SECTION C. HOW COULD INCOME INEQUALITY AFFECT HEALTH?

The comparative analysis of income inequality and mortality in Canada and the U.S. reveals that there may be an added dimension to the uphill struggle for health. In addition to the effects of an individual's own social position, it appears that people who live in more unequal states and cities of the U.S. have a large added health disadvantage. While being poor puts individual Canadians *and* individual Americans at risk for poorer health, living in a highly unequal Canadian city or province does not seem to carry the same health disadvantage that living in a highly unequal American city or state does (at least it didn't in 1991).[43] What factors differ between Canada and the U.S. that could explain why living in an unequal place give Americans and added health disadvantage?

Why the Canada – U.S. Difference in Income Inequality and Health?

Canadians frequently compare themselves to Americans. It's understandable, considering that the United States is our next door neighbour, our largest trading partner, and also the largest and most politically and economically dominant country in the world. In the last couple of years it has become common for Canadian lobby groups to conduct studies comparing Canadians' standard of living to that of Americans'. Given the size and international dominance of the country and its economy, it is not surprising that the United States comes out on top, as such analyses usually only measure *average* standard of living. At the same time, however, Canadian cities (and the country as a whole) routinely receive international awards for being the best place in the world to live. Canada consistently ranks better than most countries if we measure standard of living in health terms.

[43] Remember that the research described in Section A was conducted with data for 1991. In Section B, evidence was presented that showed inequality has been increasing over the 1990s. It may be that this widening inequality has already changed the situation in Canada and undermined the Canadian health advantage. The data for such an analysis will not be available until 2003, when the 2001 Census of Canada has been compiled.

But what gives Canada its health advantage? More specifically to the purposes of this report, why is the distribution of income at the population level associated with population health in the United States but not in Canada, while for individuals, income is a very strong and robust predictor of health?

There are a few immediate responses that can be given to this question. One is that Canada has universal health insurance. Another common response is to point out the different role, history and social position of racial minorities have in the two countries, with black African Americans still suffering from the long legacy of slavery and racial discrimination that has been a fundamental part of the social fabric of the United States. While the differences between Canada and the U.S. on race and health care are probably influential, this report will argue that they are influential for reasons that are not easily discernible.

So if the differences between Canada and the U.S. that give Canada its health advantage are not obvious, what are they? There are, in fact, three major differences between Canada and the U.S. that are the most likely suspects in the Canadian health advantage. The first concerns Canada's income tax system. Canada has a much more progressive income tax system than the U.S. and taxes collected are redistributed to low-income households to narrow the gap in the standard of living between Canadians. There is little question that this kind of investment pays a large health dividend. Second, Canada possesses a much greater wealth of "public goods" than the United States. This simply means that there are many things (like public spaces, parks, recreation centres, cultural activities, high-quality elementary and secondary education, health care, etc.) that Canadians can access for free or at little cost.[44] There are good reasons to believe that the public goods Canadians enjoy raise the standard of living of all citizens very efficiently and also pay a large health dividend. One of these important public goods, universal access to primary health care, was discussed earlier. A final important difference between Canada and the U.S. is the degree of

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[44] It is true that there is generally little or no cost to people using these public goods. However, it is important to remember that although there is no cost to access the service, there are costs associated with funding it.

residential segregation by income. Although segregation is increasing in Canada, is not nearly as strong than in the U.S., nor is its effects as corrosive to health.[45]

The Health Effects of Canada's Income Tax and Redistribution System

Canada has a much more progressive income tax and transfer system than the U.S. The term 'progressive' simply means that the more money you earn, the greater the percentage of income you pay to income taxes. In other words, the system is based partly on an ability-to-pay principle. Other taxes, like sales taxes and property taxes are inherently regressive, which means that they are proportionately more burdensome for the poor. Revenues received by provincial and the federal governments from sales, income and business taxes are used, in part, to fund income redistribution programs like income assistance, child benefits, employment insurance and old age security. These programs are based on the principle that the economy is something that will experience cyclical ups and downs, and that we need to have measures in place to protect people, especially lower income households, from the vagaries of the economy.

For many people, providing social programs is viewed simply as an altruistic gesture. But the social and economic importance of these programs goes well beyond altruism – these programs are important investments in human capital. Like other capital assets, human capital can depreciate with under-use or it can become obsolete with changing circumstances. Unlike other capital assets, however, human capital can be renewed – people can be re-trained and their skills can be upgraded to change with the times. Thus, investments in human capital are shrewd because they help to maintain human capital during economic downturns and individual transitional periods. This is the crucial role that income redistribution programs play.[46]

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[45] For a detailed account of increasing residential segregation in Canada see: Myles J., Picot G., and Pyper W. *Neighbourhood Inequality in Canadian Cities.* Statistics Canada Catalogue No. 11F0019MPE No. 160.

[46] Benabou, R. 2000. Unequal Societies: Income Distribution and the Social Contract. *American Economic Review.* (March): p. 96-129.

Canada's income redistribution programs appear to work well. The best available evidence suggests that at least until the early 1990s, the income redistribution system was doing a relatively good job of protecting people from inequalities in market income. Figure 18 (Section B) shows that although inequality in earnings increased quite substantially over the 1980s and 1990s in Canada, inequality in income after transfers and taxes remained constant.

There is a disturbing trend in Figure 18, however. There were two sharp upturns in wage inequality, one in the early 1980s and one in the early 1990s. The latter received a great deal of public attention, as people lamented the growing gap between the rich and poor in Canada. The high-tech economic explosion of the late 1990s drowned out the calls for more equality. What is disturbing about these two sharp increases in earned income inequality is that they appear to be relatively permanent adjustments in the labour market. In other words, the income redistribution system is still working as it should, but must deal with a more challenging labour market than before. It follows that we cannot be complacent about growing inequality in Canadian society.

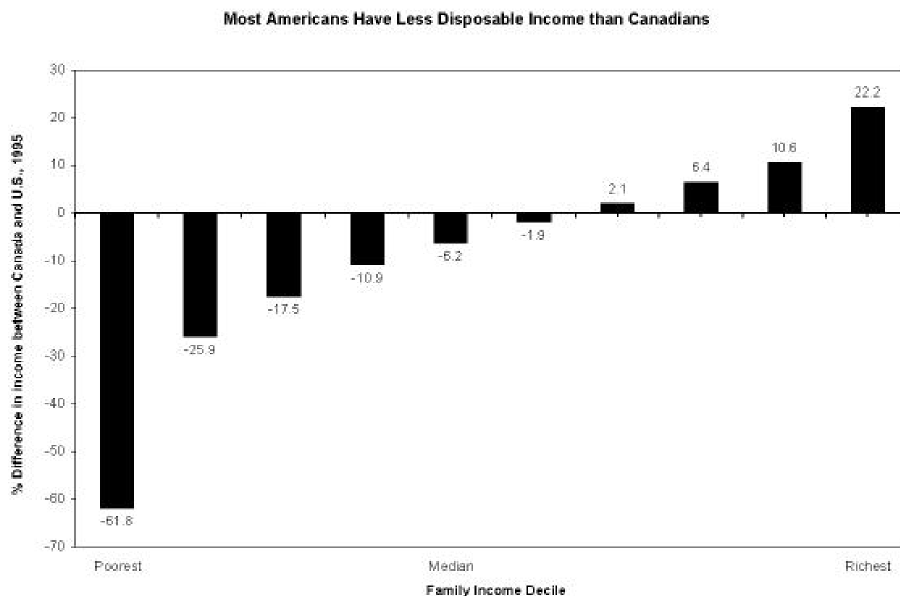

Figure 19: Difference in disposable income, by income decile, Canada vs. U.S. (adjusted for purchasing power parity)

Source: Wolfson, M.C. and B.B. Murphy. 1998. New views of inequality trends in Canada and the United States. *Monthly Labor Review.* 121(4).

It is also likely that the Canadian income redistribution system has health benefits. Specifically, Figure 19 shows that far fewer people live in poverty in Canada than in the U.S. and those who do are much better off than their American counterparts. In the analysis in shown in Figure 19, the authors split the population of each country into 10 income deciles, and compared the Canada-U.S. difference in average disposable income in each decile (adjusted for purchasing power parities). The bottom 10% of Canadian income earners were 61% better off than their American counterparts in 1995, and the second lowest decile of Canadian income earners were 25% better off. It's only when you look at the upper 40% of the income distribution that you can say Americans are better off. As the situation in the U.S. clearly illustrates, the rising tide of a buoyant economy does not lift all boats in health terms.

The health effects of poverty are well established. And when you consider that the social gradient in health touches us all (the ladder of health has rungs at all income levels), the distribution of economic benefits matters crucially. Consider that the infant mortality rates of all income groups in Canada are below the U.S. average (Figure 20).

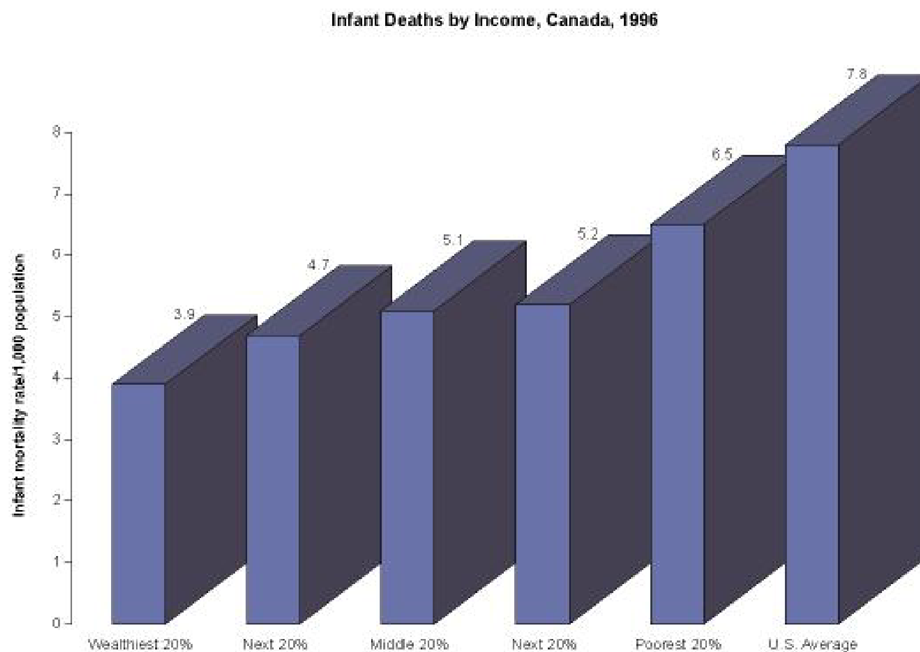

Figure 20: Infant Mortality Rate by Income, 1996
Source: Statistics Canada, Health Reports 1999. 11(3): 25.

The favourable position of Canada's lower-income people vis-à-vis the U.S. should not be a cause for celebration, however. Canada's child poverty record, for example, is an international embarrassment. A number of researchers have estimated that 20% of Canadian children live below the poverty line, a line that is set very low to begin with.[47] Similarly, Canada's homelessness problem is bad and worsening.

It is estimated that 30,000 different people use Toronto's homeless shelters in any given year.[48] The looming health burden that child poverty and homelessness represent is extremely large and is likely to have profound consequences for the school system, the health care system and for economic performance and quality of life for all Canadians. Consider remarks made on housing and homelessness by Elyse Allan, President of the Toronto Board of Trade, in a speech given on June 9, 2000,[49]

> "A successful business community is very much dependent on a workforce that is woven into the social fabric of the city. The lack of affordable housing presents a barrier to full participation in our community. It also means that businesses are unable to attract and retain an available and motivated workforce.
>
> "And, without a full range of housing options for its workforce, businesses may choose to locate or move elsewhere.
>
> "It has an impact on business activity, particularly the tourism and retail sectors. Unless it is addressed, homelessness will continue to reduce Toronto's global competitiveness and erode the quality of life in our city.
>
> "For the parents among us here, we know that a stable home environment, a safe community and the ability to participate in the economic and social life of our city is an absolute must. Without such an environment, children, in particular, are demonstrably at risk".

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[47] Jackson, A. 2001. *Background Notes for a Presentation to the House of Commons Subcommittee on Children and Youth at Risk*. Ottawa: Canadian Council on Social Development. www.ccsd.ca/pubs/2001/ajncb.htm.

[48] See: http://www.onpha.on.ca/nph/need.html. Also, City of Toronto Councilor Jack Layton's website is another good resource: http://www.jacklayton.com.

[49] http://www.bot.com/home6speech.html

It is evident that the tax and transfer redistribution system is essential to mitigating widening inequalities in wage income and to maintaining a standard of living that can support good health for all. Such policies improve the quality of life for everyone, and economic investment is sensitive to quality-of-life concerns. Despite the apparent effectiveness of the tax and transfer system through difficult times in the 1980s and 1990s, the ability of all Canadians to attain a healthful standard of living is in serious jeopardy. Based on what is known about the social gradient in health, cuts to welfare rates and eligibility, especially in Ontario and Alberta, as well as the tightening of eligibility for employment insurance (despite a huge surplus in the program), are grave threats to the health of Canadians.

Canada has an unquestionably better and stronger social safety net than the United States, and the recent round of cutbacks under the label of "welfare reform" in the U.S. has only solidified Canada's position. It is likely that these programs are one of the important factors that have protected Canadians from the corrosive health effects of income inequality. But Canada cannot be complacent about its superior position. Recent drastic cutbacks to such programs in Canada (in particular income assistance, employment insurance, social housing)[50] may already have pushed us past the point where the increasingly unequal distribution of income undermines population health. If such connections can be verified by further research, the policy prescription is to maintain our progressive tax and transfer system and pay close attention to the quality of life for all Canadians. Indeed, it is in our interest to do so, both economically and in terms of our health.

[50] Both Federal and Provincial spending, as a proportion of GDP, decreased in the 1990s. In Ontario, for example, program spending declined from 15.6% of GDP in 1994-95 to a budgeted 12.2% in 2001-02 (Based on Ontario's Budget in 1998, 1999, 2000, and 2001: calculations by the Registered Nurses Association of Ontario. Federal program spending declined from 16.6% of GDP in 1993-94 to a budgeted 12% in 2000-01: from Canadian Centre for Policy Alternatives, *Behind the Numbers*, Vol. 2, No. 3, Jan. 20, 2000.

'Public Goods', Income Inequality and Population Health

One of the things that distinguishes everyday life in Canada compared to most places in the U.S. is that there are a great many things that Canadians receive simply by virtue of living in Canada. We all receive, irrespective of our individual income: health insurance for medically necessary services, including basic primary care; very high-quality, free public education for elementary and secondary students; high-quality, low-cost post-secondary education; relatively safe streets; relatively good and well-maintained infrastructure (roads, bridges, sewers, water supply, etc.); relatively good and low-cost public transportation; public recreation centres (with swimming pools, gymnasiums, hockey rinks, etc.) and recreation programs with low user fees, and a myriad of other things that are fundamental to the quality of our day-to-day lives. It is important to reiterate that Canadians receive these public goods irrespective of their income, and the quality of these "goods" does not differ substantially across households with different incomes. The situation is substantially different in the United States. In the U.S., a household's ability to access high-quality education, health insurance, safe streets, good infrastructure, easy transportation, recreation opportunities, and so on, is fundamentally tied to that household's income, e.g. their ability to pay for it. These public goods fundamentally shape an individual's "life chances" (chances of succeeding in life), and we know from the social gradient in health that an individual's life chances are strongly connected to their "health chances". Public goods are thought to be important factors in the health of Canadians.

Canadians often take for granted the importance of public goods to their quality of life. Increasingly we are led to believe that if taxes were cut, our quality of life would improve. But, in fact, for the vast majority of people, the benefits they receive from public goods far outweigh the costs. Consider a few concrete examples. Skateboarding has become very popular among North American youth. But teenagers don't want to just skateboard on their own driveway - it's impossible to do jumps and tricks and it's too small. Since few households could afford a yard big enough and the cost of installing a really good skateboard park, we rely on collective mechanisms to provide universal access to skateboard parks. It's very efficient, as everybody gets access to a skateboard park for a

relatively low individual contribution (an even lower contribution if the costs of the park are amortized over its estimated lifespan, which is only fair because any given household will only use it for a maximum of ten years while the park may exist for 50 years). It's also a capital investment with huge human capital spin-offs. Every teenager, regardless of their parent's income, has a chance to belong to something meaningful, meet friends of all walks of life, and feel like they belong to the collective. This perpetuates a desire to give something back to the larger society and contribute productively.

But what if you don't like skateboarding? Well, the same story is true for hockey, basketball, tennis, health care, education, transportation, etc. For example, it is very efficient for a pool to be shared by a few hundred households, because no one swims all day, all their life. But swimming enthusiasts will swim for a couple of hours a week for probably 30 years of their life and the rest of the time the pool will be used by others, rather than sitting idle. Very few individual households could afford to build such facilities, but if we act collectively, we have access to them *all* for a relatively low cost and with incredible efficiency. This is the case for all investments in most public goods and it makes as much sense as it ever did. Indeed, *it is unlikely that if a given household's contribution to the collective goods was returned to them in tax cuts, that any more than a small percentage of them could purchase better health care, education, transportation, recreation, etc.*

Almost everyone would agree that improvements to their quality of life will improve their health and that access to education, health care, transportation, recreation, etc. are fundamental to quality of life. It follows that the progressive income tax policies and the public goods funded by revenues from those taxes contribute strongly to our health. If we continue to strain the income redistribution system by relying less and less on progressive taxes (income tax) and more and more on regressive sources of revenue (sales taxes, user fees, etc.), it will become harder to raise the revenues needed to sustain Canada's wealth of public goods. Indeed, the last few years have seen all of the public goods listed here – education, health care, transportation, recreation, etc. – deeply eroded by cuts. With the economy strong as it is right now, it makes sense to renew Canada's public goods, which

have weakened from neglect, and restore Canadians' confidence in the value that they're getting for their taxes. Public goods are good value for money.

Segregation, Public Goods, and Population Health

One of the other important differences between Canada and U.S. is the level of segregation in our cities and the effects that segregation have on quality of life. It has been known for a long time that housing markets are remarkably effective at sorting people of similar socio-economic status into similar parts of the city. This is reflected in the fact that most cities have working-class neighbourhoods, middle-class neighbourhoods and so on. This is partly orchestrated by city planners and the real estate development industry, but regardless of the sources of segregation, it has consequences that researchers are beginning to understand more effectively.

But how could segregation affect health and well-being? In the first place, residential segregation by socio-economic status has the capacity to create distinct social environments, which can pass on distinct life chances to individuals. A good deal of research has shown that there can be significant neighbourhood influences on the health, well-being, and competence of children and youth.[51] The importance of socio-economic factors in early child development and youth outcomes, especially educational and behavioural outcomes, cannot be understated. The developmental environment in which children and youth grow up can have a lifelong effect on health, well-being and competence.[52] While there is no question that the family environment is the most important influence on child and youth development, neighbourhood environments can also be very influential. There is good evidence from the United States, for example, that children from lower socio-economic families who live in mixed income neighbourhoods have better

[51] Kohen, D.E. and Hertzman, C. 1999. Neighbourhood affluence and school readiness. *Education Quarterly Review.* 6(2): p. 44-47.
[52] McCain, M. and Mustard, J.F. 1999. *Early Years Study, Final Report: Reversing the Real Brain Drain*. Toronto: Publications Ontario.

educational, economic and social outcomes in adulthood than similar children growing up in poor neighbourhoods.[53] There are a number of plausible explanations for such a phenomenon. One suggests that mixed income neighbourhoods have more positive role models who have already succeeded in life and that this is influential on developmental outcomes. It is also believed that the existence of peer groups with high aspirations and social norms conducive to success (e.g. to finish school, go on to higher education, etc.) can make such life choices seem possible for children who may not have such aspirations intrinsically. It follows from these findings that one possible way to maximize the social development of Canada's children and youth is to plan our cities for social mix rather than social exclusion.

For adults, similar outcomes have been observed, although there are many unanswered questions. It is plausible, however, that mixed income neighbourhoods can be beneficial because of the network such an environment may provide individual access to. A mixed income neighbourhood may be more effective in demanding better police protection, may be able to resist unwanted land uses (with environmental threats, for example), and have more resources to invest in high-quality public goods. Such advantages accrue to everyone in that neighbourhood. It may also be that living in a mixed income neighbourhood can give individuals access to more social networks with more opportunities – for better jobs and economic opportunities or immersion in social norms more conducive to better health (e.g. non-smoking norms, norms that support appropriate use of alcohol, etc.).

Financing Local Public Goods

The manner in which distinct neighbourhood social environments can create distinct life chances is similar in both the United States and Canada. Residential segregation by income and social exclusion can compound the disadvantages of low socio-economic status, while

[53] Brooks-Gunn, J., *et al.* 1993. Do neighborhoods influence child and adolescent development? *American Journal of Sociology.* 99(2): p. 353-395.

the advantages of higher socio-economic status can be multiplied by living in a higher income neighbourhood. But despite this similarity, segregation is far more corrosive to health in the U.S. than in Canada due to a crucial structural difference between Canadian and U.S. cities that has consequences for the distribution of public goods. In the U.S., there is extremely wide variation in the available stock of public goods in different neighbourhoods in the same metropolitan area. Much of this difference can be linked to the way that public goods are financed and the relative roles of local governments in the two countries.

In the United States, public goods tend to be provided mainly by municipal governments and they tend to be financed by local property taxes much more so than in Canada. As described above, property taxes are a regressive source of revenue. Therefore, when it comes to services financed by property taxes, the lower one's income the greater the proportion of income that will go to taxes. The situation is quite a bit different in Canada (although changing rapidly). Traditionally, Canadian municipalities have been the recipients of substantial transfer payments from provincial governments. However, the provinces' proportional contribution has declined substantially over the past decade, as they passed on the cutbacks in transfer payments they receive from the federal government. In Canada, many of the service responsibilities of U.S. municipalities are fulfilled directly by provincial governments. The implication of provincial transfer payments and direct service provision is that many services consumed in Canadian cities are funded by progressive sources of revenue, like income taxes. An important difference between Canada and the U.S., therefore, is that the progressive nature of the Canadian tax system permeates the everyday life of the cities we live in, because the public goods we use every day are funded either directly or indirectly by progressive revenues. But there is a further difference that is important too.

In the U.S., the problems created by a high dependence on property taxes are compounded by the relative autonomy of municipalities compared to Canada. In both countries municipalities have a similar constitutional status, but a different set of powers in practice. In fact, in both countries, municipalities technically have no constitutional status at all, and

are only deemed to exist by the province/state. In practice, however, American municipalities have considerably more autonomy than Canadian municipalities and more responsibilities (should they choose to accept them – many of them are voluntary).

Since municipalities rely heavily on property taxes for their revenues, it is logical that a given municipality would want to enhance its own tax base and one of the best ways to do that is to attract wealthy residents. A good way to attract wealthy residents, in turn, is to implement exclusionary zoning by-laws that prescribe single-family dwellings with large minimum lot sizes (or even triple-car garages, which are mandatory in some U.S. municipalities!). Obviously, only more affluent people can afford such houses and this means the citizens of our hypothetical municipality will have low social service needs as well as lots of money. As a result, the municipality is likely to provide excellent services and charge low taxes. Other municipalities within the same metropolitan area, however, will have to house the less affluent families, which means they will face greater social service needs and a lower tax base from which to draw upon. This in turn will often lead to both higher taxes and poorer services for these municipalities. Exclusionary zoning measures are not only used by the most affluent municipalities, but are available (and used by) municipalities all across the social spectrum. Some middle-class municipalities may allow for multiple-family dwellings as well as single-family dwellings, but will pass by-laws forbidding any apartments with more than one bedroom. This means that they will limit the number of poor children who will need schools and will likely limit the number of special needs kids in those schools as well.[54]

Indeed, in U.S. metropolitan areas, there are usually a wide variety of municipalities along this continuum of excellent services/low taxes ⇒ poor services/high taxes. Moreover, it is very difficult for the less affluent municipalities to get ahead, because they face an uphill battle. Those people who are able to will leave a high tax/poor service municipality for a municipality with a better value of taxes and services. They leave behind a population,

[54] A municipality with only one-bedroom apartments will attract few poor families with children. The cynical name for this practice, of zoning only for one-bedroom apartments, is 'hysterectomy zoning'.

however, with an even lower tax base and the same social service needs. The rich become richer and the poor become poorer.

In addition, in many U.S. states (e.g., California), the laws governing municipal incorporation are very liberal, meaning that it is possible for a number of landowners living contiguously to band together and incorporate as a municipality (if they can pay the legal fees, of course). The newly created municipality is then free to purchase services from the county in which it is located or it can offer its own services. For example, it would be common for a small municipality to purchase water and sewer services from the county but to have their own police force. If they are effective at keeping crime out of their municipality, then they will save money and can either reduce taxes or enhance services. There are other things which municipalities have an incentive to exclude for financial reasons as well. Indeed, a given municipality has a huge incentive to keep activities and people with high needs out of their municipality and a similarly large incentive to attract people with money to their municipality. At one time it was very easy to keep unwanted people out of a municipality through the use of restrictive covenants on deeds. It was not so long ago (as recently as 1948 in some places) that restrictive covenants were legal as a means to exclude black, Jews, or other identifiable groups from living in certain areas. Now that restrictive covenants are illegal, municipalities must resort to more subtle measures, like exclusionary zoning.

Finally, a high dependence on property taxes, in combination with municipal autonomy and liberal municipal incorporation laws promotes a high degree of municipal fragmentation across the metropolitan landscape. The Minneapolis-St. Paul metropolitan region has 187 different municipalities; the greater Pittsburgh metropolitan area has 442 municipalities. This sets up an internal competition for property tax base that reduces the competitiveness of the metro area as a whole. Municipalities are inclined to reduce their standards and their taxes in order to attract "good" residents, and the burdens of crime, poverty, and other social problems are shuffled into those municipalities with the fewest resources to resist and the fewest resources to cope with the problems. The so-called problem of 'fiscal disparities' in the U.S. has become so bad, that the state of Minnesota passed legislation

that mandates a modest redistribution of commercial property tax revenues from the affluent suburban municipalities to the poorer inner-city municipalities – just to stem the encroachment of social problems into the aging suburbs of the city.[55] The competition for municipal tax base within metropolitan areas in the U.S. has also contributed to urban sprawl. Suburban municipalities on the outskirts of metro areas have such low taxes that they need to keep developing the countryside so that the development fees of each successive suburban estate can pay for the services promised to the previously developed suburban estate. It's an unsustainable game that has dire environmental consequences (automobile air pollution, destruction of arable farmland, etc.), as well as social consequences.[56]

It's worth making two final points about the U.S. urban fiscal regime. The fragmented, autonomous, property-tax-based system of the U.S. is both inefficient and unfair. The inefficiency stems from the competition between municipalities of the same metropolitan areas for the same investment and property tax base. This pits the municipalities against one another in a race to the bottom, but everybody loses, because it creates a situation where metropolitan areas have great difficulty in producing public goods and ensuring adequate investment in human capital. Indeed, suburban sprawl makes it difficult to achieve the population density needed to support public transit, recreation centres, swimming pools, etc. efficiently.

Secondly, this haphazard system is fundamentally unfair. This can be illustrated through the issue of so-called "free-riders". Imagine that you live in a suburban municipality but work in a downtown municipality and commute back and forth every day. In a system where services are funded by *local* property taxes, this means that during the workday you benefit from the police, fire, public health, road, infrastructure etc. services in the downtown municipality but pay nothing for them. In fact, you're getting a terrific deal because your

[55] Orfield, M. 1998. *Metropolitics: A regional agenda for community and stability*, Washington, D.C.: Brookings Institution Press and the Lincoln Institute of Land Policy.
[56] Katz, B. and Bradley, J. 1999. Divided we sprawl. *The Atlantic Monthly*, December 1999. http://www.theatlantic.com/issues/99dec/9912katz.htm

municipal government has probably used exclusionary zoning by-laws to exclude the needy people who are being supported by the tax base of the same downtown municipality you are free-riding on. Due to the work and economic activity patterns of the typical city, however, there are not nearly enough people doing the opposite commute to make it an even trade. The outcome of this system is also undesirable: there are hundreds of inner-city neighbourhoods in American cities that are so desperately poor that they are unsafe for most everybody. In Canada, there are a few "no go" areas and most of us enjoy relatively free, easy and safe access to all parts of our cities.

The metropolitan fiscal regime of Canadian cities is quite a bit different. Most major municipal structures are the responsibility of the provincial government. Changes to municipal boundaries, for example, are the decision of provincial governments alone, as Ontarians have recently discovered. This raises an important point. Based on this discussion of the problems with municipal incorporation, one could conclude that the "mega-city" movement in Ontario was a positive one, since it involves large-scale municipal amalgamation, the opposite of fragmentation. In principle, at least, this is true. But municipal amalgamation in Ontario has also been accompanied by considerable downloading of costs and service responsibilities. Where this downloading concerns services sensitive to migration, real problems can arise. For example, the municipal amalgamation process in Ontario has been accompanied by downloading of social housing. Social housing exists to house poor people. Normally, having poor people within its boundaries is not necessarily a problem for a municipality, but when it is accompanied by the traditional 80% - 20% provincial – municipal cost sharing arrangement for general welfare, then it can be a problem. For many Ontario municipalities, their 20% obligation to welfare is their single largest annual expense[57]. If mega-municipalities are responsible for social housing *and* welfare, there is no incentive for any given municipality to offer good social housing because it will simply attract welfare recipients and burden their local property tax base.

[57] Ontario and Manitoba are the only provinces in which municipalities are responsible for paying some proportion of welfare.

In fact, the situation in Ontario may not be that different from the situation in many U.S. cities, although at a different scale. The new, larger Ontario municipalities, with more service responsibilities have an incentive to enter a race to the bottom – reduce services, discourage the poor from living within their boundaries and try to attract investment with the tax savings. This, however, reduces the capacity of municipalities to produce public goods and undermines *everyone's* quality of life in the ways described earlier.

One final point is worth making. The lack of municipal autonomy (under conditions of financial austerity) is something that municipal leaders in Ontario have complained about recently. Several Canadian mayors have sought more autonomy for municipalities and more taxing powers (especially Toronto). The problem these cities complain about, however, has two possible solutions. The first is to give more taxing authority to the municipalities, as they have requested. The other, equally effective and equally logical solution would be to restore transfer payments from the provinces to the municipalities for urban services. If the transfer payments the provinces once received were restored, then the urban fiscal crisis currently in the news could be averted. The latter solution would be far more progressive, more equitable, and more efficient and would be to the betterment of the quality of life, and probably the health and well-being of us all.

Questions of Health Care and Race

As mentioned at the beginning of this chapter, two of the obvious differences between Canada and the U.S. that might account for the difference in the relationship between income inequality and population health are health care and race. What could be the role of these factors?

Health Care

One of the most important social differences between Canada and the United States is that Canada has a universal, public health insurance system, while the private sector plays a much bigger role in health care insurance and delivery in the United States. In Canada, every person is entitled to universal coverage, free of charge[58], for medically necessary services. In the United States, however, health insurance is only guaranteed for seniors and people on social assistance. The U.S. federal government provides health insurance to these groups, with the Medicare program providing insurance to seniors (over 65 years of age) and Medicaid covering people on social assistance. The remainder of the U.S. population is only covered if they purchase health insurance directly, or if it is provided as an employee benefit.

This patchwork of health insurance in the U.S. leaves large gaps. Roughly 15% of the U.S. population (about 42 million people) has no health insurance at all.[59] Having health insurance in the U.S. does not mean access without financial obstacle as it does in Canada, however. There are significant out-of-pocket expenses (deductibles, co-payments, etc.), in the U.S. system. It is estimated that over 45% of all bankruptcies in the U.S. in 1999 were reported to be due to the crushing burden of medical expenses (about 500,000).[60]

How does universal health insurance contribute to the Canadian health advantage? Many would assume that the advantage is attributed to the fact that all Canadians have access to high-tech medical interventions to help treat their illnesses when they become sick. But in fact, high-tech medical interventions do not make a large contribution to reductions in premature mortality. Of course, medicine does extend individual people's lives, but if you add up the magnitude of this effect across the entire population, it is small compared to the

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[58] Alberta and B.C. charge premiums. This is technically illegal under the terms of the Canada Health Act, but not enforced by the federal government.

[59] Institute of Medicine. 2001. *Coverage Matters: Insurance and Health Care*. Washington, DC: National Academy Press. See also: www.iom.edu

[60] Himmelstein, D., and Woolhandler, S., and Hellander, I. (2001) *Bleeding the patient*. Maine: Common Courage Press. Page 24.

impact of preventive and public health measures. In fact, a physician-researcher at the Johns Hopkins University, Barbara Starfield, argues that the main effect on health of uninsurance is a lack of access to primary care – the family physician.[61] Why does this matter so much? If someone who is under-insured (e.g., they have a high deductible or co-payment) gets sick, they're likely to avoid going to the doctor if possible, and will only go once their condition becomes intolerable. The cumulative impact of this can substantially compromise an individual's health and cost the health system a great deal more for treatment. If someone waits until their condition is intolerable, it may increase the likelihood that they will require expensive laboratory tests and possibly hospitalization. Add to this the indirect costs of sickness absence and lost worker productivity, and the U.S. system reveals itself as a false economy. Canadians, on the other hand, have universal access to primary care, and this contributes to the protection from the health effects of population-level income inequality they appear to enjoy.

Race, Income Inequality and Health

The other major difference between Canada and the U.S. is the role and history of racial minorities. In the U.S., the history of slavery still looms large. A substantial proportion of Americans living in poverty are African American, and racial discrimination is still very much part of everyday life in the U.S. It is also the case that African Americans are at a substantial health disadvantage compared to whites. On nearly every health indicator routinely collected, African Americans are at a substantial disadvantage (Figure 21).

But what does race have to do with the relationship between income inequality and health? Does the absence of a group similar to African Americans in Canada explain the differential impact of inequality in the two countries?

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[61] For more on this, see: http://medicalreporter.health.org/tmr0699/importance_of_primary_care_to_he.htm
See also: Shi, L. Starfield, B. *et al.* 1999. Income inequality, primary care, and health indicators. *Journal of Family Practice*. 48(4):275-84.

The explanation certainly cannot be genetic. Research has shown that for the major causes of death and disease common to both Canada and the U.S. (heart disease and cancer), genetics play little part - and what part they do play has a great deal to do with gene-environment interactions that are not well-understood.

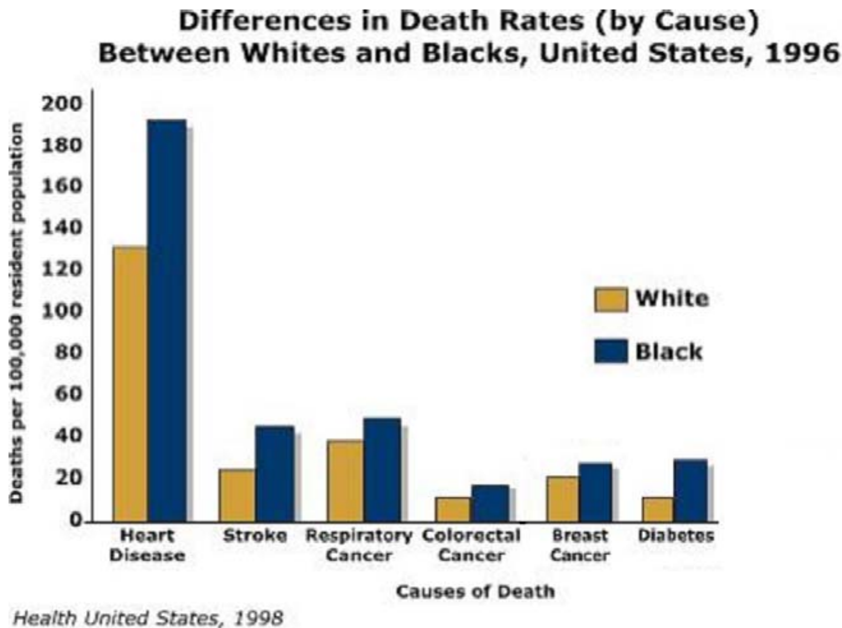

Figure 21: Differences in Death Rates Between Whites and Blacks, United States, 1996. Source: Health, United States, 1998.

Nor is it likely that the explanation is behavioural. Diet, smoking rates, exercise rates, and the like are not so dissimilar between the two countries as to have an effect. And recall that, in Section A, it was shown that behavioural factors are not as big a factor in what makes some people healthy and others not as might be predicted by the amount of media coverage they attract.

The most likely role of race is its association with poverty.[62] Systematic racial discrimination puts African Americans at a considerable economic disadvantage, and this unquestionably translates into health differences. But the ultimate causal factor here is not the discrimination *per se*, but its social and economic consequences. African Americans are less likely than whites to complete high school, college, or university; are more likely to be

poor; and are likely to have earnings much lower than whites. African Americans are also more likely to live in a highly segregated neighbourhood with a high proportion of people below the poverty line.[63] The multiple, overlapping disadvantages, which are the *consequences* of racism are likely to be the most important factor in the health of African Americans. This means that race *per se* probably has mainly an indirect effect on the relationship between income inequality and health, except insofar as poverty amongst racial minorities is tolerated more easily in the United States. In addition, the U.S. appears to tolerate a much larger gap between rich and poor (and black and white) and appears to tolerate depths of poverty that far exceed the depths to which Canadians will knowingly let people sink.

The implication of this is that Canada cannot dismiss the income inequality and health warning from the United States as simply a matter of race. The effect of race, it seems, is highly bound up with the effect of poverty. It follows that the most important differences between Canada and the U.S. are in the magnitude of inequality and the incapacity of the United States to produce public goods.

[62] In this respect, Canada does have a similar group – First Nations people. The poverty – health link is acute amongst native peoples, but they represent a small percentage of the population in Canada and therefore don't make a large contribution to the overall income inequality – mortality picture.

[63] Massey, D., *et al.* 1994. Migration, Segregation, and the Geographic Concentration of Poverty. *American Sociological Review.* 59(3):425-45