

We're all workers now

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Even the richest get their income by working, not from stocks and bonds. The class war is over

One of the more irritating rhetorical tics of the NDP and other leftist parties is their continual reference to “working Canadians,” as in “Working Canadians are having such a hard time these days” or “We need new policies to help working Canadians”—as if untold numbers of Canadians, most of those who don’t agree with NDP policies, don’t work but lollygag about while somehow earning our incomes off the backs of workers.

In a study published Wednesday, none other than the left-leaning Canadian Centre for Policy Alternatives has now confirmed what economists have known for some time now, and what you first read here in 2003, namely, that we are all working Canadians now.

As you might suspect, this isn’t the main thrust of the study, which was written by researcher Armine Yalnizyan. The thrust of the study is that in recent years the top 10%, 1%, one 10th of 1%, and one 100th of 1% of Canadian taxpayers have accounted for a rising share of overall economic income. For instance, the top 0.01% earned 1.1% of all income in 1982, but 3.1% in 2007, while over the same quarter-century the top 1% saw its share rise from 8.3% to 15.7%.

In fact, the vroom at the top has been so pronounced that income shares there are now rivalling the “Gilded Age” of the 1920s and earlier — though such long-term comparisons stand on shaky statistical ground: Only 2.1% of Canadians over the age of 20 filed income taxes in 1925. Now almost everyone does. In 2007, there were 26.4 million tax-filers — even though a large chunk of them didn’t actually pay income taxes, but filed solely in order to qualify for various tax credits.

And then there’s that problem of how the top 1% makes its money. This page has no trouble with people who earn their money from capital. Lots of Canadians are queasy about capitalism, however. (No doubt there’s a WikiLeaks file in which some heretofore unheard-of Canadian official commiserates with the Bush administration about that.) If you do worry about such things, consider that in 1946 the top 1% of earners made only 45.5% of their income in the form of wages and salaries, but that by 2007 that had grown to 67.6%. In the top 0.01%, they were working even harder: 73.7% of income earned by that elite cadre came from wages and salaries, versus only 73.5% for the average taxfiler.

Ms. Yalnizyan reports all this data, yet fails to draw the logical conclusion, namely, that if we really are all workers now, it's time for the class war to end. In fact, she doesn't offer precise policy recommendations. But she does hark back nostalgically to the early 1950s, when the top marginal income tax rate was 80%, and she recommends "fair taxation and fair wages."

Everyone is for fair taxation and fair wages, not to mention fair play, fair trade and fair skies. The debate is over what exactly is fair. Some people, Ms. Yalnizyan presumably among them, believe that if the highly decentralized processes that in this society determine people's incomes generate too much income inequality, that's unfair. Others of us believe that if market processes are open and competitive and some people end up doing better than others, even much better than others, there's nothing at all unfair about that.

What's the situation now? The top 0.01% of the Canadian income distribution numbers 2,500 people. To get into that rarified bracket you need to earn \$1.845-million a year. Average income in that group is \$3.833-million (which means, by the way, that taxing them all at 100% wouldn't raise a lousy \$10-billion.)

Who's in that 2,500? You can't actually get the data on that. It would violate the tax authorities' pledge of confidentiality. But in her analysis Ms. Yalnizyan refers, probably correctly, to high-income earners being "bosses, bankers, inventors, athletes and artists."

Let's take athletes. Their incomes have grown (in that much overused but in this case justified adjective) exponentially in the last few decades. That bothers millions of people. But sports salaries are astronomical because these same millions are willing to pay top dollar to watch sports. If the money didn't go to the athletes, it would go to team owners. The process that led to these high incomes may be deeply annoying. But how is it unfair? In some moral sense we may all regret we put such value on a 100-mile-an-hour slapshot, but if we're willing to pay, is it really unfair of Sidney Crosby or Jarome Iginla to accept?

Ms. Yalnizyan counters that 30 and more years ago the "bosses, bankers, inventors, athletes and artists" of the day all worked just as hard for substantially lower payoffs. Maybe so, but it's hardly the fault of today's "bosses, bankers, etc., etc." that their market value has risen so high.

During the Second World War, inequality indexes plummeted, a development Ms. Yalnizyan approves. One reason was that no one making more than \$7,500 a year could get a raise without special ministerial permission. Would it really be fair to go back to that kind of labour market?

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