I don’t believe tinkering with corporate taxes will solve our Productivity ‘spiral of decline’ problem (what is essential is the reduction of the top marginal tax rate), for the following reasons:

Just as employees withdraw their labour when rewards are insufficient, businessmen stop their entrepreneurial activities when the burden gets high (tax/regulatory burden).

This is the main reason for record low investment by business. When this happens, remaining businesses will raise prices and profits because they are unwilling to 'create/produce' without higher 'rewards'. This creates a cycle of high inflation, low competition (due to entrepreneurs 'withdrawing' their activities), low investment, etc.

Charles Jones of Stanford University, suggests a NEGATIVE top income tax rate of -26%. If high earners produce a lot of ideas that help society, then “subsidising the discovery of new ideas through low tax rates may be as effective as redistribution in raising worker welfare”, he writes. In April Ms Stantcheva won the John Bates Clark medal, awarded each year by the American Economic Association to the leading economist under the age of 40, in part for her work on the matter. She has found that personal income taxes (and corporate levies) significantly deter innovation.

The rich may be getting richer (perhaps by doing more), but the poor are getting far less poorer by doing less. Changes in the absolute wealth of the top 1% is not relevant.

What is important is:

1. Percentage of tax as a proportion of GDP paid by the top 1%, which has been steadily increasing over the last 30+ years

2. Percentage of tax paid by the top 1% as a proportion of the total tax take, which also has been increasing over the last 30+ years (Percentage of tax paid by the bottom 10% as a proportion of the total tax take has been decreasing over the last 30+ years).

This correlates with decrease in productivity (considering the delayed effect such taxes have on innovation/effort by the outliers on the right tail).

I have met many wonderful people in the public service and have been one myself for a couple of years. If there is one thing that is common between them, its that they are all left leaning. This is not a criticism: its just natural self-interest at play: they are on Government-teat, so you expect them to be left leaning. The problem arises when they create policy or run 'enquiries/round tables': they see everything through their leftist ideological lens. So they naturally try to 'game' them to get what they see as the desired 'solution'; deny the existence of 'problem' which requires solutions which go against their orthodoxy; say the productivity problem is common in all countries (not true); brush aside all rational solutions; seek or be content with obtaining submissions which are unrepresentative; reject or not take note of any submissions which goes against their views; dealing with the easier 'proximate' causes; basically avoid recognising and dealing with the difficult 'ultimate' causes, which are the need to cut taxes, spending and regulations; etc. This is what will happen and is happening with the Productivity issue.

Recognition of this problem should be a major first step.

In summary, the reduction of the top marginal tax rate is needed: not tinkering with corporate taxes.