

## Do Justice

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

### A Newsletter on Social Justice Issues

Welcome to the first edition of Do Justice for 2022. We hope you managed to have a restful break. Do Justice continues to discuss issues of social justice from a Christian perspective in the tradition of the prophet Micah and St Francis.

#### Too much money

In Matthew 19:24 Jesus says that it is easier for a rich man to get through the eye of a needle than get into heaven. Max Rashbrooke raises this same issue in his latest book *Too Much Money: How wealth disparities are Unbalancing Aotearoa New Zealand*.<sup>1</sup> Rashbrooke looks in detail at both the income and wealth inequality in New Zealand and discusses one of those issues New Zealanders dislike considering – the impact of 'class'.

He debunks the widely accepted myth that all children born in New Zealand have an equal chance to 'make it' as long as they take their chances and work hard. Rashbrooke explores the impact of post code and ethnicity on income, education, and health care, and how the opportunity for someone to move out of the environment they are born into has been almost completely cut off over the last 30 years. If you are born in Otago of Māori or Pacific Island parents, your chance of owning and living in a house in Remuera is virtually nil.

In the chapter 'Top of the Class: Sketching Social Structures' Rashbrooke writes, *"Although narratives of national unity remain strong, New Zealanders have slowly come to see the fissures opening up. They are still reluctant to use the term that traditionally describes enduring social and economic divisions: class. One of New Zealanders' most beloved myths is that theirs is a classless society; for many the word 'class' suggests stuffy British feuds between toffs and yobs or the aim is outdated invocations of the proletariat."*<sup>2</sup>

Rashbrooke devotes a whole chapter to the question 'Is Inequality Justified?' Not surprisingly his answer is, "No, inequality is not justified", but he puts a number of caveats on his answer. *"The aim is not to deny our inherent differences as human beings. Nor is it to seek total equality of wealth (or income), something almost no one seriously advocates."*<sup>3</sup> Rather Rashbrooke is advocating for a distribution of resources that is fair and is unlikely to cause social harm. *"What is sought is a distribution that ensures everyone has the material foundations of a fulfilling life, but no one enjoys unjustified excessive wealth."*

This concept is similar to the passage in Leviticus 25 about the Jubilee where God seeks to ensure that no one can accumulate excessive wealth but must return what he has acquired once every 50 years. In the context of society at that time, this was a revolutionary concept, and it still is today. Although much progress was made in the early part of 20<sup>th</sup> Century to even out the disparities of excessive wealth and income mainly through progressive income tax systems and wealth and inheritance taxes, the 'market' revolution of the 1980s has reversed most of the gains, particularly in New Zealand.

Thomas Piketty in his latest book *Capital and Ideology*<sup>4</sup> also looks at the impact of class on inequality, not just today but through history and around the world. This is a comprehensive book, over 1000 pages long, but well worth the effort of reading it. He looks at how societies down the ages organised themselves from ternary societies to today's meritocratic and democratic societies. The ternary societies basically comprised three social groups within a community – the clergy, the nobility and the third estate. This basic pattern of society organisation was found in most parts of the world including Europe, most of Asia, Africa and the Americas up to about 200 years ago. The 'clergy' were the religious and intellectual class, the 'nobility' were the military class responsible for protecting the community and the 'third estate' were the common people who did the work. The 'clergy' and 'nobility' comprised a very small part of the community, usually much less than 2 percent, but held the vast majority of the community wealth in their hands.

Rashbrooke divides New Zealand society into five groups based on wealth as follows:

Group	Wealth	Cumulative Wealth	Share	Cumulative Share
	Sbn	Sbn	%	%
Wealthiest 1%	274	274	20%	20%
Next 4%	331	605	24%	44%
Next 5%	203	808	15%	39%
Next 40%	536	1344	39%	54%
Poorest 50%	24	1368	2%	41%

He explores inequality in detail, including differences in gender, ethnicity, education and inheritance. He unpacks the wealthiest group – white European, male, privately educated

<sup>1</sup> *Too Much Money*, Max Rashbrooke, Bridget Williams Books 2021.

<sup>2</sup> *Ibid*, p 169.

<sup>3</sup> *Ibid*, p 67.

<sup>4</sup> *Capital and Ideology*, Thomas Piketty, The Belknap Press of Harvard University Press 2020.

and in most cases having inherited wealth compared to the poorest who are mainly brown, educated in decile one schools and with no financial inheritance.

There are some interesting similarities between Rashbrooke's five groups and Piketty's ternary groups. Although we do not have either a 'clergy' or a 'nobility' class in New Zealand as such, we do have their equivalents – corporate managers, senior public servants, lawyers, accountants, university teachers could be compared to the 'clergy' as far as function is concerned. The police, military and other law enforcing groups have a similar function to the 'nobility' but without the inheritances or the wealth. Both these groups would fall generally in the wealthiest 50 percent of the population with the 'workers' making up the third estate.

But the differences between Piketty's ternary groups that began to change significantly some three to four hundred years ago as nation states in their modern form began to evolve are significant. Governance is much wider, no longer the exclusive domain of nobility and clergy; the involvement of government in insuring that people have the basics for life is significantly greater than in the ternary past, education is available to all. But still, we have an unacceptable level of inequality in our society, levels of inequality not significantly different from the ternary ages. Why? And what can be done to change the situation?

Rashbrooke looks at the apparent acceptance of our present levels of inequality by a significant percentage of the population. He writes *"During the two decades to 2010, opinion polling showed a clear trend: the public was less concerned about the disparity between rich and poor, less enthused about governments trying to reduce it, and less support of the rich paying more tax."*<sup>5</sup>

Other research shows that between 60 percent and 70 percent of responders to surveys about inequality over the last 30 years believed that inequality is too large. What is interesting is that in 1992, 60 percent thought that the government should do something about it and this dropped to around 50 percent in 2020. Ironically, in 1992 the government was acting but the actions resulted in increased inequality not a decrease.

Some attitudes are slowly changing. The general acceptance of the concept of the living wage is one example, despite regular pushback from employer on the grounds that increasing wages will increase unemployment, something that has not happened in the ten years that the campaign has been going. But change is slow and there is far to travel.

Although wide disparities in income and wealth are important issues that need to be dealt with if inequality is to be significantly reduced, there are also wide differences in education and health care between the top 5 percent and the bottom 50 percent. Lack of investment in both health and education in the last decade have made the situation even worse. The present Government has made some progress in reversing the situation, but you cannot produce teachers,

doctors, nurses, etc out of thin air at a moment's notice. It takes four to five years to train a teacher and significantly more to train a medical doctor.

In our September 2020 edition of Do Justice we argued for a Universal Basic Income (UBI) and suggested it be set around the living wage amount. Part of the argument for a UBI set at this level is that it would be very simple to administer, just as the national superannuation is today. No need for armies of public servants having to make decisions about whether a particular individual should or should not have this benefit or that benefit. Individuals who wanted to earn more than the living wage would be able to but would incur a higher rate of income tax. And the more they earn the greater the tax rate. Anyone who was happy to live on the living wage and pursue a career in the arts or other low-income activity would be able to do so and still have sufficient income to cover food and shelter.

Taxation could be reformed to encourage a 5:1 ratio between the highest paid and the lowest paid i.e. the living wage. Perhaps a more radical suggestion that could be explored would be to ban health insurance and private schools which would put enormous pressure on the health and education systems to be of the highest class.

The above addresses some of the income aspects of inequality. There is also the question of wealth, made up of property, investments, and cash and how wealth is intergenerationally transferred. The enormous increase in the value of houses in the past 15 or so years is a real challenge. Statistics NZ estimates, *"There were 1,771,300 NZ households at the end of June, up 24,300, or 1.4%, compared to June last year. Of those, 1,100,800, or 62%, owned their own homes, 604,100, or 34%, rented their homes and 66,400 (4%) lived in free accommodation, such as that provided by a relative."*<sup>6</sup>

The average value of a house in New Zealand is just over \$1 million so the total value of all the homes in the country is around \$1.8 trillion. In comparison, our GDP in 2021 was around \$360 billion. Adding to the complexity of the house situation is the fact that most homeowners will have a mortgage to repay, and that the national superannuation assumes that the recipients own a mortgage-free home. However, it is quite possible that within 30 years this will no longer be the case as the cost of housing will be outside the reach of all young people except the children of the very wealthy. It is possible that the percentage of renters could reach 80 to 90 percent by the 2050s which would widen the wealth gap even more unless the provision of house for much of the population became a government responsibility. This may not be such a difficult concept if we acknowledge that the provision of an adequate, dry, safe house is a human right that we as a country have signed up to through the UN Universal Declaration of Human Rights.

It is on all our interests to seriously address social inequality. History shows that when inequality reaches a certain level, society itself is threatened. There are signs in some countries that this point is getting closer and closer.

<sup>5</sup> *Too Much Money*, p 144.

<sup>6</sup> <https://www.interest.co.nz/property/100565/statistics-nz-estimates-number-households-renting-their-homes-increased-15400-year>, Greg Ninness, Interest.co.nz, accessed 1 February 2022.