Social inequality in Canada far higher than official statistics claim

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Canada's corporate media has seized on a recent Statistics Canada report that showed a slight decline in the share of income taken by the top 1 percent of income earners in 2012 to claim that inequality is decreasing in Canada. However, other more comprehensive studies show that social inequality continues to grow apace and has reached levels unknown since at least the 1920s.

According to StatsCan, the top 1 percent of Canadian income earners garnered 10.3 percent of all income in 2012, down from 10.6 percent a year earlier and "well below the historical peak of 12.1 percent reached in 2006."

Leading newspapers such as the *Globe and Mail* have pointed to these figures to promote the lie Canadian capitalism is more just and "humane" than that practiced in the US—where the income share of the top 1 percent increased from 18 percent in 2006 to 19.3 percent in 2012—and that the differences between them are becoming more pronounced.

But even these fervent propagandists for big business could not deny the basic truth that in Canada as in the US, income inequality has grown enormously over the past three decades.

The 10.3 percent of total income taken by Canada's "one-percenters" in 2012 is well above the 7.1 percent share they had in 1982, the starting point for StatsCan's data.

A recent study by professors Michael Wolfson, Michael Veall and Neil Brooks from York and Ottawa Universities, however, demonstrates that StatsCan figures are superficial and incomplete.

"*Piercing the Veil–Private Corporations and the Income of the Affluent*" details how billions of dollars in income received by the very richest Canadians have not been included in calculations of their income because these vast sums are "funneled through private corporations in order to legally reduce their taxes." As the study underlines, once this income—amounting to an astonishing $48 billion in 2010—is added to their reported personal incomes, "Canada's rich are considerably richer than we've been led to believe."

For example, the average income for Canadians in the top 1 percent is $359,900, but once the additional income is taken into account, their average income rises to $500,200. "The higher we go up the income ladder into the clouds, the more prevalent the use of private corporations—and the richer the rich turn out to be as a result," explains the study.

The figures are even more striking for the richest 0.01 percent of Canadians. The study showed that 85 percent of them funnel income through private corporations, and that once this income is added, their average income almost doubles: from $4.69 million to $8 million a year.

All in all, the share of Canada's national income going to the top 1 percent is actually 13.3 percent—not 10.3 percent—once private corporation income is included.

These results are in line with an OECD report published earlier this year which concluded that the top 1 percent of Canadian pre-tax income earners captured 37 percent of the income growth of all Canadians between 1981 and 2012. According to the OECD, between 1990 and 2010 Canada's top earners saw the second highest rate of growth, after the United States, among the 18 countries it measured.

As significant as these results are, income share does not provide a full picture of social inequality. When a broader measure is used that encompasses accumulated wealth, including such assets as real estate and stocks and bonds, Canada is revealed to be even more socially polarized.

Basing itself on a February 2014 Statistics Canada's survey of financial security, the Broadbent Institute, an Ottawa based think tank, concluded that from 2005 to 2012, the top 10 percent of Canadians saw their median net worth grow by 42 percent, to $2.1 million, while the bottom 10 percent of Canadians saw their median net worth shrink by 150 percent. Today, the bottom 50 percent of Canadians own just 6 percent of the nation's wealth, while the bottom 30 percent own just 1 percent.

Summarizing the report's findings, the Broadbent Institute's executive director, Rick Smith, said, "Contrary to rosy reports of rising net worth and a post-recession recovery, these new numbers sound the alarm on Canada's wealth inequality problem."

Another report, published last April by Canadian Center for Policy Alternatives (CCPA) Senior Economist David Macdonald, helps provide a more complete picture of the breadth of Canada's wealth divide. It found that Canada's richest 86 individuals, representing only 0.002 percent of the population, held the same amount of wealth in 2012 as the bottom 11.4 million—or 34 percent—combined. These super-rich are "so flush they could buy absolutely everything owned by every person in [the province of] New Brunswick," explained Macdonald.

The rich and big business have not only monopolized the gains in income, they have benefited from massive tax cuts in recent years and decades. In 1943, for instance, 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 about 71 percent. By 2000, this rate had fallen to 33 percent and according to some recent studies the super-rich now pay a smaller percentage of their income in taxes than do the poorest income-tax payers.

The enrichment of an extremely thin layer of society at the expense of the working class has been the result of conscious policies pursued at every level of government and by establishment parties of every stripe. Since the economic crisis of 2008, the Canadian ruling elite, like its counterparts around the globe, has restructured class relations to further transfer wealth from the bottom to the top. The federal government started this process with an unacknowledged bank bailout of more than $100 billion, through the purchase of mortgages held by the big banks.

While they have granted massive tax cuts to big business, Conservative, Liberal, NDP, and Parti Quebecois governments have slashed public services and imposed brutal cuts in jobs, wages and working conditions, claiming that "there is no money."

Despite a sharp rise in long-term unemployment and part-time work, the federal Conservative government has imposed a draconian reform of the employment insurance program which reduces EI benefits and forces workers to accept low-paying jobs.

According to a Food Bank Canada report, in the month of March 2014, more than 840,000 people received food bank assistance, a rise of 25 percent from 2008.

Despite their valuable information about social inequality, the various studies quoted above were all conducted by people or organisations coming from the middle class academic milieu who believe that social inequality can be addressed through various timid reforms, principally increased social spending and higher taxation of the super-rich. The Ottawa professors begin their study with a quote from Thomas Piketty: "At the end of the day, what we need is more transparency about income and wealth."

They are unable to provide any explanation as to why the ruling elites the world over abandoned such policies three decades ago and have pursued an ever-escalating assault on the social position of the working class ever since.

In fact, the obscene accumulation of wealth at the very top of society is the end result of the crisis of the capitalist system. The giant corporations and financial institutions which have a stranglehold over all socioeconomic life must be taken out of private hands and run democratically on a socialist basis, to satisfy social needs, not enrich a tiny minority. Such is the task of the working class.