In Canada, redistributive politics has been stuck for more than a decade. Actual redistribution has faded significantly. According to the Organisation for Economic Co-operation and Development (OECD), in the 1980s and early 1990s government taxes and transfers reduced the gap the most between rich and poor in Canada, Denmark, Finland and Sweden (OECD 2011). By the late 1990s and early 2000s, Canada had joined Switzerland and the United States as the countries with the smallest redistributive impact. The redistributive fade in Canada between the mid-1990s and the mid-2000s was among the most dramatic in the OECD world. Moreover, Canada is on the leading edge of the 99/1 phenomenon, with the OECD estimating that the top 1 percent of Canada’s income earners have captured 37 percent of total income growth over the past three decades (OECD 2014).

Until recently, however, political reaction had been muted. To be sure, there was considerable commentary about growing inequality, sparked by the Occupy Movement of 2011 and the dramatic rise in the incomes of the top 1 percent. But the buzz had not translated into serious political engagement by governments or the leaders of major political parties.

As the country approached the 2015 federal election, however, the debate heated up. Political parties jostled with one another to find ways to respond to growing public unease about inequality, with each unveiling new policy proposals. The language of “inequality” itself was rarely heard as party leaders all presented their proposals as designed to “help families.” However, their proposals varied markedly in their redistributive implications, with the differences reflecting sharply divergent assumptions about what is happening in Canada and the nature of the problems we face.
In effect, the country has become engaged in a vigorous struggle to define or “frame” the new inequality and the social stresses it brings in its wake. What is happening? Why is it happening? Is it a policy problem? There are multiple answers to these questions. And the conflicting interpretations pervade debates in the media and legislatures, as well as the proposals that parties present to the electorate.

These disagreements are partially the result of competing interpretations of the data before us. At a deeper level, however, the multiple interpretations reflect a political struggle over the future of the redistributive role of the Canadian state. Which policy frame comes to dominate — to be sanctified as “conventional wisdom” and to shape future policy development — is a profoundly political question, and changes in such established ways of thinking about social problems depend on shifts in politics.

We argue that a new inequality frame — especially one emphasizing redistribution — confronts serious constraints in the form of the conventional wisdom of policy elites and the unequal representation of economic interests in our politics. However, in contrast to the reconfiguration of interest-group coalitions that has shaped policy reform in some European countries (Avdagic, Rhodes and Visser 2011; Häusermann 2010; Thelen 2014), we emphasize the primacy of political parties and the realignment of electoral coalitions in guiding policy development in Canada.

During the 2015 federal election campaign, all three parties turned away from a once conventional “antipoverty” framing of redistributive policy and adopted a vaguely defined “middle class” as their target. This shift in framing was driven in large part by new data highlighting the dramatic increase in the earnings of the “top 1 percent,” contrasted with relative stagnation in middle-class earnings. Since the “middle class” potentially embraces almost everyone but the very rich and very poor, however, the apparent common concern for the middle class left enormous policy space for the parties to present radically different policy proposals with very different redistributive implications. As a result, the flux in our policy debates about inequality continues.

The Empirics of the New Inequality

The surge in inequality in the past several decades is “new” in a double sense. First, as Paul Starr writes, “According to the received wisdom of
the mid-twentieth century, the recent increase in inequality was not supposed to happen” (2014, 33). Among policy elites whose lives spanned the postwar decades, both theory and practice suggested that the concentration of income and wealth at the top associated with earlier eras was over (Kuznets 1955). Disparities of income and wealth remained, of course, but with the rising importance of human capital and the evolution of political democracy toward more inclusive social rights, the peaks of income and wealth concentration were supposed to be a thing of the past. Not so, it turns out. Second, although in retrospect we can now track the rise in inequality back to the late 1970s, good evidence is just over a decade old.

Although there is a broad academic consensus on the facts of the matter, the inequality surge has generated vigorous political debates about how the “facts” should be read and about their import. It is possible to tell different stories about the new inequality by adopting different data sources or time periods, or by focusing on trends in different parts of the income distribution. The resulting disagreement is one that we stylize here as a debate between the “inequality Cassandra” and the “inequality denier.”

With the suppression of the mandatory long-form census in 2011, Canada was left with two main sources of data on family incomes. The best known are Statistics Canada’s national income surveys — the Survey of Consumer Finances (SCF) and the Survey of Labour and Income Dynamics (SLID) — which date back to the 1960s. They are useful for many things, but because they have comparatively small samples and are not mandatory, they are not very useful for telling us what is going on among small populations such as top-income earners. For the top 1 percent or even the top decile, we have to turn to administrative tax records (the Longitudinal Administrative Databank) that have been used widely for only about a decade.

The normal starting point is the SCF/SLID series. On the basis of the Gini coefficient, the most commonly used measure of income inequality, the SCF/SLID series yields three main conclusions (see Heisz, and Heisz and Murphy, in this volume) about trends in income inequality.

> Inequality in market incomes from earnings and investments began rising in the early 1980s, surged ahead over the entire 1990s and then levelled off in the 2000s. The Gini coefficient rose from 0.37 to 0.44, a huge change in a measure that is difficult to move.
Strikingly, transfers and taxes completely offset this rise until roughly 1994. Until that point, the welfare state was doing its job, and there was little change in disposable-income inequality (that is, in income after taxes and transfers).

In the mid-1990s, aided and abetted by cuts to employment insurance benefits and social assistance, the tax-and-transfer system could no longer keep up with rising inequality in market incomes. The result was a sharp rise in inequality in post-tax and post-transfer incomes, and the Gini index for disposable incomes rose from about 0.29 to 0.32 by the end of the decade. Since then, inequality levels, as measured by the SCF/SLID series, have remained essentially flat.

As figure 1 indicates, if we look at trends over the full three decades, and especially since 1990, our inequality Cassandra has a case to make: inequality in market incomes has risen a lot since 1980, and since the mid-1990s the welfare state has not taken up the slack. But our inequality denier can urge us to stop worrying, emphasizing that the growth in inequality has abated and that the level has stabilized since 2000.
The debate revives again, however, if we focus attention on different points in the income distribution. Our Cassandra reminds us that the SCF/SLID data miss most of the action above the 90th percentile, and that we need to turn to taxation data. The story there, as told by Thomas Lemieux and Craig Riddell (in this volume), is a simple one: virtually all of the income gains in Canada between 1982 and 2010 have gone to the top 10 percent. Statistics Canada data also indicate that the share of total income received by the top 1 percent of taxfilers rose from approximately 7 percent in the mid-1980s to peak at 12 percent in 2006-07, then fell back somewhat to 10.6 percent in 2010 following the financial crisis of 2008-09 (see figure 2).^2

Does this end debate? Not quite. The denier counters by pointing to the other end of the income distribution: trends in the poverty rate. The denier also might refer at this point to the conventional view articulated by Feldstein (1998) that, although governments should worry about rising poverty, concern about the rich getting richer when no one else is being made worse off violates the Pareto principle and is mainly due to envy. Here you get a choice between two series published by Statistics Canada: the traditional low-income cut-off (LICO) that has been in use since the 1960s and the

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**Figure 2**

Share of market income\(^1\) held by the top 1 percent, Canada, 1920-2012

![Graph showing the share of market income held by the top 1 percent in Canada from 1920 to 2012.](image)

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\(^1\) Includes all income except government transfers and capital gains.
low-income measure (LIM) of more recent vintage (see Heisz, in this volume). Both series use living standards in the “middle” of the distribution to benchmark poverty, but they answer somewhat different questions. The LICO uses a fixed reference point (adjusted for inflation) — in this case, 1992 — and asks if living standards at the bottom have changed since that time. By that standard, Canada’s poverty rate has been falling since 1996, and the downward trend continued through the 2000s, reaching its lowest point ever (about 9 percent) in 2011. The LIM, in contrast, uses a moving reference point, and simply asks what percentage of the population has incomes less than 50 percent of the median income in the year of observation. By that benchmark, the poverty rate has remained more or less constant at about 13 percent over the past two decades. This historical constancy in the LIM simply means that incomes at the bottom and in the middle of the distribution have been moving largely in tandem. So, as figure 3 indicates, poverty is either stable or declining — take your pick.

Our inequality Cassandra battles back by shifting attention to yet another part of the income distribution. Although the poor might not be getting poorer,
the new inequality is generating strains in the middle of the distribution, especially among the lower-middle class. Technological change is altering the labour market, hollowing out the middle (Beach 2014), and the wage and salary growth of middle-income earners has been tepid, at best, for a generation. Hence, the sense of anxiety triggered by economic insecurity is creeping up the income scale.

Nonetheless, our inequality denier is not to be outdone and replies that, compared with the middle class elsewhere, Canadian middle-income earners are doing very well. Indeed, in 2014, a New York Times study created a stir by indicating that the standard of living of the middle class is higher in Canada than in the United States (Leonhardt and Quealy 2014). The rise in incomes in Canada since the early 2000s does compare favourably with the stagnation of middle incomes in the United States. Cassandra points out, however, that Canadian data have been skewed by the resource boom in Alberta and Saskatchewan and that the middle class in other parts of the country is in as much trouble as in other countries, including the United States (Corak 2014).

In short, although there might be considerable consensus among the experts in this volume on the basic story of inequality, there is sufficient complexity in the data to allow for competing interpretations or framings of what growing inequality “really” means. Moreover, consensus on the empirics is rarely sufficient to trigger political action. The “facts” must first be filtered through policy frames — both the causal and normative beliefs used to interpret the facts — and the selection of policy frames depends, in turn, on the political actors who are able to dominate the framing process.

Contending Policy Frames: Poverty and the New Inequality

Social problems do not fall from the sky fully formed. They are social constructions in the sense that economic and social phenomena need to be interpreted, defined or “framed.” As March and Simon observed long ago, “Choice is always exercised with respect to a limited, approximate, simplified ‘model’ of the situation” (1958, 139). Policy frames provide that simplified model, defining what is really happening (the “facts”), why or how it is happening (a causal narrative) and associated views on whether what is happening is good or bad (a normative position). Such frames also define, implicitly or explicitly, the range of relevant policy options and, thereby, the political stakes
involved. If a particular frame comes to dominate political debates, it tends to become institutionalized or embedded, informing official interpretations of social trends and guiding policy changes.

Our analysis is based on a simple model of the politics of framing. Changes in economic or social conditions trigger the advocacy of new policy frames — new ways of interpreting the environment in which policy-makers operate. The adoption of a new frame by the policy community is relatively straightforward if it happens to be consistent with established policy approaches and instruments and with the concerns of strongly organized economic interests. If it is not, heavier political ammunition is required. In some countries, coalitions of weaker interest groups sometimes challenge established approaches. But in pluralist democracies such as Canada and the United States, electoral politics typically is the force that generates the political energy required to overturn conventional wisdom in policy circles and challenge the preferences of strongly entrenched interests. The realignment of US electoral politics engineered by the Republican Party under Ronald Reagan stands as a striking example.

The battle to frame problems is especially important in the case of unexpected developments. Surprises produce uncertainty and flux when the “correct” interpretation of the situation seems up for grabs and political parties and policy elites are at a loss as to what, if anything, to do. As noted earlier, the new inequality represents such a surprise.

Like nature, politics abhors a vacuum. The result has been the proliferation of frames, and our current controversies are driven by competition between a historical frame and several recent challengers.

**Inequality and the antipoverty frame**

Throughout much of the twentieth century, the framing of inequality in Canada was constructed around an evolving “antipoverty” rhetoric. With the rise of an affluent working class in the years after the Second World War, the mass poverty of the past was apparently eliminated. So attention turned to the minority who could be identified statistically as the “poor.” As Starr notes about discourse in the United States, “So closely was inequality identified with poverty that the two terms were often used as if they were interchangeable” (2014, 33). In Canada, as well, redistributive politics became antipoverty politics, and redistributive policies were constructed within an antipoverty frame.
The antipoverty frame has deep historical roots in the British Poor Law tradition and carries well-established definitions, causal narratives, normative stances and policy debates. First, it defines the population in need of redistribution as a statistical minority, set apart from the majority who are not impoverished. Second, over the years, this framing has generated a ritualized debate about the causal mechanisms that produce poverty, which tends to polarize around two positions: the bad behaviour of the poor themselves versus misfortune and bad luck often attributed to structural causes. These causal beliefs, in turn, contribute to sharp normative distinctions between the “deserving” poor (widows, orphans, the elderly) and the “undeserving” (young employable adults). Finally, the frame comes loaded with an enduring debate about policy responses between those favouring social programs highly targeted at the poor for efficiency reasons and those favouring more inclusive, universalistic programs for reasons of political effectiveness (Korpi and Palme 1998).

The framing of redistributive policy in continental Europe was rather different. Dating back to Bismarck’s Germany of the 1880s and the papal encyclical *Rerum Novarum* of 1891, redistributive policy was framed in terms of the “workers’ problem.” The “working class” produced by industrial capitalism was, of course, a much more inclusive slice of the population than the “poor,” and could not easily be ignored. The issue became how to integrate a modern industrial working class increasingly given to supporting socialist political movements. The response was a social insurance welfare state providing “workers” with old age pensions and unemployment and sickness insurance. It was not until the 1980s that the poverty problem (the “socially excluded,” in European parlance) became part of the European debate.

Canada, like most countries, pursued the social insurance model from the 1940s to the 1970s, introducing unemployment insurance, old age pensions and health insurance. Motivated by the mass dislocation of the 1930s and guided by the Marsh report (1943) and similar blueprints, the postwar generation built a social infrastructure designed to meet the needs not just of the “poor” but of Canadians generally. To be sure, these general programs helped the poorest most, redistributing resources and life chances down the income scale, but that was not their primary purpose. The social role of the state was also to protect the incomes of the population as a whole, and to help Canadians meet their health care and education needs. Not surprisingly, perhaps, these programs also came to be seen
as instruments of territorial integration, knitting together a vast country otherwise divided by language and region.

It did not take long, however, for Canadian discourse to gravitate back to a focus on the poor. In the late 1960s, Canada “rediscovered poverty.” Statistics Canada introduced a new measure of “poverty,” the LICO, which policy agencies and activists have monitored carefully ever since. Every surge in the LICO was the occasion for demands for a new political offensive by antipoverty and other groups that claimed to speak for the disadvantaged. Government departments concerned with the elderly, children, the disabled and lone parents routinely monitored LICO rates among their client populations. This trajectory peaked in 1989, when Parliament unanimously adopted a motion committing Canada to abolish child poverty by the year 2000.

Policy followed. In the 1970s, the federal and provincial governments launched the Social Security Review, which debated a major restructuring of social programs to target benefits more tightly at the poor. In the 1980s, the Macdonald Royal Commission on the economy added its voice, recommending a sweeping move away from universal transfer programs to a single, integrated, income-tested benefit. Such proposals for radical restructuring failed. But the antipoverty focus guided incremental change in the decades that followed, a process perhaps best symbolized at the federal level by the long, slow evolution from universal family allowances to income-targeted child benefits. Policy design in this period was guided by what is known as the “negative income tax” model, sometimes referred to as a guaranteed income. A similar pattern prevailed in all the Anglo-Saxon countries (Myles and Pierson 1997); the Earned Income Tax Credit in the United States, the Family Tax Credit in Australia, the Child Tax Credit in the United Kingdom and, in Canada, the National Child Benefit Supplement and, most recently, the Working Income Tax Benefit are examples.

In recent decades, Canada updated its poverty frame by embracing the European metaphor of “social inclusion.” Here the focus was less on the poor generally and more on groups that face multiple barriers to entry into the mainstream of society, especially into the labour force: newly arrived immigrants, single mothers, Aboriginal peoples, and persons with disabilities. This discourse highlighted the needs of excluded groups but remained firmly within an antipoverty framework. The primary indicator of exclusion was a long-term poverty rate considerably higher than among the population as a whole, and the discourse
implicitly deflected attention away from inequality among full-time workers in the paid labour force.

The dominance of the historic antipoverty frame, however, is being challenged by the new, rising inequality, which is accompanied by stable or declining poverty rates, depending on how it is measured. The rich are getting richer, but the poor are not getting poorer. To be sure, the “poverty problem” has not gone away. Canada continues to tolerate poverty rates well above international norms, and there are many who insist that policy-makers should still give priority to the problems of the poor and the socially excluded. Yet a primary focus on poverty no longer fully captures the strains generated by rising inequality. In effect, the antipoverty frame and the policy tools it has generated have run out of political gas. The unbalanced growth of Canadian incomes in recent decades has created an opening for alternative, competing frames.

**Inequality and the 99/1 frame**

The big success of the 2011 Occupy Movement was to change the narrative from a poverty story to an inequality story with the “99/1” metaphor. Moreover, the 99/1 frame prompts a reevaluation of history. In *Capitalism in the Twenty-First Century*, Piketty (2014) demonstrates that, if we zoom out in time, we see the postwar lows in income inequality from the 1950s to the 1980s as a historical anomaly, accounted for by two world wars and the Great Depression. According to Piketty, we are now back to business as usual in the capitalist world: back to the high concentration of income and wealth of the Gilded Age, the Belle Époque and the Roaring Twenties. Canadian experience seems consistent with this view (see figure 2). The income share of the top 1 percent peaked in Canada at 18 percent around 1930, fell rapidly to about 10 percent in 1945 and continued to drift down to about 8 percent by 1985. Since then, it has since risen to about 12 percent (Veall 2012).

Because the 99/1 frame is new, opinion has not yet crystallized into routinized positions. Indeed, current debates offer a cacophony of causal narratives. Most interpretations point to changing economic and/or political institutions to account for escalating executive salaries (see Keister 2014 for a review). Accounts that focus on economic institutions highlight changing organizational norms and procedures for setting executives’ salaries, enabling them to use their market power to extract rents from the rest of us. More politically oriented accounts emphasize the growing access of economic elites to national political institutions and the rising political
influence of high-income groups (Hacker and Pierson 2010). A different approach shifts attention away from economic and political institutions, and blames deeper dynamics inherent in capitalism generally. Piketty (2014), for example, argues that the “natural” returns to capital will outstrip returns to labour into the foreseeable future, and he is not alone in making such an assumption.5

These diverse causal stories mingle with varied normative stances and policy prescriptions. Many conservatives insist that the rise of the 1 percent is a benign phenomenon, the sign of an innovative economy, and warn that efforts to reverse the trajectory can only damage the efficient functioning of markets. Many reformers reply that high levels of inequality have serious negative impacts: slower economic growth, diminished equality of opportunity and declining responsiveness of democratic governments to the electorate as a whole (Stiglitz 2012). The most obvious policy response for those worried about the dramatic rise of the 1 percent is higher taxes on high incomes and wealth.

On its own, however, the 99/1 image has political limits. Although the image clearly has captured considerable public attention, an exclusive focus on the 1 percent is unlikely to move the dial on national income inequality very much, since the 1 percent are, by definition, few in number and employ accountants well schooled in the skills of tax avoidance. A broader sweep of the tax brush undoubtedly would be needed to produce consequential change, which points to a second competing framing of the new inequality.

Inequality and the middle-class frame

The poverty frame and the 1 percent frame highlight the extremes of the income distribution. What about everyone else, the often vaguely defined “middle class”? Politicians always pay attention to middle-income voters, and certainly the most intense debate about the new inequality focuses on its implications for the middle mass that makes up the majority of the electorate.6

The imagery of a mass middle class emerged during the postwar decades, subsuming a now high-wage working class able to purchase suburban homes, automobiles, appliances, vacations and other accoutrements of a “middle-class” lifestyle unavailable to most families in the prewar decades. The production of a mass middle class became a defining feature of Western capitalist democracies, viewed as both a source of their social stability and, during the Cold War, a symbol of their superiority to the economic models of eastern Europe.7 For a while at
least, policy elites believed the ups and downs of the capitalist business cycle that wrought recurring periods of mass unemployment could be managed through macroeconomic policy. Expanding welfare states gave citizens stability over the life course through enhanced protection against childhood poverty, unemployment, sickness and old age.

During the 1980s, the threat of the erosion of the middle class began to emerge as an alternative to the antipoverty frame, especially in the United States (Bluestone and Harrison 1982). A combination of globalization and postindustrialism, it was argued, was destroying traditional “middle-class” jobs in manufacturing, replacing them with a world polarized between well-paid knowledge workers in high-end services and low-paid “McJobs” in the personal services industries. In the 1988 US presidential election, Michael Dukakis (Democrat) and George H.W. Bush (Republican) campaigned with their respective experts and their contrary claims about the fate of the US middle class. Bush won, and during the economic recovery of the 1990s, the topic faded from view. Since the implosion of the US economy and housing market in 2008, the fate of the middle class once again has become front and centre in US political debates.

Though less prominent, because less severe, the erosion of the Canadian middle class is also now on the political agenda. Since 1970, there has been a marked decline in the proportion of workers receiving middle-class earnings, and a corresponding marked increase in the proportions receiving higher and lower earnings (Beach 2014). Average real incomes have been comparatively stagnant for decades, and the relative earnings and savings of younger adults (those under age 35) have fallen in the past 30 years with no significant policy response. Fortin et al. sum up the impact of greater inequality in the following terms: “The young and the poorly educated have borne the brunt of these forces, but significant numbers of those previously in the middle and lower middle of the occupational skill and wage distribution have also been adversely affected” (2012, 133). Of course, given the regional nature of the Canadian economy, there has been considerable variation in the trends across the country. The middle class in Ontario and Quebec has been in the economic doldrums for several decades, while both middle- and lower-income workers in western Canada flourished during the recent oil boom (Corak 2014; Fortin and Lemieux, forthcoming, and see the summary in this volume; Green and Townsend 2013).

The causal narratives associated with the middle-class framing of inequality are even more complex than those associated with the 99/1 frame. The factors at
work range from transformations in the labour market associated with postindustrialism, technological change and globalization to demographic shifts (such as declining fertility, slowing population growth and population aging) and changes in marital behaviour and family structure (rising divorce rates, greater marital homogamy). Policy changes have also mattered, with retrenchment, especially in the 1990s, weakening the redistributive impact of the tax-and-transfer system. There is no single “smoking gun” at which analysts and policy-makers can point their collective finger (Banting and Myles 2013).

The policy implications of the middle-class framing of inequality are also much broader than an exclusive focus on the top 1 percent or the poor. Here, the role of social policy is not simply to help a group at the bottom or to tax those at the top more heavily, but to respond to the strains confronting the majority of Canadian families in the middle and bottom thirds of the income distribution. In many ways, the policy implications of this frame represent a case of “back to the future” — back to the broad-based policy approaches that guided the postwar generation. The contemporary version of this agenda is potentially lengthy: child benefits, child care and early childhood education, protection for those in nonstandard forms of employment, compensating for the erosion in occupational benefits, eldercare, just to name a few.

Although the agenda resembles that of the postwar era, the current situation is very different. Then, policy-makers were enjoying the growing revenue streams produced by the postwar economic boom. Now, they contend with a world of slow economic growth and a politically driven decline in government revenue. Then, they were creating institutions where few existed. Now, they must find the revenue both to maintain established institutions (hospitals, old age pensions) and to finance new social innovations in eldercare, public transport and early childhood education. All this represents a classic case of the “double-funding” problem: the old trains need to be kept running at the same time that track is being laid for new, high-speed rail.

Shifting to a middle-class framing of inequality, however, also reframes the debate about public revenue and taxation. Raising taxes on the top third of the income distribution certainly would generate more revenue than targeting the top 1 percent — revenue that could be used to reduce taxes on those in the lower-middle and bottom half of the distribution, or to enhance transfers and other programs designed to raise their incomes. Indeed, it is difficult to imagine
any serious effort by governments to rebalance the income distribution in the long run in the absence of additional revenue and more taxation.

Of course, not all policies advanced in the name of the middle class reflect an inequality frame. The implication of the “besieged middle class” framing of growing inequality is an alignment of the economic interests of the “middle” with the bottom, rather than with those at the top. But many policies advanced in the name of the middle class actually assist upper-income earners even more, and are likely to exacerbate inequality. As we shall see below, the politics of inequality depends mightily on whether middle-income voters align themselves with the interests of upper-income groups or with those of lower-income groups when responding to policy choices.

There are thus multiple ways of thinking about the new inequality, each with different policy implications. The historical antipoverty frame no longer captures critical social stresses, but as yet no other framing has come to dominate debates. The LICO might not be as central today as in the past, but, as David Good (2013, 210) observes, no single institution in government is responsible for monitoring or managing the Gini coefficient. The result is a somewhat unfocused debate. Determining which frame comes to dominate and is embedded in policy is a profoundly political process. It is time to ask whether political forces might generate a new dominant framing of the new inequality in Canada.

The Politics of a New Policy Frame

Politics is a three-front war. It is conducted through three simultaneous battles: a battle of ideas, a battle of organized interests and a battle of political parties. As argued at the outset, the adoption of a new frame is relatively straightforward if it happens to be consistent with established policy approaches and the concerns of strong, organized interests. If not, then only the third battle — electoral politics — can generate the political energy required to overturn conventional wisdom in policy circles and challenge the preferences of strongly organized interests. That is precisely the situation in Canada today. An inequality frame, especially one that emphasizes income redistribution, runs counter to both embedded policy thinking and the preferences of the strongest organized interests in the country. Only electoral politics can generate the political firepower to overcome such resistance, and the prospects there are uncertain at best.
The battle of ideas

Einstein once complained that “everything has changed except our ideas.” In Canada, a policy frame calling for enhanced redistribution confronts conventional policy wisdom on both the expenditure and revenue sides. On the expenditure side, it runs against the grain of the doctrine of social investment; on the revenue side, it challenges established tax doctrine.

During the 1990s, faith in explicit redistribution through the tax-and-transfer system gave way throughout the OECD to enthusiasm for a social investment model (Banting 2006). The proposed cures included a stick and a carrot. Policy-makers held that, with one hand, governments should cut back on “passive” programs such as unemployment insurance and social assistance to make labour markets more “flexible.” With the other hand, governments should increase social investment in education and training and in “active” labour market programs to facilitate job search and eventual employment (Jenson 2013). In effect, social policy should be about investing in human capital, rather than redistributing income. Policy attention, according to this approach, should focus in particular on children, to ensure they have a rich learning environment, especially in the early years. In addition, young people should be educated to higher levels than in the past, and learning should become a lifelong process. Citizens should upgrade their skills continually, and training programs should reequip older workers displaced by the forces of “creative destruction” inherent in economic growth.

The pervasiveness of this approach is striking. At the international level, its diffusion was led by the OECD, especially through its Jobs Study and a stream of successor documents (OECD 1994, 1995, 1996, 1999). The same themes came to pervade Canadian discourse, shaping government planning documents and policy initiatives (Green and Townsend 2013). But Canadian follow-up has been decidedly one-sided. The country emerged as a poster child for retrenchment of “passive” income transfers: in the mid- to late 1990s, major programs transferring income to working-age adults were retrenched, with the biggest cuts falling on employment insurance benefits and social assistance. In contrast, new public investment in human capital formation and “active” labour market programs has been tepid. An analysis of OECD data suggests that Canadian public spending on education and job training as a whole has declined significantly since 1980 (Nikolai 2012). Moreover, with the exception of the expansion of child care programs
in Quebec and a more modest initiative that introduced full-day kindergarten in Ontario, investment in early childhood education has drifted. Canada falls well below the pattern in many other democratic countries, provoking disappointing rankings in international scorecards (OECD 2004; UNICEF 2008).

It is not difficult to understand why the stick succeeded and the carrot failed. Cutting passive social expenditures saves money; new social investments in education, training and active labour market policy cost money. The costs are especially high for countries like Canada that are starting out close to square one on these fronts. According to the OECD (2012), Canada ranks 36th out of 36 OECD countries on the enrolment of three-year-olds, and 35th out of 38 on that of four-year-olds, in early childhood education. New social investments require new revenue, which probably means higher taxes. Despite this drift in terms of implementation, however, the doctrine of social investment remains entrenched, and it represents a potent barrier to calls for a return to direct income redistribution as a primary goal of social policy.

The second entrenched paradigm that stands in the way of redistribution is the revolution in tax doctrine. The Second World War served as the stimulus for the growth of mass taxation and rising state revenues: in most developed countries, revenues as a share of gross domestic product (GDP) doubled between 1930 and 1945 (Steinmo 2003, 213). At war’s end, there was an expectation that taxes would be rolled back to prewar levels, but that did not happen. As the logic of Keynesian economic management took hold, policy elites saw taxation policy as a tool for enhancing economic efficiency and for providing revenue for health care, education and income redistribution. Moreover, it was widely assumed that equity concerns should drive tax design, which should be anchored in a comprehensive and progressive income tax system. This belief was captured in Canada by the Royal Commission on Taxation (1966), with its mantra that “a dollar is a dollar no matter what its source.”

All of that changed with the dramatic slowing of economic growth in the 1970s and the failure of Keynesianism. Beginning in the United States and the United Kingdom, newly ascendant doctrines insisted that the tax system should be concerned more with efficiency than with equity; that capital gains should be taxed at lower rates, if at all; that progressive taxes have disincentive effects; and that the tax mix should shift from income taxes to consumption taxes. In addition, fiscal elites became disillusioned with the idea of using tax incentives
to achieve social and economic goals. Loopholes, credits and deductions, in an increasingly complex tax system, led to growing tax expenditures. As Steinmo (2003, 216) shows, tax policy experts on both the left and the right concluded that tax expenditures were simply “giveaways to the rich and powerful.”

The revolution in tax doctrine also brought a major shift in considerations of who should pay. Income taxes were first introduced as a method to finance the First World War and were based on the principle of “ability to pay,” which led to a tax on corporate profits and the incomes of the highest-income earners. Mass taxation arrived with the Second World War, and income taxes moved down the income scale but retained their prewar character of “progressive” taxation based on ability to pay. Slemrod (1995) documents just how radically opinion had changed by the 1990s. He surveyed a sample of 503 members of the U.S. National Tax Association in Canada and the US in 1994 in order to compare their responses with an identical survey of senior finance professionals conducted in 1934. In 1934, 66 percent agreed that there should be higher taxes on unearned (i.e., capital) income, compared with only 6 percent in 1994; 12 percent supported retail sales taxes at the state level in 1934, compared with 91 percent 60 years later.

Although the revolution in tax doctrine began elsewhere, it quickly permeated Canadian thinking. Professional advice on taxation policy moved from equity to efficiency considerations, and penetrated deeply into Canadian tax policy, diminishing its redistributive effects (Boadway and Cuff 2013). As Don Drummond (2011), former assistant deputy minister of finance, recalls, reducing marginal tax rates and corporate tax rates was a central part of the finance department’s strategy to raise productivity in the 1990s — a strategy that failed, however, to produce the promised productivity dividends. Nevertheless, tax cutting continued into the 2000s. Between the late 1990s and 2012, total government revenues from all sources fell from roughly 45 percent to 38 percent of GDP, a massive drop in the resources available to government (Richards 2014, 136).

Clearly, an emphasis on inequality and income redistribution runs against the grain of conventional wisdom in Canadian policy circles. The search for political ammunition needs to be broadened.

The battle of organized interests
In many OECD countries, the politics of organized interests and the structure of political institutions have provided some help to advocates of low-income groups,
limiting the turn away from redistribution on both the program and tax sides. Their Canadian counterparts have not benefited in the same way.

To start, Canada has always lacked the corporatist institutions that have provided blocking mechanisms elsewhere. “Corporatism” and related metaphors such as “social pacts” and “social partners” are generally unfamiliar to North Americans. Corporatism refers to systems of economic governance common in northern Europe, where the state and extraparliamentary bodies representing peak organizations of business and labour (the “social partners”) traditionally made decisions jointly on labour market and social policy regulations. Cross-national studies suggest that resistance to retrenchment has been strongest in countries with corporatist institutions (Hicks and Kenworthy 1998). Although such institutions have been weakening in many European countries in recent years (Beramendi et al. 2015), they still make it difficult simply to ignore organized labour.

Canada, in contrast, lacks decision-making institutions that ensure access for extraparliamentary economic interests. The influence of civil society advocates for the economic interests of lower-income Canadians has also weakened in recent decades. As a proportion of the labour force, union membership declined from 38 percent to 30 percent between 1981 and 2012, mainly due to large declines in the private sector. Antipoverty groups, women’s organizations, advisory bodies and think tanks, the traditional champions of the interests of the disadvantaged, have lost public funding and literally disappeared from the public forum (Phillips 2013). Charitable civil society organizations that advocate egalitarian policies have been harassed by tax officials for their political activities. This decline has not been offset by greater political activity on the part of “bottom-third” Canadians, who remain less likely to turn out to vote or to participate in other ways (Gidengil et al. 2004). Political parties have less incentive to worry about them than about the highly attentive and vociferous affluent voter.

Changes in the distribution of power within Canada’s political institutions have also raised the barriers to concerted action against inequality. Within governments, power has shifted from social policy departments to departments of finance and to greater political control by prime ministers and premiers. In Ottawa, the centralization of political power in the Prime Minister’s Office and of bureaucratic power in the Department of Finance has eroded the advocacy role once played by ministers in line social departments for their programs and clients. Between governments, power has shifted from the federal to the provincial level.
Quebec has made use of its additional policy space to chart a different policy trajectory, one that continues to offset growth in inequality (Noël 2013). Elsewhere, however, redistribution has weakened more at the provincial level than at the federal level in recent decades (Fortin et al. 2012). In addition, the rising economic importance of resource-rich western provinces has generated new interprovincial cleavages. Where once the division between Quebec and the Rest of Canada was the defining cleavage in the federation, the division between the West and the rest has become more intense, and the exclusion of resource revenues from federal equalization payments has widened the gap in the capacity of provinces to respond to new social stresses (Boadway 2013; Bricker and Ibbotson 2013).

Taken together, these two trends are decisive. Institutional barriers to change mean that considerable political momentum will be needed, but the organizations that propelled redistributive strategies in the past are weaker today than at any point since the Second World War. From where can political momentum come? Only electoral politics can generate the traction needed.

**The battle of political parties**

Canada has always relied heavily on political parties to develop cross-country coalitions. Parties are almost unique in attempting to build national constituencies, seeking to bridge the regional and linguistic divides that define the country. Remarkably few civil society institutions have vibrant organizations that speak authoritatively for their sector across the country as a whole (Cameron and Simeon 2009). As a result, building a pan-Canadian consensus on social policy through the channels of civil society is a difficult task, leaving political parties less constrained.10

The only other political contender for the role of coalition builder has been executive federalism: the process of intergovernmental negotiations among federal, provincial and territorial governments. Historically, such negotiations have been critical to the development of public policy, especially social policy, in Canada (Simeon 2006). On their own, however, intergovernmental negotiations seldom change policy directions. Such discussions come into effect only when political momentum has developed behind policy proposals that transcend jurisdictional boundaries. Absent such political drive, executive federalism does not kick into gear, as witnessed by its decline under the former Conservative government.

Given the weakness in Canada of constraints found in other countries, redistribution policy is especially sensitive to shifts in party politics, and
realigning elections have powerful implications. Canadian electoral politics has never been class based. Indeed, in a study of the “Anglo-American” democracies published a half-century ago, American scholar Robert Alford described Canada as a case of “pure non-class voting” (1963, x-xi). Although subsequent studies have marginally qualified the observation, the central conclusion remains robust: the Canadian electorate is much less likely than those in many other democracies to vote along class lines, whether measured by income, education or occupation. To a level unusual among Western democracies, Canada’s electoral cleavages are rooted in religion, language, ethnicity and region.\textsuperscript{11}

Nevertheless, political parties and electoral politics matter for redistribution. Richard Johnston (2013) has demonstrated the ways in which the dramatic fragmentation of the old party system in the 1993 election facilitated deep cuts to federal transfer programs in that decade. The following decade saw a dramatic polarization of the party system: the historic centre-dominated party system of the postwar era, with its ideologically flexible brokerage parties, was replaced by one more polarized on a left-right basis. This ideological realignment among the parties has triggered an ideological “sorting” at the level of voters. Soroka and Kevins (2014) demonstrate this electoral sorting in the case of attitudes to redistribution. Strikingly, in the 1988 election, voters for the three main parties differed little in their attitudes toward income redistribution; Progressive Conservative voters were, if anything, a little to the left of Liberal voters. By the 2011 election, in contrast, Conservative voters were clearly to the right of the other parties on redistributive issues, New Democratic Party (NDP) voters were on the left and Liberal voters were in the middle. Johnston (2015) describes similar polarization, this time in terms of voters’ self-declared ideological leanings; by the mid-2000s, parties’ supporters were highly differentiated ideologically, with NDP supporters on the left, Conservatives on the right and Liberals holding up the middle (see figure 4). Canada still had not moved to class politics, but it did shift to a more ideologically polarized party politics. It remains to be seen whether polarization among voters was as strong during the 2015 election. Given the various party platforms, which are discussed more fully below, it is possible there was blurring of the lines among voters on the centre-left of the spectrum.

Such shifts matter, as electoral politics remains the fulcrum of redistributive politics. Parties need to develop policy platforms that sustain and ideally expand their electoral coalitions, and building an electoral coalition to support a serious campaign against inequality in its contemporary form would be a challenge.
Studies of other countries (Iversen and Soskice 2006) suggest that the politics of redistribution increasingly depends on whether middle-class voters align with the top or with the bottom of the income distribution. When middle-class voters identify with upper-income groups, they are more likely to join the clamour for tax cuts. Is there a prospect that, as upper-income groups pull further away from the middle, segments of the middle or lower-middle class might support greater redistribution? In recent years, a number of social policy reforms in Europe have been driven by such coalitions. Left parties, faced with declines in their traditional working-class constituencies, have forged new coalitions by courting segments of the middle class, including working women, precarious workers and salaried professionals (Thelen 2014; Häusermann 2010).
Family policy has shown a capacity to appeal to such cross-class coalitions (Morgan 2006, 2012). In addition to international examples, the Quebec experience provides a concrete counterpoint to the more general Canadian experience. There, a series of family- and child-centred reforms between 1996 and 2006, including daycare, parental leave and enhanced child benefits, put the brakes on the inequality surge and lowered poverty rates while raising taxes on higher-income households and households without children (Noël 2013). The focus on families and children appealed not only to progressives, but also to more traditional, family-oriented Quebec values and to families at both the middle and the bottom of the income distribution.

Similar opportunities emerged in Canada more generally. Stagnant average incomes, declining relative earnings for the young and weakening occupational benefits such as pensions are fuel for a debate about the social needs of the middle and lower-middle classes. A sense of economic security traditionally has been seen as a core element of middle-class life, but public opinion surveys increasingly reveal a sense of economic insecurity among middle-class respondents. Strikingly, the proportion of Canadians self-identifying as middle class declined from about 68 percent in 2002 to 47 percent in 2014 (Graves 2014). Middle-income respondents express anxiety about their economic prospects, their family finances, their debt levels, their retirement income and the prospects for their children. They also harbour a vague sense that the growing concentration of income and wealth is unfair (Graves 2014; Herle 2014). These anxieties could generate greater scope for cross-class support for policies aimed at protecting both middle- and low-income Canadians.12

Nothing is guaranteed here. The emotional appeal of lower taxes and less spending might well trump less viscerally engaging arguments for progressive taxation or fixing the public plumbing. The institutionalization of anti-tax doctrine is well advanced in Canada and taps into other currents in public opinion: a general sense of risk aversion and a decline in trust in government that has been ongoing for decades (Nevitte 2002). As a result, anti-tax sentiment is difficult to change. Higher consumption taxes are unpopular over most of the income distribution. Higher marginal tax rates for the top third will meet resistance from legions of economic pundits and from the very attentive voters in those income brackets. Taxing wealth by restoring inheritance taxes would be resisted by Piketty’s petits rentiers (families of modest wealth) as well by the top 10 percent, and would
require unprecedented federal-provincial cooperation, since that power was left to the provinces in 1971 and they quickly abandoned the tax (Banting 1991).

Tax phobia has infected all Canadian political parties to varying degrees. As Alex Himelfarb, former clerk of the Privy Council, puts it, in recent decades tax has become a four-letter word among policy elites and political parties of all stripes (Himelfarb and Himelfarb 2013). The barriers here are not absolute. Tax increases for high-income earners do seem politically sustainable. Under intense budgetary pressures, seven provinces gingerly moved toward higher taxes at the top end between 2010 and 2015 (Milligan and Smart, in this volume; Robson and Laurin 2015). For example, the Ontario government introduced modest tax increases on high-income earners in 2012 and 2014. The 2012 increase affected the top 0.2 percent of taxfilers, while the 2014 increase affected the top 2 percent of income earners — those with taxable income over $150,000 (Ontario 2014, chap. 5). In the face of steep declines in resource revenues, the governments of Newfoundland and Labrador and Alberta also introduced new tax brackets for higher-income earners in their 2015 budgets (Alberta 2015; Newfoundland and Labrador 2015). In Alberta’s case this meant phasing out its symbolic flat tax. Despite such initiatives, however, tax cuts remain a potentially effective electoral strategy since they produce only winners: everyone has more money in their pocket. Tax cuts are never introduced alongside a list of the program cuts that surely must follow from declining revenue, so the “losers” are hidden from view at election time (Mackenzie 2013).

The 2015 federal election campaign highlighted the jostling of inequality frames in Canadian politics. Strikingly, none of the parties adopted a “war on poverty” frame. That does not mean that poverty entirely disappeared from the agenda; all reform proposals were quickly evaluated by the experts from the perspective of who wins over the entire income distribution, including those at the bottom. Nevertheless, the redistributive agenda shifted sharply to focus on a vaguely defined “middle class,” not the “poor.” The political struggle was to define and embrace “middle-class families,” and the platforms of the major parties had very different redistributive implications.

The Conservative government’s position was rolled out over two years. In 2014, it announced a complex restructuring of family-related tax measures, the centrepiece of which was the introduction of income splitting for two-parent families (which would benefit less than 15 percent of families, most with six-figure incomes). The package also included increases in the Universal Child Care Benefit and the Child Care Expense Deduction, and the elimination of the Child Tax Credit. Analysts
agreed that the package as a whole delivered most benefits to better-off families, who are more likely to vote, less to middle-income families and least to low-income families. In its 2015 budget, the government added a major increase in the maximum annual contribution to Tax-Free Savings Accounts, a proposal that virtually all analysts agree also skewed benefits to higher-income, higher-wealth and older families (Finance Canada 2015). In effect, the Conservatives bet on the proposition that middle-class voters would see their interests allied with those of higher-income groups.

The central social policy plank in the NDP platform was a major expansion of child care spaces modelled on the Quebec system, to be delivered through a federal-provincial program and phased in over a decade. During the campaign, the party leader was politically cautious on taxation, opposing increases in the marginal tax rates for high-income earners but advocating increases in corporate taxes. However, the most politically revealing package was that offered by the Liberal Party, which represented an amalgam of inequality frames. First, the party proposed to increase income taxes by 4 percentage points for income earners over $200,000 to finance a “middle-class tax cut” of 1.5 percentage points, changes that were deemed revenue neutral. Second, the Liberals proposed a significant expansion of child benefits. However, their proposed Canada Child Benefit was to be income related, and would deliver the largest benefits to the lowest-income families. Despite this, the words poor and poverty did not appear in the nine-page document presenting the policy. Entitled Fairness for the Middle Class, the document explained that the child benefits would “put more money back in the pockets of the middle class and those working hard to join it” (Liberal Party of Canada 2015, 3).

Finally, it is worth noting that a major focus of the 2015 campaign was taxes, transfers and the New Democratic Party’s proposed expansion of public daycare. On the critical question of how to get middle-class earnings rising again, the parties were mostly silent, a result of provincial primacy in the field of labour market policy. Once implemented, the “middle-class tax cut” promised by the new prime minister would, in effect, generate a one-time wage increase for the “middle” but would do nothing to get their earnings rising again. With control over the critical tools of labour market, health, education and welfare policy in the hands of the provinces, the Prime Minister faces major constraints in building a comprehensive strategy to address the new inequality.

There is no evidence that the contrasting policy positions played a significant role in the victory of the Liberal Party. But the contrasting platforms
did illustrate the clash of frames. The antipoverty frame faded from political discourse, and even a program that helps the poor most was presented as a policy for the middle class, an intriguing variant on the politics of stealth. Moreover, the common focus on the “middle class” obscured the different redistributive implications of the policies on offer, suggesting that electoral politics has not yet ushered in a new dominant framing of social policy discourse.

**Conclusion**

We end as we began: redistributive politics in Canada has been stuck for several decades. Debates about the new inequality have been unfocused, reflecting disagreement about what is happening and whether it matters. Although modest, a reframing is now beginning to take shape as a result of electoral politics and party competition.

Canada is struggling to define or frame contemporary social stresses. The antipoverty frame built into Canada’s public discourse and institutions has been fading. Yet new frames that highlight the new inequality — the 99/1 and middle-class frames — are still competing to hold public attention and alter conventional wisdom among policy elites. The result is a period of flux in Canadian debates.

At a deeper level, contemporary efforts to frame social issues represent a political struggle to set the direction of Canadian social policy in the years to come. In this struggle, a new inequality frame confronts serious constraints in the form of conventional wisdom among policy elites, the unequal representation of economic interests and the ever-present division of powers between Ottawa and the provinces. The top one-third of income earners have learned how to take advantage of the new economy and the new politics, while the bottom two-thirds are still struggling. What are the chances that governments will act to close the growing gap? Electoral politics can generate the political momentum to overturn established policy norms and powerful economic interests, but building an electoral coalition to sustain a campaign against inequality remains a daunting challenge.

The centrist brokerage politics responsible for social policy initiatives in the past was swept away — temporarily, at least — by the polarization of the party system and the electorate in the early 2000s, making the stakes in elections much higher. The 2015 election has shifted the political terrain once again. Whether the Liberal Party’s redistributive agenda succeeds in moving the dial on the new inequality remains to be seen.
Notes

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1. We use the term redistribution in its narrow sense to refer to second-round redistribution of income through taxes and transfers after first-round distribution in the market. But markets themselves are created by states, beginning with the institution of private property and extending through the regulation of labour, product and financial markets and the feedback, second-order effects of transfers and taxes on market behaviour. In this broader sense, all public policy is “redistributive.”

2. Longitudinal Administrative Databank, 4107; results supplied by Brian Murphy, Statistics Canada.

3. A substantial literature in political psychology explores the effects of the framing of issues on public attitudes about them. For a useful review of the general literature, see Chong and Druckman (2007); for applications in the field of social policy, see Gilens (1996) and Mendelberg (2001). There is less research on the politics of framing among policy elites, which is the focus of this chapter (but see Surel 2000). However, our approach is informed by the institutionalist literature on the role of ideas in policy change (Béland 2005; Blyth 2002; Hall 1993).

4. This outcome was anticipated in much of the comparative literature contrasting welfare states targeted at the poor versus more encompassing welfare states aimed at a majority of the electorate (Korpi and Palme 1998).

5. Interestingly, Piketty’s thesis was foreshadowed in a Finance Canada consultation paper (1996) that explained why it was necessary to shift the financing of the Canada Pension Plan away from payroll taxes (“returns to labour”) toward greater capitalization (“returns to capital”).

6. One sign of the sensitivity of the issues has been the controversy over the different conclusions drawn by reports prepared by Employment and Social Development Canada and Finance Canada (Beeby 2014a, 2014b).


8. These decisions and nondecisions help explain why public social expenditures (including income transfers and public health care spending) now represent a smaller proportion of gross domestic product in Canada than in the United States (see the OECD’s Social Expenditure database, http://stats.oecd.org/Index.aspx?datasetcode=SOCX_AGG; accessed May 1, 2015).

9. In a recent essay, Scott Clark, former deputy minister of finance, concludes that little has changed in this respect (Clark 2013).

10. This pattern finds parallels in other countries. A recent interpretation argues that traditionally powerful economic interests, especially organized labour, have weakened in advanced capitalist economies generally, and that there has been an “electoral turn” in politics, with parties and elections emerging as the primary mechanism of collective mobilization in contemporary democracies (Beramendi et al. 2015).
11. For a useful survey of studies exploring these issues, see the various contributions to Kanji, Bilodeau and Scotto (2012).

12. Recent empirical research suggests that public support for the welfare state is greater when risk is widely spread among the population (Rehm, Hacker and Schlesinger 2012).

13. The tax increases netted $635 million in fiscal year 2014-15, a modest contribution to reducing the deficit of an estimated $12 billion (Ontario 2014, chap. 5).

14. These analysts include Scott Clark, former deputy minister of finance (Clark and deVries 2014). See also Battle and Torjman (2014) and Kesselman (2014). For an analysis of the Conservative Party’s original proposal for income splitting, see Laurin and Kesselman (2011).


Clark, S., and P. deVries. 2014. “These Are the Wrong Tax Cuts for an Economy in Peril.”


OECD (see Organisation for Economic Co-operation and Development)


