ECONOMY AND ECOLOGY 30.05.2022 | Jayati Ghosh

Control the vampire companies

Fossil fuel companies, Big Pharma, Big Tech, and agribusinesses have all reaped huge profits in the past two years. It's time to rein them in

Every year, Oxfam's briefing on global inequality exposes the massive and growing economic gulf in the world, rendering our societies dystopic and our polities unviable. In the past few years, the data have become even starker, as first the pandemic and then the food and fuel inflation unleashed by the Ukraine war have destroyed livelihoods and wage incomes, and so the purchasing power of most of the world's population.

But even in societies increasingly inured to extreme inequality, the latest Oxfam report has the capacity to shock. It may be no surprise that at least 240 million more people are likely to fall into extreme poverty and face dire hunger because of the economic trends of the past two years. But in the same period billionaires' wealth has increased by 42 per cent — more than over the previous 23 years.

As a result, the ten richest men in the world own more than do 40 per cent of all humanity. The 20 richest people have more wealth than the entire gross domestic product of all the countries of sub-Saharan Africa taken together. The richest man in the world — Elon Musk — has increased his wealth nearly sevenfold since 2019. Even if he were to squander 99 per cent of it, he would still be in the top 0.0001 per cent of the richest people on the planet, which he and his ilk are busy destroying through the carbon emissions stemming from their conspicuous consumption.

Driving inflation

Yet, even more than these appalling figures, what is particularly important in this report is what it reveals about the rising fortunes of some large multinational companies, during this time of global *mis*fortune. There is a direct link to the inflation causing so much havoc across the world, especially among already-poor populations — driven as this is much more by profiteering by large companies and financial

speculation than by supply shortages.

The billionaire dynasties who control the agribusinesses that dominate so much of our global food system are growing in strength.

Research from the Economic Policy Institute indicates that in the United States alone corporate profits accounted for 54 per cent of inflation between April-June 2020 and October-December 2021. Labour costs contributed only 8 per cent and other input costs 38 per cent. (By contrast, in the previous three decades, labour costs had accounted for 62 per cent of inflation, input-price increases 7 per cent and enhanced profits 11 per cent.) More than half of the recent inflation can therefore be attributed to open and unchecked profiteering by large companies.

The Oxfam report notes that this has played out in massive increases in corporate profits, particularly in food, fuel, and pharmaceuticals. For example, the billionaire dynasties who control the agribusinesses that dominate so much of our global food system are growing in strength. Their collective wealth increased by $382bn (45 per cent) in the last two years, with 62 new billionaires created.

The family which owns most of Cargill — one of four agribusinesses controlling over 70 per cent of the global market for agricultural commodities — has seen its wealth increase by 65 per cent since 2020, or by around $20 million *each day*, amid the pandemic. The Walton family, which owns around half of Walmart's share capital, has seen its wealth increase by half a billion dollars *each hour*. Last year the company expended $16bn on dividends and share buybacks alone, even as it continued to suppress wages and payments to farmers and direct producers across the world.

Raking it in

Big Oil is also raking it in: oil prices are projected to increase by about half this year, but already during the pandemic the profit margins of oil companies have doubled. The five largest energy companies — BP, Shell, TotalEnergies, Exxon and Chevron — made a combined profit of $82bn in 2021 and paid $51bn in dividends, 90 per cent of which went to the richest 10 per cent of US households.

Pfizer has sold the most Covid-19 vaccines of any

The obscene profits made by Big Pharma, especially from the Covid-19 vaccines which they are refusing to supply to the world's

company but has proportionately provided the least to low-income countries.

poorest people, grew even more in the second year of the pandemic. Moderna, which benefited fully from public subsidies to produce its one product on the market, a messenger-RNA-based Covid-19 vaccine, currently has a 70 per cent pre-tax profit margin on this item.

No wonder Moderna is fighting cases to prevent other producers in South Africa from making substitutes, while it is seeking to stash some of its profits in tax havens. Pfizer has sold the most Covid-19 vaccines of any company but has proportionately provided the least to low-income countries. Both companies are also spending heavily on lobbying against any waiver of trade-related intellectual-property rights (the TRIPS agreement), which would reduce their control over the knowledge that gives them this massive market power.

Immense power

Five Big Tech companies — Apple, Microsoft, Tesla, Amazon, and Alphabet — made $271bn in profits in 2021, an increase of nearly 40 per cent on 2019. And, of course, with such wealth comes immense political power: Amazon and Google alone spent $7.5 million on open lobbying of US politicians in the first three months of 2022, and probably much more indirectly.

The power associated with such great wealth, to influence governments to design regulatory and fiscal policies in favour of the rich and large corporations, is one reason why these inequalities just keep on increasing. It is also probably why obvious solutions — such as taxing away excess profits, reducing monopolies by revising the oppressive system of intellectual-property rights and democratising access to knowledge, eliminating the explicit and implicit subsidies taxpayers are providing to such big companies, preventing share buybacks and other eminently reasonable strategies — are not being taken up.

In the face of such corporate power, we need much more concerted citizens' action if we are to have any hope of leaving this dystopia behind.

This is a joint publication by Social Europe and IPS-Journal.



Jayati Ghosh
New Delhi

Jayati Ghosh is Professor of Economics at Professor of Economics at the University of Massachusetts at Amherst in the United States and Member of the Independent Commission for the Reform of International Corporate Taxation.