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Opinions about Taxes and Spending

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The high water mark of the California tax revolt came at the end of 1979. The tax rebels were still basking in the glow of Proposition 13. The Gann cap on state spending had just passed almost three to one in a special off-year election. Homeowners had just received their drastically reduced property tax bills. And the upcoming effort to cut the state income tax in half, Jarvis II, was leading by a small but steady margin in the polls. Within a few months, public support for Jarvis II would begin to deteriorate, and ultimately even the glow around Proposition 13 would begin to tarnish as the state began to run out of money. But in November 1979 the tax rebels were riding high.

Since our Tax Revolt Survey went into the field at the very crest of the revolt, we can analyze its support at its broadest and deepest point. In some sense, the most important question for our study is, "How could such radical anti-tax, anti-public-sector propositions draw so much support in such a liberal, seemingly well-administered, modern state?" So in the next few chapters we will mainly analyze its support at its zenith. At certain points we will look ahead a little, to contrast the public's reactions to these different ballot propositions with their different implications. But for the most part we will leave that story for Chapter 9. We begin by looking at the public's attitudes about taxes, spending, and government.

Taxes, Not Big Government, Not Services, Yes!

The main features of the political landscape during the germination of the tax revolt in California were an expanding public sector, rising taxes, rapid infla-

tion that squeezed private incomes, and a national government whose popular standing had been eroded by a string of setbacks in domestic and foreign policy. Inflation was increasing at a rapid rate for seemingly incomprehensible reasons. The referenda were put to the voters in bewildering variety with dazzling frequency; the voters scarcely had time to catch their collective breath between trips to the polls. And each referendum presented ambiguous as well as technically complex choices. Usually they promised fairly clear consequences for the voter's own tax burden in return for the threat of uncertain consequences for the quality of government services in a wide variety of barely visible areas of life. It was hardly surprising, then, that the voters responded with a package of rather inconsistent general preferences about taxes and spending.

To make a long story short, substantial majorities of the California electorate wanted cutbacks in government spending and taxes, and expressed strong preferences for a smaller or less powerful government bureaucracy, while at the same time (and by equally strong majorities) requesting additional services in most areas of government responsibility. On the face of it, the public seemed to want something for nothing. This paradoxical mixture of attitudes prevailed throughout the period of the California tax revolt. And the same mentality is evident in the attitudes of Americans nationwide. Understanding it is one of the keys to understanding the tax revolt.

1 Hostility to Taxes

Resentment about taxes has been growing in recent years. According to Gallup, the proportion of the American public who felt they were paying an unfair amount of taxes rose from below 50 percent in the 1960s, those halcyon days antedating "stagflation," to a high of 72 percent in 1976. In 1978, 29 percent described themselves as "angry," and another 51 percent as "not satisfied," with the federal taxes they paid.¹

Unhappiness about high taxes has also been pervasive in California. For example, in the Tax Revolt Survey 66 percent of the sample thought their combined federal, state, and local tax burden was either "somewhat" or "much" too high, and 53 percent felt this way about their state income tax bills. Table 3.1 shows that the dissatisfaction with state and local taxes was not diminished by the results of the tax revolt initiatives. Even after voting down the income tax reductions promised by Jarvis II, the public felt state and local taxes were too high.

TABLE 3.1 Perceptions of the tax burden in California.

Believe state and local taxes are:	July 1977	Feb. 1980	Sept. 1980
Much too high	39%	36%	42%
Somewhat too high	31	35	36
About right	27	27	20
Other/don't know	3	2	2
N	1034	1027	1012

Source: California Polls.

The unpopularity of a specific form of taxation is often thought to be related to its visibility and to the perception that it is rapidly increasing. This helps explain the unusual intensity of the Proposition 13 protest against property taxes in California. In a June 1977 California Poll, 62 percent of the sample answered an open-ended query about which of the taxes they paid were too high by naming the property tax. No other specific tax was mentioned by more than 20 percent of the sample. In a 1978 California Poll, 77 percent of the respondents reported that property taxes were taking a larger portion of their income in the last few years. Accordingly, 50 percent in California compared to 32 percent in the nation as a whole called the property tax the most unfair levy.

The implementation of Proposition 13 did partially assuage public anger about property taxes, indicating that attitudes toward the tax system are influenced by fiscal realities. The Tax Revolt Survey, conducted after homeowners had received their second post-13 bills, found that 65 percent now believed they were paying about the right amount and 29 percent felt they were paying more than they should (5 percent of California's homeowners altruistically thought their property taxes were too low). According to the California Poll, 62 percent of respondents cited the property tax as the most unfair state or local tax in 1977, but only 21 percent did so in 1980. The state income

tax replaced the property tax on the must-listed list after Proposition 13, though it never received as much abuse. By February 1980, as the Jarvis II campaign began, 39 percent cited the state income tax as the most unfair, followed by the gasoline, sales, and property taxes.

However, this declining antagonism toward the property tax contained one potential time bomb. Those complaining about their property taxes were drawn disproportionately from those who had purchased their homes after July 1, 1975, and whose property tax, under the provisions of Jarvis Gann, was approximately 1 percent of the purchase price of their home rather than the much lower 1 percent of its 1975-76 assessed value. As inflation drove housing prices higher and higher, the gap between these two values exploded. In 1979, at the time of the Tax Revolt Survey, the average single-family home in Southern California was priced at \$110,000; in July 1975 it had been only \$44,000—an increase of 250 percent in four and a half years.² So, it makes sense that, of those who had bought since 1975, 42 percent thought they paid too much in property tax (22 percent "much too much"), whereas among earlier purchasers only 19 percent were so aggrieved. This suggests that as housing values rise and the proportion of all homeowners falling into the category of post-1975 buyers inevitably increases, discontent about property taxes will spread once again. Indeed, in the November 1980 election Californians rejected a constitutional amendment that would have relaxed the conditions under which local government could raise property taxes above the limit imposed by Proposition 13.

② Smaller Government

The public castigates government as much for overspending as for overtaxing. In the Tax Revolt Survey, 62 percent of the respondents preferred a "smaller government providing fewer services," and only 28 percent a "larger government providing more services." This is a very standard finding, and typical of the American public generally. For example, a June 1978 Gallup Poll found that 84 percent felt "the federal government is spending too much money" and only 5 percent felt it was spending "too little."³ And this charge of overspending appears to be part of a more general antigovernment feeling shared by many Americans. For example, in a January 1981 CBS/New York Times Poll 63 percent felt "the federal government creates more problems than it solves," and only 19 percent felt it solves more problems than it creates. And the 1978 Michigan election study found that people agreed by a

three-to-one margin (of those with an opinion) that "the government in Washington is getting too powerful." In short, very strong majorities, in California and throughout the nation, felt "the government" was getting too big and too powerful and was spending too much money.

② More Services

One might suppose that the majority who wanted smaller government also wanted government services to be cut back to a less lavish level. But no. While the dominant rhetoric inveighs against spending in general, government actually pays for particular services and bureaucracies that deliver them. And people want more services, if anything, rather than less. Throughout the period of the tax revolt there was strong public support for larger budgetary commitments in a wide range of domains. This was true both in California and throughout the United States, and it was true despite the equally widespread desire for less and smaller government.

The conventional approach to measuring public preferences for government services is to ask whether they favor an increase or a decrease in public expenditures, or the status quo, in a particular service area. Table 3.2 traces Californians' attitudes toward spending on selected problems from 1977 to 1980. The Percentage Difference Index (PDI) values reported indicate the extent of popular support for more spending in each specific policy domain by subtracting the proportion of respondents who want a cutback in spending from those advocating an increase.

The evidence is quite clear: the balance of opinion is favorable to continuing current levels of spending in almost every area. And among those who want a change, the general preference is for an increase, not a decrease, in spending. People overwhelmingly oppose cutbacks in the police and fire departments, education, public transportation, recreation facilities, and mental health. The one exception is that the majority consistently wants "welfare" spending cut.

Again, this California pattern reflects a more general national consensus, in this case for at least maintaining the status quo, or if anything, increasing government spending on most specific services. This can be seen clearly in the annual national General Social Survey conducted by the National Opinion Research Center (NORC). Respondents are regularly asked whether "we're spending too much money," "too little money," or "about the right amount" on each of eleven areas. In the seven surveys done between 1973 and 1980,