



# Progress for the Poor

LANE KENWORTHY

OXFORD

## *The book's question*

---

A key goal of antipoverty efforts should be to improve the absolute well-being of the least well-off (the bottom 10%)

How can that best be achieved?

## *My approach to answering the question*

---

Compare the experiences of the world's rich nations since the 1970s

## *What do I find?*

---

8 lessons

# *1. Growth reaches the poor mainly via net government transfers*

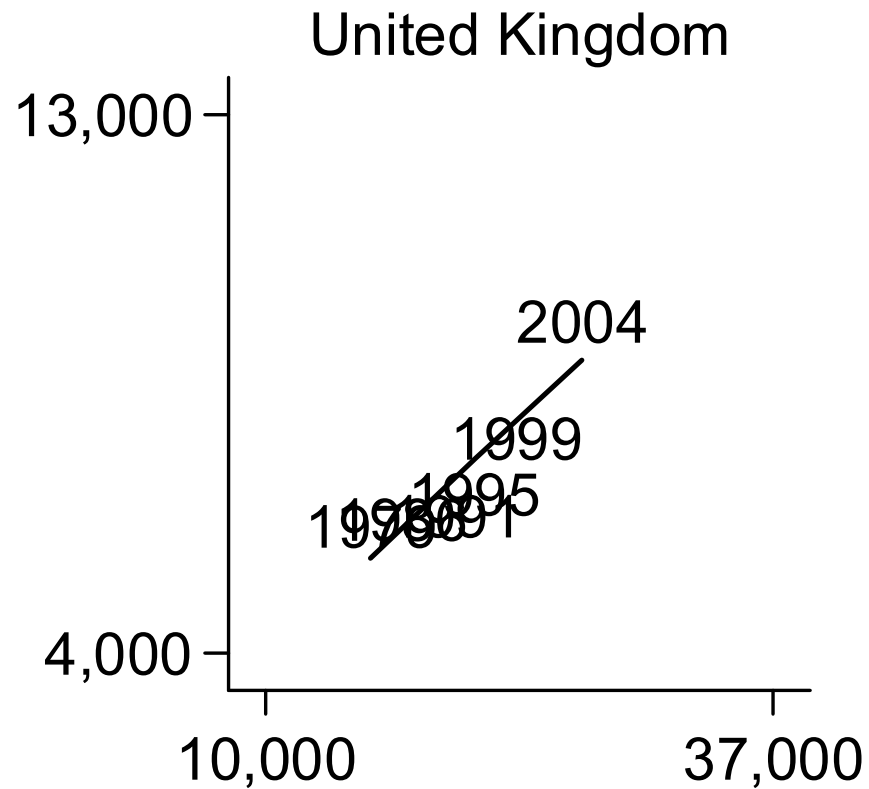
---

Economic growth is necessary but not sufficient

When the incomes of bottom-10% households have increased, it's been due mainly to increases in net government transfers

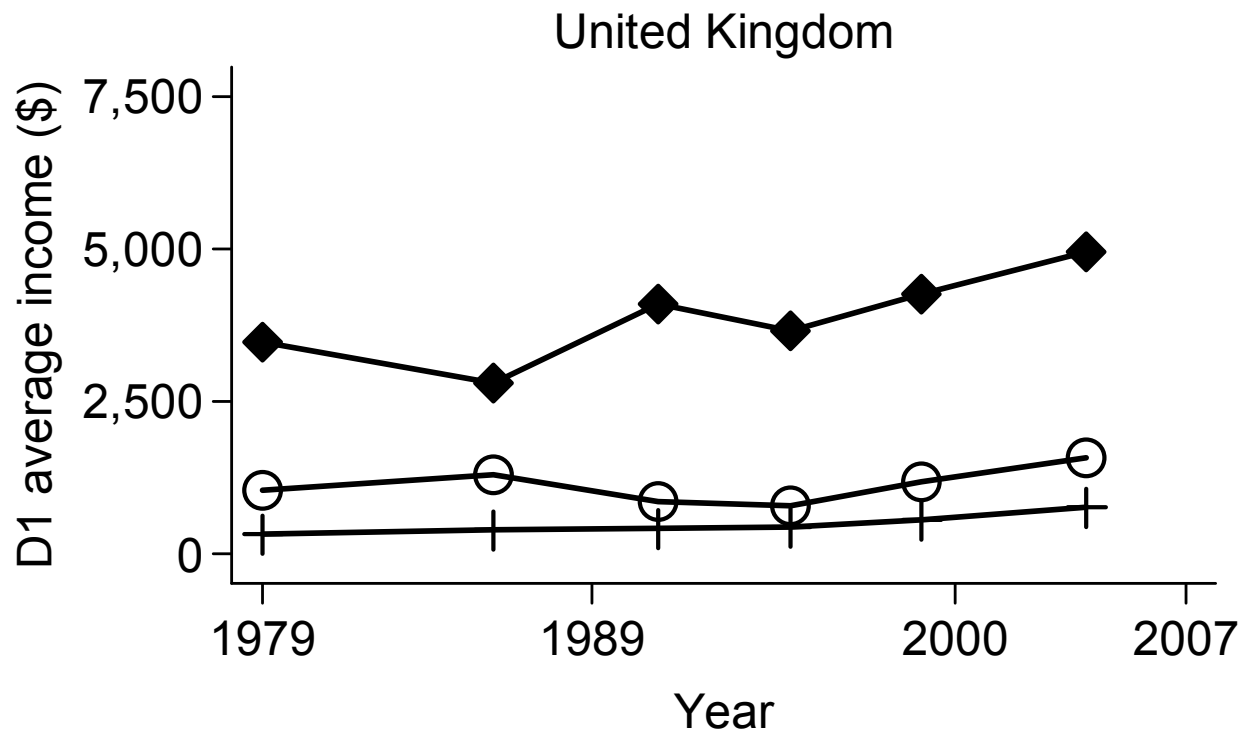
# *1. Growth reaches the poor mainly via net government transfers*

---



# 1. Growth reaches the poor mainly via net government transfers

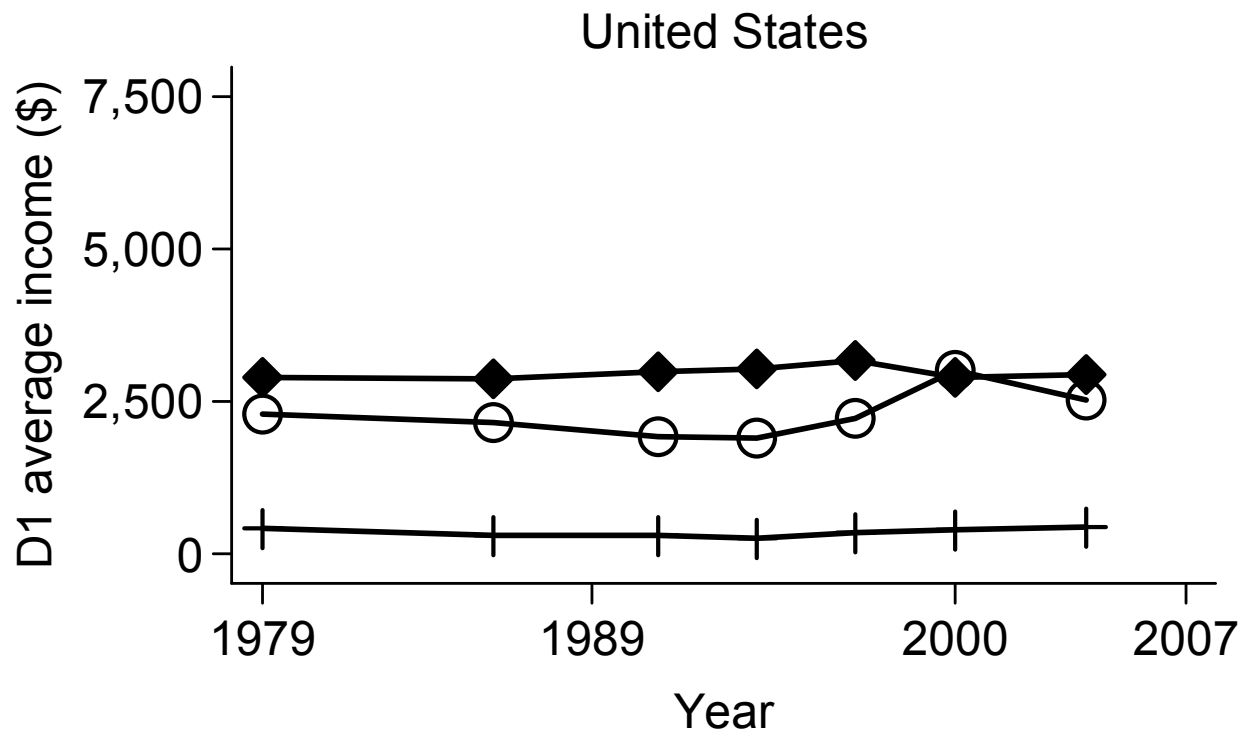
---



◆ net government transfers; ○ earnings; + other market income

# 1. Growth reaches the poor mainly via net government transfers

---



♦ net government transfers; ○ earnings; + other market income

## *2. Low wages need not mean low household incomes*

---

Low-wage jobs are a common feature of the UK and US labor markets

In recent years they have become common in Germany too

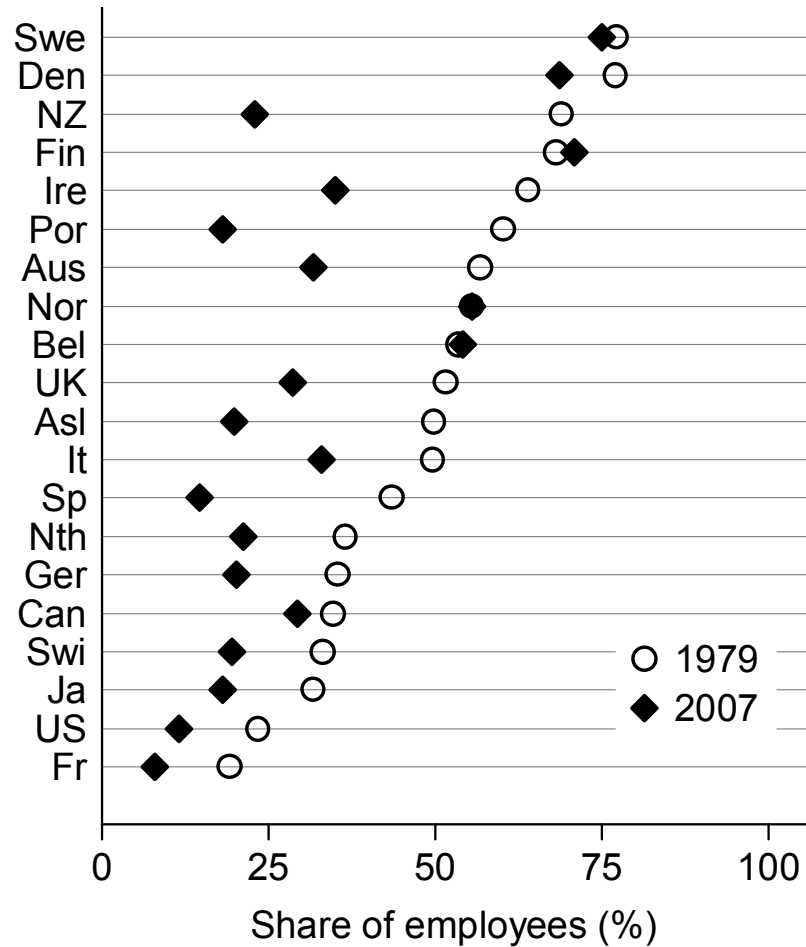
I suspect this is likely to spread to other rich nations

Unions are weakening

Policy makers want to help immigrants and the young into employment

## 2. Low wages need not mean low household incomes

---



## *2. Low wages need not mean low household incomes*

---

Many on the left find low wages objectionable

I think the focus should be on household incomes

Low wages need not result in low household incomes

Decent wage floor (statutory minimum)

Employment-conditional earnings subsidy (tax credit)

### *3. Universal programs aren't necessarily better for redistribution than targeted ones*

---

Targeted social programs are less expensive and more efficient

But targeted programs tend to have a narrower political constituency, making them potentially more vulnerable to cutbacks

### *3. Universal programs aren't necessarily better for redistribution than targeted ones*

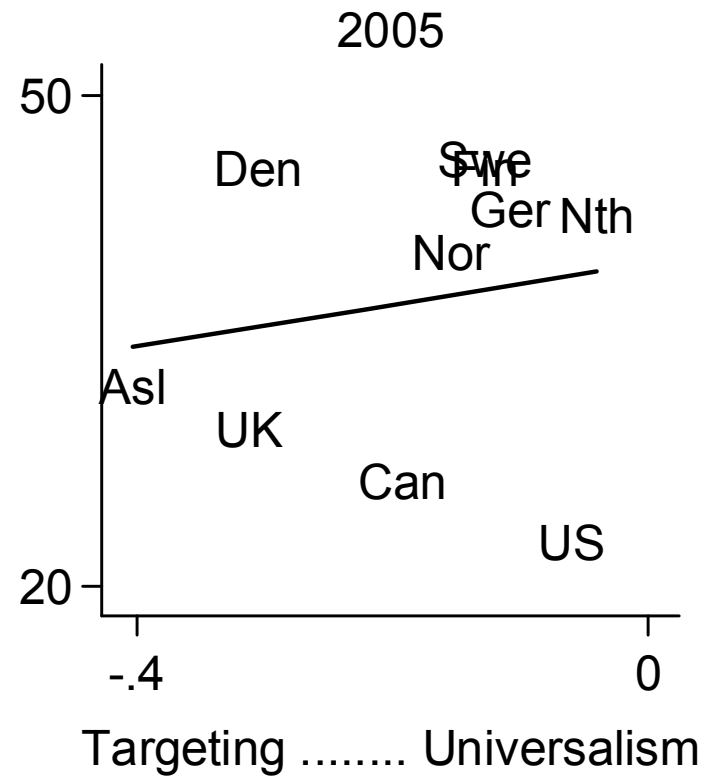
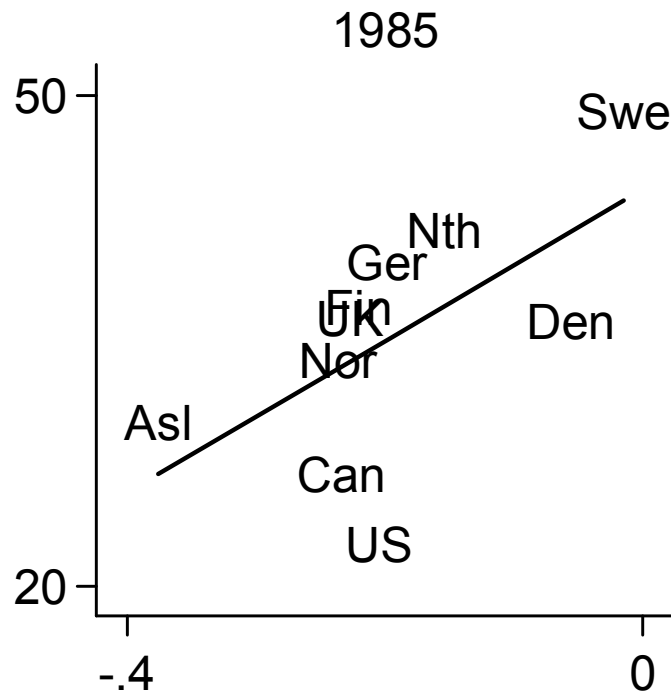
---

In the mid-1980s it looked as though countries that made heavier use of targeting achieved less redistribution

But that's no longer the case

### 3. Universal programs aren't necessarily better than targeted ones

---



## *4. Public services are an important antipoverty tool*

---

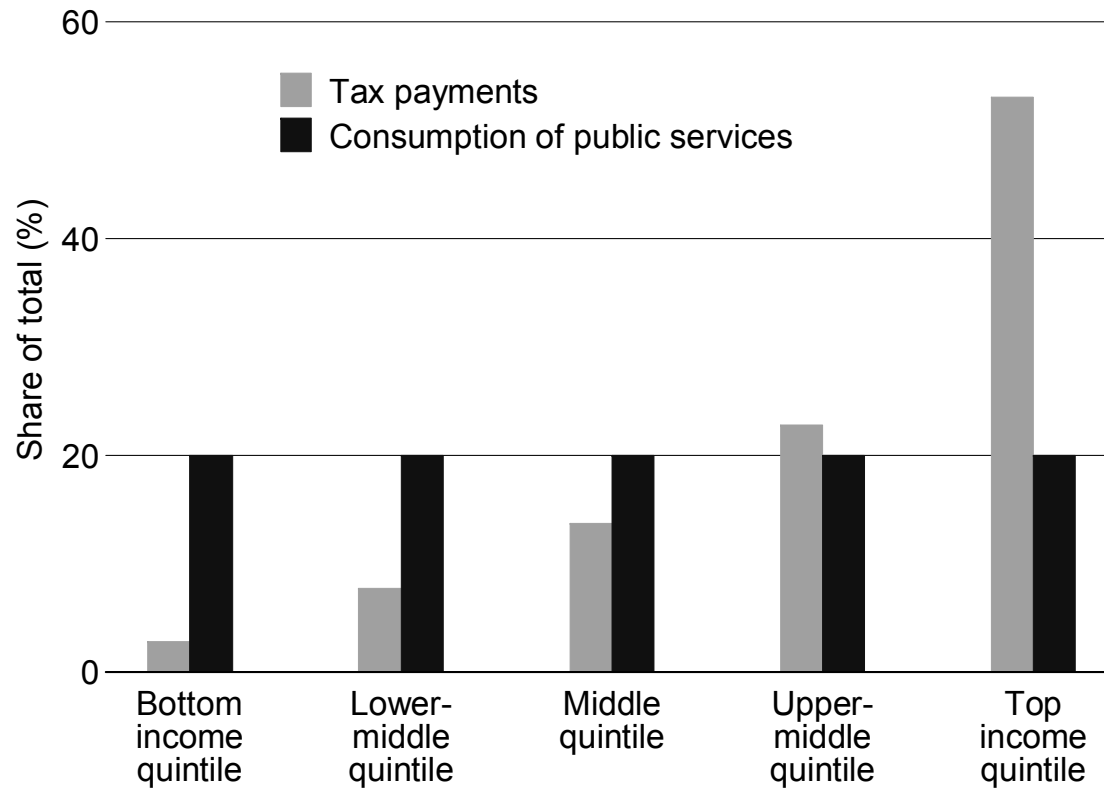
They don't show up in income data and so technically don't reduce poverty

But they expand the sphere of consumption for which the cost is low or nil

And they can boost the earnings and capabilities of the poor, by enhancing human capital, aiding job search and placement, and facilitating work-family balance

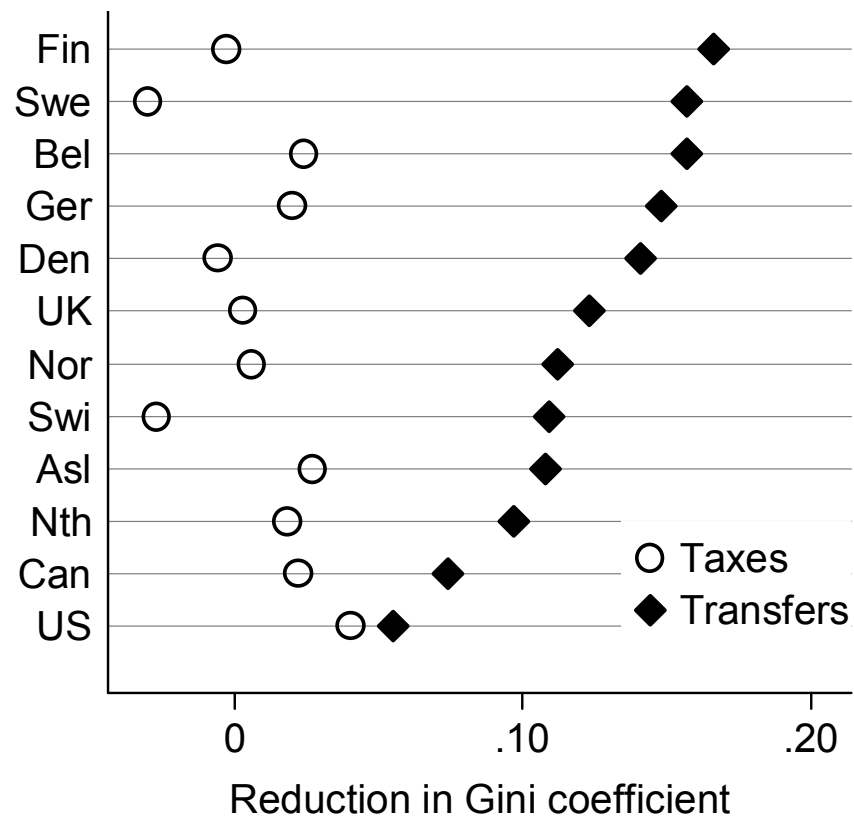
## 4. Public services are an important antipoverty tool

---



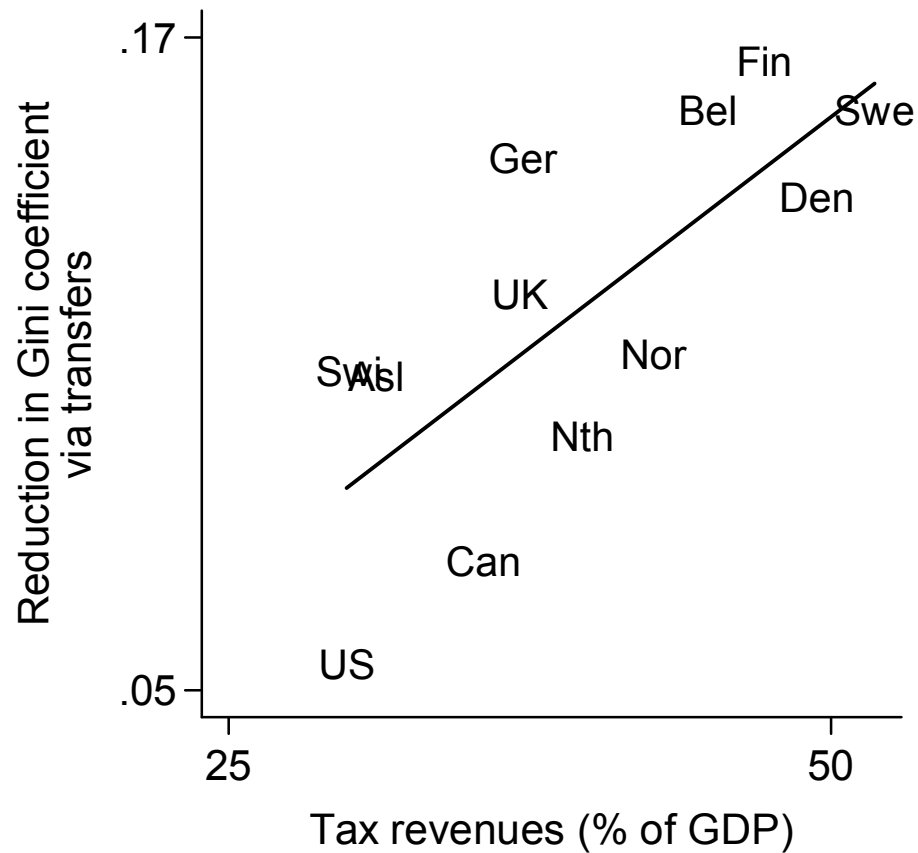
## *5. It's the quantity of taxes more than their progressivity that matters for redistribution*

---



## *5. It's the quantity of taxes more than their progressivity that matters for redistribution*

---



## *6. The tax mix isn't too critical*

---

### Revenue generation

Expansion of revenues in recent decades hasn't come solely via consumption and payroll taxes

### Compatibility with economic growth and employment growth

It's often asserted that consumption taxes are better for growth than income taxes, but the comparative experience suggests not

Heavy payroll taxes do seem to be bad for employment growth, but the Netherlands is a puzzling exception

## *7. Heavy social expenditures aren't in and of themselves helpful to the poor*

---

Total (public plus private) social expenditures net of taxes are greater in the United States than in Denmark or Sweden

But far less of America's social spending reaches the poor

## *8. Little indication of tradeoffs*

---

The comparative evidence suggests that improving the absolute living standards of the least well-off may require little or no sacrifice of other desirable goals

Economic health

Quality of work life

Liberty

Social inclusion

Capabilities

Community

Opportunity

Fiscal discipline