



Do Justice

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

A Newsletter on Social Justice Issues

Welcome to the December edition of Do Justice as we continue to discuss issues of social justice from a Christian perspective in the tradition of Micah and St Francis.

Tax cuts and their impact

It was interesting to watch the short-lived Liz Truss Government in the UK grappling with tax cuts and the reaction of the markets and the UK Reserve Bank. In New Zealand we are increasingly hearing that tax cuts are the answer to every ill in our society. But are they? Also, what tax cuts are 'fair'?

Back in the 2008-2010 period, John Key's National Government pushed through significant income tax cuts and increased GST to balance the books. We had nine years of 'prudent' financial management by the Key/English Government during which we had the World Financial Crisis and the Christchurch and Kaikoura earthquakes. Books were balanced and debt reduced but at what cost?

Firstly, the tax changes at the beginning of the Key Government gave to the wealthy by doing away with the top income tax rate of 39% at the same time as increasing GST from 12.5% to 15%. The GST increase mainly impacted lower-paid and poor people who proportionally spend most of their income on goods and services whilst the rich were able to save with no GST impost.

Government expenditure on health, education and housing was kept under tight control despite a comparatively rapid increase in population coming mainly from immigration. The number of state houses available to those who could not buy or rent a house actually dropped, despite the increased demand caused by increased population. Industrial training, particularly apprenticeships, practically disappeared, and the number of doctors, nurses and teachers did not increase to meet the needs of the growing population. The population grew by 379,000 from 2008 to 2017,¹ an increase of 8%.

But what did corporate profits do in the 2010 to 2017 period? One interesting report by Auckland University economist Dr Stephen Poletti showed that the electric power generation companies, privatised by the Key Government, "pocketed some \$5.4 billion excess profits" in the 2010/2016 period.²

These are the same companies that the Key Government sold 49% of the government's shareholding in during the 2012-2014 period.

Selling state assets is another form of short-term tax cuts as the proceedings from the sale go into the government accounts and are used to show that the government income and expenditure are roughly in balance. New Zealand governments over the 1985 to 2015 period sold many of the state's important assets in accordance with the 'small government ideology' promoted by President Reagan in the USA and Prime Minister Margaret Thatcher in the UK. This allowed large income tax cuts for the wealthy on the assumption that money would 'trickle down' from the wealthy to the poor. This argument is still used by some conservative politicians to this day without any evidence that it has worked.

What has happened is that wages for the lowest paid and average worker have generally stagnated, just about keeping up with the cost of living. Whilst salaries for senior executives have skyrocketed, corporate profits have rapidly increased for most companies and our society has become more and more inequitable. For example, *"The top 10 percent of New Zealand households continues to hold approximately 50 percent of New Zealand's total household net worth ..."* and the top 1% own 15.8% of our national wealth. In contrast the bottom 20% of New Zealanders have a net worth of \$11,000.³

One of the sad consequences of this situation was the introduction in 2012 of the concept of a Living Wage because the minimum wage was no longer sufficient for people to live on in any form of dignity. The Living Wage was, and still is, promoted by a combination of faith groups, including the Auckland Anglican Diocese, community groups and trade unions. It is reviewed annually and recalculated every five years using government statistics to determine what an average family of two adults and two children needs to live on in dignity and to contribute to society. The next major review is due in 2023. The Living Wage is increasingly being used as a yardstick for wages and salaries around the country. What is sad about this is that because of all the tax changes of the last 35 plus years, it was necessary to introduce and promote the Living Wage as so many of our people were paid well below it.

¹ [Population of New Zealand 1820-2020 | Statista](#)

² [Power generators banked \\$5.4 billion in extra profits in 2010-16 - report - NZ Herald](#)

³ [Distribution of wealth across New Zealand households remains unchanged between 2015 and 2021 | Stats NZ](#)

Tax changes are not inherently bad; what goes down can also go up. Our income tax system in New Zealand is one of the least progressive in the developed world and some of the proposals being floated now will make it even less progressive.

One argument that has been made recently is that the income points where the percentage income tax rate increases need to be looked at, as they have remained the same for at least 10 years and inflation has had an impact. Also, some other developed countries do not levy income tax on the first few thousand dollars of income. The irony of this situation is that any changes at the bottom that would benefit the poor would also benefit the well-paid even more unless the maximum marginal rate of income tax is increased. Marginal tax rates of 70% to 80% have been known in the past; currently the marginal rate is 39% for those earning over \$185,000. There appears to be room for additional rates of say 45%, 50% and even 60% that those on such high incomes could easily afford to pay. This could allow some adjustments at the bottom end with relief for the poor. The inflation of the last 18 months makes such a review even more urgent.

Climate Change – COP27

November appeared to be catch-up time for world leader meetings with the G20, APEC, East Asia Summit, ASEAN Summit and COP27 in the last half of the month. Each meeting was important in its own way, but as far as the long-term life on Planet Earth is concerned, the COP27 meeting in Egypt was probably the most important, unless the President of Russia uses nuclear weapons in Ukraine.

Watching and reading the reports on the COP27 meeting would have left many people depressed about the future. The most important world forum for addressing climate change appears to have been hijacked by national and corporate fossil fuel interests. Whilst the 'agreement' to provide financial relief for the less-developed countries most affected by climate change is welcome (but long overdue), the lack of progress in virtually all other areas and retreat in some, is of grave concern. The lack of mention and re-endorsement of the goal of keeping the average increase in the world's temperature to less than 1.5°C is most depressing. It seems that world leaders, at least those leaders of the larger developed countries, have now accepted that increases of 2°C or more are acceptable. Some experts are now talking about increases of up to 4 or 5 degrees by 2100 as possible without very significant changes in policy by all countries.⁴

The young children of today will be in or fast approaching their 80s by 2100. What sort of world will they be living in? Looking back 80 years from today we were in the middle of the largest and most widespread war in our history, there were no nuclear bombs, most people in the 'West' relied on trams, buses or trains for transport, and there was no worldwide aviation. The only way an average New Zealander could travel to Europe was if they were in the armed forces. All electricity generated in New Zealand was from hydro-electric sources, not fossil fuel generation, and the use of cars was very

restricted. The speed of change only appears to have increased in the last 80 years.

So, what could 2100 look like for our geriatric grandchildren and great-grandchildren? Will it be a world with more regular and more damaging storms in many parts of the world, with sea level rise measured in metres, and droughts elsewhere? Will half the world's population of around 10 billion people be starving? Or will it be a world where everyone is well-fed, housed and secure? The answer, of course, will depend upon what our world leaders do in the next five years and how we, as citizens, will ensure that the world's leaders take the right decisions so that the inhabitants of Planet Earth will not need a non-existent Planet B.

The reports from COP27 are not encouraging; many of our world leaders seem to be more concerned about other issues and in some cases rightly so. The present situation in the Ukraine has the potential to get out of hand and endanger the very existence of many billions of humans. The citizens of Russia, who have some responsibility for the Russian President and Government's actions in invading Ukraine, need to take action. Similarly, those nations that have directly, or tacitly supported Russia need to review their actions urgently. One possible bright spot has been the recent statement by China that it will not support any nuclear actions in Ukraine. The Ukraine situation is as much an environmental issue affecting global warming as the continuing extraction and use of fossil fuels or the methane threat from thawing permafrost and ruminant farm animals. At COP27 it was seen that powerful private lobby groups opposed to any meaningful action on either issue had considerable influence. We see a similar situation in our own country when it comes to ruminant animals with the vigorous, almost violent, opposition from some quarters to the proposed changes by the Government after many years of consultation with the farming sector. Some world leaders have been making it very clear that actions must follow words or else the storms will get worse, the droughts longer, the seas rise higher, food becomes more difficult to produce, and so on. It was good to hear the Director General of the United Nations speak so bluntly at COP27, but he cannot be a lone voice; many more leaders need to be as clear about the dangers our earth faces. In addition, each of us has some responsibility as we all contribute to the greenhouse gases that cause the increase in world temperature, global warming and climate change. The argument that New Zealand's five million people are too small a group to make any difference is just fallacious. We all contribute to the problem, and we all must take action to address the issues of climate change.

It is difficult as individuals to make a significant difference but together we can. It is our duty, when we next vote for our Government, to seriously consider climate change as a significant issue. God of liberation, give us the courage to measure everything we do by fulness of life for the earth and all her peoples. In the name of Jesus we pray, Amen.

⁴ [Temperatures | Climate Action Tracker](#)