



A Newsletter on Social Justice Issues

Welcome to the March edition of Do Justice in 2023 as we continue to discuss issues of Social Justice from a Christian perspective in the tradition of Micah and St Francis.

Wages, Profits, and the Cost of Living

The record rainfall in Auckland at the end of January and into February together with the Turkish and Syrian earthquakes was a godsend for the major oil companies as the announcement of their record high profits for 2022 was not the top news. For example: on 3rd February 2023

Shell profit doubles to record \$56 billion in 2022 as war drives up energy costs.¹

BP gross profit for the twelve months ending September 30, 2022 was \$61.402B, a 52.74% increase year-over-year. BP annual gross profit for 2021 was \$44.121B, a 56.42% increase from 2020.²

And on 6th February 2023:

ExxonMobil and Chevron, two of the largest oil corporations in the world, had their best year ever in 2022, with ExxonMobil having a \$55.7 billion windfall and Chevron \$35.5 billion.³

And not just oil companies

Oxfam International found that food billionaires increased their collective net worth by 42% — and 62 new people became "food billionaires" — from 2020 to 2022 (via Phys.org). Meanwhile, food prices in 2022 were up an average of 30% from the year before (via The Guardian). Some food companies feel that people are adjusting to higher food prices just fine.⁴

And in New Zealand:

New Zealand's biggest bank, ANZ, for example, booked a record interim profit after tax of \$1.096b for the six months to March - up a cool \$166m or 18 per cent. Most of the big four Australian-owned banks have reported a similar return on assets, equity and net interest margins in March this year to the same time last year, according to Reserve Bank data, food, beverage, and tobacco product manufacturing saw an enormous increase in profitability over the last twelve months, with profits increasing 86.2 per cent on last March.⁵

But what about wages, the NZ Herald commented on 23 January 2023?

Workers after a pay rise in the coming year could be left wanting. Economic uncertainty stemming from a tight labour market and soaring inflation is clouding the outlook for salary increases, according to a new survey of New Zealand organisations. Global consulting firm Mercer's annual Total Remuneration Survey found employers are

budgeting for a median salary increase of 3 per cent in 2023 across a range of industries, unchanged from the previous year's survey.

So what causes inflation? According to Kimberly Amadeo writing in The Balance, an American financial website *"Inflation often feels like a mysterious economic force—one that affects everyone but seems difficult to predict. In reality, however, inflation is a response to a few key factors in the economy. There are two main causes of inflation: demand-pull and cost-push. Both are responsible for a general rise in prices in an economy, but each works differently to put pressure on prices. Demand-pull conditions occur when demand from consumers pulls prices up, while cost-push occurs when supply costs force prices higher"*.⁶

But some politicians have other ideas, **Minimum wage too high to increase further without fuelling inflation - National's Nicola Willis** said on Radio NZ on 26 January 2023. Willis is not only deputy leader of the National Party but also their finance spokesperson and probable Finance Minister if National wins in October.

The reaction to the new Prime Minister's announcement on 8th February 2023 that the minimum wage would be increased in line with the increase in the cost of living was predictable – it would hurt businesses, particularly small businesses, some of which would go out of business. But the real question should be why should those on low incomes have to suffer whilst corporations etc enjoy record profits? Sorry, we forgot that is just the "market" operating.

However, is there another possible cause of inflation when corporate managers see an opportunity to increase prices to increase profits? Certainly, the oil companies have benefited from the big increase in the price of oil since the Russian invasion of Ukraine twelve months ago and that was the "market" operating? Some food companies have benefited from the shortages of wheat and other cereals also caused by the Russian invasion of Ukraine. But, again, this is the market operating.

The "market" has been around for much longer than economists. In the past when the "market" got it wrong the "powers that be" acted to prevent abuse and when they did not, as for example the potato crisis in Ireland in the 19th century, famine resulted and the "powers that be" in this case the British Government in London, were never forgiven. But all this changed in the 1980s when neoliberal ideology

¹ [Shell profit doubles to record \\$56 billion in 2022 as war drives up energy costs - ABC News](#)

² [bp profits 2022 - Search \(bing.com\)](#)

³ [World Largest Oil Producers Post Record Breaking Profits in 2022 \(ttfpower.com\)](#)

⁴ [Popular Food Companies That Raised Prices And Made Big Profits In 2022 \(mashed.com\)](#)

⁵ [Inflation helps firms posting super profits in 2022, but MPs cool on windfall tax - NZ Herald](#)

⁶ [What Are the Major Causes of Inflation?](#)

was adopted by key world leaders and became the norm for most countries, particularly the democratic countries.

Inflation is not the product of neoliberalism and in some ways the adoption of neoliberalism was the result of the inability of governments to control inflation particularly in the 1970s, the era of stagflation – inflation and stagnant economic growth combined. Governments failed to deal with stagflation, so the “market” was given the job with Reserve Banks becoming responsible using interest rates as their one and only tool. But some argue that our present inflation is at least partially caused by the very low interest rates set by Reserve Banks around the world over the last few years plus the policy of “qualitative easing” which was a form of money printing. More money in circulation chasing a limited number of goods will, again according to the “market” theorists, result in increased prices, in other words inflation.

It is apparent that there are many causes of inflation and increased wages for the lowest paid is not one of them rather wage increases are the response to inflation.

And who are the beneficiaries of inflation? Certainly, the oil companies who have made record profits over the last 12 months have benefited. Ironic at a time when we now know that the extraction, processing and distribution of fossil fuels is one of the major causes of climate change in the world. And these same companies have for at least 50 years understood the link between fossil fuels and global warming.⁷

Climate Change is Real

For some, if not many, the first two months of this year will be the realisation that Climate Change will and has impacted on Aotearoa. The fact that Auckland has received over 6 months rain in less than two months is something most of us would have found difficult to comprehend as late as Christmas last year. The pictures on TV of the floods in the Hawkes Bay and the damage done to hilly settlements on the west coast of Auckland graphically showed us the impact of the average increase in world temperature of just 1.1°C. We can barely comprehend what the impact will be of 2.6°C increase that many experts are forecasting will happen within the next few years.

Last month we looked at some of the significant, but not widely discussed, issues around Climate Change and concluded that we needed major change if the impact of Climate Change was going to be limited to something we could live with, including changes in attitude by us as electors of politicians as well as the politicians themselves.

The cyclones of the past two months have shown some of the major deficits in our infrastructure, electricity distribution, telecommunications, and roads. Deficits caused by us electing politicians who were only interested in reducing costs, balancing budgets and reducing national debt as this was the perceived way to get elected. The East Coast and parts of Auckland, Northland and the Coromandel are

paying an enormous price for this. We do not know what the human and financial costs of dealing with the damage is going to be but we can be sure it will be much much more than the “savings” given us by the politicians we elected over the last 30 years.

So what are we going to do about the situation as we should appreciate that Cyclone Gabrielle will not be the last cyclone to hit us and this will not be the last time that parts of Southland experienced record high temperatures and drought. Greenhouse gases and carbon emissions must be addressed worldwide and that includes Aotearoa. But that is only the beginning. Where we build houses and other structures needs to be much more carefully assessed. Planning approval for houses built on the top of steep cliffs for the views or on flood plains for the convenience need to be looked at much more closely. Allowances need to be made for water that comes off hilly terrain when cyclones hit. And, in rural areas with forests the practice of leaving “slash” after felling trees, needs to stop. The pictures of strong road and rain bridges being swept away for slash were most distressing.

All this is going to cost billions of dollars in addition to our regular expenditure on health, education, etc but spend it we must. Where will the money come from? Some will come from organisations whose activities use the resources, for example the forest companies but much will have to come from us, the people of Aotearoa, the electors of our local and central government. Our taxation system will require major reform, we will need a truly progressive income tax system as well as taxes on wealth, capital gains etc. Maybe we will even need to look closely at how our present capitalist system actually works, in particular the requirement that directors of “for profit” companies must put “shareholder benefit” as their only concern.

Where do we as Christians fit into all this? We believe that God is the creator, He created us and provided the resource for all to live and prosper, not just human beings but all His creation. For centuries creation has very roughly been in balance but over the last three hundred years that balance has been upset, the world’s resources have been depleted, and millions of species become extinct. The future for human beings on Planet Earth is now seriously threatened. We believe that God sent Jesus to guide us in how to live together, all of us to live together, both people and all of His creatures. Jesus in His Sermon on the Mount is a good place for us to start.

Fair and Good

Fair and Good is the name of a group whose aim is to promote ethical trade in New Zealand. It was born out of a conviction that spending our money ethically is one of the most powerful tools we all have to bring about change. The website fairandgood.co.nz contains information about ethical brands (including some very helpful advice about chocolate). There is an Ethical Trade directory, a link to a Facebook page and another to a newsletter. The latest addition is an app for online supermarket shopping which includes all the major supermarkets: see FindFair.

⁷ [Oil companies discourage climate action, study says – Harvard Gazette](#)