



Are we all capitalists now?

The distribution of wealth in Canada

By Marc Lee

A front page Vancouver Sun headline recently declared that “We’re all capitalists now,” as increasing numbers of Canadians now have a stake in the ups and downs of the stock market. Yet, just a few days later, a new release from Statistics Canada suggests that such a “people’s capitalism” is still a long way off.

The Sun’s conclusion was based on the large increase in the proportion of Canadians who have a stake in the stock market, and therefore the ownership of the economy. This is largely linked to the retirement planning of Canada’s baby boomers, which fuelled a 1990s boom in mutual fund holdings. With diving stocks over the past year, many of these newbies may now be regretting their foray

into finance, but nonetheless more Canadians than ever are in the market. Industry estimates suggest that in 1999 about half of Canadians had some stake in the stock market, up from around a third in the 1980s.

While this is a notable shift, it hardly supports the bold claim that we are all capitalists now. The fact remains that 50% of the population has no stake whatsoever in the stock market—these Canadians do not have the luxury of saving and investing.

Of the Canadians that do hold some stock, most are little players in the big game. Some may have a few hundred or a few thousand dollars in the markets, but this is small change when it comes to the real

Canadian Net Worth in 1999

	Percentage of Total Net Worth	Median Net Worth	Cumulative Percentage of Net Worth
Bottom 10%	—	(2,100)	—
Second 10%	—	3,100	—
Third 10%	1	14,300	1
Fourth 10%	2	35,500	3
Fifth 10%	3	64,700	6
Sixth 10%	5	101,500	11
Seventh 10%	8	152,600	19
Eighth 10%	11	220,800	30
Ninth 10%	17	338,100	47
Top 10%	53	703,500	100

Note: Cumulative percentage in this table is the accumulated total wealth up to and including the group listed. For instance the bottom 70% own 19% of the total wealth, while the bottom 60% own 11%.

Source: Statistics Canada, The Assets and Debts of Canadians: An Overview of the Results of the Survey of Financial Security, 2001.

issues of ownership and power in our society.

Wealth in Canada remains highly unequally distributed, a fact borne out by the new StatsCan wealth survey. As Table 1 shows, the top 10% of Canadian families own 53% of the nation's net worth (total assets minus debts). The median net worth of the top 10% was more than \$700,000 (the median is the family right in the middle of this group if ranked from most to least wealthy).

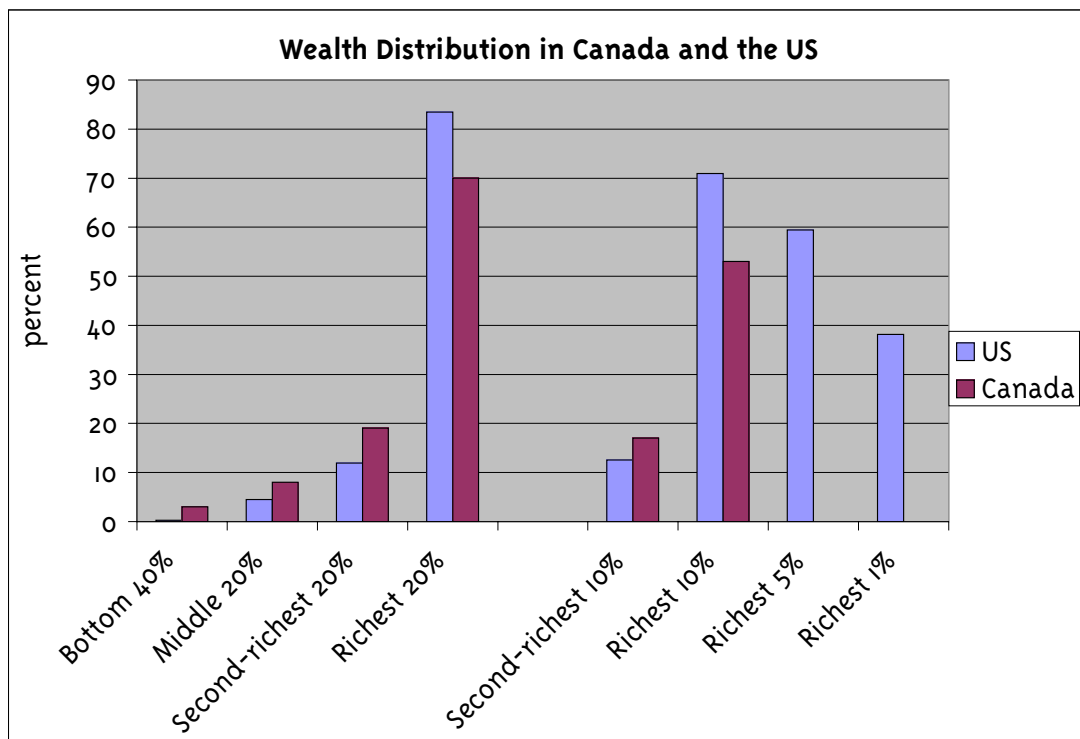
The next wealthiest 10% owned 17% of Canada's net worth, and the third wealthiest 10% owned 11%, about equivalent to their share of the population. This leaves the remaining 70% of families with 19% of Canada's wealth.

Looking deeper, one wonders where all the capitalists went. Overall, the bottom 50% own a total of only 6% of Canada's wealth. One in five families has effectively no net wealth whatsoever, and many of these actually have "negative wealth." In the bottom 10% the median family owed \$2,100 more than they owned, while median wealth of the second 10% was a paltry \$3,100, the equivalent of a used car.

These new figures may also under-represent wealth inequality, due to a number of significant omissions. Specifically, StatCan's wealth survey did not include: people living in Canada's territories, on Indian reserves, in military camps, in senior citizens' residences, and in other institutions. In other words, a rather large number of poor people are not represented in the survey.

At the top end, there are also some discrepancies. Getting accurate information from the rich is a difficult exercise. They are less likely to take the time to fill out a paper questionnaire, especially if it concerns how much money they have. And the higher up the food chain, the less likely a response. So, while the overall response rate for the StatsCan survey was 75.7%, the response rate for high-income people was much lower at 59.9%.

This means that the StatsCan figures do not offer us a peek at the world of the super-rich, the top 1%. It is very reasonable to guess that the same degree of inequality throughout the distribution is mirrored at the top. So while the top 10% hold over half of Canada's wealth, the top 1% holds a sizeable share of this.



A detailed study of wealth distribution in the U.S. by economist Edward Wolff illustrates this point clearly. As Figure 1 shows, in 1998 the top 10% controlled 71% of wealth in the U.S. But the top 1% controlled a whopping 38% of total wealth, or more than half the wealth of the top 10%. In contrast, the bottom 40% owned a paltry 0.2% of U.S. wealth, and the bottom 60%, only 4.7%.

The StatsCan report also breaks down assets and debts that outline the extent of "people's capitalism." First, primary residence is the main source of wealth for most families. These homes accounted for 38% of total assets, and 60% of Canadians were home-owners. The value of vehicles adds another 4% of total assets.

In terms of financial wealth, the holding of choice for most families was some kind of registered plan, such as an RRSP. These plans accounted for 15% of total assets, and 61% of Canadian families had a stake in a registered plan. While significant, any ties to the stock market here represent an indirect form of ownership, which does not give the typical Canadian a voice, or a vote, at corporate shareholder meetings. These Canadians may have a "stake" in the stock market, but they are not capitalists in any meaningful way. Outside of a registered plan, only 10% of Canadian families directly owned stocks, and 19% had some equity in a business.

What the new Canadian data do not show is the extent to which financial wealth is even more

unequally distributed than wealth in general. Another look south of the border is instructive. In the U.S., 80% of financial wealth is owned by the top 10%, and 47% by the top 1%. At the other end of the scale, the bottom 40% have negative financial wealth, and even the bottom 60% together own less than 1% of U.S. financial wealth.

That said, Canada is not the U.S., and the StatsCan data clearly show that inequality is lower in Canada than in the heart of global capitalism. What is troublesome is the drive by Canada's political right to remake Canada in the image of the U.S. By cutting taxes and social programs to free the market, we can expect an even greater concentration of wealth in the hands of the few.

There is an alternative. A significant redistribution of wealth from the top 10% to the rest of Canadians who have little or none might make us all capitalists. Even a modest wealth tax, along the lines of the 30% inheritance tax in the U.S., would dislodge the immense concentration of wealth at the top, albeit in a more limited way. But it seems unlikely that the real capitalists would be willing to share.

Marc Lee is the Research Economist in the BC Office of the Canadian Centre for Policy Alternatives.

For more information or to arrange an interview contact Kerri-Anne Finn at the Canadian Centre for Policy Alternatives, Tel: (613) 563-1341 ext. 306.

Canadian Centre for Policy Alternatives — National office

410-75 Albert Street, Ottawa, ON K1P 5E7



**Tel (613) 563-1341 Fax (613) 233-1458
e-mail ccpa@policyalternatives.ca**

www.policyalternatives.ca