

Reducing Inequality with a UBI & Asset Tax.

perce@harpham.co.nz

Wilkinson and Picketts book "The Spirit Level - Why More Equal Societies Almost Always Do Better" preceded the "Arab Spring", the riots in Europe, the Occupy movement and other manifestations of the desperation of the poor. So what can be done?

Tax and welfare are two sides of the same economic system but have only been approached separately in the past. The universal income and asset tax concept is a more 'holistic' perspective and looks at the effects on both the "wealthy" and the poor in society .

A Universal Basic Income (UBI) Universal superannuation for the aged (with no means testing and only some degrading bureaucracy) has been hugely successful for decades now. The time has come to extend this principle to all ages. The complex mess of benefits and allowances would be replaced with UBIs for, say, ages 0 to 12, 13 to 17, 18 to 64 and then superannuation. There will still be a need for some hardship allowances depending on the levels for the UBIs but the social and economic benefits will be huge if the UBIs are set at any realistic levels. The UBI will not be a "benefit" but a right as a citizen of NZ.

There will be no beneficiaries to demonise. The march to a "surveillance society" will slow. The "claw-back" from a beneficiary's income will disappear thereby removing the "poverty trap" which prevents people working; fines and defaults on child maintenance will be easily collected; students, artists and start-up entrepreneurs will benefit; discharged prisoners will have more chance of reform and social cohesion will improve. We might repopulate regional towns with people who could then survive on seasonal work. Various trials in the USA and Canada in the 1970s produced hard evidence of the benefits but the ideas were abandoned with development of the market ideology under President Reagan.

Wealth Must Work! How will the UBIs be paid for? There are many possible new taxes that could be levied and our Income Tax system is acknowledged to be a complex mess. It is in need of simplification and revision. And a peculiarity of our system is that Government has focused on Income Tax where local bodies are financed by rates - an Asset Tax.

Any form of tax on assets should improve the chance that the wealth they represent is used productively instead of becoming fixed in large homes, expensive cars and the like. It should be easy to collect as an addition to Rates, car registration etc.

The Combined Effect of UBIs & Taxes. This is what is important to individuals. And **by considering both things together we have a very powerful tool to reduce inequality.** This is a powerful idea that could change NZ society for the better, providing capital for investment whilst giving NZers some security for their economic future

An introduction to the main concepts is at

<https://dl.dropbox.com/u/92595908/UBIintroduction.doc> (copy the URL into your browser).

To experiment with different levels of Income Tax and UBIs which then determine the Asset Tax required for fiscal balance see

<https://dl.dropbox.com/u/92595908/UBIspreadsheet.xls>

Some Powerpoint slides are at <https://dl.dropbox.com/u/92595908/UBI.ppt>

Transition practicalities are discussed at

<https://dl.dropboxusercontent.com/u/92595908/UBI%20transition.doc>

This paper is also at

<https://dl.dropboxusercontent.com/u/92595908/UBISummary.doc>