Public Equity: Everybody Owns Water

Keith Rankin, 1 March 2013

The government likes to say that "nobody owns water". In reality, everyone owns water. Indeed TV3's Patrick Gower said, on 10 Sep, that David Shearer and John Key hold the same position, that "Nobody owns water. It’s everybody's resource".

Once we accept that everybody owns water, we also have to acknowledge that there is such a thing as 'public equity'. When we think a little about public equity, especially in the capitalistic sense of the word 'equity', new ways of resolving some of our more intransigent socio-economic problems emerge.

Public equity is like private equity. Equity represents the ownership of productive assets, and the income streams that result from such ownership. Thus, the private owners of Contact Energy receive dividends, on the basis of their equity. Two persons with equal equity in Contact receive exactly the same amount as each other in dividends.

A familiar example of public equity in action, at the local level, is the equity in Vector, Auckland's electricity network company. Vector profits are distributed as dividends to all households in the former Auckland and Manukau cities.

Clearly there is nationwide public equity with respect to ownership of State Owned Enterprises (SOEs), such as Genesis Energy. Less clearly, but obviously if we think about it, there is public equity in our water, forests, infrastructure, institutions and even our culture(s).

The latter two items mentioned are classed by social scientists as social capital. Good institutions and inclusive cultures are known to contribute significantly to the economic success of nations.

Presently, we pay public equity dividends to the Government, either in the form of SOE profits or as taxes. Thus, we reap a return on our equity in roads by levying taxes. We could add to this revenue by selling water to power companies, much as a supplier of coal is paid for their coal.

How can we be sure that every NZ adult gets an equal benefit from our equal shares of public equity? The government is not always equal in its favours.

We start by looking at how public revenue is currently returned to New Zealanders. At present everyone earning more than $70,000 per year gets tax discounts of just over $9,000 per year (actually $9,080). This is a result of the first $70,000 of annual personal income being taxed at concessionary rates. We can think of this $9,000 as a public equity benefit.

A sole parent beneficiary currently receives a core benefit of $10,700 per year. Let's call the first $9,000 a public equity benefit, and the rest a hand-out.

Most adults in lower income working households receive a mixture of public benefits: taxes at concessionary rates, tax credits, accommodation supplements. In most cases these add to about $9,000 per adult per year. Once again, call the first $9,000 a public equity benefit, and call the rest handouts.

The logical (indeed equitable) implication is that all rather than most adult New Zealanders should receive, directly or indirectly, at least $9,000 per year from public revenue.

One immediate advantage would be that many sole parents would choose to live off a combination of part-time wages, child support, and public equity benefits. Most would not wish to ask Work and Income for more, and would be able to form new relationships without adverse financial consequences.

If, in times of austerity, we baulk at the figure of $9,000, then consider a lower figure, such as $6,500 per year. Hardly anyone receives less than that from welfare benefits and tax concessions.

If we all pay 33% income tax and receive public equity benefits of $6,500, that would be equivalent to a tax increase of $50 per week for persons earning over $70,000 a year. How could taxpayers make that up?

My suggestion is to put the profits of SOEs into a separate fund from tax receipts, and to declare a public dividend from that fund. Thus public equity benefits would have a fixed ($6,500) and a variable component.

By privatising half of the public equity in Mighty River Power, the total SOE profits would diminish, thereby reducing each person's ongoing equity benefit. That loss of income would be clearly seen as the cost to the public of that sale.

Indeed many people might respond by shifting their power accounts to Meridian, say, as a way of 'voting with their feet' in order to raise the publicly sourced components of their incomes.

Fresh thinking, using capitalist principles, does provide solutions to many of our most politically-sensitive problems. Everybody owns water, and should thus benefit.

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