Arrogant Capitalism: Changing Futures, Changing Lives

ANN CURRY-STEVENS

Canadians have been encouraged to support social and economic policies that favor capital interests, out of the belief that fewer restrictions on businesses and lower taxes will bring us economic growth that would improve everyone's economic fortune. If this were really the case, we would find that over time we would have a class structure that had fewer poor, a rising middle class and a rising upper class. The distribution of income shows a very different picture. This paper examines the changing distribution of various income groups in our society, uncovering that the promise is but a myth. Canadians must confront the false pretences of such capitalism before we lose the legitimacy to control the system that enriches some and exploits many.

To examine the changing class structure in Canada, data from Statistics Canada that profiled the distribution of Canadian families within various income groups was examined over the most recent economic cycles, namely the recession of 1989 to 1993 and the recovery of 1993 to 2000. Also calculated was the net impact of the last 20 years, from 1980 to 2000. The chart presented below in this paper shows the clustering of income groups during these years and how they change over the last 20 years. The population is categorized according to status in market income, or the amount earned annually from wages, self-employment and cashed-in returns on investments (typically accruing only to the top income groups).

The story holds both good news and bad news. At first glance, we immediately notice that there are substantially more rich and very rich people and the size of the middle class is shrinking. If this data means that the middle class is moving up the income hierarchy, then there is good news: the market economy is helping

Canadians become more affluent. But their place is not filled by others coming up from below. Perhaps even more significant is that the size of the ranks of the poor is shrinking and over the last economic boom, poor families in Canada have declined by 33 per cent since the end of the last recession. We could interpret this to mean that the market economy yields better outcomes than seven years ago.

Poverty and Low Income Patterns: Hope or Concern?

But before we get too excited by these gains, as the advocates of neo-liberalism and globalization would herald (and Statistics Canada [2002, p. 2] itself headlined that "the low-income rate declined to its lowest level since 1989"), we need to look more exhaustively at the data to see the broader trends revealed. Examining the pattern of income groups, we can see that the size of the ranks of the poor has not shrunk over the last two decades, netting in fact a 0 per cent change, and that gains made during the recovery were completely offset by losses in the prior recessions. Rather than praise the market for this gain, we need to raise concerns that the market has failed to deliver for the poor as its size has been sustained over the last two decades.

The same concerns hold true for the working poor and the struggling income groups. Despite gains made in the last economic boom, the dreadful performance of these groups over the recession left them with much ground to regain. There are more people likely to be working poor or struggling than there were two decades earlier.

In total, 28 per cent of Canadian families now have incomes at or less, often much less, than $30,000. Our economy increasingly provides working Canadian families incomes below $30,000. In 1980, the figure was only 25.5 per cent. I think it is no exaggeration to say that the market economy is failing much of the Canadian population. This is what the market economy of the last two decades has brought us, a more low-income prone society and reduced opportunities for upward class mobility for those at the lower end of the spectrum.

Where is the Middle?

The size of the middle class, relative to other income groups, decreased by 17 per cent over the last 20 years. Surprisingly, losses are experienced in both the recovery (-5.6 per cent) and recession (-5.0 per cent) periods. This is counterintuitive. We would expect that the size of the middle class would increase, as the economy would generate an increasing middle class as the ranks of the poor move up the ladder. After all, we were led to believe that a thriving middle class is the foundation of a healthy democracy. Yet, the economy is not generating such results.

The chart also reveals another troubling dynamic. Note the pattern of those earning between $60,000 and $99,999 a year. This well off group has shrunk by 6.1

per cent over the last two decades. The erosion of the size of this group creates a structural barrier to a more affluent Canada, whereby decreasing odds of moving up thwarts the middle class.

The Rich and Very Rich: Blossoming or Becoming Isolated

The gains for the rich and very rich are considerable, as the numbers of rich people among us swell within Canadian society. The ranks of the rich rose by 38.8 per cent and the very rich by 95.5 per cent over the last two decades. The figure for the very rich, earning more than $150,000 per year, grows from 2.2 per cent to 4.3 per cent of the population over the last 20 years. This is a considerable restructuring of the class structure of Canada. Today, Canadian families are considerably more likely to be rich or very rich than they were two decades ago.

The impact of this trend can be seen as positive. Coupling the growth of the rich with the shrinking of the poor (albeit only in the recovery period), there could be cause for celebration. But to assume so would be willfully negligent of the broader and deeper patterns, as evidenced by the overall trends noted above, namely the stagnancy of the poor, the growth of the working poor and struggling groups, and the erosion of the middle class and well off income groups. Together, we see the emergence of strong barriers to improving one's class position. Overall, the trend must induce grave concern for upwards class mobility.

Isolation and Social Exclusion: A New Lens

To date, the literature on social exclusion has focused on the exclusion of the poor and the complex set of forces that entrench their status in society. The data and interpretation in this paper must lead us to consider the converse: that the rich, by pulling away from the rest of us, have created their own exclusion from majority society.

Many would argue that a growing wealthy class simply provides encouragement to the larger maj ority, that they too can become wealthy. The opposite is true, because the sizes of the middle class and well off are shrinking, inducing a barrier to upwards mobility.

A key danger with a growing upper class is in the translation of economic distance into social distance. This trend is most dangerous given that their income surges well beyond acceptable levels when compared to those in the middle and those at the bottom (Curry-Stevens, 2001 and Yalnizyan, 1998). Perhaps even more damaging is that our economic and political leaders, drawn from the ranks of the rich, become increasingly insulated from the lived experiences of those they govern. Yalnizyan (1998) asserts, "this may help to explain why, in these times, it has been possible to give so abundantly to those already blessed with plenty and take

Distribution of Market Incomes of Canadian Families

1980 to 2000, highlighting most recent recession and recovery data,
as well as data for last 2 decades.

	Poor	Working Poor	Struggling	Middle Class	Well Off	Rich	Very Rich	Total
	< $5,000	$5,000 - 19,999	$20,000 - $29,999	$30,000 - $59,999	$60,000 - $99,999	$100,000 - $149,999	>$150,000	rounded to nearest 1%
1980	7.3%	10.1%	8.1%	34.7%	29.7%	8.0%	2.2%	100%
1989	7.7%	10.6%	8.5%	32.1%	28.1%	9.6%	2.9%	100%
1993	10.9%	12.9%	9.9%	30.5%	25.0%	8.4%	2.3%	100%
2000	7.3%	12.0%	8.7%	28.8%	27.9%	11.1%	4.3%	100%
Calculations								
Recovery		-33.0%	-7.0%	-12.1%	-5.6%	11.6%	32.1%	87.0%
Recession		41.6%	21.7%	16.5%	-5.0%	-11.0%	-12.5%	-20.7%
2 Decades		**0.0%**	**23.0%**	**6.9%**	**-17.0%**	**-6.1%**	**38.8%**	**95.5%**

Source: Statistics Canada

so rapaciously from those who have so little. We have so little to reinforce what we have in common" (p. 50). The gifts for the rich have been huge tax cuts and the harm inflicted onto the poor have been cuts to social programs and income supports.

Such a direction for social policy can only make sense if we understand the wealthy to be insulated from the impact of their decisions, and quite ignorant of the living and working conditions of the majority of Canadians. This isolation has caused our politicians to become gravely out-of-touch; their ability to understand the social costs of their decisions have been seriously compromised. How else could we understand the recent directions in social and economic policy? We could interpret that they have been corrupted, ensnared by their corporate donors and rendered incapable of making principled decisions. Either way, it is imperative that we reverse the trends of growing inequality and put into place vehicles to restore hope of economic progress for those blocked out during the last 20 years.

The shrinking middle class presents troubling dynamics of its own. Armine

Yalnizyan (1998) proposed that a large middle class with smaller numbers at the top and the bottom of the income ladder offers society a commonality in their material experience that serves to unify the population and to be concerned with collaborative achievements. On the other hand, "growth experienced in the 'tails' of the distribution may lead to exactly the opposite result —lack of common experience, and emphasis on 'going it alone''' (Yalnizyan, 1998, p. 49). This causes our commonality to erode as our glue thins.

When this condition emerges, there is greater likelihood for a tax revolt movement, as the value of collective goods diminishes in the face of wanting more buying power. Articulated by Curry-Stevens (2000) as a "yearning class" and Thompson (2003) as a growth of "envy," the impact of greater relative poverty is to increase the desire for individual purchasing power. The erosion of the middle class throughout the longest period of economic expansion in the post-war era is doubly troubling: at a time when we need it most, support for public goods and services is shrinking because of a rising preference to cut tax revenues. The shrinking support for paying sizable taxes is understandable —consider that top Canadian CEOs voted themselves a raise of 43 per cent in 2000 and that Ontario's politicians voted themselves a raise of 37 per cent. W ith such affluence increasingly in our faces, many Canadians want a bit more for themselves.

What Is To Be done? Income-based Solutions for the Bottom, Middle and Top

There is a tendency among progressive organizations to build a shopping list of solutions. While these lists help us consider the full realm of our options, it is also recognized that we need to push forward with some priority items that seek to constrain the arrogance of capitalism and its inadequate distribution of incomes.

The earning power of low-wage Canadians is defined by minimum wage legislation. In Ontario, the rate has not been increased since the Tories came to power in 1995, inducing a drop in real incomes for those making the minimum wage by more than 20 per cent. We must increase the minimum wage so that full time workers live above the poverty line. There is a growing call for a "living wage" of $10, which would give raises to everyone working below $10/hour and create upward pressure on wages for the rest of us.

To rein in the escalating incomes for those at the top, two avenues exist: either modify such incomes at their source or after they have been paid. Moderating incomes at source could be achieved through changes in corporate tax policy to create either tax incentives for lower executive salaries or penalties when salaries exceed acceptable limits, such as more than 40 times the wages of their lowest paid employee. Following payment, increasing the number and level of tax brackets at the top end would lower incomes at the top, thus reducing the social and economic exclusion created by the isolation of such earners. The wealthy must not be allowed to escalate beyond acceptable limits; it is in our social and economic interests to bring them closer to the rest of us. Both avenues would be significant tools for social inclusion that brings the increasingly isolated rich families back within society's fold. Recent comments by corporate executive, Frank Stronach (who paid himself $58.1 million in 2002, allocating this from the profits made by his company), illustrate the severity of how out-of-touch this group has become: "I should get more … I don't feel bad about this modest compensation" (Van Alphen, 2003). He also said he deserved the money because he created jobs.

To respond to the middle class and their growing preference for expendable incomes over public goods, we must re-assert the value of taxes and the provision of the full realm of public goods and services providing our safety net if things go wrong, and providing for the more vulnerable amongst us when market conditions deny them the ability to provide for themselves. We must regain our appreciation for our collective goods and services and the solidarity that must exist within us for our collective health and well-being. As historically recognized, "taxes are the cost of civilization." It is time for our political leaders to herald the value of taxes instead of fighting to see who can cut taxes the fastest and the deepest.

Ann Curry-Stevens is a Research Associate at the Centre for Social Justice.

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