

For richer, for poorer



Published: June 29 2007 18:27 | Last updated: June 29 2007 18:27

Having fairly recently moved from London to New York, I can report that a lot of Americans think that Europeans are slackers – though their views on whether this is a good or a bad thing are probably as polarised as the nation's politics overall.

But over the next few days much of the US seems set to defy the national self-image of 24/7 workaholic. With the Fourth of July falling on a Wednesday, a remarkable number of Yanks seem inclined to take the whole week off, an approach so Gallic that the French even have a name for it – *faire le pont*, or “to make the bridge”, which is the way that two weekends with a holiday in between can be turned into a glorious excuse for some *joie de vivre*.

The temptation to do so is particularly powerful for expat Canadians like me, because we have Canada Day on July 1 as an added excuse. The two national holidays are also an occasion for me to reflect on some of the contrasts between these North American neighbours.

Please stick with me here. I realise that “exciting Canadian story” is for many people a good definition of an oxymoron. But Canada is capable of arousing passions – even American ones. Over the past few months, I've written about what I thought were some of today's hot-button issues, including immigration and working motherhood. But the only really hostile feedback I've received was prompted by an offhand characterisation of Canadians as “nice”. As one “mid-westerner” wrote to me: “stultifyingly smug, devoid of any self-criticism [and] virulently anti-American may come closer to the mark.”

Smugly, my plan today was to offer some Canadian perspectives on America's rising income inequality. The New York Times recently devoted an issue of its Sunday magazine to the subject, with a cover featuring John Edwards, the presidential candidate who has played the theme most heavily in his campaign. Those Fourth of July celebrants taking this week off can spend some of their leisure hours reading one of the many new books on the subject, including *Richistan*, a rollicking guide to the America inhabited by the super-rich written by a Wall Street Journal reporter, or *The Manny*, a novel about the family life of the Park Avenue plutocracy, as witnessed by one of its daughters, Holly Peterson – as in Pete, one of Blackstone's co-founders.

My devoid-of-any-self-criticism Canadian observations were going to be based on a 2005 report from the Institute for Competitiveness and Prosperity, a Toronto think-tank. The study found that America's “poor are poorer than in Canada and its rich are richer”. Canada's poor, the report suggested, were not just richer than America's poor, they were better-off than poor people in any big country in the world. That meant “arguably that Canada has done the best job in the world of combining prosperity with economic equality”.

Fleet Street hacks have a wonderful saying – some stories are too good to check. Sadly I did. And when I spoke to Jim Milway, executive director of the think-tank, he said he and his colleagues were in midst of a “deeper dive” into the statistics – which had started to suggest the astonishing possibility that maybe America's poorest quintile was actually better off than Canada's bottom 20 per cent.

“If you're going to be at the top of the heap, then you'd rather be in the US than anywhere else,” Milway told me. “The American economy is designed to reward its highly successful

individuals.” By contrast, he said, if you were in the bottom 20 per cent, “normally quoted statistics would tell you it is better to be in Canada. But . . . when you do a proper accounting of the benefits paid to poor Americans, the answer may flip”.

Milway cautions that this research is still incomplete. But if it holds up, he thinks Canadians will “have to be careful in being so smug about how much better our poor Canadians do than poor Americans”. The finding may also offer a clue as to why income inequality doesn’t yet seem to be getting that much traction at the US ballot box.

But, he adds, Americans should not be sanguine. Even if it turns out to be better to be poor south of the 49th parallel, he warns: “the bottom quintile measures their success against other people in their own society, not poor people in other societies.”

Income inequality within a country can make those at the bottom feel poorer, no matter what their absolute income. Cornell University economist Robert Frank thinks this perception may induce people to make bad choices about how to spend their time and money. Because the value of many goods is “positional” – the benefit I get from what I have depends on what everyone else has – growing inequality can reduce the perceived value of some of our possessions. In his new book *Falling Behind*, Prof Frank argues that the resulting struggle to keep up with the plutocratic Joneses has led the American middle class to work harder, endure longer commutes, sleep less, save less and borrow more.

These last two responses may have worrying implications for America’s long-term economic health. And it doesn’t take an economist to point out that they might also be making a lot of middle-class Americans pretty unhappy. As Mr Micawber observes in *David Copperfield*: “Annual income twenty pounds, annual expenditure nineteen nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.”

Chrystia Freeland is the FT’s US managing editor

chrystia.freeland@ft.com

More columns at www.ft.com/freeland

Copyright The Financial Times Limited 2007