to party leaders to powerful interest groups to policy experts to constituents. One of the most important aspects of Mills's career involved his negotiations with these conflicting pressures. The relationship between the tax community and the other sources of pressure created a constant tension in Mills's career. That tension offers crucial insights into the complexities of the state during the postwar period.

Besides advancing his own power within Congress, Mills developed and promoted a larger policy agenda. Foremost, he remained committed to the principles of fiscal conservatism, insisting that balanced budgets and low taxation were essential political objectives. While he was determined to limit the long-term cost of programs and minimize the negative impact of government on private markets, Mills gradually accepted the permanence of the state in many areas of life. By the time he became chairman, he supported a contributory social insurance program based on earmarked taxes and wage-related benefits, as well as macroeconomic fiscal policies that helped to stimulate growth through rate adjustments and tax breaks. In short, Mills wanted to help maintain the presence of a federal government that adhered to the nation's anti-statist, individualist,

and fiscal values. Mills sought affordable federal assistance without a welfare state.

Any historical book that focuses on a particular individual raises several questions about the role of that individual in history. For example, did Mills and the policy community matter, or would tax policy have been the same during this period had they never existed? This counterfactual question is not the type of inquiry that frames this study. Certainly, Mills and the tax community were influential during their time in power. We can glean through historical documents that Mills and members of the community held positions of power, that they were involved in tax policymaking in the executive and congressional branch, and that there was a convergence between their agenda and the policies that emerged.

There are other important questions concerning the role of the individual in history. Did Mills direct the community, or did the community direct him? Did Mills lead the Congress, or did he follow the dictates of representatives and senators? Was there something distinctive about Mills's influence, or did the chairmanship of Ways and Means produce the same type of leader over time regardless of who held the chairmanship? For the historian, the answer to all of these questions is "all of the above." Mills at times helped lead the community, yet he was also profoundly influenced by the community. Mills often steered the House of Representatives and Ways and Means on matters of taxation, yet he also crafted legislation to secure the votes of members. Both looked to each other and both were interdependent in their quest to secure power. For a historian interested in the richness of political development, Mills's career reminds us that it is essential to stress the tensions between human agency and the context within which individuals operated.

Regarding the de jure power of Ways and Means, every chairman of the committee had access to political power as a result of his statutory authority. Nonetheless, different chairmen have done different things with their power; they have also chosen vastly different policies to support while asserting that power. There has been a difference between the de jure and de facto power of the chairmanship. Some, such as Chairman Ullman during the 1970s and Chairman Archer during the 1990s, have acquiesced to the demands of the party leadership or the president. Others, such as Mills or Chairman Rostenkowski, were more aggressive in shaping legislation at all stages of the policymaking process; they even were willing to challenge a president from the same party, as Mills did when he engaged Johnson in 1968 over the War on Poverty. The same dynamic can be seen when considering the different legacies of the presidents of the United States, all of whom shared a similar formal position of power, but each

of whom accomplished very different legacies with that power and witnessed changes in the institution of the presidency over time.

The impact of individuals within their larger institutional and cultural context should not be underestimated by students of politics. Since this is not a biography, I have focused on those aspects of Mills's career that are relevant to the larger themes of this book and that best capture his role in American political history. To examine these crucial topics comprehensively, I do not focus on issues such as highway construction policy or Mills's battle with alcoholism. These I will leave to his biographer. With these issues in mind, let us begin our exploration into the complex world of the American state during the postwar period.

