



Economic Policy Centre

Pensions and Intergenerational Equity

All for an extra \$20 a week?

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PIE highlights intergenerational equity issues and welcomes the attention to how we pay for social goods provision at local and national levels in New Zealand. We republish this opinion piece by Susan St John Hon Associate Professor of Economics, University of Auckland [University of Auckland](#) with acknowledgement to the Daily Blog.²

OPINION

What a mess. What a pickle for the left. Labour, the party of 'hard working' New Zealanders, showed us just how super-wealthy the top 5-10% uber rich actually are, and then [ruled out any kind of increased tax share from capital](#). Setting it up to fail, they gave Treasury the task of designing a tax-free threshold paid for by a new net wealth tax.

So what were Labour's political advisors thinking? How would giving an extra \$20 a week to nearly everyone, paid for introducing a hugely complex wealth tax of \$4 billion ever going to be any kind of answer to the grave challenges NZ faces? Once the \$4 billion was frittered away in a tiny tax break for everyone what about the tax revenue needed for everything else?

The termination of the neoliberal experiment is delayed yet again, possibly by a decade. [The only party that could lead right now with bold policies has given up](#).

Let's start with the real problems we face: an industrial scale foodbank industry entrenches a highly economically inefficient method of food distribution and reinforces food insecurity; an increasing desperate number of families cannot feed themselves

¹ PIE Commentaries are opinion pieces published as contributions to public debate, and do not necessarily reflect the view of the Pensions and Intergenerational Equity Hub.

² see St John, S (2023), [All for an extra \\$20 a week?](#) Daily Blog 17th July 2023

while holding onto their high-cost housing; transience, mental and physical sickness, kids out of control, flooding and homelessness undermine the productivity of our key workers just when we need them most. Evidence of social disintegration and disaffected youth is all around with ramraids the tip of the iceberg; a struggling health system coping with a dramatic ageing of the population and suffering the aftermath of an upsurge of preventable diseases of poverty and the pandemic; an education system that fails too many children and is burning out teachers; universities on life support, and the unfolding climate catastrophe with the irreversible loss of productive land, infrastructure issues and the costs of managed retreat.

This is not the time for a \$20 a week, a block of cheese, tax shift. At the very top end of the wealth and income distributions, [wealth accumulation continues](#) unabated, with those with excess money untouched by the measures implemented to reduce inflation. The price mechanism does not work when you have so much money you don't care what you pay for things. The worst is that our scarce real resources are being sucked into to ever more vanity projects, elaborate and investment housing. The steel, concrete, labour, wood, appliances, roofing, plumbing services all have alternative and better uses but we are too blinded by the dollar signs of our pretend wealth to see it.

Labour's abrogation of duty opens the way for [the next unconstrained speculative housing boom](#) under National/Act.

To quote Hamlet

*the native hue of resolution
Is sicklied o'er with the pale cast of thought;
And enterprises of great pith and moment
in this regard, their currents turn awry,
And lose the name of action.*

Please--after 30 years of taskforces/treasury reports let there be no more time spent on futile comprehensive wealth taxes or CGT flights of fancy. And please, no more talk about a zero-tax threshold that is completely incapable of resolving pressing inequality issues.

Instead let's have fewer excuses and some practical and immediate action.

Meaningful money must be redistributed from the top third to the bottom third. But we cannot stop there. Over and above that revenue must be found for large investments in the physical and social infrastructure.

Lets start with the broad base low-rate income tax system and make sure it actually is broad based by including the [income from housing that currently escapes](#)

1. Beginning 1 April 2025, aggregate an individual's equity held in residential real estate using current CV less registered first mortgages.

After a \$1- 1.5 million exemption, (\$2-3 m for a couple) treat the equity held in housing as if it were in a term deposit at the bank generating taxable income. [Terry Baucher and I have estimated that a 2-4% imputed income \(Fair Economic Return\)](#) could generate an extra \$3-6.6 b in tax revenue while affecting only the top end. Good landlords will find this approach relieves them of complex expensive accounting returns, others will have an incentive to rent their empty houses or sell them. Houses held in trusts unallocated to individuals and non-resident owners are taxed at the trust rate.

- [Suspend the annual borrowing of \\$2.2 billion for sharemarket investment in the NZ Super Fund \(NZSF\) and divert that borrowed money into real investment in the next generation.](#) Treat such spending as part of the capital account as is the current contribution to NZSF. It is bizarre that we believe putting this money into the fund makes it affordable to pay NZS to millionaires at 65 who are still in paid work; it does not.
- 2. [Treat NZ Super as a non-taxable grant and put superannuitants on a separate tax scale](#) for those who opt in, to claw back \$1-2 billion per annum from those high income, wealthy superannuitants.

Then immediately do the sensible [cost-effective reforms to Working for Families \(WFF\)](#) that would make a real difference to struggling families both on benefits and in low paid work. [Fix the benefit system](#) and [relationship rules](#). Forgive student debt progressively for those who stay in New Zealand cancel MSD and WFF debt. Invest heavily in [early childhood education](#), [food security, disability sector](#), [Māori](#) and [Pacifica health](#).

Direct the freed, real resources from speculative housing to the desperately needed investment in [state housing](#) , public health, high quality education at all levels, and climate crisis management.

[A new slogan instead of a real plan is a cruel joke.](#)

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