

Submission to the Productivity Commission 23/04/19 by Perce Harpham

This submission is relevant to your Summary Questions 7, 8, 13 & 14 in each of the scenarios.

The time has come to investigate the potential for combining the two ideas of Basic Income and an Asset Tax. Each of these alone may be electoral suicide but together they could be transformative and hugely popular however the future develops.

The word "Universal" should be dropped from the Universal Basic Income name as it has led many people (e.g. Max Rashbrooke and John Key) to assume that all adults would be paid the same. Max is the more conservative in quoting \$19,000/yr, (about \$2,000/yr less than Super) and rubbishing such UBIs as impossibly expensive. I agree. But a lower level is perfectly feasible.

I have worked on this problem over the last ten years. My website (<https://perce.harpham.nz>) has my main paper and some supplementary ones. It also has one by Gail E Duncan which is the best I have seen on WHY we should have BIs. My own work has been on HOW we can have BIs.

It is important to recognise that different ages should have different levels of BI. My example is for Child and Teen-agers 0 to 17 inclusive, Adults 18 to 64 and then 65 upwards. I have allowed for maintenance of hardship allowances with small changes in Super and changes in Working for Families to be considered after choosing the level for Adult BIs. The latter are the dominant costs. To get consistent data sets I have used 2015/16 figures.

The current Income Tax rate for all incomes over \$70,000/yr is 33% but if that was charged on ALL their income such people would have to pay another \$9080/yr. This level of tax exemption is not available to those on lower incomes. For example on \$14,000/yr the exemption from the 33% rate is only \$3150. Is this fair? If everyone was paid \$9080/yr and charged 33% on ALL their Income then those with no income would be \$9080/yr better-off. Those on \$70,000/yr upwards would be no worse off. This level of Basic Income would be useful but by moving up to \$11,000/yr for the Adult BI we can then eliminate most of the targeted benefits which lead to so much bureaucracy, surveillance, dispute, heartache, health and education problems.

With no "stand-down periods", "claw-back", or reporting requirements this figure would allow people to survive, to undertake training, to develop their ideas or to take part-time jobs but would maintain an incentive to find other work.

The cost would be 31 billion/yr. OUCH!. But after moving to the flat tax on all income those on \$70,000/yr or more would be paying \$9080 to end up with a net \$1920/yr and those under \$70,000 would also be paying back some of their \$11,000/yr. This all adds up to 18bn/yr. My slightly informed guess is that the bureaucratic and removable benefits would yield another 6bn/yr leaving 7bn/yr for another tax to collect..

Various taxes are possible. Income tax could go to a uniform 38% but this quickly negates the BI benefit. My preference is for a tax levied on the improved value of properties and collected with local body rates. The choice of name is important. I have used Asset Tax but it may be best called a Consumption Tax because buildings are huge consumers of the world's resources in terms of their heating, construction, maintenance and so on. Cars, boats, aeroplanes and the like might also be included at some later time. The Asset Tax as calculated here is to fund Basic Incomes only but it could be extended to cover other environmental needs also.

Whatever the name a levy of 0.5%/yr on the improved value of all rateable properties and collected with the rates would yield the required 7bn. Those with no income and no property would be \$11,000/yr better off than at present. With a \$70,000/yr income or higher and a 1 million dollar property (Asset Tax of

\$5,000/yr) people would be a net \$3,080/yr (5000 - 1920) worse off than at present. If they shared with someone else on \$70,000/yr they would each lose only \$580/yr, (3080 -1920)/2, more than at present.

Some of these numbers can be independently adjusted to give the greatest electoral appeal. I have provided a start for a comprehensive study of what levels of Basic Income are feasible, how to pay and how to transition to them. The ideas are clear and simple. A great deal of work is required before any commitment is made to implementation. But doing a proper study and creating an informed electorate will be of great value and would demonstrate the doctrines of kindness, environmental commitment and giving "Capitalism a heart". Such a study should appeal to all parties currently in Government. "

I observe that you list Robert Reich's paper on the inevitability of UBIs to moderate the effects of technological developments. Others point to the need for some such change to preserve democracy in the face of globalisation, inequality and communication advances leading to Brexit, Trump, the "Yellow Vests" and disturbances around the world.

I would be happy to elaborate, meet or make any presentation that may be helpful.

Best wishes

Perce Harpham