

**THE GLOBE AND MAIL** 

Try Globe Unlimited - 1 month for just 99¢



And get unlimited access on all your devices

[See my options!](#)

An analysis of data over 35 years shows that earnings have bounced back, despite what the news media would have you believe.

For The Globe and Mail

## Middle class plight not as bad as painted

BRIAN LEE CROWLEY

Published Wednesday, Jul. 10, 2013 07:00PM EDT

Last updated Wednesday, Jul. 10, 2013 07:43PM EDT

Comparisons almost always cause resentment. The French political philosopher Jean-Jacques Rousseau argued that when humans lived alone in the state of nature, they were happy with their lot and needed only their own self-approval. But the move to society, living cheek by jowl with others, invited precisely those comparisons with others that creates ill-will, envy and jealousy.

The combustible and often misleading nature of comparisons was brought forcefully to mind for me by the recent release of an analysis by Ottawa's Department of Finance about how the middle class has fared in recent decades. Prepared for Finance Minister Jim Flaherty, it looked in particular at how incomes had changed for each fifth (or "income quintile") of the population between 1976 and 2010.

According to media reports (the document itself is not yet publicly available), the briefing note revealed that the top 40 per cent and the bottom 40 per cent of income earners had seen their situation improve noticeably. No prizes for guessing, therefore, what the story is in the media; not that 80 per cent of Canadians had done well, but that those smack in the middle had stalled. The only trouble with this story is that it's not true.

All it took was one half-understood document to banish from public consciousness the equally misleading debate we were having just a few short months ago about how those at the bottom were being left behind and why we should raise taxes on corporations and the rich to close the gap.

These lightning strikes of public attention are in fact rather like real lightning: noteworthy more for their destructive power than their ability to light our path. Such statistical portraits inevitably reduce a complex and rapidly shifting society into a few stationary snapshots ripped from their surrounding context. And because comparisons, especially unfavourable ones, excite fear and envy, it is precisely those comparisons that make the news.

Here are just some of the ways, however, in which the Minister's briefing can mislead the lay reader, including journalists, leading them to conclusions not at all supported by the data they cite.

For example, while it may be true that over the whole 35-year period covered, the middle class's income performance stagnated, that was owing to an exceptional period in the 1980s and 90s. Since 1998, income growth for the middle and lower classes nearly matched the increase for top earners. The return to income growth for all classes accompanied a resurgence in the resource and construction sectors and a squeezing of regional differences in unemployment.

Thus, the picture painted by looking at the entire 35-year period is heavily skewed by the fact that there were two unrepresentative decades in the middle. Far from portraying a middle-class plight that requires vigorous government policy response, understanding the whole picture reveals that a temporary problem has quite nicely righted itself as the country's economic performance has picked up in recent years following the recession.

Even if you look at the whole period, however, commentary on the report has glossed over the fact that if you adjust for middle class families now having fewer adults in them than they used to, real middle class income rose by 30 per cent, hard on the heels of the 38-per-cent rise at the upper end of the scale. Maybe it is not quite as fast as income growth at the top, but it hardly qualifies as the "stagnation" so breathlessly invoked.

As for the concern about rising middle class indebtedness, this, too, is almost always presented without its absolutely indispensable counterpart: assets. If, as is the case, rising middle class indebtedness is more than matched by assets whose value is rising (such as homes, RRSPs, pension funds, and so on), then the debt is not an issue. On the contrary: Such debt is the means by which people use their income to acquire assets they value and that improve their standard of living. The net worth of the middle class is rising, a far more important fact than their rising indebtedness.

Moral panics about contentious interpretations of half-digested data are no basis on which to make economic policy. To the extent that the middle class had an income growth problem, it has largely faded in recent years. And it faded because we're enjoying reasonably balanced economic and job growth that is the outcome of pursuing thoughtful policies compared with many of our competitor countries.

Jim Flaherty needs to keep his eye on the ball of steady growth through trade liberalization,

investment, fiscal discipline, natural resource development and infrastructure improvement. So far, such policies have worked well – including for the middle class.

*Brian Lee Crowley is the managing director of the Macdonald-Laurier Institute, an independent non-partisan public policy think tank in Ottawa: [www.macdonaldlaurier.ca](http://www.macdonaldlaurier.ca).*

---

© 2013 The Globe and Mail Inc. All Rights Reserved.