Canada's richest 1 percent grabbed one-third of all income growth since 1987

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A study published last week shows that social inequality in Canada has now reached levels unseen since the 1920s. Or, to put it otherwise, is now at levels comparable to those that prevailed prior to the great social struggles that gave birth to the mass industrial unions and compelled big business governments to establish a social safety net.

Published by the Canadian Centre for Policy Alternatives (CCPA) and authored by CCPA economist Armine Yalnizyan, *The Rise of Canada's Richest 1%* shows that "the higher up the income ladder you climb, the faster the rise of the rich." "Whether the economy grew or faltered," during the past three decades, "the rise of the rich has been unstoppable."

Previous studies have shown that since the economic slump of the early 1980s the vast majority of Canadians have experienced no or only tiny gains in their incomes once inflation is taken into account. Yet over the past thirty years, Canada's real economic output has more than doubled.

The significance of the new CCPA study is that it goes beyond the 10 and 20 percent population increments Statistics Canada uses in its published studies and exposes the extent to which the wealthiest sections of the population—the top 1 percent, 0.1 percent, and 0.01 percent of income-earners—have monopolized the gains from the growth in economic output.

The findings of *The Rise of Canada's Richest 1%* include:

• The richest 1 percent of all Canadians appropriated 32 percent—or almost a third—of all real income growth in the 20 years from 1987 to 2007.

• This is four times more than the 8 percent share of income growth, Canada's richest 1 percent captured during the 1960s.

• In 2007, the richest 1 percent earned 13.8 percent of all Canadians' market income. This was almost double its 1977 share of 7.7 percent.

• During this same 1977-2007 period, the share of total market income taken by the richest 0.1 percent of Canadians—some 24,600 people—almost tripled to 5.5 percent.

• The 2,460 highest income earners more than quintupled their share of market income over the last three decades. Just .01 percent of the population, they were taking a 2.6 percent share of total market income by 2007—"a larger share than at any time on record."

• The average annual income of the richest .01 percent rose from $640,000 in 1982 to more than $3.8 million in 2007.

• In 2007, 10 percent of Canadians accounted for 41 percent of market income and the remaining 90 percent of the population just 59 percent.

The CCPA study argues that the past three decades have seen "a stunning reversal of long-term trends." From the beginning of the Second World War through the 1977, the income share of the top 1 percent was almost cut in half, falling from 14 percent to 7.7 percent. But, by 2007, the richest 1 percent of Canadian were again earning 13.8 percent of all market income and a 15.7 percent share of capital gains (which prior to 1971 were not taxed and therefore not declared) are included.

Huge as is this reversal, there is a second element in the rise of the rich that is almost as significant. As Yalnizyan demonstrates in the second half of her study, the rich have not only monopolized the gains in income, they have benefited from massive cuts in the rates at which their incomes and capital gains are taxed.

In keeping with the bourgeoisie's assault on public services and social programs, governments at all levels and of every stripe—including the ostensibly social-democratic NDP and Parti Quebecois—have slashed taxes over the past two decades. But the taxes on the highest income earners have been cut far faster than those of other Canadians.

In 1948 the top marginal income tax rate was 80 percent, and it was imposed on taxable income over $250,000, the equivalent of about $2.37 million today. In 2009, the top marginal tax rate was just under 43 percent and it was applied on all incomes above $126,264.

By 2000, the richest .01 percent of all Canadians were paying an average tax rate (that is when all taxes—income, payroll, property, capital gains and corporate—are combined) of 33 percent. This compared with a 71 percent average tax rate in 1943.

Since then, the Chretien-Martin Liberal and Harper Conservative federal governments and all the provinces implemented further massive tax cuts skewed to benefit the most privileged sections of society—so skewed that when all taxes are taken into account, "the richest 1 percent was taxed at a slightly lower rate than the poorest 10 percent of taxpayers" by 2005.

The combined impact of the dramatic growth in income inequality and the massive tax cuts for the rich have resulted in more than a "return to the past." "No previous generation of rich Canadians," asserts Yalnizyan, "has taken such a large share of the gains of economic growth in recorded history."

And the CCPA study ends—for want of data—in 2007, that is before the world capitalist crisis, saw hundreds of thousands of workers laid off and many more reduced to part-time work or forced to accept pay cuts and other concessions.

The growth in income inequality has deepened the already massive discrepancy in wealth between Canada's capitalist elite and the rest of the population. A recent study by Investor Economics, a private business consulting firm, estimated that 3.8 percent of Canadian households account for 67 percent of the total financial wealth of all Canadian households.

Yalnizyan's study is a statistical demonstration of the impact of the one-sided class war that the Canadian bourgeoisie has waged over the past three decades. While the working class has sought to fight back, its struggles have been smothered and betrayed by the trade unions and the social-democratic NDP.

Given the CCPA's close ties to the trade union bureaucracy, it is hardly surprising that Yalnizyan ends her study by expressing the forlorn hope that there can be a return to the conditions that prevailed during the post-Second World War boom, when workers' incomes grew significantly in real terms and society became marginally more equal.

"The excesses of the [pre-World War One] Gilded Age," writes Yalnizyan, "induced its own collapse and triggered, in response, a wave of public policy that helped redistribute prosperity through fair taxation and fair wages in order to grow the middle class, reduce poverty and keep a lid on income inequality in Canada.

"As the story unfolds anew, the response to Canada's neo-gilded age may very well be the same."

Yalnizyan's potted account of the rise of the Welfare State ignores the reality of the capitalist breakdown of the first half of the Twentieth Century—a period of social convulsions including two world wars and the Great Depression. It also ignores the class struggle, including the 1917 Russian Revolution and the numerous revolutionary working class movements around the world that were strangled by social-democracy and Stalinism.

The growth of social inequality in Canada and across the globe is rooted in a resurgence of the basic contradictions of capitalism, a system in which socio-economic life is subordinated to the profit imperative of the few. The only progressive basis on which these contradictions can be overcome is through the independent political mobilization of the working class to radically reorganise economic life so as to place the basic levers of the economy under the democratic control of working people. Only then will production and employment be based on social need and the huge advances in the productivity of labour be put to the benefit of humanity as a whole.