The Profiteering Motive

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Times of crisis can be glorious for some. The Great Depression bred its share of wealthy profiteers. The First and Second World Wars fostered many a multimillionaire. Over the bodies of millions, the returns for armaments companies were unparalleled. And during the current "cost of living crisis," as it is so often dubbed, there are companies beaming at their profit margins even as they affect false modesty.

In the United Kingdom, for instance, earnings for household energy suppliers are booming, despite crushing bills. British Gas reported a staggering nine-fold increase in profits, from £98 million in 2022 to £969 million this year. Its parent company Centrica reported profits of £2.1 billion over the first six months of 2023, while Shell glowed with a profit of £3.9 billion for the second quarter in 2023.

In Australia, where the spirit of roguish exploitation remains strong, companies such as the national carrier Qantas and the Commonwealth Bank are rolling in cash. Supermarket outlets such as Coles have also announced huge returns. To them can be added such energy companies as AGL. While households are counting the dollars and cents for the weekly shopping and the fortnightly rental, corporate entities of a certain heft are thriving.

This is all fascinating stuff. For one thing, it does not necessarily attest to quality. It also brings out the market defenders who take issue with such terms as "price gouging". "Profit outrage," comes an editorial in *The Australian*, "has always been a fluid concept. It comes around every six months for listed companies, and for their CEOs it's a balancing act." Rather than asking the question why such companies are thriving as the commonfolk decline, the paper blames customers and workers for not defining "what an acceptable level of profit is."

The company bosses such as Leah Weckert of Coles also argue that such profits are miniscule relative to the demands of shareholders. Much like a hospital regarding its patients as irritating fodder, she cites the wishes of the market as all conquering and relevant while ignoring the customer. Do shop with us, but we know where true allegiances lie.

The banksters are also advancing the arguments that their returns are hardly unexceptional. Despite the company's earnings of A$10.16 billion in cash profit, the Commonwealth Bank's chief executive, Matt Comyn, prefers the long view. "Our profitability has fallen substantially in the last decade and is currently lower than a number of international markets." How terrible for him, given the company's remorseless cutting of 251 jobs from its IT, Business Banking and Retail Baking Services roles.

What is unacceptable is the extent these companies seem to derive their profits even as they slash their employment base and offer unspeakably poor services, all in an effort to consolidate their dominant share of the market. Talk of competition and the balm of reduced prices has ceased to be relevant in the food, banking, insurance, energy and aviation industries. Behind the profits lie sackings, euphemistic restructuring, thinning, and the incidental benefits of war. (Oh Vladimir, go the company executives, we love you!)

Reassured in their dominant position in the pecking order, companies can behave appallingly. The service on Qantas is often an abomination, a brattish, shabby excuse for an airline. Despite that, it remained the sole beneficiary of government assistance in the airline business during the global pandemic, the guzzling, pampered Australian icon. To show its gratitude, the "Flying Kangaroo" became a beast of even greater indifference.

In 2022, the airline company made losing luggage, cancelling flights with a drunk's compulsion, and keeping people waiting on calls matters of routine. Those seeking refunds were repulsed, frustrated and often ignored. And don't even begin to mention their hopeless frequent flyer redemption system.

The financial pundits also took note of the tarnished brand, looking beyond the social media storm and understandable fury from the Transport Workers Union. (The latter took the company to court over the sacking of 1,700 ground staff during the pandemic.) The *Australian Financial Review* revealed "anecdotal evidence that the brand damage is getting worse. It has spread to the elite C-suites of Australian business".

In 2023, Qantas found itself very much in the pink. The 2023 financial year, the company recorded a A$2.5 billion pre-tax profit, raising the question as to what the appropriate profit returns in such cases would be. The controversial, outgoing CEO Alan Joyce, in a typically unconvincing public relations spray, suggested that such earnings were ordinary, given the last "normal" profit in 2019.

His successor, Vanessa Hudson, was also unmoved, seeing it as a logical outcome of solid planning. "All of the work we have done during COVID in terms of restructuring our cost base, we are going to see that as fares come down … with capacity coming back, that our cost position is going to materially improve going forward."

The Joyce-Hudson rationale barely survives scrutiny. The company's higher fares, its structural stripping to the value of A$1 billion and its return in invested capital, up from 18.4 percent in 2019 to 103.6 percent in 2023, has even prompted the question as to whether there is a more than a bit of over-earning taking place here.

It's little wonder that the heads of such outfits have attracted revulsion. Joyce, so devoid of empathy he is bound to become an Australian university chancellor, even suffered an egg and toilet paper attack on his family home in July last year. But the atrocious and incompetent are long in business, and far from being put down, they survive, striving to fight another day and announce, with pride, the next round of profits. Shouldering them will be desperate customers and unwilling taxpayers, aiding the whole affair. Market competition, as it so often tends to be, remains the great hoax of economics.

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