

Public Equity and Tax-Benefit Reform.

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About this report

This report is part of an ongoing series on contemporary policy issues in Aotearoa New Zealand. This series is action-oriented and solutions-focused, with an objective of bringing academic research to bear on the economic, social and environmental challenges facing us today.

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Preface

This report is about the idea of public equity, and provides a model for how it might work in New Zealand. Public equity is the recognition that a substantial share of national income is inherently public because it derives from capitals that are public – such as intellectual, socio-cultural, and natural capital – or have public elements. Manufactured capital, for example, includes a nation’s physical infrastructure. Just as these capitals are publicly ‘owned’, some of the income generated by these capitals could also be distributed equally to all citizens of a society, as a dividend.

The public equity concept addresses some current problems with income distribution and the welfare state. By rethinking income taxation as public revenue resulting from those capitals that are in the public domain, we avoid the libertarian notion of taxation as the theft of private wealth. The distribution suggested in this report, in the form of a public equity dividend, would help ensure the capacity of ordinary citizens to spend, as capitalism requires them to do, and lessen the need for private debt to fund their spending. It would also maintain a more elastic labour supply – people could work shorter hours in normal times, and longer hours in times of emergency, incentivised if necessary by changing tax rates or dividend amounts. This balanced work pattern is the key to sustainability of the natural environment, as well as the sustainability of capitalism. The model I propose in this report has a single tax rate, which makes domestic tax avoidance more difficult as differences in tax rates cannot be exploited.

The current welfare system is beset by conditionality and high effective marginal tax rates, which amount to a ‘poverty trap’. Public equity dividends would reduce the number of people requiring welfare payments. The dividends are also labour-enabling; unlike targeted transfers, they cannot be withdrawn or reduced when a person gains casual or permanent employment.

Public equity gives citizens more scope in their work-leisure trade-offs. Governments can adjust the core fiscal parameters – income tax rate and dividend amount – to ensure that nobody is left behind, and that nobody is pressured to enter into exploitative labour contracts or self-employment in the criminal economy. Basic income security in high productivity societies is neither unaffordable nor a luxury: the public equity mechanism can create a citizen-centred economy that meets the distributional challenges of rising economic productivity.

1. Introduction

It is easily affordable, in 2017 or 2018, for New Zealanders to pay 33 percent income tax and receive an unconditional public equity dividend of \$175 per week. For a majority of New Zealanders, their incomes would be unchanged. For most of the rest, there would be only a small increase in their incomes. What would change, radically, is the way New Zealanders *think* about taxes and benefits. Such a change in thinking opens the door to constructive, equitable and consensual future changes to taxes and benefits. This report explains the conceptual leap involved in a public equity-centred tax-benefit reform. I demonstrate a staged change to this model of public accounting and income.

A social welfare problem has existed in accentuated form in New Zealand since the 1991 'Mother of All Budgets'. The problem is essentially an array of increasingly conditional (and bureaucratic) transfer benefits that barely sustain only a basic income safety net. In reality, these benefits have formed an ever-tightening 'poverty trap'.

1991 was also the year I first wrote about the Universal Basic Income (UBI) as a core universal adult benefit that could be achieved in New Zealand through a process of tax reform.¹ By that time, few people remembered the humiliating terms under which social assistance was available during the Great Depression of the 1930s, and the resulting rhetoric of universal social security that gained the Labour Party its first ever electoral success in 1935. The provision of truly universal benefits began with the introduction of Universal Superannuation from 1940. It was more policy pragmatism than Labour's political ideology that ushered in New Zealand's universal welfare state following the passing of the 1938 Social Security Act.² Historians continue to acknowledge the universal welfare state as one of New Zealand's greatest political achievements, but in the 1980s and 1990s both Labour and National governments set about disestablishing it. Universal welfare provision became vulnerable to attack partly because of its political roots in a sort of 'pragmatic idealism' rather than through the reasoned application of equity principles.

Public equity is an important concept - a missing principle - that can fruitfully inform contemporary discussions relating to tax and benefit reform. Indeed, in a more general sense, it's a concept needed to advance discussions about capitalism itself. For capitalism to have a benign future - as suggested by Winston Peters³ - an inclusive vision of public property rights needs to be embedded into the conversation. Public equity represents a way of understanding - and accounting for

¹ Rankin (1991). See the [Appendix](#) for why I no longer favour the name 'Universal Basic Income'. See also Susan St John, in conjunction with Anne Heynes or myself (1993, 1998, 2002, 2009), on the increasing benefit disentitlements and benefit cuts that began in the 1980s.

² Hanson (1980) reveals the convoluted politics that could have easily led, instead, to either an extension of targeted welfare or the introduction of a contribution-based social insurance scheme.

³ "We believe capitalism must regain its human face", from Peters' announcement that the New Zealand First Party would form a coalition government with the New Zealand Labour Party (New Zealand Herald, October 19, 2017).

- public finance; a way that underpins a universalist approach to the achievement of societal equity without compromising economic efficiency. This equity-based approach to income distribution contrasts with the more familiar (and arbitrary) redistributive tax-and-transfer approach.⁴ It also contrasts with the insurance-based approach to social welfare, where benefits are linked to prior contributions. Public equity introduces public property rights into tax and income distribution policy.

Public equity is the idea that a substantial share of national income is inherently public,⁵ and that the public share should be allocated equally to all economic citizens⁶ of that society. Of the six capitals - financial, manufactured, human, intellectual, socio-cultural, and natural - that enable economic productivity, the last three are inherently public, and the others have public elements. Manufactured capital, for example, includes a nation's physical infrastructure.⁷ Just as these capitals are publicly 'owned', the income generated by these capitals is also owned by the public; I argue they should be distributed equitably to the public, too.

Consequently, in a series of articles, book chapters, and presentations since 2009, I have discussed how, practically, public equity dividends - as a core component of a reform of income taxes and benefits - are equivalent to a Universal Basic Income (UBI). The term 'Universal Basic Income' has become increasingly ambiguous, however. Some understandings of the UBI require that it be a dividend high enough to be an alternative, rather than a complement, to market income. Another understanding is that a UBI necessarily displaces all social assistance in the form of transfer benefits. For this reason, I favour the more inclusive term public equity dividend. It is an amount - *any amount* - that is paid, from public revenue, in equal measure to all economic citizens of a sovereign nation.⁸

Implementation of a public equity dividend starts with accounting reform - that is, reform that opens the door to a future that does not require there to be poverty in a high-productivity society. The constraint to this reform is not a lack of money, but a lack of imagination. For too many, public equity remains a concept beyond the 'adjacent possible'.⁹

⁴ Castles (1985) dates the beginnings of a welfare state for workers in Australia and New Zealand from around 1890, based very much on 'selective' (i.e. targeted) support to deserving working class men and their families. Thus, the development of a universalist approach in New Zealand in the 1930s was very much a break from this earlier Australasian tradition.

⁵ National income is essentially the same entity as GDP (gross domestic product), though seen from the point of view of 'who gets it' rather than 'what's in it'. Common metaphors include the 'economic cake' and 'economic pie'.

⁶ While the definition of the term economic citizenship is open, I use the term to refer to anyone who would qualify for a public equity dividend. The precise qualifying criteria should be worked out by legislators. Economic citizens should be adults, however adulthood is defined, and ideally every adult in the world would be an economic citizen of one (and only one) sovereign nation. Being an economic citizen is not tied to an individual's economic contribution.

⁷ Jane Gleeson-White (2014). *Six Capitals*. Sydney: Allen and Unwin.

⁸ Other forms of equity dividend are also possible. In addition to company dividends, the 'bread and butter' of capitalism, a form in New Zealand could be an Iwi Equity Dividend (Rankin 2016b). For more information about why I no longer favour the name 'Universal Basic Income', see [Appendix](#).

⁹ Johnson (2013) discusses how important ideas that seem obvious to us today were far from obvious in the past, essentially because the key imaginative breakthroughs had not been made.

In this report, I specify the principal steps of the required policy reform process, a process that starts with accounting changes, and then opens up a pathway through which economic success can be enjoyed by all, not just a diminishing few.

Public equity dividends – unlike targeted transfers – cannot be withdrawn or reduced when a person gains some (or more) employment. Accordingly, they are labour-enabling. That contrasts with the caricature of a UBI as a benefit that specifically encourages people to withdraw from the workforce, choosing to survive on public largesse – a form of ‘moral hazard’.

While the size of the public share of national income should be set (and reset) through the democratic process, when we apply equity principles to public finance the public share in New Zealand is larger than conventional reporting suggests.

2. Gross Public Revenue – the Public Equity Fund

In New Zealand’s case, we can tease out an implicit ‘public equity fund’ – the true public share of national income – from a careful examination of income taxes. The rate that has anchored New Zealand’s income tax since 1988 is 33 percent (33 cents in the dollar). This rate has underpinned New Zealand’s income tax code by being the normal top statutory rate. This means that other statutory rates can be considered concessionary (if lower than the 33% anchor rate) or (if higher than the 33% anchor rate) only aimed at a small elite group of very high earners. If we apply the 33% rate to GDP (gross domestic product) – which is the market aggregation that represents a nation’s tax base – and then add all elements of public revenue (especially indirect taxes) that cannot be categorised as income tax, we have a gross measure of public revenue that may be described as the public equity fund.¹⁰ Gross public revenue may then be allocated four ways: *spending* on collective goods and services (such as education, defence); *redistributive transfer payments* (commonly known as welfare benefits and tax credits); *debt servicing* (especially for past public investment in physical infrastructure provision); and *public equity dividends* (analogous to the dividends companies pay their shareholders).¹¹ In addition, in some years there may be a fiscal surplus (unallocated public revenue); in other years, a fiscal deficit.

At present, New Zealand – and other countries – have no explicit public dividends. So, the dividend component of public revenue allocation is presently zero. However, there is an implicit public dividend like distribution, and has been (in its present

¹⁰ Refer [Table 3](#) below.

¹¹ In regard to debt-servicing, the general capitalist principle (when applied to government) is that government consumption – spending by government at any level on collective goods and services – should be funded from current revenue, while government investment should be funded (as debt servicing) from revenue collected over the productive life of each completed project.

form) at least since 1988.¹² For some, the implicit public dividend comes through the unconditional concessions – that is, the benefits which arise from concessionary marginal tax rates – that are contained in the published income tax scales. For others, it arises from the welfare safety-net principle: that every economic citizen should have access to some minimum level of provision. The safety-net principle underpins mid late twentieth century orthodoxy and is manifest in benefits, tax credits, supplements or student allowances that are individually accounted for as conditional transfers. For many – especially lower income workers – their implicit public dividends come as a mix of unconditional tax concessions and conditional transfers. It is important to note that dividends – including public equity dividends – represent income returns to capital (owning); in contrast to wages and salaries, which are returns to labour (working).

From this consideration of benefits embedded within the income tax regime, we may disentangle an existing implicit tax benefit which I call a ‘public equity benefit’. This is an unconditional benefit which, through accounting reform, can become the basis for a genuine public equity dividend. Importantly, I note that by converting this existing implicit benefit into a truly universal dividend, *New Zealand can largely avoid the problem of having to fund an unconditional universal benefit by reducing other allocations of national income or increasing tax rates.* The problem of affordability, which the public associate with universal benefits, only arises if a society wishes to fund significantly larger universal benefits than the benefits already funded.

3. Accounting for New Zealand Income Tax in 2017

The traditional way of accounting for income taxes and benefits is the Graduated Tax Conditional Benefit approach, in which different marginal tax rates are attached to different income brackets, and transfer benefits have conditions attached to them. [Table 1](#) below shows New Zealand’s present graduated income tax scale, and the modified scale announced for 2018 in the 2017 Budget. While the newly elected government has indicated it will reverse these tax threshold changes, this chart demonstrates how public equity benefits change when tax thresholds change.

In New Zealand, 33 percent is the top personal rate and also the rate for trusts; I designate this the ‘anchor rate’ of income tax. In the familiar graduated tax scale, we may interpret the lesser rates – the marginal rates that are applied to lower income brackets – as concessional or ‘discounted’ tax rates. 33 percent also used to be the company tax rate.

¹² Before 1988, the anchor rate of income tax was much harder to determine, due to higher top marginal rates and – especially before 1978 – many more income brackets. In earlier years – in New Zealand especially before 1972 – many benefits were delivered unconditionally as tax allowances, which meant that some income might be classed as ‘non-taxable income’. This still happens in, for example, the United Kingdom and the United States. Our task here is largely unpacking all benefits that are delivered as variations in income tax. Reforms in the 1970s (Rankin 2006) only partially unpacked such benefits.

Table 1: New Zealand Income Tax Discounts

Table 1					
NZ Income Tax in 2017					
Tax Bracket	Marginal Tax Rate	Maximum Discount		Average Discount	
		annual	weekly	annual	weekly
\$1 to \$14,000	10.5%	\$3,150	\$61	\$1,575	\$30
\$14,001 to \$48,000	17.5%	\$8,420	\$162	\$5,785	\$111
\$48,001 to \$70,000	30.0%	\$9,080	\$175	\$8,750	\$168
\$70,001 plus	33.0%	\$9,080	\$175	\$9,080	\$175
2018 Income Tax legislated by previous government following Budget 2017					
\$1 to \$22,000	10.5%	\$4,950	\$95	\$2,475	\$48
\$22,001 to \$52,000	17.5%	\$9,600	\$185	\$7,275	\$140
\$52,001 to \$70,000	30.0%	\$10,140	\$195	\$9,870	\$190
\$70,001 plus	33.0%	\$10,140	\$195	\$10,140	\$195

The reduction of company tax to 28 percent in 2008 suggests there is now a five percent (implicit) subsidy on company profits.

The maximum 'tax discount' associated with each income bracket is calculated by subtracting each concessional marginal rate (e.g. 10.5%) from the anchor rate (33%), and then multiplying by the difference between the upper incomes for the bracket and its preceding bracket. For example, the discount for the first income bracket is 22.5% (33% minus 10.5%) of \$14,000 (which equals \$3,150). The discount for the second bracket is 15.5% (33% minus 17.5%) of \$34,000 (equals \$5,270). These two discounts combine to \$8,420, as shown in Table 1. The discount for the third bracket is 3% of \$22,000 (equals \$660). The combined discounts, arising from each of the three concessional marginal tax rates, add up to \$9,080 per year or \$175 per week (or from Budget 2017, \$10,140 per year which is \$195 per week). The average discounts shown in Table 1 relate to persons with gross incomes at the middle of the tax brackets. Thus, a person grossing \$59,000 per year receives an annual discount of \$8,750.

Under the traditional 'graduated tax' accounting approach, we would say that persons earning \$70,000 before tax would pay a portion of their tax at the 10.5% rate, a portion of their tax at 17.5% and a portion of their tax at 30%. Their total annual income tax would be \$14,020 (down to \$12,960 in Budget 2017), meaning an after-tax disposable income of \$55,980. Persons grossing \$100,000 would pay an additional portion of tax, at the rate of 33%. Their total income tax would be \$23,920 (\$22,860 in Budget 2017), so their after-tax income would be \$76,080.

Under the public equity accounting approach proposed here, everybody's gross market income is taxed explicitly at the anchor rate (33%), leaving 67% as their actual market income. In addition to their market income, every taxpayer receives an unconditional public equity benefit equal to the discount shown in [Table 1](#). For example, a person earning \$70,000 before tax would incur a tax deduction of \$23,100 (33% of \$70,000), which would leave \$46,900 of actual market income, and they would additionally receive a public equity benefit of \$9,080. In total, this would add up to the same \$55,980 of disposable income under the traditional account approach.

A person earning \$100,000 before tax would receive \$67,000 after tax, and receive a benefit of \$9,080. Their after-tax 'disposable income' would be \$76,080. The important difference is that, under public equity accounting rules, each person would understand their personal income as unconditionally coming from two distinct sources: the marketplace (\$67,000 for persons grossing \$100,000), and the public equity fund (\$9,080 equity benefit).

Table 2 shows example accounting differences (using the 2017 tax scale) in relation to four taxpayers. Present disposable (after-tax) incomes for each taxpayer are broken down into their market and public components.¹³ Note that - unlike 'tapering' income-tested benefits - unconditional public equity benefits are higher for higher earners. Also, many lower earners presently gain total benefits in excess of \$9,080 (the present maximum public equity benefit). To achieve a genuine public equity dividend of \$9,080, all economic citizens would need to receive at least \$9,080 of public benefit income (\$10,140 in Budget 2017). *Once this condition can be assured, the extended public equity benefit becomes both unconditional and universal. It becomes a dividend.*

Table 2: Public Equity Benefit in New Zealand

Table 2				
Example: Division of Disposable Income following Public Equity Principles				
Taxpayer	Traditional	Disposable	Market Income	Public Equity
Gross Income	Tax Paid	Income	(67% of Gross)	Benefit
A. \$100,000	\$23,920	\$76,080	\$67,000	\$9,080
B. \$70,000	\$14,020	\$55,980	\$46,900	\$9,080
C. \$48,000	\$7,420	\$40,580	\$32,160	\$8,420
D. \$14,000	\$1,470	\$12,530	\$9,380	\$3,150

¹³ Unconditional tax benefits - such as the public equity benefit - reverse-taper, meaning that higher income earners receive larger tax benefits than lower income earners. Contrast with those tapering benefits today that are commonly labelled 'tax credits'. Family Tax Credits in New Zealand are 'transfer benefits' administered by the tax authority.

In Table 2, disposable income is calculated either as 'gross income minus tax', or as 'market income plus public equity benefit'. The only differences are in the accounting methodology, and, most importantly, in how the reformed accounting method informs the development of future tax rates and benefit distribution. Accounting based on public equity principles tells us that all income earners receive, as private incomes available for spending, a mix of market-sourced and publicly-sourced income. Public equity accounting also tells us that, in New Zealand in 2017, economic citizens earning less than \$70,000 gain smaller public equity benefits than do those earning \$70,000 or more.

Accounting reform affirms that gross public revenue – the public equity fund – represents a larger share of GDP than we traditionally suppose it to be (Table 3). For 2017, we can see that the corrected public revenue represents 45.7 percent of GDP, not 31.7 percent. If productivity rises, for example through increased automation, this percentage should rise also.¹⁴

Table 3: Public Equity Fund, New Zealand Budget 2017

Table 3					
Public Revenue Aggregates					
		Traditional Accounting		Reformed Accounting	
		§billion		§billion	
Income Tax		50.2	19.0% of GDP	87.4	33.0% of GDP
Indirect Tax		27.4		27.4	
Other Revenue		6.2		6.2	
		83.8	31.7% of GDP	121.0	45.7% of GDP
GDP	\$264.748b				

Sources: NZ Treasury 'Budget at a Glance' 2017; Statistics New Zealand

We can say, in 2017, that almost every economic citizen is a public beneficiary. All who pay income tax receive a public equity benefit, while almost everyone who gains no market income receives some other sort of benefit from public revenue, such as a Jobseekers Benefit or a Working for Families Tax Credit. The universalist viewpoint which underpins public equity accounting suggests that every economic citizen should draw *at least as much from public revenue as higher earning economic citizens are unconditionally entitled to*. Thus, in 2017, anyone whose total annual benefits (including their public equity benefit) falls short of \$9,080 incurs an injustice, in much the same sense that company shareholders denied their full dividend entitlements would be subject to an injustice.

¹⁴ Consider the extreme case, where a country's entire labour output is able to be performed by one person. The anchor rate of income tax would need to be at least 99 percent in order to avoid excess inequality. While the extreme case will never happen, it is important to have an accounting method that can handle any conceptually possible labour-capital ratio. Indeed, if as a society we favour working less and consuming less, then the labour-capital ratio declines further, meaning a higher anchor tax rate is required to avert increased inequality.

New Zealanders are used to the idea that all economic citizens should receive public benefits. New Zealand has a history, since 1940, of universal public superannuation. And, for four decades since 1946, New Zealand had a universal mothers' benefit called the Family Benefit. Furthermore, New Zealanders are used to the idea that school education and acute healthcare are publicly funded and available to all. The public equity principle – that we pay taxes on an equitable basis and all receive something back on an equitable basis – is not a distant concept to New Zealanders. The word 'benefit' means 'good'; it is *good* to be a beneficiary.

4. The Stages of Tax-Benefit Reform

In this section, I describe the conceptual stages of possible reforms guided by the public equity principles described above. Democratic reforms must be conducted in stages, and the first stage should always be to remove the fear of change. Reform here begins with a reinterpretation of income tax, including the recognition that existing benefits, hidden from view by accounting conventions that are past their 'use-by' date, already form the basis of an unconditional and universal public dividend. An equal sharing of the public component of national income can become the centrepiece of the reform that capitalism itself must have if it is to survive.

Stage 1: Public Equity Accounting

The first stage is an accounting reform, a relabelling exercise that adopts the language of public equity accounting by identifying public equity benefits as tax benefits, thereby enabling an alternative understanding of progressive income tax. Accounting reform is the creative essence of the process outlined here. Until such reform is undertaken, attempts to graft a Universal Basic Income into the present public accounting structure as a grand political exercise in income redistribution, are most likely doomed to failure. This is the usual fate of 'big-bang' revolutionary change imposed by governments. The underlying ideas of public equity accounting are not political. Rather they serve as a road map for future income distribution under capitalism; an application to present reality of imagination and good arithmetic. Reforms informed by simple and relevant accounting insights need not be politically divisive.

The public equity benefit represents a reconceptualisation of the benefits that arise from discounted rates of income tax in a graduated tax scale. The income brackets subject to discounted marginal tax rates in New Zealand were shown in [Table 1](#). The anchor tax rate is 33%. The concessional (discounted) rates are 10.5%, 17.5% and 30%. By way of

contrast, in Australia the equivalent anchor tax rate is 37%, and the discounted rates are 0%, 19% and 32.5%. In the United Kingdom, the anchor rate is 40%; discount rates are 0% (expressed through a system of variable allowances) and 20%.

Figure 1

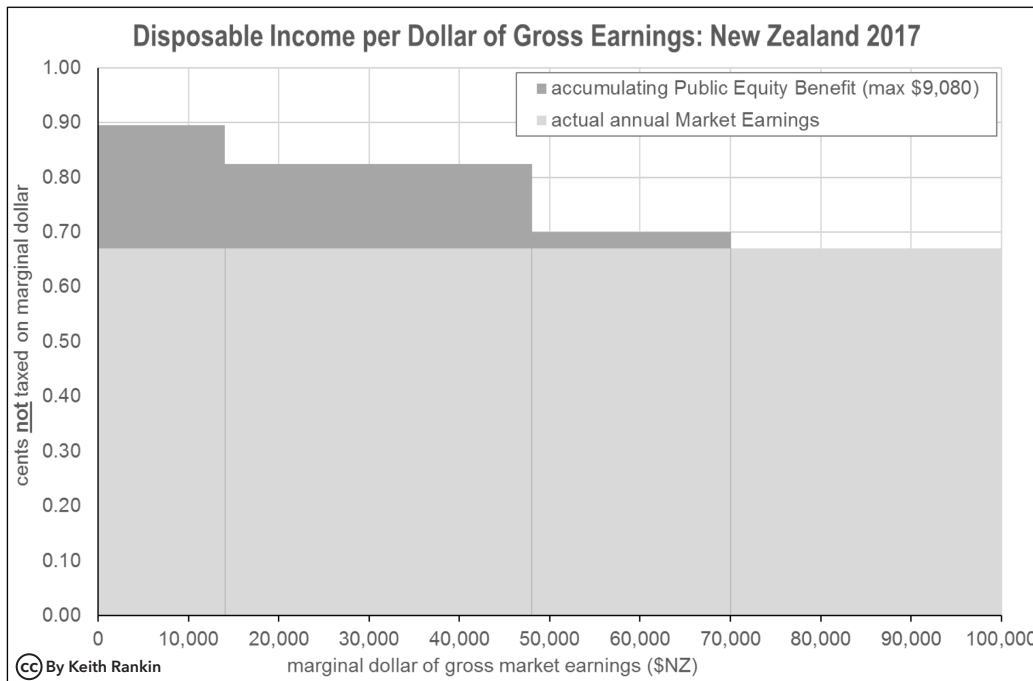


Figure 1 shows the way that, in New Zealand, public equity benefits sit on top of market sourced disposable income. To accumulate the maximum public equity benefit, economic citizens of New Zealand must be earning at least \$70,000 per year before tax. The first chunk of public equity benefit shown amounts to \$3,150; it is payable to anyone earning at least \$14,000. The first and second chunks together add to \$8,420, an amount unconditionally payable to anyone earning at least \$48,000 per year. The final sliver of \$660 - the third 'chunk' - takes the maximum public equity benefit to \$9,080, which is \$175 per week.

For illustrative purposes, Figure 2 below shows how the present maximum public equity benefit (\$9,080) could instead be made available to all taxpayers on gross incomes above \$48,000. This would involve an alternative tax scale that replaces the 10.5% concessional tax rate with a zero rate, removes the 30% concessional rate, and reduces the \$14,000 income tax threshold. This extension of the public equity benefit looks like an option that

would be a good fit for the new centre-left government (Rankin 2017), as an alternative to the changes (likely to be reversed) legislated by the previous centre-right government in Budget 2017. It would only provide 'tax cuts' – that is, public equity benefit increases – to people grossing less than \$70,000 per year.

Figure 2

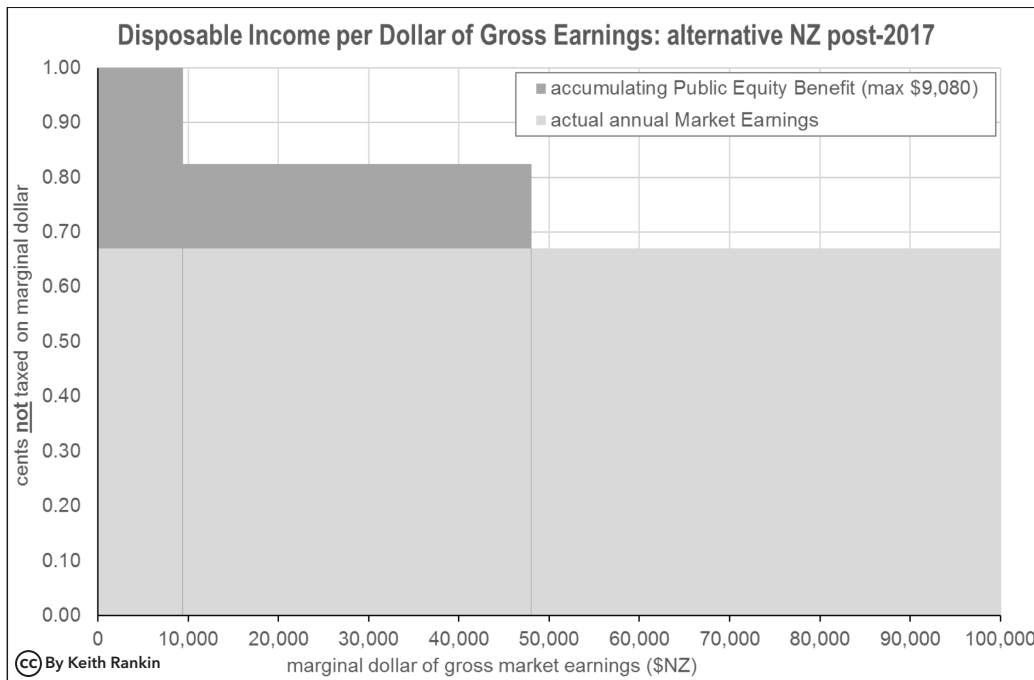
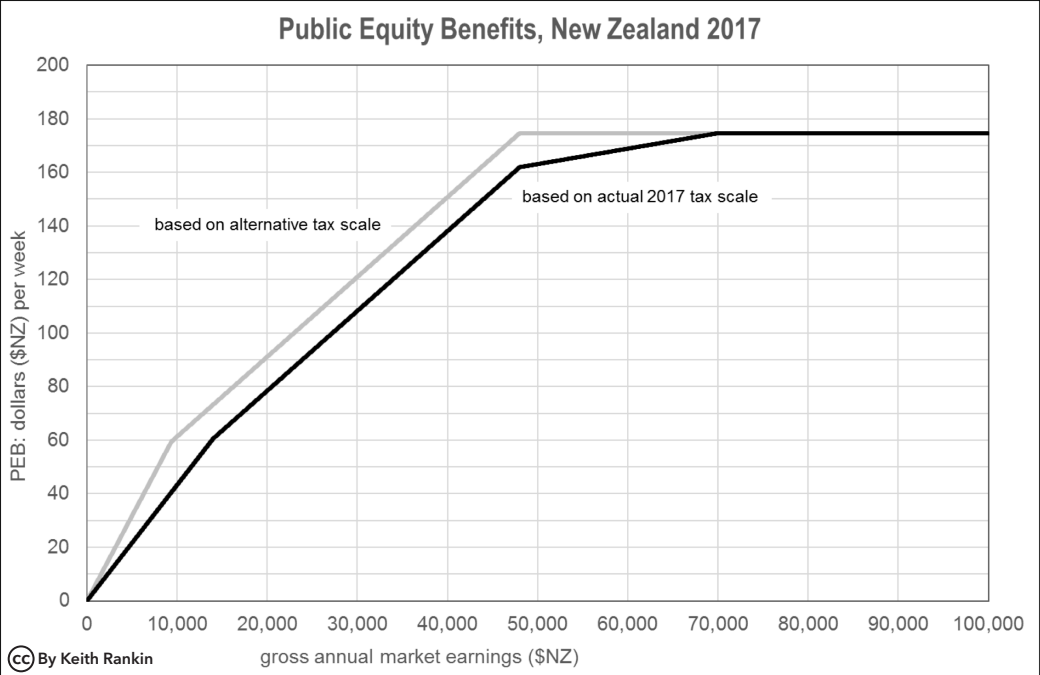


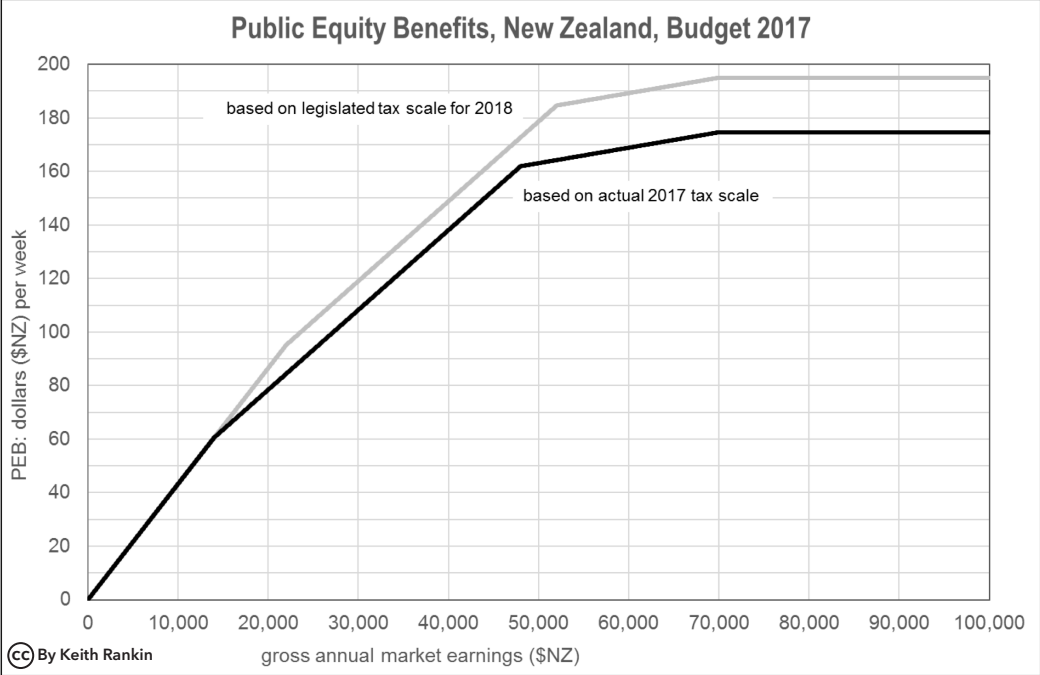
Figure 3 below conflates the information in Figures 1 and 2, showing the levels of unconditional public equity benefit presently payable to people with different levels of gross income, up to \$100,000. Figure 3 also shows the difference that the alternative income tax scale, depicted in Figure 2, would make.

Figure 3



The change for 2018 legislated in Budget 2017, - but which will most likely be reversed by the new coalition government - is represented in Figure 4. It shows the maximum public equity benefit rising from \$175 to \$195 per week.

Figure 4



In New Zealand, the present maximum public equity benefit is \$9,080 (\$175 per week) for persons grossing at least \$70,000 per year. In Australia the maximum public equity benefit works out (in \$AUD) at \$12,368 (or \$238 per week) for persons grossing between \$87,000 and \$180,000 (a lower public equity benefit for other incomes). And in the United Kingdom, based on that country's present scale of marginal tax rates, the public equity benefit is £10,800 (or £208 per week) for persons on a basic tax free allowance of £11,000 and grossing between £43,000 and £161,000 (a lower public equity benefit for other incomes).

Stage 2: Public Equity Dividends

While Stage 1 of public equity reforms re-imagines the tax-benefit interface, Stage 2 increases some people's incomes. This stage of the proposed reforms converts public equity benefits into public equity dividends. This is a straightforward application of the principle of *horizontal equity* - that is, to treat equals equally. Accordingly, all economic citizens are equal in a public sense; all equally own, and have an equal stake in, the public equity fund. It's economic democracy: one economic citizen, one dividend.

This reform requires, firstly, that economic citizens who presently receive *total* monetary benefits (public equity benefits plus transfer benefits) of less than \$175 per week gain a benefit top-up to \$175. This top up would ensure that all economic citizens receive a minimum of \$175 per week of publicly sourced (benefit) income from the public equity fund. For some people, such as financially dependent spouses and some fulltime students, the top-up would be the full \$175 per week.

Once everybody has a minimum total monetary benefit of \$175 per week, the conditions for a public equity dividend are met. The first \$175 of all persons' benefits becomes an unconditional and universal publicly sourced income. Benefit income more than the public equity dividend remains, subject to the unchanged conditions. For fulltime workers, public equity dividends could be paid - as public equity benefits are now - by employers from funds not remitted to Inland Revenue. The mechanism of payment to precarious workers and students would most likely be in the form of a regular credit from the tax authority (in the New Zealand context, Inland Revenue). Present 'beneficiaries' - in the sense we use that term today - could continue to receive their payments from Work and Income.

With a weekly public equity dividend of \$175, and an anchor tax rate of 33 percent, every economic citizen's income conforms with the following formula:

- Disposable Income = 67% of Gross Market Income + public equity dividend (\$175) + Other Benefits

'Other Benefits' is now defined as any level of social assistance benefits in excess of the public equity dividend. While for most people 'Other Benefits' would be zero, for some -

such as low-middle-income families (especially single-parent families), low-middle-income people with high accommodation costs, retired persons, and persons with significant disabilities – ‘Other Benefits’ would continue to be an important part of their disposable incomes. The public equity dividend is a correct application of the principle of horizontal equity. ‘Other Benefits’, on the other hand, represent an application of the principle of *vertical equity* – that is, unequal benefits for people facing unequal circumstances.

Following Stage 2 reforms, ‘Other Benefits’ would be calculated and administered exactly as at present. This is not to argue that present benefit levels are sufficient to meet the needs of beneficiaries. Rather, the resetting of present ‘Other Benefits’ as new social assistance benefit is addressed here as Stage 5 reform. The stages – as presented – should be understood as conceptual and not necessarily a chronological sequence. Raising ‘Other Benefits’ can be done at any time, and not necessarily as a part of reforms informed by public equity principles. Many people classed in 2017 as beneficiaries – such as young unemployed people without dependents – would cease to be clients of Work and Income. For them, the public equity dividend would become their only publicly-sourced benefit.

Stage 3: Future-Proofing Benefits using Public Equity Principles

Stage 3 reform requires principles to determine how both public equity parameters – the anchor tax rate (33% initially) and the public equity dividend (\$175 per week initially) – adjust over time.

The basic principle for adjusting transfer benefits has been inflation.¹⁵ This form of indexation would be insufficient, however, because the public equity dividend should capture productivity gains. The public equity dividend is a public dividend which should adjust sufficiently to ensure that productivity gains do not themselves become reasons for inequality or exploitation. Where productivity gains are due largely to public capital improvements – for example, from intellectual or social capital – then the anchor tax rate would also need to increase, raising the size of the public equity dividend relative to Gross Domestic Product (GDP).

One possibility is that the public equity dividend automatically adjusts for prices, and the public equity dividend and anchor tax rate are politically adjusted periodically to reflect both productivity gains and labour requirements. If ever there are general labour shortages (as distinct from shortages of specific labour skills), then public equity dividends could be held rather than raised, increasing the ‘elasticity of labour supply’. In periods (such as recessions) with higher productivity of employed labour and general labour

¹⁵ If we inflation-adjust the 1914 old-age pension (£26 per year; New Zealand Official Yearbook, 1915), we get less than \$80 per week in 2017. That amount falls far short of today’s universal public pension of about \$300 per week. Over long time periods, only adjusting for inflation is demonstrably inadequate. I also note that, when a Personal Tax Rebate – another form of Proto-UBI – was introduced in New Zealand in 1974, failure to properly index this unconditional benefit paid to all workers facilitated its demise in 1978 (Rankin, 2006).

surpluses, then a higher public equity dividend and a higher anchor tax rate would both forestall increased inequality and, by allowing people to keep spending, would facilitate a return to more usual macroeconomic conditions. The (anchor) tax rate would need to be adjusted to whatever level was needed to fund the public equity dividend at its new appropriate level.¹⁶

Another indexing possibility is that the public equity dividend would automatically link to GDP per person. While this would allow automatic adjustment to both inflation and productivity, it would in itself not create the fiscal stimulus required during a recession. Nor would it reflect that, in a world of increasingly automated production, the public equity fund would need to become a greater share of GDP, as labour incomes would represent a diminishing share of GDP. Indexation to GDP would fall short of the goal of maintaining a stable (or decreasing) Gini Coefficient.¹⁷

In a 2011 essay I discussed the situation whereby an economy with high and growing productivity could result in either of two outcome types: a 'high-GDP high-work' type or a 'lower-GDP lower-work' type. In the absence of public equity dividends (which I called 'refundable tax credits' in that essay), capitalism can only achieve the first outcome type, which is more resource consumptive and therefore less environmentally sustainable. The high-GDP-high-work type is tantamount to a high growth economy, in which inputs as well as outputs grow. The lower-GDP-lower-work type is a potentially sustainable economy which eschews the more-work more-factories model. In the absence of public equity dividends, only high (indeed rising) levels of labour employment can offset growing inequality. However, a society with public equity dividends, by choosing higher dividends and a higher tax rate, can steer itself towards the second, more environmentally sustainable outcome type.

In a mature fiscal environment, with income distribution informed by public equity principles, key parameters would be politically contestable. Automatic benefit indexing alone would be insufficient to ensure a result that optimises economic efficiency and distributional equity. Presumably political parties of the left would look to raise the income tax rate to fund increased collective goods and increased equity dividends. Parties of the political right would normally favour a smaller public equity fund relative to GDP than would left-wing parties.

¹⁶ An exception to this rule is the possibility that public finance follows a structural deficit model, much as we already see in Japan and the United States. (In this model, the government is technically insolvent, in perpetuity, nevertheless in an economically sustainable way. Refer Koo, 2009.) While this may prove to be an increasingly common fiscal model in the twenty-first century, its discussion is out of the scope of the present report.

¹⁷ The Gini Coefficient is the most common measure of income distribution; the higher the Coefficient the more income inequality a society has. Liberal capitalist (Western, developed) economies have become more unequal in recent decades. Governments which delay Public Equity reforms until their Gini Coefficients are much too high, will need to have a public equity dividend indexing policy that steadily reduces their Gini Coefficient until an acceptable measure is achieved.

Stage 4: Taxation Before Distribution

Stage 4 sees the pay-as-you-earn (PAYE) system of income tax collection reach its logical historical endpoint, with all income tax deducted at market source, and all private incomes paid out of funds that have already been taxed.

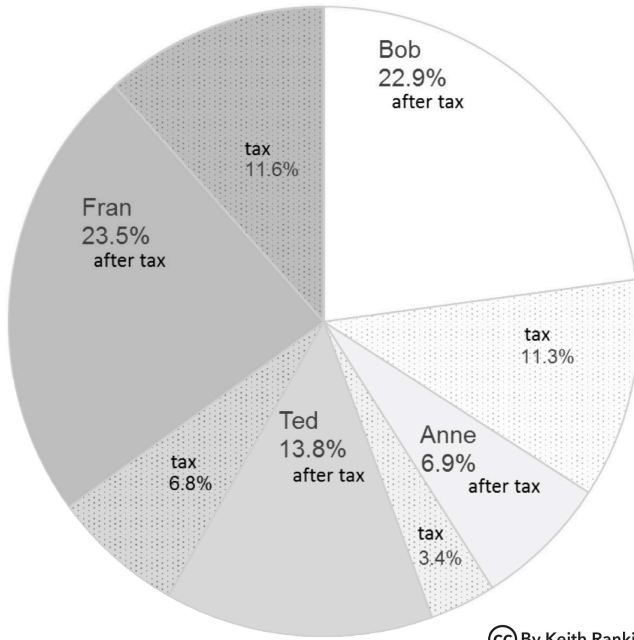
Historical convention has been to distribute income as *if* it was all private income, then for the government to take back arbitrary shares as public revenue. This reflects the historical epochs during which income tax was introduced, and the ensuing pragmatics of paying implicit benefits through tax graduation. However, this traditional accounting approach lends credence to the extreme libertarian view that income tax is the public appropriation of private wealth. Further, the variability of tax rates incentivises tax avoidance. Following Stage 1 reform above, however, every person and every organisation is technically liable for the same proportion (e.g. 33%) of their gross income as tax. With a single tax rate, domestic tax avoidance becomes practically impossible as differences in tax rates cannot be exploited. (International tax avoidance would require an international application of public equity accounting.)

[Figure 5](#) below shows how market income distribution to wage/salary earners – in this example, Bob, Anne, Ted, and Fran – would look after both Stage 1 and Stage 4 reform. In the ‘before distribution’ case, all employee income is distributed gross, as if it was all private income, and 33 percent from Bob, Anne, Ted, and Fran each is then obligated to Inland Revenue. In the ‘after distribution’ case, the 33 percent (less any subsidies on company tax) is committed prior to being allocated to firms’ employees’ salaries. Thus Bob, Anne, Ted and Fran all understand their market wages/salaries as being net of income tax.¹⁸ Under these accounting circumstances, they no longer perceive themselves as facing a marginal tax rate on their market incomes. Each understands that they will receive a salary paid out of already taxed income, plus a dividend (\$175 per week) from public revenue.

¹⁸ With this understanding, they will no longer be able to claim that they work 3.5 days per week for themselves and 1.5 days for the government. Essentially the concept of ‘before-tax wages’ would disappear.

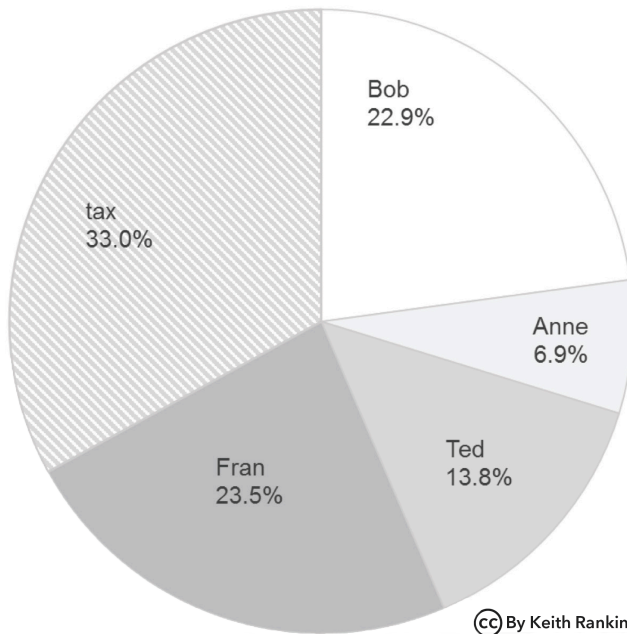
Figure 5

Individuals' Income Shares,
taxed after distribution



© By Keith Rankin

Individuals' Income Shares,
taxed 'at source' before distribution



© By Keith Rankin

Once all income is taxed at a single rate, income tax is easily understood as a production tax – indeed a production ‘royalty’ – in which all producers pay a flat rate levy for their use of economic inputs that belong in the public domain.¹⁹ Thus producers would contribute 33 percent (or whatever else the tax rate might become) of the value their activities contribute to the economy’s output to the public equity fund, and only then pay their workers, shareholders and creditors.

When income is fully taxed in this manner (‘at source’), marginal rates of income tax disappear. Present concern about marginal tax rates would be revealed to be an artefact of an outdated accounting system that initially attributes public income to private entities.

We might also note that Anne in Figure 5 is better placed to negotiate a higher wage (or ‘market income’) than she was pre-reform. If she refuses to accept a low wage, now she has her public equity benefit (that is, an unconditional \$175 per week) as of right, which can tide her over until she gets a satisfactory offer.

Stage 5: Social Assistance Benefits

One of the reasons that a Universal Basic Income is attractive to many people is the possibility of abolishing the intrusive and expensive bureaucracy that comes with ‘tapered’ – that is, income tested and abating – benefits.

The problem here is that, if governments abolish *all* conditional and tapering benefits, we no longer have a way of providing social assistance to those with particular needs. In particular, we would not be able to address needs that arise from age, disability (of oneself or of one’s dependents), parenthood (especially sole parenthood), education requirements, housing, or indebtedness.²⁰

The principle of vertical equity – treating people with different circumstances differently – is not antithetical to that of horizontal equity, as is sometimes supposed.²¹ Rather, the two principles can be complementary. Social assistance transfer benefits allow a fiscally affordable public equity dividend to be paid as a universal benefit. Whereas the public equity dividend can be the core entitlement of equitable tax benefit integration, social assistance is that reform’s necessary superstructure.

While minimising the need for special assistance, the challenge is to offer it with compassion while removing the perverse incentives – poverty traps – that disable today’s beneficiaries from finding their own solutions to the economic challenges that they may face.

¹⁹ In Rankin (2013), I discuss the ownership of water – a very topical issue in New Zealand in 2017 – in the wider context of water being an important public domain resource.

²⁰ We worry a lot about ‘moral hazard’ associated with indebtedness. In Stuff (2017), Work and Income argue that “bank loans should [be] treated as income” for means-testing purposes. Rather, the safety-net principle – that nobody should fall through social welfare ‘cracks’ – should apply to people with debts, and notwithstanding the circumstances in which debts were incurred. If people need help to avoid dire economic and social outcomes associated with excessive debt, then some kind of help should be available. Bankruptcy will sometimes be a solution, but not always.

²¹ Morgan and Guthrie (2011) regard horizontal equity and vertical equity as alternatives, not complements.

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The suggested reform here is to accrete the various forms of assistance provided from the public equity fund, and to apply a single tapered income test to that assistance. A new and sensitive income-abatement formula would be required to displace existing means testing, possibly following a points system comparable to that used by Immigration New Zealand. This social assistance benefit should be as easily available to self-employed people as to people who identify as employees.

Social assistance benefit recipients should only face one regime of benefit-abatement. With some people currently facing enforceable levies such as student loan repayments and Child Support, there can be no realistic capacity to reduce social assistance through separate abatements of Work and Income benefits, Family Tax Credits, and Accommodation Supplements. While student loan repayments and Child Support payments may themselves be amenable to further reform, it is not the role of public equity reform to incorporate these specific and separate matters. (Certainly, while Child Support payments should be paid always to caregiving parents, consideration for social assistance would take such matters into account.) Further, the 'living allowance' component of the Student Loan scheme would naturally become redundant with the advent of public equity dividends.

The reforms advocated here are agnostic on the matter of universal benefits for children. The important issue is that caregiving mothers and fathers receiving public equity dividends as of right become less in need of child benefits. However, the number of dependent children a parent has would be an important consideration for setting the level of social assistance, as it is for present Working for Families benefits. A benefit programme of universal public equity dividends and tapering social assistance benefits can be workable, affordable, and equitable to all types of family. The potentially costly addition and complication of universal child benefits should not become an issue that impedes the core reforms. However, reformed Child Support legislation, with minimal incentives for parents to spend income on legal professionals, and with all Child Support money serving its putative purpose (and not benefit recovery purposes, as at present), may be a useful complement to the core reforms.

With respect to age benefits, some may argue that a public equity dividend is a sufficient universal benefit for the elderly, and that any additional retirement benefit should come under the rubric of social assistance. My sense is that, at least in New Zealand's post-1938 tradition of universal superannuation, all persons over 65 should continue to receive a universal Superannuation benefit over and above the public equity dividend. The present 'married' payment of New Zealand Superannuation is close to \$300 per week for a person without other income. It suggests that a universal superannuation of about \$125 per week (or 70 to 75 percent of the public equity dividend) should be payable additionally to economic citizens over qualifying age, over and above their public equity dividends. This

would lead to a reduction of average benefit levels payable to some older people – given that many people of pension-entitlement-age are employed and receive both public equity benefits and New Zealand Superannuation – and could help to fund the dividend top-ups required in the Stage 2 reform.

Universal superannuation acknowledges that age does come with higher need for some services (especially healthcare services, as private health insurance becomes unaffordable). And it recognises past contributions to present productivity – be they through labour, caregiving, or the many other unaccounted for sacrifices (including having endured unemployment) – that economic citizens make. For persons over 65 living without a partner, who presently gain a premium on their superannuation entitlement, that premium might be better regarded as tapered social assistance (social assistance benefit).

5. Productivity, Labour Supply, and Sustainability

Reforms such as those listed above are recommended if liberal capitalist societies are to meet the distributional challenges of rising economic productivity. Such societies require adequate – indeed more than adequate – spending capacity on the part of the ordinary (especially middle decile) people who constitute the markets for the ‘wage goods’ whose production is the hallmark of liberal capitalism. If the system cannot distribute income to those for whom these goods and services are designated, then the whole capitalist edifice eventually fails. Such failure is delayed only by a spiralling indebtedness that compensates to some extent – and only temporarily – for failures of income distribution.

In the process of meeting the distributional challenges needed to sustain liberal capitalism, ordinary people receiving public equity dividends are able to make labour supply choices – work leisure trade offs – that they cannot make when systemically inadequate wages and loans are their only sources of purchasing power. Maintaining a more elastic labour supply – with people working shorter hours in normal times and longer hours in times of national emergency – is the key to the sustainability of the natural environment as well as the sustainability of capitalism itself.

Income security in high productivity societies is neither unaffordable nor a luxury. Rather, income security extends the core liberal capitalist concept of ‘consumer sovereignty’ to sovereignty over household time as well as over consumer choices. A mature liberal capitalist society that acknowledges and values public equity has a mechanism to recycle income to all its equity holder households in such a way that they can make genuine choices about spending and sustainable living. Liberal capitalist governments can adjust the core fiscal parameters – especially the anchor tax rate and the size of the public equity

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dividend – to ensure that nobody is left behind, and that nobody is forced to enter into exploitative labour contracts or self-employment in the criminal economy.

Public equity is our best means to keep in circulation the money that represents our disposable incomes, and that atrophies when concentrated in private hoards. Public equity represents capitalism's happy liberal future. Capitalism begets other futures, illiberal futures, if we do not have the imagination – or if we are too cynical – to acknowledge and protect our public property rights.

Our necessary public discussion of a Universal Basic Income can progress much more smoothly if informed by public equity principles, and by our realisation that the public equity benefit which we already fund is itself the core of a future dividend payable to every economic citizen.

Appendix - Why I No Longer Favour the Name 'Universal Basic Income'

In 1991 I wrote advocating 'a universal tax credit available to every adult - the Universal Basic Income (UBI) - and a moderately high flat tax rate'. In 1996 (Rankin, 1996) I started to develop these ideas into a "social accounting framework". It was after this 1996 presentation - in Vienna, Austria - that the name 'Universal Basic Income' became a popular choice, among a number of other names, for the concept of a universal publicly-sourced income payable equally to all citizens.

I now choose to de-emphasise the name Universal Basic Income; a name that, in the present debate, has come, to too many people, to represent an unaffordable utopian benefit that undermines the work thrift ethos that they believe underpins progressive capitalism. Furthermore, Universal Basic Income is sometimes presented as a benefit to replace all other benefits - a maximum as well as a minimum benefit - meaning that people with special needs may be denied public help in meeting those needs. That was never my intention.

By focusing on a dividend derived from public equity, I am distinguishing my schema from some other proposed UBI models. I am also highlighting that this model is not centered around a concept of welfare but on a citizenship right to the dividends of past public investments.

Atkinson (1995) contrasted the 'conditional benefit, graduated tax' approach with the alternative '[universal] basic income, flat tax approach'. We should note that the academic 'basic income flat tax' approach (which, in practice, requires an anchor tax rate of 30% as a bare minimum) is quite different from the similar sounding 'flat tax, wage top-up' proposal made by New Zealand's Minister of Finance - Roger Douglas - in December 1987. Douglas proposed to minimise the public share of national income, while paying highly abated means-tested wage supplements to a select group of low-income working families.

We should also note that conditional benefits create a 'moral hazard' problem, in that, in order to receive such benefits, people have incentives to manage their lives so as to conform with those conditions, or at least to appear to be conforming. (This is like the 'tax avoidance' problem noted in the main text.) It is a complete misunderstanding for commentators (for example, Easton 2015; Hooton 2017) to liken a UBI to a scheme like Douglas' Guaranteed Minimum Family Income: a transfer benefit, tightly targeted to low-income wage-earners, that would abate at an effective marginal tax rate of 100%. Under the Douglas proposal, most economic citizens would gain precisely zero publicly-sourced income. It was the antithesis of a Universal Basic Income.

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Even a very low public equity dividend - too low to be classed as a Universal Basic Income - would be useful if it allows us as a society to open the door to future change, to bring meaningful and substantial equity dividends into the realm of the 'adjacent possible'. In 1938 the promise of a \$20 per year universal superannuation in 1940 both gave the then Labour Government a record electoral victory, and gave us today the universal public pension (New Zealand Superannuation) that largely eradicated the indignity of elderly poverty in New Zealand. The key to the door is our recognition that, through concessionary rates of income tax, all New Zealand taxpayers are also beneficiaries; and that it is a good thing to be a beneficiary of public equity.

Glossary

Abatement Rate: the rate at which a 'transfer benefit' is reduced when a person gains an extra dollar of gross market income.

Actual Market Income: a person's gross market income, less the anchor rate of income tax.

Adult: a person who has attained the age of economic responsibility, whatever age that might be set to be.

Anchor Rate of Income Tax: the tax rate that anchors a country's traditional income tax scale. It may be understood as the 'non-concessionary' rate. In New Zealand's case, it is the top personal rate (which is also the trust rate) that has anchored the scale for almost three decades. In most countries, in practice, the anchor rate will be the marginal rate for a person earning twice the average wage. In a country that adopts public equity accounting, the anchor rate becomes the only rate of income tax. Contrast 'Concessionary Rate' and 'Elite Rate'. The present anchor rate might not be the optimum anchor rate. The present rate is a result of historical accident.

Benefit: any explicit or implicit payment of publicly-sourced income to *economic citizens*.

Concessionary Rate of Income Tax: any rate (including zero) on a graduated tax scale that represents a concession, and hence a form of benefit. It is always less than the Anchor Rate. Contrast the Anchor Rate and the Elite Rate.

Disposable Income: the amount of money-income that a person or household has available to spend, and to meet obligations such as debt-servicing.

Economic Citizen: Someone who would qualify for a public equity dividend. Economic citizens should be adults, and ideally every adult in the world would be an economic citizen of one (and only one) sovereign nation. Being an economic citizen is not tied to the individual's economic contribution.

Effective Marginal Tax Rate: percentage of a person's next dollar of earnings ceded to government by way of personal taxation, benefit abatement, or other compulsory levy.

Elasticity of Labour Supply: the responsiveness of the adult population to increased requirement for labour.

Elite Rate of Income Tax: any rate on a traditional graduated tax scale that is above the Anchor Rate, and that applies to an elite group of high-earning economic citizens. New Zealand does not have an Elite Rate (in 2017), but did in the 2000s' decade.

Family Benefit: a universal benefit paid to all mothers in New Zealand - and to fathers acting in lieu of mothers - from 1946-91. Payment was on a per child basis. The Family Benefit could be capitalised, for example to contribute to a deposit on a family home.

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Gini Coefficient: the most widely used measure of income inequality.

Graduated Income Tax: traditional way of accounting for income taxes by levying lower marginal tax rates on lower income brackets.

Gross Market Income: a person's untaxed income from market sources.

Gross Public Revenue: see Public Equity Fund.

Horizontal Equity: the citizenship principle, of treating equals equally. Contrast *vertical equity*.

Income Bracket: a range of incomes; for example, from \$10,001 to \$20,000.

Income Tax Discount: a tax benefit that arises from the levying of lower (discounted) marginal tax rates on lower income brackets.

Labour-Capital Ratio: the balance between labour income (arising from what work we do) and capital income (arising from the six capitals that we own). Rising productivity and improved work-life balance both lower this ratio.

Marginal Tax Rate: the tax rate applied to the next \$1 of a person's gross market income.

Moral Hazard: socially adverse behaviour adopted as an unintended response to market, insurance or government incentives.

National Income: all income created, in a period of one year, within the jurisdiction of a nation state. In essence, national income is gross domestic product (GDP) seen from a distributional perspective.

Other Benefits: transfer benefits paid in a society that pays all economic citizens a *public equity dividend*. Refer to *social assistance benefits*.

Poverty Trap: situation of low-income dependency, where any attempt by persons to increase their market incomes is met by a substantial loss of access to publicly-sourced income.

Precarious Workers: persons in the labour force without a stable principal job or business, sometimes called 'casual workers'. In my thesis about the labour market during the Great Depression of the 1930s (Rankin, 1990), I called this (then very large) group of people the 'residual workforce'. Standing (2014) refers to this group of workers as 'the Precariat'.

Public Equity Accounting: the incorporation of public equity principles into national accounting processes.

Public Equity Benefit: one component of the implicit public dividend (which exists at present in all liberal democracy nations), paid as an unconditional tax concession. The other component, presently conditional, is the 'social welfare safety net'.

Public Equity Dividend: an explicit, equal, universal and unconditional payment to all economic citizens, funded by taxing all income at the *anchor rate*.

Public Equity Fund: gross public revenue, when applying public equity accounting principles.

Public Property Rights: the property rights – including the right to gain an income – relating to a society collectively rather than to that society's economic citizens individually.

Six Capitals: natural, manufactured, financial, human, intellectual, and socio-cultural capital.

Social Assistance Benefit: needs-based transfer benefit paid in a society that pays all economic citizens a *public equity dividend*; conceptually similar to the present UK Universal Credit.

Social Welfare Safety Net: the principle and practice that all economic citizens have access to a minimum level of provision, paid where necessary from public revenue.

Structural Unemployment: unemployment that can exist even in a strong labour market, due to such things as insufficient skills, potential workers living too far from possible places of employment, or to conditional transfer benefits being structured so as to penalise people who take on *precarious* employment. Structural unemployment creates low *elasticity of labour supply*.

Tapering of Benefits: also known as 'income abatement', or benefit 'claw-backs'. The process of reducing transfer benefits when a person's or a household's market-sourced income increases. Whereas the abatement rate is the amount of benefit lost with additional market income, the rate of taper is the amount of benefit retained.

Tax-Benefit: any form of publicly-sourced monetary benefit paid in the form of income tax concessions or exemptions.

Tax-Credit: a label given to a *transfer benefit* that is administered by a country's taxation authority. In New Zealand, that authority is the Inland Revenue Department (IRD).

Transfer Benefits: conditional or income-tested publicly-sourced payments to individuals or families. In New Zealand, most transfer benefits are administered by Work and Income New Zealand, an agency of the Ministry of Social Development.

Public Equity and Tax-Benefit Reform.

Universal Basic Income (UBI): a *public equity dividend* sufficiently high to displace many *transfer benefits*.

Universal Credit: British 'tapered' transfer benefit which covers a range of contingencies that may require people to seek social assistance.

Universal Superannuation: an unconditional payment, payable since 1940 to all persons aged over 65 (subject to limited residency conditions). In 1977 it was reinvented as National Superannuation, and payable to persons aged over 60. In 2017 it is called New Zealand Superannuation, and the age of eligibility is 65.

Vertical Equity: the positive discrimination principle, treating unequals unequally. Contrast *horizontal equity*.

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Keith Rankin teaches economics and statistics at Unitec Institute of Technology. An economic historian by training, Keith's work in the 1990s includes estimates of New Zealand's historical gross national product (from 1859) and underemployment in the inter-war years that include the Great Depression.

In 1991, Keith wrote a Policy Discussion paper about Universal Basic Income as a way of integrating the income tax (Inland Revenue) and benefit (Social Welfare) systems by establishing a universal adult payment from public revenue. His work in the 1990s developed this as a social accounting framework. From 2010, he has emphasised 'public equity' as the core concept that underpins this approach to the difficult problem of sustainable capitalism.

Keith's work on this topic has been published by the *Social Policy Journal of New Zealand* (1997, 1998), *Journal of Sociology & Social Welfare* (2016), and in multi-authored books *Basic Income Worldwide: Horizons of Reform* (2012) and *Basic Income in Australia and New Zealand* (2016).

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