

Appendix 3

The very small group of Canadians who controlled policy and decision making on the federal and provincial levels turned the economy monopolization policies and practices during the Trudeau ear (1970s) into a multi-trillion dollar enterprise of systemic prosperity theft. They set out in the 1970s to deprive the middle and lower classes of what they were entitled to from an economy that more than doubled over a quarter century (1985 - 2010). The starting point here is first to differentiate between its two forms: (i) the inequality of incomes or earnings and (ii) the inequality in the accumulation of wealth. The latter is of prime relevance, the former less so but is corroborative of the thesis that Canada's prosperity has been systemically misappropriated as a result of the consolidation of power over generations.

The country's top expert on the latter is Dalhousie's Professor Lars Osberg. In his 2007 publication *Why Inequality Matters, In a Thousand Words or Less*¹, he quotes Professor Myles: "If I were observing trends in Inequality Land, I would suspect I was observing a failed democracy".

And he states in that publication:

We live in an affluent nation during prosperous times. Canada is now the 9th richest nation in the world. Unemployment is at a 35-year low, more Canadian families raising children are working, and they're working more. And yet the income gap between the richest 10% and the poorest 10% of Canadian families keeps growing. The richest 10% now make 82 times more than the poorest — in 1976 they only made 31 times more.

A new phenomenon is also at play; one that goes beyond the extremes of the very rich and the very poor. Compared to a generation ago, 80% of Canadian families are taking home a smaller share of the

¹ Source: <http://myweb.dal.ca/osberg>

economic pie they helped make. The concentration of incomes and wealth at the very top is accelerating.

With the economy more than doubling over a quarter century there is a reasonable expectation that all Canadians would benefit and had that been the case the figures would show up in the statistics. But as Queen's University Professor Charles Beach puts it as quoted in *ibid.* "[The] rising tide has no longer been raising all boats".² Professor Osberg adds:

The majority of Canadians say they worry about a growing gap. About half of Canadians told Environics Research they feel they are one or two missed paycheques from poverty. Economic insecurity is rife across most of the income spectrum.

Many organizations corroborate this finding. This is what the Canadian Union of Public Employees said:

The widening gap between rich and poor is threatening our social fabric. At the same time, crumbling urban infrastructure and chronic under-funding of public services means a poorer quality of life for all communities. It is past time for a new deal that improves democratic control, protects our quality of life, supports quality public services and rebuilds our cities and communities.³

This from the Center for Social Justice:

Despite economic growth over the last decade, inequalities have grown. There has been a dramatic surge in the proportion of families who have ended up at the bottom of the income scale.

The New Democratic Party put the matter on the front burner in 2007:

² Source: <http://econ.queensu.ca/pub/faculty/beach>

³ Source: [http://cupe.ca/updir/Oshawa_P3_Arena_\(3docs\).pdf](http://cupe.ca/updir/Oshawa_P3_Arena_(3docs).pdf)

Jack Layton's Speech: Health Care & Canada's Prosperity Gap

March 13, 2007

The other kind of prosperity gap is that between rich and poor. The income gap in Canada is at a thirty-year high and growing. A recent report released by the Canadian Centre for Policy Alternatives stated:

"It's not just that the rich are getting richer and there are more of them. It's not just that the middle class is getting a smaller share of a bigger economic pie. It's not just that Canada's bottom half of families have been shut out of most of the economic gains. It's not just that Canada's poorest families appear to be stuck in time, regardless of their increased work effort. It's not just that every category of Canadian family — except the richest 10% — is working harder for their money. It's that all of this is changing the nature of Canadian society in new and unforeseen ways."

A recent survey suggests that half of all Canadians feel that they are just one or two pay cheques away from poverty. All the while CEOs, the banks and the oil companies are enjoying record incomes.

This is what I call the prosperity gap. It is the growing polarization between "the haves" and the rest of Canadians.

This is stated in 'Income Gaps Grow, as Canada's Have-nots Get Left Behind', CBC News, May 1, 2008:

The [2006] census stats prove that some of the income gaps between the most and least advantaged in this country are wide — and growing ever wider. [...] Between 1980 and 2005, [the poorest's] full-time income fell by 20.6 per cent, after adjusting for inflation. [...] Those in the middle 20 per cent income group saw their earnings stagnate.

[...]

"It's outrageous," said Ken Georgetti, president of the Canadian Labour Congress. "We've enjoyed the largest sustained period of growth since the Depression and ordinary Canadians are falling behind," he said. "The only people that are getting ahead are the people who don't need the money."

The gap increasing isn't just noticed by academics, experts and specialists in Canada. It's also recognized internationally:

Growing income gap a warning to leaders

OECD report shows rift in Canada increasing at quick rate

by Armine Yalnizyan

Vancouver Sun

October 22, 2008

The internationally respected Organization of Economic Cooperation and Development threw out a warning flag to Canada on Tuesday. It says the income gap between Canada's rich and poor is growing faster than in most other 30 developed nations in the world, and that our governments need to stop that trend.

The news is about as sober a warning as it gets. Canada is falling behind internationally. We used to be above the average when it came to income equality. Now we're below average. And there's really no good excuse for it.

As a nation, we are richer than most. Ours is the ninth-largest economy on the planet. The last decade has been one of the strongest, most sustained periods of economic expansion in our history.

But most of the gains of economic growth have gone to the richest 10 per cent. Earnings for those in the middle have been stagnant for 30 long years, and workers at the bottom have lost ground compared to a generation ago. That's why income inequality is getting worse.

Now, with the global economy veering off the rails, we need to ask ourselves: How much worse can it get? And what can we do about it? The OECD report is clear: Our governments have a strong role to play.

Canadian government interventions traditionally offset these trends, particularly in bad times. But in the past 10 to 15 years governments backed away from investing in public benefits that help the majority of Canadians and replaced them with tax cuts that most benefit the richest 10 per cent -- exacerbating income inequality in the country.

Help for those at the bottom, like unemployment insurance and social assistance, has been stripped back as Canadians have been told to fend for themselves.

That's just dumb economics, and a recipe for greater instability and slower economic growth.

Back in the 1920s, the last time we experienced such dramatic income polarization, Henry Ford saw in his workers an obvious solution: If he paid his workers higher wages, he created more consumers for his automobiles -- and a healthy middle class.

Compare that to the last 10 years, when governments and markets alike have focused on building up systems that reward the rich and ask everyone else to wait for the drops of prosperity to trickle down.

In the meantime, the rich got richer and drove up housing prices and the cost of living soared for the rest of us. Our paycheques didn't keep up.

What can governments do? Governments are being asked to bail out banks and investors. They can also be asked to keep purchasing power among the jobless, speed up investments in badly needed infrastructure projects and engage in counter-cyclical investments like housing to maintain jobs in the middle of the income spectrum.

Now would also be an opportune time for the federal government to partner with provincial governments on a clear poverty reduction strategy with targets and timelines -- because in a shaky economy, we need all hands on deck.

Anything less means Canada will continue down the troubling path of continuously growing income inequality, instability and economic weakness. It's time to heed the warnings and change our course of action.

Armine Yalnizyan, Senior Economist with the Canadian Centre for Policy Alternatives, is of this view:

Over time there has been a clear shift in the distribution of the benefits of economic growth in favour of corporate profits. The share of wages, salaries, etc., i.e. workers' earnings (including the richest) has declined for the past 30 years as a share of the economy. Just before the recession hit, it was at its lowest share on record.

Her former colleague at the CCPA, Steve Kerstetter, who also used to be a Director at the National Council of Welfare, states in his August 2001 study *Behind the Numbers: BC's Bountiful Crop of Millionaires*:

The concentration of wealth is a reality everywhere in Canada, but it is especially concentrated in British Columbia. The percentage of millionaires in BC was the highest of any province, and their average net worth was also the highest of any province.

What drives home just how acute prosperity theft is and the greed and inhumanity that drives it are these trends and stats and those in the Addendum at the conclusion of this analysis:

B.C.'s child poverty worst in Canada

Kids more likely not to eat well, to do poorly in school, drop out early
by Kent Spencer
The Province
January 12, 2010

B.C. children are more likely to load up on cheap, unhealthy food and go without warm winter clothes than children in any other province, says a child advocacy group.

The First Call child coalition released a report Monday that shows B.C.'s record for child poverty was the worst in the country during the years 1989 to 2007.

Adrienne Montani of First Call said that means youth up to age 18 are more likely to suffer deprivations here than any place in Canada.

Child poverty rate climbing in B.C.

by Bethany Lindsay
ctvbc.ca
November 23, 2011

The proportion of B.C. children living in poverty has risen, marking the eighth straight year that the province has claimed the highest after-tax rate in the country.

[...]

Susan Lambert, president of the BC Teachers' Federation, says the stats are unacceptable in a province that hosted the Olympics and sheared off mountaintops to build the Sea-to-Sky Highway.

"We have the highest average wealth in Canada, the greatest gap between the wealthiest and the poorest households, the lowest corporate tax rate -- not only in Canada but in the entire G7," she said.

Behind the Numbers: BC's Bountiful Crop of Millionaires goes on to say:

Statistics Canada also reported that the wealthiest Canadians were the only group that had made substantial gains since the time of the

previous wealth survey in 1984. The agency did not provide comparisons over time for individual provinces, but the national figures show that the top 20 percent of family units had seen their median net worth go up by 39 percent in real terms over the 15 years. The lowest 20 percent saw their median net worth dip to -\$600.

Three months later he states in *BC Home to Greatest Wealth Gap in Canada*:

BC is home to both the highest average wealth in Canada and the largest gap between the richest and poorest households. The data debunk the myth that BC has been a tough place to be rich, particularly over the past ten years. These wealth statistics highlight the fact that one of BC's foremost public policy challenges is inequality, not the perceived tax burdens of the wealthiest among us.

Thirteen months later this news release:

Skewed distribution of financial assets driving growing wealth inequality across Canada, says new study

Canadian Centre for Policy Alternatives
December 12, 2002

OTTAWA -- Canadians may view their country as a land of opportunity, but it is also a land of deep and abiding inequality in its distribution of personal wealth. This is the key conclusion of *Rags and Riches: Wealth Inequality in Canada*, a new CCPA study by social policy analyst Steve Kerstetter, a former Director of the National Council on Welfare.

The study features data never before published about the very richest and very poorest Canadians. It draws on special data runs commissioned from StatsCan by the CCPA to provide extensive new analysis on the distribution and characteristics of wealth dating back to 1970 for each of five regions of the country.

[...]

"Our federal and provincial governments," says Kerstetter, "would do well to rethink their policies--particularly their tax policies--that have conferred huge benefits on Canada's wealthiest people: the ones who need government aid the least. These favoured few have been further enriched at the expense of the great masses of Canadians who have been able to scrape together only a tiny portion of the country's personal wealth."

In *Rags and Riches: Wealth Inequality in Canada*, he states:

The tax policies of the federal government and some provincial governments in recent years have conferred huge benefits on Canada's wealthiest people, the one group capable of fending for themselves. Meanwhile, Canada's social safety nets and programs of special importance to the poor have been weakened by cuts in government support.

[...]

Canada is one of the few developed countries in the world that has no inheritance taxes, estate taxes or wealth transfer taxes. Such taxes ensure some measure of equality of opportunity, and promote democratic values by placing limits on inherited wealth.

[...]

Taken together, the surveys lead to the inescapable conclusion that there is gross and persistent inequality in the distribution of wealth in Canada. A surprisingly small number of Canadians have huge slices of the wealth pie, and a surprisingly large number of Canadians have no more than a few crumbs. And the gap between the richest and poorest actually got wider between 1984, the last year the survey was conducted, and 1999.

[...]

Given the fact that money talks—and opens doors and influences people—there are obvious problems with an economy that has so much wealth tucked away in so few pockets. At some point, the concentration of wealth compromises a country's political ... life. We all have a vote, but the wealthy are most often the movers and shakers and the rest of us are nobodies.

[...]

The gap between the very richest and very poorest Canadians rivals anything seen in the Third World. The big difference, of course, is that Canada has a large middle class, but the extremes of wealth and poverty are staggering for a country that considers itself to be "middle class."

[...]

The differences between Kenneth Thomson and the poorest of Canada's poor are extreme to be sure, but great wealth and great poverty are far more commonplace than many Canadians might

imagine. Statistics Canada's most recent survey of assets, debts and wealth shows literally millions of families and individuals living on the brink of financial disaster, while others have managed to accumulate huge slices of the wealth pie.

[...]

The fact that inequality has survived more or less unchanged for three decades, in both good and bad economic times and under federal governments of sharply different leanings, is discouraging for people who believe in economic as well as political democracy. Extreme inequality may not be inevitable in Canada, but it does seem destined to continue in the absence of radical changes in government policy.

[...]

Between 1970 and 1999, the poorest 10 per cent of family units actually got poorer, while the richest 10 per cent gained more than half a million dollars on average. [...] From 1970 to 1999, the gap between the richest 10 per cent and the poorest 10 per cent was greatest in 1999. [see chart *infra*]

[...]

On the lower rungs of the economic ladder, a sizeable number of people have debts larger than their assets and live hand-to-mouth trying to make ends meet. On the upper rungs, people have such an array of assets and so few debts that they worry about money only if they choose to.

[...]

People who read this report are almost certain to be shocked by the extremes between rich and poor in Canadian society. Their shock should turn to anger when they recall the way governments have catered to the rich in recent years and turned their backs on the poor.

This author cites one reason for inequities in wealth:

One prime area of taxation that has been completely shunned by Canadian governments for nearly three decades is taxes on inheritances. Canada is one of the few developed countries in the world that has no inheritance taxes, estate taxes or wealth transfer taxes. Even the United States has a modest but equitable regime of estate taxes. [...] Rich Canadians get a huge break by living in a country with no inheritance taxes of any kind.

And that policy of systemic inequity is to be laid at the feet of Clement's "economic elite". Same goes for tax cuts during the turn of the century:

Rich Canadians ... benefit from the long-standing tax policies of many governments and the tax cuts that were enacted in the late 1990s and early years of the new century. The federal government went out of its way to placate leading business groups and rich people in general when it cut tax rates in the 2000 federal budget and pre-election mini-budget later that same year. It also got rid of the high-income surtax and trimmed taxes on capital gains. The minister of finance and the "spin doctors" in his department tried to pass off the February 2000 budget speech as a middle-class budget, but the biggest cuts really went to the rich and super-rich. The mainstream media never grasped this essential reality, because the tables on the impact of the cuts published by the finance department stopped at income levels of \$125,000, and the biggest tax savings were even higher up the income scale.

In British Columbia, Liberal leader Gordon Campbell promised voters a "dramatic" cut in provincial income taxes during the 2001 election campaign, but delivered a cut that was dramatic only for the rich. Calculations by the BC Office of the Canadian Centre for Policy Alternatives estimate that the top 1.1 per cent of taxfilers, or those earning \$150,000 a year or more, will get 20 percent of the \$1.3 billion earmarked for the cuts in 2002.

And for horrific public policy, nothing could top the flat-rate provincial income tax introduced in 2001 by the Klein government in Alberta. The tax is sure to produce massive savings for the rich and super-rich, but the calculations in the discussion paper published by the province conveniently stopped at an income level of \$100,000. That's well below the incomes of the richest Albertans, who are no doubt still laughing all the way to the bank.

Finally, there are the specialized tax breaks that favour the rich, like the preferred tax treatment given to registered retirement savings plans, capital gains and stock dividends. The Survey of Financial Security showed that 72 per cent of the \$420 billion in RRSPs and other registered savings plans held by Canadians in 1999 was held by the richest 20 per cent of family units. The richest 20 per cent also owned 94 per cent of the \$92 billion in stocks outside RRSPs, and 81 per cent of the \$80 billion in mutual and investment funds outside RRSPs.

A resolution of the problem is strictly political:

The only real difference with the arguments about wealth is the number of Canadians who could be rallied to the cause of social justice. Collectively, 50 per cent of the family units in Canada had less than six per cent of all the country's personal wealth at last count. That 50 per cent may not be a majority when translated into eligible voters, but it should be more than enough votes to strike fear into the heart of any government that continues to pander to the wealthy and to forsake the poor.

In addition to the middle class not sharing in an equitable distribution of Canada's prosperity over a quarter century, tax burdens increased dramatically when perceived from an incremental perspective. Tax Freedom Day has been later and later in the year according to The Fraser Institute: 1981 – May 30; 1985 – June 6; 1995 – June 18; 2003 – June 27; 2004 – June 28; 2006 – June 19; 2007 – June 20.

Because of trans-generational nepotism and patronage and lengthy Liberal rule which prevented everyone except the operators of the triangle of power and wealth having control of policy formation the rich have all four major political parties working for them exclusively; and thus what is required is a complete deconstruction of governance - or to put it another way ... regime change by way of a structural reformulation of how our parliamentary democracy functions to integrate the needs, objectives and aspirations of all Canadians.

As indicated *supra*, the distribution of wealth analysis has two components: (i) wealth inequality and income inequality. In Professor Osberg's 2008 publication *A Quarter Century of Inequality in Canada 1981 – 2006* he states:

[T]he available Statistics Canada data do indicate unambiguously that wealth inequality has increased in Canada. From 1984 to 1999 and

from 1999 to 2005 [...] [t]he wealth of the poorest 40% of the distribution of Canadian families stagnated or actually fell over this 21-year period, but the wealth of the top deciles rose substantially — and the further up one goes, the larger the rate of gain.

[...]

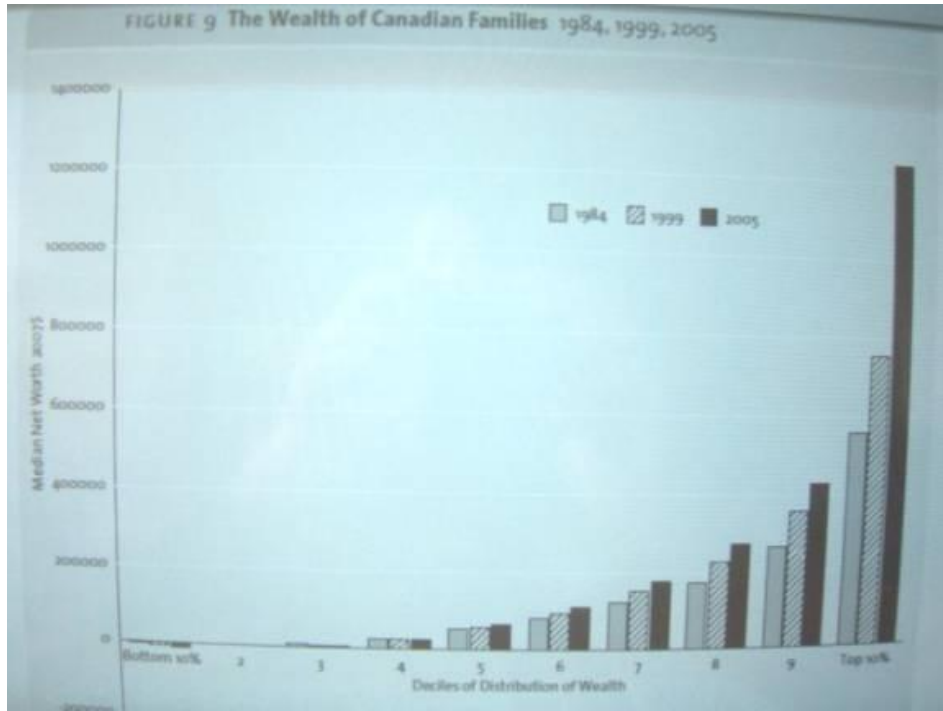
Canada's observable social reality is one of ever larger monster homes, and an increasingly glaring contrast with the homeless who clutter the sidewalks, as the consumption patterns of the New Rich diverge increasingly from the living standards of most citizens.

The Canadian expert on the inequality of income is McMaster University's Professor Michael Veall. His 2003 study *The Evolution of High Incomes in Canada, 1920-2000* documents a slow decline post-World War II of what the wealthiest were acquiring through earnings and then a non-stop exponential-looking rise as the Trudeau era was coming to an end.⁴ There appears to be a perfect correlation between that increase and the policies and practices of economy monopolization commenced in the 1970s; the wealthiest secretly evermore dividing up the country's prosperity amongst themselves at the end of that decade and what they gained by way of accumulating wealth thereafter.

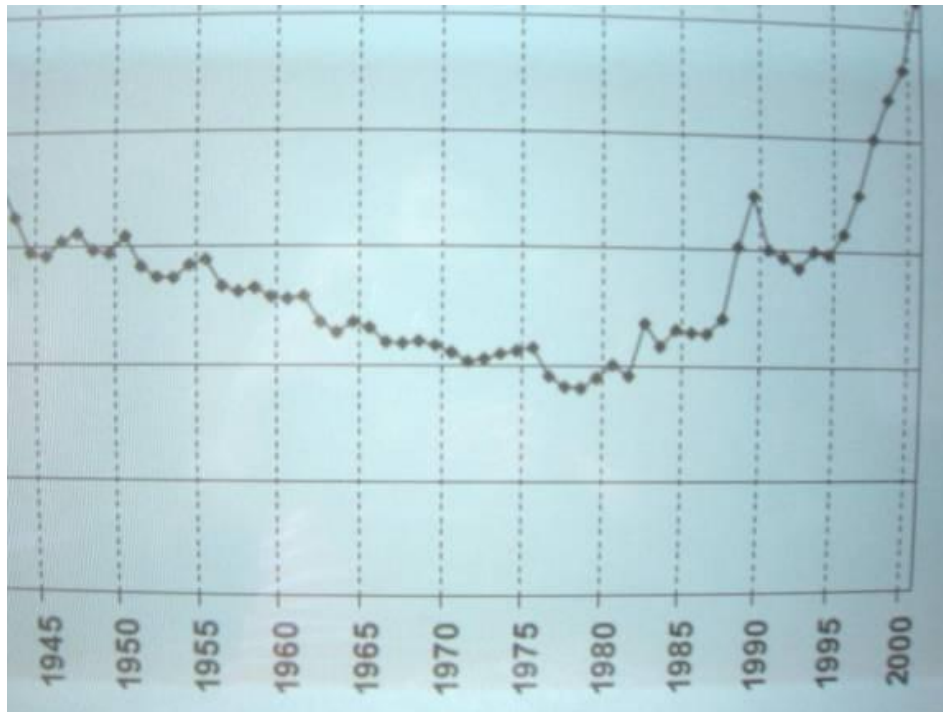
[T]he upward trend in top shares in Canada since the late 1970s cannot be explained by tax cuts.

Professors Osberg and Veall's and Steve Kerstetter's statistical charts when observed together show how dramatic the 'theft' of Canada's wealth has been:

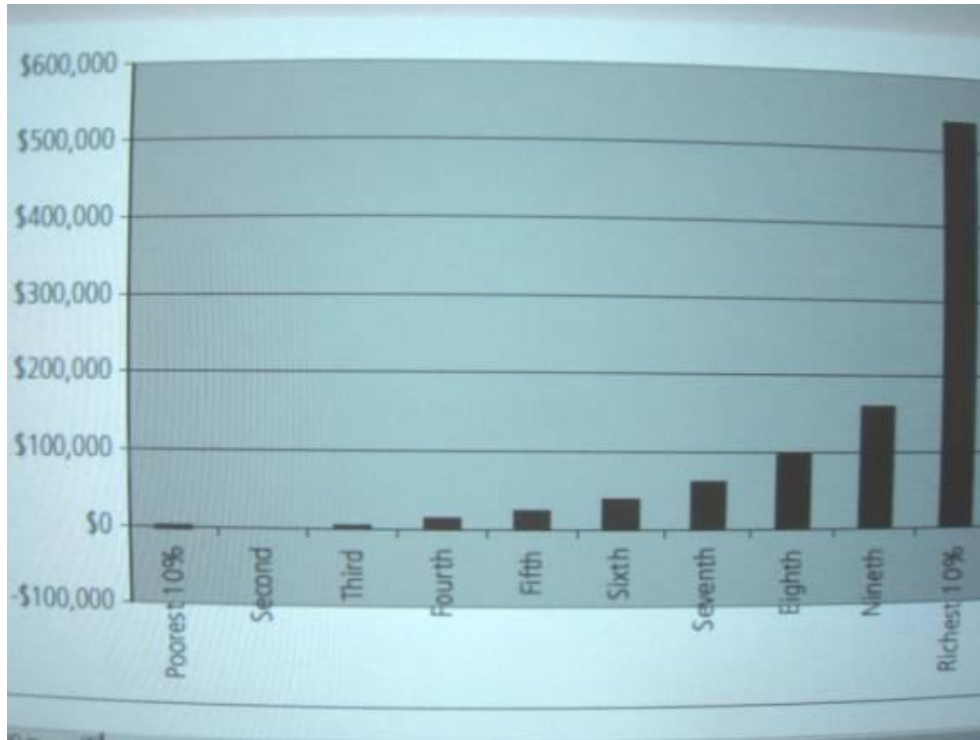
⁴ Source: <http://socserv.mcmaster.ca/qsep/p/qsep382.pdf>



The Wealth of Canadian Families 1984, 1999, 2005 (Osberg)



The Income Shares of the Top Income Groups in Canada, 1920-2000 (Veall)



Wealth Inequality 1970 to 1999 (Kerstetter)

Demonstrative of the illogic of Canada's economy is how it fared during the worst crisis since the Great Depression. In November '09 *The Star* published a report stating that "the total net worth of the richest 100 is \$172.7 billion, up from \$165.1 billion in 2008" and "the Thomson clan amassed roughly \$21.99 billion, up 19 per cent over last year".

Plus, look at Canada's banks. During that period when the global banking system suffered an almost fatal collapse – with closings and bailouts in record numbers throughout the industrialized world, every one of these financial institutions operated at peak performance:

In a year marked by the worst financial crisis in generations, Canada's six largest banks earned strong results, and ours was the only G7 nation whose banks did not require a government bailout. Our banking system has become the envy of the world. [...] [T]he Big Six banks for

fiscal 2009... produced combined annual profits of just over \$14 billion, ahead of the approximately \$12 billion in 2008.⁵

Only in a country such as ours with a perverse system of governance can a family such as the Thomsons increase wealth by a whopping 20% in twelve months and a primary backbone of our economy thrive during the hardest economic times in more than a generation.

⁵ Source: <http://www.pwc.com/ca/en/banking-capital-markets/canadian-banks.jhtml>