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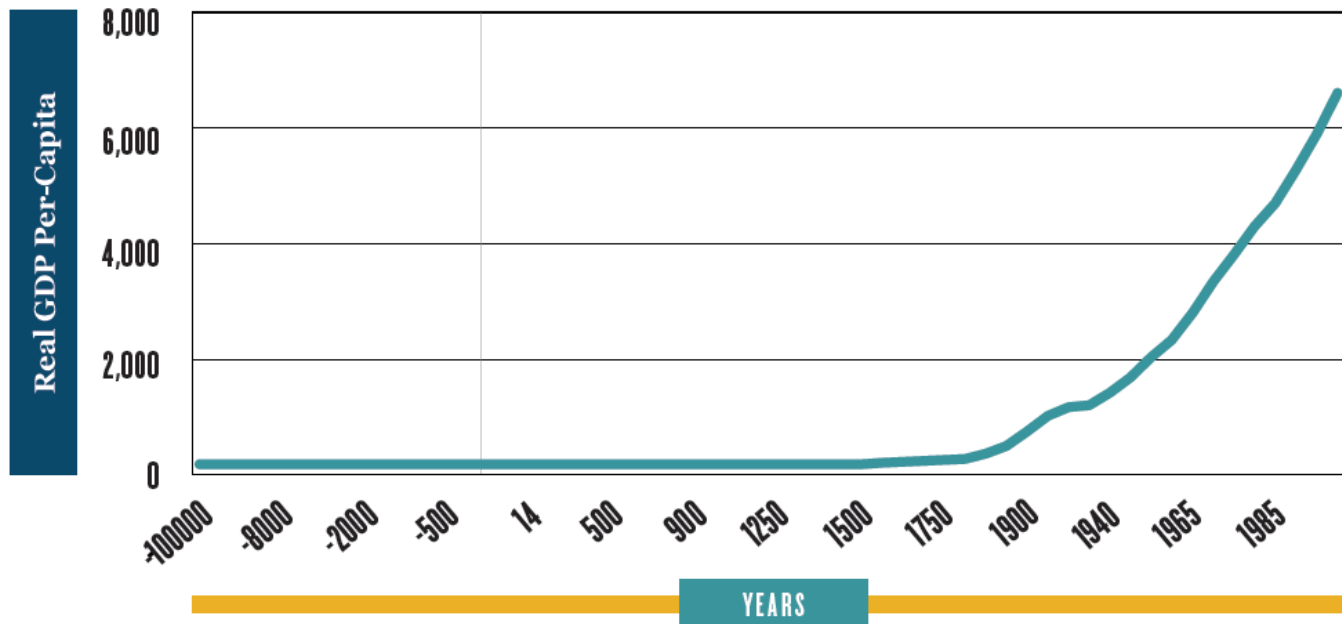
## Curing poverty? Hows and whys.

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# The big picture: poverty and economic growth

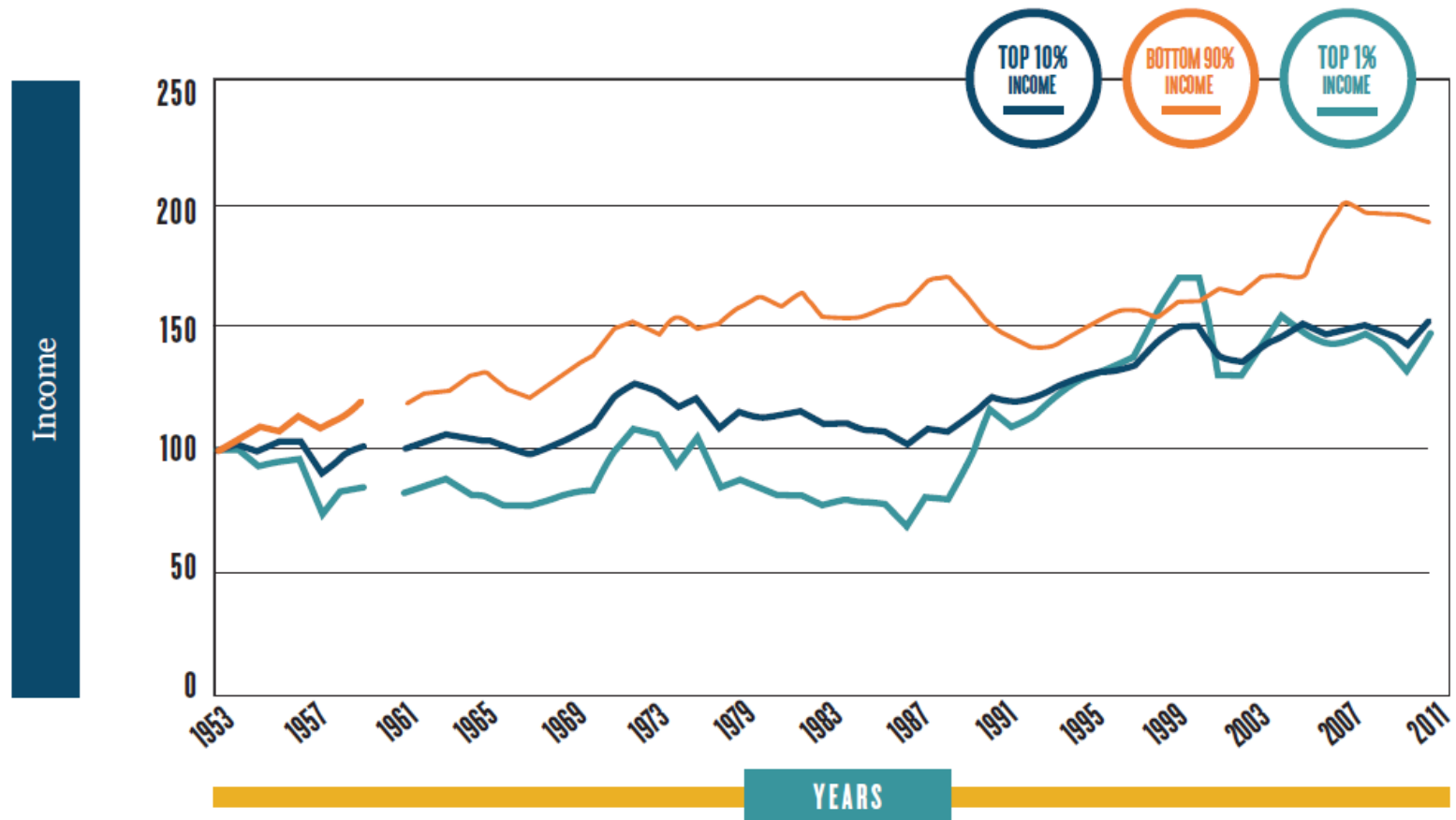
- Over the longer term, the only cure to poverty is growth



Source: J. Bradford De Long. 1998. "Estimates of World GDP, One Million B.C. – Present", as updated in Max Roser (2014) "GDP Data". Published online at [OurWorldInData.org](https://ourworldindata.org).

# How has New Zealand growth been shared?

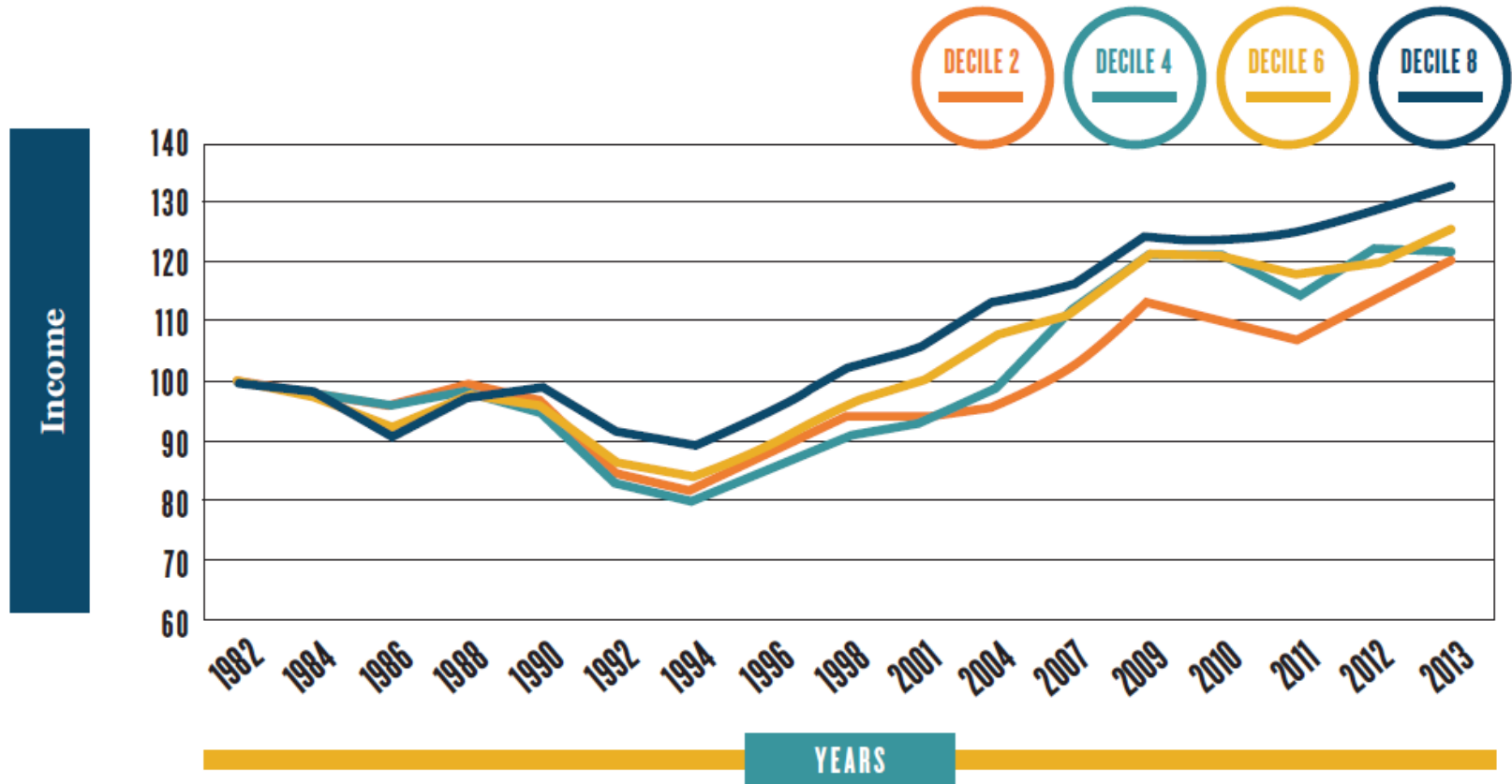
Figure 5: Growth for the bottom 90% and top 10% since 1953



Source: Author's calculations from The World Top Incomes Database.<sup>58</sup>

# And since the 80s?

Figure 6: Household Income Growth Since 1982



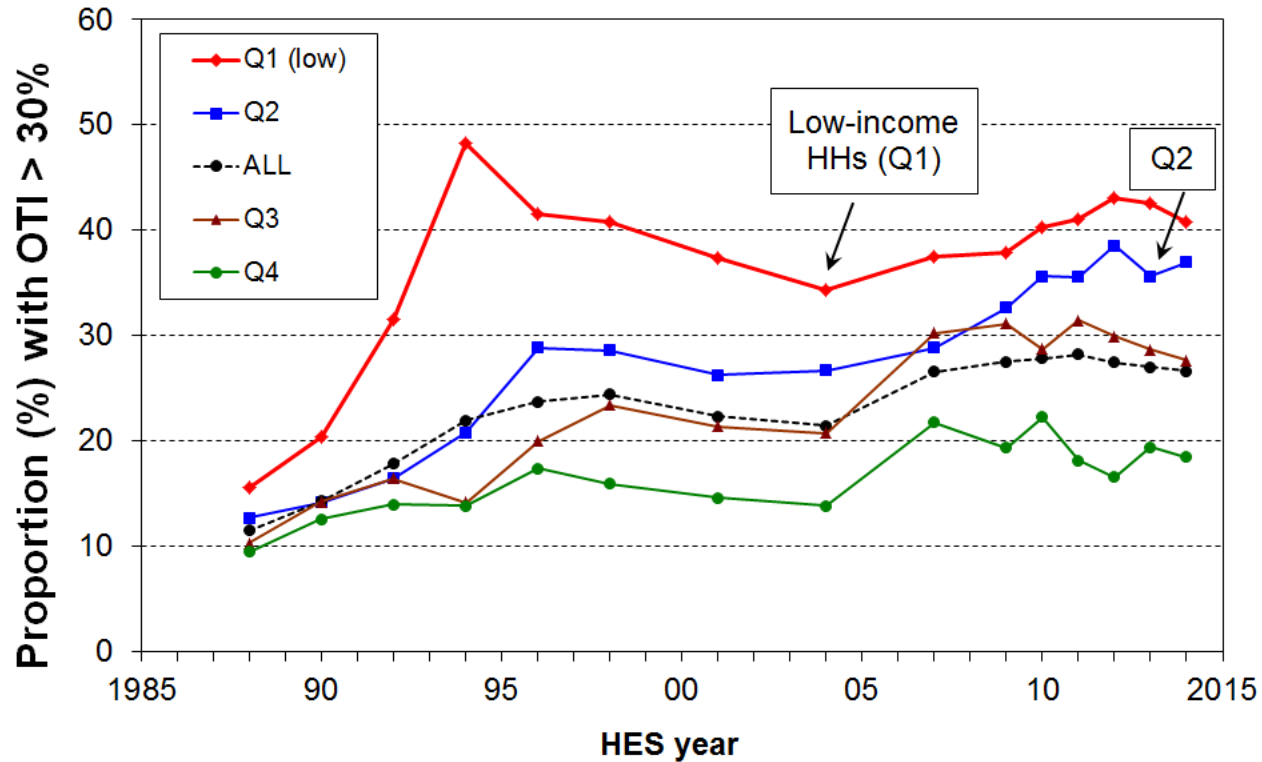
Source: Author's calculations from appendices to Perry, 2014.<sup>60</sup>

# Core principles

- Trade-offs between policies that transfer income and those encouraging growth;
- Trade-offs between policies addressing domestic and global poverty;
- Nevertheless, *some* policies do well on all fronts.

# What to do? #1: Housing Affordability

- High housing costs disproportionately hurt the poor and children;
- Overcrowding worsens outcomes from health to education;



# Housing Affordability: Policy solutions

## 1. Make housing cheaper by:

- Removing barriers to density and to expansion within cities to reduce land costs;
- Reducing construction costs by allowing imported building materials and by allowing foreign investment.

# What to do? #2: Employment

- Median hourly earnings are \$22.83.
- 60% of median income is often taken as a poverty line.
- The minimum wage is 65% of the median.
- Poverty is relatively concentrated in households with little employment.
- Conclusion: encouraging work is part of the solution.



# Employment: Policy solutions

2. Continue and broaden the Ministry of Social Development's experimental approach.
3. Improve skills through education reforms targeting better use of data.

# What to do #3: Enable civil society

- NGOs, either supported by charity or in contract with the government, often provide more effective assistance.
- Social impact bonds and outcome-based MSD contracting both show promise. Family Help Trust, for example, seems highly effective.

# Civil Society: Policy solutions

4. Provide statistical support to charities to allow outcome evaluation;
5. Enhance tax deductibility for charitable contributions to organisations with proven effectiveness.