Workers and businesses need to get on the same page: it's time to tax super-profits

by Jesse Hermans | Aug 15, 2022 | Commentary

The wage share of our collective income is at historical lows while the profits share is on the rise. Why is this?

There has been some dispute over what impact wages have on inflation (practically none), and if profits have driven inflation. Yet the picture is clearly much more nuanced – profits for whom? These profits are highly concentrated, because "profits" lumps together both a genuine return on capital investment and *economic rents*.

As Business Council chief economist Stephen Walters has correctly identified, the "profits" boom comes from just mining and banking. Other businesses are doing it tough, with significant imported inflation and cost pressures on most businesses showing up in producer price indices. Profits are not "driving inflation". Cost-push inflation is happening, but it correlates with a significant rise in economic rents and terms of trade driven windfall "profits".

We export a lot of the resources and commodities that are increasing in value, so of course these industries become more profitable. These "profits" are really *economic rents*, returns to owning natural resources e.g. gas, iron ore. Except the problem is, we don't really own them – we practically give them away to foreign-owned multinational companies for the benefits of their shareholders, in what amounts to the greatest ongoing swindle in Australian history.

The implications of this should not be lost. Workers are not missing out on their share of the pie because wages are stagnant. Rather we are all missing out on our share of our natural resources. Thus the policy tools to address *this issue* need to focus on tax, regulation, and ownership of these industries, not indiscriminate wage rises. As Executive Director of the Australia Institute, Dr Richard Denniss points out, we need to tax these privileged industries properly.

These industries need to pay *more* than a "fair share". They must pay the full market value for the natural resources we currently give them for practically nothing. To this end, the QLD Government has led the nation in capturing some of these windfall profits through its royalty system. The mining sector may kick up a stink, but they are still better off even after giving back a portion of the windfall profits on *our* resources. Complaining about free money being taken away is the cry of corporate dole bludgers.

If workers want a pay rise, there are a few clear paths forward. We could tax these windfall profits, as well as mandate public ownership stakes (like Norway). This could support cost of living payments (citizen dividends), or temporarily cut taxes on labour. Enacting a domestic gas reservation could also keep the cost of energy lower for both workers *and businesses*. It's time workers and businesses get on the same page: there are a couple of foreign owned industries getting a free ride at everyone's expense, and it's time they shared the burden.

1 Comment

Neo Lowan on August 20, 2022 at 9:02 pm

" corporate dole bludgers " – i wonder was happened to the Corp-RoboDebt software ? Seems they only released debt capture into Centrelink systems , and failed to release one into the ATO system – funny how our colonial systems keep reinventing colonialism – will a continent wide ICAC be enough to disrupt this ?

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