

## Do Justice

*"Do justice, love kindness and walk humbly with your God." Micah 6:8*

### A Newsletter on Social Justice Issues

Welcome to the May edition of Do Justice as we continue to discuss issues of social justice from a Christian perspective.

#### **The Bat, the Cat and the Market**

The general consensus among scientists is that the COVID-19 virus developed in bats then jumped to a cat in the Wuhan wet market and then into a human host some time in December 2019. Within three months it has affected more than three million humans and killed more than 200,000. Quite a feat for something that you need a microscope to see.

But it is not COVID-19 as a health issue that we want to explore in this edition of Do Justice. The governments of New Zealand and many other countries have recognised that COVID-19 is also an economic issue. Most governments have taken action to limit the economic damage that responses to COVID-19 have caused.

There are also important theological, philosophical and ideological issues that the COVID-19 pandemic has raised. What has been clearly demonstrated by the response is that the basic assumptions that have guided public life and policy making for the last 30 years have been unable to deal with a crisis of this magnitude. Our reliance on the "market" has been clearly shown to be totally inadequate in preparing for and dealing with this crisis.

More than 30 years of striving for small government and relying on the "market" to sort out all other issues has left us with weak health systems unable to cope with a crisis of this magnitude, plus an ever-growing inequality. The countries that have relied most on the free market to address COVID-19 are now those seeing the largest impact for COVID-19 – the USA, the UK, Italy and Spain.

When we look at how the "market" and neoliberal agenda became the accepted norm, there are some parallels with today's experiences. The origins of the "market" agenda go back to the 1920s but it was only through political leadership and the stagflation of the 1970s that Thatcher and Reagan grabbed the opportunity to make radical changes in economic and social policy that we are still living with today.

Since the Global Financial Crisis (GFC) of 2008 we have seen a similarity to the 1970s. We have seen a lack of intelligent political leadership in many of the democratic developed countries,

growing public uncertainty about the future and a turn towards seemingly strong potentially authoritarian leaders such as Trump (USA), Johnson (UK), Bolsonaro (Brazil), etc. Now the COVID-19 crisis is showing how ineffective such leaders are as they seem to be more worried about the impact of COVID-19 on profits than on their people.

In addition, there has been a groundswell of new approaches to economics, the environment and public policy coming from the academic world and from NGOs and activists. But where is the political leadership to take these ideas and dramatically change the situation on the ground? Where are the people who can take us from the "market" to a sustainable, caring and equitable society?

Arundhati Roy in a recent article on the situation in India concluded with the following:

*Historically, pandemics have forced humans to break with the past and imagine their world anew. This one is no different. It is a portal, a gateway between one world and the next. We can choose to walk through it, dragging the carcasses of our prejudice and hatred, our avarice, our data banks and dead ideas, our dead rivers and smoky skies behind us. Or we can walk through lightly, with little luggage, ready to imagine another world. And ready to fight for it.<sup>1</sup>*

We will all be under great pressure to walk through the portal, ignoring the potential to create a new world that is not full of prejudice, hatred and avarice. But the pressure will be to get back to an unsustainable normal – a normal which is a greater threat to the future of humanity than COVID-19 can ever be.

In Luke 14, Jesus talks a lot about banquets – who to invite and how to behave. In verse 12 he says:

*When you give a luncheon or dinner, do not invite your friends, your brothers or sisters, your relatives, or your rich neighbours; if you do, they may invite you back and so you will be repaid. But when you give a banquet, invite the poor, the crippled, the lame, the blind, and you will be blessed.*

When the COVID-19 crisis finishes (and it will finish), there will be much joy and celebration. Will we, as followers of Jesus, invite only our families and rich friends to the celebrations or will we

<sup>1</sup> Financial Times London 4 April 2020.

invite the minimum-wage essential workers who got us through the crisis, those who have lost their jobs and those who had their lives shattered as a result of the crisis? Do we want to “get back to normal” or do we see this as an opportunity to radically change the world we live in for the better?

In the New Zealand “old normal” we saw gross inequality; more than 200,000 children living in poverty; poor, inadequate, cold housing for too many; health and education systems close to breaking point; and so on. Is this the “normal” we want to return to? The “old normal” also involved a continuously rising share market driven by more and more profits for corporations, executive salaries increasing at rates well in excess of the wages of essential workers, the richest 10% of New Zealanders owning 50% of our national wealth, and so on and so on.

Already the cry is going out in the media that we need to return to that “old normal” but now is a chance to forge a new normal in which every child gets sufficient food, lives in a warm dry house and every family receives an income that meets all their basic needs and allows them to live in dignity.

There are some voices advocating for a new normal and some advocating for the introduction of a Universal Basic Income (UBI). This idea has been around for a while and was mentioned in the election manifesto of the Labour Party at the last election, only to fall foul of the coalition agreement.

Whilst a UBI that is sufficient to allow people to actually live will go a long way towards turning the old normal into a new normal, other radical reforms will be needed if we are to achieve the new normal. The UBI will need to be close to the Living Wage for a full week’s work.

The Living Wage, as we now know it in New Zealand, is calculated as the wage a family of two adults and two children requires to meet all their basic needs, and to be able to participate in the community and live in dignity. The calculation assumes that one adult works full time and the other half time and takes into account Working for Families and other benefits. After allowing for payment of income tax and the Working for Families tax credit, the average family on a Living Wage has an annual income of about \$60,000 or \$30,000 per adult. Hence, a starting point could be for a UBI of \$20,000 per annum tax-free for every single resident over the age of 18. For partners with dependent children, an extra \$10,000 per child could be added for children up to the age of 18. All other benefits would be eliminated as would the bureaucracy needed to administer them.

The changes cannot stop at this point. We will also need to reform our income tax system. One way of doing this would be to increase the marginal tax rates based on multiples of the Living Wage. Assuming that the UBI payment is tax free, then any additional income between \$30,000 and \$60,000 would be taxed at 15%, \$60,000 to \$90,000 at 30%, \$90 to \$120,000 at 45%, etc., until the top marginal tax rate of say 75% would apply to income over \$240,000 per year. As the Living Wage goes up (or down) so would the incremental tax bands. This system would mean that someone earning eight times the Living Wage would be paying a marginal rate of tax of 75% compared to the present rate of 33% which everyone earning more than 2.3 times the Living Wage is currently paying.

While this would go some way to ensuring that all New Zealand residents could live in dignity, it would probably be necessary to make reforms in other areas as well. Reasonable social accommodation for any person needing it is a must with a rent set at a percentage of the UBI. Charging for tertiary education has greatly contributed to inequality and indebtedness; as well as shortages in critical skill areas in our population such as construction workers, engineers, teachers, and medical workers of all kinds. Tertiary education should be made free again in the new normal.

In summary, despite the outstanding performance of the health workforce in dealing with COVID-19, our health system has been underfunded for at least 30 years and is over-dependent on migrants to keep it going. Significantly more funding is required. Housing, transport, and basic infrastructure such as drainage, sewage and water, all will require major funding in the years to come as we begin to address the causes and impact of climate change.

There was a time when many of the essential structures of society were reasonably funded, back in the 1960s and early 1970s before we started to worship the “market”.

The supporters of the “old normal” will question how we can afford all these possible reforms. And they are right to ask, just as we are right to ask how a return to the “old normal” can be paid for. Already, billions of dollars have been provided by our Government to prop up businesses as we deal with COVID-19. It is amazing how funding becomes available when a crisis stares us in the face.

There are at least three sources of government funding used elsewhere in the developed world that our Government could tap: a wealth tax, a capital gains tax and an inheritance tax. None of the countries that have one or more of these taxes has collapsed or gone bankrupt. In New Zealand there has been much debate about a capital gains tax over many years, but politicians have got cold feet every time. The latest proposal should be looked at again.

As far as wealth and inheritance taxes are concerned, why not link them to the Living Wage? For example, a wealthy person with wealth in excess of say one thousand times the annual Living Wage (\$30 million) could pay a wealth tax of 1% per year. An estate worth more than \$500 million would pay an inheritance tax of 500 times the annual Living Wage or \$15 million or 3%. Neither of these suggestions would bankrupt the 1% of super-wealthy people, nor would they need to visit the local food bank.

Individual freedoms would not be restricted by introducing a UBI and the other changes talked about above. In fact, individual freedom would be enhanced for those in our society who struggle to find a warm dry home, put food on the table, make sure their children get a decent education etc. There will still be plenty of scope and reward for the skilled entrepreneur.

The choice will ultimately be ours – do we want to revert back to the old normal or do we want to help develop a society where all are welcome at the banqueting table?