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Modern Monetary Theory,

Why We Have Tax Completely Wrong

and

How to Address It

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Contents

1. Preface

We cry shame on the feudal baron who forbade the peasant to turn a clod of earth unless he surrendered to his lord a fourth of his crop. We call those the barbarous times. But if the forms have changed, the relations have remained the same, and the worker is forced, under the name of free contract, to accept feudal obligations. For, turn where he will, he can find no better conditions. Everything has become private property, and he must accept, or die of hunger.

(Kropotin 1892, Ch 1. III)

What is taxation, and how ought a system of it be arranged? This is question for which the Tax Working Group was firstly announced then convened for, at the behest of the new Sixth Labour Government (New Zealand Government 2017, 1). This submission paper seeks to do something quite simple. It dismantles orthodox notions of taxation, asks why our discourse has been misled for so long with these orthodoxies, and then reconstructs ideas on taxation with a view to practical, normative steps.

The secondary goal of this paper is to break apart the notion that not only is taxation understood solely by economists, but that it is best left to them. Indeed, to quote Thomas Piketty, tax is “too important an issue to be left to economists, sociologists, historians, and philosophers” (2013, 2). Stripping away rhetoric, the professionalisation of politics tends toward anti-democratic sentiment. It does little more than obscure power relations and remove them from the hands of ordinary New Zealanders governed by the legislation of which they are in practicality barred from being a part.

1.1 On the Structure of this Paper

This paper is structure into four sections, which follow thematically rather than logically from one another. They move from an interrogation of orthodoxy and then elucidation of what taxation means and what it does, to the terms of reference and scope for this working group, to an historical look at discourse around taxation, and finally some practical proposals. The intention is to take the reader from a deconstruction of traditional ideas around tax, to more accurate ideas of what it is and does, and finally a normative call to how we can use a reconstructed conception to better arrange the system.

2. Ways of Viewing Taxation

2.1 Orthodoxy

Tax is undoubtedly important. Not only in the purely abstract sense of its cornerstone placing in macroeconomic arrangements, but for the determinative waves it effects on the social fabric of public life. Everything from power structures to economic inequality may be stretched, pushed in scope, increased and decreased, by it. The historical dynamics of inequality, for example, may only be understood through a long-run perspective analysing tax records (Piketty 2013, 21). Why then are we content to have so many of our ideas about it utterly wrong?

To answer this, we must look first to whether the orthodox discourses around tax are in fact wrong. Are they misleading or incorrect, and if so, in what ways? After all, it is one thing to assert the emperor has no clothes, another to demonstrate it. However, this orthodoxy is unique in that it is no serious scholarly paradigm, other than in the work of the largely-discredited Chicago School of economics, and functions instead as a narrative tool by which debate is restricted and equality measures frustrated. It necessarily acts to exclude certain ideas from discourse, to privilege others, and to become so a part of the fundamental axioms of approaching tax that its hidden nature as ideology ensures its weaving into of every part of policy and discussion. Overturning orthodoxy requires not a strict scientific-like invalidation, but mere exposure of its theoretical premises to the light of reality. The foundation must be examined.

In New Zealand, the orthodoxy might be categorised into two broad groups. The first is commonly manifested as and termed 'right wing'. It is characterised by a stated concern with fiscal responsibility. Its terms, definitions, and claimed concerns are familiar to us. Fiscal responsibility, household budgeting, belt-tightening, a limited amount of money in the pot, being prudent with taxpayers' dollars, state sector probity, concern with how programmes can be afforded. The narrative devices, the rhetoric, is so ingrained in public discourse as to be unremarkable to us. Note that this approach has been nearly identical across the developed world since the inception of the Neoliberal age; political figures from Thatcher to Reagan to Roger Douglas, and their respective advisors, have utilised the right wing discursive constructs to promote the appearance of macroeconomic competency in governance.

It also useful to understand that concerns for fiscal responsibility are only ever directed at propositions for funding public goods and services, never military spending or corporate subsidies. On matters of military or corporate welfare, 'fiscal conservatives' are big spenders. The Reagan administration was not small-government but radically statist, increasing military spending astronomically (Scowcroft 1984, 14-22) (McMahan 1985, Ch. 2). Conversely, programmes for the vulnerable like food stamps were slashed: by 1982, signs of hunger were widespread in the United States, especially among children (Shlomo and Morgan 1992, 54). Similarly, Roger Douglas's reforms sought to financialise the New Zealand economy, shifting it from productive enterprise to financial institutions whose trading inherently depresses growth.

The 'left wing' group, characterised in New Zealand by the actors associated with the larger Labour Party and its supporting pundits in the beltway, operates on similar assumptions. That there is a national deficit to be minimised, that taxes raise revenue for spending, and that such spending ought to balance at the end of the day as a ledger might, are all shared with the 'right wing'. Rhetorical service is paid to humanitarian concerns, with more of an emphasis on building infrastructure, funding healthcare, and so on. The current Sixth Labour Government drew up and agreed prior to the 2017 General Election to commit itself to the "Business Responsibility Rules" (NZ Labour Party 2017, 1). These outlined its concerns for maintaining surplus and restricted its ability to advocate any non-business friendly policy. That is, in practice it could not, without breaking electoral promises, advance government only for the benefit of the working class and vulnerable in any significant way.

What is crucial to realise is that both 'right wing' and 'left wing' group concerns, debates, and actions tacitly accept the same premises, which are not so much flawed as deliberately designed to make politically difficult the possibility of taxation as a tool for public good. Both streams misunderstand how fiat currencies operate, both accept the mythical notions of a household budget-like deficit and government books to be balanced. In short, the acceptable spectrum of opinion is sharply narrow, and reliant on the same faulty premises. When we look at heterodox economics, we find these premises not to be grounded in how monetary flows operate.

2.2 Heterodoxy

Modern Monetary Theory (MMT) is at the forefront of monetary and tax-related heterodox economics. It posits that, as state governments are the issuers of their own fiat currency, they spend it into existence, and tax merely subtracts from what has already been spent. Put simply, the fundamental idea that tax generates revenue is instead fundamentally wrong and has been so for over thirty years (Abrahamian 2017). The entire accusation of 'tax and spend' is built on mythologies, in the Barthesian sense (1957). Government is often likened to a household, with income and a budget of spending within that gathered income. Treasury itself states on its website, "tax revenue is the major source of core Crown revenue" (2016). Put bluntly, this is a not how taxation or governmental spending works (Kelton 2017).

Fiat currency is first and foremost a social construct (Abrahamian 2017). Whilst money itself may be categorised in such a way philosophically (Simmel 1900, 128-130), currency is held to be especially so due as it is backed by declaration of the state alone, not physical entity nor limited resource. If a government may spend money into existence merely by entering numbers into a computer balance sheet, it can use fiscal stimulus however it wants to any amount it wants. Indeed, we know this can be done as quantitative easing was used to save finance and banking institutions during the GFC; it has simply never been used to benefit ordinary people (Mitchell and Fazi 2017, 161).

The only limit to such quantitative generation is inflation, which is where taxes may be used to subtract money from the economy and the Reserve Bank may come into use for controls on inflationary pressure. That said, highly limited inflation is foremost a concern of business and financiers, not ordinary wage earners. There are two useful realisations to extract. Firstly, the New Zealand Government has the freedom to choose to generate money into existence for public good, to lift an entire generation out of poverty, and not be beheld to banking or financial corporate interests. Secondly, it can make taxation radically progressive, subtracting money from the economy precisely by exacting it from those same institutions of capital which drain so much from the wider economy, and reducing inequality by intentionally reducing income more at each quintile.

If we are to understand how best to structure the tax system, we must be honest about how taxation works in a modern fiat currency economy. To confuse terms through an inversion of language and economic vocabulary has allowed contemporary economists to present predatory rent and debt extraction in all first world economies, and financial conquest in Greece as particular example (by the troika of the IMF, EC, and ECB) as productive and positive (Hudson 2017, iii). In the case of Greece, the seizure of assets and imposed punitive austerity have been represented as "rescue" by creditors, when it is little more than financial extortion (Gailbraith and Martin 2015).

Under MMT explanations, this is only possible because Greece does not issue its own currency as drachma, but relies on the euro, leaving it at the mercy of European institutions (Kelton 2017). In New Zealand, we issue our own currency, and government spends it into being. It is impossible for the government to overspend on social welfare or public utilities, nor does it require raising revenue by tax to do so. Only when such money, by an inversion of vocabulary, is justified for going to the subsidy of the unproductive rentier class is it dangerous to the economy (Hudson 2017, 240-242). Doing so for the non-rentier sectors – as in workers' incomes, infrastructure, and welfare – generates growth instead.

2.3 Banks, debt and the FIRE Economy

We hear often the mantra 'all income is earned', and its paired aphorism that there is 'no such thing as a free lunch' (*cf* Friedman 1975). To this end, bankers may claim that what they extract from an economy by imposing debt obligations is inherently earned by virtue of having had a monetary value placed upon it, and that this may justify any obligation levied upon a sector of society no matter the effect. Deleterious outcomes, like the GFC which crippled an entire generation, are dismissed in this view as externalities. The soporific illusion of 'all income is earned' serves as distraction from the financial sector diverting potential resources from productive sectors to feed anachronistic rent-extraction sectors, supplemented by ever new sources of monopoly rent (Hudson 2015, 18-21). When income is generated by FIRE institutions, no change in resources has taken place, nothing productive has happened, but income is paid to a party to the other's expense, and this is still termed "earnings" in governmental reports like NIPA (*ibid*). Classical economists from Adam Smith to Ricardo made a distinction between productive and rent-seeking income, explicitly maligning the latter as neither being earned, nor contributing resources (Piketty 2013, 6). To belabour the point, this is because their alimentary value is naught. A child is not fed by an increase in hedge fund value.

Banks primarily function through the medium of debt, and the question of debt is one not of absolute wealth but the distribution of wealth between public and private actors (Piketty 2013, 700). The inherent contradiction of such a system beholden to banking interests is firstly that *r>g* (*return on capital* and *growth of income and output*) in a capitalist system (which is also the structural contradiction of capitalism itself), and secondly that rentiers inevitably tend to greater and greater dominance over those who own only their labour (Piketty 2013, 746). This kind of primitive accumulation cannot help but continually drive inequality to higher levels.

If we look at the true 'free lunch' of passive rent-extracting opportunities, in the 1980s they were financialised – capitalised into bank loans for paying out as interest – meaning banks have a state-backed advantage at the expense of governmental tax collectors, who no longer receive tax on unproductive capital holdings (Hudson 2015, 21). We saw the effect of financialisation in the Great Recession. Rising mortgage debt forced homeowners to rely more on banks, who were gambling with their profits in the financial investment sector (Stiglitz 2008), and debtors were convinced that prosperity depended upon making bankers and bondholders immensely wealthy – a sort of Stockholm Syndrome blaming the victims when crisis struck (Hudson 2015, 22).

The pro-rentier structure of the economy is state sanctioned and enforced. If an ordinary person were to print their own denominations in their own home, call them New Zealand Dollars, and attempt to circulate them, they would be charged with counterfeiting and likely a few more crimes. When banks create new currency through fractional reserve lending and other tools, they are portrayed as crucial components to a functioning economy. Predation of the FIRE (Finance, Insurance, and Real Estate) sector is not only a driver behind the inevitable crashes of modern capitalistic economies (Minsky 1993, 1-2), and not only do its institutions provide no new productive gains, but they largely escape any more than nominal taxation. Productive sectors, and labourers in particular, bear the brunt of the tax burden by proportion of what they earn. New Zealand lacks a financial transactions tax; an estate or gifts tax (Littlewood 2012, 66); a land tax, as this was abolished in 1992 (Barrett and Veal 2012, 573); or an extensive capital gains taxation framework, though nominal steps are being taken in this direction.

In other words, though the FIRE sectors dominate profits, having overtaken industrial profits in 1996 (Kelsey 2015, 60); though they do not create more useful resources as industry does; and though they are dominated by foreign interests, they pay close to no tax. Instead the bill is picked up by individuals through both income tax and the regressive GST regime.

3. Critiques of the Background Paper

3.1 Reflecting a Misleading Orthodoxy

Treasury, almost uniformly across its released papers, harbours concerns about “fiscal responsibility”, the Crown “balance sheet”, and so on. Advice to the incoming minister is such that it primes him or her for the presuppositions of Neoliberal orthodoxy (Treasury 2017, 3). The examples are general, and too innumerable to cite. A point of interest about New Zealand in this sense is how embedded the ideological constraints of Neoliberalism are, and deliberately so by its planners. Setting aside the constitutional legality of binding future parliaments, Treasury correctly states that the Public Finance Act 1989 requires any minister to hew to the constraints of orthodoxy in working with their portfolio (section 26G PFA 1989).

The Working Group itself inadvertently propagates the same assumptions in staking out its own scope. The submission background paper, citing Treasury, of “fiscal consequences” for social spending toward an aging population (Tax Working Group 2018, 10) mirror the narratives of insolvent Social Security in the United States. In both cases, the underlying aim is easy to grasp. In the United States, there are billionaires with financial interest in partial or entire privatisation of Social Security; the aims are dually ideological and self-interested (Kelton 2017). In New Zealand, general vexation around fiscal responsibility is ideological, where groups like the Financial Services Council regard national pensions as an “industry” and actively advocate privatisation (Whyte 2013). The banks and financial actors who would profit from privatised retirement funds are, unsurprisingly, the major members behind groups advocating it (Financial Services Council 2012) (Radio New Zealand 2012). In both the US and New Zealand, the effect is pundits being paid large sums to explain dryly why poor people need to die of poverty in their old age, unless we make it that their lifetime labour profits institutions of unaccountable private power who were strangers to its exertion.

3.2 Restrained Scope

The Working Group is limited in scope, unable to address or alter one of the more powerful tools for reducing inequality – progressive income tax. It has been criticised already by groups like the Public Service Association, the union for public servants, for its self-set limitations (Scoop.co.nz 2017). The Tax Working Group has decided not to address the regressive nature of GST and its disproportionate share of the burden on the middle and working class, though it is not strictly barred by its own Terms of Reference from discussing it. Suffice to say, the restrained scope of the Terms of Reference, in light of the terms' contradictions with stated aims of the group for a "fair and progressive tax system" (Robertson and Nash 2017), are so obvious a self-inflicted criticism they beg no further discussion.

4. Why We Talk About Tax the Way We Do

4.1 Political Economy of the Media

Upton Sinclair quipped that it is difficult to get a man to understand a matter when his salary depends upon him not understanding it (1994, 109). So it is with journalists and assorted media figures. They are largely employed by corporate media entities, structured as businesses and owned by larger corporations. To expect any meaningful debate outside the parameters which are comfortable for business interests is to expect a difference from any other industry for no apparent reason. It simply does not happen, in the same way that GM does not draw up new car designs in hopes of making a loss. A basic institutional analysis will yield this understanding. To comprehend narratives around tax, what is said, what is not said, and the foundational assumptions of tax discussions, requires an understanding of how mass media shape the way we think about it.

Herman and Chomsky's work is the definitive scholarship on the political economy of media (McChesney 2008, 287). Their seminal text *Manufacturing Consent* draws its name from a quote by 'father of journalism' Walter Lippmann (1988, x):

> That the manufacture of consent is capable of great refinements no one, I think, denies. The process by which public opinions arise is certainly no less intricate than it has appeared in these pages, and the opportunities for manipulation open to anyone who understands the process are plain enough… [a]s a result of psychological research, coupled with the modern means of communication, the practice of democracy has turned a corner. A revolution is taking place, infinitely more significant than any shifting of economic power…. Under the impact of propaganda, not necessarily in the sinister meaning of the word alone, the old constants of our thinking have become variables. It is no longer possible, for example, to believe in the original dogma of democracy.
>
> (Lippmann 1922, Ch XV, pt. 4)

Lippman's prime concern was that in the modern age, the "bewildered herd" of the public are not a "rational force" (1925, 69) and that if a professional class of responsible men are to maintain dominance within a democracy, propaganda must be deployed to that end. His thoughts were uncontroversial; the use of public relations packaged as news to shape thought is no strange notion to elites in the Western sphere of influence. Edward Bernays, another influential thinker in media, posited that, “the conscious and intelligent manipulation of the organized habits and opinions of the masses is an important element in democratic society. Those who manipulate this unseen mechanism of society constitute an invisible government which is the true ruling power of our country,” (1928, 37) a conception not limited only to public relations. He extended it to news media (1923, 171), and education, arguing, “the only difference between ‘propaganda’ and ‘education’, really, is in the point of view. The advocacy of what we believe in is education. The advocacy of what we don't believe in is propaganda” (212).

Bernays’s views were so commonplace and banal among elites that when the Trilateral Commission issued its report *Crisis of Democracy*, its central concern was an ‘excess of democracy’ in the 1960s because schools, churches, and media institutions had failed to carry out sufficient indoctrination of the young (Huntington, Crozier and Watanuki 1975, 113). Re-establishing passivity of the public in the following decades paramount. Members of that Trilateral Commission would later go on to staff the majority of Democrat President Carter’s cabinet, who began the Neoliberal project of public control through austerity in the United States (Chomsky 1981). Reading these figures in their own words we reach a conclusion, that propaganda is to democratic societies as the bludgeon is to totalitarian states. Masses cannot be controlled by violence, and so the window of public debate must be sharply narrowed and public thought controlled.

Setting out to make the case for discourse control being a driving reason behind how narratives are shaped, Herman and Chomsky delineate what they term a “propaganda model” of the mass media. Their case examples are foreign policy stories, but their metaphoric framework of five ‘filters’ that news must pass through remains integral to understanding our public discourse on tax, which I will return to. The five filters are as follows: 1) the size, concentrated ownership, owner wealth, and profit orientation of mass media firms; 2) advertising as the primary source of income; 3) the reliance of the media on information on information provided by the government, business and ‘experts’ funded and approved by primary sources and agents of power; 4) flak as a means of discipline; and 5) anti-terrorism as national religion and control mechanism (1988, 2). The final filter is irrelevant to our discussion of economic narratives. The first two have an obvious effect: if media firms are owned by wealthy corporate entities and they sell audience attention to other privileged entities, in this case advertisers, the worldview which spins outward from this structure will inevitably have an ideological basis in wealthy class interests. The third filter is more of a key to our national discourse on tax, and requires a detour into the history of Neoliberalism in New Zealand.

In most cases of history, baize tables and hushed conspiracies are simply not found in the outworking of elite interest. To paraphrase philosopher John Dewey, politics remains the shadow cast over society by big business (Westbrook 1991, 440). That society continues in the interests of a minority is merely the natural outworking of the dominant hegemonic institutions which constitute it. One does not need to exert control over something which one already owns. Is it a conspiracy when the board of Fonterra makes a decision to maximise profit in a certain way? We understand that this is not so, and it is the same for business interests exerting control over the state and corporate media. However, in the case of New Zealand as an economic experiment, remarkably there have been such baize-tabled conspiracies and directly attributable actors to the attacks on the public sphere, in concert with the usual institutional pressures.

The Business Roundtable is one such visible actor. Its published reports, ideological thought, and significant political efforts were almost single-handedly behind the Rogernomics reforms of the Fourth Labour Government. Key members pushed for the privatisation of public entities and services, which they then quickly bought up (Kelsey 2015, 126-149). The Business Roundtable was ebullient on the matter of their imposed changes being unamenable to reversibility; as member Roger Kerr applauded, "governments cannot nowadays get away with attempts to expand their powers as easily as they once could" (2003, 5). As with other representatives of elite interests like chambers of commerce, the Roundtable is negative toward what it has termed "despotic democracy" (Wilkinson 2001, 169, 205). And, rather in line with its authoritarian impositions of rapid social welfare cuts and engorgements of unaccountable private power which came to dominate the state through 1980s and 1990s reforms, attempted to construct an economic constitution to bind parliaments (Wilkinson 2001). The institution of Neoliberalism as economic orthodoxy in New Zealand came about not by unconscious process but as a result of the growing Washington Consensus and strategically-placed academics and think-tanks working to shape public thought over years (Kelsey 2015, 123). As Hudson observes, economic discourse has become inverted, and the meanings of once useful terms emptied or reversed beyond any recognition, for the interests of a minority (2017, 1-3). We are unable to talk about economics in any meaningful way so long as the discourse is wedded and limited to the orthodoxy.

Why then, if our discussion of tax is so determined by institutional forces for the benefit of a small class of persons, is this fact occulted? As Jacques Ellul noted, public relations cannot reveal the true intentions of its principal, as that would be to submit it to public discussion and prevent success; propaganda "must serve instead as a veil for such projects, masking true intention" (1965, 58-59). Economics is political. To shroud its motives in the language of science and disinterest is to cover up those motives (Hudson 2017, 241), and leave us without the tools to have genuine discussion of how we ought to tax society. Having said this, we can examine a real case example of mythologies at work.

4.2 Invention of the Taxpayer

Examine any news article on public spending or taxation and note how the citizenry are ubiquitously referred to as the 'taxpayer'. The notion of a taxpayer as the unit of focus in any discussion is one which necessarily asserts the primacy of a person based on how large their tax bill is (Kelton 2017). In this conception of the world, wealthier individuals, or rather their interests, are subconsciously thought of as more legitimate than lower-waged workers' interests. As a term, the figure of the taxpayer being the unit of focus in news media narratives is no accident, and it has a traceable history.

Thatcher was a pioneer of this discursive trick when she employed it in a speech to the Conservative Party Conference: "There is no such thing as public money," she proclaimed, "there is only taxpayers' money" (1983). It was an early deployment of this piece of public relations, and a successful one. If there is no public money, and as she would later assert, “no society”, the true worth of a human being to any other human being may be summed up on how large their tax contribution has been. In other words, the more affluent the person, the more they are worth to society. Terms like ‘taxpayer’ are enfolded into common parlance, combine with other terms in a limited economic vocabulary, and build the legitimacy of mythologies around economics.

One other such phrase, a term of indictment on a political figure, is the accusation that they are ‘tax and spend’. This too has a history, and it is employed for much the same purposes, which we have already covered. If ‘tax and spend’ as accusation is bound up in mythology, for what purpose it exists is different to that of the ‘taxpayer’. Limiting discussion to taxpayers and away from public money removes the power of discourse around tax from ever broaching its social utility, instead ranking humans by net worth. ‘Tax and spend’ is different, but equally useful. Its employment is to distract. The phrase is meaningless, having no origin in economic reality. How can one answer a charge which is substantively meaningless but connotationally loaded? Like the slogan ‘support the troops’, it is never meant to be answered, only to indict a person who does or does not hew to the thought behind the slogan. This is the most effective propaganda of all: thought-terminating.

Reversal of definitions is critical to the success of propaganda efforts. In the Neoliberal era, words like democracy have at minimum two definitions: their original meaning, and the opposite. Prominent Neoliberal academic and economist Milton Friedman asserted without irony in *Capitalism and Freedom* (1992) that as profit-making is essence of democracy, any government which pursues policies restricting unfettered profit is antidemocratic, *regardless of how much public support they enjoy* (McChesney 2008, 285). Our considerations of tax have been twisted in much the same way, with original definitions of economic terms subordinated to perverse meanings that serve affluent interests.

5. Proposals for Taxation

5.1 Overview

We have already discussed how in an MMT framework, or even an updated Classical Economics paradigm of the kind enumerated by Smith and Ricardo, tax is not a source of revenue for a monetary sovereign like New Zealand. Implications of this reorientation are radical in praxis: if tax is not revenue, its purpose may be put wholly to the service of reducing inequality by redistributing wealth. That is, tax seen not as collection but as a limiter on excess wealth accumulation; tax as a non-reformist reform (Gorz 2013). Simply and elegantly, preventing rentiers from becoming too rich from endeavours which profit them and yet have no social utility (Kavanagh 2018).

Hudson proposes “Ten Reforms to Restore Industrial Prosperity”:

1. Write down debts with a Clean Slate, or at least in keeping with the ability to pay.
2. Tax economic rent to save it from being capitalized into interest payments.
3. Revoke the tax deductibility of interest, to stop subsidizing debt leveraging.
4. Create a public banking option.
5. Fund government deficits by central banks, not by taxes to pay bondholders.
6. Pay Social Security and Medicare out of the general budget.

7. Keep natural monopolies in the public domain to prevent rent extraction.
8. Tax capital gains at the higher rates levied on earned income.
9. Deter irresponsible lending with a Fraudulent Conveyance principle.
10. Revive classical value and rent theory (and its statistical categories).

His proposals are US-centric and many are not within the scope of this paper, so I have adapted the spirit behind them and elaborated where necessary in the following sections, which outline practical proposals for the Tax Working Group.

5.2 Eliminating Regressive Taxes like GST

The Tax Working Group has drawn a line around GST and wishes not to discuss it. While they may not reform this, it is important for the members to understand at least, as they do nothing about GST, that any sales tax is inherently regressive. That is to say, it targets the poor, working class, and middle class. Wealthier people are unlikely to buy significantly more food than ordinary workers, nor toilet paper, or other necessities. But the 15% added disproportionately comes out of a working person's income; that is, more of a worker's wages by proportion are spent on daily necessities than a wealthy person's, as with any effective flat tax (Salmond 2011, 17). Flat taxes were a novel idea from the far right-wing Chicago School of economics, the same theorists who were parachuted into Pinochet's dictatorially-controlled Chile in the 1970s to exact a form of economic punishment on the public and subordinate the population to American business interests. This against a background of well-document political torture. The school's advocated policies are not taken seriously in almost any respect, except it seems by successive New Zealand governments. Removing GST would significantly alleviate an unjustifiable tax burden on workers.

5.3 Taxing Multinationals

Internet companies like Google, Amazon, and Facebook benefit from access to the market in New Zealand by publicly-funded internet infrastructure yet pay almost nothing in tax on their subsequently accrued profits. If the Tax Working Group is to do anything with its wealth of institutional expertise, it ought to be to draw up and implement a regime for administering taxes levied against multinational corporations currently escaping the system. This goes for financial companies trading in securities, as the next proposal submits.

5.4 Tobin Tax

Financial institutions escape taxation almost entirely in their everyday transactions. Rentier takings seen as contribution rather than subtrahend to the economy is an outworking of the propaganda system. We are so familiarised with the notion that all income is earned that the Classical economic distinction between productive and rentier income is lost on us. The Reserve Bank of New Zealand even backs securities for international banking interests like Goldman Sachs with 'NZClear', financial products which have no social utility and an almost entirely parasitic effect on the economy, and ultimately nothing along the way is taxed. A "Tobin Tax", a minor tax on all financial transactions of about 1-2%, would address this egregious disparity. New Zealand financial institutions were privatised in the 1990s (Kelsey 2015, 52), have continued alongside their multinational counterparts to profit from essentially gambling on money, and face no consequences for that same behaviour which caused the Great Recession (34-36).

5.5 Taxing Property and Capital

If housing is to be seen not as a social good for the population but as a commodity (Kelsey 2015, 98), it ought to be taxed as such. At present, the proposed bright line test of five years goes some way, but there is missing a comprehensive approach to tax any and all forms of capital. The ultra-rich, after all, accumulate more not in significant increases in their wage income, but in stocks, financial products, and other forms of abstract capital. A simple income-tax regime is insufficient to address the issues raised by the Panama and Paradise papers.

6. Conclusion

I am like most New Zealanders. We are workers offered no choice but to give our most precious of resources, our time and labour, to one or another authoritarian institution that is called a workplace. There we may take orders passed down the chain in a fashion resembling political tyranny. We have freedom to choose, so long as it is to which private owner we rent ourselves out. This is what was commonly understood in the 19th Century, until beaten out of public consciousness, as wage slavery (Faust 1979) (Krause 1992, 82-83) (Zinn 2003, 221). And as workers in another kind of slavery, we already surrender a tax, and one which does not go toward communal public good: before any income is given over, we must agree to give any surplus from our efforts to masters, who we call managers. We are bereft of opportunity to develop our culture. We are enculturated into the normality of this empty kind of existence. It is only after this that the second blow, regressive taxation, corporate subsidies and funding of state violence in the military, puts paid at last to any hope for decent society. The public sphere lies near death, and its early eulogy is delivered by the interests of capital which so reflexively by their uncaring nature deprived it of oxygen.

The Working Group has been hog-tied. Perhaps it may never be given the latitude to alleviate substantively the institutional issues in our tax regime. I am like most New Zealanders; not an owner of society, but one who is owned. This opportunity, represented in the Working Group, is one to give at least in some small way a semblance of decency and dignity back to the public. To utilise our available tools to reduce inequality and lift people out of poverty is a necessity if we are to survive as a society to the end of the Twenty-First Century; but more than that, it is a moral imperative. If we can justify injustice here, and fail to address it by wilful blindness, we are advocating injustice everywhere. Kropotkin wrote that we cry foul over the Feudal baron and call those the barbarous times. But we are condoning barbarities ourselves. For every beneficiary punished, it is the working group member who left them burdened by secondary tax. For every financier hiding money in trusts, the member weakly addressing havens. For every child who suffers hunger, the member agnostic toward regressive taxation. We are confronting barbarities. We must not flinch.

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