The poverty we can relieve [1]

Written by **Sam Bowman** [2] | Friday 28 June 2013

The Joseph Rowntree Foundation (JRF) has a new report [3] out today that takes a look at living costs for the poor and the cost of achieving a 'socially acceptable standard of living' in modern Britain. The report continues their excellent approach to poverty measurement, which looks at the cost of a basket of goods that most people would consider necessary to have a decent standard of living.

This approach is very reasonable, and does a good job of contextualising domestic poverty without being led to the sort of absurdities of straightforward relative poverty measures, which, for example, "improve" every time someone wealthy goes bankrupt or leaves the country. The JRF?s method is quite a neat combination of the best elements of relative and absolute measures of poverty.

It's important to remember that poor people in the UK arestill very rich by global standards [4]. But that's not to say that their problems aren't still important and worth trying to solve by allowing more wealth to be created. There are some things we can do to help people in poor countries, such as removing barriers to trade and migration, which would also be good for poor people in the UK, but that shouldn?t stop us caring about relatively less poor people in the UK.

The JRF is right to highlight the fact that rises to the cost of living hit the poorest the hardest. I think it's probably a mistake, however, for anyone to assume that benefits cuts are the main causes of the living standards squeeze for the poor. They might be a factor in declining or stagnating incomes (not as much as the overall economic climate, though), but they don't explain why the cost of living is rising so rapidly.

Paradoxically, things like 'affordable housing' requirements can actually end up hurting people in need of affordable housing. They disincentivise higher-end developments and cause the demand for those homes to be pent-up in the existing housing stock ? so, in other words, instead of building new houses for the rich, existing affordable homes are converted to accommodate them, reducing available units for people who need cheaper homes. Liberalizing the planning system so that supply can meet demand would do a lot to reduce the cost of living for the poor.

I also think it's crazy and inhumane that we tax minimum wage workers so much. A full time worker on NMW earning just under £13,000 a year will have to pay more than £1,300 of that in tax. That's a scandal.

And of course a lot of the problems facing people on low incomes are due to the overall economic climate. If Mark Carney really does implement a nominal GDP target, the resulting economic recovery and job creation will mitigate some of the worst problems facing people at the bottom of British society.

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