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## **Californian's Beliefs about Income Inequality**

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### **Introduction**

Rising inequality of income and wealth in America have attracted substantial public attention in recent years. As evidence has mounted that the gap between the affluent and the poor has been increasing, elected officials, scholars, journalists, and even figures from popular culture have discussed the causes and effects of this phenomenon. Those who wish to reverse the trend have debated how best to do so.

Often, however, the focus of the public debate has been the actual economic trends, rather than the views of a broad sampling of Americans. But as with all issues, public opinion can condition policy responses, and it is important to measure broad public opinion on the status of economic inequality, its causes, and its potential remedies. It is especially important to measure how opinion on this issue divides along partisan lines, since the debate about inequality and possible policy responses so often touches on matters of partisan dispute.

This IGS Research Brief seeks to understand public opinion in California about this issue. It includes a description of other research and polling regarding income inequality, especially in California, and then describes and analyzes the results of an IGS Poll on income inequality, its perceived causes, and the views of Californians regarding possible responses.

### **Background**

In recent decades, income inequality has been growing in the United States. From the end of World War II until the 1970s, income inequality—the gap between the earnings of the most and least affluent—remained roughly equal, as incomes grew rapidly at all levels of the income scale. However, beginning in the 1970s, income growth slowed or even vanished for those at the lower and middle portions of the distribution, while upper-end incomes continued to increase. This produced far wider levels of income inequality than the United States had experienced in decades (Stone 2013).

In California, this long-term increase in income inequality was even steeper than in the rest of the country, largely because California's low-income earners fared worse than their counterparts elsewhere. In the rest of the country, inflation-adjusted family income at the 90th percentile of the income distribution increased by 73 percent between 1969 and 2002, while in California the increase was slightly less, at 60 percent. For those at the 10th percentile of the income distribution, however, the story was far different in the rest of the nation than in California. In the rest of the country, income at the 10th percentile increased by 20 percent—far more slowly than the upper-end increase at the 90th percentile, but still an improvement. In

California, by contrast, income at the 10th percentile actually fell by 9 percent during the same period (Reed 2004). Other studies have found similar results regarding the long-term divergence of California incomes at the upper and lower end of the scale (Williams 2000).

As a result, the ratio of family income at the 90th percentile to the 10th percentile—a common measure of inequality—increased in California even more rapidly than it did in the rest of the country. In 1969, that ratio was actually lower in California than elsewhere, whereas by 2002 it was substantially higher. Within that long-term period, it should be noted, there were substantial variations. This measure of inequality was roughly similar in California and the rest of the country throughout the 1970s, increased sharply in California during the late 1980s and early 1990s, and then declined in the state during the economic boom of the late 1990s, although the decline was not large enough to offset the earlier increases. In the rest of the country, inequality as measured through the 90/10 ratio showed a slower but steadier increase (Reed 2004).

More recently, California's income inequality was worsened by the Great Recession, when incomes at the lower end of the distribution declined far faster than those at the upper end. Between 2007 and 2010, family income at the 10th percentile fell more than 21 percent, while at the 90th percentile it fell less than 5 percent (Bohn and Schiff 2011). As a result, the ratio of the 90th percentile to the 10th percentile increased to levels much higher than in the rest of the nation, and larger than previously seen in California history. By 2010, families at the 90th percentile were earning almost 12 times the income of families at the 10th percentile, significantly higher than in the rest of the country (Bohn 2011).

Within these overall trends, various factors play a role in contributing to increasing inequality. Because of the relatively high rate of international immigration to California, the role of immigration is frequently cited as a factor that distinguishes the state from the rest of the country. Research has suggested that high levels of immigration to California play a role in increasing inequality, though not because, as is sometimes alleged, immigrants drive down the wages of U.S.-born workers. Rather, because most immigrants have relatively low incomes, immigration increases the number of California families at the lower end of the income scale, which increases inequality, even if immigration has relatively little effect on the wages of natives (Reed 2004; Daly 2001).

Differing levels of education also play a critical role in determining income inequality. Between 1969 and 1999, for example, incomes declined for California workers with a high school diploma or less education, while they increased sharply for those with a bachelor's degree (Reed 2004). The importance of educational differences is exacerbated in California by the relatively low educational levels of many immigrants (Daly 2001). One study by the Public Policy Institute of California on the causes of the growth in income inequality in the state from 1967 to 1997 concluded that immigration and the rising value of education accounted for almost half the increase in earnings inequality during that period (Reed 1999).

Nationally, pollsters have found that Americans recognize that economic inequality is increasing, and that most people believe it to be a problem. In both 2014 and 2015, for example, Gallup found that two-thirds of respondents said they were “dissatisfied with the way income and wealth are distributed in the U.S” (Newport 2015). Similarly, the Pew Research Center found that 46 percent of Americans view the gap between the rich and the poor as a “very big problem,” and another 32 percent regard it as a “moderately big problem” (Stokes 2014). However there is far less agreement regarding the causes of widening inequality and its possible solutions. Often, opinions on these matters are divided along partisan lines. In 2014, for example,

Pew found that Republicans were much more likely than Democrats to say that the most important reason for the economic gap is that “some people work harder than others,” while Democrats were more likely to cite the educational system and the level of worker pay. Asked which of several alternatives would do more to help reduce the gap between rich and poor, most Democrats said “high taxes to fund programs for the poor,” while most Republicans said “low taxes to encourage investment and growth” (Stokes 2014).

In California, there has been less survey evidence regarding public opinion on these issues, although the limited data available suggest similar views among the public. In 2011, for example, the Public Policy Institute of California found that most Californians—including majorities at all income levels—believe that the state is divided into “the haves and have-nots” (Baldassare 2011). In 2014, the Field Poll found that 54 percent of respondents—including majorities of both Democrats and Republicans—said they were dissatisfied with “the way income and wealth are distributed in California.” Majorities of those who identified themselves as “strongly conservative” or “strongly liberal” expressed dissatisfaction with the distribution of wealth and income.

Most respondents, again including majorities in both parties, said that they believed the “income gap between the wealthy and everyone else” was larger than in the past. However, partisan and ideological differences emerged when respondents were asked how much the government should do to reduce the “gap between the rich and everyone else.” Overall, 34 percent said “a lot,” 33 percent said “some,” and 24 percent said “not much.” But pluralities of Democrats and liberals said the government should do a lot, while a plurality of Republicans and a majority of strong conservatives said the government should not do much. There were also ethnic differences, with African Americans and Latinos, especially immigrant Latinos, far more likely than whites and Asian Americans to say the government should do a lot to reduce the economic gap (DiCamillo 2014).

## **The IGS Survey**

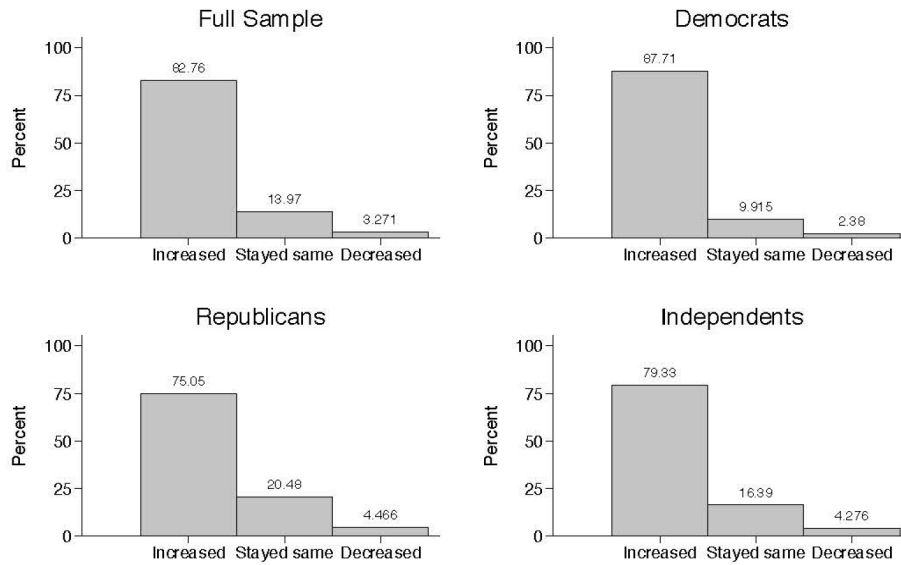
To assess public opinion in California about issues of income inequality, IGS surveyed 3,232 respondents from July 8 to July 13, 2014. The survey was conducted for IGS by Survey Sampling International using online questionnaires.

Californians have many different ideas about the causes and effects of income inequality in the United States, but overwhelmingly agree that it is occurring. When asked whether the gap in income between the rich and everyone else in the U.S. has increased, stayed the same, or decreased, 82.8% of all respondents replied that the income gap has increased. As Figure 1 shows, majorities of Democratic, Republican, and Independent respondents agreed that this gap has widened.

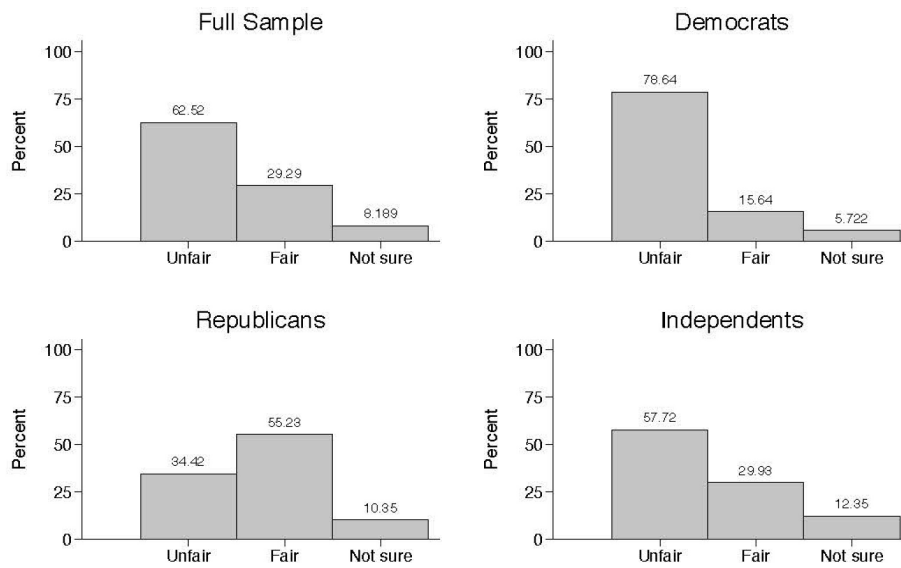
However, Democrats and Republicans disagree over whether the government should take action to combat such increasing income inequality. As can be seen in Figure 2, a clear majority of the full sample responded that the U.S. government should do “a lot” (36.0%) or “some” (40.6%) to “reduce the gap in income between the rich and everyone else in this country.” But Republicans appear more ambivalent about the role of government. A majority of Republican respondents reported that they believe the government should do “not much” or “nothing” about the income gap, with 26.9% falling into the latter category. By contrast, just 1.4% of Democrats respondents stated that the government should do nothing about income inequality, while 45% believed that the U.S. government should do “a lot” about it. With Independents’ opinions more

**Figure 1. Californians Acknowledge Inequality Has Increased and Believe the Economy is Generally Unfair**

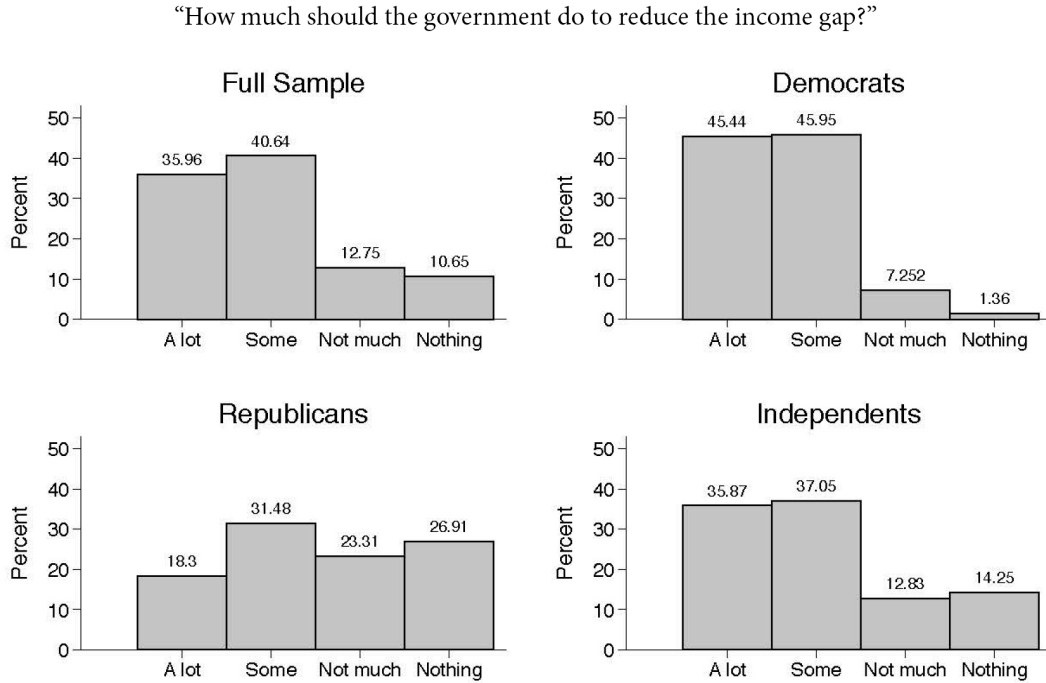
(a) “The gap in income between the rich and everyone else in the U.S. has . . . “



(b) “Does the U.S. economic system unfairly favor the wealthy?”



**Figure 2. Democratic, Independent Californians Support Government Action on Inequality; Republicans are Conflicted**



closely mirroring Democrats, Californians in general appear to believe that the federal government has a prerogative to do something to address income inequality.

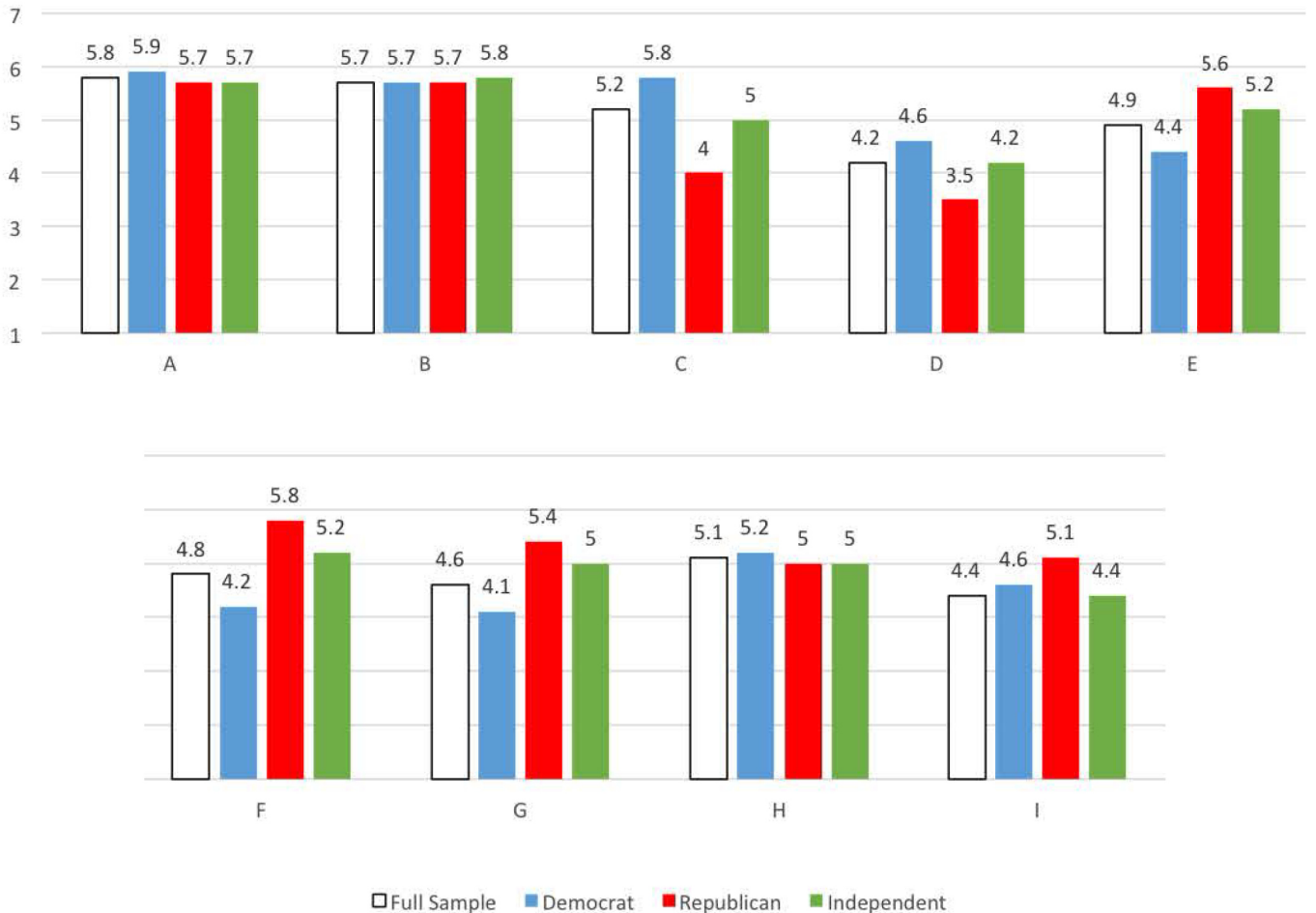
A majority of Californians feels the system is rigged. Respondents were asked, “Some people say that the economic system in this country unfairly favors the wealthy. Other people say that the economic system in this country is generally fair to most Americans. What is your view?” They were given the options of “unfairly favors the wealthy,” “generally fair to most Americans,” and “not sure.” In the full sample, 62.5% responded that the economic system is biased in favor of the rich. But in contrast to the general consensus over the existence of increasing inequality, this majority is divided on partisan lines. While 78.6% of Democrats and 57.7% of Independents feel that the system unfairly favors the wealthy, only 34.4% of Republicans feel the same way, with a majority responding that the system is generally fair.

### **The Causes of Inequality**

We also observe differences between Democrats, Independents, and Republicans on the root causes of inequality. Respondents were asked to consider nine potential causes for increasing economic inequality and rate them on a 7-point scale according to how important they have been toward increasing inequality. As we observe in Figure 3, there were some similarities between partisan groups, with all three feeling that an important cause is that American companies have moved manufacturing jobs to other countries. (The Democratic mean response was 5.9 and Independents and Republicans both responded with a mean of 5.7.) Majorities also agreed that education matters. Democrats and Republicans both rated, “Our public schools are not giving

**Figure 3. Beliefs about the Root Causes of Inequality**

“There are many different ideas about why the gap in income between the wealthiest Americans and everyone else has been growing. Below are several possible causes. For each one, please tell us how important a cause you think it is.” (7-point scale ranging from 1 = “not important” to 7 = “very important.”)



Key:

- A: “American companies have moved manufacturing jobs to other countries.”
- B: “Our public schools are not giving children the skills they need to succeed in the modern economy.”
- C: “The wealthy do not pay high enough taxes.”
- D: “Unions are weaker than they used to be.”
- E: “Immigration has increased.”
- F: “Too much government regulation has made it difficult for the economy to grow.”
- G: “Taxes on business are too high, preventing investment that helps the economy.”
- H: “Most well-paid jobs now require at least a college degree.”
- I: “Companies like Microsoft and Google have made some of their employees extremely rich.”

children the skills they need to succeed in the modern economy” with a mean importance rating of 5.7 (Independents rated this reason at 5.8). Furthermore, all three groups agreed that inequality has likely increased because “Most well paid jobs now require at least a college degree.” Democrats gave this reason a 5.2 mean rating, and Independents and Republicans alike assigned it a mean rating of 5.

But clear agreement exists on only these three issues, with major partisan differences as to how important other factors have been. Democrats saw the wealthy not paying enough in taxes as an important contributor to inequality (5.8) while Republicans were undecided (4.0). Independents fell in between Democrats and Republicans, with a mean rating of 5. This comports with the previously discussed partisan differences in beliefs about the fairness of the system. Partisan differences further emerge in beliefs about how much immigration has increased economic inequality, with Democrats assigning a mean importance rating of 4.4 and Republicans seeing immigration as a much bigger contributor to inequality (5.6).

One surprising finding, however, was Democrats’ tendency to downplay the importance of the fact that “companies like Microsoft and Google have made some of their employees extremely rich” as a root cause of inequality. Democrats rated the importance of this cause at 4.6, on average, while Republicans rated it more highly at 5.1. This stands out because it implies that Republicans may see the improved fortunes of upper-income workers as a root cause of inequality, which may speak to Republicans’ acknowledgment of increasing inequality without seeing the system as unfair, and, further, Republicans’ ambivalence about the role of government in reducing inequality (as shown in Figure 3).

## **Policy Responses to Inequality**

Despite these differences in opinion across party lines about the causes of inequality, some consensus exists as to real policies that could be enacted to reduce inequality. The poll asked respondents to rate different policies on a five-point scale, offering the responses “strongly oppose,” “oppose,” “neither oppose nor support,” “support,” and “strongly support.” One such policy, shown among the others in Figure 4, is, “Changing immigration policy to give more preference to people with the education and skills our economy needs.”

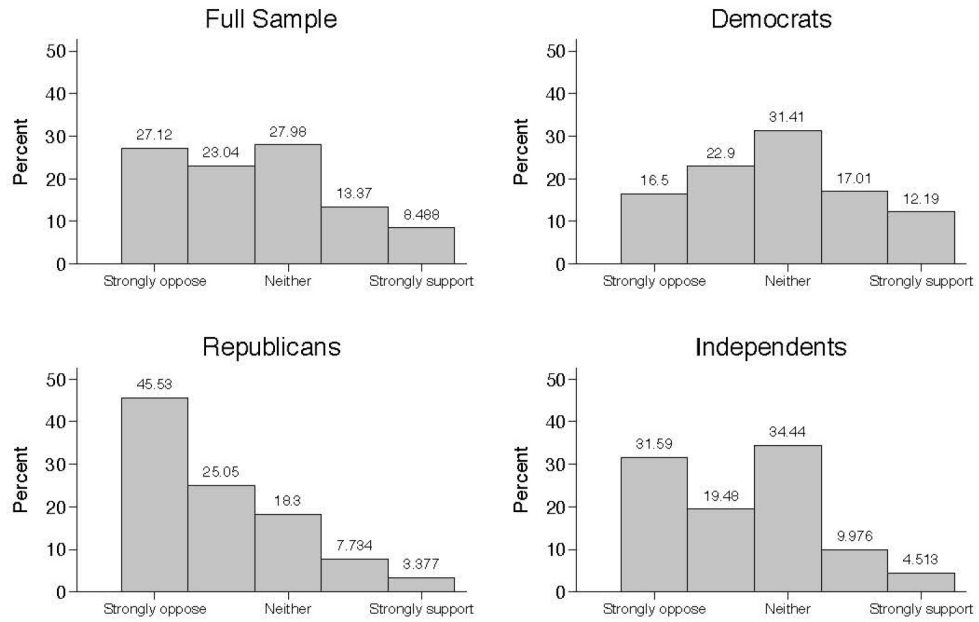
Democrats and Republicans surprisingly agree here, with over 55% of both parties feeling that they either support or strongly support this policy. And while Republicans much prefer the idea “lowering taxes on American businesses to help keep manufacturing jobs in the United States,” with 81.2% supporting or strongly supporting this policy, a majority of Democrats agrees with this policy as well (54.4%). Asking about increasing the inheritance tax from 40% to 50%, Democrats appear ambivalent, while both Republicans and Independents oppose such a policy. Republican opposition to an estate-tax hike (70.9%) is far stronger than opposition from Independents (51.1%).

Strong division between the parties occurs when discussing an increase in taxes as a policy remedy for inequality. Asked about “creating a tax on the total wealth of people who own more than \$1 million in financial assets (including real estate and stocks),” Democrats and Republicans are diametrically opposed, with 64.3% of Democrats supporting or strongly supporting such a policy and 51.4% of Republicans opposing or strongly opposing it.



**Figure 4. Californians' Attitudes toward Policies Aimed at Reducing Inequality**

(a) "Increasing the inheritance tax from 40% to 50%"



(b) "Lowering taxes on American businesses to help keep manufacturing jobs in the United States."

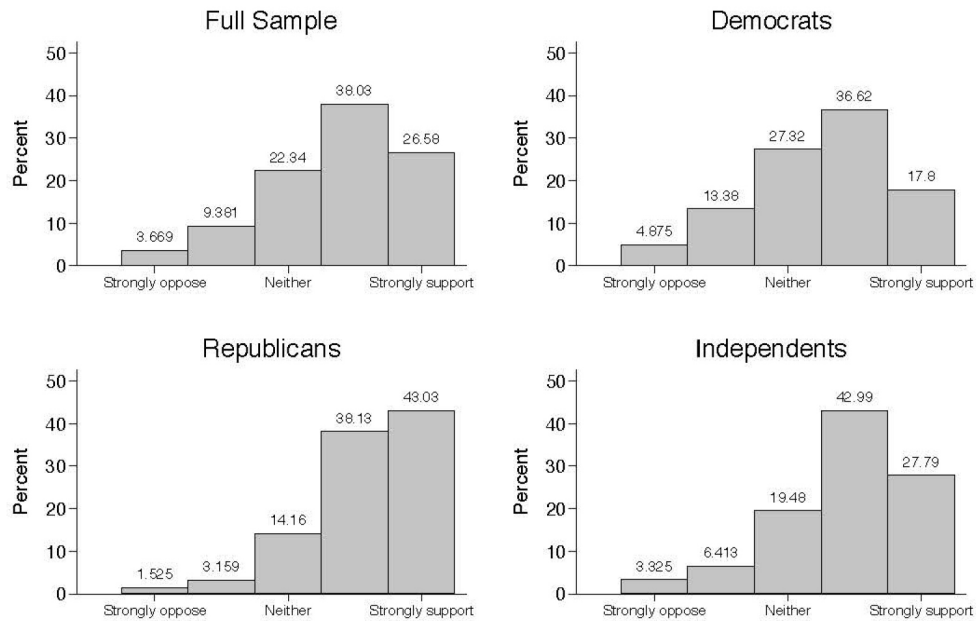
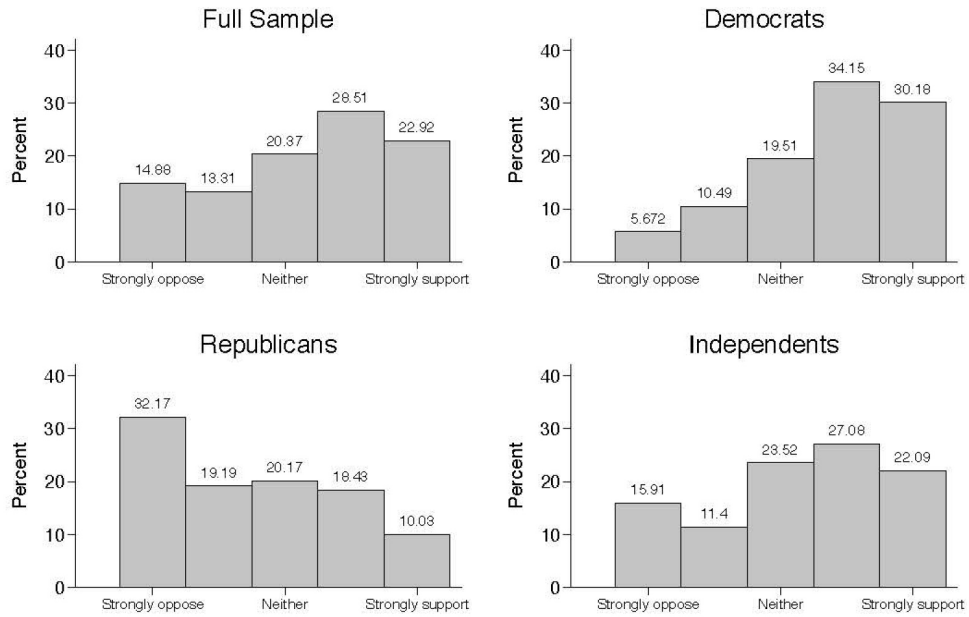
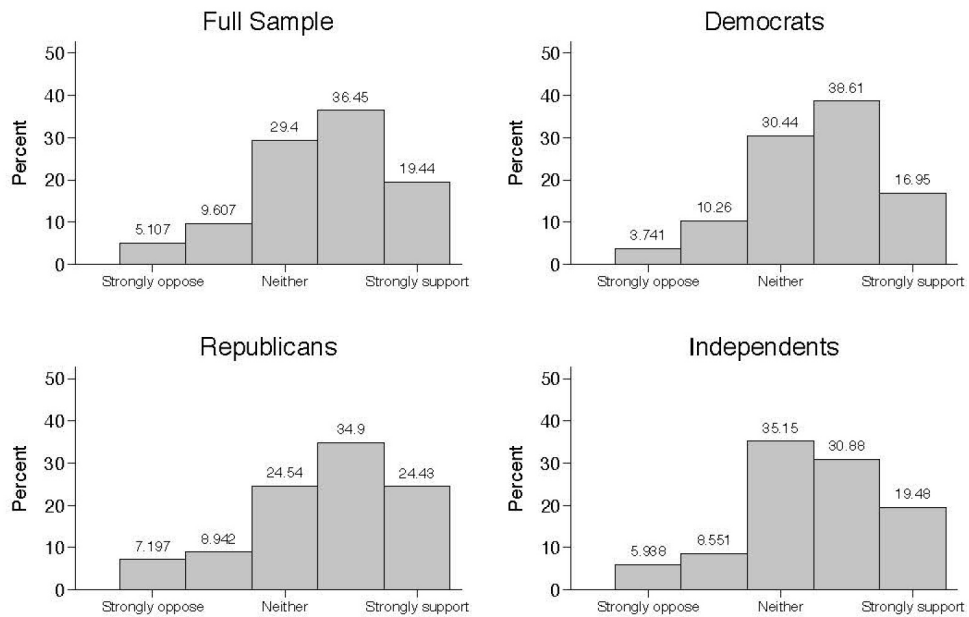


Figure 4 cont.

(c) "Tax on the total wealth of people who own more than \$1 million in financial assets"



(d) "Change immigration policy to prefer people with the education and skills our economy needs"



## Conclusion

Although there is substantial evidence of elite polarization around economic issues in Congress and the state legislatures, there appears to be some consensus in Californians' attitudes regarding income inequality. A majority of both major parties and of Independent voters agrees that inequality has increased. Furthermore, majorities agree that significant contributors to growing inequality include the shift of manufacturing jobs to other countries, the failure of public schools to equip children for success in the modern economy, and the need for a college degree to land a well-paid job. There is some cross-partisan agreement as to potential policy responses, especially the idea of changing immigration policies to favor potential immigrants with education and skills.

However, strong disagreement remains on many possible causes and cures for income inequality. Democrats are far more likely to believe that inequality is caused by a failure to sufficiently tax the wealthy, while Republicans are far more likely to believe that a root cause of inequality is an increase in immigration. Strong partisan division occurs over the idea of taxing millionaires to reduce inequality, with Democrats strongly in support and Republicans opposed.

Independent voters frequently fall between Democrats and Republicans when judging both the causes and potential remedies for inequality. On some issues, Independents are closer to Democrats, while on others they are closer to Republicans, with no strong pattern clearly defining the issues on which independents will lead toward either party.

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## Appendix A: Question Wording

Perceptions about increasing inequality: In the last ten years, do you think the gap in income between the rich and everyone else in the US has . . .

- Increased
- Stayed the Same
- Decreased

Beliefs about economic fairness: Some people say that the economic system in this country unfairly favors the wealthy. Other people say that the economic system in this country is generally fair to most Americans. What is your view?

- Unfairly Favors the Wealthy
- Generally Fair to Most Americans
- Not Sure

Beliefs about the role of government in reducing inequality: How much, if anything, do you think the US government should do to reduce the gap in income between the rich and everyone else in this country?

- A Lot
- Some
- Not Much
- Nothing At All

Beliefs about the causes of increasing income inequality: There are many different ideas about why the gap in income between the wealthiest Americans and everyone else has been growing. Below are several possible causes. For each one, please tell us how important a cause you think it is:

- 1 = Not important
- 2
- 3
- 4
- 5
- 6
- 7 = Very important

Items:

“Immigration has increased”

“Taxes on business are too high, preventing investment that helps the economy”

“Too much government regulation has made it difficult for the economy to grow”

“The wealthy do not pay high enough taxes”

“Unions are weaker than they used to be”

“American companies have moved manufacturing jobs to other countries”

“Companies like Microsoft and Google have made some of their employees extremely rich”

“Our public schools are not giving children the skills they need to succeed in the modern economy”

“Most well paid jobs now require at least a college degree”

Attitudes toward policies related to economic inequality: Do you support or oppose the following policies?

- Strongly Oppose
- Oppose
- Neither Support Nor Oppose
- Support
- Strongly Support

Items:

“Creating a tax on the total wealth of people who own more than \$1 million in financial assets (including real estate and stocks)”

“Lowering taxes on American businesses to help keep manufacturing jobs in the United States”

“Increasing the inheritance tax from 40% to 50%”

“Changing immigration policy to give more preference to people with the education and skills our economy needs”