

# COMPARISONS OF ECONOMIC WELL-BEING IN CANADA AND THE UNITED STATES THE 2000s

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Abstract: We use here a new measure of economic well-being called LIMEW. LIMEW differs from the official U.S. Census Bureau measure of gross money income (MI) in that it includes all personal taxes, noncash transfers, public consumption, income from wealth, and household production. Our most important finding is that median equivalent LIMEW was at parity between Canada and the U.S. around the year 2000, while the ratio of median MI was 1.05 in favor of the U.S. Moreover, median equivalent LIMEW grew slightly faster in Canada than the U.S. in the early 2000s. Median total work hours was also less for Canada than U.S. – a 7 percent difference – as was *mean* total work hours -- a 12 percent difference. According to the LIMEW measure, the public sector was the leading source of middle class well-being growth between 2000 and 2004 in the U.S. while the growth of base income (notably, labor earnings) led the way in Canada from 1999 to 2005. Inequality was also much less in Canada. The Gini index for equivalent LIMEW was 38.6 in the U.S. around 2000 and only 28.7 in Canada, a 10.0point difference. Much of the difference can be traced to the greater importance of income from nonhome wealth in the U.S. The difference in Gini coefficient for equivalent MI was smaller, a 6.8 point gap. However, while the Gini index for equivalent MI fell by 0.9 points in the U.S. in the early 2000s, it increased by 1.7 points in Canada.

Around 2000, single females had an average LIMEW that was 61 percent that of married couples in the U.S. and 62 percent in Canada. According to LIMEW, the elderly were considerably better off than the non-elderly around 2000 in the U.S., a ratio of 1.13. In contrast, in Canada, the LIMEW of the elderly averaged only 86 percent that of the non-elderly. Gaps in well-being based on LIMEW by schooling group are much higher in the U.S. than Canada. Around 2000, the ratio of LIMEW for the least educated group relative to college graduates was 0.53 in the U.S., compared to 0.66 in Canada; the ratio between high school and college graduates was 0.64 in the U.S. and 0.76 in Canada; and that between those with some college and college graduates was 0.72 in the U.S. and 0.78 in Canada.

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