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Profiting from the pandemic

If there is a crisis to be found in the earnings of Canada's Big Six banks, it isn't in how much their profits have been reduced, but rather how high they've remained in the face of a global health and economic emergency.

Finance Minister Bill Morneau last month announced $300-million loan program for large corporations. The feds say that companies convicted of tax evasion won't be eligible for the bridge loans. *The Hill Times photograph by Andrew Meade*

OPINION | BY CARLO FANELLI AND HEATHER WHITESIDE | June 1, 2020

Canada's Big Six banks released their second-quarter earnings last week, and with profits cut in half, alarm bells were quick to sound in the business press. A closer look shows that most banks remained very healthy, with many earning well over a billion in the last three months. It bears reminding that 2011 to 2018 were banner years, bringing year-over-year *record* annual profits, which peaked at a staggering $45-billion in 2018—that's $22-million per hour in profits, more than double what they were earning a decade earlier.

Set against these plum profits are the thousands of banking sector jobs shed in the last year alone, together with hikes in both executive compensation and bank fees.

If there is a crisis to be found in the earnings of Canada's Big Six banks, it isn't in how much their profits have slumped, but rather how high they've remained in the face of a global health and economic emergency. What we witnessing is a tale of two interlocking crises characterized by those who profit and those who are paying the price.

By the end of May, close to six million people worldwide had been infected by coronavirus, and at least more than 350,000 have died. In the health emergency's wake, a political and economic crisis has followed with global unemployment levels rising sharply. Fifteen percent of the American workforce (26 million) have applied for unemployment benefits, wiping out more than 22 million jobs created since 2010. In Europe, upwards of 59 million jobs could be lost by mid-2020, on top of pay cuts and hours worked. The UN warned that some 1.5 billion workers in the Global South's informal economy, disproportionately female and among the most vulnerable, are at risk of job losses—a staggering amount equal to nearly half of the global workforce.

For Canadian workers, spring 2020 job losses have already surpassed the half million lost in the first year of the 2008-9 global financial crisis, with the number of applicants for the Canada Emergency Response Benefit topping seven million.

The stress, anxiety, and life-altering insecurity of those who work for a living stands a world apart from the billionaire class who are set to emerge from this crisis stronger than ever.

In just two months, the wealth of American billionaires has increased by $434-billion. These astonishing gains were made possible by decades of regressive tax cuts and billionaire-friendly regulations: billionaire wealth surged by over 1,100 percent between 1990-2018, while tax obligations as a percentage of their wealth decreased by 80 per cent since the 1980s. This isn't an American anomaly. Well before COVID-19, the world's wealthiest families were getting $4-million richer by the hour. In Canada, the story is similar, with the proportion of tax contributions by corporations and the ultra-rich declining dramatically as working class Canadians picked up the tab.

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Global losses from corporate profit shifting amount to an estimated $600-billion per year, with cash stashed in tax havens equal to at least 10 per cent of the world economy. In Canada, more than $240-billion is estimated to be hidden in offshore tax havens, depriving the Canadian public close to $15-billion per year. Top earners have also seen their pay rise steeply, increasing 17 per cent for the top 0.1 per cent and 27 per cent for the top 0.01 per cent. Capital gains are taxed at half the rate of regular income, resulting in $7 billion redistributed annually from the majority to the wealthy.

Investors are also looking to pick up assets pummelled by the virus, 2020 deflation being the friend of vulture capital just as toxic assets were through 2008 bankruptcies. Countries like Germany, France, Italy, and Spain are now taking up efforts to veto takeovers from outside the EU, and the bloc is ushering in the first continent-wide rules for screening takeovers on security grounds.

Billionaires and bankers may not have caused the pandemic, but the public policies enabling their earnings strategies have exacerbated the collateral damage. Foregone tax revenues and public investments, extreme inequality, poverty and precarity of job tenure precipitated the pandemic and are shaping the likely outcomes of current support measures.

Clinging to the same policies that got us into this mess will not be able to reverse its course. Once the emergency measures wane, substantive reforms will need to maintain the pandemic-inspired recognition that recovery begins at home: healthy communities that prioritize investments in public services like child and elder care, and an employment strategy centred on raising wages from the bottom up. This will need to include stronger labour-market protections, social and environmental supports, new requirements for domestic processing, limits on exports of unrefined resources, the use of fiscal subsidies to encourage downstream investments and the direct allocation of public equity capital in large-scale resource projects.

Debt and deficit are sure to be a concern and here this saga of profits and losses can also be instructive—a recommitment to progressive taxation together with financial and wealth taxes could reverse some forty years of cost shifting from bankers and billionaires to workers and their families. As noted by others, not only are these measures affordable they are far more cost effective than inaction. Even the International Monetary Fund recently proposed ramping up income, property and wealth taxes, modelled as a "solidarity surcharge," noting that profit shifting by multinational corporations in tax havens undermines both public revenue and faith in the fairness of the tax system. Canada's Parliamentary Budget Officer estimated that a one per cent tax on those with a net worth of $20-million or more could generate upwards of $70-billion over the next decade.

As measures dealing with the immediacy of the coronavirus crisis begin to mature, addressing the viral profiteering of billionaire bolstering must be part of any long-run treatment for social wellbeing.

Carlo Fanelli is assistant professor and co-ordinator of work and labour studies at York University's social science department. He is the author of *Megacity Malaise: Neoliberalism, Public Services and Labour in Toronto.* He is also co-editor of the forthcoming book, *Rising Up: The Fight for Living Wage Work in Canada* from University of British Columbia Press.

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Editor's note: An earlier version of this op-ed featured the draft. The post has since been updated.

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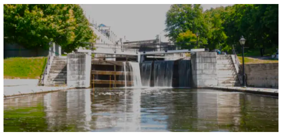

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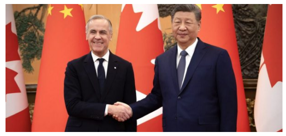

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