



Policy paper number 2:

**What the NDP is all about:
Social democracy, and a
more equal Canada**

November 30, 2011

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Dear friend,

When I launched my campaign to be leader of the New Democratic Party of Canada, I said that the key goal of the NDP national government we will elect in 2015 should (and must) be to build a more equal Canada.

This goal raises important issues about what our party is all about -- since it implies raising important questions about the conservative consensus that has led Canada, and much of the world, into gross inequality -- and calls on us to propose fundamental alternatives.

I don't think managing the status quo is what our party is here to do. I don't favour moving our party "to the centre" and thereby defeating ourselves even as we win, by adopting the agenda of our opponents. We don't have to become liberals -- or conservatives -- to win.

In Canada today, the gap between the wealthiest Canadians and everyone else is greater than it has been since the 1920s. As I will argue below, we are paying a heavy price for this. But my message is a hopeful and optimistic one. By having the courage to make different choices -- and by having the courage to ask for a mandate to make different choices, by being clear now and right through to the next election about who we are and what we stand for -- we can change Canada and create, one practical step at a time, a more equal society, with many benefits for all Canadians. I think that's what more and more Canadians are looking for.

And more: I believe these issues form the basic difference between our party and the parties of the status quo -- the Liberal/Conservatives who, alternating in office, have pursued the same conservative agenda for many years now.

In a political system dominated by the national disgrace that is question period in Parliament, by six-second soundbytes and by 140-character text messages, there is no room for discussion about political philosophy. But we aren't engaged in an election campaign or in the depressing reality of day-to-day politics in Mr. Harper's Canada. This is a detailed, seven-month discussion between members of the New Democratic Party of Canada about our party's leadership and basic direction.

I think candidates for leader therefore owe members of our party a statement about what we are fundamentally trying to do, and what we think our party is fundamentally all about. So this note is my take on what we are fundamentally trying to do, and what we are fundamentally all about.

This paper is part of a series of notes I propose to share with you. Two days ago I released a detailed paper on equality as applied to our taxation system. In coming weeks I'll have more to say on a number of other matters. If you like what you read here, please forward it to others who might be interested. And if you'd like to help with my campaign, please get in touch! You can find me at briantopp.ca, or email me at briantoppleadership@briantopp.ca.

All the best,
Brian Topp

Defining Equality

Social democrats believe in a well regulated, efficient market-based economy aimed at sustainable growth. We also believe in strong social and fiscal policies aimed at achieving greater equality.

But what do we mean by equality? This is a critical point of difference between liberals and social democrats. The liberal concept of equality emphasizes political and civil rights. Such rights include the right to vote, the right to stand for office, freedom from discrimination and equality before the law. These rights are fundamental, and social democrats support them and fight for them, but they are not enough.

When social democrats speak of equality, we also speak of social and economic rights, of substantive equality. These are rights like the right to medical care, to education, to retirement and to freedom from poverty. We believe in a society that distributes wealth and income more evenly. Social democrats reject unfettered markets because unfettered markets produce the unfair distribution of wealth we are experiencing today. Only by combining progressive taxation with social rights, removing appropriate goods and services entirely from market criteria, can we ensure a fair degree of real equality.

The Impact of Inequality

Income inequality is growing rapidly in Canada and the federal government is facilitating its growth. Many on the right argue that inequality is good, that it drives individual competitiveness and economic growth. They argue that inequality is a fundamental incentive, the price we pay for a dynamic economy. The argument seems cogent, but it's wrong. Inequality poses a tremendous threat, and not just to the poor, not just to the lowest 50% of income earners, not just to the 99%, but to everyone.

In some ways, perhaps, this point is counterintuitive, because we are so used to thinking of winners and losers. If the poor are getting poorer, and the rich are getting richer, the poor are losing and the rich are winning, right? No, inequality produces only losers. This is not just an ethical argument, it is based on solid evidence.

Two leading British academics, Kate Pickett and Richard Wilkinson, have demonstrated this clearly.ⁱ Using open and authoritative data, they measure how both income and the distribution of income affect a wide range of societal outcomes, from crime rates, to lifespans, to teen pregnancies. The results are startling and unequivocal.

Beyond a basic minimum, income level has virtually no impact across the entire range of indicators. It is income distribution, economic equality, that matters. More equal nations are better off in almost every way. Their citizens are healthier, live longer, commit fewer crimes and contribute more to civil society. These relationships hold among all income groups. Even if we only look at the middle class, or even the richest segment of the population, people are safer, healthier and live longer when they live in a more equal society. Further, income mobility also tends to be higher in more equal societies. Contrary to the received wisdom, movement to a

higher income bracket is *easier* in a relatively equal country like Norway than in a relatively unequal one like the United States or Great Britain.

In short, inequality produces no winners.

Economic growth alone will not address our greatest challenges. To provide a better quality of life for Canadians, we need a more equitable distribution of wealth. Our political leaders need to recognize this truth, and act on it.

The Social Democratic Response: Demanding Equality

Instead of worshipping the market, we should recognize its benefits but underline its limits. Instead of seeing government as the enemy, we must reclaim its possibilities.

This is a difficult time to believe in the possibilities of government. We are so inundated with the idea that government is always the problem, that taxes are always evil. While we must demand transparency and accountability in our government – and it has been sorely lacking – we must also reject these facile arguments. Government action alone holds out the hope of reversing the seemingly intractable problem of escalating inequality. In a democracy, government should not be a servant to the market; government should ensure that the market serves the people.

Social democracy, in finding a new balance between private markets and public goods, promises a more equal and a more prosperous Canada.

Markets and the State

All of this being so, it is time to seek a new balance between the public good and private markets.

This new balance should respect the capacity of markets to drive innovation and efficiency. Canadians well understand that in much of the economy, a market mechanism is best. It provides for the innovation and creativity that results in the technological breakthroughs that change and connect our world. It increases the productivity and potential of our economy to meet the needs of Canadians and our trading partners. The private sector – and the cooperative sector -- are an essential engine of job creation and wealth that we rely on to raise our families and build our communities (there is much to do to encourage access to capital and to focus that capital, sustainably, responsibly and productively, on our real economy – I'll discuss this and a number of other economic and environmental issues in other notes).

However, it is perfectly clear to even a casual observer of the current economic crisis, that there is also great danger in unconstrained markets. Left to its own devices, a market-driven economy can produce a profoundly unfair distribution of goods and services. To protect the public good, the market must be regulated and its borders should be clearly defined. There are goods and services too fundamental, too vital to be distributed by the market: health care, education, and environmental protection are among them.

A belief in the coupling of a market economy with wide-ranging universal social rights defines social democracy. Only government has the capacity and authority to define and ensure these social rights. Individuals do not have enough power, and too often corporations have used their considerable influence to undermine them. Government alone can address the imbalances that markets generate; it has a duty to act.

Notwithstanding much overheated conservative rhetoric to the contrary, government can act effectively to promote both economic growth and equality. In the decades after World War II, Canadians articulated, fought for and won new economic and social rights including the Canada Pension Plan, unemployment insurance and public health care. Government action and intervention contributed to gains in substantive equality, while also supporting a strong, high-growth economy.

Achieving more equality in our everyday lives, we Canadians also became a nation of greater social cohesion. This paved the way for women, First Nations, racialized Canadians and gay, lesbian, bisexual and transgendered people to successfully struggle to enhance their rights.

But in these conservative times, the goal of a balance between public goods and private markets has not simply been lost, it has been deliberately dismantled. Liberal and Conservative Governments have channeled revenue and debt into tax cuts for profitable corporations and high-income individuals. Under these parties, the willingness of the federal government to pursue equality has withered, and social and economic rights have been undone.

Successive governments have turned their backs on the pursuit of equality using arguments that we now know to be false: that ever lower taxes and less government generate growth, that the unfettered growth of free markets will end poverty and “lift all boats,” and that social programs and economic rights make our economy non-competitive. These conservative truisms are not true. Strong social programs are a competitive advantage. A healthy, highly-educated workforce and modern infrastructure are the crucial ingredients of a strong economy and they must be funded collectively.

As a result of the political decisions outlined above, virtually all the benefits of economic growth now go to the very, very few. While many Canadians struggle with stagnant incomes, precarious employment, a lack of affordable housing, less retirement security and enormous student debt, the top 1% of income earners have seen incredible gains.

The income share of the richest 1% of Canadians nearly doubled between 1982 and 2007. Nearly one-third of all growth in Canadian incomes over this period went to this tiny slice of the population.ⁱⁱ In stark contrast, the bottom 50% of Canadian families has not seen a significant increase in real income over the past thirty years.ⁱⁱⁱ

The evidence is overwhelming: income inequality is rising in Canada, fast.

Canadians are facing many other changes and challenges: shifts in the economic centre of gravity from North America and Europe, an aging population, environmental degradation.

And now, the good news

So now, here's the good news.

We can do far, far better.

We can make better choices. We can respond to these changes and challenges. We can promote sustainable economic development and greater equality – in the mainstream of the industrialized world, as many other countries have chosen to do, by electing a modern, fiscally prudent, economically literate, socially progressive, determined, practical, future-focused social democratic government dedicated to addressing these issues with commitment and determination, one practical step at a time.

In my view, that is what the New Democratic Party is fundamentally all about, and what we are fundamentally trying to do.

ⁱ *The Spirit Level*, Richard Wilkinson and Kate Pickett, Penguin, 2010

ⁱⁱ Armine Yalnizyan, *The Rise of Canada's Richest 1%* (Ottawa: Canadian Centre for Policy Alternatives, 2010).

ⁱⁱⁱ "A Quarter Century of Economic Inequality in Canada," Lars Osberg, CCPA, 2008