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From Universal Basic Income to Public Equity Dividends

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In 1991 [I wrote](#) advocating ‘a universal tax credit available to every adult – the Universal Basic Income (UBI) – and a moderately high flat tax rate’. In 1996 I started to develop these ideas into a “social accounting framework”. It was only after my 1996 [presentation](#) – in Vienna, Austria – that the name ‘Universal Basic Income’ became a popular choice, among a number of other names, for the concept of a universal publicly sourced income payable equally to all citizens. In particular, the name ‘Universal Basic Income’ was popularised through the 2000 Boston Review forum [A Basic Income for All](#) by Philippe van Parijs, the leading intellectual in the 1990s of the Basic Income movement.

My principal academic output from this project was [A New Fiscal Contract? Constructing a Universal Basic Income and a Social Wage](#), published in 1997 in the *Social Policy Journal of New Zealand*.

In his *Boston Review* leader, van Parijs suggested “that everyone should be paid a *universal basic income* (UBI), at a level *sufficient for subsistence*”. Thus he was advocating a UBI at a specified minimum level. Since then, the meaning of universal basic income has narrowed to mean ‘a universal credit available to every adult, at a level sufficient for subsistence’. It is this final qualifier that compromises the original meaning, and fosters the common criticisms that a UBI is necessarily expensive, and is an invitation to a lifestyle of indolence.

I now choose to de-emphasise the name Universal Basic Income; a name that, in the present debate, has come, to too many people, to represent an unaffordable utopian benefit that undermines the work-thrift ethos that they believe underpins economic growth. Indeed, in this context, a universal basic income is sometimes presented as a benefit to

replace all other benefits – a maximum as well as a minimum benefit – meaning that people with unusually high needs may be denied public help in meeting those needs.

Instead of *universal basic income*, I now advocate a *public equity dividend*. I have written a report for the Policy Observatory that [details the idea of public equity](#), and provides a model for how, with minimal transition costs, it might work in New Zealand.

Public equity is the recognition that a substantial share of national income is inherently public; public because it derives from those capitals that are public – such as intellectual, socio-cultural, and natural capital – or have public components. Manufactured capital, for example, includes a nation's physical infrastructure. As these capitals are publicly 'owned' – just think of the ownership of water debate – some of the income generated by these capitals may also be distributed equally to all *economic citizens* of a society, as a dividend. (For our purposes, an economic citizen is anyone who qualifies for such a dividend payment.)

The public equity concept reconceptualises the current tax benefit system and the language associated with it. Instead of individuals paying tax on their earnings, the proportion of economic output that is attributed to public capitals (a flat income tax rate) goes into the *public equity fund*, from which public equity dividends (eg \$175 per week per recipient) are distributed. This dividend does not replace the benefit system; rather the first \$175 of a beneficiary's benefit is reclassified.

The public equity concept addresses some current problems with income distribution and the welfare state. By rethinking income taxation as public revenue resulting from capitals that are in the public domain, we avoid the libertarian notion of taxation as the theft of *private* wealth. The distribution suggested in this report, in the form of a public equity dividend, would help ensure the capacity of ordinary citizens to spend, as capitalism requires them to do, and lessen the need for private debt to fund their spending. It would also maintain a more elastic labour supply – people could work shorter hours in normal times (and share work more equally), and longer hours in times of emergency, incentivised when necessary by changes to tax rates or dividend amounts. This balanced work pattern is the key to sustainability of the natural environment, as well as the sustainability of capitalism. The model I propose in my report has a single income tax rate (of at least 33 percent), which makes domestic tax avoidance more difficult as differences in tax rates cannot be exploited.

The current welfare system is beset by conditionality and high [effective marginal tax rates](#), which amount to an ever-tightening income trap, making it practically impossible to earn more by working more. Public equity dividends would substantially reduce the number of young people requiring welfare payments. Public equity dividends are labour-enabling; unlike income-tested transfers, they cannot be withdrawn or reduced when a person gains casual or permanent employment. They also avoid the moral hazard of conditional benefits, which create incentives for people to manage their lives so as to conform – or to appear to conform with – with such conditions.

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

Even a low public equity dividend – too low to be classed as a Universal Basic Income – would be useful if it allows us as a society to open the door to future change, to bring meaningful and substantial equity dividends into the realm of the 'adjacent possible'. In 1938 the promise of an initial £10 per year universal superannuation in 1940 both gave the then Labour Government a record electoral victory, and gave us today the universal public pension (New Zealand Superannuation) that largely eradicated the indignity of elderly poverty in New Zealand.

It is easily affordable, in 2018, for New Zealanders to pay 33 percent income tax and receive an unconditional public equity dividend of \$175 per week. For a majority of New Zealanders, their incomes would be unchanged. For most of the rest, there would be a small initial increase in their incomes, with subsequent increases – through rising public equity dividends – being linked mainly to productivity growth. The key to the door is our recognition that today, through income tax graduations, all New Zealand taxpayers are already beneficiaries; and that it is a good thing to be a beneficiary.

My conceptualisation focusses on a dividend derived from public equity. In doing this I am distinguishing my schema from other proposed Universal Basic Income policies. I am also highlighting that this approach is not centred around a concept of welfare but on a citizenship right to the productivity gains arising from past public investments.

~This Briefing Paper contains extracts from my report on public equity, [available here](#).

Categories: [Economic policy](#), [Social security](#), [Tax policy](#), [Universal Basic Income](#), [Work & wages](#)



About the author

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Keith Rankin, an economic historian by training, lectures in economics at Auckland's Unitec Institute of Technology. Keith has written widely about tax and welfare issues, including articles on Universal Basic Income dating back to 1991. Recent articles that are topical include chapters in Palgrave MacMillan books "Basic Income in Australia and New Zealand: Perspectives from the Neoliberal Frontier" (2015) and "Basic Income Worldwide: Horizons of Reform" (2012), and a chapter in "Taxation Issues: Existing and Emerging" (2011) published in Christchurch by the Centre for Commercial and Corporate Law.

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