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Taxation and Child Poverty [1]

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The Tax Justice Network have a nice little graph here [3] . Their contention is simple: the more of GDP that the government takes in tax then the lower the rate of child poverty. We can thus justify massively higher taxes because we're doing it for the children. I questioned their US figure of 22% of children in poverty because the usual one (US Census) is 12% or so. Here's the definition of poverty that they are using:

> Share of children 17 years and under living in households with equivalized disposable income less than 50% of median income; Society at a Glance: OECD Social Indicators, 2005, p.57.

This, of course, is not a measure of poverty, this is one of inequality (or relative poverty, if you prefer). As long as we remember this crucial distinction, the TJN are of course quite correct. The outcomes from the market allocation of incomes can strike some as unfair and different societies seem to have different takes on how much of this they wish to remedy. That remedying done by greater taxation on higher income earners and the single, the money being given to lower income earners with children. This lowers the number of children living in such relative poverty. All of this is, I would hope, obvious, along with the corollary that the less redistribution the closer to the market allocation of incomes we shall be.

All of which means that what the TJN graph actually shows us is that in places where you have less redistributive taxation and spending then you have less redistributive taxation and spending. Something which isn't, if I might be frank with you, a finding which is either surprising or shocking.

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