

# We need a windfall tax on energy companies but no one s...

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Rumour has it that Rishi Sunak is planning a windfall tax on energy companies to supposedly address the so-called cost of living crisis, after all. Perhaps pressure from Labour has worked.

I would entirely agree that a windfall tax on the excess profits that energy companies will make is required. As a matter of fact a war should not be exploited to profit some in society at cost to most, including at the risk of destitution for many.

However, let's be clear, unless the tax was capable of being clinically targeted on the precise excess profits earned and be at the rate of 100% on those excess profits a windfall tax cannot be used as the basis for the redistribution of those gains back to those who will suffer from rising energy costs. Since clinically identifying precise profits arising is impossible, and I have a feeling this additional tax will be at a rate well below 100% I think we can safely conclude two things. One is that companies and their shareholders will get away with this. Income in society will be redistributed upwards as a result. And second, if the government says this tax will fund a compensation fund the money made available will be hopelessly inadequate for that task.

In addition, this tax will take considerable time to enact and implement. Recovery will take even longer. So whilst I approve of seeking to reprice oil and gas using this mechanism it is not (as is always the case) a tax to fund anything. It is merely a tool to reduce market failure by repricing.

In that case this is not an answer to the problem facing many UK households, and it will not fund doing so. We need a blunt recognition that only turning on the government's ability to create money can solve the crisis we face. And Labour is in the same boat as the Tories (yet again) in refusing to do this. The result is that millions will suffer because our leading political parties are all dedicated to balancing government's books rather than ensuring that people are warm, fed and housed.

It's hard not to despair on occasion.