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How the Great American Tax Revolt Crossed the Atlantic¹

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On December 13, 1978, the California property tax rebel Howard Jarvis arrived in the United Kingdom for a meeting with Conservative Party leader Margaret Thatcher. Jarvis was a previously obscure right-wing crank who was enjoying a sudden burst of fame. Just six months earlier, California voters had approved Proposition 13, a ballot initiative of his design that was designed to limit the growth of local property taxes in California. He flew to London at the invitation of the National Association for Freedom, a young advocacy organization sponsored by wealthy Tories and business executives who hoped to establish a militant campaigning organization to mobilize the middle classes against trade unions and the socialist left. He also met with the Institute of Economic Affairs, a right-wing think tank closely aligned with Thatcher's views that enjoyed extensive connections both to the Conservative Party and to the

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American libertarian milieu. Members of these organizations saw in Proposition 13 a populist political strategy that could help Conservatives win back the government from Labour.²

Thatcher had her own reasons to take the meeting. She was eager to restrain the growth of local property taxes (called “the rates”). Like Jarvis, she was ideologically opposed to all taxation of private property, and she opposed the growth of the public sector on principle. She was also aware that local property taxes paid the salaries of government employees who were a large and growing electoral base for the Labour Party. Conservative voters, for their part, were generally hostile to property taxes, and the Conservative Party manifesto of 1974 had pledged the party to abolition of the rates. At the time, however, Thatcher had privately thought that was reckless, and her own view had been that the rates needed further study. It seemed like a complicated issue.³

Then she saw the polls. In June 1978, Proposition 13 was headline news in England. The *Times* described Jarvis as the harbinger of “a trend that is to be seen throughout the Western world” and editorialized sternly that a similar tax revolt might be in store for Britain if the taxing authorities failed to exercise a bit more restraint. In December, Thatcher met with Jarvis. In

² “Around the World.” *Washington Post*, December 13, 1978, A29; “Photo of California tax revolt leader Howard Jarvis at London news conference,” *New York Times*, December 14, 1978, C16; “Taking Axes To Their Taxes,” *Times* [London, England] June 8, 1978, 17; Howard Jarvis and Robert Pack, *I’m Mad as Hell* (New York, 1979); see also Brian Elliott, Frank Bechhofer, David McCrone and Stewart Black, “Bourgeois Social Movements in Britain: Repertoires and Responses.” *Sociological Review* 30, no. 1 (1982): 71-96; Radhika Desai, “Second-Hand Dealers in Ideas: Think-Tanks and Thatcherite Hegemony.” *New Left Review* 203 (2004): 27-64.

³ Margaret Thatcher, *The Downing Street Years* (New York, 1993), 644.

March, she gave a speech to the Conservative local government conference in which she heralded the California tax revolt as a bellwether. “We’ve seen elsewhere—in California for example—the rebellion against excessive property taxes,” she said. “If we cannot give the ratepayers in Britain a better deal, we will face a similar rebellion here.” In April 1979, the Institute of Economic Affairs sent Thatcher the results of a poll that was, according to the institute’s director, Ralph Harris, “inspired by the results of the Californian referendum last year on taxation.” It showed 55 percent of the British public in favor of tax limitation.⁴

In May, Thatcher was elected prime minister, and one of her first policy priorities was to limit the growth of local property taxes. First she froze all reassessment of property, as had Proposition 13. Then she proposed to subject any rate increase to a local referendum election—a policy that had no precedent in the U.K., but that bore obvious similarities to some provisions of Proposition 13. When this proposal failed, and a gradual restriction of grants-in-aid also failed to rein in the growth of local budgets, Thatcher ordered a cabinet subcommittee to draft a law that would limit the growth of the total property tax levy of any local government by a fixed formula. This, too, was unprecedented in the U.K.—at least two members of her cabinet doubted its constitutionality—but she insisted on having it ready in time to make it an issue in the election campaign of 1983. Thatcher’s tax limitation formula differed from Jarvis’s formula in some respects, most characteristically in that it permitted the government more discretion to impose

⁴ Margaret Thatcher, “Speech at Conservative Local Government Conference,” March 3, 1979, <http://www.margaretthatcher.org/document/103961>; see also *idem.*, *The Path to Power* (New York, 1995), 247; “Taking Axes to Their Taxes,” 17; Harris is quoted in James Cooper, *Margaret Thatcher and Ronald Reagan: A Very Political Special Relationship*. (London, 2012), 82.

especially stringent rate caps on particular local authorities, thereby transforming tax limitation into a weapon that the prime minister could use selectively to punish her political enemies. But it also bore an obvious similarity to American precedents.⁵

This rare example of policy convergence was possible only because of the policy advocacy organizations that brokered the connection between Thatcher and Jarvis. There was otherwise little convergence in fiscal policy between Britain and the United States in this period—the deep ideological and personal sympathies of Ronald Reagan and Margaret Thatcher notwithstanding. Both administrations cut top marginal income tax rates, for example, but they paid for these tax cuts in different, even opposite ways, the U.S. by borrowing, and the U.K. by raising Value Added Taxes (VAT). The key decision makers on each side of the Atlantic were acutely aware of the other administration’s tax policy choices, and generally held them in contempt. Thatcher’s insistence on paying for income tax cuts with consumption tax increases produced bafflement in the Reagan administration. Reagan privately expressed his incomprehension to Thatcher when they met in February 1981: why had she not cut tax revenues? His budget director, David Stockman, scoffed at her decision to raise VAT, and Treasury Secretary Donald Regan pointedly declared that he had no intention of emulating her tax policies. For her part, Thatcher (who had met with Arthur Laffer shortly before she met with Howard Jarvis) was familiar with the American conservative belief in self-financing tax cuts and had no patience for it. “If I agree to the expenditure, I do not flinch from paying the bill,” she said in March 1981, and she described deficit-financed spending increases as “the most immoral path of all.” Her chancellor of the exchequer, Nigel Lawson, also dismissed as fantasy the

⁵ David Butler, Andrew Adonis, and Tony Travers, *Failure in British Government: The Politics of the Poll Tax* (Oxford, 1994), 27, 38; Elliott et al., “Bourgeois Social Movements in Britain.”

American idea that “budget deficits don’t matter” because income tax cuts pay for themselves with increased economic growth. He described American fiscal policy bluntly as a failure. In short, there was not much policy diffusion between the U.S. and the U.K. when it came to the central government’s tax policy.⁶

Unfortunately for Thatcher, Jarvis neglected to bring news of *another* American revolt against state and local taxation. This was the long rebellion against poll taxes, which was coming to a conclusion just as the property tax rebellion was hitting its stride. The instrument of capitation or poll tax, in use since the colonial period, had generated little revenue for American state and local governments, but had provoked decades of protest, civil disobedience, and litigation. Poll taxes were administratively impractical as a revenue measure. They survived as long as they did into the twentieth century only because state officials did not value them as a revenue measure, but instead as a contrivance to exclude the black poor from the voting rolls. After the ratification of the 24th amendment in 1964 and the Supreme Court’s 1966 decision in *Harper v. Virginia Board of Elections* (383 U.S. 663) prohibited the use of poll taxes as a qualification for the suffrage, no public official could find much use for a poll tax anymore, and states gradually abandoned their use. The last state to collect poll tax was New Hampshire, and the last dollar of poll tax was collected in the U.S. in 1978. At the time, it was yielding total revenues of about \$1,000 a year.⁷

⁶ Nicholas Wapshott, *Ronald Reagan and Margaret Thatcher: A Political Marriage* (New York, 2007), 130, 137; Cooper, *Margaret Thatcher and Ronald Reagan*, 83, 107-8; John Campbell, *Margaret Thatcher, Volume Two: The Iron Lady* (London, 2007), 109; Duncan Stedman Jones, *Masters of the Universe* (Princeton, 2013), 259.

⁷ Bureau of the Census, *State Government Tax Collections in 1979*, GF 79, no. 1 (1979), 26.

Thatcher's government was unaware of this recent American precedent, and so marched blithely down the same path of failure. In 1987, her government decided to replace the revenues lost from abolishing the rates with a new poll tax called "the Community Charge." The cabinet took up the idea after only cursory comparative research. A memorandum prepared in 1982 by the Department of the Environment reported blandly that "Poll Taxes have existed in the USA, where their use appears to have been in slight decline over the last 25 years, according to the very limited information available." The subsequent Department of the Environment green paper *Paying for Local Government* turned up no positive policy examples of a poll tax in the OECD countries. It was also silent about the negative examples of *abandoned* poll taxes that would have been apparent to anyone who had taken the trouble to inquire about the American experience. Thatcher might have been expected to wonder what this comparative record suggested about the failure of poll taxes in other countries. But there were no policy advocacy networks pointing out the political turmoil caused by the American poll tax—and so no one seems to have anticipated that the British one would have the same effect.⁸

The resulting poll tax had all the disadvantages of its American forerunners. It proved to be nearly unenforceable as a revenue measure. It had the effect of driving poor people off the voting rolls, which advantaged Thatcher's party at the polls only by driving her most stalwart opponents into the streets. The poll tax provoked the largest single campaign of civil disobedience in twentieth century Britain. Poll tax rebels signed public pledges not to pay. They

⁸ Environment Committee, *Enquiry into Methods of Financing Local Government in the Context of the Government's Green Paper (Cmnd. 8449)*, vii, House of Commons Papers 217 (London, 1982), 210); Department of the Environment, *Paying for Local Government*, Cmnd. 9714 (London, 1986), 130-3; Butler, Adonis and Travers, *Failure in British Government*, 218.

made bonfires of their tax notices. They marched by the tens of thousands in defiance of the police. They also organized hundreds of rallies and demonstrations—including, on April 1, 1989, a street demonstration called “Mad Thatcher’s Tea Party,” at which creatively costumed protesters handed out teabags to commemorate the 200th anniversary of the Boston Tea Party, which, in the words of one leader in the poll tax rebellion, “began the revolt against another tax imposed by the British government.”⁹

That a Tea Party helped bring down Margaret Thatcher’s government should remind us that the transatlantic neoliberal project was never very coherent. Policy proposals sometimes traversed the Atlantic, but they did not come neatly wrapped in coherent ideological packages, or vetted by learned experts. They circulated as examples, taken up selectively by advocacy groups, and evaluated not for their ideological coherence or consistency, but instead for their promise as tactical weapons in conflicts that sometimes had little to do with what was happening on the other side of the ocean.

⁹ Butler, Adonis, and Travers, *Failure in British Government*, 181, 301; the tea party is in Danny Burns, *The Poll Tax Rebellion* (San Francisco, 1992), 67.