

# Report points to corporate price gouging amid soaring inflation in US

Shannon Jones

23 June 2022

As household budgets stagger under the impact of soaring prices for fuel, food, rent and other necessities, the oil companies and other sections of big business are enjoying massive profits, in part through gouging consumers.

According to a new report issued by the liberal think tank Roosevelt Institute, a review of data from 3,698 US-operating companies found that both markups and profits soared to their highest level since the 1950s.

In 2021, the average markup reached 1.72, meaning that the typical price charged by a company was 72 percent higher than their costs. That is up from a markup of 1.56 throughout the 2010s. Last year saw the largest rise in markups since the 1950s and two and a half times higher than the next largest annual markup. Among the sectors that the study found having the largest markups were oil and gas, real estate, quarrying and mining. The study found that the financial sector had the largest single markup overall, pointing to massive profiteering by the Wall Street banks.

The report also looked at net profit margins, net income divided by net sales. "Here we see a more consistent range, with net profit margins increasing from a yearly average of 5.5 percent from 1960 to 1980 to averaging 6 percent during the 2010s. In 2021, it jumped to 9.5 percent—again its highest value on record. Profits were consistently up across definitions."

Oil companies in particular enjoyed massive profits in the first quarter of 2022, bolstered by the price rises triggered by the war in Ukraine. Oil giant ExxonMobil alone saw \$5.5 billion in profits, double its results in the first quarter of 2021. Shell raked in \$9 billion during the first quarter, its best single quarter result ever. BP reported \$6.2 billion for the quarter, not counting a loss for offloading its holdings in a Russian-controlled oil company. It was BP's best quarter in 10

years and Shell also reported a significant rise. Chevron saw a rise and Conoco's profits showed a more than fivefold increase since 2020. All told, the Big Five oil giants raked in \$35 billion in the first quarter. The 25 top oil companies made \$205 billion in profits in 2021.

According to a recent *New York Times* article, profits in the S&P 500 were up 70 percent in 2021 from 2020 and 33 percent higher than in 2019 before the pandemic. The same report noted that on the whole companies made an "estimated \$200 billion in additional operating profits last year because of that increase in margins."

These figures further debunk the pro-business claims that inflation is the result of a "wage-price spiral" where supposedly excessive wage increases are driving up the prices of goods. The Roosevelt Institute study concluded, "We find that 2021 was largely driven by increased sales, with costs (including wages) increasing only slightly. This is inconsistent with any indication of a wage-price spiral."

It added that "changes to labor and worker compensation are not driving factors in recent markups. Indeed, workers are not the only economic agents that affect business pricing decisions."

The claim that wage demands are a driving force of inflation is further undermined by the fact that real hourly earnings fell 3.0 between May 2021 and May 2022, according to the US Bureau of Labor Statistics.

Inflation rose at an 8.6 percent annual rate in May. The Consumer Price Index, a more realistic measure of inflation based on a sampling of goods and services purchased by typical urban customer, rose 9.2 percent. Wage increases were far below that level, ranging from between 2 and 4 percent for most contracts negotiated by unions in 2021, which were below the average increase for nonunion workers.

Last February, a day after the Russian invasion of Ukraine, the United Steelworkers (USW) announced it had reached a new contract settlement for 30,000 US oil refinery workers, blocking a strike. USW President Tom Conway boasted that it was a “responsible” settlement, which “did not add to price gouging and inflationary pressures,” as though the crass profiteering of ExxonMobil et al. was somehow the fault of workers. The deal imposed a minuscule 2.5 percent raise in 2022, ensuring a massive further cut in the living standards of oil workers, whose wages have already been slashed by inflation.

Despite the sabotage by the unions, strikes are on the rise as workers struggle to keep pace with inflation. According to the Cornell University School of Industrial Relations Strike Tracker, there have been 153 strikes involving about 73,500 workers from January through May of this year, compared to 78 strikes involving some 22,500 over the same time period in 2021. That is a near doubling in the number of strikes and a threefold increase in the number of workers on strike.

The fiction of an “overheated” labor market is being used to justify a series of sharp interest rate increases by the US Federal Reserve aimed at undermining workers’ attempts to defend their living standards by provoking a recession and increasing unemployment. The rate hikes will further hit the budgets of working-class families by increasing the amount they must pay for credit cards, car loans, mortgages and other debt.

While there is no question that powerful corporations have used the crisis to further gouge the public, surging global inflation is fundamentally the result of the financial policies both parties have conducted since the crash of 2008. Central banks have poured literally trillions of dollars into the financial markets and directly into the coffers of the corporations. In addition, the criminal decision to allow the pandemic to spread unchecked in every country but China has led to the disruption of supply chains and chaos more broadly in the economy. This has been aggravated by the imperialist-provoked Russian invasion of Ukraine.

Add to this the staggering cost of the arms buildup underway in the US and the countries of Western Europe, absolutely nonproductive from the standpoint of social needs. This will be paid for by the working class through cuts in social spending and the further

driving up of prices.

Biden has blamed Russia for surging inflation calling rising living expenses “Putin’s price hikes.” At the same time, he has wagged his finger at the oil companies for price-gouging “in a time of war.” But the president will do nothing to stop the profiteering by Big Oil. Meanwhile, working with unions, he has imposed a de facto cut in real wages on workers.

While the authors of the Roosevelt Institute study document corporate price gouging, they offer only tepid solutions, suggesting stepped-up antitrust enforcement or an excess profits tax. Along these lines, US Senate Finance Committee Chair Ron Wyden of Oregon has introduced legislation for an excess profits tax on gas and oil companies with more than \$1 billion revenue.

Aside from the fact that these measures are political theatre and stand little to no chance of being enacted, they do not tackle the fundamental problem, which is the private ownership of banking, oil and gas, transport and other vital economic pillars. The oil companies will evade an excess profits tax just as they use an army of accountants to avoid paying corporate taxes now.

Inflation is part of a broader catastrophe being inflicted on mankind by the failure of the capitalist profit system, which has allowed the unchecked spread of a preventable pandemic and is now threatening to unleash a global war.

To answer the massive profiteering by the oil companies, socialists propose putting them under the democratic ownership and control of the working class and running them as public utilities for the common good, not private profit. This requires the industrial and political mobilization of the working class independent of the pro-company unions and the Republicans and Democrats, the twin parties of big business.



To contact the WSWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**