



CALIFORNIA BUDGET PROJECT

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New CBP Analysis Shows Widening Income Inequality in State, Mirroring National Trend

Income Gains in Recent Decades Were Heavily Concentrated Among the State's Wealthiest

SACRAMENTO, CA – Income gains over the past generation have overwhelmingly benefitted California's wealthiest residents, according to a new report from the California Budget Project (CBP). This has resulted in a widening gap between the wealthy and those at the middle and low end of the income distribution. *A Generation of Widening Inequality* shows that between 1987 and 2009, more than one-third of Californians' income gains went to just the wealthiest 1 percent and almost three-quarters of the gains went to the top 10 percent. The bottom 90 percent received just over one-quarter of the growth in income during that period.

The CBP's analysis also found that the average income of the wealthy increased significantly over the past two decades, even as those of many Californians declined. Between 1987 and 2009, the inflation-adjusted average income of the top 1 percent increased by one-half – from \$778,000 to \$1.2 million – while that of the top 10 percent increased by almost one-third. During this same period, the average incomes of Californians in the bottom four-fifths of the income distribution decreased.

The growing concentration of income in California mirrors a national trend. The top 10 percent of US households received half of the nation's total income in 2007 – a record high – while the top 1 percent received nearly one-quarter of total income, the highest share in almost 80 years.

Widening income gaps represent a significant departure from earlier periods. During the middle of the last century – from 1947 to 1973 – income gains were broadly shared, with increases in inflation-adjusted average income being relatively even across all segments of the income distribution.

"We're living in a time of unprecedented income inequality," said Alissa Anderson, deputy director of the CBP and author of the report. "Most of the income gains in recent decades have gone to the wealthiest sliver of the population, which means that the benefits of economic growth have not been widely shared."

The CBP report found that:

- The average income of California's top 1 percent was 33 times the average income of the middle fifth of Californians – about \$35,000 – in 2009. This means the average Californian in the top 1 percent earned in eight workdays what the average middle-income Californian earned in a year.

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- The incomes of California's wealthy stand in stark contrast to the more than 6 million Californians living in poverty. California's millionaires, who account for just 0.2 percent of taxpayers, had combined incomes of \$104 billion in 2009, which is *11 times* the income needed to lift every single Californian out of poverty.
- California has the seventh widest income gap among the 50 states, with a gap wider than that of Texas and slightly narrower than that of Alabama. The Los Angeles and San Francisco metropolitan areas have wider income gaps than most large US metropolitan areas, ranking third and seventh, respectively.
- The US has an income gap wider than all other wealthy, industrialized nations, and according to the CIA *World Factbook* – which includes data on 136 countries – the US has the 39th most unequal distribution of income, ranking between Jamaica and Cameroon.

"Public policies can and should play a role in addressing widening inequality," said Jean Ross, executive director of the CBP. "As they work to address long-term budget deficits, state and federal policymakers should seek ways to mitigate – not exacerbate – the significant gaps between the wealthy and the less well-off. Policymakers should pursue tax and spending policies that protect those whose incomes have stagnated, while raising revenues from those who have benefitted most from public investments in education, infrastructure, and other services."

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The California Budget Project (CBP) engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at www.cbp.org.