



BASIC INCOME NZ ★ ★ ★  
TE UTU TIKA HEI ORANGA | AOTEAROA ★

Lowell Manning

Basic Income New Zealand

PO Box 28125

Kelburn

Wellington 6150

M: 022 344 3229

E: binzcontact@gmail.com

## ***STRATEGIES OF COMMUNICATION IN THE IMPLEMENTATION OF BASIC INCOME IN NEW ZEALAND AND ITS RELATIONSHIP WITH THE EXISTING INCOME SUPPORT STRUCTURE.***

Lowell Manning and Michael Kane

### **1. INTRODUCTION**

Communication is about minds and mind-sets rather than facts and figures. Most communication is unconscious. It happens at an emotional level, subtle cues and images, as we respond to “stories”.

When the language in the story is positive the message it contains will be seen as positive. When the messaging conveys what we mean in a way that expresses our values simply and clearly our audience is likely to engage with us.

The stunning success of contemporary propaganda and advertising shows the power of messaging. In New Zealand and elsewhere the “power language” of governing elites is built into our daily lives. The asserted ascendancy of the terms “competition” and “profit” that are endlessly repeated, have succeeded in distorting our story frames even though the merits of neo-liberal ideology have long since been largely discredited. This paper aims to help realign these story frames and improve the chances of success of the basic income movement.

The paper will discuss some of the messaging required for the public to “buy-in” to the general concept of basic income using a New Zealand basic income and its relationship to existing income support as a model.

The total “value” of the budget neutral basic income is about NZ\$ 57 billion/year. The extra funding needed to implement it is almost **zero**. That demonstrates once and for all how distorted the debate about the “cost” of basic income really is. The basic income isn’t small either – it’s about \$200/week/adult and \$100/week/child.

The basic income shown in the paper can be tested at an electorate (constituency) level (80000-100000 people) – or larger - at very low cost.

## 2. COMMUNICATION STRATEGIES

### 2.1 *What do we want to “sell”?*

Few basic income supporters speak about what basic income really is. They speak about the “money” we will get and its “cost” because that is the dominant language of the “market” economy. These days almost everything is expressed in impersonal, individual competitive terms like “benefit/cost”, “privatisation”, “efficiency”, “jobs”, dollars and cents. We aren’t seen as living, feeling people interacting in families and communities within a fragile environment. Instead, we are “actors” in the “marketplace” who produce “products” using the “factors” of land, labour and capital. We are “clients” and “consumers” who buy “goods and services” on the basis of their “utility” according to their perceived “value” in a “free” market.

Propaganda and advertising (the same thing really) pound us minute by minute year in year out to break “us” down into “me”, because, in the main, “I” buy stuff and “we” don’t. “I”, the individual, commercial, “me”, am constantly persuaded to act in my own personal interest, to make my own selfish decisions for my own good. By design and intent, this divides the world into “me” and “you”, “us” and “them”; divide and rule. The propagandists are very good at what they do. They have managed to split a world of mostly “us” and a little bit “me” into a world that is mostly “me” and a little bit “us”. Most of us, on the surface, have bought into the language of “I” and “me” as a survival strategy. The real “us” is crowded out of our daily lives. The film “I Daniel Blake” is a stark reminder of how our current income support works.

Basic income is about “we” instead of “I” despite being all too commonly expressed as an “individual” income. It isn’t really. It’s a household and community income. It can be seen as a way to reclaim the commons we all own but from which we have been progressively dispossessed. Our collective commons include land, water, resources, air, knowledge, plants, genes, money itself and much more taken from us without our consent to serve an ever-smaller ruling elite<sup>1</sup>. Public loss for private gain.

There is plenty of evidence supporting the view that we feel disempowered. For example, *“Giving new credence to a provocative 2014 study showing the United States is controlled by powerful elite interests, as opposed to the desire of its citizens, a new [poll](#) released Thursday*

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<sup>1</sup> The stages of privatisation for profit and resulting inequality vary from country to country depending in part on the influence of money in politics and the strength of their democratic and constitutional arrangements. The growth of corporations, especially multinational ones, and multilateral “trade” agreements have accelerated the trend almost everywhere.

*shows that three-quarters of Americans feel voiceless and largely powerless in the nation that heralds itself as the world's preeminent democracy.”<sup>2</sup>*

Yet, as Will Hutton puts it: *“[O]nce you accept that all humans are entitled, as their human right, to access the wealth of the natural world and the work of countless human generations before you, you’re already defending basic income on moral grounds”.*<sup>3</sup>

The answer to the question “What do we want to ‘sell’ is that we want to sell access to “our” own empowerment. Empowerment to manage the world for our common good. Empowerment to break free from “I” into “we”, from “me” into “us”. Empowerment to choose how and where we live and with whom, free from the dictates of masters and markets. Empowerment to demand a fair share of the commons we all own; to be free from the fear of insecurity; to feel empathy and love with a roof over our heads, food on the table, decent health care, education for our children and a whole lot less stress. To do that, we would be wise to reclaim the language of the basic income discussion.

The empowerment we want to ‘sell’ is embodied in our human rights and freedoms ratified in the 1948 United Nations Universal Declaration of Human Rights<sup>4</sup>. Sadly, far from being faithfully observed, our rights and freedoms have been steadily eroded. We can test this anytime by asking ourselves: “Is this right (or freedom) being better observed in our community now than it used to be?” There are just 30 short clauses in the Declaration so it is a simple exercise to do. Try it! Think about Clauses 21-25 for instance and how they are being compromised<sup>4</sup>.

## **2.2 How do we “sell” access to empowerment?**

Just as banks create money out of nothing “we” can create access to empowerment out of nothing: through acting together “we” can achieve far more than “I” can achieve acting alone. When we see that almost all of us will gain from basic income, most of us will support it. This is at the heart of Article 21(3) of the Declaration:

*21 (3) The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.*

“Equal suffrage” suggests informed decision, but that’s hardly what we have in a world dominated by the language and propaganda of a small elite. The “*will of the people*” and all the rights and freedoms are protected by the last clause of the Declaration, Article 30 that many of us overlook:

*30. Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.*

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<sup>2</sup> <https://www.commondreams.org/news/2017/07/13/can-you-say-oligarchy-75-americans-think-wealthy-have-too-much-power>

<sup>3</sup> Will Hutton, “[Utopia for realists: and how we can get there by Rutger Bregman – review](#)”, The Guardian, 13<sup>th</sup> March 2017

<sup>4</sup> [http://www.un.org/en/udhrbook/pdf/udhr\\_booklet\\_en\\_web.pdf](http://www.un.org/en/udhrbook/pdf/udhr_booklet_en_web.pdf)

Yet states, groups and persons are continually engaging in activities and acts deliberately aimed at the destruction of our rights and freedoms with the specific intent of enhancing their own at our expense. They have always done so. Throughout history. The hope and belief embodied in the 1948 Declaration of Human Rights depends on empowerment through *“the will of the people”* expressed in Article 21(3). That’s us.

At a subconscious and emotional level our *“will”* is being continually manipulated through propaganda and advertising. Article 29 of the Declaration says:

*29(1) Everyone has duties to the community in which alone the free and full development of his personality is possible.*

*(2) In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.*

*(3) These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.*

Under Article 29, morality (society), public order (safety) and the general welfare reign supreme. “[T]he general welfare” is our welfare.

In practice, the meaning of Article 29 has been twisted beyond recognition. How have *“duties to the community”* been degraded into a form of economic slavery whereby many of us are forced to work forever in low paid precarious jobs that often fail to observe **any** of the rights guaranteed under Article 25 of the Declaration? Duties to the community may be more about participation, empathy and caring than money, but however those duties are interpreted, Article 25 of the Declaration implicitly guarantees enough income to provide an adequate standard of living for us all:

*25(1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.*

*(2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.*

How have the *“rights and freedom of others”* in Article 29(2) been degraded into the rights and freedoms of a tiny elite whereby the 5 or 6 richest people in the world have more wealth than half that of the entire world population, and where 85% of all new income in recent years has, in some countries, gone to the top 0.1% of income earners? How have *“the just requirements of morality, public order and the general welfare in a democratic society”* in Article 29(2) been degraded into a surveillance police state in some countries that denies almost all of the rights and freedoms expressed in the Declaration? To the point where democracy itself has been subverted almost beyond recognition?

We have lost *“the will of the people”* by being effectively disenfranchised so that our votes don’t really count.

Financial, economic, political and social power has become more and more concentrated as the use of propaganda and advertising has increased exponentially. It purposefully aims to breach our rights and freedoms and so fails to observe Article 30 of the Declaration<sup>5</sup>. That messaging is often subtle but it can also be crude or threatening, playing on fears about losing our jobs or being subject to Islamic terrorism or a host of other, often irrational or fabricated, concerns<sup>6</sup>.

We vote at elections but the framework within which we vote has been thoroughly compromised. The narratives we have listened to are often false. The stories embedded in the promises made to us are often fiction. Recent events in the United States are a case in point.

Our vote is our access to empowerment. “Selling” access to empowerment means that we choose to vote in the belief and confidence that our votes, by voting together, will really count toward our wellbeing, the wellbeing of our families and that of the community around us.

### 3. ACCESS TO EMPOWERMENT THROUGH BASIC INCOME

Basic income reclaims some of the commons that have been taken from us without our consent. It can be a major step in establishing and observing the rights and freedoms established in the UN Declaration of Human Rights that almost every nation in the world has endorsed and ratified. They are what we want to access through our vote. They provide the reference frames for creating the narratives and stories that nearly all of us can vote for because they will benefit nearly all of us instead of a few.

Basic Income incorporates many of the demands of social movements like the “Occupy” movement<sup>7</sup> without being partisan and while potentially turning weakness into strength<sup>8</sup>. It does this because it is a win-win proposal for almost everyone. And, as shown in Sections 6 and 7 of this paper, it can **also** be a vehicle for income redistribution if that is collectively what we decide we want, free of duress.

As long as almost everyone gains from basic income, political debate will become focused on the size and shape of the basic income and the wellbeing of the community at large instead of politics based around the self-interest of individuals, the “1%” of the “Occupy” movement. Perhaps for the first time in human history “*The will of the people shall be the basis of the authority of government*” where the public good rather than money, influence, propaganda and advertising can become the driver of our society.

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<sup>5</sup> For an extreme example watch the recent US National Rifle Association advertisement at this link: <https://www.commondreams.org/news/2017/06/29/nra-decries-liberal-violence-while-appearing-declare-war-resistance>

<sup>6</sup> In the US there have been 6 deaths/year by foreign terrorists since 9/11/2001 compared with 13000 gun deaths/year (2015) and more than 100,000 deaths/year caused by medical misadventure.

<sup>7</sup> The “Occupy” movement began as “Occupy Wall St” in September 2011 before spreading across the world.

<sup>8</sup> For great insights see “And the Weak Suffer What They Must?” Yanis Varoufakis, and his new book “Adults in the Room”, The Bodley Head, London, 2017.

## 4. MESSAGING

Each right in the declaration defines a reference frame. Each reference frame suggests one or more narratives we can engage with and each narrative suggests a number of stories that most of us can identify with.

For example, housing is part of a standard of living for all “*adequate for the health and well-being of himself and of his family*”. It’s a **right** under Article 25 of the Declaration.

Our core value is that everyone should have housing that is good enough to promote their health and wellbeing.

The problem is that housing has been left increasingly to “the market” that puts profit ahead of our collective health and wellbeing. It hasn’t provided all of us with adequate housing because “me” presently trumps “us”.

Joe and Amy’s story is that they have been sleeping in their car with their kids Petra (7) and Sam (4) this winter because they can’t afford a house. The kids are sick and Petra can’t go to school. Their lives would improve dramatically if they had a warm dry home to go to.

Our message is that “we” will provide Joe and Amy and their kids with adequate housing even if we have to build it for them<sup>9</sup>.

“The market” won’t do it because there is little profit in cheaper homes on expensive land, and the State hasn’t. The State is (or should be) the guarantor of our rights and so it carries the primary responsibility on our behalf to provide Joe and Amy and their kids a home.

We aren’t talking about a “nanny” or “socialist” State. We are talking about shaping our government, its policies and institutions to serve our rights as citizens within a framework of real democracy. “We” have the power if “we” choose to use it. Reality, not radicalism.

Basic income is a great way to engage “us” in real democracy because almost all of “us” will benefit from it. It will go a long way toward improving our health and wellbeing and make our world a better place. And, as we will see, it is so simple that we have to wonder why it hasn’t been done long ago.

## 5. BASIC INCOME AND ITS RELATIONSHIP TO THE EXISTING INCOME SUPPORT STRUCTURE

### 5.1 *Imagine the Future*

The main objection around the world to basic income is “cost”. We are continually told “it’s a nice idea but we can’t afford it”. That’s the “me” of the elite speaking, and like most propaganda, lack of affordability is a myth. It’s the language of “No: you can’t have basic because it isn’t in “my” interest”.

Suppose we look at it from “our” point of view.

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<sup>9</sup> Though in New Zealand which is currently subject to massive net inward migration (1.5% of its population/year) resources in the construction industry are seriously overstretched.

Suppose each one of us in each of our households is to receive a basic income whether or not we have earned income. Suppose we agree that, at least to start with, the net income in each of our households will remain as it is now. We will not have more money, not straight away, anyway, but we will have lots of other benefits from our basic income.<sup>10</sup>

Suppose we understand that if we have earned income for paid work *plus* our basic income we will need to pay more tax on our earned income for the net income in each of our households to remain the same.

Suppose we can have a basic income that replaces all existing income support other than accommodation supplements (housing subsidies) and special payments such as those for temporary hardship and disability.<sup>11</sup>

Suppose that we can implement it without needing any substantial funding over and above existing income support other than some relatively minor establishment costs.

And suppose that by exercising our democratic choice from time to time we can progressively and seamlessly expand that initial basic income to whatever level and shape “we” choose to enjoy.

And finally, suppose that our basic income improves our health and wellbeing and makes our world a better place.

Almost all of us would vote for it, wouldn't we?

We can do it. Let's free our future from the language and propaganda of politicians, media and the marketplace.

## **5.2 Understanding the Tax and Budget Neutrality**

Let's suppose every one of us gets a basic income whether or not we earn income. Let's also suppose that our basic income will be budget neutral (at least initially). Let's accept that we need almost no extra money to fund our basic income. And let's suppose, too, that our households will all end up with the same income they have now.

To make sure our basic incomes are universal, budget neutral, and income neutral, the tax on our earned income will need to offset our basic income so that:

***Existing income support + Existing earned income – Existing tax***

***= Basic income + Existing earned income – New tax*** **A)**

*By definition, no extra money beyond existing income support is needed in expression (A). There is no change to our net household incomes when our basic income is introduced.*

When we have no earned income and so can't pay earned income tax, expression (A) becomes:

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<sup>10</sup> Reclaiming our collective commons, freedom, opportunity, dignity, choice, security, health, education, wellbeing, less stress, and heaps more ... There is a great summary including trial results at <https://www.reddit.com/r/BasicIncome/wiki/index>

<sup>11</sup> Compare this to the stuff presently being written as in, for example <http://bruegel.org/2017/06/the-universal-basic-income-discussion/>

**Existing income support = Basic income (B)**

And if we get some of our income at the moment from income support such as tax credits and some from earned income our tax will go up by an amount equal to our basic income less the income support we get now.

**Extra tax on existing earned income = Basic income – Existing income support <sup>12</sup> (C)**

These simple expressions would apply to all our households whatever our earned incomes are now or may become at any time in the future. They provide all the benefits of basic income except that they don't directly reduce poverty or inequality.

Professor Guy Standing, one of the co-founders of BIEN, is one among many who agree that basic income is not ultimately about eradicating poverty but about social justice, equality and security.<sup>13</sup> He said at the World Economic Forum in Davos Switzerland, January 2017:

*“We have done pilots, covering thousands of people and most fundamentally we found that the emancipatory value of a basic income is greater than the money value. It gives people a sense of control of their time, so that the values of work grow relative to the demands of labour. The values of learning and public participation grow, the values of citizenship are strengthened ....”*<sup>14</sup>

**There is no risk either to us or the government in implementing basic income.**

The tax “claw back” shown in expressions (A) and (C) is simply the way we go about maintaining our existing incomes. It does not change our household financial outcomes at all.

So, let's suppose we start by implementing a budget neutral basic income.

**5.3 The initial budget neutral Basic Income for New Zealanders**

Table 1 shows the form and amount of a basic income for us in New Zealand and a comparison with our Income Support as of 1 April 2018.

In Table 1, A = adult, C = child, SP = sole parent, S= superannuitant, H = housing provision divided equally among adults registered on the electoral roll at each address, HS=superannuitant housing provision divided equally among adults registered on the electoral roll at each superannuitant address. SLadd-on = added BI for supported living

Applying Table 1 to a household made up of a sole parent with 3 kids:

SP155 + H174 + 3C100 = 1x sole parent@\$155 + 1 x housing provision@\$174 + 3 x children@100 each = \$629 total.

If one of the children is more than 18 years old use 1A @ 143 instead of 1C@100

Table 1 shows we can accurately match our universal, unconditional basic income and our current income support system using just ten different payment amounts:

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<sup>12</sup> We will need to make a policy decision will be needed to apportion our existing income support where we have more than one income earner in the household. One solution would to apportion our household income support pro rata with our earned income.

<sup>13</sup> Standing Guy, “Basic Income: And how we can make it happen”, Pelican, 2017 p94.

<sup>14</sup> <http://basicincome.org/news/2017/04/world-universal-basic-income-discussed-world-economic-forum/>

- Four for Housing (One for our one and two adult working age households without children, one for our households with three and four independent working age adults, one for our households with five and six independent working age adults and one for every other household)
- One for our children
- Four for adults (one if we don't have children, one if we are a solo parent, one if we are a household of two adults with children, one for those of us are over sixty-five years old)
- One add-on for children and adults for supported living

TABLE 1. INDICATIVE WEEKLY BASIC INCOMES NEEDED TO REPLACE EXISTING INCOME SUPPORT COMPARED TO CURRENT INCOME SUPPORT<sup>15</sup>

HOUSE HOLD	INCOME SUPPORT	BI TOTAL	CALCULATION	HOUSE HOLD	INCOME SUPPORT	BI TOTAL	CALCULATION
1A	213	213	A143+H70	2A	354	356	2A143+H70
1A+1C	428	429	SP155+H174+1C100	2A+1C	477	478	2A102+H174+1C100
1A+2C	528	529	SP155+H174+2C100	2A+2C	577	578	2A102+H174+2C100
1A+3C	629	629	SP155+H174+3C100	2A+3C	678	678	2A102+H174+3C100
1A+4C	729	729	SP155+H174+4C100	2A+4C	778	778	2A102+H174+4C100
1A+5C	829	829	SP155+H174+5C100	2A+5C	879	878	2A102+H174+5C100
1A+6C	929	929	SP155+H174+6C100	2A+6C	979	978	2A102+H174+6C100
1S	390	388	S214+HS174	2S	600	602	2S214+HS174
3A		534	3A143+H105	4A		677	4A143+H105
5A		855	5A143+H140	6A		998	6A143+140
SLadd-on		80	Adds to A,SP,C	1S+1A	571	568	2S214+H140

Numbers refer to NZ\$ weekly taking into account the May 2017 budget. The housing provision is not intended to directly relate to housing cost. It is used as a means to help us match the spread of household income support across our different households. Our income support in New Zealand includes superannuation, family tax credits, in-work tax credits, and our main benefits including jobseeker, sole parent, young parent/youth [treated as adults if living independently], supported living payment, orphans/unsupported child, student allowances, veterans. These are **ALL** included in Table 1. Some extra **individual** specific benefits like Childcare assistance, Disability assistance, Hardship assistance, (total \$1.20 billion 2017) and Accommodation Assistance (\$1.11 billion 2017) are excluded. For adult children at home replace C100 with A143.

It's really hard to get a similar match if we include accommodation supplements because to maintain universality, all our non-working households would have to get the maximum accommodation supplement to ensure that none of them is materially worse off. We would need either a large amount of additional funding or an unwieldy array of different basic income payments.

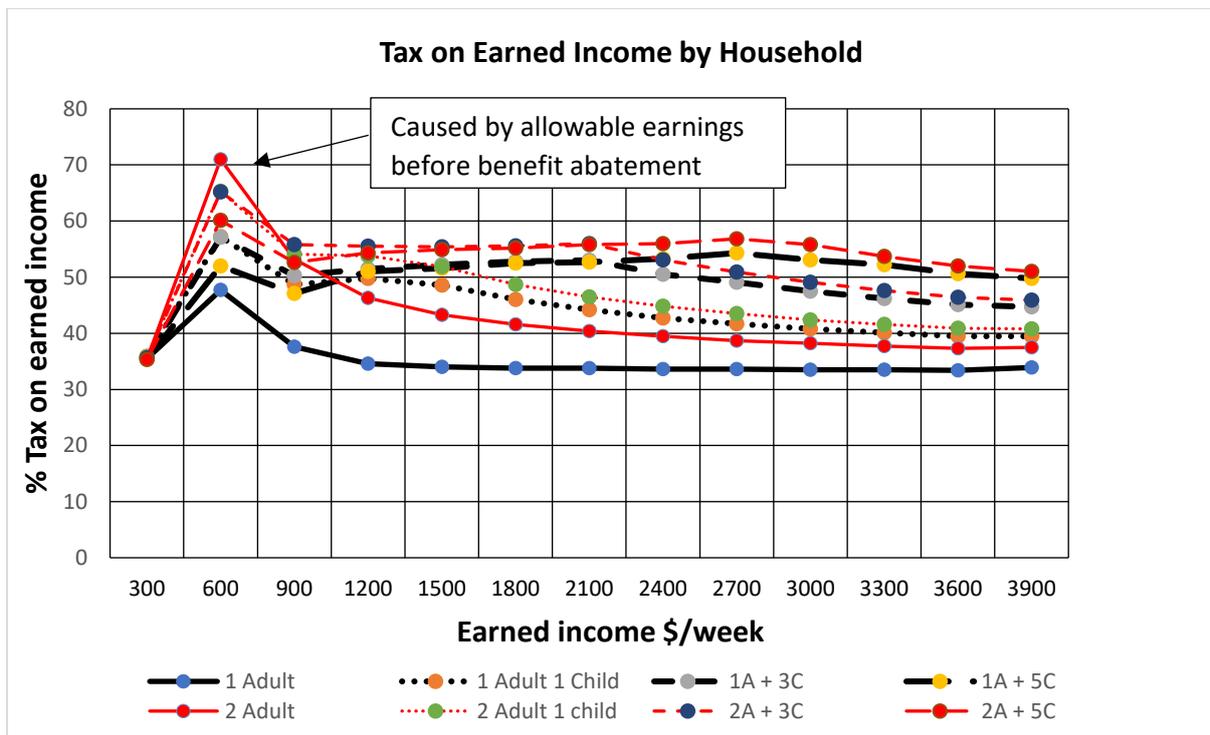
<sup>15</sup> There will be minor additional funding needed for (mostly small) groups that do not fall readily into the household framework shown in Table 1. For example, we might class youths 16/17 years old living independently as adults. The single adult basic income is somewhat higher than existing student and young adult allowances so we will need to fund the difference we pay to students and young adults. The existing orphan's/unsupported child benefit is quite a bit higher than the child basic income in Table 1 so we might include them as single adults. We will need some minor extra funding for that. We could treat multiple families living in a single dwelling as separate households, except that all the adults might share a single housing provision. For example, two two-parent families each with two children living in the same house would be  $(4A102+H174+4C100)/2 = \$982/2$  or  $\$491/\text{week}$  for each family. [The total supported living payments are \$1.53 billion in budget 2017. There are about 93000 altogether. The SLadd-on BI in Table 1 is not a perfect match but it is a good first approximation].

#### 5.4 It's easy to adjust our tax rates to maintain Income neutrality

We could work out our tax calculations either with a tax calculator or using a tax booklet. It is little different from the existing system except that there is a more or less unique tax rate used for each income earner and earned income to maintain the budget neutrality. The only information we need is are our earned income, our household composition, how our income support is split (see footnote 12) and our address. When using a tax calculator, a pop up screen allows us to confirm or amend our household composition, income support split and address and enter our individual earned income<sup>16</sup>. The calculator will show the tax to be paid. Using a tax booklet involves finding the section that matches our household and reading off the tax to be paid next to the earned income. Where we pay tax outside of the PAYE (pay as you earn) system our income will need to be divided into separate income periods if our household structure changes over time.

The tax rates we need to maintain income neutrality so that we all get the same net household income as we do now are shown in Figure 1. The graph shown in Figure 1 is only indicative because the tax rates at low incomes are influenced by what we are allowed to earn before our income support begins to be abated. So, the tax rates will need to be fine-tuned when we introduce our basic income. We can't "smooth" the tax curves shown in the graph without affecting the budget neutrality. Of course, we *can* smooth them if we want to but doing that would perhaps be a decision we should all make together.

FIGURE 1 INDICATIVE TAX ON EARNED INCOME NEW ZEALAND, APRIL 2018<sup>17</sup>



<sup>16</sup> The Child basic income is paid to the main caregiver irrespective of where the child is staying for the time being. It is possible to split the child basic income but that is a detail beyond the scope of the proposal.

<sup>17</sup> Figures for other household types are available. The graph is designed to show there is a unique easily calculated tax solution for each of our households and incomes. Figure 1 may need updating and adjusting prior to implementation.

The most important thing to remember is that the tax rate doesn't matter as long as we get our basic income and our total income remains the same so that, for example, if we get a promotion and earn more, we will still have the same net income we would have had before the basic income was introduced.

## 6. GROWING OUR BASIC INCOME THROUGH INDEXATION<sup>18</sup>

Simple.

We will want to index our basic so it remains at its initial level in real terms and if it is to offer us a meaningful quality of life as guaranteed by the 1948 UN Declaration of Human Rights ratified by most of the world's nations. But we can do much, much better than that.

Over the longer term, we might *seamlessly* index our basic income on the basis of inflation plus growth or to changes in the median or average wage. If either of the latter methods is to be used, it would perhaps be accompanied by appropriate changes in the minimum wage and the living wage.

We can do even better than that if we choose.

Suppose, for example, we index the budget neutral basic income as in expression (D):

**Indexation%=inflation% + (Labour productivity + Capital productivity)/2% + growth% (D)**<sup>19</sup>

Expression (D) would mean that our basic income will increase faster than economic growth by an amount equal to increasing productivity in the economy. In New Zealand and in many other countries that would mean ordinary people would be reclaiming a share of their collective commons. We could review the indexation expression once our basic income has reached a level that permanently eliminates relative poverty. There is nothing inflationary about expression (D) but if we include both growth and productivity we will need some income redistribution.

Our basic income could one day expand beyond abolishing relative poverty if that is what we all decide we want to do<sup>20</sup>.

The indexation is an "add-on" to our initial basic income.

In economic terms, the general increase in incomes from inflation and growth in the form of increased compensation for employees and self-employed can be directly incorporated into our basic income without needing to change the relative tax rates in Figure 1. All that would happen is that the income scale on the horizontal axis in Figure 1 would move a little bit to the left with each indexation and everyone's individual basic income in Table 1 would increase by the same amount. That is because higher incomes automatically produce higher tax payments.

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<sup>18</sup> The tax calculator and tax booklet will be changed with each indexation/expansion. Since the tax calculator and booklet need to be changed it would make sense to introduce expansions/contractions at the same time as indexations

<sup>19</sup> A few authors have addressed inflation from Basic Income. Here is one: <https://medium.com/basic-income/wouldnt-unconditional-basic-income-just-cause-massive-inflation-fe71d69f15e7>

<sup>20</sup> See, for example, <http://economics.com/how-to-pay-for-universal-basic-income/>

But we will need some income redistribution if we choose allow for productivity increases as well as economic growth in expression (D). Productivity growth has been very poorly shared in many countries in recent decades. Moreover, in countries like New Zealand productivity growth has been low for decades as their economies have evolved from being based on agriculture and manufacturing toward being service based. In New Zealand, productivity growth (as in expression (D)) has averaged a miserable 0.65%/year through the period 1997-2016.<sup>21</sup>

The amount of indexation we choose is a political matter. It will apply across the board to **everyone's basic income** but we can make it flexible by varying the relationship among the different basic income amounts, (the ten in Table 1 in this proposal) if we want to.

Indexation introduces a fifth expression in addition to (A)-(D):

***Increase in income = indexation + added earned income – added tax (E)***

Budget neutrality applies when we first introduce our basic income and to changes in household circumstances between indexations. The indexation would simply change the basic income numbers in Table 1.<sup>22</sup> The added tax component would simply change the tax rates in Figure 1.

Suppose productivity increases by 1.5%/year. On its own, indexing for productivity would take  $72^{23}/1.5$  or 48 years to double our basic income in real terms. Too long.

On current figures, based on employee and self-employed income of \$147 billion in New Zealand (2017) and gross basic income payments of \$57billion<sup>24</sup>, the redistribution needed to allow for a productivity gain of 1.5% would be  $1.5\% \times 57 = \$0.9$  billion.  $\$0.9$  billion is  $0.9/36.7$  billion<sup>25</sup> = 2.45% of total personal taxation. The average tax rate on our personal earned income is  $37.6/147 = 25.6\%$ . Since total taxation is 25.6% of our personal incomes, the tax increase is 2.45% of 25.6% or about 0.63%.

***We can pay for the productivity provision in expression (D) by a flat rate tax increase of just over 0.6%/year*** (see footnote 29) though we have numerous other ways we could achieve such a small annual redistribution.

We can abolish all relative poverty in less than 20 years.<sup>26</sup> but:

***If real growth of 2%/year is added to the productivity component, the total real indexation would be 3.5%/year and, in real terms, our basic income would double in about 20 years.***

And perhaps by then we won't need separate hardship and disability assistance.

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<sup>21</sup> [http://www.stats.govt.nz/browse\\_for\\_stats/economic\\_indicators/productivity/ProductivityStatistics](http://www.stats.govt.nz/browse_for_stats/economic_indicators/productivity/ProductivityStatistics)

<sup>22</sup> The tax calculator and tax booklet will be changed with each indexation/expansion.

<sup>23</sup> The rule of 72 provides a simple way to estimate the doubling time of compounding interest <http://www.investopedia.com/terms/r/ruleof72.asp>

<sup>24</sup> This is a first approximation calculated from Table 1 – it will need to be refined through further study

<sup>25</sup> From the 2017 budget [budget B-17-data] personal taxation has been taken as ID454 \$30.00 billion + ID451 \$4.81 billion + ID 456 \$2.79 billion= \$37.60 billion

<sup>26</sup> In very round terms some existing income support in New Zealand is up to 40% below the relative poverty level based on 60% of the median after tax wage after taking account of housing costs.

## 7. WE DON'T HAVE TO DEPEND ON INDEXATION EITHER

"We" can literally have whatever basic income we choose.

Our "budget neutral" basic income makes income support universal and unconditional **for everyone of us** by providing us an automatic lifelong income floor.

Suppose we want to go further than our budget neutral basic income and indexation? Suppose we choose to reduce or abolish child poverty or even all relative poverty more quickly?

Many, if not most, basic income proposals suggest income redistribution to reduce poverty.

Poverty is a major issue for us in New Zealand particularly among our children as we can see from the Child Poverty Monitor<sup>27</sup> and in books like "Child Poverty in New Zealand"<sup>28</sup>. More than a quarter of our children in New Zealand (some 300,000) live in some form of relative poverty.

Successive governments have "tried" to fix child poverty through the "Working for Families" policy introduced in 2004. That policy was upgraded in the 2017 Budget. It is based on income tested tax credits. We could pay for an "add-on" Kids' basic income from general taxation but there are lots of other ways to do it. The choice would be up to us.

Perhaps we could start by giving \$30/week to each child under age 18. That isn't nearly enough to eliminate child poverty on its own but it would be enough to get us started.

***We could choose any other Kids' basic income (or incomes) so \$30/week is just an example for illustration.***

If we decide to have more, the funding will need to be increased proportionally. There are no additional administration costs. We would just increase the Child basic income in Table 1 from \$100 to \$130.

Our Kids' basic income would not be income neutral but once it is in place and we have changed the basic income in Table 1 and the tax rates in Figure 1, the figures would become income neutral again until we decide on another change.

Suppose for a moment that we fund our Kid's basic income from a flat tax on **all** our personal earned income. Just like the indexation of productivity growth. There are plenty of other choices we could make but flat tax used this way is powerfully redistributive as you can see in Figure 2. Figure 2 shows how families would benefit from a \$30/week Kid's basic income funded by a flat tax.

The \$30/week Kids' basic income over all 1.1 million of our children under age 18 in New Zealand would need funding of \$NZ 1.72 billion (1.1 million x 30 x 52) or a bit over 0.6% of our economic output. The tax rate in Figure 1 would go up by 1.17% if the whole amount was paid for from our personal income taxes (0.63% (from page 12) x 1.7/0.9). We aren't restricted to a kids' basic income either. We could also increase our basic incomes across the board. For example, if we choose to increase **all** our basic incomes for **everyone** in Table 1 by

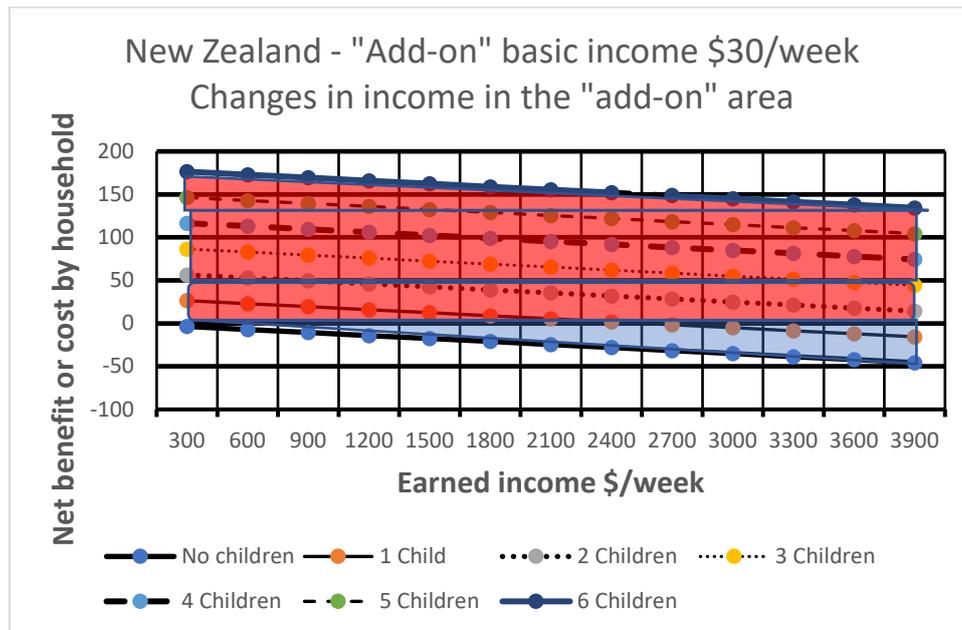
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<sup>27</sup> [www.childpoverty.co.nz](http://www.childpoverty.co.nz)

<sup>28</sup> Jonathon Boston and Simon Chapple "Child Poverty in New Zealand", Bridget Williams Books, Wellington, 2014

\$10/week the funding to pay for it would be NZ\$2.5 billion (4.8 million people x 10 x 52) and the flat tax increase (if we decided to use a flat tax) would be 1.7% (0.63% from page 12 x 2.5/0.9).

FIGURE 2. FUNDING OF BASIC INCOME USING A FLAT TAX AS AN EXAMPLE – KIDS’ BASIC INCOME OF \$30/WEEK FOR NEW ZEALAND YEAR BEGINNING 1 APRIL 2018



The net amount of tax redistribution to fund the Kid’s basic income is much less than \$1.72 billion<sup>29</sup> and the net amount to fund a \$10/week across the board increase in our basic incomes is similarly a lot less than \$2.5 billion.

## 8. SUMMING UP: WHAT DO WE HAVE TO LOSE?

We can introduce basic income without causing any disruption at all to anyone.

We can be trial it at electorate level (80000-100000 people) or more with very little funding other than modest set-up, monitoring and research costs.

We can grow our basic income as fast or as slow as we want to, to address poverty and inequality.

This paper gives the lie to the objections about affordability.

It gives the lie to issues about choosing not to work since everyone initially has exactly the same incomes as they do now.

<sup>29</sup> When flat tax funding is used the actual amount of redistribution is less than the nominal amounts of NZ\$1.72 billion and NZ\$2.5 billion respectively because all our households with earned income pay some extra tax. Some of the redistribution is clawed back. The net redistribution for the Kids’ basic income is about NZ\$1 billion. The effect of the flat tax is nil on those household without earned income and small in households with modest earned incomes so that the flat tax is very progressive when used this way.

If offers infinite flexibility through indexation and progressive expansion,

Most of all, it addresses empowerment: it allows us to together improve our health and wellbeing because “we” together determine the shape and size of our basic income.

Gone will be the control of many of our lives by the social services bureaucracy, the disempowerment, shame and the loss of dignity arising from “begging” for income support and the invasive intrusion into our families and communities.

It offers us the confidence, financial security and chance to try something new, to make our own choices in life. And much more. Like more choices and opportunities.

Like, for the first time ever, having the rights and freedoms guaranteed by the UN Declaration of Human Rights.

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