Economics Briefs

G7 Adopts Very Low 'Global Minimum Corporate Tax'

The G7 finance ministers meeting June 1 agreed on a "global minimum corporate tax rate" of 15%. The global average of official corporate tax rates, which was 40% forty years ago, is still 23% now.

As in previous periods when antitrust action was urgent, the global corporate tax issue involves the monopolists of today, the tech giants, the Big Pharma firms, etc. So we can look to the reaction of Facebook and Google to this new minimum tax rate. Facebook's was delivered by spokesman Sir Nicholas Clegg: "Facebook has long called for reform of the global tax rules and we welcome the important progress made at the G7. Today's agreement is a significant first step for certainty for businesses, and strengthening public confidence in the global tax system." Google spokesman José Castañeda said: "We strongly support the work being done to update international rules. We hope countries continue to work together to ensure a balanced and durable agreement will be finalized soon."

The IT giants have never paid sales or transactions taxes in America; those which some larger European nations have imposed, are "expected" to be removed under the G7 agreement.

There is another factor to be taken into account. Some 64 different carbon pricing instruments (effectively, carbon taxes) generated $153 billion in 2020-21, up 17% from 2019-20 despite clearly much reduced economic activity on which they were feeding. This is according to a release by the World Bank, which said one-fifth of all greenhouse gas emissions were now taxed. It nonetheless protested: "But the potential of carbon pricing is still largely untapped."

Green Steel: Visions Appearing on the Shimmering Horizon

A Swedish start-up company called H2GS—which heralds plans to eventually produce "fossil-free" steel—has raised $100 million in recent weeks, claiming it will produce 5 million tons of steel by 2030. H2GS is joined in this quixotic venture by Hybrit and Greensteel as well as others, all cheered on by the Rocky Mountain Institute, which has produced a model showing "green steel" can compete with existing steel production in price.

It is the addition of carbon which defines steel from iron, specifically in strength per weight of product. While these companies are talking about carbon-free heat sources for reducing ("de-oxidizing") the iron, that too, is a wishful venture, since the high temperatures required are almost unreachable with non-carbon energy sources—barring nuclear power.

But existing steel production is intended to be crushed by the financial red-lining of the Green Reset. In the 2020 report "The Paris Effect: How the Climate Agreement Is Reshaping the Global Economy"—commissioned for the OECD by Malthusian Lord Nicholas Stern—one sees (on page 72) that new steel production is intended to be cut in half in this century, and total steel output by almost 25%.

CO_2 Prices Threaten German Manufacturers

When the German Steel and Metalworking Association (WSM) asked its member companies how they would react to CO_2 pricing, the answers were terrifying. They ranged from "immediate investment freeze" to "downsizing" to "relocating investments abroad."

The answer from a hardening shop in North Rhine-Westphalia, with 75 employees, was particularly clear: They are planning to close up the company.

Handelsblatt reported: "But not only metalworkers are affected. The price of CO_2 weakens companies in various industries. It affects foundries, hot-dip galvanizers, the ceramic industry, plastics processors and, for example, the manufacturers of technical textiles that are required as filters in industrial plants or for corona protective masks."

IRS Leak Shows Billionaires Not Paying Much Tax

Pro Publica just published a report on U.S. Federal tax payments by 25 more or less well-known billionaires. All 25 combined had a wealth increase of $401 billion in the five years 2014-18, and paid Federal taxes of $13.6 billion on that increase in wealth, or about 3%. Median U.S. household income was about $70,000/year, and the median household paid 14% on those earnings. Couples with earnings higher than $628,000/year paid a 37% rate on the amount above that.

The ultra-wealthy are no more required by tax law than others to report all that wealth accretion as income as long as it remains stored in the form of investment holdings, usually stocks. But *Pro Publica* also ascertained the actual *realized* income of the billionaires in those five years, with the following results:

Warren Buffett paid $24 million, or 20%, on legally taxable reported income of $125 million. But what *Pro Publica* calls his "true tax rate," based on his total increase in wealth over 2014-18, was 0.1%. Jeffrey Bezos paid $973 million or 22% on legally taxable income of $4.22 billion. There were years outside the 2014-18 period in which he paid no Federal tax at all, namely 2007 and 2011. Bezos' "true tax rate," according to *Pro Publica,* was also below 1% for 2014-18.

Sir Michael Bloomberg paid $292 million or 2.9% on $10 billion in legally taxable income. His "true tax rate" was 1.3%. Elon Musk paid $455 million, or 30%, on $1.52 billion legally taxable income. His "true tax rate" was "higher" than most, at 3.27%.

George Soros paid no Federal taxes at all during the period, claiming he lost money.

Carl Icahn used deductions of interest paid on loans to pay no Federal taxes in 2016 and 2017 despite legally reportable gross income of $544 million for those years.

Fed's Rising Inflation Giveth to Better Off, Taketh Away from the Poorer

On the same day, June 9, that U.S. consumer price inflation was reported rising to an official 5% for the year and 0.8% just for the month of May, Federal Reserve data were released showing the net worth of all American households rising by $5 trillion, from $131.9 trillion to $136.9 trillion, just during the first quarter of 2021. However, virtually all of that consisted in increased stock holdings ($3.2 trillion) and inflating home values ($1.1 trillion).

Those roughly 44 million American households that own neither stock nor homes gained relatively little. Real wages rose during 2020 largely because so many lower-wage workers were unemployed; in 2021, with employment steadily increasing, average real weekly wages have been falling; for example, by 0.2% in both April and May. And household debt increased at a much faster rate during the first quarter than did the above-cited net worth—6.5% growth for debt as opposed to 3.8% growth in net worth.

Resistance Has Forced Some 'Green' Out of Biden Infrastructure Plan

Despite some heated denials of the fact by "Green New Deal" Democrats in the U.S. Senate, it appears that the strong public resistance which has been organizing, particularly in western states, has shorn President Joe Biden's "American Rescue Act" of its green technology subsidies and "standards," and more traditional "infrastructure" bills will now be debated. *EIR* had noted months ago that this would happen simply as a result of West Virginia Democrat U.S. Sen. Joe Manchin's pro-nuclear and Green Deal-skeptic opposition to Biden's plan; the resistance actually is widespread among Republicans and affecting some Democrats in the West, as reported in an article in this issue. "Climate action" advocate Sen. Sheldon Whitehouse (D-R.I.) appeared resigned about the American Rescue Act, saying "that was never going to be the route of a serious climate bill." Senator Tom Carper (D-Del.) told *Politico*: "'The more traditional stuff—roads, highways, bridges, rail, ports, safety, all that stuff, broadband—that would be handled through regular order. Then if we're unable to also do the other issues that the president has characterized as infrastructure, [we'd] come back and do those in a different way.'"

Equivalent of 255 Million Jobs Lost in 2020, Says ILO

The International Labour Organization at the beginning of June published the latest in its periodical reports on the global workforce during the pandemic. It has found that as of the end of March, around the world 115 million fewer people were working than were employed, in any manner, in 2019. This increase in outright unemployment is 3.5% of the worldwide labor force. But the loss of work since the onset of the COVID-19 pandemic at end of 2019, is considerably larger. The ILO concluded that "the equivalent of the hours worked in one year by 255 million full-time workers" had been lost to pandemic-triggered unemployment and underemployment. This likely means that as of the end of March, many more than 250 million workers—or 7.5% of the entire workforce—had lost at least some of their work.

As of the end of the third quarter of 2020, the ILO estimate of lost work was equal to the employment of 550 million full-time workers. So some lost work has resumed, but the loss of income and food security has been disastrous, especially in North and East Africa and Southwest Asia.