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The Unlikely Heroes of Progressive Taxation: CEOs' Support for Bill Clinton's Tax Increase Package in 1993

Abstract: On August 10, 1993, President Bill Clinton signed the Omnibus Budget Reconciliation Act of 1993, one of the largest fiscal deficit-reduction packages in US fiscal history. This law raised the top individual income tax rate from 31% to 39.6%, which increased the average effective tax rate for high-income earners and shifted the federal fiscal balance from deficit to surplus by the end of the century. Given major business interest groups' criticism of the Omnibus Budget Reconciliation Act of 1993's heavy reliance on tax increases over spending cuts, how was the Democrat-controlled Congress able to pass this legislation? Drawing on archival evidence from the Clinton Presidential Library, this paper shows that the administration and Democratic committee chairs mobilized support from corporate CEOs, including Fortune 500 executives, asking them to lobby key legislators to support the bill. Thus, with business leaders' support and lobbying efforts, the legislation was passed with a very slight majority.

Keywords: progressive taxation, lobbying, business influence, deficit reduction, Bill Clinton's economic policy, Omnibus Budget Reconciliation Act of 1993, Clinton Administration, tax politics

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INTRODUCTION

"It is a landmark achievement not just for those in this room who have played a role in it but, indeed, for all the American people. And it will be a gift-giving achievement for generations to come," said President Bill Clinton on September 30, 1998, celebrating one of the most important achievements in his presidency, a budget surplus.[1] For almost 30 years since 1969, the federal government budget had been running deficits. When Clinton took office as President in 1993, deficits were still ballooning and were considered to pose an imminent threat to the American economy. Within five years, however, the federal fiscal balance drastically shifted from deficit to surplus. Clinton attributed this success in deficit reduction to the 1993 budget bill—officially known as the Omnibus Budget Reconciliation Act of 1993 (OBRA93)—and to the Democratic members of Congress who voted to pass it.

Nevertheless, evaluating the effects of the OBRA93 is a controversial topic. Instead of being praised, Clinton and his administration have often become a target of criticism for their strong inclination toward deficit reduction and their willingness to restrain the growth of social spending.[2] Wolfgang Streeck made this point explicitly by stating, "Under the Clinton administration, attempts were made to balance the budget mainly through social spending cuts."[3] Moreover, the importance of deficit reduction in itself has been seriously questioned in current macroeconomic debates.[4] Due to the Global Financial Crisis and slow economic recovery afterward, the amount of public debt in relation to GDP among high-income nations has increased spectacularly and even reached a historical record. Nonetheless, government insolvency and hyperinflation are unlikely to occur at present, despite repeated warnings from fiscal hawks.[5] In this context, a growing number of scholars advocate larger spending instead of worrying about deficits.[6]

Much more vigorous and sophisticated discussion is needed to give a precise policy prescription to the current macroeconomic debates, and the purpose of this paper is not to discuss these issues. Instead, this paper seeks to bring our attention to the fact that Bill Clinton's budget relied far more on tax increases than expected instead of being heavily directed toward spending cuts. According to an estimate by Jerry Tempalski, OBRA93 led to an increase in annual federal receipts by 3.5% (four-year average) after enactment.[7] The magnitude of the tax increase, was thus, the second largest since 1968, next to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), at 5.7%. Given that the role of TEFRA was to offset revenue loss caused by prior legislation—the Economic Recovery Tax Act of 1981 (ERTA)—instead of bringing a net revenue increase, OBRA93 can be even considered as the largest tax hike.[8]

The Omnibus Budget Reconciliation Act of 1993's approach emphasizing tax increases led to intense opposition from the Republican Party and conservative members of the Democratic Party. The budget bill was unable to garner a single yea vote from the Republican Party throughout the legislative process. In addition, more than 40 Democrats voted against the bill, which resulted in its passing with only a razor-thin majority of 218-216 in the House and 51–50 in the Senate. Had a few conservative Democrats not switched their votes from nay to yea, an alternative budget package including more spending cuts on social and welfare programs would have been enacted. Therefore, Clinton and Democratic leaders, albeit barely, succeeded in protecting some important programs from conservative cutbacks by maintaining yea votes from some conservative or moderate Democrats. From this standpoint, how Clinton and Democratic leaders could manage to garner the yea votes is a matter of interest. However, existing studies do not uncover sufficient details pertaining to the negotiation process, if any.[9]

To fill this gap in existing literature, this paper uses archival sources from the Clinton Presidential Library[10] and attempts to substantiate an important factor that is largely ignored in existing studies yet presumably affected the passage of the bill: Democrats' mobilization of business to lobby key legislators to vote for the bill.[11] To secure enough votes, the Clinton administration and Democratic committee chairs, particularly Dan Rostenkowski (House Ways and Means Committee chair), sought support from the business community to lobby key legislators. In fact, some business leaders, including Fortune 500 executives, responded to this request and lobbied congressional members in favor of the bill.

This support from corporate leaders, however, leads to another question: What type of tax increase was supported and accepted? As the most important measure to increase tax revenues, Bill Clinton proposed a progressive tax increase instead of a regressive one in his budget proposal in 1993. Clinton's budget proposal included two new individual income tax brackets of 36% and 39.6% on earned income, which increased the top individual income tax rate by 8.6% from 31%.[12] This income tax increase was included in the final bill and was enacted as the biggest revenue increase item in OBRA93. Estimates in 1993 expected that this tax increase on high-income earners would account for more than 40% of the entire revenue increase due to OBRA93 over five years. Moreover, an estimate published by the Congressional Budget Office (CBO) in 2008 indicates that 45% of the income tax revenue increase in the late 1990s was due to an increase in the effective tax rate.[13] Therefore, the top tax rate increase played an important role in building the revenue capacity of the

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federal government in the 1990s. How could corporate leaders, who were high-income earners themselves, support such a tax increase targeting the rich?[14]

This question requires us to seriously reconsider the orthodox view that businesses and high-income earners are monolithic and exercise strong influence to lower their tax burden.[15] This paper presents the support from corporate leaders as an important factor that contributed to the passage of the OBRA93 and attempts to examine common assumptions about business and high-income earners.[16] Historical records about OBRA93 allow us to examine diverse opinions in the business community and explore the possibility of Democrats' business mobilization to counter conservative tax cut agendas.

TAX AND DEFICIT POLITICS SINCE REAGAN

Recent studies have highlighted the growing political influence of businesses and high-income earners as a factor to explain rising economic inequality and ineffective government redistributive policies in the United States.[17] Both income and wealth inequality started to increase sharply in the 1980s, and Reagan-era tax cuts were considered one of the primary factors driving the trend.[18] President Reagan, while lowering individual income tax rates across the board, massively cut the top income tax rate by ERTA from 70% to 50%, and further to 28% through the Tax Reform Act of 1986 (TRA86).[19] Businesses and high-income earners reportedly played a crucial role in implementing the tax cuts and subsequently keeping taxes low.[20]

However, the income tax rate cuts were not supported by business interest groups such as the National Association of Manufacturers (NAM) and the Business Roundtable because they were worried about the potential resultant deficits.[21] Instead, business groups were enthusiastic about tax cuts for business, particularly accelerated depreciation. This business request was included as a part of the ERTA but was soon reversed significantly in the following tax reforms during the Reagan presidency. In contrast, the individual tax rate cut was maintained partly because of Reagan's strong preference for low marginal income tax rates.[22]

Furthermore, business groups, albeit reluctantly, accepted three tax increase bills during the Reagan presidency—namely, the TEFRA, the Deficit Reduction Act of 1984 (DEFRA), and the TRA86.[23] These tax reforms directed at addressing the issue of tax base erosion. Eliminating loopholes and broadening the income tax base had been a matter of concern among tax experts.[24] Accordingly, the three tax reform bills included significant tax increase measures; most importantly, they raised taxes on business. The tax increases, particularly the repeal of accelerated depreciation, provoked significant discontent among business interest groups. For instance, Richard Lesher, President of the US Chamber of Commerce (USCC), expressed his opposition to TEFRA "by refusing a direct request by Vice President Bush and White House counselor Edwin Meese to use the Chamber's television studio for pro-TEFRA publicity."[25] Nonetheless, business groups as a whole valued the importance of cooperating with a conservative president.[26] Due in part to their own concerns about the growing deficit, business groups eventually accepted the tax hikes.

After George H. W. Bush took office as President, business leaders' concerns over deficits became stronger, and some business leaders even proposed a gasoline tax increase to bring down the deficit in 1989.[27] Moreover, when Bush betrayed his "no new taxes" campaign pledge and compromised with congressional Democratic leaders to form a deficit-reduction package that included tax increases in 1990, business groups—namely, NAM, Business Roundtable, American Business Conference, and National Small Business United—supported Bush on the grounds that he had successfully compiled a credible bipartisan deficit-reduction package.[28]

However, when Clinton proposed his deficit-reduction package, which relied more heavily on tax hikes than previous deficit-reduction packages did, he did not receive favorable responses from business groups. The latter part of this paper discusses how each major business group criticized the plan and argued that spending cuts should be prioritized to reduce the deficit. Their understanding was that despite repeated tax hikes, deficits did not stop growing; therefore, excessive spending was the cause of the growing deficit. Unlike under Reagan and Bush, the business groups neither compromised with nor supported Clinton and instead lobbied congressional members to oppose Clinton's proposal. This opposition from business groups, combined with Republican and conservative Democrat attacks on the tax hikes, made the Clinton administration realize that the passage of the bill was highly uncertain. Moreover, by then, business interest groups had largely shifted their focus from deficit reduction toward conservative tax-cutting agendas.[29]

How did the Clinton administration and congressional Democratic leaders then pass the law in such politically adverse circumstances? Reportage and memoirs appear to provide an important finding in this respect that has received insufficient scholarly attention: some high-income earners and businesses did support the tax hikes.[30] Journalist Bob Woodward documents that Robert Rubin (director of National Economic Council) told his colleagues within the Clinton administration that many of the rich were not opposed to the income tax hike.[31] Furthermore, business magnate Warren Buffet is said to

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have advised Senator Robert Kerrey (D-NE), who wanted large spending cuts, to vote for the final bill at the last stage of the legislative process.[32]

However, these accounts are inadequate in that they do not mention opposition from business interest groups such as USCC; except for Buffet, who supported the tax hikes, the kind of actions those supporters took remained unclear. However, archival materials from the Clinton Presidential Library allow us to uncover business behaviors behind the legislative fight in detail. As Woodward and Rubin suggested, many business leaders accepted the tax increase. Notably, they did so even though major business interest groups opposed the tax increase. The fragmentation among business interests has been pointed out in some studies.[33] Nevertheless, only a few studies have paid adequate attention to the role of those who supported progressive tax increases in business. The following sections situate the role of their support in the entire budget process of 1993.

THE SUCCESS OF THE STATE OF THE UNION ADDRESS

On February 17, 1993, President Clinton delivered a speech on his economic plan before a joint session of Congress.[34] Although he talked about wide-ranging issues, such as NAFTA and health care reform, at the heart of his speech was deficit reduction. Although his deficit-reduction plan included programs that seemed to contradict the same, such as new investment initiatives and the expansion of Earned Income Tax Credit (EITC), the net cut in spending was estimated to be sizable, as it included spending cuts for defense and less essential programs.[35] Combined with the revenue increase through his tax package, his deficit-reduction plan was estimated to lower the deficit by $473 billion in five years, which was approximately as large as OBRA90.[36] Therefore, his commitment to deficit reduction was clear despite the new spending initiatives in the plan.

This seemingly strange combination of deficit reduction and increasing public investment can be explained by Clinton's view that the budget and economy should shift their focus from "consumption to investment."[37] He argued that by paying off public debt, the government would be able to invest more in jobs, education, and the future of the country; deficit reduction would increase private available savings and lower interest rates, which would make it easier for the private sector to invest more. Thus, the deficit-reduction plan and new spending programs were organized within Clinton's larger vision to revitalize the American economy.

However, his decision to prioritize deficit reduction provoked controversy within the administration. Although Clinton had already announced that he would cut the deficit in his manifesto *Putting People First*, published during the presidential campaign,[38] it was unclear whether the administration was serious about deficit reduction until he unveiled the plan in the speech. Some members of the administration, such as political consultant Paul Begala and Secretary of Labor Robert Reich, worried that focusing on deficit reduction would betray Clinton's campaign promises.[39] Indeed, Clinton abandoned a middle-class tax cut that he had promised to achieve a sizable deficit reduction.[40] Clinton may have been forced to choose a tough deficit-reduction plan because of policy experts' advice. For instance, in December 1992, Chairman of the Federal Reserve Board Alan Greenspan told Clinton that deficit reduction should be the most important priority in economic policy making.[41] Woodward went on to vividly describe Clinton's frustration about the fact that the success of his economic policy as well as his reelection "hinge [d] on the Federal Reserve and a bunch of fucking bond traders."[42]

Nevertheless, Clinton himself considered deficit reduction the most important agenda and willingly took this direction. On one hand, he was motivated by electoral incentives.[43] He had only achieved 43% of the popular vote in the 1992 election and was able to defeat Bush largely because of third-party candidate Ross Perot, who advocated balancing the budget and unexpectedly took 19% of the popular vote. Therefore, undertaking deficit reduction was a reasonable choice to attract Perot voters in the next presidential election. Moreover, Clinton believed that the deficit was at the heart of the American economic decline. In particular, he was deeply concerned about high long-term interest rates due to high public debt.[44] Thus, Clinton's decision was based on his perception that deficit reduction would bring large economic benefits.

Regarding revenue, Clinton had already outlined his idea in *Putting People First*. He planned to finance investment programs and reduce the deficit "by cutting spending, closing corporate loopholes, and forcing the very wealthy to pay their fair share of taxes."[45] When he announced his plan in February 1993, it turned out that "forcing the very wealthy to pay their fair share" was set to be the biggest part of his tax increase package. It created a new bracket of 36% on earned income above $115,000 and a 10% surcharge tax on people earning above $250,000, making the top tax rate 39.6%. The newly created brackets were largely targeted at the top 10% and 5% income earners at that time.[46] The administration expected that this individual income tax hike would bring in $123.2 billion for five years, which accounted for roughly 40% of the entire revenue increase from the tax package during the same period.[47]

Despite its significance as the largest source of tax revenue increase, the Clinton administration viewed the top tax rate increase as a "noncontroversial" item.[48] Instead, what worried Clinton was the introduction of the BTU energy

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tax.[49] In particular, the administration was concerned that its introduction would cause opposition from the energy industry. Indeed, the BTU tax became the most contentious target of criticism during legislative proceedings and was eventually abandoned due to opposition by senators from oil-rich states such as David Boren (D-OK). In contrast, the BTU tax was accepted by liberal Democrats despite its regressive effect on low-income groups. This was largely because new poverty relief measures such as the expansion of Earned Income Tax Credit (EITC) and the food stamp program were introduced to alleviate the additional tax burden arising from the BTU tax.

The Democrat-controlled Congress was generally in favor of the Clinton plan. Democratic committee chairs such as Patrick Moynihan (Senate Finance Committee chair), Dan Rostenkowski (Representative from Illinois), and Robert Byrd (Senate Appropriations Committee chair) displayed a cooperative attitude toward Clinton and his administration.[50] Most rank-and-file Democrats seemed to accept the Clinton budget plan, except a few, such as Senator Richard Shelby, who expressed concern over its heavy reliance on tax increases.[51] As Democrats held 258 seats in the House and 56 seats in the Senate, the administration and congressional leaders believed that they had adequate margins to pass the legislation.[52]

Furthermore, the public largely accepted the Clinton plan. Despite the anxiety among some members of the administration, the public did not seem to care about the abandonment of the middle-class tax cut at that point. According to a Times Mirror poll, 58% of Americans favored the plan and only 27% opposed the tax hikes and spending cuts in the plan.[53]

Besides support from congressional Democrats and the public, the administration received favorable responses from some business leaders. Specific programs in the Clinton plan were welcomed by certain industries.[54] In particular, realtors and high-tech companies were given preferential tax treatment.[55] Furthermore, the investment programs at the time presumably played a role in attracting builders. However, the primary reason that businesses supported the Clinton plan was his commitment to deficit reduction. For example, John H. Bryan (chair and CEO of Sara Lee Corporation) announced on February 18, "[The plan is] courageous and a dramatic move to reduce America's fiscal deficit."[56] Some even agreed with Clinton's approach to bringing down the deficit via progressive tax increases. The same day, August A. Busch III (chair and president of Anheuser-Busch) said, "We applaud President Clinton's bold approach to reduce the deficit through spending cuts and higher taxes equitably levied … it will result in a reduction in the deficit, promoting a healthier economy and an improved standard of living for all Americans."[57]

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Democratic acceptance, public approval, and support from businesses were all signs of a promising start for the administration. What could possibly go wrong? Only a few at this stage expected that the legislation would eventually only pass with a thin majority.

CONSERVATIVES ATTACK THE CLINTON PLAN

Opportunities for the Republican Party to move policy making in its direction were quite limited in 1993. The Republican Party remained a minority party by sizable margins in both chambers, besides losing control of the White House. Worse, the administration and congressional Democrats employed a particular legislative procedure called "reconciliation" to avoid a filibuster in the Senate. Thus, using an important political instrument to block the main budget bill (also called the reconciliation bill) was prohibited in the budget process.[58]

However, the Republicans unexpectedly got a chance to make their move. At the beginning of March, the Congressional Budget Office concluded that the Clinton budget plan exceeded the discretionary spending limit set by the Budget Enforcement Act of 1990.[59] Consequently, the Clinton administration had to abandon most of its long-term investment programs as well as submit a short-term supplemental bill separate from the main budget bill to alleviate short-term negative effects of deficit reduction. Although use of the filibuster was prohibited in the reconciliation process, this rule did not apply to supplemental bills. Republicans took advantage of this opportunity and tactically filibustered to block the stimulus bill, criticizing Clinton as a "'tax and spend' old liberal."[60] This criticism damaged Clinton's public image as a "New Democrat."[61] The Republican attacks had a profound effect on the Clinton administration and Clinton's approval rate plummeted.[62]

The battle over the supplemental bill also led to widespread skepticism about the Clinton plan within the business community. John Sculley (CEO of Apple), who was an avid supporter of the Clinton plan, warned Chief of Staff Mack McLarty on April 26, "Since we met in your office, many CEOs have talked with me, and the news is not good. The President's support in the business community hasn't just slipped, it's virtually collapsed!" [63] The administration was well aware of the tense atmosphere in the business community. Alexis Herman, director of the Office of Public Liaison,[64] wrote to McLarty on May 10, "As you are aware, the business community's support for the administration's initiatives has diminished since our very strong start in February."[65]

In such an edgy political climate, conservative Democrats in the Senate expressed their opposition publicly. Senator David Boren (D-OK), a member of the Senate Finance Committee, played an especially important role.[66] On May 20, Boren and Senator John C. Danforth (R-MO), joined by J. Bennett Johnston (D-LA) and William S. Cohen (R-ME), proposed an alternative reconciliation package that eliminated the BTU tax and imposed a cap on entitlement spending to make substantial spending cuts.[67] Before this recommendation, the BTU tax's prospects had dwindled, largely owing to criticism from energy producers and heavy consumers of energy.[68] Despite the criticism, the administration still held a naïve hope that it could pass the BTU tax.[69] However, that hope was dashed by Boren's opposition. As Democrats only held 11 seats out of 20 in the Senate Finance Committee, without Boren's vote the tax bill could not be sent to the floor.

Following Boren's initiative, conservative House Democrats also started to express opposition to the Clinton plan and demanded more spending cuts. To pass the reconciliation bill in the House, the administration attempted to make a deal with Representative Dave McCurdy (D-OK), an influential Democrat concerned about the Clinton plan's heavy reliance on tax hikes and inadequate spending cuts. Through Chief of Staff McLarty's tenacious efforts, McCurdy finally agreed to vote for the bill on the condition that deeper spending cuts and entitlement caps would be enforced.[70] On May 27, McCurdy and three other conservative Democrats voted for the bill, leading to it being passed with a slim majority of 219-213.

Subsequently, the stage moved to the Senate Finance Committee. With the BTU tax abandoned, the central task of the committee was to consider alternative measures and ways to reduce deficit, in addition to securing Boren's vote to pass the bill. In a highly confidential meeting with Boren on June 10, the Clinton administration and committee members conjectured that the BTU tax could be replaced with a smaller gasoline tax increase and Medicare spending could additionally be cut by $20 billion.[71] Although Boren did not comment on the gasoline tax increase, he was satisfied with the additional Medicare spending cuts. After five days of negotiations, Boren voted for the bill on June 16.[72] Nevertheless, Boren had not committed to voting for the bill in the full Senate. With 19 Senate Democrats reserving their decisions a week before the vote, the passage of the bill was highly uncertain.[73] Consequently, Senate Majority Leader George Mitchell persuaded Boren to vote for the bill, resulting in a 49-49 tie.[74] With Al Gore's tie-breaking vote, the bill was passed on June 24.

To resolve the differences between the House-passed bill and the Senate-passed bill, a conference committee was formed. Two primary issues were at stake here. First, some congressional members such as Senator Herb Kohl (D-WI) were nervous about the gasoline tax increase and were trying to reduce it.[75] Second, the move by the administration and Democrat leaders to cut more spending provoked resentment from liberal House Democrats who were loyal to Clinton.[76] As early as the beginning of June, Kweisi Mfume, a leader of the Congressional Black Caucus, wrote to Clinton saying that 38 members of the Caucus would vote against the bill unless the main provisions for low-income and middle-class citizens were maintained. Later in the month, 14 representatives from the Congressional Hispanic Caucus and 33 other representatives, mainly consisting of first-term members, also expressed their disappointment with the additional spending cuts.[77] Faced with this huge reaction from liberals, the administration and Democratic leaders in July partially restored the size of spending for programs such as EITC and food stamps while obtaining additional revenue by making the individual top tax rate increase retroactive to January 1, 1993.[78] It was inevitable that the Clinton administration's decision to shift the budget package in a liberal direction would trigger conservative Democrats' opposition. Given the slight margins in the past two votes, it was highly likely that the President's budget package would be overthrown.

BUSINESS INTEREST GROUPS' OPPOSITION

Meanwhile, major business interest groups started making numerous requests to the Clinton administration and members of congress. Their primary message was that spending cuts were a better way to bring down deficits. As early as February, the Business Roundtable announced its opposition to the Clinton plan and argued that excess spending was the cause of the prolonged deficit and that tax hikes would not solve the problem.[79] The US Chamber of Commerce (USCC) was also in line with this argument and sent a letter on March 17, to every member of the House of Representatives stating that the budget package relied heavily on tax increases instead of spending cuts.[80]

Business groups further complained about corporate tax hikes. The USCC and the Tax Reform Action Coalition (TRC) expressed concern about the negative effect of the top individual income tax rate increase on S-corporations, mainly consisting of small businesses.[81] S-corporations are classified as corporations by federal tax law; however, their income is attributed to their shareholders, who report the income on their individual income tax returns. Therefore, the top tax rate increase on individuals would apply to S-corporations. The USCC recommended that the administration exempt S-corporations from the top rate increase.[82] However, the administration did not accept this recommendation. Although the effect of this decision seems to have been limited in the initial stage of the legislative process, it became a heated issue in July.[83] In addition to USCC and TRC, groups representing small businesses, such as the National Federation of Independent Business (NFIB) and the National Association of Self-Employed (NASE), expressed reluctance in supporting the Clinton plan. Even though the administration stressed that 96% of small businesses were exempt from the new income taxes and that provisions were included in the plan to help small businesses, small business groups were not convinced by Clinton's budget package.[84]

The business groups' complaints regarding the corporate tax programs in the Clinton plan were not just confined to the issue of S-corporations. They argued that businesses already paid their fair share and that additional tax burdens would negatively affect business growth. For instance, TRC stressed that an average corporate effective tax rate had been raised significantly due to TRA86 and refuted the argument that companies did not pay enough.[85] The NAM pointed out that the corporate tax burden significantly increased when the payroll tax was considered, despite a stagnant corporate income share in the economy.[86]

Among the efforts of major business interest groups, those of USCC and NAM were recognized by the administration as effective threats to the passage of the bill. In particular, right before the final vote in the House, USCC distributed a letter to business leaders, asking them to sign it to pressure congressional members to vote against the bill. The letter said, "We urge you to oppose the conference report on budget reconciliation…. If enacted, the conference report would do severe harm to an already fragile economic recovery without promising much in the way of deficit reduction."[87]

SEEKING THE BUSINESS COMMUNITY'S SUPPORT

Despite the united opposition of major business interest groups, the administration recognized that the business community was far from monolithic and not entirely represented by these groups. In May, Steve Hilton, a White House staff member of the Office of Public Liaison, wrote to other staff in the office that "some of NAM's members are prepared to support the economic package dependent upon minor modifications to the BTU tax. Also, a number of companies who are members of TRC remain strong and vocal supporters of the economic package as a whole."[88] Therefore, it can be inferred that the administration perceived that it was still possible to gain the business community's support.

Dan Rostenkowski of the House Ways and Means Committee played a crucial role in gaining support from business leaders. In April, Rostenkowski met eight corporate CEOs, including John Young (former CEO of Hewlett-Packard), and asked them whether they would recruit other CEOs and actively support the tax package in exchange for the following three modifications concerning corporate tax provisions: increase the corporate tax rate by only 1% instead of 2%, remove Clinton's investment tax credit proposal, and eliminate the deferral and royalties provisions proposed by Clinton,[89] which had been decried by business leaders despite their limited influence on tax revenue. As all eight CEOs agreed with this deal, on April 27, Rostenkowski recommended to President Clinton that the corporate income tax rate be increased by only 1% instead of the proposed 2% in order to secure passage of the reconciliation bill.[90]

The eight CEOs' support for the tax package except the corporate tax provisions implied that they accepted an 8.6% increase in the top individual income tax rate. So what explains their acceptance? A plausible explanation is that they recognized that the damage done by the tax increase would be acceptably small for the following two reasons. First, even if the tax rate increase were enacted, the top income tax rate would remain much lower than the pre-Reagan level. Second, due to lower tax rates applied to capital gains, some of the wealthy were able to avoid tax rates applied to their labor income.[91] It is well known that the lower tax rate for capital gains is a part of the reason why the average income tax rate for the top 400 taxpayers is lower than that for the top 20% of income earners.[92] As long as the share of capital gains in total income is large, the top income tax rate increase has only modest or even no effect on the average income tax rate. At this point, it is worthwhile pointing out that stock options were widely used in the latter half of the 1990s.[93]

Nevertheless, the share of wage salary for those earning above $1,000,000 (approximately the top 0.01% income-earners in 1993) rose from 2% in 1993 to 3.4% in 1997 (to 6.1% percent in 2000).[94] Estimates also suggest that the average income tax rate for the top 0.001% income earners and top 400 income earners increased in the years after 1993.[95] Overall, some evidence suggests that the tax increase in OBRA93 made wealthy individuals pay more taxes.[96] Therefore, factors such as partisan inclination or political ideology might comprise part of the explanation for their acceptance of the deal.

Another interesting aspect of the corporate CEOs' behavior is that although they embraced the top individual tax rate increase, they expressed a negative reaction to the corporate tax provisions including the 2% increase in the corporate tax rate. This seemingly strange reaction could be possibly explained as follows. In contrast to tax hikes on individuals, tax hikes on businesses are likely to have a direct effect on the economic and financial performance of companies. Specifically, the corporate CEOs might have wanted to avoid the corporate tax increase because they were under strong pressure to maximize earnings.[97] For these reasons, some corporate CEOs could be reluctant to accept corporate tax increases as leaders of businesses while supporting individual income tax increases based on their personal political ideologies. Moreover, ideological heterogeneity among executive board members in a company could also play a major role in influencing such decisions.[98]

After the corporate tax modifications, Rostenkowski tried to solicit endorsements from corporate CEOs for the reconciliation bill. The administration called these new supporters "the Rosty group."[99] On May 25, two days before the House vote, Rostenkowski released a list of 50 corporations and public interest groups that supported the bill[100] (Table 1). The list included the original supporters of the plan as well as the Rosty group. In a press release, Rostenkowski announced, "This [support for the bill] proves there's broad support for this bill throughout the nation … despite criticism that's been voiced within the beltway. The American people realize that tax increases are a necessary component of any deficit-reduction package."[101]

Corporations on the list not just announced their support but also joined forces to lobby legislators to vote for the bill. For instance, Marvin Womack from Procter &Gamble (P&G),[102] one of the largest corporations on the list, wrote to Alexis Herman on the evening of May 26 that "Procter & Gamble has lobbied very hard in favor of H.R. 2141. Earlier this week we contacted about 50 representatives … soliciting their votes in favor of the bill." In response to Clinton's request at lunch on the same day, P&G made phone calls to six members from Ohio to solicit their votes.[103] Procter & Gamble also made additional calls to other undecided legislators. Table 2 shows the list of legislators that P&G contacted on May 26, their opinions as of May 26, and their actual votes. After the lobbying, three out of five undecided legislators (Marcy Kaptur, Douglas Applegate, and John Tanner) voted for the bill and one legislator who was originally against the bill (Eric Fingerhut) voted for it. It is assumed that P&G strongly influenced the Ohio delegation, as its headquarters were located in Ohio, with some media stories illustrating its

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Table 1. Rostenkowski's List of Corporations Supporting the Reconciliation Bill

1	AFLAC Incorporated	26	Levi Strauss & Co.
2	AlliedSignal Inc.	27	3M (29)
3	Ameritech Corp.	28	Marriott Corp.
4	Anheuser-Busch Companies, Inc. (42)	29	Mars Inc.
5	Associated Financial Corp.	30	Mercantile Stores Co., Inc.
6	Avon Products, Inc.	31	Owens-Corning Fiberglas Corp.
7	Beneficial Corp.	32	Phillip Morris Companies, Inc.
8	B.P. America	33	PLY GEM Industries, Inc.
9	Colgate-Palmolive Co.	34	Premark International, Inc.
10	Delta Air Lines, Inc.	35	P&G (13)
11	Dow Corning Corp.	36	Puget Power Corp.
12	Electronic Data Systems	37	The Quaker Oats Co. (89)
13	Emerson Electric Co.	38	Ryder System, Inc.
14	The GAP, Inc.	39	Sara Lee Corp. (33)
15	GenCorp Inc.	40	Service Merchandise Co, Inc.
16	General Electric Co. (5)	41	Southern California Edison Co.
17	General Mills, Inc. (68)	42	Southern California Gas Co.
18	General Motors Corp. (1)	43	Southland Corp.
19	General Signal Corp.	44	Southwest Airlines Co.
20	Hallmark Cards, Inc.	45	Tektronix, Inc.
21	Honeywell Inc. (36)	46	Tenneco Inc. (27)
22	Hughes Aircraft Co.	47	Time Warner, Inc.
23	IBM (4)	48	Valero Energy Corp.
24	Jim Walter Corp.	49	The Walt Disney Co.
25	Kellogg Co. (92)	50	Westinghouse Electronic Corp.

Source: Letter to Dan Rostenkowski, May 25, 1993, folder: Budget Reconciliation Package I. A-N, binder 6, OA/ID 2649, box 16, Alexis Herman, Clinton Presidential Records Public Liaison, William J. Clinton Presidential Library.

Note: The shaded companies are among the top 100 companies in the 1992 Fortune 500 ranking. https://archive.fortune.com/magazines/fortune/fortune500_archive/full/1992/.

influence in the state.[104] Furthermore, because Marcy Kaptur and Eric Fingerhut continued their political careers in Ohio, they likely maintained a cordial relationship with P&G.[105] Business efforts, as exemplified by P&G, were highly likely to have contributed to the 219-213 passage of the House bill.

Table 2. List of Legislators Lobbied by P&G

District	Legislator's name	Position on May 26	Vote on May 27	Vote on August 5
Ohio 1st	David Mann	Against	Nay	Nay
Ohio 6th	Ted Strickland	In favor	Yea	Yea
Ohio 9th	Marcy Kaptur	Undecided	Yea	Yea
Ohio 17th	James Traficant	Undecided	Nay	Nay
Ohio 18th	Douglas Applegate	Undecided	Yea	Yea
Ohio 19th	Eric Fingerhut	Against	Yea	Yea
Georgia 8th	James Rowland	Undecided	Nay	Nay
Tennessee 8th	John Tanner	Undecided	Yea	Yea
Missouri 5th	Alan Wheat	Leaning in favor	Yea	Yea
Kentucky 6th	Scott Baesler	Leaning against	Nay	Nay

Source: Letter from Marvin Womack to Alexis Herman, May 26, 1993, folder: Budget Reconciliation Package I. A-N, binder 4, OA/ID 2649, box 16, Alexis Herman, Clinton Presidential Records Public Liaison, William J. Clinton Presidential Library, Govtrack.
Note: The shaded legislators are those who were initially undecided, against, or leaning in favor on May 26 but eventually voted for the bill.

The successful passage of the House bill confirmed that mobilizing support from business leaders is a crucial strategy to secure the passage of the bill.[106] While the administration reached out to many nonbusiness interest groups, it tried to solicit additional endorsements from business leaders instead of solely relying on "the Rosty group" and asked them to spread support for the Clinton plan.[107] On July 28, the administration invited 67 CEOs to the White House, and they expressed their endorsements for the Clinton plan.[108] A total of 55 of the 67 corporations were not on Rostenkowski's list, which indicated that the administration had succeeded in expanding support from business leaders (Table 3). The administration also launched a strategy called the "State Opinion Leaders Program" and asked individual CEOs from different states to mobilize local or regional support for the Clinton plan and influence swing members of Congress.[109]

To examine the partisan inclinations of the CEOs (from companies listed in Tables 1 and 3), I calculated the ratio of political contributions each of them made to Democratic candidates and Democratic party organizations such as the Democratic National Committee to their contributions to both party candidates and organizations before 1992. Because 24 out the 105 CEOs either

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Table 3. Additional Corporations Not on Rostenkowski's List

1	Archer Daniels Midland Co. (60)	29	Joseph Seagrams & Sons, Inc.
2	ARCO (23)	30	Julien J Studley Inc.
3	Audiovox Cellular Communications	31	Lazard Freres & Co.
4	Axem Resources Inc.	32	Lillian Vernon Corp.
5	Belk Stores	33	Martin Marietta Corp. (88)
6	Bethlehem Steel Corp.	34	Mentor Graphics
7	Black Enterprise	35	META
8	Black Entertainment Television	36	Miranda Associates Inc.
9	C&P America, Inc.	37	Occidental Petroleum (43)
10	Citgo Petroleum Corp. (54)	38	Paine Webber Group, Inc.
11	Coldwell Banker/Helfant Realty	39	Polaris Industries
12	Consolidated Paper	40	RJO
13	Corridor Broadcasting	41	Salomon Brothers
14	Dynamic Corp.	42	Salomon, Inc.
15	E.G. Bowman Co.	43	Samsonite, Inc.
16	Flying Food Fare, Inc.	44	Sanchez O'Brian Oil & Gas
17	FMC Corp.	45	Shell Oil Co. (15)
18	Fruit of the Loom	46	Soft-Sheen Products
19	Genentech, Inc.	47	Sun Co.
20	Grey Advertising	48	Thinking Machines Corp.
21	Grimes Oil Co.	49	US Healthcare
22	H&R Block Tax Services	50	Unilever United States, Inc. (56)
23	Harsco Corp.	51	United Airlines
24	Hechinger and Comp.	52	United Bank of Philadelphia
25	International Bancshares Corp.	53	Wade Industries
26	ITT Corp.	54	Xerox Corp. (22)
27	John Wieland Corp.	55	Zenith Electronics Corp.
28	Johnson Publishing Corp.		

Source: Briefing memo, July 29, 1993, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, Clinton Presidential Records Public Liaison, William J. Clinton Presidential Library.

Note: The shaded companies were among the top 100 companies in the Fortune 500 ranking in 1992.

did not have records or made contributions no more than twice, they were excluded from the analysis.[110] As shown in Figure 1, the mode class of the ratio is between 0.95 and 1 and its frequency is 26 out of 81. Therefore, it is likely that the CEOs may have endorsed the bill out of their partisan loyalties.

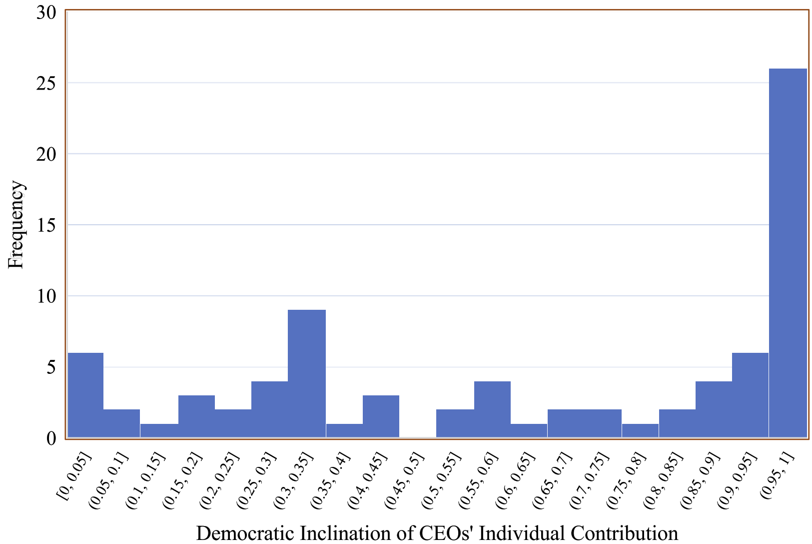

Figure 1. Democratic Inclination of CEOs' Individual Contributions.
Source: Federal Election Commission. See endnote 110 for a precise method.

However, it is important to note that motives to support the Clinton plan could vary from one CEO to another. Letters sent to Clinton in July from individual CEOs illustrated this point. For instance, Dwayne Andrea (Ratio: 0.27), CEO of the Archer Daniels Midland Company, clearly emphasized the plan's economic benefits to the American economy as well as the world economy, saying "we observed … that the financial people changed their attitude toward the dollar and toward US bonds. I firmly believe that the change in foreign demand was largely responsible for the sharp drop in interest rates, which can give the whole world economy an enormous boost."[111] August A. Busch III (Ratio: 0.21) reiterated his support and emphasized the fairness of the plan by saying, "While no one is happy about the sacrifices that deficit reduction requires, we applaud the fundamental fairness of your initial plan as well as the diligence with which you have worked to keep equity a cornerstone of the final product."[112] Moreover, Mark R. Gustafson, a schoolmate of Clinton at Georgetown University, even though a Republican, wrote that "most thinking businessmen and women don't mind paying their share if they feel the use of the funds is needed and appropriate."[113]

As was the case with P&G, the supporters lobbied legislators at the last stage of the legislation. A letter dated July 29 from Phillip Morris, another supporter of the Clinton plan, to Alexis Herman, indicates that the company cooperated with other companies and the Democratic National Committee and pressured legislators to vote for the bill.[114] Phillip Morris further prepared a list of the legislators that they contacted (Table 4). The data presented in Table 4 indicate that lobbying contributed to securing swing votes. For example, at Clinton's request, George Mead, the CEO of Consolidated Paper, headquartered in Wisconsin (also one of the corporations listed in Table 3), called and visited Senator Herb Kohl (D-WI) in support of the final bill.[115] Furthermore, in response to the Office of Public Liaison's request, Mead urged other business supporters in Wisconsin to express their support locally. As a consequence, Kohl voted for the final bill.

There were detailed media descriptions of what happened in the days leading up to the final votes in the respective chambers. For the House vote on August 5, Representative Marjorie Margolies-Mezvinsky (D-PA) switched her vote from against to for, which led to its passage with a slim majority of 218-216. Because she had pledged against tax hikes during the campaign the last year, her decisive vote was expected to increase her electoral vulnerability. When she voted yea, Republicans reportedly chanted "Bye-bye, Marjorie."[116] In fact, she lost her seat in the midterm election the following year. For the Senate vote scheduled the next day, as David Boren (D-OK) had announced that he would vote against the final bill in advance even if he voted for the bill in June, the administration needed more yea votes. Clinton persuaded Senator Dennis DeConcini (D-AZ), who had voted against the bill in June, in exchange for a cut in Social Security taxation and the establishment of the Deficit Reduction Trust Fund.[117] Senator Robert Kerrey (D-NE), who had demanded more spending cuts, also cast a yea vote with his remark "I could not and should not cast a vote that brings down your presidency," resulting in a 50-50 tie.[118] With Al Gore's tie-breaking vote once again, the final bill was passed in the Senate. As what Mezvinsky, DeConcini, and Kerrey received in return for their critical votes was marginal, their decision making was presumably influenced by their motive to avoid any devastating effects from Clinton's own party.

The decisions of these three legislators have been featured in existing accounts, particularly one by Woodward. However, as the historical analysis presented in this paper indicates, the 218-216 and 51-50 majorities were not just attributable to them but also to other legislators, such as Democratic

Table 4. List of Legislators Contacted by Phillip Morris

District	Legislator	Position	Final Vote
House KY 6th	Scott Baesler	Leaning no—gasoline tax and effects on middle income	Nay
House AL 3rd	John Browder	No	Nay
House AZ 1st	Sam Coopersmith	?—waiting on final report	Nay
House MO 6th	Pat Danner	Leaning no—just voted for state gas increase—piling on	Nay
House GA 7th	Buddy Darden	Yes	Yea
House GA 9th	Nathan Deal	No—cannot be moved	Nay
House OK 6th	Glenn English	No	No
House OH 3rd	Tony Hall	No report—waiting on outcome of conference	Yea
House GA 10th	Don Johnson	Yes—but very weak—received tremendous criticism at home after first vote	Yea
Senate WI	Herb Kohl	Leaning no, gas tax and middle-class	Yea
House TX 14th	Gregory Laughlin	?—gas or other energy tax—wait until conference report	Nay
House NY 14th	Carolyn Maloney	Leaning yes	Yea
House OH 1st	David Mann	No	Nay
House PA 13th	Marjorie Mezvinsky (PA)	Leaning yes, but thinks is career vote—only if absolutely needed	Yea
House NJ 6th	Frank Pallone	?—waiting for final report—worried about Lautenburg's vote	Nay
House MS 4th	Mike Parker	No	Nay
House VA 2nd	Owen Pickett	Leaning no—no gas tax	Nay
House NC 4th	David Price	Yes	Yea
House GA 8th	James Rowland	No	Nay
House TX 17th	Charles Stenholm	Leaning no—was castigated in district after first vote	Nay
House Oh 17th	James Traficant	No	Nay
House TX 2nd	Charles Wilson	Leaning yes—gas tax @ 4.3 helps	Yea

Source: Letter from Kathleen M. Linehan to Alexis Herman, July 30, 1993, Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, Clinton Presidential Records Public Liaison, William J. Clinton Presidential Library.
Note: "Gas tax" here refers to a gas tax hike of 4.3 cents a gallon that was introduced to replace the BTU tax. Please note that the position section is copied verbatim from the letter. The shaded legislators were those who voted for the final bill.

representatives from Ohio and Senator Kohl. Furthermore, behind these casting votes, there were numerous efforts of business leaders to persuade legislators to vote for the bill. Had it not been for their cumulative efforts, the final bills would have been voted down in all probability.

DISCUSSION AND CONCLUSION

This paper identifies an underlying force behind the unprecedentedly competitive political battle over the US budget in 1993: Democrats' mobilization of corporate leaders to lobby key legislators.[119] These corporate leaders supported the Clinton plan even though major business interest groups heavily criticized the plan's reliance on tax increases, establishing a clear distinction from previous business mobilization and lobbying over the tax politics during the Reagan and Bush presidencies. During the two presidencies, business groups accepted tax hikes to lower deficits, which suggested that the problem of deficits provided a compelling reason behind their support for tax hikes. In 1993, however, this tactic no longer worked because the business groups rejected the tax increase measures Clinton proposed. In this circumstance, individual corporate leaders showed up and lobbied in favor of the plan, creating a counterforce against the business groups' opposition.

Moreover, these corporate leaders accepted the top income tax rate increase as a measure to reduce the deficit. This paper argues that the reason why they accepted that the tax increase could be associated with their economic strategy as well as their partisan inclinations. Most of them believed that deficit reduction would help reduce interest rates and create a better economic environment. Furthermore, some of them might have considered that the tax increase would not hurt them too much because of preferential treatment for capital gains. As for their partisan inclinations, available data suggest that it might have influenced some of their motives to support the Clinton plan. Because it is assumed that a person inclined toward the Democratic Party tends to support redistributive policies, the supporters' inclination toward the party provides a convincing reason behind their support for the Clinton plan instead of plans that relied more on spending cuts and regressive taxation. Recent studies suggest that these corporate leaders are not an anomaly, and indeed a nonnegligible number of corporate CEOs are inclined toward the Democratic Party.[120] Therefore, examining the relationship between business leaders, high-income earners, and the Democratic Party is an important research agenda in the contemporary American political economy.

Overall, the analysis presented in this study suggests that obtaining support from low-income and middle-class voters to soak the rich is not the only pathway to achieving progressive taxation.[121] Indeed, as some scholars suggest, the middle class has been an important part of protests against taxes on high income and wealth, albeit they are not themselves subject to those taxes.[122] In such circumstances, mobilizing support from high-income earners and representatives of the business community becomes an effective weapon for policy makers who seek to distribute more tax burden onto high-income earners. Furthermore, gaining support from groups or individuals whose taxes would increase determines the long-term prospects of taxes.[123] Imposing higher taxes on some groups without obtaining their consent will inevitably cause a backlash against the taxes. Progressive taxation targeting high-income earners is not an exception to the case. Assuring support from high-income earners makes graduated tax rates more resilient to the conservative tax cut agenda and enables policy makers to maintain revenue capacity.[124]

However, it should be noted, the present analysis cannot be easily applied to situations other than deficit reduction, such as expanding social spending. Without a broad consensus on the need to contain deficits, the corporate CEOs might have acted differently. More importantly, because macroeconomic environments have drastically changed during the past two decades, the logic used by the Clinton administration that deficit reduction would lower interest rates and help the economy grow does not seem to work in the current times. In this macroeconomic environment, policy makers might face difficulty in obtaining support to increase taxes as Clinton did in 1993. Nevertheless, it is certain that examining how deficits play a role in forming tax and spending policies comprises a pertinent research theme. In doing so, the current case of OBRA93 can be considered a successful measure to attract support for tax increases in the context of deficit reduction.

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NOTES

1. "Remarks on Achieving a Budget Surplus," *The American Presidency Project*, ed. John Woolley and Gerhard Peters. https://www.presidency.ucsb.edu/documents/remarks-achieving-budget-surplus.

2. Due to the image of Clinton's welfare reform and his phrase "ending welfare as we know it," he was often considered a Democratic president who massively cut social spending. However, a close look at his budget shows that the share of social spending as

a percentage of GDP was constant (and growing in nominal terms) during his presidency. Therefore, he restrained the growth of social spending rather than cut it. Instead, most significant spending cuts were made in defense programs. See *Congressional Budget Office*, "Historical Budget Data," available: https://www.cbo.gov/data/budget-economic-data.

3. Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (London: Verso, 2014), 36.

4. Some mainstream macroeconomists have become more tolerant about the growing debt under the current low interest rate level. For instance, see Olivier Blanchard, "Public Debt and Low Interest Rates," *American Economic Review* 109, no. 4 (2019): 1197–1229.

5. Carmen M. Reinhart and Kenneth S Rogoff argue that we need to be cautious about the consequences of high public debt. See Carmen M. Reinhart and Kenneth S. Rogoff, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton, NJ: Princeton University Press, 2009). Historically, large fiscal spending and high public debt are considered the biggest sources of government insolvency and hyperinflation. But why do we not see government insolvency and hyperinflation among high-income nations nowadays (the case of Greece is explained by the fact that Greece does not have authority to issue its currency, the Euro)? On one hand, as long as government borrows domestically, it can repay its debt by issuing its own currency, and, therefore, there is no risk of government insolvency in terms of public debts owned by domestic institutions or citizens, theoretically. On the other hand, economists pay attention to inflation expectation and expanded supply capacity as the reasons to explain a low inflation rate. But since these are still very controversial topics, there are no definitive answers yet.

6. Some scholars seek to finance large fiscal spending by increasing taxes on the wealthy. For instance, see Emanuel Saez and Gabriel Zucman, *Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay* (New York: W. W. Norton & Company, 2019). Some others advocate large fiscal spending by merely increasing deficits. See, for instance, Stephanie Kelton, *Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy* (New York: Public Affairs, 2020).

7. Jerry Tempalski, "Revenue Effects of Major Tax Bills: Updated Tables for All 2012 Bills," Working Paper 81, U.S. Department of the Treasury, Office of Tax Analysis, Washington, DC, February 2013.

8. TEFRA fell far short of bringing the level of federal receipts back to the pre-ERTA level.

9. There are many substantive studies on budgetary institutional reforms and politics over deficit reduction during the Clinton presidency. Lance T. LeLoup, *Parties, Rules and the Evolution of Congressional Budgeting* (Columbus: Ohio State University Press, 2005); Iwan Morgan, *The Age of Deficits: Presidents and Unbalanced Budgets from Jimmy Carter to George W. Bush* (Lawrence: University of Kansas Press, 2009); Joseph. J. Thorndike, "Politics, Fiscal Performance and External Sources of Budget Discipline in the United States, 1970–2013," in *Deficits and Debt in Industrialized Democracies*, ed. Eisaku Ide and Gene Park (New York: Routledge, 2015): 199–228; Paul Pierson, "Deficit and the Politics of Domestic Reform," in *Social Divide: Political Parties and the Future of Activist Government*, ed. Margaret Weir (Washington DC: Brooking Institution Press, 1998): 126–78; James Shoch, "Bringing Public Opinion and Electoral Politics Back In: Explaining the Fate of 'Clintonomics' and Its Contemporary Relevance," *Politics & Society* 36, no. 1 (2008): 89–130.

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10. Most archival materials used in this paper are from two collections—namely, "Files of Alexis Herman, Director of the White House Office of the Public Liaison, 1993–1997" (2012-0741-F) and "Records of John Podesta, Staff Secretary, 1993–1995" (2018-0662-S). The former collection finding aid is available at https://clinton.presidentiallibraries.us/items/show/57382, and the latter is available at https://clinton.presidentiallibraries.us/items/show/94683. The two collections contain numerous letters and memorandums written by important officials and staffs during the budget debate and, thus, are useful to understand the legislative process over OBRA93. Interestingly, collection finding aids titling OBRA93 as well as key officials such as President Clinton and Robert Rubin are not created yet. This possibly suggests that a large body of documents still remains unprocessed or does not exist. Future research may benefit from documents that will be classified in the future.

11. This may sound unusual because the term "lobbying" or "lobby" usually evokes an image that corporations persuade politicians to serve their interests. That the direction and role of lobbying is reversed as such might indicate the power of the presidency and the degree to which most named brand corporations are in need of a sympathetic ear in the White House. Yet, a completely different argument holds too; because the power of the presidency is so weak (i.e., The president does not enjoy a strong popular support), it has to mobilize groups that the White House can reach. See endnote 64 on this point. Furthermore, it was unlikely that business leaders were forced by the Clinton administration to support Clinton's tax hike. First, as major business interest groups were hostile to the tax hike, business leaders contacted by the Clinton administration could just join the groups' opposition against the tax hike. Second, expressing support for the tax hike might have been politically costly because the Republican Party showed resentment toward business leaders who supported the tax hike (Republican legislators called the supporters "anticapitalists." See Letter from Curt Weldon et al., July 29, 1993, OA/ID 2649, box 16, Alexis Herman, Clinton Presidential Records Public Liaison, William J. Clinton Presidential Library; hereafter cited as Alexis Herman, CPL). This suggests that the business leaders who supported the tax hike had their own motives or will to support it.

12. For single filter, the 36% marginal tax rate was applied to earned income above $115,000 and the 39.6 marginal tax rate was applied to earned income above $250,000. Prior to the enactment of the OBRA93, the top tax rate was 31% and applied to earned income above $51,900. See Tax Foundation, "Historical U.S. Federal Individual Income Tax Rates and Brackets, 1862-2021," https://taxfoundation.org/historical-income-tax-rates-brackets/.

13. *Sources of the Growth and Decline in Individual Income Tax Revenues since 1994* (Washington, DC: Congressional Budget Office Publication No. 2221, May 2008), 4. Another report published by the Congressional Budget Office in 2001 estimated that from 1994 to 1998, "nearly half of the growth in individual income tax liabilities in excess of growth in GDP resulted from the higher effective tax rate." See, *Effective Federal Tax Rates, 1979–1997*, (Washington DC: Congressional Budget Office, October 2001), 8.

14. Multiple words are used to describe people with high economic status in existing studies. Three such references, namely the rich, wealthy, and high-income earners appear in this paper and are interchangeably used. Martin Gilen and Benjamin I. Page use preferences of the top 10% income earners as proxies for opinions of wealthy or very-high-income people. Martin Gilen and Benjamin I. Page, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens," *Perspectives on Politics* 12, no. 3 (2014): 564–58.

Business refers to big corporations such as Fortune 500 as well as small and medium-size corporations. Although there is a distinction between business and high-income earners, they sometimes overlap. A particular example of this case is corporate CEOs. Those from fairly big companies are obviously high-income earners. However, they are an essential part of the business community as well.

15. As for recent studies providing findings that are different from the orthodox view, see Daniel R. Alvord, "What Matters to Kansas: Small Business and the Defeat of the Kansas Tax Experiment," *Politics & Society* 48, no. 1 (2020): 27–66; Todd Schifeling, "Defense against recession: US business mobilization, 1950–1970," *American Journal of Sociology* 119, no. 1 (2013): 1–34.

16. This paper serves two purposes. On one hand, it seeks to identify the determinants of the budget policy outcome. On the other hand, it intends to discover political and social structures reflected in the budget process. Fiscal sociologists focus on these dual purposes of fiscal research while putting more emphasis on the latter. For instance, Isaac William Martin stated, "Although fiscal sociology also encompasses studies that treat fiscal policy as the outcome to be explained, scholars working in the tradition of fiscal sociology typically argue that the causes of fiscal policy are worth investigating because fiscal policy, in turn, may have other effects that sociologists care about." See Isaac William Martin, "The Political Sociology of Public Finance and the Fiscal Sociology of Politics," in *The New Handbook of Political Sociology*, ed. Thomas Janoski, Cedric de Leon, Joya Misra, and Isaac William Martin (Cambridge: Cambridge University Press, 2020), 486. This line of thought dates back to Schumpeter's "The Crisis of the Tax State." See Joseph Schumpeter, "The Crisis of the Tax State," in *The Economics and Sociology of Capitalism*, ed. Richard Swedbeg (Princeton, NJ: Princeton University Press, 1991).

17. Adam Bonica, Nolan McCarty, Keith T. Poole, and Howard Rosenthal, "Why Hasn't Democracy Slowed Rising Inequality?" *Journal of Economic Perspectives* 27, no. 3 (2013): 103–23; Jacob S. Hacker and Paul Pierson, "Winner-Take-All Politics: Public Policy, Political Organization, and the Precipitous Rise of Top Incomes in the United States," *Politics and Society* 38, no. 2 (2010): 152–204; Jacob S. Hacker and Paul Pierson, *Let Them Eat Tweets: How the Right Rules in an Age of Extreme Inequality* (New York; Liveright Publishing Corporation, 2020).

18. Saez and Zucman, *Triumph of Injustice.*

19. The top tax rate on labor income was already lowered to 50% by the Tax Reform Act of 1969. Thus, the top tax rate cut in ERTA only lowered nonlabor income taxes such as capital gains.

20. Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (New York: Cambridge University Press, 2002); Martin Gilen and Benjamin I. Page, "Testing Theories of American Politics"; David Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005), 42–54; Alexander Hertel-Fernandez and Theda Skocpol, "Asymmetric Interest Group Mobilization and Party Coalitions in U.S. Tax Politics," *Studies in American Political Department* 29, no. 2 (2015): 234–49; Alexander Hertel-Fernandez and Theda Skocpol, "Congress Makes Tax Policy: Democrats and Republicans at Two Critical Junctures," in *Congress and Policy Making in the 21st Century*, ed. Jeffery A. Jenkins and Eric M. Patashnik (New York: Cambridge University Press, 2016), 137–61.

21. Among major interest groups, the U.S. Chamber of Commerce explicitly supported the income tax rate cuts. See Benjamin C. Waterhouse, *Lobbying America: The Politics of Business from Nixon to NAFTA* (Princeton, NJ: Princeton University Press, 2014), 212–14. About NAM and Business Roundtable's objection to the income tax cuts, see also Monica Prasad, "The Popular Origins of Neoliberalism in the Reagan Tax Cut in 1981," *Journal of Policy History* 24, no. 3 (2012): 351–83; Monica Prasad, *Starving the Beast: Ronald Reagan and the Tax Cut Revolution* (New York: Russell Sage Foundation, 2018).

22. W. Elliot Brownlee, *Federal Taxation in America: A History* (Cambridge: Cambridge University Press, 2016), 189.

23. See Brownlee, *Federal Taxation in America*, chap. 7. However, the three tax increase bills were far from enough to cover the revenue lost due to ERTA. Also see Tempalski.

24. Tax experts such as Stanley Surrey addressed this issue in the 1960s. However, this attempt was defeated in a political process. See Seiichirou Mozumi, "The Kennedy-Johnson Tax Cut of 1964, the Defeat of Keynes, and Comprehensive Tax Reform in the United States," *Journal of Policy History* 30, no. 1 (2018): 25–61. But Surrey's effort left within the Treasury department "an intellectual legacy—a memory of proposals that sought to combine the reduction of tax preferences favoring the wealthy with cuts in the highest marginal tax rates to promote both horizontal and vertical tax equity" (Brownlee, *Federal Taxation in America*, 172).

25. Waterhouse, *Lobbying America*, 219.

26. Waterhouse, *Lobbying America*, 218–19.

27. In a meeting held by President Bush in April 1989, two invited business leaders, Paul O'Neill (chair and CEO of Alcoa) and John Akers (chair and CEO of IBM), stressed the severity of the budget deficit, and the former indicated that a $50 billion tax increase on gasoline would be great for the economy. Report, "Narrative Summary of Camp David Meeting with Outside Economists," folder: April 22, 1989, April 1989: 4/22/89 (9:30am–1:00pm.) Meeting with President at Camp David Non-Government Economists (various economic charts, overview of meeting, summary of meeting, thank you letters, list), binder 1, OA/ID 08061-007, box1, Michael Boskin Meeting Files, George H. W. Bush Presidential Records Council of Economic Advisers, George H. W. Bush Presidential Library (hereafter cited as GBPL).

28. "Business Roundtable Announces Support of the Budget Agreement," October 1, 1990, folder: Budget; Letter from Drew Lewis to the House of Representatives, October 1, 1990; Text of Mailgram to All House and Senate Members from Jerry J. Jasinowski; "ABC Supports Deficit Reduction Package," October 1, 1990; Letter from Dirk Van Dongen and Alan M. Kranowitz to President, October 2, 1990; Letter from John Paul Galles to George Bush, October 1, 1990; "Budget Accord Boosts the Venture Process," October 1, 1990, all from folder: Budget, OA/ID 04146, Stephanie Dance, Bush Pres. Records Office of Cabinet Affairs, GBPL. But the bipartisan package was rejected by rank-and-file congressional members. Democrats were not satisfied with it because of its regressive nature stemming from its reliance on the gasoline tax increase. Republicans were frustrated that the plan included tax increases despite Bush's campaign pledge. With no time to build a budget from scratch, a top income tax rate increase from 28% to 31% was included to gain votes from Democrats, and the budget bill was passed as the Omnibus Budget Reconciliation Act of

1990. Unfortunately, no records of how business interest groups reacted to the top income tax rate increase in OBRA90 could be located.

29. See Fred Block, "Read Their Lips: Taxation and the Right-Wing Agenda," in *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, ed. Isaac William Martin, Ajay K. Mehrotra, and Monica Prasad (New York: Cambridge University Press, 2009), 74. It is possible that the pressure from the Republican Party may explain this shift. Interestingly, in 1993, Republican legislators thought that either the Chamber of Commerce supported the Clinton tax package or their opposition was quite weak. Grover Norquist claims the former in his book. See Grover G. Norquist, *Rock the House* (Fort Lauderdale, FL: Vytis Pub Co., 1995), 138. Republican leaders expressed their anger and disappointment toward the Chamber. In reply, the Chamber made it clear that it opposed the tax hikes and emphasized that the Chamber represented business and not the Republicans. See Letter from Armey, Michael, Gingrich, DeLay, McCollum, and Hyde to Richard Lesher, March 25,b1993, folder: Budget Reconciliation Package II. M-Z, binder 6, OA/ID 2649, box 16, Alexis Herman, CPL; Letter from Ivan W. Gorr to Richard K. Armey, March 31, 1993, folder: Budget Reconciliation Package, binder 6, OA/ID 2649, box 16, Alexis Herman, CPL.

30. Bob Woodward, *The Agenda: Inside the Clinton White House* (New York: Simon & Schuster, 1994); Robert Rubin and Jacob Weisberg, *In an Uncertain World: Tough Choices from Wall Street to Washington* (New York: Random House, 2003). The Republican Party, possibly driven by conservative advocacy groups, increasingly pressured the business interest groups to take a more conservative position in terms of economic policy.

31. Woodward, *The Agenda*, 239. Indeed, Rubin said in his memoir that "the upper-income individuals whose taxes were increased seemed for the most part to take it in stride, I remember telling the President that I knew many people with large incomes, and when I went back to New York, I didn't hear much objection. Nobody likes to have his taxes go up, but I was surprised at how little complaint there was." See Rubin and Weisberg, *In an Uncertain World*, 129.

32. Woodward, *The Agenda*, 306.

33. Cathie Jo Martin, *Stuck in Neutral: Business and the Politics of Human Capital Investment Policy* (Princeton, NJ, Princeton University Press, 2000); Mark S. Mizruchi, *The Fracturing of the American Corporate Elite* (Cambridge, MA: Harvard University Press, 2013).

34. The transcript of his address is available at "Address before a Joint Session of Congress on Administration Goals," *The American Presidency Project*, ed. John Woolley and Gerhard Peters, https://www.presidency.ucsb.edu/documents/address-before-joint-session-congress-administration-goals. Further, the details of the budget proposed at the address are available from the Office of Management and Budget, *A Vision of Change for America* (Washington, DC: Executive Office of the President, Office of Management and Budget, 1993).

35. *Congressional Quarterly Almanac 103rd Congress 1st session* (hereafter cited as *CQA*) (1993), 88.

36. OBRA90 was estimated to cut the deficit by $496.2 billion for five years. *Congressional Quarterly Weekly Report* (hereafter cited as *CQWR*), November 3, 1990, 3716.

37. The phrase "from consumption to investment" appeared three times in Clinton's 1993 State of the Union Address. Clinton also used this phrase in 1991. See "Keynote Address of Gov. Bill Clinton to the DLC's Cleveland Convention," May 6, 1991, https://www.dlc.org.ndol.

38. Bill Clinton and Al Gore, *Putting People First: How We Can All Change America* (New York: New York Times Books, 1992), 11.

39. Woodward, *The Agenda*, 115–16 and 132–33.

40. Because the middle-class tax cut that Clinton promised did not materialize, it is hard to specify the target of the tax cut as well as who was thought to be middle class. A recent OECD report considers households earning between 75% and 200% of the median national income as middle class. OECD, *Under Pressure: The Squeezed Middle Class* (Paris, OECD Publishing, 2019). But this indicator is possibly broader than what the Clinton administration assumed at that time.

41. Woodward, *The Agenda*, 69–70; Bob Woodward, *Maestro: Greenspan's Fed and the American Boom* (New York: Simon & Schuster, 2001), 97. However, a recent oral history refutes the unilateral influence of Greenspan on budget policy making and instead indicates that Alan Blinder, a former Princeton economics professor and a member of the Council of Economic Advisers, had a decisive influence on the development of the Clinton plan. Russell L. Riley, *Inside the Clinton House: An Oral History* (New York: Oxford University Press, 2016), chap. 13.

42. Woodward, *The Agenda*, 84.

43. Shoch, "Bringing Public Opinion," 106.

44. In the December 1992 meeting, Clinton told Greenspan in the December meeting that "the long-term interest rates had been too high for too long" and the middle class "could not improve its condition unless the rate came down." In response to this, Greenspan suggested deficit reduction as a solution. See Woodward, *The Agenda*, 69–70.

45. Clinton and Gore, *Putting People First*, 12.

46. The newly created brackets were largely targeted at the top 10% income earners. As a reference, in 1993 the top 10% limit of individual income was $133,744 and the top 5% was $171,210 ($130,086 and $166,101 in 1992). The data are obtained from United States Census Bureau, *Selected Measures Household Income Dispersion: 1967 to 2016*. See also endnote 12 for the tax brackets information.

47. *CQA*, 1993, 88. As another major tax increase item—namely the introduction of a new energy tax called the British Thermal Unit (BTU) tax—was removed in the legislative process, the share of the income tax increase in the overall package was ultimately almost 50%.

48. "Economic Budget and Briefing III," January 25, 1993, 6, folder: Economic Program 2, OA/ID 413, Robert Boorstin, Clinton Presidential Records National Security Council, William J. Clinton Presidential Library (hereafter cited as Robert Boorstin, CPL).

49. "Economic Budget and Briefing III," January 25, 1993, 6–8, folder: Economic Program 2, OA/ID 413, Robert Boorstin, CPL.

50. Robert Byrd expressed his pro-spending attitude in the legislation's early stage and supported Clinton. See Robert Byrd to the President, February 12, 1993, February 14, 1993, OA/ID 359, box 3, John Podesta Chron Files, Clinton Presidential Records Staff Secretary, William J. Clinton Presidential Library (hereafter cited as John Podesta Chron Files, CPL).

Dan Rostenkowski made suggestions to Clinton in February to pass the budget bill smoothly. See Dan Rostenkowski to the President, February 9, 1993, OA/ID 359, box 3, John Podesta Chron Files, CPL. For details of discussions throughout the budget process, see Woodward, *The Agenda.*

51. David S. Cloud, "Package of Tax Increases Reverses GOP Approach," *CQWR*, February 20, 1993, 361.

52. The number of seats Democrats held in the Senate changed from 57 to 56 in June, 1993. This was because Senator Bob Krueger (D-TX) lost the special election held on June 6 to Republican Kay Bailey Hutchison. Prior to this special election, Bob Krueger filled the vacancy caused by the resignation of Lloyd Bentsen, who was appointed as Secretary of the Treasury in January.

53. Jack Nelson, "58% Back Clinton Economic Plan, Survey Finds: Public Opinion: Times Mirror Poll Shows Only 27% Oppose Tax Hikes and Spending Cuts. Support Remains High, Despite Growing Opposition," *Los Angeles Times*, February 26, 1993.

54. W. Elliot Brownlee noted the most importance source of support for tax increases in the 1980s and 1990s came from investment bankers; see Brownlee, *Federal Taxation in America*, 223; W. Elliot Brownlee, "Long-Run Fiscal Consolidation in the United States: The History at the Federal Level," in *Deficits and Debt in Industrializing Democracies*, ed. Gene Park and Eisaku Ide (New York: Routledge, 2015), 171–98. However, records show that investment banks did not actively support the Clinton plan. In March 1993, Merrill Lynch sent the administration a report that concluded the Clinton plan would lower the interest rate, which would alleviate the negative effect of the tax increase. See Letter from Bruce E. Thompson, Jr. to Alexis Herman, March 12, 1993, folder: Budget Reconciliation Package II. M-Z, binder 3, OA/ID 2649, box 16, Alexis Herman, CPL. In contrast, Goldman Sachs' economic projections were pessimistic at that time. Memorandum from Robert Rubin for President, August 2, 1993, folder: August 1–7, 1993 1, OA/ID1390, box 11, John Podesta Chron Files, CPL. At the end of the legislative process, Merrill Lynch criticized the plan's high reliance on tax increase on *CQWR* by saying, "We believe a credible deficit reduction plan is crucial to long-term economic growth, and we comment the President's commitment to it. We are concerned, however, that a number of provisions in the tax package will reduce personal saving and investment.... The higher individual tax rates are aimed at the people who save the most, meaning that a portion of these tax increases will undoubtedly come out of saving, reducing the pool of saving available for job-creating investments." Merrill Lynch, "Deficit Reduction Is Important, but so Is Saving for the Future," *CQWR*, August 7, 1993, 2207.

55. For tax incentives for real estate industries, see David S. Cloud, "Tax Package Tinkering Inevitable," *CQWR*, February 20, 1993, 361; *Congress and the Nation 1993–96*, 92–93; *CQA*, 1993, 131–32. High-tech companies applauded the preferential tax treatment for research and development (R&D). The Senate once tried to remove the expansion of R&D credit from the tax package, and tech companies expressed their disappointment at the administration. See Letter from G. Kirk Raab, Genentech, Inc. to President, July 27, 1993, folder: August 1–7, 1993 1, OA/ID1390, box 1, John Podesta Chron Files, CPL. However, the R&D credit expansion was eventually included in the plan. A tech company, Coretech, sent a letter to express its gratitude to Clinton for his efforts. Letter from Kenneth R. Kay to William J. Clinton, August 3, 1993, folder: August 1–7, 1993 1, OA/ID1390, box 11, John Podesta Chron Files, CPL.

56. Report, "President Clinton's Economic Plan: Historic Deficit Reduction Economic Growth and Jobs," 70, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, CPL.

57. Report, *President Clinton's Economic Plan*, 69.

58. For a detailed description of the reconciliation process, see Barbara Sinclair, *Unorthodox Lawmaking: New Legislative Processes in the U.S. Congress* (Washington, DC: CQ Press, 1997).

59. Morgan, *The Age of Deficits*, 173.

60. James Risen, "Congress' Centrists Get Tax Anxiety: Presidency: Moderates who helped elect Clinton no longer see him as 'new kind of Democrat.' What happened to bold attacks on spending, they ask?" *Los Angeles Times*, May 26, 1993. Al From, CEO of the Democratic Leadership Council, a supporter of Clinton, sent letters to Clinton warning him that he was seen by the public as "just another tax and spend, culturally liberal Democrat—the kind of Democrat the American people have been voting against for President for most of the last quarter-century." Memorandum from Al From to the President, April 16, 1993, folder: DLC [Democratic Leadership Council], OA/ID 3520, box 12, Rahm Emanuel, Clinton Presidential Records Political Affairs, William J. Clinton Presidential Library (hereafter cited as Rahm Emanuel, CPL). Memorandum from Al From to the President, May 4, 1993, folder: DLC [Democratic Leadership Council], OA/ID 3520, OA/ID 3520, box 12, Rahm Emanuel, CPL.

61. It should be noted that the first two years of Clinton's political stances were more inclined toward or at least looked like liberals. See Kenneth S. Baer, *Reinventing Democrats: The Politics of Liberalism from Reagan to Clinton* (Lawrence: University Press of Kansas, 2000). Due to this liberal stance, he was unable to obtain support from conservative Democrats as the rest of the paper shows.

62. Clinton's approval rate was 58% in January but dropped to 37% by June. "Presidential Approval Ratings—Bill Clinton," *Gallup*, https://news.gallup.com/poll/116584/presidential-approval-ratings-bill-clinton.aspx. Furthermore, the Republicans conducted a massive public relations campaign, focusing on the effect of the BTU tax on the middle class, and also tried to mobilize the elderly to oppose the tax increase on social security benefits. See "Deficit Reduction Narrowly Passes," *CQA 103rd Congress 1st session*, 1993.

63. Letter from John Sculley to Mack McLarty, April 26, 1993, folder: April 25–30, 1993, binder 1, OA/ID 473, box 6, John Podesta Chron Files, CPL.

64. The Office of Public Liaison played a critical role in contacting business leaders and forming coalitions in support of OBRA93. As for the historical role and evolution of this office, see Thomas T. Holyoke, *Interest Groups and Lobbying* (New York: Routledge, 2021), chap. 7; Joseph A. Pika, "The White House Office of Public Liaison," *Presidential Studies Quarterly* 39, no. 3 (2009): 549–73. Holyoke suggests that a president that has weak public support tends to conduct aggressive outreach to many interest groups. The outreach of the Office of Public Liaison to interest groups and business leaders during the 1993 budget debate may have followed this pattern. However, it is worthwhile mentioning that the degree of outreach and its effectiveness hinges on resources and personal connections that each presidential administration has.

65. Memorandum from Alexis Herman for Mack McLarty, May 10, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 15, Alexis Herman, CPL.

66. Senator John Breaux (D-LA) also expressed his opposition to the BTU tax and tried to cut spending, but Breaux eventually voted for the final version of the legislation after

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the BTU tax was removed. In contrast, Boren still voted against the bill in the last stage. See Karen Tumulty, "Senator Boren Holds Key Vote on Clinton Economic Plan," *Los Angeles Times*, May 29, 1993; Woodward, *The Agenda*, 282. To understand Boren's role in the budget debate, see Jon Healey, "Clinton Struggles with Hill but Still Gets His Way," *CQWR* May 29, 1993, 1335; David S. Cloud and Alissa J. Rubin, "Energy Tax, Medicare Cuts Focus of Senate Battle," *CQWR* June 12, 1993, 1458; David S. Cloud and George Hager, "With New Budget Deal in Hand, Clinton Faces Longest Yard," *CQWR* July 31, 1993, 2023; "Deficit Reduction Narrowly Passes," 111; Woodward, *The Agenda*.

67. "Deficit Reduction Narrowly Passes," *CQA*, 1993.

68. Also, to weaken the criticism, Clinton exempted ethanol producers and aluminum and airline industries—which only succeeded in energizing criticism from those who were not exempted. Patrick J. Maney, *Bill Clinton: New Gilded Age President* (Lawrence, Kansas: University Press of Kansas, 2016), 81–82.

69. In particular, Vice President Al Gore insisted that the tax package should include the BTU tax. Woodward, *The Agenda*, 220.

70. For the negotiation between McCurdy and the administration in this paragraph, see Woodward, *The Agenda*, 202–8. Mack McLarty had already promised others such as Senator John Breaux (D-LA), another conservative Democrat in the Senate Finance Committee, that the BTU tax would be eliminated in the Senate, and Breaux asked McCurdy to vote for it and send it over. However, McCurdy was worried that the Senate would take credit for the elimination and the House Democrats would be considered supporters of the tax. He was thus, reluctant to make a deal with the administration and vote for the bill. But McCurdy eventually voted for the bill after getting a confirmation from McLarty that more spending cuts would be surely included later.

71. Woodward, *The Agenda*, 234.

72. Woodward, *The Agenda*, 234.

73. Woodward, The Agenda, 237.

74. Senators Patty Murray (D-WA) and Arlen Specter (R-PA) were ill and did not vote. See David E. Rosenbaum, "Senate Democrats Block Efforts to Alter Clinton's Budget Plan," *New York Times*, June 25, 1993.

75. Janet Hook, "Budget War Devalues Clinton Currency," *CQWR*, August 7, 1993, 2206.

76. As the $20 billion Medicare cut was not enough to cover the revenue shortfall due to the abandonment of the BTU tax, the size of the expansion of EITC and food stamp programs was also reduced.

77. Letter from Kweisi Mfume to Bill Clinton, June 9, 1993, folder: Budget Reconciliation Package I. A-N, binder 4, OA/ID 2649, box 16, Alexis Herman, CPL; Letter from Jose E. Serrano et al. to the President, June 24, 1993, Domestic Policy Council, Bruce Reed, and Subject Files, Budget—Reconciliation, Clinton Digital Library, https://clinton.presidentiallibraries.us/items/show/31205; Letter from Eva Clayton et al. to Dan Rostenkowski and Martin Sabo, June 22, 1993, Clinton Digital Library, https://clinton.presidentiallibraries.us/items/show/31205.

78. David S. Cloud and George Hager, "With New Budget Deal in Hand Clinton Faces Longest Yard," *CQWR* July 31, 1993, 2023.

79. Report, *The Business Roundtable Views on President's Budget Proposal*, March 4, 1993, folder: Budget Reconciliation Package I. A-N, binder 3, OA/ID 2649, box 16, Alexis Herman, CPL.

80. Letter from Ivan W. Gorr to Richard K. Armey, March 31, 1993, folder: Budget Reconciliation Package, binder 6, OA/ID 2649, box 16, Alexis Herman, CPL.

81. Letter from Martin A. Regalia to Association Executives, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, CPL; Letter from Alan M. Kranowitz to the President, May 6, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 15, Alexis Herman, CPL.

82. "Impact of Proposed Tax Increase on Small Business Subchapter S Corporations," Office of Public Liaison and Alexis Herman, Amy Zisook-1993 Memorandums 2, Clinton Digital Library, https://clinton.presidentiallibraries.us/items/show/77972.

83. Deputy Secretary of the Treasury Roger Altman wrote on July 15 that "groups opposed to the President's Economic Plan are now attacking the Plan on the grounds that it is bad for small businesses." See Memorandum from Roger Altman, July 15, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 16, Alexis Herman, CPL.

84. Memorandum from Roger Altman.

85. Letter from Alan M. Kranowitz to the President, May 6, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 15, Alexis Herman, CPL.

86. Letter from Jerry Jasinowski to the President, May 4, 1993, folder: Budget Reconciliation Package I. A-N, binder 3, OA/ID 2649, box 16, Alexis Herman, CPL.

87. Letter from Martin A. Regalia to Association Executives, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, CPL.

88. Memorandum from Steve Hilton for David Dryer and Anne Walker, May 7, 1993, folder: Budget Reconciliation Package I. A-N, binder 6, OA/ID 2649, box 16, Alexis Herman, CPL.

89. Letter from John Sculley to Mack McLarty, April 26, 1993, folder: April 25–30, 1993, binder 1, OA/ID 473, box 6, John Podesta Chron Files, CPL. The names of the rest of the seven CEOs could not be identified from the archival materials.

90. Letter from Dan Rostenkowski to Bill Clinton, April 27, 1993, folder: April 25–30, 1993, binder 1, OA/ID 473, box 6, John Podesta Chron Files, CPL.

91. Equity shares are heavily concentrated on top income earners. See, for instance, Joseph Tracy and Henry Schneider, "Stocks in the Household Portfolio: A Look Back at the 1990s," *Current Issues in Economics and Finance* 7, no. 4 (2001): 1–6.

92. Emanuel Saez and Gabriel Zucman, "Figures and Tables Presented in the Book," available: https://taxjusticenow.org/#/appendix.

93. See, for instance, Kevin J. Murphy, "Explaining Executive Compensation: Managerial Power versus the Perceived Cost of Stock Options," *University of Chicago Law Review* 69, no. 3 (2002): 847–70.

94. The data are from U.S. Department of the Treasury, *Statistics of Income: Individual Income Tax Returns.*

95. Emanuel Saez and Gabriel Zucman, "Figures and Tables Presented in the Book," available: https://taxjusticenow.org/#/appendix; Gabriel Zucman, "Table II: Distributional Series," available: http://gabriel-zucman.eu/usdina/.

96. As I could not obtain each individual corporate CEO's income data, I am not sure how the effective tax rate for each corporate CEO who supported the Clinton plan changed after the enactment.

97. It appears that the 1% corporate tax increase enacted by OBRA93 raised effective corporate tax rates. See Nathan M. Jensen and Adam H. Rosenzweig, "Can a Single Country Increase the Taxes of Multinational Corporations? Evidence from the Impact of the 1993

Corporate Tax Rate Increase on Fortune 500 Companies," *Journal of Empirical Legal Studies* 12, no. 4 (2015): 757–80. This is why corporate CEOs may have wanted to avoid the corporate tax increase.

98. Adam Bonica uses this logic to explain why corporate political contributions are smaller than expected. As members of boardrooms in a company are ideologically heterogeneous, it is difficult for them to reach a consensus on which party or legislator to support. Adam Bonica, "Avenues of Influence: On the Political Expenditures of Corporations and Their Directors and Executives," *Business Politics* 18, no. 4 (2016): 367–94.

99. Attachment to Memorandum from Alexis Herman for Mack McLarty, May 10, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 16, Alexis Herman, CPL; Memorandum from Alexis Herman for the President, July 12, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 16, Alexis Herman, CPL.

100. Letter to Dan Rostenkowski, May 25, 1993, folder: Budget Reconciliation Package I. A-N, binder 6, OA/ID 2649, box 16 Alexis Herman, CPL.

101. Press release, "Rostenkowski Releases List of Tax-Bill Backers," May 25, 1993, folder: Budget Reconciliation Package I. A-N, binder 6, OA/ID 2649, box 16, Alexis Herman, CPL.

102. E. L. Artzt, CEO of P&G, praised the corporate tax modification by saying, "The Ways and Means Committee significantly improved the corporate provisions of the President's tax proposal, and we, therefore, strongly support H.R. 2141, the bill reported by the Committee." See Report, *What Corporate Executives Are Saying*, May 25, 1993, folder: Budget Reconciliation Package I. A-N, binder 6, OA/ID 2649, box 16, Alexis Herman, CPL.

103. Letter from Marvin Womack to Alexis Herman, May 26, 1993, folder: Budget Reconciliation Package I. A-N, binder 4, OA/ID 2649, box 16, Alexis Herman, CPL.

104. Timothy Egan, "Vast Influence of Procter and Gamble Revives Old Questions in Cincinnati," *New York Times*, September 1, 1991.

105. Marcy Kaptur was first elected to the House of Representatives in 1982 from Ohio's 9th congressional district and has been holding office since then. Eric Fingerhut served as member of the Ohio Senate from 1991 before being elected to the House of Representatives from Ohio's 19th congressional district in 1992. After he was defeated in the 1994 election, he won a seat again in the Ohio Senate and served two full terms from 1997 through 2007.

106. Memorandum from Alexis Herman for Mack McLarty, June 7, 1993, folder: Budget and Deficit Reductions, OA/ID 4075, box 14, Alexis Herman, CPL.

107. Memorandum from Alexis Herman for the President, July 12, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 16, Alexis Herman, CPL.

108. Briefing memo, July 29, 1993, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, CPL.

109. Memorandum from Alexis Herman for the President, July 12, 1993, folder: Budget Reconciliation Package I. A-N, binder 2, OA/ID 2649, box 16, Alexis Herman, CPL; Memorandum from Mike Lux for Steve Hilton and Ricki Seidman, July 20, 1993, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, CPL.

110. I first identified the party candidate or organization to which each CEO made contribution. Although not many, some CEOs made contributions through corporate committees. However, for simplicity, I excluded these corporate committee contributions from calculations. I summed up total contributions to Democratic candidates or organizations for each CEO (A) and divided them by each CEO's total contributions (B). The data

are from the website of Federal Election Commission, available: https://www.fec.gov/data/receipts/individual-contributions/?two_year_transaction_period=2022&min_date=01%2F01%2F2021&max_date=12%2F31%2F2022.

111. Letter from Dwayne Andreas to Bill Clinton, July 22, 1993, folder: BC Bill Clinton Letters with Remarks 1/93–8/93, binder 1, OA/ID 4359, box 13, Alexis Herman, CPL.

112. Letter from August A. Busch III to Bill Clinton on July 27, 1993, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, CPL.

113. Letter from Mark R. Gustafson to President on July 29, 1993, folder: BC Bill Clinton Letters with Remarks 1/93–8/93, binder 1, OA/ID 4359, box 13, Alexis Herman, CPL.

114. Letter from Kathleen M. Linehan to Alexis Herman, July 30, 1993, folder: Budget Reconciliation Package I. A-N, binder 1, OA/ID 2649, box 15, Alexis Herman, CPL.

115. Interoffice memorandum from Steven Hilton to Ricki Seidman, July 31, 1993, folder: Budget Reconciliation Package II. M-Z, binder 1, OA/ID 2649, box 16, Alexis Herman, CPL.

116. Woodward, *The Agenda*, 302; David S. Cloud, "Big Risk for Margolies-Mezvinsky," *CQWR*, August 7, 1993, 2125.

117. Dave Kaplan, "DeConcini: Clinton's Convert," *CQWR*, August 7, 1993, 2124; Woodward, *The Agenda*, 282–83.

118. Woodward, *The Agenda*, 308.

119. This was the first time Congress passed a major legislation without any support from the opposition party in the post-World War II period, marking the beginning of contemporary political polarization in America. There are numerous studies on this topic, particularly on the ideological divide between Democrats and Republicans in Congress. Bryon E. Shafer suggests that the current polarized political environment became as it is now starting from 1993. Bryon E. Shafer, *The American Political Pattern: Stability and Change, 1932–2016* (Lawrence: University of Kansas Press, 2016).

120. The most obvious case is the result of the 2016 presidential elections. According to the American National Election Survey, a majority of the top 10% and top 20% income earners voted for Hilary Clinton, even though she proposed a tax increase on high-income earners. See Thomas Piketty, *Capital and Ideology* (Cambridge, MA: The Belknap Press of Harvard University Press, 2020), chap. 15. Also, Broockman et al. indicate that CEOs from the tech industry are inclined toward the Democratic Party. See David E. Broockman, Gregory Ferenstein, and Neil Malhotra, "Predispositions and the Political Behavior of American Economic Elites: Evidence from Technology Entrepreneurs," *American Journal of Political Science* 63, no. 1 (2019): 212–33.

121. This point might resonate with an argument that majority of Americans including high-income earners are in favor of progressive taxation. See Vanessa S. Williamson, *Read My Lips: Why Americans Are Proud to Pay Taxes* (Princeton, NJ: Princeton University Press, 2017).

122. The middle class has been an important part of protests against taxes on high income and wealth. Camille Herlin-Giret, "Avoiding and Protesting Taxes: Wealthy People and Tax Consent," *Economic Sociology: The European Electronic Newsletter* 19, no. 1 (2017), 29–37, 29; Isaac William Martin, *Rich People's Movements: Grassroots Campaigns to Untax the One Percent* (New York: Oxford University Press, 2013); Romain D. Huret, *American Tax Resisters* (Cambridge, MA: Harvard University Press, 2014).

123. Literature on fiscal sociology illustrates how consent given by citizens is critical to the government's ability to raise taxes. If citizens do not see the tax system as legitimate, the government cannot keep imposing taxes on them. Thus, the government needs to maintain "tax consent" in order to be able to implement tax hikes. For tax consent, see Sven Steinmo, ed., *The Leap of Faith: The Fiscal Foundations of Successful Government in Europe and America* (Oxford: Oxford University Press, 2018); Martin Daunton, *Trusting the Leviathan: The Politics of Taxation in Britain, 1799–1914* (Cambridge: Cambridge University Press, 2003). The former provides multiple case studies that describe how tax consent played a significant role in raising taxes and consolidating new tax regimes. The latter is a historical study of the tax system in the UK before the First World War. The introductory chapter clearly and persuasively explains why citizens' trust in government is critical for the government to be able to raise taxes. For tax resistance, see, Martin, *Rich People's Movements*; Huret, *American Tax Resisters.* These studies show that tax protests and resistance have a long historical tradition.

124. Kenneth Scheve and David Stasavage argue that progressive taxation is accepted only in time of war, when high-income earners become willing to pay higher taxes even if the tax burden falls unevenly on them. Indeed, the share of high-income earners in the United States agreeing to a progressive tax hike increased during the Second World War. The OBRA93 might be a counterexample of their argument because it was not introduced and enacted in a time of war. However, their argument that sometimes even high-income earners are willing to share a heavier tax burden is relevant to the findings of this paper. Kenneth Scheve and David Stasavage, *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe* (Princeton, NJ: Princeton University Press, 2016).

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