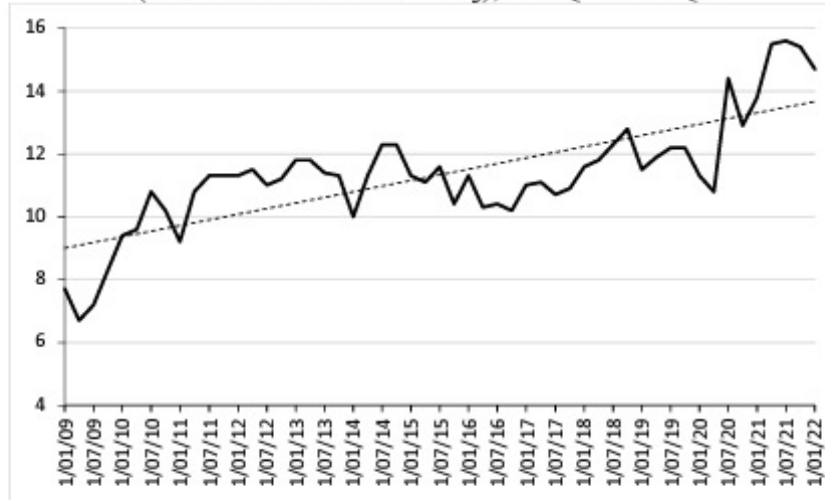


New Paper: Corporate Profits Central Role in Causing Inflation

June 9, 2022

Figure 10
Profit per unit of real gross value added of non-financial corporate business: Corporate profits (after tax with IVA and CCAdj); 2009Q1 – 2022Q1



Source: FRED Database (series A466RD3Q052SBEA).

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PIA MALANEY, pmalaney@ineteconomics.org, [@piamalaney](https://twitter.com/piamalaney)

Storm is senior lecturer of economics at Delft University of Technology in the Netherlands. His “Inflation in the Time of Corona and War” [full PDF] has just been published by the Institute for New Economic Thinking in New York.

Malaney is senior economist at the [Institute for New Economic Thinking](https://www.ineteconomics.org/). She was recently featured on the IPA news release: “Fed’s Fix is Wrong: Inflation Caused by ‘Skyrocketing’ Corporate Profits More Than Wages.”

Storm writes in his new paper: “The non-financial corporate profits per unit of real GDP have increased from 10.8 percent in 2020 Q2 to 15.6 percent in 2021 Q3 during the corona-period [see Figure 10]. Nominal growth of corporate profits (by 35 percent) during 2021 has vastly outstripped nominal increases in the compensation of employees (10 percent) as well as the PCE [personal consumption expenditure] inflation rate (6.1 percent). According to *The Wall Street Journal*, nearly two out of three of the biggest U.S. publicly traded companies had larger profit margins this year than they did in 2019, prior to the pandemic. Nearly 100 of these corporations did report profits in 2021 that are 50 percent above profit margins from 2019. Evidence from corporate earnings calls shows that CEOs are boasting about their ‘pricing power,’ meaning the ability to raise prices without losing customers. Even the Chair of the Federal Reserve, Jerome Powell, has weighed in on this issue, stating that large corporations with near monopolistic market power are ‘raising prices because they can.’ These profit increases have contributed to a process of profit-price inflation.”

Fed’s Fix is Wrong: Inflation Caused by “Skyrocketing” Corporate Profits More Than Wages

June 2, 2022

PIA MALANEY,

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Malaney is senior economist at the [Institute for New Economic Thinking](#). She said today: “As the White House and Jerome Powell met this week to discuss the highest inflation in decades, the Fed Chair has been explicit about the Fed’s monetary policy goals: ‘to get wages down and then get inflation down.’ The labor market has indeed been tight, with wages rising at the highest pace in years, especially at the lower end of the wage distribution. But is this the major driving force of rising inflation?”



“Work by Servaas Storm for the Institute for New

Economic Thinking and other analysts suggest that very little of the rise in inflation can be traced to wages. As most Americans know from their own experience, wages are running well behind inflation and have been for many months. What is skyrocketing is corporate profits. As numerous studies indicate, economic concentration in the U.S. has increased oligopoly power in several industries, allowing corporations to raise prices and profits. The latest flap about baby food is a perfect example. The industry is highly concentrated.

“The plain fact is that import prices from supply shortages and other problems explain a great deal of the rise in American prices. But that is hardly responsive to Fed interest rate rises. And anyway interest rates are, at best, a blunt tool: empirical evidence has shown that historically it requires very large increases in interest rates to bring down inflation even by small percentages, with enormous costs to employment and growth.”

Scientific Analysis Links Environmental Change and New Diseases

May 11, 2022

[New analysis published by Nature](#) has confirmed a “link between global environmental change and disease emergence.” The researchers conclude that climate change will cause new diseases to emerge more frequently. They assert that because climate change and habitat destruction will likely drive species to aggregate in areas of high human population density, particularly in Asia and Africa, zoonotic spillover (the cross-species transmission of viruses that can lead to new epidemics and pandemic) will increase. The Covid-19 pandemic may have been [sparked by just such spillover](#).

Colin Carlson, a co-author of the study, [said](#) that “the moment to stop climate change from increasing viral transmission was 15 years ago. We’re in a world that’s 1.2 degrees warmer [than pre-industrial levels]... We *have* to prepare for more pandemics because of it.”

SARAH MYHRE, PhD, sarah@glaserprogress.org

Myhre is a climate and ocean scientist and the Program Director for Climate Advocacy and Democracy Reform at the Glaser Progress Foundation.

Myhre told the Institute for Public Accuracy that there are [key lessons from the Covid-19 pandemic that can be applied to the climate crisis](#).

Myhre said that disease emergence is an “important component of the public health impacts associated with climate change.” She added: “Just like physical phenomena of heat waves or smoke storms, biological and social problems like pandemics are not contained within the artifice of borders. Such questions are squarely in the paradigm of environmental justice, for both climate change and the coronavirus pandemic. Systemic problems unjustly impact those who are already the poorest and most vulnerable across the planet, degrading or destroying the relationship between people and the environment, and revealing the way that the past must be addressed and repaired.”

At a time when the United States just surpassed 1 million Covid-19 deaths, Myhre noted: “There has [also] been an emotional experience that connects the pandemic and climate change, and that is horror. Horror at this scale of death and loss, and horror at the political normalization of death at this scale.” She said that lawmakers and public servants have proliferated “a narrative of mass death as an inevitable externality, as we see in the politicized leadership on the pandemic. They do not deserve, and are unqualified for, the role of public servant.”