
John A. Dearborn*

ABSTRACT

Identifying the strategic preferences of political actors is important to understanding political change over time and a key skill for conducting historical research in political science. In this article, I use the adoption of major U.S. tax policies between 1909 and 1916 as an illustration of their significance to policy choices and to demonstrate how to determine strategic preferences from historical sources. I show that the specific sequence and timing of enactment of the triad of permanent federal tax policies – corporate (1909), income (1913), and inheritance (1916) – was due to the strategic preferences and decisions of key actors in the legislative process. Together these consequential choices changed the trajectory of American political development, helping to determine the fundamental basis of U.S. tax policy for the next century. Furthermore, I offer guidelines for how to look for actors’ strategic preferences, focusing on (1) the political context and balance of power, (2) actors’ goals and interests versus their stated preferences, and (3) keeping track of preferences over time.

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Politicians are often accused of misrepresenting their views in public pronouncements about policy in order to vie for political advantage. They are suspected of holding different views than those they state. While this may be true in contemporary politics, it is also undoubtedly true of politicians historically. This poses a unique challenge for scholars of political science engaged in historical research.

Political behavior may often be guided by *strategic*, rather than *sincere* preferences. As Jacob Hacker and Paul Pierson explain, political actors may act on strategic preferences, particularly if a set of available policy choices is restricted. In order to adapt to such a context, political actors may avoid acting on their sincere preferences, acting strategically instead to attempt to move policy in the direction of their preferred outcomes.¹ This might mean scaling back one’s full ambitions in order to achieve most of one’s goals or, alternatively, might entail softening opposition to one policy outcome to avoid an even more undesirable one. Strategic preferences might also be used to gain access to shape and influence a policy, even if not a preferred one, or to win other concessions.² The interpretation of preferences, whether strategic or sincere, can have a significant impact on how researchers explain the causes of major political outcomes, such as the passage of the Social Security Act and development of the American welfare state.³ Moreover, strategic preferences can have path dependent effects on political development. For example, strategic choices made by reformers to accept mostly private

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provision of health insurance made it subsequently more difficult to achieve publicly-provided health care in the U.S.⁴

Taxation is another area of federal policy in which strategic preferences have altered the trajectory of American political development. Examining the enactment of federal tax policies from 1909 to 1916, this article illuminates the profound impact strategic preferences can have on political outcomes and illustrates how to determine the strategic preferences of key political actors. The tax policies passed in this period came to form the core of the federal tax system today. In 1909, majority Republicans passed a corporate tax to try to stave off passage of an income tax, and they forced the income tax to go through a constitutional amendment process that they expected would fail. The surprise adoption of that amendment led majority Democrats to pass the income tax in 1913, but they strategically decided against adding an inheritance tax in order to avoid any possibility of putting the law’s passage into jeopardy. The inheritance tax had been a viable policy option, but delay of its passage until 1916 was due to those strategic choices in 1909 and 1913.

Other explanations for the system of taxation and tax rates in the U.S. have emphasized the structure of institutional decision-making systems, regional differences, and war.⁵ In particular, sectional differences between regions especially influenced the preferences of legislators on tax

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and tariff policy. The key sectional division in the early-twentieth century U.S. was between wealthy industrial core regions (generally in the Northeast and some areas of the Midwest) and agrarian periphery regions (mainly in the South and West). Those in the core areas benefited from the protective tariff, while those in the periphery generally sought to lower tariff rates and attempt to tax the wealthy of the industrial core through more direct progressive taxation. However, while sectional inequality and partisanship explain the coalitions that were broadly for or against tax reform, the strategic preferences of key legislators must be considered in order to understand the sequence in which the taxes were enacted.

The article proceeds as follows. I conduct three brief case studies focusing on taxation, carefully explaining the strategic preferences in play during the legislative process. In each section, I list the basic positions of key legislators and political parties that should strike the reader as surprising. Then I will unpack those positions and offer an account that illuminates the behavior of legislators and their parties, and I show their behavior led to the sequence of taxes adopted. I conclude by offering some principal guidelines to think about how to determine strategic preferences of political actors from the historical record. In brief, historical researchers should:

- Know the political context and balance of power.
- Know what political actors’ goals and interests are versus their stated preferences.
- Keep track of actor preferences and the sequence of choices made over time.

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THE SEQUENCE OF TAX CHOICES

Sectional inequality and mass mobilization for war were responsible for the general push for progressive taxation and the raising of tax rates. However, here I show the crucial role strategic preferences played in the legislative battles over taxation from 1909 to 1916.

A Corporate Tax: The 1909 Payne-Aldrich Tariff

The Payne-Aldrich Tariff of 1909, passed by a Republican Congress and signed by Republican President William Howard Taft, raised certain tariff rates and created a tax on corporations. At first glance, three features from the legislative history behind the law should appear surprising, suggesting the need for further scrutiny.

- House Majority Leader and Ways and Means Committee Chairman Sereno Payne (R-NY) and House Republicans lawmakers supported an inheritance tax, while House Democrats opposed it. A researcher’s prior expectation for this time period would likely be that, generally, Republicans would oppose an inheritance tax and Democrats would be supportive of it.

- Senate Finance Committee Chairman Nelson Aldrich (R-RI) and Senate Republicans supported a corporate tax, while Senate Democrats opposed it. A researcher’s prior assumption for this period would likely be that, generally, Republicans would oppose a corporate tax while Democrats would be supportive of it.

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• Nelson Aldrich, Sereno Payne, and congressional Republicans supported sending a constitutional amendment for an income tax to the states for consideration. A researcher’s prior expectation would likely be that Republicans, who opposed a federal income tax, would have been against submitting a constitutional amendment to allow for an income tax to be considered by the states.

However, once one understands the strategic preferences of legislators involved in the passage of the 1909 law, these outcomes become more understandable.

To begin with, consider the political context. Some kind of federal taxation appeared poised to pass in 1909. Though Republicans had unified control of government and were generally in favor of raising revenue through a protective tariff, the political balance of power had shown signs of shifting. Inequality was a rising concern. The ultra-wealthy of the period were viewed with fear and distrust.\textsuperscript{10} Prominent Progressive voices advocated a federal inheritance tax as a way to mitigate “existing inequalities.”\textsuperscript{11}

Moreover, tariff rates had caused divisions within the Republican party. Republicans from the industrial core favored higher protective rates, while insurgent Republicans from the agrarian periphery favored lowering rates. Periphery Republicans, along with Democrats, could potentially form a coalition to pass major tax reform.\textsuperscript{12} To offset potentially lowered tariff rates, Congress would need to adopt new sources of revenue, such as an “income and inheritance

\textsuperscript{12} Sanders, Roots of Reform, ch. 7.
Facing a rising deficit after the financial panic of 1907 and the possibility of lowered tariffs rates, President Taft suggested “a graduated inheritance tax” in his inaugural address.\textsuperscript{14} The House of Representatives considered tariff and tax reform first, led by Majority Leader and Ways and Means Committee Chairman Sereno Payne. Representing the wealthy industrial state of New York, Payne’s sincere preferences were to retain a protective tariff and avoid progressive taxation. However, Payne recognized the potential popular support for reform – including lower tariff rates and the enactment of an income tax – amongst insurgent Republicans and Democrats. Hoping to prevent adoption of an income tax, Payne’s bill contained an inheritance tax, which he found more palatable.\textsuperscript{15} Payne claimed the inheritance tax was the most practical solution and was less vulnerable to “perjury and fraud” than the inheritance tax.\textsuperscript{16} Democrats, however, recognized Payne’s strategic gambit. They were largely in favor of any progressive taxation, but most fervently sought passage of the income tax. As Monica Prasad notes, “the income tax was seen as the quickest route to shifting the burden of taxation from tariffs paid by consumers to those with high incomes.”\textsuperscript{17}

The strategic preferences of each party were starkly revealed in the vote on the House bill. Passing 217 to 161, the bill, containing an inheritance tax, was supported by 213 Republicans and opposed by 160 Democrats.\textsuperscript{18} Republicans were not suddenly enamored with the inheritance tax, but they preferred it to the income tax. Democrats voted against the bill not out of opposition to the inheritance tax, but because of the lack of an income tax and tariff rates.

\textsuperscript{16} \textit{Congressional Record}, 61\textsuperscript{st} Congress, 1\textsuperscript{st} Session (March 23, 1909), 194.
\textsuperscript{17} Monica Prasad, \textit{The Land of Too Much: American Abundance and the Paradox of Poverty} (Cambridge, MA: Harvard University Press, 2012), 126.
\textsuperscript{18} \textit{Congressional Record}, 61\textsuperscript{st} Congress, 1\textsuperscript{st} Session (April 9, 1909), 1301.
that remained higher than they desired. The Republican gambit worked to pass a bill through the House. The insurgent Republicans from periphery districts, who also sought lower tariff rates and progressive taxation, decided to support the bill, feeling “that the modest rate reductions and the inheritance tax were as much revenue reform as they were going to get.”¹⁹

Senate Finance Committee Chairman Nelson Aldrich dominated Senate consideration of the bill (Table 1). Representing another wealthy northern state, Rhode Island, Aldrich’s sincere preferences were for no progressive taxes and higher tariff rates.²⁰ However, deeply concerned about the potential of an insurgent Republican and Democratic coalition, his main priorities were to avoid the income tax and to raise tariff rates.²¹

Aldrich decided that a corporate tax was a more palatable strategic option to split the insurgent coalition than an inheritance tax. He argued an inheritance tax would duplicate state laws, deprive states of revenue from those laws, and would be a double tax on heirs.²² Seeking to amend the bill to replace the inheritance tax with a corporate tax, Aldrich made a striking admission on the Senate floor of his strategic intent. He admitted that his ultimate fear was that an income tax, if enacted, would eventually replace the protective tariff as the government’s primary source of revenue. Aldrich stated: “I shall vote for a corporation tax as a means to defeat the income tax… I am willing to accept a proposition of this kind for the purpose of avoiding what, to my mind, is a great evil… a tax which is sure in the end to destroy the protective system.” One of Aldrich’s opponents, Senator Joseph Bailey (D-TX), even was moved “to

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²² Buenker, Income Tax and the Progressive Era, 100.
commend the statement” for its blunt honesty about Aldrich’s “subterfuge to defeat” the income tax.\textsuperscript{23}

The vote to amend the bill with a corporate tax instead of an inheritance tax, passing 45 to 31, again revealed the strategic behavior of the parties. All votes in favor of the amendment came from Republicans, while 24 Democrats and 7 insurgent Republicans opposed the amendment.\textsuperscript{24} These Democrats and Republicans felt the tariff rates were too high and were unhappy about the exclusion of the income tax from the bill. Aldrich characterized the Senate bill to President Taft as “not what he wanted but that it was as near what he wanted as he had been able to make it.”\textsuperscript{25} Proponents of the inheritance tax were crestfallen. Representative David De Armond (D-MO) criticized Taft and the senators for having “turned their backs upon this righteous” inheritance tax even though “President Taft at one time was heartily in favor of it.”\textsuperscript{26} “Instead of insisting that the Senate agree to the inheritance tax” advocated by Taft and passed by the House, complained Minority Leader Champ Clark (D-MO), “in the nick of time the base was shifted again and the President sent in a recommendation for a corporation tax.”\textsuperscript{27}

Still, even the enactment of a corporate tax was perceived as insufficient to definitively hold off a coalition that might pass income taxation. Therefore, Aldrich – the chief opponent of income taxation – maneuvered to introduce a constitutional amendment for an income tax as a substitute for including such a tax in the tariff bill. Because of the Supreme Court’s ruling in \textit{Pollock v. Farmers’ Loan & Trust Company} (1895) that the earlier income tax passed in 1894 had been unconstitutional, Republicans could plausibly claim that an amendment, not just a

\textsuperscript{23} \textit{Congressional Record}, 61\textsuperscript{st} Congress, 1\textsuperscript{st} Session (June 29, 1909), 3929.
\textsuperscript{24} \textit{Congressional Record}, 61\textsuperscript{st} Congress, 1\textsuperscript{st} Session (July 2, 1909), 4059-4060.
\textsuperscript{25} Stephenson, Nelson W. Aldrich, 357.
\textsuperscript{26} \textit{Congressional Record}, 61\textsuperscript{st} Congress, 1\textsuperscript{st} Session (July 12, 1909), 4418.
\textsuperscript{27} \textit{Congressional Record}, 61\textsuperscript{st} Congress, 1\textsuperscript{st} Session (July 12, 1909), 4393.
statute, was necessary before the federal passage of such a tax. Crucially, Aldrich and other conservative Republicans were confident that the state legislatures – most of which were then under Republican control – would reject the amendment. Proposing the amendment to the House, Sereno Payne essentially admitted the bet Republicans were making. Noting that he personally opposed the income tax, Payne declared that he could strategically support an amendment, wagering that “the American people” would likely never “want to enact an income tax except in time of war.”

Conversely, though Democrats had wanted to include an income tax in the tariff bill – believing that it could be found constitutional despite the earlier Court ruling – and though they did not favor the amendment approach, as the primary supporters of income taxation, they thus felt compelled to assist in its passage.

Though they had been backed into a corner to support the constitutional amendment, opponents of tariff bill made it clear that they recognized the strategic behavior of the Republican leaders. Representative Cyrus Cline (D-IN) argued that “the acceptance of the corporation-tax feature for the inheritance tax as incorporated in the House bill was only for the sole and only purpose of defeating the income tax.” Representative William Sulzer (D-NY) told Republicans that he could “see through their scheme,” recognizing that “they never expect to see this resolution become a part of the Constitution” and that the amendment was only “offered now to placate the people.” And Representative Adam Byrd (D-MS) asserted that Aldrich’s preferences so dominated the bill process that he was essentially “czar of the Nation.”

28 Congressional Record, 61st Congress, 1st Session (July 12, 1909), 4390.
29 Buenker, Income Tax and the Progressive Era, 58.
30 Buenker, Income Tax and the Progressive Era, 120.
31 Congressional Record, 61st Congress, 1st Session (July 12, 1909), 4436.
32 Congressional Record, 61st Congress, 1st Session (July 12, 1909), 4418.
33 Congressional Record, 61st Congress, 1st Session (July 12, 1909), 4415.
The overwhelming bipartisan majorities to pass the constitutional amendment for an income tax and send it to the states – it passed 77 to 0 in the Senate and 318 to 14 in the House – showed that Aldrich’s ploy had succeeded for the time being. The Democrats and insurgent Republicans, known to be ardently in favor of the income tax, felt they had to support the amendment once it was clear that an income tax would not be part of the tariff bill.

Margins of passage of the conference bill for tariff rates and the corporate tax, by contrast, were narrow. Passing 195 to 183 in the House and 47 to 31 in the Senate, the bill’s enactment was almost exclusively due to Republican votes. Aldrich admitted again that his inclusion of the corporate tax had only been strategic; he “personally” had been “opposed to any of these taxes.”

For the time being, Republicans’ strategic behavior allowed them to keep a higher protective tariff and avoid the passage of a federal income tax. Instead, the outcome was the adoption of a corporate tax and the consideration of a constitutional amendment for an income tax by state legislatures. Importantly, the inheritance tax had been a viable policy option in 1909, having passed the Republican House. Instead of lacking potential support, its failure to pass was directly because Aldrich had determined that a corporate tax was preferable.

An Income Tax: The 1913 Underwood Tariff

The Revenue Act of 1913, enacted under the leadership of House Majority Leader and Ways and Means Chairman Oscar Underwood (D-AL), lowered tariff rates and passed a federal income tax. The behavior of legislators, for the most part, followed their sincere preferences on the bill,

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34 *Congressional Record*, 61st Congress, 1st Session (July 12, 1909), 4422.
36 *Congressional Record*, 61st Congress, 1st Session (August 5, 1909), 4948.
with Democrats largely supporting the income tax and Republicans mostly opposing. However, one aspect of the legislative history behind the bill should appear, at first glance, to be surprising.

- Congressional Democrats opposed amending the revenue bill to include an inheritance tax, while Republicans tried to include it. A researcher’s prior expectations might have been that Democrats would be in favor of inheritance taxation, while Republicans would more likely be against it.

Once again, the strategic preferences of legislators hold the key to understanding that outcome.

Consider first the changed political context. The political balance of power was profoundly altered by 1913. Passage of the Payne-Aldrich Tariff led directly to Republican losses and Democratic gains in Congress in the 1910 midterms.\textsuperscript{37} Republican control of many state legislatures had likewise been swept away, and the scheme to kill the income tax by letting it languish in the states collapsed. Once the Sixteenth Amendment allowing for a federal income tax had been unexpectedly ratified by a sufficient number of states, President Woodrow Wilson and the Democrats, now in control of a unified government, made passing income taxation a priority as part of Underwood’s tariff bill, which would also seek to substantially lower tariff rates.

Yet, even with unified party control, Democrats worried that enactment of the income tax was not guaranteed. Having not held both the Congress and presidency since the early 1890s, they faced substantial pressure to enact their signature policy agenda items of income taxation and tariff reduction. In the Senate, Democratic margins were relatively narrow, meaning “any slippage would imperil key administration measures.” As a result, the Democratic congressional leadership decided that “enforcing stringent party discipline” was one of the “absolutely vital

\textsuperscript{37} Sanders, \textit{Roots of Reform}, 225.
conditions for success” in achieving their top priorities.\textsuperscript{38} Fearing the additional inclusion of an inheritance tax could jeopardize passage of the bill, the leadership strategically decided to focus only on their priority of an income tax; “all precautions [had] been taken against any chance breakdown.”\textsuperscript{39} Thus, when Senator George Norris (R-NE) – a periphery Republican sincerely in favor an inheritance tax – proposed amending the bill to include such an inheritance tax, the amendment stood no chance of passage. Norris bitterly stated his recognition of the Democrats’ strategic behavior: “I believe this amendment would be adopted if it were not for the decree of the Democratic caucus against it.”\textsuperscript{40} The inheritance tax amendment was defeated 12 to 58, as Democrats maintained their position that the tariff bill was not to be interfered with.\textsuperscript{41}

Once Congress had moved beyond the question of the additional inclusion of an inheritance tax, legislators’ sincere preferences were reflected in the final outcome. Passage of the lowered tariff rates and income tax did not reflect strategic behavior. Democrats, joined by some periphery Republicans, passed the bill overwhelmingly in the House and more narrowly in the Senate.\textsuperscript{42}

The inheritance tax may have been viable in 1913. Democrats, together with insurgent Republicans, may well have succeeded in including it in the bill, or they could have chosen that method of taxation instead. Rather than lacking sincere support, the reason why such a tax did not pass then was the strategic decision of Democrats to focus on passing a federal income tax and lower tariff rates, while avoiding taking any chances that might in any way jeopardize that outcome.

\textsuperscript{38} Buenker, \textit{Income Tax and the Progressive Era}, 359.

\textsuperscript{39} “Senate Aims To End Tariff Fight To-Day,” \textit{New York Times}, September 8, 1913, 3.

\textsuperscript{40} \textit{Congressional Record}, 63\textsuperscript{rd} Congress, 1\textsuperscript{st} Session (September 8, 1913), 4428.

\textsuperscript{41} \textit{Congressional Record}, 63\textsuperscript{rd} Congress, 1\textsuperscript{st} Session (September 8, 1913), 4468-4469.

\textsuperscript{42} Sanders, \textit{Roots of Reform}, 228-229.
An Inheritance Tax: The Revenue Act of 1916

After passage of corporate and income taxation, an inheritance tax was widely perceived as a next logical step. Unlike previous tax debates, the sincere preferences of legislators on tax policy largely influenced the final outcome of the Revenue Act of 1916.

The breakout of World War I in Europe altered the calculus of Wilson and the Democrats on issues of revenue. In particular, a decrease in revenue under the 1913 tariff rates and Woodrow Wilson’s decision to undertake a military preparedness program caused a need for more revenue.43 In 1915, Wilson advocated raising income taxes to pay for his preparedness program, along with various consumption taxes. However, Wilson did not initially call for inheritance taxes despite their use during previous wars.44 Congressional Democrats were not enthusiastic for Wilson’s preparedness program. To his frustration, House Majority Leader and Ways and Means Committee Chairman Claude Kitchin (D-NC) did not believe Wilson’s war policies were neutral, and he predicted that the most fervent supporters of a preparedness program would oppose paying their fair share for the program.45 In Richard Bensel’s words, “agrarian representatives from mountain and midwestern districts attributed the preparedness movement to an industrial elite that concealed their very tangible interests under the heavy cloak of patriotism.”46 Thus, congressional Democrats would use the preparedness program as a vehicle to impose more progressive federal taxation, including a permanent federal inheritance tax.

45 Alex Matthews Arnett, Claude Kitchin and the Wilson War Policies (Boston: Little, Brown, 1937), 47, 66-68.
46 Bensel, Sectionalism and American Political Development, 117.
The administration needed to come to an agreement with the insurgent agrarian Democrats who supported redistribution in taxes but were unenthusiastic or opposed to the preparedness program. In W. Elliot Brownlee’s estimation, Wilson and Treasury Secretary William McAdoo “made the single most important financial decision of the war” when “they chose to cooperate” with the insurgent Democrats in pursuing progressive taxation.47 Representative Cordell Hull (D-TN) was tasked with drafting the revenue bill. This essentially ensured that inheritance taxes would be a part of the bill, as Hull had “for years” been advocating the tax to his committee colleagues. He was “wise enough” and determined to take advantage of financing preparedness “to drive home his point.”48

Once congressional Democrats had made their strategic decision to focus on progressive taxation as a price for supporting the preparedness program, sincere preferences drove the debates. Hull put his quest in grand terms: “An irrepressible conflict has been waged for thousands of years between the strong and the weak, the former always striving to heap the chief tax burdens upon the latter. That conflict still continues.” To Hull and the Democrats, their revenue bill of income, inheritance, and munitions taxation would help shift the burden to where it belonged – those with greater ability to pay. While Hull attempted to mollify his opponents that the taxes would “naturally be modified” when preparedness was no longer needed, he nonetheless made it clear that the inheritance tax should be permanent, explaining that “inheritances afford the largest untapped field of taxation in this country.”49 Representative Edward Keating (D-CO) also candidly admitted the Democrats’ purpose. Despite Kitchin calling the bill “a nonpartisan measure,” Keating noted that every congressman “knows” that “this is a

47 Brownlee, Federal Taxation in America, 60.
49 Congressional Record, 64th Congress, 1st Session (July 8, 1916), 10652, 10656.
Democratic bill.” While the tax on munitions would “end with the war,” the federal taxes on incomes and inheritances were to be “permanent institutions.” On the Republican side, Representative Isaac Bacharach (R-NJ) spoke for many in his party when he complained sardonically, “When all other means of revenue fail the Democratic Party proceeds to double the tax on the living and on the dead.”

During the congressional debates, both political parties were directly confronted with their past strategic behavior regarding taxation. Representative James Good (R-IA), a periphery legislator who supported an inheritance tax, tried to persuade his fellow partisans to join him in voting in favor of the measure. Pointing to the first House bill on taxation and tariffs from the 1909 debates, Good reminded legislators that Republicans had “with but a single exception voted for a tax on inheritances,” while “the Democratic side of the House without exception voted against an inheritance tax” in 1909. Still, while strategic preferences were commented upon, sincere preferences alone prevailed on the final vote. Democrats and periphery Republicans passed the bill over conservative Republican opposition.

CONCLUSION: SIGNIFICANCE AND LESSONS

The rates for all three of the new taxes – corporate, income, and inheritance – would be raised significantly to finance U.S. efforts during World War I, under the influence of compensatory arguments. Yet the political origins of these policies were mostly divorced from war. Sectional inequality had resulted in dueling coalitions between periphery and core representatives.

50 Appendix to the Congressional Record, 64th Congress, 1st Session (July 10, 1916), 1396-1397.
51 Appendix to the Congressional Record, 64th Congress, 1st Session (July 10, 1916), 1535.
52 Appendix to the Congressional Record, 64th Congress, 1st Session (July 10, 1916), 1458.
53 Sanders, Roots of Reform, 231.
54 Scheve and Stasavage, Taxing the Rich, ch. 3-4.
Crucially, the sequence of passage of tax laws was directly influenced by the strategic preferences and behavior of key legislators and, ultimately, their parties. In 1909, the corporate tax was used to delay the income and inheritance taxes. In 1913, the income tax was passed to the exclusion of the inheritance tax. Finally, in 1916, the inheritance tax was added to complete the trio, though it had been viable earlier.

The significance of legislators’ strategic preferences is underscored by the path dependent effects of the outcome and the departure that the new tax system represented in American political development. Most profoundly, this strategic behavior inadvertently led to the enshrinement of the income tax in the Constitution. This contributed substantially to that policy’s durability, helping ensure the overall shift from tariffs to income taxes as the federal government’s principal method of revenue collection. Whereas the federal inheritance tax – the last of the trifecta – has been eroded and potentially remains vulnerable to repeal, the importance of the income tax to the modern American tax system is underscored by its status as a constitutional amendment.\(^5\)

**Lessons for Determining Strategic Preferences**

This illustration of the origins of U.S. progressive federal tax policies yields several lessons to researchers for determining strategic preferences from historical sources. Here, I offer some questions for researchers to ask, highlight examples from the preceding cases, and suggest how primary and secondary sources can effectively be used.

1) *Know the political context, especially the balance of power.*

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First, researchers should keep in mind the political context, especially which side in a political struggle has more power. Several questions should be addressed, including:

- Which side has the political advantage?
- Which side is at a political disadvantage?
- Has this balance of power changed recently?
- Do political actors perceive that it is changing?

The balance of power will influence the strategy of key political actors. Indeed, even the perception of the balance of power shifting may influence their behavior.

*Examples:*

- Sereno Payne perceived the balance of power between conservative Republicans and insurgent Republicans / Democrats was changing. Faced with this potential progressive coalition of Democrats and periphery Republicans, Payne recognized that he should concede *something* on taxes, leading to his initial support of an inheritance tax and later support of the corporate tax.

- Nelson Aldrich, also recognizing the potential shift in the balance of power, conceded the corporate tax in the hopes of splitting that coalition of insurgent Republicans and Democrats. Above all, his behavior was driven by his fear that an income tax might replace the protective tariff as the primary source of federal revenue.

*Sources:*
• **Primary:** Contemporary newspapers can give accounts of how the balance of power is perceived at the time, while records of legislative debate or the personal papers of key political actors can show how individual actors perceived the balance of power.

• **Secondary:** General histories, biographies, and other works on a period can highlight important changes in the political context and how key actors reacted to those changes.

2) *Know the principal goals and interests of political actors, and examine whether these clash with their stated preferences.*

Second, researchers should understand what the main goals and interests of key political actors are. In particular:

- Who has the most to gain or lose from different outcomes?
- If an actor is expressing a preference that seems inconsistent with their personal, political, or institutional interests, why might they be expressing such a preference? Does it reflect a change in belief, or is there another motivation behind it?

In answering these questions, researchers should trust their intuition. If an actor expresses a preference that is at odds with what is expected, scrutinize it more.

*Examples:*

- Republicans voting for the inheritance tax in 1909 and Democrats against it.
- Republicans voting for an income tax constitutional amendment in 1909.

*Sources:*
• **Primary**: True preferences and interests of key political actors might be revealed in internal memos or personal papers, such as letters, diary entries, or meeting notes.

• **Secondary**: Biographies or other secondary histories may also explain what the main interests and goals of actors are, and whether these change over their careers. Of course, be aware of what motivation authors had in writing their works, especially for contemporary biographies.

3) **Keep track of actor preferences and the sequence of choices made over time.**

Third, researchers should not limit themselves to one moment in time to examine political actors’ preferences. Instead, they should ask:

• Are political actors’ preferences stable over time?

• If not, what influenced them to change their mind?

As Hacker and Pierson suggest, researchers should carefully consider any changes in actors’ stated preferences over time.\(^{56}\) This could over a short-term period of time, such as multiple votes on a single bill, or it could involve tracking preferences over a longer period. Actors may be reacting to changes in the balance of power, or they may have just thought of new strategies. The sequence of choices that they face may affect their strategies and their stated preferences at different moments.

**Examples:**

• Despite favoring no taxes, Nelson Aldrich supported a corporate tax and a constitutional amendment to allow an income tax because he thought this would avoid passage of an

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income tax and allow him to keep higher tariff rates. Aldrich’s preference for this outcome was inconsistent with his earlier views, helping to reveal the strategic nature of his behavior.

- Democrats opposed amending their 1913 tariff bill to include an inheritance tax, but they passed an inheritance tax in 1916. This difference over time, when they were sincerely in favor of inheritance taxation, makes clear the Democrats’ strategic behavior in ensuring no hiccups in passing their prized income tax.

**Sources:**

- **Primary:** Contemporary news accounts or the *Congressional Record* may contain the rationales given by the primary actors themselves for their actions, especially if they involve inconsistent preferences over time. Importantly, such sources may also contain statements from the actors’ *opponents* making charges about the reasons for any preference changes.

- **Secondary:** Biographies and histories may better illuminate the short-term sequence of choices faced by political actors or the long-term changes they had to adjust to, both of which could contribute to strategic action inconsistent with earlier behavior and preferences.

With these guidelines in mind, researchers can better track and examine how strategic preferences may have altered the course of American political development in various policy domains.

**Table 1. Nelson Aldrich’s Sincere versus Strategic Preferences, 1909.**

<p>| Tariff | Sincere Preference: No tariff reform; raise rates. |</p>
<table>
<thead>
<tr>
<th><strong>Strategic Preference:</strong> Recognizes popular support for reform, but still wants to raise rates if possible.</th>
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<tbody>
<tr>
<td><strong>Income Tax</strong></td>
</tr>
<tr>
<td><strong>Sincere Preference:</strong> Strongly against.</td>
</tr>
<tr>
<td><strong>Strategic Preference:</strong> Supported sending a constitutional amendment for an income tax to the states, rather than allowing an income tax into the tariff bill. Believed this would undercut Democrat – periphery Republican coalition and that amendment would fail in the states.</td>
</tr>
<tr>
<td><strong>Inheritance Tax</strong></td>
</tr>
<tr>
<td><strong>Sincere Preference:</strong> Against, despite House passage.</td>
</tr>
<tr>
<td><strong>Strategic Preference:</strong> Did not think inheritance tax would be as effective to thwart the income tax.</td>
</tr>
<tr>
<td><strong>Corporate Tax</strong></td>
</tr>
<tr>
<td><strong>Sincere Preference:</strong> Against.</td>
</tr>
<tr>
<td><strong>Strategic Preference:</strong> For, thinking it had the greatest chance of heading off Democrat – periphery Republican coalition for income tax.</td>
</tr>
<tr>
<td><strong>Result</strong></td>
</tr>
<tr>
<td>Corporate tax passes in 1909.</td>
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<tr>
<td>Income tax amendment unexpectedly is ratified by the states, and the tax is passed in 1913.</td>
</tr>
<tr>
<td>Inheritance tax delayed until 1916.</td>
</tr>
</tbody>
</table>