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New Zealand is a small liberal capitalist country with a history of egalitarian values and political reform—including the early introduction of universal welfare benefits—and with an uncomplicated relatively flat income tax structure. As such, it has sometimes been seen as a "social laboratory," a theme of writing about New Zealand and of New Zealand social historians. It therefore has all of the elements in place that could make New Zealand a candidate to become a world leader in integrating income tax and social welfare regimes into a form of universal basic income. Nevertheless, through a combination of intellectual inertia, media cynicism, and the requisite elements not all coming together at the same time, the outlook for an open and healthy discussion around public property rights and unconditional benefits remains constrained. Despite this unpromising intellectual environment, New Zealand may yet stumble upon such reform as a political compromise, as it might have done in 1988.

Key words: *New Zealand, universal basic income, social welfare, equity*

Essentially, any fixed publicly-sourced payment payable as a right to all adult residents of a country may be called a universal basic income (UBI). For present purposes at least, a UBI does not have to, on its own, meet any minimum adequacy condition. Rather, it can be understood simply as a social dividend—a return on the contribution of public inputs to economic output—in the context of a liberal capitalist society that flourishes when there is a healthy balance between its private and public domains (Rankin, 1997).

Conceptually, a UBI represents a straightforward application of the principles of horizontal equity (treating equal "citizens" equally) and public equity (the public as an equity partner of economic activity). The principle of horizontal equity should be understood as complementary rather than antagonistic to the alternate principle of vertical equity (treating unequals unequally, for example, on the basis of unmet basic needs).

At its core, any nation's public finances can be visualized according to these equity principles: for example, considering a top rate of income tax (not necessarily the very top rate) as a proportional (flat) tax on all income, and accumulating the lower-rate discounts into a tax credit—an implicit benefit—to each person with market income. We may call this revealed credit a "public equity benefit," and interpret it as an entitlement arising from each person's stake in those many public resources that contribute to national income. Such a credit should be understood therefore as a return on capital (Rankin, 2016a)—not a wage, and not a transfer.

A public equity benefit that is the same for all adult tax-residents—a ddividend or demogrant—may be given a name such as a Universal Basic Income (Rankin, 1991) or a Public Equity Dividend (Rankin, 2016c). In 1991 (Rankin, p. 5) I described it thus: "a universal tax credit available to every adult—the universal basic income (UBI)—and a moderately high flat tax rate." This gives a "basic income flat tax" couplet, the core parameters (benefit and cost) of a universal apparatus of basic income.

Such a core unconditional income would usually be supplemented by provision for peripheral social assistance. So long as supplementary transfers are available to those with particular needs (such as single-parent families) or those without access to market-sourced income, a public equity dividend need not, of itself, be required to meet their needs. The central principles of an equity dividend are those of universality and unconditionality, not of adequacy.

In a high productivity country with a very high public resource base, a universal equity dividend might be sufficiently high that no social assistance transfers are required. Although this special case should be understood as the exception and not the rule, a UBI apparatus comes into its own as a system of *liberté* and *égalité* when the basic income dividend is sufficiently high that few, if any, people require supplementary assistance.

Alternate Accounting Procedure as the First Step to Reform

To economists, publicly-sourced cash benefits are all called "transfers," and are macroeconomically equivalent to negative taxes. Indeed, any tax concession or exemption can be reinterpreted as a credit: a benefit, a transfer, or a subsidy. Consider the simple example of a 30 percent income tax subject to a $13,000 annual income exemption; that is, the first $13,000 of market income is taxed at zero percent (a discount of 30 cents in the dollar). For all persons earning $13,000 (or more), this discount is equivalent to an unconditional tax rebate (or credit) of $3,900 (thirty percent of $13,000), which is $75 per week. For lower income earners this rebate is less, in dollar terms. Such a tax credit is unconditional but not universal. This two-rate tax scale (0% and 30%) is equivalent to a single-rate scale (flat tax) combined with an annual unconditional benefit of upto $3,900.

Through this accounting procedure, the graduated income tax scales which have evolved in a historical path-dependent manner can be represented as a flat (proportional) tax accompanied by a capped benefit (tax credit) that, for low earners, increases with income. In this way, the income tax conforms to the principle of horizontal equity—all income is taxed at the same rate—though the resulting implicit benefit (Rankin, 2012) fails to conform to either horizontal or vertical equity principles.

The point of this accounting reform is to apply a single rate of income tax—a rate appropriate to the resource base and productivity of the country—and to account for any revealed credits as unconditional benefits. Hidden inequities are revealed. And traditional income tax cuts—reducing lower income bracket rates or raising bracket thresholds—can be seen for what they are, increased benefits going disproportionately to those on higher incomes.

The policy challenge is to grasp this opportunity of the imagination to reverse the process of increasing economic inequality by, over time, making these public equity benefits the same for every tax resident of a country. Thus the maximum equity benefit revealed by the accounting reform becomes an aspirational target for a genuine public equity dividend; a true demogrant rather than the inequitable credit revealed by the reform. Such an equity dividend or universal basic income increases the bargaining power of precariously-placed workers. It can diminish the poverty trap, whereby beneficiaries seeking part-time or temporary employment face both high effective marginal tax rates and high bureaucratic compliance. A public equity dividend enables all to gain from future increases in productivity through increasing equity dividends. Further, when productivity gains can be attributed to public inputs, it becomes appropriate to raise the tax rate itself, enlarging the "public equity fund" (gross public revenue) from which equity dividends would be paid.

There is nothing in this discussion which conflicts with the "laws of economics" (universally applicable insights rather than strict laws), though there may be conflict with economic lore. The challenge relates to the normative rather than the positive aspects of neoclassical economics. The notion that the public is not an equity partner of market production is an unaddressed assumption of economists, rather than a tenet of economics.

Applying these accounting principles to the United States suggests an initial "equity benefit flat tax" couplet of $US 315 per week ($16,394 per year), with an income tax rate of 33 percent. For Australia the couplet is $A 232 per week with an income tax rate of 37 percent. For New Zealand the couplet is $NZ 175 with an income tax rate of 33 percent. Thus it is in New Zealand that a universal basic income demogrant is most readily achievable. New Zealand already has an unconditional (albeit implicit) weekly equity benefit of up to $175. Further, New Zealand has a history of social welfare infused with universal principles.

New Zealand as a Model for Change

New Zealand is well placed to lead the way in fiscal reforms of a universal or "equitarian" (Rankin, 2014, p. 3) nature because it has a near 80-year history of retirement demogrants (universal "superannuation" benefits) and a longer history of progressive change in, for example, electoral reform (Rankin, 2016d), non-contributory pensions (McClure, 1998), labour arbitration and land reform (Coleman, 1987). Further, New Zealand in 2016 has a simple "flattish" four-step income tax scale (The Treasury, 2016) that can easily be re-accounted for in terms that make adaption to a "basic income flat tax" fiscal platform a technically straightforward matter.

From the 1890s, New Zealand gained a reputation as a model or pilot for progressive social reforms that might be adopted more generally in the then emerging countries that aspired to economic and social progress. At the time, Australia was not a single country; rather it was six separate self-governing British colonies, each with the same status as New Zealand. While the reform process was most advanced in New Zealand, in part because much of Australia was mired in financial crisis and economic depression throughout the 1890s, the Australasian region as a whole came to be characterized by a comprehensive set of "State Experiments" (Reeves, 1902), creating the "social laboratory" metaphor. The American progressive movement, in its early years from around 1900, took much inspiration from New Zealand's reforms (Coleman, 1987).

The United States, and especially California, was well placed to evaluate New Zealand in its own right, and not as an Australian appendage. New Zealand links with California started in the New Zealand gold rush era (1860s), and grew from there with the introduction of regular steamship services in the 1870s, the trans-Pacific telegraph cable, and the trans-continental railway facilitating passenger travel from New Zealand to the United States and to the United Kingdom (Muldoon, 1985). New Zealand as a progressive society was an easy role model for American reformers, a number of whom visited and wrote widely of their experiences, or at least their impressions, filtered by the expectations that motivated their journeys.

The reputation of New Zealand as a reforming pioneer in the 1890s was an inspiration that the first Labour Government —elected in 1935 at the end of the Great Depression—sought to re-establish. The late 1930s was a favorable conjuncture with New Zealand's recovery already underway, and with widespread public appetite for reform. Of particular abhorrence were the bureaucratic processes people had had to go through in order to attain and maintain access to public "Charitable Aid" (Belgrave, 2004, p. 27). The credibility of this government of self-educated radicals depended on it meeting expectations raised on the hustings in and before 1935.

New Zealand's laboratory reputation was rekindled in the 1980s (Labrum, 2009), when the 1984-90 Labour Government repudiated many of its predecessors' reforms by embarking on a rapid and comprehensive "neoliberal" program of financial deregulation and managerial reform. New Zealand's versions of "Reaganomics" and "Thatcherism" were popularly known as "Rogernomics" and "Ruthenasia" (New Zealand Council of Trade Unions [NZCTU], 2014), in reference to the respective Ministers of Finance. One such reform referred to in economics textbooks (e.g., Mishkin, 2013, p. 440) was the New Zealand 1989 Reserve Bank Act, the first instance of formal inflation-targeting as the basis for monetary policy. Of particular interest here, however, is the substantial flattening of the income tax scale that took its final form in 1988 with just two statutory rates of income tax, 24 and 33 percent.

In 2015, *The Economist* published the following: "Kiwis as Guinea Pigs" and "In Praise of Human Guinea Pigs." The first article refers to a new version of the social laboratory phenomenon, the propensity of companies like Microsoft to pilot new software and hardware products in the small and contained New Zealand market. The second article is an argument for governments to adopt policies that can be demonstrated to have achieved their stated goals. The goals of the "universal welfare state"—a label sometimes applied to post-1940 New Zealand—were to achieve income equity in the context of full-employment economic growth. Low inequality and full-employment were indeed realized in the decades between 1940 and 1980. Some of these achievements remain embedded in New Zealand lore (and law), despite political reversals (Belgrave, 2004). For example, New Zealand twice revived its "universal superannuation"—albeit under different names—in 1976 and in 1998. Public hospitals remain free, despite efforts in the 1990s to invoice patients who did not hold a "community services card" (Kelsey, 1997, p. 177).

One significant recent political reform took place in New

Zealand over the period from 1992 to 1996 (Mein Smith, 2012; Rankin, 2016d). Through popular referendum, the essentially two-party parliament, formerly elected in the style of British and Canadian parliaments, was replaced with a mixed-member proportional (MMP) parliament, elected more in the style of the German Bundestag. This created a genuine multi-party proportional system, with each voter's vote contributing equitably to the election result, not just voters in marginal electoral districts determining the outcome.

The present challenge—while acknowledging an eclectic range of past reforms—is to return to universal equity-based approaches to public welfare in the spirit of the 1938-1984 era, redressing the undeniable distributional problems that characterize twenty-first century capitalism in New Zealand and elsewhere.

Unconditional Income in New Zealand's History

Public superannuation since 1940, universal family benefits (popularly known as a mother's wage) (McClure, 1998, p. 109), personal tax rebates, and flattened income tax scales all represent historical steps in New Zealand that lead in the direction of a universal basic income. But it is a circuitous path that has no necessary destination. The failure to index family benefits to inflation reduced the relevance of, and hence the public commitment to, them. Non-refundable tax credits—called "'personal tax rebates"—came without fanfare in 1974 (Rankin, 2006). They were abolished in 1978, a victim of inflation and a push for reduced marginal tax rates for workers on modest wages. Nevertheless history, New Zealand's small size, and the relative simplicity and flatness of the income tax scale gave New Zealand reform opportunities less available elsewhere.

Universal Superannuation

Included in the Labour Government's ambitious 1938 Social Security legislation was a modest demogrant for all residents over 65 years of age. This universal basic income for seniors captured the public imagination, despite its low initial level of £10 per year. Welfare was seen to be moving from charity towards income sharing. Universal superannuation represented a significant break from the selective "working class welfare" that commenced in New Zealand and Australia in the 1890s (Castles, 1985, p. 8). It emerged as a rights-based complement to (and not a substitute for) the means-tested age benefit. Universal superannuation acknowledged the rights of men and women who had contributed to New Zealand's productiveness in all possible ways, including but not only through paid contributions in careers and in business.

Labour had attained power in 1935 with a substantial level of non-working-class support. An important reason for Labour's then electoral success was its rhetoric against the indignity in the Depression of having to navigate highly bureaucratic channels for conditional assistance, having to declare all bits and pieces of household income that might subsequently be gained, and having assistance reduced in proportion to these casual earnings. In 1937, however, Labour in government was prepared to abandon its 1935 commitment (Hanson, 1980), worried that, for a given revenue base, the country could not afford universal benefits at a high enough level. In the end it was two public servants (Hanson, 1980, p. 92), recognizing that the public believed the principle of universality to be more important than the level of payments, who showed the government how public expectations could be met. Change for the better often arises from small beginnings. Labour was reelected in 1938 with the largest popular vote granted to any political party in the twentieth century.

The 1938 Social Security reforms were financed in large part by a flat rate "social security" income tax, set initially at 5 percent, but for most of its life at 7.5 percent. After various adjustments for inflation and growth, in 1967 universal superannuation was widely understood as a weekly retirement benefit of $NZ 10.75 ($US $15 at the fixed exchange rate of the time) funded by a flat income tax of 7.5 percent. While the universal superannuation and the social security tax became, de facto, a "universal benefit flat tax" couplet, the distinction between a contributory (pre-funded) and non-contributory pension was never clear in the public mind. While the social security tax was thought of by many as a contributory fund, the superannuation benefits were in fact funded on a "pay as you go" basis out of current government revenue.

Universal Family Benefits

In 1938, the Family Allowance was renamed Family Benefit. It was a means-tested payment, dating from 1927, to mothers of third and subsequent children of low-income families. The 1938 legislation made this benefit available to all children of low income families. Legislation in 1945 reinvented the Family Benefit as a universal (and quite generous) mothers' payment with respect to New Zealand children aged under 16. It came to be seen as a mothers' wage—an acknowledgement of the importance of parenting across the socio-economic spectrum—in much the same sense that universal superannuation was an acknowledgement in retirement of the working-age contributions of all older citizens, and not just paid workers. It reflected a growing political consensus in support of inclusive rights-based welfare. Once again, a universal benefit would capture the public imagination, this time in recognition of both the economic contributions of women and their citizenship rights.

The Family Benefit became a victim of "Ruthenasia," through its erosion in the face of inflation, and on account of the 1980s' return to a "low-tax, targeted-benefits" philosophy. Rather than raising or indexing the Family Benefit to inflation, the Labour Government in 1984 introduced a parallel (and highly conditional) "Family Care" benefit. Universal family benefits were abolished entirely in 1991, by two mothers, Finance Minister Ruth Richardson and Social Welfare Minister Jenny Shipley (who later became New Zealand's first woman Prime Minister). In 2006 (St. John & Rankin, 2009, p. 10) another form of mothers' wage was introduced—called the "In Work Tax Credit" (IWTC)—$60 per week to most mothers in single earner families, plus mothers in low-income two-earner families. While New Zealand retains its tradition dating back to 1946 of paying benefits to mothers, IWTCs are used today to help maintain a significant disposable income gap between families who gain their income from the labour market and those who do not.

Early 1970s: Extensions and Departures

The Royal Commission on Social Security (Royal Commission, 1972) generally acceded to the rights-based approach to social security, now thought of as "social welfare"

(McClure, 1998, p. 145) on account of a merger with the Child Welfare agency. All citizens should have an opportunity to participate in community life, the Commission asserted; there would be no second-class citizens. The Royal Commission proposed some extensions (especially a greater acknowledgement of single-parent families), and it made more explicit the aims of the 1938 legislation, which was to create an inclusive society around the principle of sharing, rather than that of begrudging redistribution (McClure, 1998, p. 166). The Royal Commission favored a dual system of retirement benefits: one age benefit means-tested and available from age 60; the other being a taxable superannuation benefit available at age 65 to all people meeting residency criteria.

Despite these findings, the most overt welfare initiatives of the 1972-75 Labour Government were to introduce two new benefits based on explicit insurance principles. Social insurance had been much discussed in the sixty years before World War II, but never became a part of actual welfare programs in New Zealand (McClure, 2003). The first was a "no-fault" Accident Compensation scheme (ACC), designed to provide prompt compensation payments and to avoid litigation. ACC's main benefits would be earnings-related; the scheme heavily favored working men. The second was a superannuation fund based on individual contributions and actuarially determined benefits; again this was a working men's scheme. This "New Zealand Superannuation," which would generate new tax-like revenue and place it into a sovereign wealth fund, would displace both universal superannuation and means-tested age benefits.

This government did something else—barely noticed— introducing in 1974 a proto-demogrant that could have been the forerunner of a public equity dividend. Instead it became the catalyst for a substantially fattened income tax scale (Rankin, 2006). Traditionally, almost all income tax scales had formal exemptions (or "allowances"). In the 1973 Budget, this allowance was abolished and replaced by a "personal tax rebate" of $NZ 125 that today would be called a tax credit. The first $1 of market earnings would now be subject to an 18% tax rate. This annual credit was "non-refundable," meaning that part of it was forfeited if a person paid less tax than the full rebate.

Although the credit diminished to zero at zero annual income, workers earning at least $NZ 670 (about $US 1,000 in 1974) per year (and dependent spouses) would gain the $125 credit in full. Six hundred and seventy dollars was a low threshold annual income.

The result of netting the personal tax rebate against the higher level of taxation was a net tax cut, with the largest gains to low-earning full-time workers, and the smallest gains to middle income earners. The personal tax rebate became a precedent to later benefits that would be paid by Inland Revenue (the taxation authority) rather than through the Department of Social Welfare. It was paid as a right—as a technical adjustment to net earnings—and not on any assessment of need. It was funded by a flattening and raising of the income tax scale. While the rebate was accounted for as a tax offset rather than as a cash benefit, it need not have been so. Thus, the significance of the personal tax rebate was disguised by the accounting procedures used. The modern word—"credit" rather than "rebate"—would lend itself more to this benefit being understood as publicly-sourced income. Nevertheless the accounting of tax credits, discounts and subsidies remains ambiguous and inconsistent.

The 1974 personal tax rebate was abolished in 1978. It had not been inflation-indexed and had become an easy target for a Finance Minister with other priorities. New Zealand was left with an income tax rate that was unusually high at very low income levels. First dollars earned were subject to 14.5 percent income taxation (Rankin, 2006, p. 16), a very small concession to the loss of the personal tax credit. Ten years later, the income tax scale would be further flattened, with the top rate coming down in two years from 66 to 48 to 33 percent.

National Superannuation

Labour's contributory New Zealand Superannuation scheme did not capture the public's imagination. In 1974, Robert Muldoon, the new National Party leader (former Finance Minister, 1967-72) saw a return to universal superannuation as a clear pathway to electoral success in 1975. The scheme he devised represented the full embodiment of Labour's 1935 vision: a generous but taxable retirement demogrant (payable at age 60) to fully displace means-tested age benefit.

National Superannuation, as it was called, was implemented in 1976, when Muldoon became Prime Minister and Finance Minister. He fully appreciated that this was a taxable benefit and therefore was subject to substantial claw-back. Others did not appreciate this nuance, and overstated its cost. In the late-1970s, the top income tax rate was 60 percent. With high inflation in in the early-1980s, many taxpayers found themselves paying 60 percent as their marginal tax rate. Such persons old enough to receive National Superannuation retained just 40 percent of their gross pension. In 2016, National Superannuation survives as a taxable but otherwise universal publicly-sourced senior-citizen income. The effective universal component is now higher (although the age of eligibility is now 65), because the top income-tax rate in New Zealand is 33 percent, as it has been for most years since 1988. This after-tax core benefit is a basic income dividend for seniors that has existed in New Zealand at one level or other since 1940.

New Zealand Superannuation (as it is now called) remains susceptible to conditionality. Important reasons cited for its alleged unaffordability are the low marginal rate of tax paid by high earning recipients, and the increasing numbers of eligible beneficiaries—the retiring post war "baby boom" generation.

Utilities and Iwi

In the period from 1987 to 1993, New Zealand public assets were substantially corporatized and in many cases privatized. Two of the largest "cities" that made up greater Auckland—New Zealand's largest metropolitan area—the Auckland Electric Power Board did not sell to private buyers (and distribute the proceeds to its customers) as many other local power companies had done. Instead it became Mercury Energy, the property of a newly formed community trust—Auckland Electricity Consumer Trust (AECT, 2016)—that in turn was owned by the electricity account holders in those two cities. In 1999, Mercury's retail arm was sold to a central government-owned generation business (Mighty River Power) and its transmission arm was renamed Vector. AECT beneficiaries receive annual dividends from the trust. The "Vector dividend" is a property-rights-based universal income, payable unconditionally to AECT trustees, about half of Auckland's electricity account holders. Though on a smaller scale, the AECT operates much like the Alaska Permanent Fund, which distributes Alaska's oil and mineral royalties as an equity dividend to the people of Alaska.

From the 1990s, a number of Iwi (indigenous Maori tribes) have received substantial cash settlements arising from past breaches of New Zealand's foundation Treaty (of Waitangi), signed in 1840. These Iwi—for example Tainui and Ngai Tahu—operate their settlements as incorporated trusts, which are for the most part highly profitable. To be a beneficiary of one of these trusts, you need to prove descent from a person who belonged to that Iwi in 1840. No Iwi presently pay unconditional benefits to their membership, but they easily could. The structures are in place for Iwi dividends to be paid much as any publicly-listed company may pay dividends to its shareholders, or indeed much as the Alaska Permanent Fund pays dividends. Watch this space.

Income Tax Policy since 1987

Income Tax Reform

In December 1987, Finance Minister Roger Douglas announced that New Zealand would have a single "flat" rate of income tax of 24 percent (James, 1992, p. 238). This would be accompanied by a Guaranteed Minimum Income (GMI). To some, this GMI sounded like a basic income (e.g., Easton, 2016). It was not. The GMI was an employee wage top-up. Recipients of this top-up would face an effective marginal tax rate of 100 percent. Wage-earners earning above the income threshold would not receive any publicly-sourced income. In this neoliberal view, a country's national income was conceived as 100 percent private, with the state then using its power of appropriation to take a share for itself. From an alternative "public equity" standpoint, a substantial share of national income is intrinsically public, and (like company profits) is available for equitable distribution.

Early in 1988, Labour Prime Minister David Lange cancelled his Finance Minister's tax plan (Gustafson, 2013). It led to Douglas' resignation (as Minister of Finance) later that year. Nevertheless, the resulting compromise remained radical. The one-rate tax scale proposed was replaced by a statutory two rate scale (24 and 33 percent) with a low-income rebate that made it effectively a three-rate scale for wage earners. The main outcome was that the income tax scale became very flat in comparison with those of most other countries. The top rate of income tax came down from 66 percent to 33 percent in just two years.

While the philosophies that prevailed within both main political parties from 1984 were inimical to universal welfare, a flat tax rate of 33 percent could have funded a meaningful equity dividend. Labour's two-rate tax scale was closer to the type of income tax that could accompany a public equity dividend than any other historical example of which I am aware.

In 2016, New Zealand continues to have an income tax scale much like that introduced in 1988. While it is now a four-rate scale, the top rate is still 33 percent, and it becomes effective at the comparatively low annual income of $NZ 70,000 (about $US 50,000). If one accounts for the present scale as if it was a 33 percent flat tax, the concession that represents the impact of the lower rates sums to an annual benefit of $9,080. Thus, by adopting this accounting approach, we can say that all New Zealand residents earning $NZ 70,000 or more presently pay tax at 33 percent and receive an unconditional benefit of $9,080 ($NZ 175 per week; $US 125). A person earning $50,000 before tax, about the median fulltime income, is likewise receiving an implicit annual benefit of $8,480 just from adding the tax discounts that arise from the statutory graduation process.

In New Zealand it is therefore possible to establish a UBI, the most radical part being the accounting reconceptualization. Under simplified accounting procedures, all income would be taxed at 33 percent and all adult tax residents would be attributed an offsetting public equity benefit each week. Incorporating present transfer payments and superannuation benefits into the schema—including Family Tax Credits—most New Zealand adults already have at least $175 per week of publicly-sourced income. (Indeed resident students and young job-seekers presently qualify for a weekly benefit of $175.) For most employed people, the only immediate impact of such an accounting reform would be a change in the itemization on their pay-slips.

An attractive political option for one major political party in New Zealand would be, in lieu of a conventional pre-election tax-cut, to go into the next election (scheduled for 2017) with a policy to introduce a minimum publicly-sourced income of $175 per week, alongside a single-rate income tax of 33 percent, with nobody facing a reduced disposable income. If that Party was the more conservative National Party, then Labour, with its more progressive and egalitarian self image, could respond with, say, a 35 percent tax rate proposal and a commensurately higher minimum publicly-sourced income, such as $200 per week.

New Zealand Party Politics in the 2010s

For the 2014 parliamentary elections, two out of eight represented parties tentatively included a Universal Basic Income in their policy manifestos: the Green Party (third largest party) and the small left-wing Mana Party, which is no longer represented, though for reasons unrelated to its advocacy of UBI. This means that Universal Basic Income has been widely perceived as a policy of the radical left. This perception is changing, however, with UBI (or UBI-like) proposals having become part of the mainstream discussion in European political discourse. New Zealand's Labour Party leader Andrew Little—who assumed that position in 2014—specifically mentioned "universal basic income" in the context of his "Future of Work" policy initiative (Green, 2015; Radio New Zealand National, 2014).

Despite the universalist rhetoric of its now-legendary 1938 Social Security reforms, the Labour Party's political instincts, then and now, have been to emphasize selective entitlements (conditional and income-tapered) over universal benefits. Labour's present instinct is to fund slightly more generous benefits by increasing the top rate of income tax. In 2000 the newly elected Labour-led government created a new 39 percent top tax rate, and subsequently increased payments of Family Tax Credits. The top rate of income tax reverted to 33 percent in 2011, under a National-led government.

It is difficult to see Labour committing itself to a single-rate income tax because of the long-term political fallout arising from Roger Douglas' proposal in 1987, when Douglas used "flat-tax" as code for "low-tax." Subsequently, in the 1990s, Douglas founded the neoliberal ACT Party, which represents the right-wing of New Zealand politics, and which consistently advocates low flat taxes. Any language associated with Douglas is anathema to the present-day Labour Party. Further, the talk so far—as in an interview with Labour's present finance spokesperson Grant Robertson on the weekend of Labour's 2015 party conference (The Nation, 2015)—is of an easily accessed benefit that will tide workers over between periods of employment, rather than of an integration of taxes and benefits (Rankin, 2016b) conforming to equity principles.

Robertson, attending the OECD Future of Work Forum in Paris, appears unenthusiastic (Smellie, 2016), taking a workers' rather than a citizens' perspective. Labour's most recent floating of the idea of a universal basic income—through a background paper to its Future of Work project (Harris & Bierema, 2016)—has gained attention from the mainstream media. Eventually the conservative Prime Minister responded, saying "a 'universal basic income' is a 'barking mad' idea that would cost more than the country brings in from tax" (Davison, 2016). Basic income literacy remains low in New Zealand; New Zealand's welfare history is much celebrated but little understood.

The centre-right National Government may seem an unlikely bet to respond to Labour's Future of Work proposals with an equity dividend flat-tax proposal as I have outlined. The principal constraint here is a lack of political imagination rather than a surfeit of anti-universal ideology. However, the reality of coalition government—the norm in New Zealand since 1996—requires some intellectual accommodation on the part of conservative parties. Indeed, the National Party does have a history of embracing reforms instigated by other parties in government. The political partnership of the National Party and the more instinctively radical (yet business friendly) Maori Party could draw National into some reflection on this matter. Another possibility would be that National in 2017 might require the support of the Green Party or the moderately nationalist New Zealand First Party to form a government. It was the latter in 1998 which forced the restoration of New Zealand Superannuation as a genuine demogrant, a "universal pension with no form of targeting" (Preston, 2001, para 2). An adaptive UBI proposal in the nature of that outlined here (e.g., 33 percent tax, $175 per week credit) could become the lesser price National would be prepared to pay to stay in government.

Overcoming Inertia

An important lesson from 1938 is that New Zealanders tend to be most comfortable with modest benefits that are the same for all, with uncomplicated supplementary assistance for those who need more. Nevertheless "nineteenth century ideas about deserving and undeserving, while modified in the present, still provide restraints on present debates about New Zealand's welfare state, and limit governments in the troublesome task of welfare reform" (Belgrave, 2012, p. 4).

Another important lesson from 1938 is that progress is an adaptive process that unfolds over time, and not a "big bang" one-off policy reset. In the case of universal superannuation, a timetable was specified: an annual increment in the benefit, until a threshold was reached. In today's context, the timetable would be a commitment to prioritize the increasing of implicit benefits ("tax discounts") available to the low waged and the precariously employed, ahead of traditional tax cuts that give increased benefits to people on high incomes. Further, good benefit policy should include an indexing provision; for example, a formula to subsequently raise benefit amounts each year by at least the annual percentage increase of wages. An equity benefit—capital income, not a wage—could be indexed to gross national income per capita.

Philosophically-driven change struggles against political inertia and media cynicism. So does imagination. Universal Basic Income only seems radical to those who lack the capacity to appreciate what it is and what it isn't. Lacking imagination is not confined to the world of ideas. The notion today that a National Party Prime Minister might invite the Green Party to participate in government does not sit well with mainstream pundits who have framed the 2017 election as a set-piece contest between National and Labour-Green, with the New Zealand First Party becoming a likely "king-maker." It may be time that the Green Party accepted the role of power broker, and an adaptive Universal Basic Income could be the issue through which such a governing relationship is forged.

Likewise, novelty on fiscal (or monetary) matters tends to be seen as electorally risky, at least while the New Zealand economy continues to grow when macroeconomic weakness prevails in many other countries. Comparative economic strength tends to exacerbate election-year inertia within governing coalitions. Nevertheless, New Zealand appears to have (on average) a nine-year political cycle; and timing which has coincided with global economic downturns. Changes of government took place in 1975, 1984, 1990, 1999 (after the Asian crisis which brought recession to New Zealand), and 2008. In each case, change was due to a mix of economic and non-economic factors; New Zealanders tend to tire of tired governments. The electoral challenge, then, in 2017 is for both Labour and National and to try to capture the people's imagination with some fresh ideas, while not allowing any socio-economic group to portray themselves as losers from policies that might arise from those ideas. While inequality is understood as the big issue of this decade, few voters will accept being at the paying end of a program that looks like income redistribution.

Universal Basic Income is too widely understood as representing a maximum as well as a minimum level of publicly-sourced income payable to citizens. So long as this perception remains, the chances of a basic income dividend for all adults being introduced in New Zealand are close to zero. To be an adequate maximum, the standard criticisms of unaffordability, "better things to do with the money," and "license to loaf" will apply. Rather, the public equity approach outlined—with a basic income to all that represents a minimum but not a maximum—stands to resonate, much as the idea of universal superannuation did in the 1930s.

An adaptive Universal Basic Income that represents more a change of imagination than an immediate redistribution of income stands to become popular so long as common misconceptions are promptly and plausibly refuted in the mainstream media. What a Universal Basic Income can do is firstly arrest the growth of income inequality, and secondly, create an opportunity for productivity gains to reverse the "winners take all" tendency of modern e-capitalism, creating less inequality alongside more productivity.

People with substantial market-sourced incomes will always be much wealthier than people reliant on publicly-sourced income. A Universal Basic Income helps to maintain a healthy balance between these two income sources; one inherently unequal while the other—public equity—should be equal by definition. Because underlying public equity has increased with productivity gains, so should the total pool of public income have increased. New Zealand has both its history of universal welfare and the simplicity of its tax code to show how the application of public equity concepts to productivity growth might address capitalism's immediate distributional challenges. Liberal democracies work best when public property rights are recognized alongside private rights.

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