CHAPTER 2

Basic Income as Public Equity: The New Zealand Case

Keith Rankin

Introduction

New Zealand has an ongoing substantial, though somewhat subterranean, discussion about universal basic income (UBI), the integration of taxes, and benefits through universalist "public equity" principles. The New Zealand discussion does not connect much with the wider international discussion, and has been inhibited by the perseverance of a neoliberal policy-making environment since 1984 that has been hostile to universalism.

New Zealand was a pioneer of the incorporation of public equity principles into policy-making, especially through the 1938 Budget, which introduced "universal superannuation" as a retirement income option, and paved the way for publicly funded education and health care. Conditional benefits, such as unemployment and sickness benefits, became universal in the sense that every qualifying person got the same benefit, and benefits were not subject to time limits. In 1977 the New Zealand government reinstated and extended universal superannuation, creating a relatively generous taxable universal income for all persons aged over 60. This scheme exists today (New Zealand Superannuation) as an unconditional payment for those over 65 years old and comes very close to being a UBI for the elderly.

In the 1970s other policy steps took New Zealand further in the "UBI direction." They include the introduction of the "no fault" principle (to Accident Compensation[1]), and the replacement of tax exemptions with fixed rebates (Rankin, 2006). Even after the adoption of

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neoliberalism with its pure-market ethos, simplification of income-tax scales created opportunities to transparently allocate publicly sourced income—public equity benefits—to every tax-resident adult.[2]

The barriers to taking this step are essentially political not economic, arising from a neoliberal mind-set that now infuses two generations. People under 45 years of age have little memory or practical conception of New Zealand's universalist past. Though perceptions of moral hazard relating to unconditional incomes are high, the technical barriers to change are surprisingly few.[3] The actual principles of neoliberalism (as distinct from its moral baggage) are based more on the primacy of property than on the derision of idleness. They are conducive to a "public equity" approach to income distribution. The important insight is to see the public domain and its resources as being owned by everybody rather than by nobody. This implies that we should receive a return on our inherited equity in the public domain, much as we may receive a return when we inherit private "equities" from our elders when they pass away.

The History of New Zealand's Tax-Benefit Interface

New Zealand has a substantial history of government-facilitated egalitarianism. When the New Zealand welfare state began in 1898 with the introduction of means-tested age benefits to persons of good character, and was extended to widows in 1911 (Encyclopaedia of New Zealand, 1966), there was still a long way to go to achieve universal benefits. However, through graduated land and income taxes (Goldsmith, 2008), the principle of taxing and giving something back was established by that same government earlier in that decade (1891). Benefits implicit in exemptions or graduations apply to everyone with some earnings.

Through the reforms of William Pember Reeves and others (publicized in *State Experiments in Australia and New Zealand*, 1902), this part of the world came to pride itself on being reformist, for example, by providing state-assisted supports and protections to past and present workers and their families. Reeves played an important role as Labour minister in the early years of the 1890s Liberal Government, then widely known as the Liberal-Labour Government (New Zealand History, 2014).

In the 1900s a number of foreign writers wrote about reforms in New Zealand that attempted to balance orthodox Victorian laissez-faire principles with substantial contributions by government (Phillips, 2014). These included Andre Seigfried (*Democracy in New Zealand*, contrasting, in a nod to de Tocqueville, the New Zealand way with the American way), Albert Métin (*Socialism without Doctrine*), and the American Henry Demarest Lloyd (*Newest England: notes of a democratic traveller in New Zealand, with some Australian comparisons*).

The government in New Zealand with the greatest reputation as reformers was, from 1935 to 1940, the Labour Government under the prime ministership of Australian-born Michael Joseph Savage (New Zealand Herald, 1938). The title of Savage's biography *From the Cradle to the Grave* (Gustafson, 1986), meant that all gained a principled right to receive the same publicly funded support when in need. New Zealanders would not have to beg for charity; they would have universal access to health care and educational opportunities.

From 1938 to 1984, New Zealand's welfare system was built upon these universalist principles. Of particular interest for our purposes is the introduction of universal superannuation as an alternative age benefit that would stand aside from the preexisting age benefit (Preston, 1999, p.13). Retired persons could choose either. While the age benefit paid a higher amount to those in greatest need, the universal superannuation provided a guaranteed income—in effect a retirement dividend. This was understood to be funded until 1967 by a flat social-security tax of 7.5 percent (Rankin, 2014a, p. 4), a tax separate from the normal (and highly graduated) income tax.

In 1946 the family benefit was made universal (Baker, 2012), meaning that all mothers or guardians received a fixed benefit in proportion to the number of their dependent children. This survived as a universal payment until 1991. Much welfare that exists in 2015 still reflects that "equitarian" (Rankin, 2014a, 2014b) consensus formalized in 1938. For most of those years up to 1984, New Zealand experienced National Party center-right rule.

The idea of this equitarian approach was one of collecting a lot of revenue through the income-tax apparatus and giving something back to *everyone* in various forms, substantially through tax concessions. We may think of what was given back loosely as public equity benefits—benefits representing membership rights of the New Zealand public shareholdings in New Zealand Incorporated. It is not possible to appreciate the welfare system in New Zealand in those years as if it were separate from the income-tax regime. So much of the giving back took place within the structure of the tax system.

While there was generally a broad political consensus around taxes and benefits in the 1960s and early 1970s, some academic economists in those full-employment years were dusting off and revising their neoclassical doctrines. By the late 1970s their students were becoming prominent in the public service. These doctrines emphasized general equilibrium in a marketplace with minimal government. The factors of production were all treated as if privately owned, and labor income was expected to always be sufficient to provide any person with an adequate piece of a growing economic pie. People with insufficient labor income were presumed to be in that situation because they had made incorrect choices or wished to be free riders, and that governments that bailed out the foolish and the lazy would encourage a "moral hazard." Welfare was for those who did not have the physical or mental capacity to make the expected choices. In short unemployment and underemployment came to be seen as matters of personal choice.

In line with these rediscovered principles of laissez faire, New Zealand's took to the duet of simplification and flattening. This simpling (though not the flattening) began prior to the onset of neoliberal government in 1984, with Robert Muldoon's 1978 Budget (Rankin, 2006). The aim was to create more consistent marginal tax rates. Consistency of marginal tax rates is also a key attraction of UBI. It is the way out of a poverty trap that penalizes persons on targeted (conditional and means-tested) assistance with very high effective marginal tax rates. The first neoliberal decade (1985–1994) saw a dramatic increase in income inequality (Easton, 2013) with the growth of the financial and business services sectors as drivers of change (Bertram, 2009), substantial reductions in top tax rates, unusually high taxes on low incomes (Rankin, 2006), and the philosophical shift toward targeted welfare benefits.

One interesting feature of the early neoliberal period was a proposal by then finance minister Roger Douglas for a low flat tax combined with a guaranteed minimum income (Gustafson, 2013). This was not a UBI. Rather it was an income top up for low-waged workers. When this 1987 tax package was rejected early in 1988 by Prime Minister David Lange, it was replaced by a nearly flat two-step tax scale and a guaranteed minimum family income (GMFI) that served as a family rather than individual income top up. As a top up, it was subject to an effective marginal tax rate of 100 percent, quite different from a UBI, which seeks to keep marginal tax rates stable across the whole income spectrum, somewhere above 30 percent and below 50 percent.

Under the fiscal leadership of Douglas and successive finance ministers, there has been a liberal tendency to give something back to parents with partners in fulltime employment and single parents laboring at least 20 hours per week through "in-work tax credits"

(Trevett, 2013). But this has combined with an ever tighter set of conditions imposed on all other working-age New Zealanders. The effect has been to create a distinct underclass of people whose under-employment denies them publicly sourced income, which is available to others less in need.

In 2009, the center-right National-led government came up with a belated policy to extend tax credit provision to working individuals, and not just working families. (In work tax, credits are NZD$60 per week transfers paid to persons with children, or partners of such persons, who meet the minimum working requirements.) The new policy was to create a similar tax credit, the "independent earner tax credit" (IETC), albeit only NZD$10 per week, to people without children and without any other transfers except accommodation subsidies. There is a minimum income requirement of NZD$24,000 per annum. This threshold is close to what a full-time worker on the statutory minimum wage would receive. The IETC is useful to us because it is an example of an existing fiscal benefit that could form the basis of a small public equity benefit if the minimum income requirement was removed.

While there has been much recent debate about the extent that income inequality in New Zealand has increased since the 1990s, there can be little doubt that wealth inequality has increased substantially this century. Further, whatever definition of poverty is used, financial hardship has become widespread, and by no means only among unemployed households. The "precariat" (Standing, 2011, 2014) is growing, as is financial insecurity, more generally, and personal indebtedness.

The second-lowest income quartile suffered most as a result of the shift from universal to targeted income support. Hence, this century, as compensation, the "in-work tax credit" and "independent earner tax credit" have been paid substantially to this group. Recipients are people with jobs for the most part, but with little job security and significant variability in income from year to year. What is most needed for them, both for income security and social cohesion, is a return to a universalist policy regime that consistently assists this income cohort, reliant on low and decreasingly predictable market incomes. Further, New Zealand needs to avert the inherent social division whereby people in this second income quartile might blame their insecurity on the presumed moral inadequacies of those "beneficiaries" in the lowest income quartile.

Another policy that sits as a potential Band-Aid for many women is that of income-sharing for tax purposes (Cheng, 2010; Inland

Revenue Department, 2008). This is a favorite policy of the long-term revenue minister, Peter Dunne, now the sole representative in Parliament of the United Future Party, who has served in both center-left and center-right governments since 1984. Dunne wants parents of single-income families to be taxed as if each parent earned half of the total family taxable income. Thus, he wants both parents to be able to benefit from the unconditional annual benefits (NZD$9,080 for persons earning at least NZD$70,000) that are implicit in the present graduated tax scale. The simpler solution is to convert these implicit nonrefundable tax credits into explicit refundable tax credits. That would make them equivalent to public equity dividends, and would save the government the bother of having to introduce another Band-Aid fix.

Political Barriers to the Adoption of UBI as Mainstream Policy

In November 2014, the New Zealand Labour Party elected Andrew Little, a former Trade Union leader, as its political leader. Mr Little has made many statements about "the future of work" as being the most important economic issue that New Zealand and the world faces in the coming decades. On a few of those occasions he has expressed an interest in a UBI as an important option that may help to resolve the contradictory consequences of economic success in production (Radio New Zealand, 2014; Rankin, 2014c; *The Standard*, 2014b; Trotter, 2014).

Of some concern, though, are reports that Mr Little is being managed by political minders on this and maybe other issues (Ruminator, 2014), minders who may not want "political oxygen" given to universal income proposals. If this is so, it may reflect substantial skepticism, indeed cynicism, on the part of the mainstream news media on this issue. When a politician proposes unconditional payments receivable by people who do not do labor, it is easy to come up with flippant headlines that rile the precariously employed "battlers": people too easily persuaded that a UBI is a charter to sloth that will raise their taxes even more.

Careless use of language does not only come from the local tabloid media and from opponents of the universal income principle. Lowrey's (2013) *New York Times* article is spoiled by a headline "Proposal to pay people for being alive," which reinforces prejudice that a universal income is simply a wage for idleness. Bregman's (2013) comprehensive and otherwise well-written blog comes with headings and subheadings such as “Free Money” and “Santa Exists.” Likewise, the use of the term “utopian” (Konczal, 2013) makes a universal income seem very radical, ideological, and unrealistic.

Bregman cites Albert Hirschman (1991), who discussed reactionary politics in *The Rhetoric of Reaction*. Bregman’s blog notes that Hirschman “described how, once implemented, ideas previously considered utopian are quickly accepted as normal.” In mainstream media circles, however, the word “utopian” is only a little more helpful than the word “dotty.” *The Economist*’s columnist Bagehot (2015) said cynically of the British Green Party: “A radical left-wing outfit, dedicated to reducing inequality by doling out a stipend to every adult Briton, the Greens are far dottier than UKIP.” Politicians these days are somewhat averse to this kind of caricature language being used in public discourse about their policy proposals.

The Idea of Public Equity

The concept of public equity leads directly to that of a universal publicly sourced income that represents a method of distribution, not redistribution. It represents a significant example of horizontal equity (treating equals equally), because in the public sphere we are all equal. My writings since 2010 on universal welfare emphasize public equity. The concept relates both to assets in the public domain and to enterprises fully or partly subject to explicit public ownership.

The term “equity” represents both fairness and ownership. Each shareholding in a private company confers equal ownership benefits. Every economic resource that is not in private ownership is effectively owned publicly, owned collectively. Even privately owned resources are publicly owned in a residual yet absolute sense. As the New Zealand Institute of Surveyors (n.d.) notes in its website: “All land in New Zealand is ultimately the property of the Crown.” It goes on to describe “eminent domain” as “the undisputed right of the Government to the absolute ownership of all real property as distinct from an estate in land. This manifests itself…as a right for the state to acquire property of its citizens for the common good.”

It follows from this notion of collective ownership of the public sphere, a domain that might represent half of a nation’s economy, that an economic return is due to those collective owners. We tacitly acknowledge this through an understanding that all public revenue is equally the property of all members of the public. Yet, unlike capitalist firms, generally governments do not pay explicit cash dividends to their equity-holders. Rather they confine themselves to the purchase of collective goods and services, and to the payment of redistributive cash "transfers." These transfers are effectively gifts from the public-equity collective to qualifying businesses, individuals and families.

Herbert Simon suggests (2000) that up to 90 percent of the United States' wealth is public, mostly inherited. While he accepts that even a 70 percent tax rate is well beyond the realm of political acceptability, he clearly argues that an application of the Basic Income Flat Tax (BIFT) principle (Atkinson, 1995; Rankin, 2011a) is the most efficient and just approach to fiscal and welfare policy. Further, it is also stabilizing in the macroeconomic sense. A basic income regime can substantially reduce the role of debt in recycling the world's unspent income.

Good policy-making is evolutionary, principled, and consistent with systemic efficiency and stability. Thus the inclusion of the concept of public equity into the income-distribution framework should be seamless and able to be appreciated by people with only a rudimentary knowledge of economic and legal principles. A useful start is to modify a present benefit, or to reintroduce and modify a past benefit, and present the universal part of it as an unconditional rights-based payment rather than a needs-based payment. Such a payment represents an acknowledgment of our public equity within our nation of residence. Thus the initial amount of this payment is less important than the establishment of the principle. A public equity dividend need not purport to be an adequate income for an individual to live on. It is simply an equal division of the part of the public pie set aside for distribution. While any universal basic income would also be a public-equity dividend, a public-equity dividend may not satisfy an "adequacy" component of a UBI.

Given that public equity is a form of horizontal equity, it is also appropriate that income taxes are levied according to that principle. A flat (proportional) income tax treats every person and every business equally. Thus taxes should be proportional, and any benefits implicit within a graduated tax scale properly accounted for as benefits.

An interesting example of public equity exists in Tokelau, a New Zealand dependency northwest of Samoa. This is the *inati*, the equal division of fish: "The catch is shared equally among the villages . . . all members of households are counted, and the sharing of fish depends on the number of people in households" (Vunisea, 2004, p.19).

Reaccounting for New Zealand's Income Taxes and Benefits

I have suggested that, in New Zealand at least, the central issue is one of public accounting reform rather than of fiscal redistribution. We already do redistribution (St John, 2009). The problem here is that, by making basic income too prosaic, the audience of both passionate fans and trenchant critics melts away. It is hard to stir up a debate while being pragmatic and arithmetical.

New Zealand is unusual in that it has had no level of income exempt from income tax since the 1970s (Rankin, 2006). It also has had, from 1988, an unusually flat income-tax scale, although other countries have flattened somewhat as neoliberal policies have extended. New Zealand's low top rate (33%) is also the rate applied to trust income, and until quite recently was the company tax rate. The central idea here is about tax-benefit integration in line with horizontal equity principles, reaccounting existing income tax using the current predominant upper tax rate (the full rate) as the sole tax rate.

In this example, if we reaccount using the single 33 percent tax rate indicated in Table 2.1, everyone earning over NZD$70,000 receives a benefit (total discount) of NZD$9,080 (NZD$175 per week). Their earnings *presently* conform with the BIFT couplet "33–175"—33 percent flat tax on market income with a NZD$175 weekly publicly sourced basic income.[4] Lower earners receive less benefits through tax discounts. For them, that NZD$175 per week becomes a target public equity dividend, a basis for a rights-based payment to every tax-resident, to every public-equity holder. Once achieved as a universal payment, for most workers the only change they would notice would be in the semantics of their payslips. While *accounted* for as a public equity dividend, this payment may be *administered* by employers as a tax credit.

Table 2.1 New Zealand Statutory tax rates

The New Zealand scale of statutory tax rates is as follows, with **33%** being the 'full rate':

- the first $14,000 is taxed at 10.5% (a discount of $3,150 on the full rate)
- the next $34,000 is taxed at 17.5% (a discount of $5,270 on the full rate)
- the next $22,000 is taxed at 30.0% (a discount of $660 on the full rate)
- remaining earnings (in excess of $70,000 per annum) are taxed at 33.0%

Source: New Zealand Treasury, 2014.

Any present publicly sourced payment *in excess* of this dividend, such as to "beneficiaries" or "pensioners," conforms with the concept of a redistributive transfer payment. For example, most people on job-seeker benefits receive more than NZD$175 per week from public funds, especially when taking accommodation subsidies and family tax credits into account. Their cash incomes up to NZD$175 may be accounted for as public equity dividends. Publicly sourced incomes in excess of NZD$175 would be accounted as supplementary needs-based transfers.

The New Zealand Treasury (2014) estimates that New Zealand will have at least 3,470,000 tax residents in the year up to March 2015, and that total income tax paid will have been NZD$28,600m from an income-tax base estimated from that Treasury document to be $140,000m. Given that 33 percent of NZD$140,000m is NZD$46,200m, reaccounting raises the total accounted-for income-tax take by NZD$17,600m. The Treasury budgets NZD$24,000m for "social security and welfare." We can add the extra NZD$17,600m accounted-for revenue, giving NZD$41,600m available for "public equity dividends, social security and welfare." Payment of 3,500,000 public equity dividends costs about NZD$31,600m. This leaves NZD$10,000m for top-up transfer payments[5] and administration.

The steps to a system of public equity dividends in New Zealand, outlined above, are threefold:

1. apply horizontal equity principles to the present tax scale, revealing a 33 percent tax rate and a NZD$9,080 (NZD$175 per week) annual publicly sourced benefit to all higher income recipients
2. pay-up wherever New Zealand tax residents fall short of NZD$175 per week of publicly sourced income
3. continue to pay needs-based transfers, on a top-up basis, so that no present beneficiary is worse off

If part two of this proposal is deemed unaffordable, then it can become a target, to be funded in the near future as an alternative to a pre-election tax cut, or as a fiscal stimulus package.

An alternative approach could be to set the public equity dividend initially at less than NZD$175 per week, which would be equivalent to a small tax increase for those presently on higher incomes. While not generous, such a basic option is affordable, and does meet present conservative political objections around lifestyle choice, while still setting a clear precedent for unconditionality. Basic universal incomes can gain popular support more easily if they meet the requirements of conservatives such as Gordon (2014). A small unconditional income becomes something more than a convenient sop to the precariously poor. In representing a return on public equity, it would be a property-rights-based publicly sourced payment that acknowledges each New Zealander's membership of New Zealand Inc. It represents a way forward for capitalism, and can incrementally increase once the fears about free-riding lifestyles are assuaged. The issue of how big public equity benefits could or should be can wait until the principle itself has gained public understanding and acceptance.

The public equity accounting approach has benefits other than mandating a universal income. It reveals the true size of the public component of the national economy,[6] and it makes tax avoidance much more difficult. Tax avoidance is a process of arranging a company's or a person's financial affairs by exploiting the multiplicity of exemptions and differences in statutory rates. Flat-rate taxation enables all market income to be taxed at source and distributed net of tax. It puts an end to all personal tax returns, and represents a simple fraction of the value-added by a business.

Finally, we might note this prediction of about up to half our present jobs being automated within twenty years (Rutkin, 2013). This suggests that we could have the same output in the future but with only half the wages paid. There is no way we could possibly buy all that output unless we have public equity dividends substantially higher than any numbers mentioned above. The trick is to start low, and allow the amounts to evolve in line with circumstances, such as increased automation. Further, with public equity dividends in place, with this predicted level of automation in place, we might want to keep the robots while choosing a more sustainable lower-output future.

New Zealand Advocacy

For the period up to 2010, arguments in New Zealand in favor of some form of basic income have been outlined in Rankin (2012). Here I will give some further context to the post-1990 New Zealand discourse, and bring the material in the 2012 volume up to date.

Michael Goldsmith

Michael Goldsmith, an anthropologist, started the academic discourse in New Zealand in 1991 by organizing a symposium with guest speaker Bill Jordan, from Citizens Income UK. Goldsmith wrote elegantly about the citizenship and justice arguments for public income sharing. This was the year of Philippe van Parijs' (1991) renowned work "Why Surfers Should be Fed," his rights-based argument for a UBI. These works became important contributions to the literature on work-life balance. Goldsmith's views are summarized in his 1997 article and 1988 rejoinder.

Keith Rankin, 1991 to 1998, and 2007 to present

My contribution to the 1991 symposium led to a radio presentation that drew a large response for a more complete exposition of my main points. As a result I wrote *The Universal Welfare State: Incorporating Proposals for a Universal Basic Income* (Rankin, 1991), which was widely distributed to interested parties. New Zealand was then in a quite difficult economic recession, with its highest unemployment rates since the 1930s. This was an argument for a UBI in the context of the principles of New Zealand's decaying universal welfare state, with a flat tax set at 48 percent (New Zealand's top tax rate in 1986–1988) and an alternative "supplementary basic income" for pensioners, which paid a higher amount but was subject to a higher (60%) tax rate.

I developed the proposal through a number of subsequent papers, looking at different names to emphasize different points around the concepts of tax-benefit integration and equity. These names included "standard tax credit" and "distributed social wage" (Rankin, 1996a). But it was the name "universal basic income" that stuck, and it was some time after meeting Philippe van Parijs in Vienna (Rankin, 1996b) in 1996 that he also started using that name. The "distributed social wage" concept has evolved into my present preferred name for an unconditional publicly sourced income: public equity dividend.

However, in New Zealand at least, the important nuances around the central idea, the integration of taxes and benefits through the BIFT formula, were getting lost. Dissent around children's incomes and the role or otherwise of supplementary assistance led to a loss of momentum in the New Zealand movement. By time of the 2001 Tax Review (McLeod, 2001), UBI proposals were caricatured and easily dismissed. Careful proposals were not considered in that review, but only "straw men" who could be easily dismissed. The UBI concept in New Zealand appeared to have run its course. The intellectual capital from this 1990s episode, Goldsmith (1997, 1998) and

Rankin (1997, 1998), is preserved in the 1997 and 1998 editions of the Social Policy Journal of New Zealand, with a critique by Preston (1998).

While I continued to advocate in favor of tax-benefit integration in academic work (Rankin, 2007) using the somewhat dry expression "refundable tax credit," interest resurfaced following the 2008 global financial crisis. I made my contributions in a series of articles in 2010: in *Scoop Independent News*, in response to a journalist's request to place updated concepts and numbers on the public record (Rankin, 2010a, 2010b); a presentation at a child poverty symposium (Rankin, 2010c); an economics conference paper (Rankin, 2011a); two academic book chapters (Rankin, 2011b, 2012); and in a significant mainstream newspaper article (Rankin, 2013).

Finally, and more recently, having been invited to contribute to a well-known New Zealand left-wing blog and news website (*The Daily Blog*), I have done some direct advocacy. It has become apparent that, on the political left, advocating for basic-income reform by addressing the issue as an accounting issue is simply not exciting enough. So my most recent 2014 piece of advocacy (Rankin, 2014d) writing has been to propose a simple "35–200" campaign. It means arguing strongly, and politically (given that the main barriers are political), for the following core proposal: a public equity dividend of NZD$200 per week payable to every tax-resident aged over 18, combined with an income tax rate of 35 percent applied to all market income in New Zealand. The impact of implementing the 35–200 couplet would be to give significant income gains to households in the second-lowest income-quartile, with small tax increases to higher earners. For the poorest households it does not directly remove their poverty; rather it removes their poverty trap.

Gareth Morgan

Gareth Morgan is a well-known entrepreneurial economist and philanthropist in New Zealand. Seen in the 1990s as very much part of the neoliberal right-wing commentariat, this century he is regarded more as a maverick left-wing economist.

A member of the 2009 VUW Tax Reform Group, which reported early in 2010 (Tax Working Group, 2010), Morgan surprised many with a dissenting public presentation, covered on television (TV3 Campbell Live, 2009), in favor of basic income combined with a new "comprehensive capital tax" (CCT). Following the resulting media publicity, Morgan and coauthor Susan Guthrie published *The Big*

Kahuna in 2011, a book that brought the idea to the public with a degree of razzmatazz that has never been seen before in New Zealand.

Morgan (2011) and Morgan and Guthrie (2011a, 2011b), advocate a quite high basic income of NZD$11,000 (NZD$212 pw), with income tax set at a lowish 30 percent. Their argument for a CCT to boost their "30–212" BIFT couplet stands in its own right, though it may be unpopular with the cash-poor asset-rich segment of the population. They argue strongly for such a tax, which has precedents in New Zealand's nineteenth-century taxation history. In a sense, however, CCT is a distraction from the core proposal of a public equity dividend coupled with a proportional income tax.

One difficulty with Morgan's work is the frequent use of two words: "redistribution" and "transfer." He approaches the issue with the accounting approach of a neoclassical economist. So therefore *any* publicly mandated monetary benefit is treated as a redistribution from the initial private earners of that money and transferred to other people who did not earn it. This redistributive approach will always meet popular resistance because it seems disrespectful of persons' rights to their own income. Further, Morgan accepts uncritically that any redistributive process is inefficient; thus he ignores the market failure argument that the initial distribution between capital and labor may itself be inefficient. Louise Humpage (2010, 2015) has written about the turn-off factor associated with the word redistribution.

Morgan includes "adequacy" as one important issue, as if a UBI must replace all other transfers. There is no doubt that many UBI advocates are attracted to the vision of a single unconditional benefit, and indeed in an automated future in which robots labor for us, there is no question that we would have to be supported by an adequate public equity dividend. In the more immediate future, however, the idea of a universal income will likely only make progress if we focus on the two central ideas: unconditionality and integration.

There will always be some people who need more publicly sourced provision than can be provided by a public equity dividend. Both horizontal equity (basic income) and vertical equity (transfers) need to come into the overall mix. Contrary to the way Morgan and Guthrie (2011a) present it, vertical equity is principally about addressing different *needs* (e.g., family size, disability) and circumstances (e.g., unemployment, sole parenthood, housing availability). Vertical equity is not principally about treating people with different *incomes* differently.

Blogs

Since *The Big Kahuna*, and given both the GFC (2008 global financial crisis) and the escalating international debate and the rise of blogs generally, the "people's debate" has taken on a new lease of life. New Zealand bloggers advocating for a universal basic income include Kerr, Keys, Treen, Trotter, and YourNZ. Politically left media blogs *The Daily Blog* and *The Standard* are generally supportive at the editorial level.

Bernard Hickey is a prominent media personality on matters financial and economic, and founder of the web-media outlet interest.co.nz. He is frequently questioned about UBI, and is generally supportive of the future-of-work argument that some kind of dividend-based distribution system will be required to maintain spending and business confidence. Essentially, he is one commentator who gets the argument that capitalism as we know it depends on working-class (or precariat) spending. Interest.co.nz (n.d.) has a tag dedicated to "Universal Basic Income," which mainly features Gareth Morgan's advocacy (Hickey, 2011).

One important forum is the Inequality "conversation" led by Max Rashbrooke (2013a), editor of *Inequality*. Rashbrooke (2013b), *The Standard* (2014a) and the Labour Party of New Zealand (2012) cite and present work by Perce Harpham (see also Harpham, 2014; Kerr, 2014), which in turn links back to my own work.

The activist-right tend to be unnerved by proposals that add public property rights to their private-property-rights paradigm. And such proposals are seen by the activist left as too abstract and not sufficiently redistributive. Academic economists tend to steer clear, not because of a rejection of the concepts involved, but presumably because of an aversion to becoming embroiled in a politically sensitive area of research, or doing what looks too much like advocacy.

Political Parties

Some form of UBI was advocated by fringe parties contesting the 2014 general election, Mana (Keys, 2014) and Democrats for Social Credit (2014). While both parties have made important contributions to New Zealand politics this century, neither party has any members in the 2014–2017 parliament. More significantly, New Zealand's third largest party, the Green Party, favors an integrated basic income approach to income taxes and benefits. And most significantly, The New Zealand Labour Party, as noted (e.g. *The Standard*, 2014b), is giving attention to the concept, though clearly worried about the politics.

Criticism

I have already noted that UBI sounds like an idea too far when understanding goes no further than a caricature embedded in a headline or a flippant remark. More serious criticism tends to go for the straw man, criticizing a particular version of universal income as if it was representative of all versions. The two I will mention here are those of the Welfare Working Group (New Zealand Treasury, 2010) and Easton (2015).

The Welfare Working Group (New Zealand Treasury, 2010, p. 2) did a modelling exercise based on the following straw-man proposal: "The model assessed assumes a universal and unconditional payment of NZD$300 per week to all individuals aged 16 years and over, and an extra payment to those families with children." They made some variations to that model, but nothing like anything I have proposed since 1991.

Families with less than two full-time incomes gain through a basic income payable to the caregiving parent. To pay that parent an additional set of lesser basic incomes per child would clearly distort any attempts at tax-benefit integration. While the public equity approach does not preclude transfers being paid to parents on behalf of their children, this is outside the scope of the core concept. (Large families and single-parent families are obvious candidates for transfers from the social security fund.) Families benefit because public equity applies to the caregivers of children, who in some cases receive zero income at present.

Easton (2015) is similarly stuck on the matter of adequacy, presupposing that the only purpose of a universal basic income is to provide a universal benefit adequate to replace all existing benefits. The public equity approach moves the discussion away from this distracting issue of adequacy. Political and economic realism would favor an initial public equity dividend in the NZD$150 to NZD$200 per week range. Further, there will always be some people with special needs that cannot be covered by even the most generous of basic incomes. Best solutions will come from striking a good balance between horizontal public equity and more customized vertical equity approaches.

Conclusion

The "public equity" approach has the potential to break the political difficulties associated with a UBI. UBI has taken on the aura of being utopian, regarded by too many as a proposal to pay everyone from public funds an amount adequate to live on (albeit sparsely) without work. UBI is too easily seen as a free-riders' charter.

The public equity approach simplifies the concept of universal income to an equal distribution of some portion of public revenue. As such it represents a significant expression of the horizontal equity principle, treating equals equally, that is central to democracy. Further, public equity benefits can be funded by the application of the same horizontal equity principle to taxation; setting a flat (proportionate) tax such as the 33 percent personal and trust rate in New Zealand. It is the application of this one principle to both taxes and benefits that reveals the significant amount of disguised benefits that are already being received by people on middle and high incomes.

Paying public equity benefits (or universal incomes by any other name) cannot, in itself, eliminate poverty. The BIFT mechanism addresses the poverty trap, not poverty itself. It is the opportunity to mix reliable publicly sourced income with less reliable privately sourced income (and redistributive transfers where necessary) that gives people choices about how much they should labor, and provides support for people in precarious employment.

New Zealand already has the equivalent of public equity dividends (NZD$9,080 per annum; NZD$175 per week) and flat taxes (33 per cent) for everybody earning over NZD$70,000 per year. Extending this equity dividend to remaining adults is less costly than commonly supposed, because most already receive substantial publicly sourced income, through a mix of transfers and revealed benefits, close to or in excess of that figure.

What if someone at the Bank of New Zealand's (BNZ) annual general meeting put up a proposal to withhold payments to shareholders who presently have no source of income other than their BNZ shares? Or what if they insisted that shareholders with less than NZD$70,000 annual income should get smaller dividends than those earning more than NZD$70,000? What if a proposal was put to deny BNZ dividends to shareholders deemed lazy or otherwise undeserving? Could we imagine such proposals being implemented by the BNZ board? It would be similarly inconceivable for a society with explicit public equity dividends to choose to abandon them.

Notes

1. While Accident Compensation reform promoted the universal "no fault" principle, it also adopted the nonuniversal principle of providing

benefits proportional to private earnings. Rights became linked to employment.

2. In this chapter I will use the term "public equity benefits" for a general distribution of some publicly sourced income to all tax-resident adults, and "public equity dividends" for an *equal* and *unconditional* distribution of some publicly sourced income. The payment of public equity dividends does not preclude the payment of conditional transfers, in addition, to some New Zealanders.
3. Indeed in 2015 several European countries have accepted negative interest rates, a step more radical than basic income, and disaster seems no more likely in those countries than in others.
4. St John (2015) suggests a couplet "39–282" as her Scenario 1 pension. (The NZ$282 is simply her annual NZ$14,677 converted to a weekly amount.) St John's Scenario 2 is a BIFT couplet for non–pensioners earning at least NZ$15,000 per year of "39–62," and for pensioners earning at least NZ$15,000 per year, of "39–344." For pensioners earning less than NZ$15,000, the weekly basic income falls between NZ$282 and NZ$344.
5. Top ups here would "taper" or "abate." Effective marginal tax rates might be raised by around 20 percent—20 cents in the dollar.
6. 33 percent (or whatever other rate is applied) of gross domestic product, plus all government income from other sources, such as goods and services tax (GST), customs duties, and profits of market enterprises that are fully or partially government-owned.

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