

Sales-tax Suicides Through History

Leaders retired by voters (or other public) after they championed consumer taxes

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List accumulating on hard disk of Mason Gaffney: additions welcomed. Revised, 2004.

1. England. Charles I, 1642, deposed and decapitated. Some of his excises were “tonnage,” so much per tun of imported wine, and, more generally, “poundage.” The pound here refers not to weight, but value, and this tax was more general. To increase the base he shortened the measures of grain, the “jackpot” and the “gill”—hence the nursery rhyme about Jack and Jill.

Another tax was “ship money,” levied on towns. Research is needed on just how the towns collected from individuals.

Charles waged several losing wars, inadequately financed, which lost him support, too.

According to Prof. Daniel Fusfeld, Charles was most active in shifting from land taxes to excise taxes 1630-1640, i.e., in the years just before rebellion broke out.

2. England. James II, 1688, deposed, and his Stuart dynasty terminated. (Thomas Hobbes was an influential court philosopher in the later Stuart dynasty. He was the tutor of Charles II, the Restoration monarch, whose reign set the stage for the short, disastrous reign of James II. Hobbes is best known as a champion of absolute royal power, including the right to override individual rights protected by the common law. In his *Leviathan*, 1684, he encouraged excises, and other taxes on what he called “consumption,” banning taxes on property. John Locke, philosopher of the Whigs of 1688, favored land taxation. Locke influenced the French Physiocrats, who later developed the rationale more fully; and Thomas Jefferson, who cribbed from Locke in the Declaration of Independence.)

3. Spain. The Spanish Hapsburgs, 1504-1700 (in 1700 they were replaced by the Spanish Bourbons). There is no single date or event to mark their fall, but they presided over a disastrous drop in Spanish production, population, commerce, and military power, marked by heavy use of sales taxes (the *alcavala* or *alcabala*, and the *cientos*) that, together, amounted at times to 14% on the gross value of sales, often in cascade. Under Philip II, Spain declared bankruptcy three times! (Note, too, that our word “tariff” is named for a Spanish port, *El Tarifa*.) Sheep replaced farming over vast areas, amassed into a few huge estates, organized politically as the *mesta* (see

book by Julius Klein). Land taxes were low; the clergy and nobility were totally exempt. Bigotry drove out Jews and Moors (Moriscos). Spain fell from the most powerful nation in the world to a third-rate power.

4. England. George II. Robert Walpole led his administration for twenty years or so, 1721-1740. Walpole, leader of the Whig Party, was mainly concerned with capping or ending land taxes. To this end he pursued peace abroad, at the expense of Britain's international power and standing. Toward the end of his regime he pushed for a salt tax, and other excises. An outstanding opponent was Sir William Wyndham, a Tory.

This attempt to push a hated tax policy helped lead to Walpole's downfall.

5. America. George III, 1776-1783, lost the colonies that became the U.S.A. The Stamp Act and the Townshend Acts of 1767, a family of sales taxes, kicked off a long and tortuous series of events that led the colonists to conclude that George would never give up his right to tax their consumption. The Boston Tea Party, which triggered the Revolution, was a symbolic protest against all sales taxes (and turned Americans into coffee drinkers).

6. France. Louis XVI, 1789-1793, and Queen Marie Antoinette, guillotined. In 1776 they had foolishly fired A.R.J. Turgot, a leading administrator whose ideas paralleled those of the Physiocrats, who had tried to stop France's dependence on sales taxes and the *corvée* (labor impressment).

7. U.S.A. The Continental Congress, 1775-1789. Governance under the Congress had some good features, but could not stop the separate states from imposing sales taxes on imports from each other. So Americans scrapped the Articles of Confederation and joined together under the U.S. Constitution, containing its vital Commerce Clause giving Congress the power to regulate commerce among the states, i.e., to ban import duties by states.

The commerce clause is what created and sustains the U.S. domestic market, the largest free trade zone in the world, and the basis of our national greatness. Banning interstate tariffs also forced each state to support state and local governments from taxes on property, rather than tariffs. Not until 1930 did the states learn to tax retail sales, and even now the commerce clause holds their rates in check, by allowing competition from out of state.

8. U.S.A. 1800, the Federalist Party of George Washington and John Adams loses control of the U.S. Government, and soon dies. Alexander Hamilton, champion of federal consumer taxes,

suppressor of the Whisky Rebellion of 1794, killed by Aaron Burr in a duel, 1804. Burr, unpunished, serves out term as vice president of the United States.

Thomas Jefferson becomes a popular icon, founding a presidential dynasty that lasted through 1825 in direct succession (Madison, Monroe), and longer yet indirectly (J.Q. Adams, Jackson).¹

9. C.S.A. 1861-1865, Jefferson Davis tried to finance the C.S.A. and secession from excise taxes. Early in the war the C.S.A. tried a federal land tax, levied on the states, who were to collect and pay it, but the Confederate states, even though fighting to survive, stood on their states' rights, and bucked it. Meantime, the feds did levy and collect such a tax, a year later (along with many others, including an income tax). There was a 10% C.S.A. tax on all farm production, paid in kind—a crushing burden on marginal farmers, who bucked the C.S.A. Winn Parish, LA, for example, in 1863 petitioned General Grant to save them from this "oppression," and pledged him their support. The C.S.A. went bankrupt, repudiated its bonds and currency, and lost the war catastrophically.

10. Ohio. 1888, "Fire Engine" Joe Foraker lost his bid for third term as governor of Ohio, even as other Republicans won, because he had advanced a tax on saloonkeepers. Germans of Cincinnati turned against him: "the saloonkeepers' rebellion." — Francis Russell, *The Shadow of Blooming Grove*, bio. of Harding. (Cf. the Whisky Rebellion against Hamilton, 1794.)

11. Cuba. 1895. Spain ruled, imposed high excise taxes on agriculture and mining. Tariffs favored Spain. Provoked Martí's revolt, which led to war with United States, loss of Cuba, Puerto Rico, Philippines, etc. — Nevins and Commager, p. 362.

P. 366, in peace treaty, United States repudiated debts that Spain had incurred on security of revenues from Cuba.

12. Russia. Nicholas II, 1914-1917, loses war he cannot finance from excise taxes. 1919, shot, with his entire family, and his Romanov dynasty terminated.

13. U.S.A. Indiana. Albert J. Beveridge, Progressive Republican, long-time senator from Indiana, very popular, presidential timber. Pressed for national sales tax, 1922 election, changed from a big winner to a big loser. Cf. Lugar, below.

¹J.Q. Adams, 1825-1829, had left the Federalists in 1807, supported Madison for president, and been Monroe's secretary of state. Andrew Jackson, 1829-1837, led Jefferson's old party against the Whigs.

About the same time, President Warren Harding was calling for a national sales tax (originally to fund a vet's bonus). (Cf. Mellon, below.) Harding's huge majority from 1920 evaporated away, Republicans had to consider dumping him for a second term (he died before they could do it). La Follette was so encouraged, he ran for president as a Progressive, 1924, won four million votes.

14. U.S.A. 1921-1931, Andrew Mellon, treasury secretary under three presidents, urged taxing consumption.²

In 1932, Herbert Hoover proposed a national sales tax. By now his treasury secretary was Ogden Mills, friend and ally of Richard T. Ely, another sales-taxer. Mellon, Mills, and Ely helped make Herbert Hoover the most beatable president in U.S. history. Democrats ran against him for several terms after that, and generally won on a pro-consumption platform.

Hoover's ally in 1932 was Senator Joseph Robinson of Arkansas, leader of the Senate Democrats. Huey Long of Louisiana soon invaded Robinson's home state to humiliate him by winning a Senate seat for unknown Hattie Caraway, breaking Robinson's power.

15. 1930, Gandhi leads march to the sea in India, protesting British salt tax. 1947, Brits finally pull out. They had beaten Germany, Italy, and Japan, but lost to unarmed Indians, led by a half-naked pacifist, protesting a sales tax on salt.

16. 1948, Chiang Kai-shek and his Kuomintang driven from China by communists under Mao Tse-Tung. Chiang had tried to finance his government with excise taxes. Once settled in Taiwan, severely chastened, struggling to survive, Chiang finally turned to land reform and land taxation, quickly turning Taiwan into a sparkling economic development and success story.

17. Ca. 1960-1965, Government of South Viet Nam doubled sales tax from 10% to 20%, under prodding from U.S. "experts." Ruined nation's commerce, while big landowners were untaxed. V.C. lined up against them, won peasant support. The rest is history. (Source: Stanley Sapiro, INSIGHTS, Sept.-Oct. 1997.)

18. Australia. 1975, Prime Minister Gough Whitlam is sacked by Governor-General John Kerr because Whitlam could not get budget through upper house. Called election, Malcolm Fraser replaced Whitlam, whose government had been very unpopular. Mid-'70s, bad economic downturn, few elected governments survived. (In United States, Carter beats Ford, e.g. In Canada, even Trudeau was out briefly, 1979-1981.)

²Greider, p.87.

1993, federal election, governing Labour Party had become extremely unpopular (recession). Liberals could have won easily, but they endorsed goods and services tax GST as main plank, and lost (per Ben Sevak).

19. U.S.A. Oregon, 1980. Congressman Al Ullman, head of U.S. House Committee on Ways and Means, started pressing for VAT. Voters of his district around Bend, in Harney County, OR, promptly retired him, 1980. Ullman saw this coming, changed his position at the 11th hour (*TIME*, 6 Oct 1980).³ It was too late. Opposition candidate Denny Smith made mileage out of Ullman's past support for it, unseated him.⁴

20. U.S.A. 1988. The formula of 1988 was "*austerity*," meaning we should tax (and thereby discourage) consumption, to aid capital formation (Greider: 82).⁵ Pete Peterson's article was most influential ("The Morning After," *Atlantic*, 10/87). L.H. Summers⁶, advising Dukakis, took this line. George Bush, on the other hand, promised "no new taxes," which to some might mean no sales tax. Later, VAT advocates rose to high positions under Bush, so voters might have turned to Clinton in 1992 to keep people of that mindset out of power.⁷

21. Japan. 1989. Prime Minister Sosuke Uno of Japan, June 2 to August 6, 1989, sixty-nine days, introduced first Japanese sales tax. Uno also flaunted his mistress. The housewives of Japan voted him down decisively for both reasons, probably in the order given.

Japanese "kept economists" already affect never to have heard of him, trivialize the whole episode.

Prime ministers before and after Uno:

Nakasone Yasuhiro 82.11.27 - 87.11.6 (1806 days)

³Correspondence between Ullman and Emile Woolf was instrumental in turning Ullman around.

⁴This occurred in same year that Ronald Reagan won presidency. Ullman was a Democrat, replaced by conservative Republican Denny Smith, son of former governor, publisher of twenty-one newspapers. Ullman was targeted by Michigan Republican Guy Vander Jagt, Republican leader, Chair of National Republican Congressional Committee, who noted Democrats had grown soft.

⁵Thus, Hatsopoulos, Poterba, and Krugman, *Overconsumption*, was in that fashion.

⁶Harvard economist, nephew of Paul Samuelson, [son of Anita?]. 1995, Summers is taking the fall for the Mexican debacle, in which he played a leading role.

⁷Broadening this out, the *austerity* approach is a sign of failure: e.g., Jimmy Carter and advisers like Okun. Fritz Mondale, who lost in 1984, also ran on a program of raising taxes, although he did not specify sales taxes.

Takeshita Noboru 87.11.16 - 89.6.2 (575 days)

Uno Sosuke 89.6.2 - 89.8.9 (69 days)

Kaifu Toshiki 89.8.10 - 91.11.5 (818 days)

Miyazawa Kiichi 91.11.5 - 93.8.5 (640 days)

Keizo Obuchi Prime Minister in Dec. 99, replaced by Mori, 4/2000.

22. England. Fate of Maggie Thatcher. The poll tax is what brought her down, after a good run of high popularity. See article by Fred Harrison and Fernando Scornik Gerstein, 1996. A poll tax is not a sales tax, but shares its regressive nature and philosophical underpinnings.

1982, Thatcher embarked on Falkland War, but she was then "the most unpopular British PM since records began (Britain was undergoing its biggest recession since the 1930s, and Thatcher's tough economic policies were being blamed)." – *The [Riverside] Press Enterprise (TPE)* 24 Apr 99 A11.

23. New Zealand. 1990, Labour loses, after introducing a GST. (However, was replaced by conservatives, National Party, no better.) 1993, after austerity, National Party set back sharply. (Bob Keall has sent info on this, not yet transcribed here.)

24. Canada. Brian Mulroney, 1993, punches through a 7% GST, or goods and services tax, but that might as well mean general sales tax. Mulroney railroads GST through by appointing five new senators!⁸ Mulroney had held power for nine years, but in May 1993, polls show Mulroney the most unpopular prime minister in Canadian history. He resigns and gives the hot seat to a young lady, Kim Campbell. Late October 1993, Campbell has to call election; she and her "Progressive Conservative" Party lose catastrophically, with GST the main issue. Conservative Party goes from governing party to a minority too small to be official any more: an unprecedented rejection!

Chrétien won by vowing to get rid of GST. However, he hasn't actually done so. Once this camel's nose gets under the tent, it's hard to eject it.

25. U.S.A. Montana. 1993, Montana votes down sales tax — *TPE*, 9 June 93, A5. Voter referenda on the sales tax are rare—usually the legislatures ratchet it up quietly. It went down three-to-one: 75% voted no. Now that is much stronger than the Prop. 13 vote in California, yet

⁸This maneuver is legal under BNA Act, but Mulroney was the first PM to use it.

the media do not play this up as an expression of voter will, as they did Prop. 13. Do the media just report on the voter will, or manipulate it? Silly question.

26. U.S.A. Oregon. *TPE*, 10 Nov 93, Oregon voters reject sales tax, 76-24%, "as voters brushed aside arguments that public schools would deteriorate without the tax." Again, that is much stronger than the Prop. 13 vote in California, yet the media do not play this up as an expression of voter will.⁹

27. Japan. *Los Angeles Times*, 3 Feb 94.

Prime Minister Morihiro Hosokawa announces a \$49 billion income tax cut, to be replaced by raising consumption tax from 3% to 7%, as of April, 1997. Euphemism for sales tax: "people's welfare tax." Idea is pushed by Ichiro Ozawa, leader of Japan Renewal Party.

The United States had pushed for this; Treasury Secretary Lloyd Bentsen, a Democrat who favored cutting capital gains taxes at home, endorsed it. He presented it as a tax cut. Perhaps it would have been, for the first three years. Thenceforward it would have been an increase, says Nobuya Nemoto, economist with Nomura Research Institute.

(Bentsen presumably was more concerned with the next three years than anything else. He wanted to stimulate consumption in Japan, to help the United State.)

Part of the idea was to tax the elderly retired. Japan is aging faster than any nation in the world. The sales pitch is to downtax current workers. Interesting how people condemn property taxes for hitting the elderly retired, then turn around and champion the sales tax for doing the same thing. Is someone dealing off the bottom of the deck?

Sequel, *Los Angeles Times*, 4 Feb 94, p. 1.

Hosokawa backs down, to keep socialists on board. Stunning reversal. They say he had been drunk with his high approval ratings. He had also been sneaky in manner of announcing the new "people's welfare tax."

28. Venezuela. 1994. *Los Angeles Times*, 3 Feb 94, A6.

1989-1993. Carlos Andres Perez (AD party) had pushed privatization, IMF, and VAT, a package known as "Latin neo-liberalism." He also ran a deficit = 25% of the government budget. Inflation rate was 45% and rising. Criminal charges forced him to resign, 1993. Corruption.

⁹At state level, though, generally, sales taxes are much more acceptable than at federal level. Most states have them. That's a puzzler.

1994, Venezuela elected Rafael Caldera, inaugurated 2 Feb 94, who campaigned against all that. Caldera called for revoking a national sales tax. The sales tax is "seen by many economists as essential to recovery"—that says something about "economists" and the IMF.

Caldera won with a plurality; Perez apparently got few votes. Caldera is old; his main virtue, to some, is that he is not Perez. He was *presidente*, 1969-1973, when oil revenues were ample.

(Many other Third World nations are restive under IMF tutelage, 1952-date. Many have tried to break away, been invaded: Guatemala, Chile, El Salvador, Nicaragua, Cuba, Grenada, Haiti, Dominican Republic, Panama, Iran... others, like Peru, the Philippines, Japan, Korea, Egypt, Jordan, Saudi Arabia, Kuwait, Colombia, and Bolivia, get military "aid" from the United States.)

August 1999, a "peaceful revolution" is in progress. (*TPE*, 4 Aug 99, A-2). Led by Hugo Chavez, new president, who led a failed coup in 1992. Venezuela elected a new Constituent Assembly to write a new constitution, and possibly dismiss both Congress and the Supreme Court, which Chavez calls "products of a corrupt political culture." Nov. 99, it remains to see if Chavez will ban the sales tax.)

29. 1996, U.S.A. Richard Lugar, senator from Indiana, campaigned for Republican nomination for president. Platform: abolish all federal income taxes, institute a national sales tax. Result of his campaign: early dropout, hasn't been heard from since. Cf. Beveridge of Indiana, 1922.

30. 1999, Ecuador. *TPE*, 13 March 99, A2

President Jamil Mahuad raises gas price, proposes raising more taxes, e.g., sales tax from 10% to 15%, for "austerity."

Worst fiscal crisis in decades.

Main export is oil, but that isn't saving them. The sucre has lost one-fourth of its value in last few days.

January 20, 2000—army coup drives Mahuad from power.

31. 2000.

U.S. Rep Tom Campbell (R-Cal) ran for U.S. Senate. Proposed flat 20% sales tax, end income tax. Bill Archer (R-Tx), chair of Ways and Means, had and has similar proposal; but Campbell would exempt food, medicine, and "the cost of housing up to an average in a given area." (*Los Angeles Times*, 9 Dec 99, A3.)

Campbell has doctorate in economics from the University of Chicago. He is also a law professor at Stanford.

2000, Campbell loses badly in race for U.S. Senate; Feinstein wins. Governor Schwarzenegger has now made Campbell state director of finance.

32. 2000, *Financial Times* (London), 2 Sept 00, p.7. (Va. Marsh in Sydney.)

July 1, 2000, Australia adopts new GST (goods and services tax) of 10%. Same time, it lowered income tax rates. Retail trade had jumped 7.4% in June; now drops 8.7% in July. "Building approvals" dropped 14% in July, continuing an earlier drop, making total of 44% drop for 2000.

Early 2001, Queensland election, disaster for the government—see later press reports.

33. Who's next? In late 2001, Australia, Prime Minister Howard had poor prospects in the upcoming election. The media attributed these prospects to the unpopularity of his GST (see #32, above). Howard survived, however, by resorting to racist immigrant-bashing. This was coupled with the inept leadership of the rival Labor Party. Whatever the reasons, Howard is an exception to the rule that voters will always retire leaders who promote sales taxes.

34. U.S.A. March 2002, voters retire Congressman Gary Condit. Condit, a nominal Democrat, had lined up with Dick Armey, Bill Archer, and other sales-tax Republicans to push for a national sales tax.

Like Japanese Premier Uno, Condit was involved in a sex scandal, which got all the publicity and may have been the main cause of his defeat. However, many other politicians, like congressmen Kenneth Calvert and Henry Hyde, have survived sex scandals.

35. U.S.A. March 2002, Richard Riordan loses Republican primary to Bill Simon. Riordan, the early favorite, made many mistakes, but one of them was retaining Michael Boskin as his economic advisor, thus alienating whatever liberal Republican support he might have garnered. Boskin is a sales-taxer of the Bill Archer-Steve Forbes genre.