

## [The rise of mass poverty](#) [1]

Written by [JP Fluor](#) [2] | Thursday 13 October 2011



Poverty is on the march. The "we're all doomed" message still makes people giggle, but there is ample evidence that unless we U-turn our policies towards aspiration and wealth creation, very many of us will indeed be doomed to a steady increase in poverty for ever larger parts of the population. Yes, unless we change tack, many of those rioters will never ever be in work. I have no doubt that many will be fine – but then, even Sierra Leone has people who do more than just survive.

According to Shelter [private rents are now unaffordable](#) [3] in 55% of local authorities in England, with rents costing more than 35% of average local take-home pay. Unemployment has reached a [17-year high](#) [4], with 2.57 million people out of work. Home ownership has been falling since 2003 according to Andrew Heywood of the Royal Institution of Chartered Surveyors. The [IMF has cut](#) [5] the UK's economic growth forecast to 1.1% in 2011.

In most cases, the increase in poverty stems from bad government policies pursued by previous governments:

- The Bank of England's Monetary Policy Committee dug the double dip. The artificial boom, created by loose monetary policy (elastic money), has burst. The first dip was treated with some more money printing which has now (almost) led to a double dip. Through QE, the MPC has opted for more infection to battle the disease. And inflation has impoverished savers and disincentivized saving. Today's savers will be tomorrow's poor.
- We are paying the bill for yesterday's party. Excessive state spending, the increase of which has been reduced by the present government, was largely funded by borrowing. In other words: the economic prosperity of our children was mortgage for today's pleasures.
- We are effectively banning wealth creation. Excessive tax drives wealth creating individuals and businesses overseas and disincentives people to set up businesses.
- We have an Everest of red tape. Excessive regulation – usually EU regulation gold-plated in Whitehall – makes us uncompetitive.
- The Chinese love our employment protection laws. The main beneficiaries of labour protection laws have been labourers in developing countries, who now suddenly find themselves in a job, while ours are on the dole.
- "Little Europeans" hide behind walls to keep wealth out. EU trade barriers hinder wealth-creating free trade.
- Shifting resources from the private sector to the state results in a net loss of wealth. The growth of the size of the state (state spending) comes at the expense of the private sector, which has to pay for it. The public sector is usually less productive than the private sector, so a pound taken from the

private sector produces less than one pound's worth of value in the public sector.

Why not choose a return to free market economics instead? When the Conservative Party held its party conference in Manchester last week, the formula for success was staring them in the face. Magnificent buildings built in the free market period between 1850 and 1900 are sprinkled all over the city. Maybe we could create the climate to build such magnificence again, so our children can say, 'Our parents did things right?', instead of, 'Our parents robbed us blind?.'

[blog comments powered by Disqus](#) <sup>[7]</sup>

---

**Source URL:** <http://www.adamsmith.org/blog/tax-and-economy/the-rise-of-mass-poverty>

**Links:**

[1] <http://www.adamsmith.org/blog/tax-and-economy/the-rise-of-mass-poverty>

[2] <http://www.adamsmith.org/taxonomy/term/5887>

[3] <http://www.bbc.co.uk/news/uk-15284892>

[4] <http://www.bbc.co.uk/news/business-15271800>

[5] <http://www.guardian.co.uk/business/2011/sep/20/imf-uk-double-dip-recession>

[6] [http://disqus.com/?ref\\_noscript](http://disqus.com/?ref_noscript)

[7] <http://disqus.com>