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Navigating Inflation Dynamics: The Interplay Of Corporate Profits, Supply-Side Factors, And Policy Interventions

Kaan YİĞENOĞLU
Van Yüzüncü Yıl Üniversitesi
kaanyigenoglu@yyu.edu.tr
ORCID ID: 0000-0002-1961-6601

Nida GÜNSAN
Van Yüzüncü Yıl Üniversitesi
nidagnsn93@gmail.com
ORCID ID: :0000-0001-7014- 3099

Haluk YERGİN
Van Yüzüncü Yıl Üniversitesi
halukyergin@yyu.edu.tr
ORCID ID: 0000-0002-8168-9115

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ABSTRACT

This study examines the relationship between inflation and supply-side factors, specifically corporate profits and market power. It proposes using strategic price controls to prevent inflation from spreading and suggests that taxes could address the problem of excessive market power and reduce inflationary pressures. Additionally, the study discusses the role of central banks in fighting inflation and suggests using policy measures such as taxes to address the problem of excessive market power and reduce inflationary pressures. The study concludes that taxing excessive profits may be more effective than increasing interest rates, but its success depends on its design and implementation. Applying taxes to companies that use excessive pricing policies due to market power is another proposed measure to address inflation. Fiscal policy measures such as taxes, transfers, and changes in public spending are deemed more suitable for addressing inflation than interest rate hikes. Corporate profits and their dominance in the market are identified as the primary factor behind inflation. Policymakers should consider these factors when developing effective policies to combat inflation and preserve jobs.

Keywords: Supply-side factors, corporate profits, market power.

Enflasyon Dinamiklerinin Yönlendirilmesi: Şirket Karları, Arz Yönlü Faktörler ve Politika Müdahalelerinin Karşılıklı Etkileşimi

ÖZ

Bu çalışma, enflasyon ile arz yönlü faktörler, özellikle de firma kârları ve piyasa gücü arasındaki ilişkiyi incelemektedir. Enflasyonun yayılmasını önlemek için stratejik fiyat kontrollerinin kullanılmasını önermekte ve vergilerin aşırı piyasa gücü sorununu ele alabileceğini ve enflasyonist baskıları azaltabileceğini öne sürmektedir. Ayrıca, çalışmada merkez bankalarının enflasyonla mücadeledeki rolü tartışılmakta ve aşırı piyasa gücü sorununu ele almak ve enflasyonist baskıları azaltmak için vergi gibi politika önlemlerinin kullanılması önerilmektedir. Çalışma, aşırı kârların vergilendirilmesinin faiz oranlarını artırmaktan daha etkili olabileceği, ancak başarısının tasarım ve uygulamaya bağlı olduğu sonucuna varmaktadır. Piyasa gücü nedeniyle aşırı fiyatlandırma politikaları uygulayan firmalara vergi uygulanması, enflasyonu ele almak için önerilen bir başka önlemdir. Vergiler, transferler ve kamu harcamalarındaki değişiklikler gibi maliye politikası önlemleri, enflasyonla mücadele için faiz oranlarının artırılmasından daha uygun görülmektedir. Firma kârları ve firmaların piyasadaki hakimiyetleri enflasyonun arkasındaki birincil faktör olarak tanımlanmaktadır. Politika yapıcılar enflasyonla mücadele etmek ve istihdamı korumak için etkili politikalar geliştirirken bu faktörleri göz önünde bulundurmalıdır.

Anahtar Kelimeler: Arz yönlü faktörler, firma karları, piyasa gücü.

Introduction

Inflation is among the macroeconomic phenomena that continue to occupy the world agenda in recent years. Throughout history, inflation has remained important because the purchasing power of consumers, the profitability of firms and the effectiveness of monetary policy depend on inflation. In this study, we aim to reveal the relationship between inflation and supply-side factors and the importance of profit-led inflation. We argue that inflation is a political phenomenon as well as an economic one. Inflation is a determinant of the distribution of income between capital and labor. Central banks' interest rate decisions, and consequently inflation, play an important role in the redistribution of income. Corporate profits and market power are important concepts at this point. Covid lockdowns, rising commodity prices and geopolitical tensions not only contribute to global inflation but also cause supply-demand mismatches. Noting the supply-side factors in current inflation, we argue that rate hikes may lead to economic problems such as unemployment and recession rather than a solution.

We also suggest that a change in the composition and/or mix of taxes, transfers and public spending can be used to address the current inflation driven by corporate profits and market power. We also propose that strategic price controls should be considered before inflation spreads to all goods and services.

The research questions of the study regarding the Covid-19 process and its aftermath are as follows:

1) What is the root cause of inflation and how does it relate to corporate profits?

2) How do supply-side factors contribute to the current global inflation and why interest rate hikes may not be an effective solution?

3) How do central banks' anti-inflation policies affect labor and capital's share of national income?

This study contributes to the literature on inflation by examining two aspects that have received considerable attention in recent years: the role of corporate profits and market power, and the role of central banks in the fight against inflation. We also discuss how policy measures such as taxes can be used to address the problem of excessive market power and reduce inflationary pressures.

The paper is organized as follows: The paper is organized as follows: Section 2 reviews the literature on inflation and corporate profits, and central banks; Section 3 presents the empirical evidence on the relationship between inflation and profit growth, and between interest rates, unemployment and wages; Section 4 discusses the policy implications of our findings and the political economy of central banking; Section 5 analyzes the role of supply-side factors and redistributing income; Section 6 evaluates the pros and cons of interest rate hikes as a policy response; Section 7 concludes.

Methodology

This section explains the research model and group. It also explains the data collection instrument, data analysis, and the ethics of the study.

Study Design

The research model used in the study is document analysis, which is a qualitative research method. Document analysis involves the examination and interpretation of data to extract meaning, enhance understanding and construct empirical knowledge (Corbin and Strauss, 2008). In the context of document analysis, it's important to note that interviews, participant and non-participant observations, as well as all tangible documents, can be collectively examined alongside existing documents (Yin, 1994). By cross-referencing data collected using different methodologies, the researcher can corroborate findings across multiple datasets, potentially mitigating any bias that may exist within the study (Corbetta, 2003). Documents, such as texts and images, are recorded without the involvement of researchers and can include a wide range of materials such as advertisements, agendas, diaries, reports and more. These sources provide valuable data for research purposes (Labuschagne, 2003).

Document analysis is a powerful method that provides an understanding of complex relationships by analysing existing data in depth. This method is ideal for explaining the relationships and interactions between the issues addressed in the study. Furthermore, document analysis provides access to a wide range of relevant information, which increases the scope and depth of the study. Another reason for choosing document analysis is that it is time and cost effective. While it requires less time and cost compared to other research methods, it also provides the opportunity to provide a comprehensive analysis. Document analysis seems to be a suitable method for the purpose of the study and the research questions. Therefore, document analysis is preferred because it is an ideal tool for examining existing knowledge in a comprehensive and in-depth way and for understanding complex relationships.

Setting and Sample

The sample consists of macroeconomic data such as inflation, labour markets and interest rates for different periods in the United States. The main reason for choosing the US economy in the study is that the US economy has a significant impact on the world economy. Therefore, analysing the inflation dynamics in the US economy is important for understanding the global economic effects. In addition, the US is a country with extensive and reliable economic data. This provides a solid data base for the study and increases the reliability of your analyses. In addition, the US economy has a broad structure that includes various industries and sectors. This can increase the scope and diversity of the research and allow for a better understanding of the effects of various factors on inflation.

Data Collection

The data were obtained from reports and websites of institutions and organisations associated with the United States. Also from global economic organisations and various economic websites.

Data Analysis

The data collected have been analysed taking into account the explanations and warnings given in the source. It has also been subjected to detailed and careful scrutiny in order to reveal the correlation between different macroeconomic indicators.

Ethics of the Study:

Data for the research was collected from digital platforms. The study did not require ethics committee approval for research involving the collection of data from participants using methods such as surveys, interviews, focus groups, observations or experiments. The research did not involve the use of human or animal subjects (including materials/data) for experimental or other scientific purposes, human clinical research, animal research or retrospective studies, in accordance with regulations on the protection of personal data. The ethics of research and publication were adhered to in accordance with the references cited in the bibliography.

A Survey of the Literature on Inflation, Corporate Profits and Market Power

To begin with, since the early 1980s, the labour share of value added and the real interest rate have fallen markedly, contributing to a debate on the implied increase in market power. This phenomenon has aroused wide interest in the economic literature and has been analysed by many researchers and economists. The decline in the labour share and the real interest rate has been taken as a reflection of significant changes in the economic structure. The reasons behind these changes triggered the debate on market power (Bobrov and Traina, 2023). In particular, the decline in the labour share has led to the assumption of an increase in the market power of firms. Moreover, the fall in the real interest rate, reflecting the decline in returns to capital, has led to concerns about reduced competition. These trends have been analysed and explained within various theoretical frameworks.

Barkai (2020) offers a prominent illustration, asserting that the reduction in the capital share surpasses that of the labor share when measured in percentage terms. Specifically, while the labor share decreases by 10%, the capital share witnesses a much more pronounced decline, plummeting by 25%. Concurrently, there is a notable surge in the pure profit share, escalating by more than 14 percentage points. The significance of this surge in pure profits is underscored by its substantial monetary value, totaling over $1.2 trillion in 2014. This equates to an average of $15 thousand per employee. Such a substantial increase in pure profits demands attention, as it not only reflects shifting dynamics within the economy but also holds implications for income distribution and economic policy. Furthermore, Barkai's analysis implies that the decline in the capital share cannot be solely attributed to unobserved capital factors. This suggests that other variables and economic forces may be at play, necessitating further investigation into the underlying causes of this phenomenon.

According to the analysis put forth by Weber and Wasner (2023), the inflationary trends witnessed in the US amid the COVID-19 pandemic predominantly manifest as a form of sellers' inflation. This inflationary pressure stems primarily from microeconomic factors, particularly the capacity of firms possessing market influence to enact price increases. These firms, often characterized as price makers within their respective sectors, exercise their pricing authority cautiously, typically only adjusting prices upward when they anticipate similar actions from their competitors. Such behavior implies an implicit understanding or agreement among market participants, facilitated by sector-wide cost fluctuations and supply constraints.

The literature explaining the price-setting behaviour of firms with market power is extensive and long-standing. Klenow and Kryvtsov (2008) contend that there exists no correlation between the duration since the previous price adjustment and the magnitude or likelihood of a subsequent price change. They assert that fluctuations in overall inflation rates predominantly mirror variations in the magnitude of individual price adjustments rather than alterations in the proportion of goods and services undergoing price modifications. This phenomenon is attributed to compensatory shifts in the ratio of price increases to decreases within the market. Research by Nakamura and Steinsson (2008) shows that the frequency of price increases is strongly associated with inflation. However, there is no clear relationship between the frequency of price falls and the magnitude of price increases and decreases. These results help us understand the complex dynamics of price changes in the economy.

Klenow and Malin (2010) assert that the magnitudes of micro price adjustments surpass what would be warranted solely by the need to align with overall inflationary trends. This observation intimates that idiosyncratic factors, such as intertemporal price discrimination and inventory dynamics, wield significant influence over pricing dynamics. It is known that 63.6 percent of price changes in Switzerland increased during a period when the average inflation rate was only 0.9 percent. An illustration of this observation is that businesses facing menu costs and thus pricing irregularly impute future trend inflation to current prices. This allows us to assess the impact of inflation on economic activity in a broader context. The pricing behaviour of enterprises is based not only on the stability of economic periods, but also on expectations of future inflation. In particular, factors such as menu costs can influence the timing of price changes, which can be evident in the pattern of price increases. According to the empirical investigation conducted by Honoré, Kaufmann and Lein (2012), there is evidence to suggest that an escalation in inflationary pressures serves as a catalyst prompting firms to enact upward adjustments in their pricing strategies. This phenomenon underscores the intricate interplay between macroeconomic dynamics, particularly inflationary trends, and microeconomic decision-making within corporate entities. Such findings resonate with prevailing economic theories positing that heightened inflationary expectations may imbue firms with a greater propensity to pass on cost increases to consumers, thereby exerting upward pressure on overall price levels in the economy. This underscores the importance of comprehensively understanding the systemic effects of inflation on corporate behavior and market dynamics.

Bivens (2022) contends that the escalation in inflation amidst the pandemic did not stem from manifestations resembling an overheated labor market. Rather, it predominantly originated from heightened corporate profit margins and bottlenecks within the supply chain. Thus, policy measures aimed at tempering labor markets, such as swift and drastic interest rate hikes, may not be imperative for curtailing inflationary tendencies in the medium term. Alternative strategies focusing on augmenting the anticipated growth in labor supply, which would inflict lesser harm upon typical households, present viable avenues for mitigating inflationary pressures over the forthcoming year and merit greater integration into the policy framework. This entails considering investments in maintenance or the implementation of a temporary excess profits tax, both of which hold promise in addressing inflationary concerns effectively.

Glover, Mustre-del-Río and von Ende-Becker (2023) show that inflation dynamics are intertwined with the evolution of markup, which is the ratio of a firm's price to its current marginal cost of production, and that the inflationary trajectory in a firm's pricing framework emerges as a combination of both an increase in marginal costs of production and a rise in the profit margin rate. This link underlines the profound impact of both cost dynamics and pricing strategies on inflationary trends in economic systems. Stiglitz and Regmi (2022) the current inflationary environment is predominantly not the outcome of significant surpluses in aggregate demand, such as those that could have arisen from excessive pandemic-related expenditures in the United States. Although the normalization of interest rates is welcomed, as it mitigates various distortions associated with persistently low rates, overly aggressive increases in interest rates pose the risk of precipitating a severe economic downturn with marginal benefits in curbing inflation, barring a substantial downturn. Such a scenario would particularly disadvantage marginalized demographics within the nation, exacerbating existing disparities. According to authors there exist fiscal and alternative measures that can and should be pursued to alleviate specific inflationary pressures within sectors, which are likely to yield more favorable outcomes compared to broad-based interest rate adjustments. Recent empirical evidence indicates a noteworthy moderation in inflationary pressures, with nominal wage hikes, in particular, only marginally exceeding pre-pandemic levels. This, coupled with other indicators such as tempered inflationary expectations, significantly assuages concerns regarding the onset of a wage-price spiral.

In their recent research focusing on enterprises within the United States, Konczal and Lusiani (2022) presented findings indicating a notable surge in both pricing and profitability among US firms during the year 2021. The scholars underscored that anterior to the pandemic, escalations in prices served as robust indicators for the subsequent price hikes observed in 2021. This observation elucidates the significant role of market power as a causal factor contributing to inflationary pressures. In the research on the economic landscape of Germany, Ragnitz (2022) highlighted the phenomenon of profit inflation, emphasizing that enterprises possess the potential to enhance their profitability by leveraging pricing strategies to adjust their price points upwards.
An analysis of the United States economy revealed a significant shift in market dynamics during 1980. Researchers observed a notable surge in total mark-ups, escalating from 21 percent to 61 percent of marginal cost. Concurrently, the average profit rate saw a noteworthy ascent from 1 percent to 8 percent. The study suggests that despite a concurrent rise in overhead expenses, the surge in prices outpaced the growth in overhead costs (De Loecker, Eeckhout, and Unger, 2020).

Based on the information obtained from the literature review, the relationship between inflation, market power, and corporate profits will be discussed theoretically and practically in the following sections.

Understanding the Different Types of Inflation Theories: Demand-Pull and Cost-Push

There are different types of inflation, such as demand-pull inflation, which refers to a continuous and generalized increase in the prices of goods and services in an economy, and cost-push inflation, which refers to a situation in which demand exceeds supply, and cost-push inflation, which is due to an increase in costs. Therefore, to understand inflation, it is necessary to examine demand

and supply-side factors and even consider the policy decisions that affect these factors. By carefully examining these elements, experts can better understand inflation trends and develop more efficient strategies to fight inflation. Inflation theories can be categorized in various ways. Closed vs. open economy models of inflation refer to whether the economy is considered to be closed (no international trade) or open (with international trade). Theories of low-, high- or hyper-inflation refer to the level of inflation being analyzed. Perfect competition (market-clearing) vs. imperfect (monopolistic) competition models refer to the level of competition in the market. Theories of inflation based on the assumption of complete or incomplete information take the information level of market participants as a criterion, while monetary and fiscal theories of inflation base their explanations on the origin of inflation on monetary or fiscal policies.

Among the theories used to explain inflation, the quantity theory of money (QTM) states that all sales and purchases of goods should be equal. According to the theory, the cause of inflation is that the amount of money in circulation is higher than it should be. In other words, changes in the money supply cause inflation. In this case, the fight against inflation requires a reduction in the money supply, which will result in a reduction in demand. However, this theory can be subject to criticism as it does not take into account supply-side factors and geopolitical tensions that may cause inflation as they do today. Therefore, Keynes developed an alternative theory that prioritizes demand-side factors and labor market rigidities. In the "inflation gap" model, an unexpected increase in aggregate demand that does not allow nominal wages to change leads to an excess demand in the labor market and a further increase in prices through higher real wages. As the adjustment in wages lags behind that in prices, an inflation spiral occurs. Keynes' theory provides a different perspective on the dynamics of inflation and emphasizes the role of demand-side factors and price rigidities in the labor market. Monetarist economists believe that economic agents do not have access to all the information while forming their price expectations. The following equation is considered a measure of inflation inertia. The adjustment parameters or weights are represented by λ and (1-λ).

$$\pi_t^e = \lambda \cdot \pi_{t-1} + (1-\lambda) \cdot \pi_{t-1}^e$$

According to the equation, people's anticipation of future inflation is influenced by past inflation rates. The previous period's actual inflation rate has a greater impact than the previous period's expected inflation rate. The λ parameter determines the weight given to each factor. If λ has a higher value, people place more importance on the past actual inflation rate. On the other hand, if λ has a lower value, people place more importance on the past expected inflation rate. The Monetarist view concentrates on the money supply, whereas the post-Keynesian theory of inflation emphasizes the contribution of both supply-side and demand-side elements in determining inflation.

The post Keynesian approach is based on the economic theories of Keynes. In the context of this approach, supply-side factors refer to the production and availability of goods and services, while demand-side factors refer to the amount of money in circulation and the willingness of consumers to spend it. According to Kim (2020), who has studied US inflation, supply-side factors are important in explaining US inflation, while demand-side factors have been important recently. According to the author, changes in interest rates or money supply are not effective in ensuring price stability.

Monopolies and Corporate Profits

Keynesian-Kaleckian effective demand theory and radical/postkeynesian economics both begin from a static equilibrium framework that assumes markup pricing insulates prices from demand, shifting the adjustment process onto output and employment. However, neoclassical economic theory assumes that the capitalist system delivers full employment automatically and efficiently (Shaikh et al., 1999).

The traditional economic models used in developed countries may not be applicable to underdeveloped countries due to the presence of monopolies. Monopolies can distort market competition and affect the behavior of consumers and producers in ways that are not accounted for in neoclassical economic models. To summarize, monopolistic elements can make neoclassical global analyses inappropriate for underdeveloped countries by distorting market competition and affecting consumer and producer behavior in ways that are not accounted for in traditional economic models (Seers, 1962).

Conventional monetary policy instruments may not be effective in combating cost-push inflation, which is largely driven by the increase in production costs. For example, Porter (1959) argues that in such a case, measures to reduce production costs or increase productivity should be implemented. If wage increases are moderate, product prices may not be affected much, but if an increase in wages results in suppliers raising product prices, this means an increase in product prices. It is difficult for the state to intervene with product prices in perfect markets by fiat because in perfect competition, the price is determined by the market forces of supply and demand. The state cannot simply set a price for a product because it does not have control over the market. Additionally, in perfect competition, there are many buyers and sellers, and no single entity has enough market power to influence the price. Therefore, any attempt by the state to intervene with product prices in perfect markets would likely be ineffective (Wiles, 1973).

In economics, the labor share refers to the portion of national income that goes to workers in the form of wages, salaries, and benefits. This concept is important because it can indicate how much of a company's income is going to workers versus other expenses or profits. The profit share, on the other hand, refers to the portion of national income that goes to business owners and shareholders in the form of profits, dividends, and capital gains. Figure 1, which shows the shares of profit and labor in the United States over a period of 70 years.

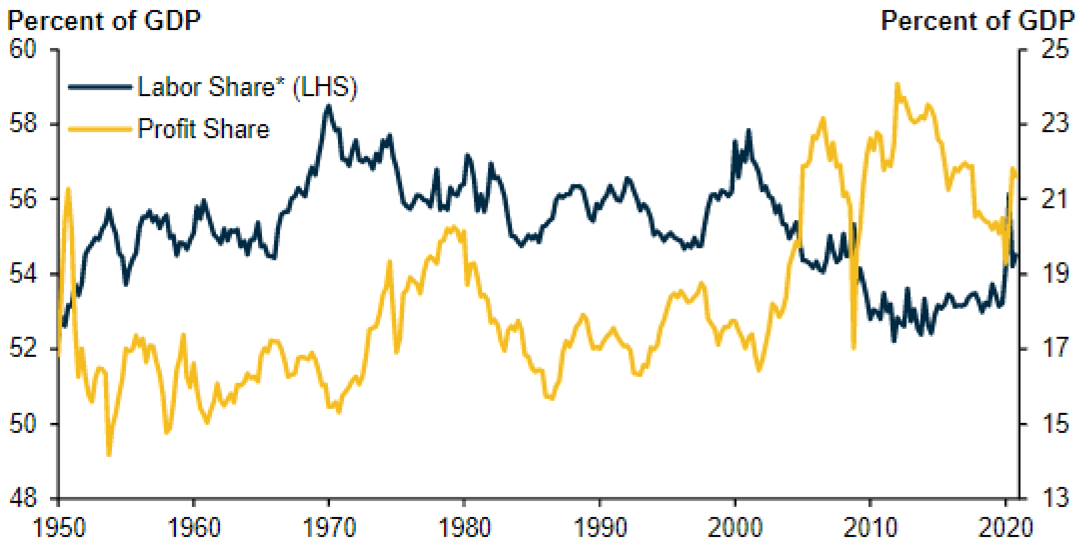

Figure 1. Shares of Profit and Labor (PGIM Fixed Income, Bureau of Economic Analysis, and Bureau of Labor Statistics. *Compensation of employees)

Figure 1 likely shows a graph that illustrates the profitability of U.S. corporations over time. Profitability refers to a company's ability to generate profits or earnings. Figure 1 shows the profitability of US companies in the years following the 2007-2008 global financial crisis. Similar to this figure, Sheets and Jiranek (2021) report that the ratio of profits to national income increased to 16% in the 1950-1970 period, which they define as low inflation, economic development and productivity growth, while the share of profits in national income first increased and then decreased in the 1970-1980 period, which they define as stagflation and low economic growth. In the same study, it is stated that the share of profits increased to 22% in the period from 2000 to the present. This period was characterized by globalization, technological change, and financialization. The paper identifies several factors that contributed to these changes in profit share growth over time, including changes in labor market institutions, shifts in the composition of output, changes in tax policy, and changes in the bargaining power of workers. Although there are some authors who attribute the increase in inflation rates to supply-side or demand-side factors (Nersisyan and Wray, 2022b), recent studies have drawn attention to the fact that firms use their pricing power to increase their profit margins (Nersisyan and Wray, 2022a).

Inflation, Interest Rates and Monetary Policy

As is known, the pandemic has drastically changed the balances in the global economy. The pandemic had unique features that made it difficult to determine whether it would lead to inflation or deflation. Weak consumer demand and economic slowdown were expected to put downward pressure on inflation, as evidenced by the decline in core prices in March, April, and May 2020. However, supply chain disruptions, rising government debt, and the expansion of the Fed's balance sheet may have put upward pressure on future inflation (Armantier and Weisenthal, 2021). The pandemic has caused a significant shock to both supply and demand in the macroeconomy, reducing people's ability to work and the production of enterprises, as well as their desire for consumption and investment. Central banks have implemented various policies to mitigate the negative effects of the COVID-19 pandemic on the economy. However, the effectiveness of these policies may vary depending on the country's economic status and the specific policy implemented (Long, Chang, Jegajeevan and Tang, 2022).

Most of the 12-month personal consumption expenditure inflation (PCE) is explained by supply factors, while about a third is explained by demand factors. The impact of these factors on inflation has important implications for monetary policy. If inflation is driven primarily by supply factors, then monetary policy may have limited ability to address it. On the other hand, if inflation is driven primarily by demand factors, then monetary policy may be more effective in addressing it (Shapiro, 2022).

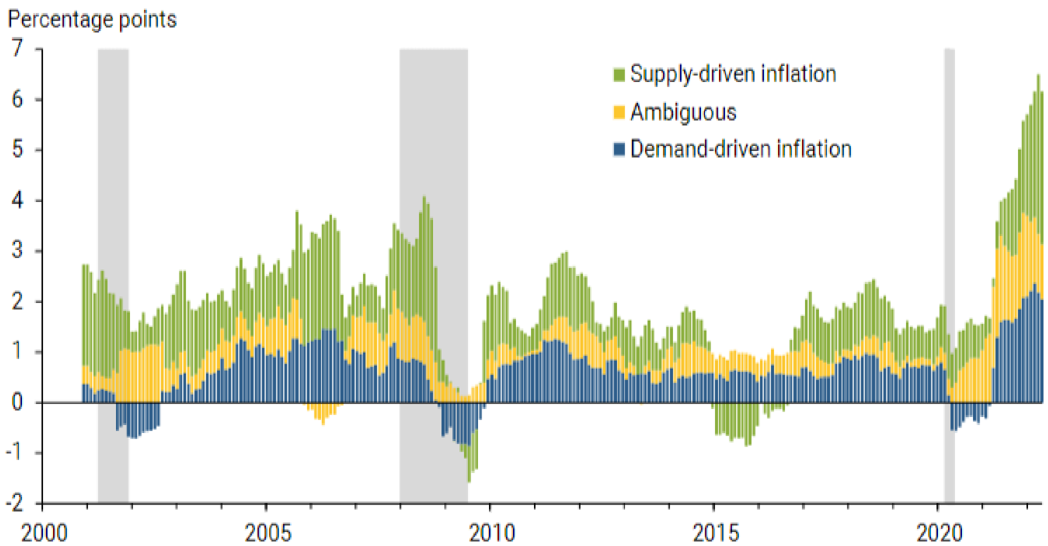

Figure 2. Supply-driven and demand-driven contributions to year-over-year PCE inflation (Shapiro, 2022)

Figure 2 shows the 12-month headline PCE inflation for the period 1998-2022. The green color in the figure represents supply-side factors of inflation and the blue color represents demand-side factors. The yellow parts represent the uncertain factors other than these factors.

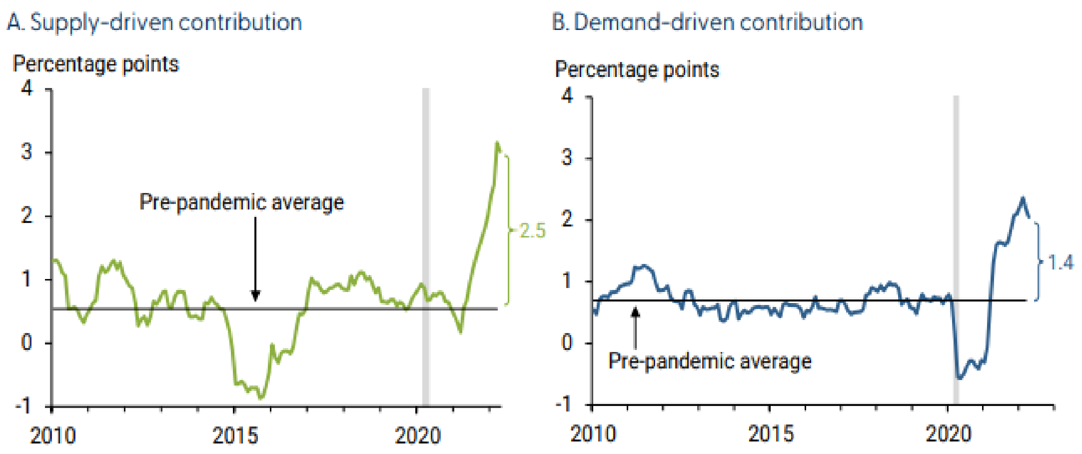

Figure 3. Contributions of supply- and demand-driven factors to headline PCE inflation (Shapiro, 2022)

Figure 3 shows the supply-side factors (Panel A) and demand-side factors (Panel B) contributing to inflation in the 2010-2019 period. PCE inflation, which averaged 1.5% before the pandemic, was measured as 6.3% in April 2022. Supply-side factors play a larger role in this increase in inflation. In fact, supply-side factors contributed 2.5 percentage points to the latest inflation rate compared to the pre-pandemic situation, while demand-side factors contributed 1.4 percentage points. Therefore, more than half of the 4.8 percentage point difference in PCE inflation before and after the pandemic is explained by supply-side factors.

The Taylor rule is a monetary policy guideline that suggests how central banks should set interest rates based on inflation and output levels. It is named after economist John Taylor, who proposed it in 1993. The rule suggests that central banks should adjust interest rates in response to changes in inflation and output. Interest rates are the cost of borrowing money, and they are set by the central banks. When interest rates are low, it is easier and cheaper for individuals and businesses to borrow money, which can stimulate economic growth. However, when inflation is high, the central banks may choose to raise interest rates in order to slow down borrowing and spending, which can help to reduce inflation (King, 1996). Stagflation is a combination of sluggish economic growth and high inflation. This is an interest rate hike risk because when the central bank raises interest rates to fight inflation, it can also slow economic growth. This could lead to a situation where the economy is not growing but prices continue to rise, causing stagflation. Research suggests that the current situation, including supply-side disruptions caused by COVID-19, the exercise of pricing power and sanctions against Russia, could exacerbate these risks. This study also clearly states that the high inflation after the pandemic was not due to excess demand (Nersisyan and Wray, 2022a).

Inflation is not always a monetary phenomenon, and that the global periphery is more vulnerable to inflationary pressures driven by monetary factors. Monetary power affects countries differently depending on their position in the global monetary order. A country's monetary sovereignty and the position of its currency in the global hierarchy of money in determining its monetary power. In the context of the relations between core and periphery countries, external forces such as the US interest rate play an increasing role in capital flows to periphery countries. These capital flows, in turn, may have an impact on inflation independent of the monetary policies in periphery countries. (Lima and Morris, 2022). According to a paper (Knodell, 2022), rising interest rates can only address one-third of the inflation problem at best. This means that monetary tightening, which involves increasing interest rates to reduce inflation, may not be very effective in addressing the current inflation. Additionally, the paper suggests that about half of the difference between current inflation and pre-pandemic inflation levels is due to supply factors, which cannot be addressed by monetary policy alone. Therefore, there are limitations associated with using monetary tightening as the sole approach to address inflation (Knodell, 2022). Indeed, as a result of the Fed's monetary policy of raising interest rates to combat today's mostly supply-driven inflation, the long-term government assets purchased by Silvergate Bank, Silicon Valley Bank, and Signature bank lost value and these banks failed.

Discretionary interest-rate policy refers to the ability of the central bank to adjust interest rates based on its own judgment and discretion. If a central bank continues to increase interest rates aggressively, it may lead to a significant recession and higher unemployment rates. This is because higher interest rates can lead to reduced borrowing and spending by consumers and businesses, which can slow down economic growth. Some potential risks associated with this approach include: - A hard landing: This refers to a sudden and severe economic downturn that can occur if the central bank's interest rate policy is too aggressive. This can lead to a sharp decline in economic activity, job losses, and other negative consequences. - Interest rates can be used as a tool to fight inflation, but a central bank also needs to take into account the effects of interest rates on unemployment. This is because raising interest rates may increase unemployment, leading to unintended economic consequences. Moreover, as emphasized by Seccareccia (2022), supply-side factors and geopolitical risks that may cause inflation are also issues that central banks should take into account.

Greedflation, Excuseflation, Shrinkflation and Profit-led Inflation

A recent example of "greedflation", which refers to companies raising prices excessively in order to increase profit margins, is the increase in profit margins of the 350 largest companies listed on the London Stock Exchange from 5.7% in the first half of 2019 to 10.7% in the first half of 2022 (Inman, 2023a). "Greedflation" is applicable to companies when supply is limited and demand is excessive, and is considered illegal in some regions as it entails unethical exploitation of consumers' vulnerabilities (Watson, 2023). Regan (2023) argues that greedflation is triggered by globalization, technological development and financialization, which increases economic instability and income inequality. The author argues that governments need to tackle this problem through regulation for a fair and sustainable future. Another type of inflation that has been mentioned in recent years is "excuseflation". In this type of inflation, companies use cost increases as an excuse to excessively increase the prices of goods and services and thus their profits. Supply chain disruptions force consumers to accept prices at all levels, and companies' pricing policies may be higher than normal. Companies that are normally concerned about losing market share due to excessive price increases do not have these concerns when supply is highly constrained due to supply chain disruptions (Liu, 2023). Another type of inflation seen in this process is shrinkflation, where the size of products is reduced but their prices remain the same. In this type of inflation, consumers are pushed to pay more for the same quantity (Yao, Wang and Mortimer, 2022). The objective of shrinkflation as a marketing strategy is to increase profitability by reducing costs while keeping sales volume the same. It is well known that for some goods and services, customers may be more sensitive to changes in price. In other words, for goods and services that customers are more willing to buy, firms prefer to change quantity rather than price. This is the logic behind the phenomenon called shrinkflation (Bennett, 2022). The downside of this strategy is that it can lead to customer dissatisfaction and damage the firm's brand image (Singhal and Gupta, 2023).

It is stated that there have been three different waves of inflation since the beginning of the pandemic. The first one is temporary inflation, which is expressed as an increase in the prices of durable goods. The second is the increase in raw material and commodity prices caused by the imbalance between supply and demand. The fourth is profit margin-driven inflation, which manifests itself as "greedflation" and "excuseflation", whereby companies convince their customers to pay excessive price increases. While the first wave of inflation is expected to be temporary as supply chain disruptions are addressed, inflation driven by global supply and demand imbalances is expected to last longer. The third wave may reverse if consumers resist accepting the price increases as companies raise prices to expand their profit margins, regardless of supply and demand imbalances. For this to work, two necessary conditions must be present: 1. Something has happened which companies can present as being "outside of their control." This could be a rise in input costs, such as raw materials or labor, or changes in government regulations. 2. Customers do not understand the companies' true costs. If customers believe that the price increases are justified, they are more likely to accept them, allowing companies to expand their profit margins. (Donovan, 2023).

Supply chain bottlenecks and cost shocks can lead to an acceptance by consumers to pay higher prices for goods and services. This can result in a decrease in demand elasticity, meaning that consumers are less likely to reduce their demand for a product even if the price increases. As a result, companies can raise prices without fear of losing market share. This has led to an increase in profit margins for major companies across various industries, including Pepsi and Coca-Cola (Alloway and Weisenthal, 2023).

The theory of profit-led inflation suggests that consumers have been conditioned to accept excessive price increases due to various economic shocks and bad news. In this case, massive rate hikes might cause unnecessary unemployment because workers will try to protect their purchasing power by bargaining for higher wages, and companies will respond by hiking prices even more. This can create a vicious cycle of wage-price spirals, leading to inflation and unemployment. Paul Donovan, the chief economist of UBS Global Wealth Management, suggests that consumers should actively resist unfair price hikes to combat profit-margin-led inflation. According to his proposal, consumers shouldn't just accept price hikes passively but instead should resist them. In 2011, there was a successful boycott against Israeli cottage cheese due to the soaring prices. Consumers who were unhappy with the high prices organized the boycott and used social media to spread the message and motivate others to join them. As a result of the boycott, consumers reduced the price of cottage cheese, demonstrating the importance of consumer opposition in the fight against margin-based inflation. The paper (Bryant and Felsted, 2023) cites examples such as the Israeli cottage cheese boycott in 2011 and the UK media campaign against excessive food prices dubbed "Rip off Britain" as effective instances of consumer rebellion through social media. These campaigns put pressure on companies to reduce prices to protect their brands and avoid a more draconian political response.

According to research by Unite, UK's largest private sector union, large corporations' price increases have contributed to inflation by going beyond the rising costs of raw materials and wages (Inman, 2023b). If companies push up their prices above and beyond what is necessary to absorb higher costs, it could fuel inflation that central bankers need to combat with higher interest rates. This could lead to a profit-price spiral, where companies continue to raise prices to maintain their profit margins, leading to further inflation. Governments might need to intervene in some situations to prevent this spiral. For example, they could impose price controls or investigate anti-competitive behavior by companies. However, such interventions can be controversial and may have unintended consequences. Policymakers have been criticized for focusing too much on higher pay's tendency to prompt companies to raise prices because they may be overlooking the risks of a profit-price spiral, where companies raise prices to maintain their profit margins, leading to further inflation. This could be a concern for central bankers who need to combat inflation with higher interest rates. According to Fabio Panetta, fiscal support programs have helped keep profits high in certain sectors. He suggested that governments should step in where necessary to prevent companies from pushing up their prices above and beyond what is necessary to absorb higher costs (Panetta, 2023).

There are pandemic stories like Moderna, AirBNB, and Hapag-Lloyd, whose net profit comparison may not be like-for-like. This means that their profits may not be directly comparable to previous years or to other companies due to the unique circumstances of the pandemic. For example, Moderna may have seen a significant increase in profits due to the development and distribution of their COVID-19 vaccine, while AirBNB may have seen a decrease in profits due to travel restrictions and decreased demand for vacation rentals. Hapag-Lloyd, a shipping company, may have been impacted by disruptions in global supply chains (Elder, 2023).

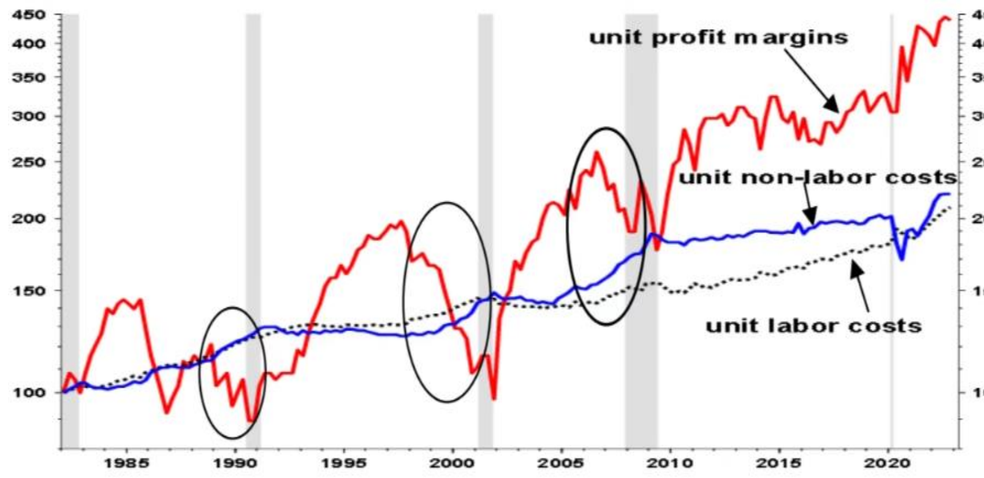

Figure 4. US non-financial profit margins are still near record highs, indicating greedflation (Elder, 2023)

The Bureau of Economic Analysis data (Figure 4) showed that US fourth-quarter non-financial profit margins are still running very hot relative to cost pressures. This is in contrast to market data that had suggested a cooling. The article also mentions that labor shortages and higher commodity prices usually squeeze margins as an economy heads towards recession. However, the current profit margins seem to be defying this trend (Elder, 2023).

The study (Konczal and Lusiani, 2022) finds that markups and profits of firms in the US have increased significantly in 2021, to their highest levels since the 1950s. This sudden and sharp increase in markups can be attributed to changes in demand, supply, and market power. The evidence suggests that firms with higher markups before the pandemic have increased their markups more in 2021, indicating a role for market power in driving inflation. The findings suggest that there is room for reversing these high markups with little economic harm and potential societal benefits, such as lower prices in the short term and less inequality and more innovation in the medium term.

Wage-Price Spirals and Income Distribution

The main factors driving up inflation in these times of COVID-19 and war are supply-side bottlenecks, which have been caused by the COVID-19 crisis and have been enabled by wrong past and current macroeconomic policy choices. These bottlenecks have led to shortages of goods and services, which have driven up prices. The paper (Storm, 2022) argues that these factors differ from previous periods of high inflation, which were mainly driven by demand-side factors such as excessive government spending and wage-price spirals. According to the author, monetary tightening, which implies raising interest rates, cannot be effective in reducing US inflation, which is mostly supply-driven. The author argues that instead of raising interest rates, coordinated interventions to alleviate supply bottlenecks, rent and energy price controls, and price ceilings may be more effective in combating inflation (Storm, 2022).

It can be said that the interest rate hikes implemented by the central banks of various countries to combat inflation are intended to prevent inflationary expectations from becoming entrenched in the price/wage setting process. However, the current high inflation is caused by supply-side bottlenecks, not wage-price spirals. Nominal wage growth is lagging behind profit growth, indicating that the recent inflation has been driven more by rising prices of goods and services due to increased profits rather than by rising wages (Storm, 2022). nominal wage growth is lagging behind profit growth, indicating that the recent inflation has been driven more by rising prices of goods and services due to increased profits rather than by rising wages.Why do central banks raise interest rates, even though there is not exactly evidence that demand-side factors play a more pronounced role in pushing up the inflation rate? While inflation already hurts the poor more by reducing purchasing power, raising interest rates without facing demand-side inflation could make the situation worse (Seccareccia and Romero, 2022).

The three main components of cost that make up the price of goods and services in the U.S. economy are: 1. Labor costs: This includes wages, salaries, and benefits paid to workers who produce goods and services. 2. Nonlabor inputs: This includes the cost of raw materials, energy, and other resources used in the production process. 3. Mark-up of profits: This is the amount added to the cost of production to cover the company's overhead costs and generate a profit. As a result, companies have been able to pass on these higher costs to consumers in the form of higher prices, which has led to fatter profit margins. In contrast, labor costs have not contributed as much to price growth, as companies have not had to compete as fiercely for workers due to the high unemployment rate (Bivens, 2022).

The European Central Bank is developing new tools to measure changes in wages more quickly. This is important for their focus on inflation because central bankers tend to worry that jumps in pay will lead to persistently high inflation, especially in Europe where wages tend to change more slowly than in the United States. By measuring changes in wages more quickly, the ECB can better monitor inflation and make informed decisions about interest rates (Panetta, 2023).

Interest rates have a significant impact on income distribution. As interest rates rise, income is redistributed from workers to creditors. This means that policies that affect interest rates, such as monetary policy, can have important distributional consequences. Substituting interest rate with wage rate helps in understanding the distributional impact of monetary policy because both interest rate and wage rate are rates of return that determine how income is distributed. If we replace the interest rate with the wage rate, we can observe how fluctuations in interest rates impact the allocation of income between individuals who lend money and those who work for a living. This helps us to better understand the distributional consequences of monetary policy and other policies that affect interest rates. Rates of return are significant in determining income distribution because they determine how the income pie is divided between different groups. When we change rates of return, we are changing the distribution of income. Interest rates and wage rates are both rates of return that affect income distribution. Changes in interest rates affect income distribution by redistributing income from workers to creditors. As interest rates rise, creditors receive a larger share of the income pie, while workers receive a smaller share. This has important distributional consequences that policymakers need to consider when making decisions about monetary policy. There is a lack of discussion on income redistribution when creditors hike up interest rates, as compared to minimum-wage hikes that prompt complaints from businesses and economists about reduced profits (Fix, 2023).

Interest rates have non-neutral effects on income distribution. As interest rates rise, three things happen (Fix, 2023):

- The share of income going to creditors increases, while the share going to workers decreases.
- The income share going to the top 10% of households increases, while the share going to the bottom 90% decreases.
- The income share going to profits increases, while the share going to wages decreases.

These findings suggest that interest rates are a distributional variable that policymakers need to consider when making decisions about monetary policy. Macroeconomic jargon such as 'natural rate' or 'non-accelerating inflation' can be a distraction from the distributional effects of interest rates, and that we need to pay more attention to these effects in order to have a more complete understanding of the impact of monetary policy.

Conclusion, Discussion and Recommendations

In the coming years, taxing excessive profits instead of increasing interest rates seems to be a more appropriate solution to combat inflation. However, it is important to note that the effectiveness of these tools would depend on their design and implementation, and they could have unintended consequences if not carefully crafted. Tax applications can be made for companies that apply excessive pricing policy by using market power. However, these tax uses can only be applied to the limits that exceed a certain profit margin, not the limitations to be restricted. It is important that the relevant tax policy is well thought out in order to preserve the greater use of jobs. Like Bivens (2022)'s marches, for example, post-pandemic recovery times and wear effects need to be considered by officials. Because in this process, wage-price dynamics may change and it may make it difficult to fight against this situation. Therefore, wage and price changes are critical because only effective policies can be implemented (IMF, 2022). Konczal and Lusiani (2022) emphasizes that in the fight against such an economic body, there are principles that deal with demand and supply criteria together. In considering policy responses to inflationary pressures driven by corporate profits and market power, it's imperative to draw upon insights from existing literature. While our study support the proposition of taxing excessive profits as a viable alternative to interest rate hikes, a comparative analysis reveals nuances and alternative perspectives that enrich the discussion. Bivens (2022) underscores the origins of inflationary trends, emphasizing the role of heightened corporate profit margins and supply chain bottlenecks rather than labor market dynamics. This perspective aligns with the contention that traditional interest rate adjustments may not effectively address inflation in the current economic landscape. Moreover, Konczal and Lusiani (2022) shed light on the causal relationship between market power and inflation, highlighting the significant role played by pricing strategies of firms in shaping inflationary trajectories. Their findings accentuate the need to address market concentration and monopolistic behavior as part of a comprehensive inflation management strategy. Contrastingly, IMF's (2022) emphasis on wage-price dynamics underscores the complexity of inflationary processes, suggesting a multifaceted approach that integrates both demand and supply-side considerations. This perspective advocates for nuanced policy interventions that account for the interplay between macroeconomic aggregates and microeconomic behavior. In synthesizing these diverse viewpoints, it becomes evident that addressing inflation requires a nuanced policy toolkit that combines fiscal measures, such as targeted taxation, with strategic regulatory interventions aimed at curbing monopolistic practices and ensuring competitive market dynamics. By leveraging insights from a range of scholarly perspectives, policymakers can design more effective and socially equitable strategies to manage inflation while safeguarding economic stability and promoting inclusive growth. Therefore, while our study support the proposition of taxing excessive profits as a policy measure, it underscores the importance of incorporating insights from a broader literature base to inform holistic and evidence-based policy recommendations in the fight against inflation. In conclusion, this paper has shown that the primary factor behind inflation is the result of corporate profits and their dominance in the market. Supply-side factors, such as Covid lockdowns, rising commodity prices, and geopolitical tensions, contribute to the current global inflation, rendering interest rate hikes an ineffective solution. Instead, fiscal policy measures, including taxes, transfers, and changes in public spending, are more appropriate for addressing inflation. By raising interest rates to suppress wage growth, central banks can increase capital's share of national income. To tackle inflation control and income redistribution, fiscal policy design can be employed. This involves utilizing taxes as a policy instrument to control prices of goods and services subject to supply-side constraints, adjusting the composition and mix of taxes, transfers, and public spending, and considering strategic price controls to prevent inflation from spreading across all goods and services.

Author Contribution Statement

The first author has a 35% contribution, the second author has a 35% contribution, and the third author has a 30% contribution to this article.

Conflicts of Interest

There is no conflict of interest in this study.

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Genişletilmiş Özet

Giriş

Son yıllarda tüm dünyada dikkatler, önemli bir makroekonomik olgu olan enflasyona yönelmiştir. Enflasyonun tarihsel önemi, tüketici satın alma gücü, şirket karlılığı ve para politikasının etkinliği üzerindeki etkisinden kaynaklanmaktadır. Bu araştırma, kâr odaklı enflasyonun önemini vurgulayarak, enflasyon ve arz yönlü etkileyiciler arasındaki bağlantıyı ortaya çıkarmayı amaçlamaktadır. Enflasyonun ekonomik yönlerinin ötesinde, sermaye ve emek arasındaki gelir dağılımını şekillendirerek hem ekonomik hem de siyasi etkileri olduğunu iddia ediyoruz. En önemlisi, merkez bankalarının faiz oranlarına ve ardından enflasyona ilişkin kararları, gelirin yeniden dağıtılmasında çok önemli bir rol oynamaktadır. Bu araştırma, şirket kârlarının ve piyasa etkisinin önemini vurgulamaktadır. Covid ile bağlantılı kilitlenmeler, artan emtia maliyetleri ve jeopolitik gerilimler gibi faktörlerin etkileşimi sadece küresel enflasyonu teşvik etmekle kalmıyor, aynı zamanda arz-talep dengesizliklerine de yol açıyor. Enflasyondaki mevcut arz yönlü unsurları kabul ederek, faiz oranlarını yükseltmenin bir çözüm sunmak yerine işsizlik ve durgunluk gibi istenmeyen ekonomik sonuçları tetikleyebileceğini iddia ediyoruz. Ayrıca, şirket karları ve piyasa kontrolünden kaynaklanan mevcut enflasyonun ele alınmasının vergilerin, transferlerin ve kamu harcamalarının yeniden yapılandırılmasını içerebileceğini öneriyoruz. Enflasyon tüm sektörlere nüfuz etmeden önce stratejik fiyat kontrollerinin dikkate alınmasını savunuyoruz.

Yöntem

Çalışmada mevcut literatürün kapsamlı bir incelemesi yapılmış ve konuyla ilgili hem Türkçe hem de İngilizce kaynaklar titizlikle incelenerek çalışmanın içeriği şekillendirilmiştir. Derinliği sağlamak amacıyla, önemli kurum ve kuruluşların hazırladıkları raporlardan çeşitli verilerden ve grafiklerden çalışmada faydalanılmıştır. Çalışmanın bazı bölümlerinde siyasi figürlerin benimsediği tutumlar da incelenmiştir. İlgili verilerin ve grafiklerin yorumlanmasında bilimsel bakış açısına uygun olarak objektif kalınmıştır. Çalışmada, Covid-19 sonrasına ilişkin öncelikli arayışlardan biri, enflasyonu tetikleyen temel güçlerin ve bunların şirketler tarafından toplanan karlarla nasıl karmaşık bir şekilde bağlantılı olduğunun ortaya çıkarılması olmuştur. Bu bağlantı noktasını incelemek, enflasyonu körükleyen ekonomik mekanizmalar ve kar marjlarının bu dinamikte nasıl bir katalizör görevi gördüğü hakkında fikir vermektedir. Devam etmekte olan küresel enflasyona katkıda bulunan arz yönlü faktörlerin oynadığı rol kapsamlı bir şekilde araştırılmıştır. Bu araştırma, Covid-19 kaynaklı aksaklıklar, artan emtia maliyetleri ve jeopolitik gerilimler de dahil olmak üzere daha geniş bir küresel görünümü anlamak için önemlidir. Çalışma ayrıca, faiz oranlarını artırmaya yönelik geleneksel stratejinin neden istenen sonuçları vermede yetersiz kalabileceğini anlamaya çalışmaktadır. Araştırma, merkez bankalarının enflasyonla mücadele politikalarının milli gelirin emek ve sermaye arasındaki dağılımı üzerindeki yansımalarını eleştirel bir gözle değerlendirmektedir. Bu araştırma, faiz oranlarındaki ve diğer parasal araçlardaki ayarlamaların ekonominin bu iki temel bileşeni arasındaki dengeyi nasıl etkilediğini inceleyerek karmaşık dinamikleri araştırmaktadır. Bu arayışlar, Covid sonrası ekonomik ortamın kapsamlı bir incelemesi için temel oluşturmaktadır ve böylelikle çalışma, ekonomik değişkenlerin karmaşık etkileşiminin kapsamlı bir şekilde araştırıldığı, enflasyonu yönlendiren mekanizmalar, politika müdahalelerinin etkileri ve gelir dağılımını şekillendiren karmaşık ilişkiler hakkında öngörülerin sunulduğu bir biçime bürünmektedir. Çalışma, çok yönlü ekonomik görünüme ilişkin öngörüleri geliştirmekte ve bilinçli politika kararları ile stratejik ekonomik müdahalelerin önünü açmaktadır.

Bulgular

Bu çalışma, enflasyonun altında yatan temel faktörün şirket karları ve piyasa hakimiyetine bağlı olduğunu etkili bir şekilde ortaya koymuştur. Covid kaynaklı kısıtlamalar, artan emtia fiyatları ve jeopolitik gerilimler de dahil olmak üzere, mevcut küresel enflasyon ortamına katkıda bulunan karmaşık faktörler ağı, faiz artırımlarını yetersiz bir çözüm haline getirmektedir. Bunun yerine, vergiler, transferler ve kamu harcamalarındaki değişiklikleri kapsayan maliye politikası önlemleri daha etkili bir cephaneliktir. Merkez bankaları, faiz oranı ayarlamaları yoluyla ücret artışlarını frenleyerek sermayenin milli gelirden aldığı payı etkileme gücüne sahiptir. Maliye politikalarının tasarlanması hem enflasyon kontrolü hem de gelirin yeniden dağıtımı için uygun bir yol sunmaktadır. Bu politika çerçevesi, arz yönlü kısıtlamalara tabi mal ve hizmetlerin fiyatlarını kontrol etmek için vergileri araç olarak kullanma potansiyeline sahiptir. Ayrıca, istenen sonuçlara ulaşmak için vergi, transfer ve kamu harcamalarının bileşiminin stratejik olarak ayarlanmasına olanak tanır. Bu kavram, stratejik fiyat kontrolleri gibi önleyici tedbirleri de kapsayarak enflasyonun tüm mal ve hizmetlere yayılmasını önler. Bu çok yönlü maliye politikası tasarımını benimseyen politika yapıcılar, enflasyonun karmaşık yapısıyla yüzleşmek için incelikli bir yaklaşım kazanmış olurlar. Özellikle, bu tür tedbirler sadece fiyatlardaki ani artışa karşı koymakla kalmayıp aynı zamanda emek ve sermaye arasındaki daha geniş gelir dağılımı dinamiklerini de etkileme potansiyeline sahiptir. Bu yaklaşım sadece birbiriyle bağlantılı ekonomik manzarayı dikkate almakla kalmaz, aynı zamanda devlet kurumlarının, finans kuruluşlarının ve tüketici davranışlarının enflasyon sonuçlarını şekillendirmedeki rolünü de kabul eder. Özetle, bu çalışma sadece faiz oranı ayarlamalarının ötesine geçen kapsamlı bir strateji sunmakta ve hızla gelişen bir ekonomik ortamda enflasyonun karmaşıklığını yönetmek için daha esnek ve uyarlanabilir bir yaklaşımın temelini atmaktadır.

Sonuç, Tartışma ve Öneriler

Çalışmanın ana fikri bizi, varılan sonuçların enflasyonla mücadelede izlenecek politikalar hakkında önemli bir noktaya getirmektedir. Faiz artırımına başvurmak yerine, alternatif ve daha uygun bir yaklaşım olarak aşırı karlara vergi konulması önerilmektedir. Ancak böyle bir politika için aynı zamanda, bu tür önlemlerin etkinliğinin büyük ölçüde karmaşık ve iyi uygulanmalarına bağlı olduğunun kabul edilmesi gerekmektedir. Bu yönde atılacak yanlış bir adım, istenmeyen sonuçların art arda gelmesine yol açabilmektedir. Bu yaklaşımın temelinde, pazar hakimiyetinden yararlanarak sömürücü fiyatlandırma stratejileri uygulayan şirketleri hedef almak için vergilendirme mekanizmalarının kullanılması yatmaktadır. Ancak bu stratejinin başarısı, keyfi kısıtlamalara değil, kabul edilebilir sınırları aşan kar marjlarına odaklanarak bu vergiler için eşik değerlerin belirlenmesine bağlıdır. Bu vergi politikalarının stratejik bir şekilde kalibre edilmesi ve istihdam fırsatlarının korunmasının karar alma mekanizmasının ön şartı olması gerekmektedir. Aksi taktirde ücret-fiyat dinamikleri arasındaki karmaşık etkileşim, enflasyon yönetimini potansiyel olarak karmaşıklaştırabilir ve sorunun üstesinden gelmek için daha kapsamlı ve bütüncül bir yaklaşımın daha uygulanmasına ihtiyaç duyulabilir. Bu da fazladan bir maliyet ve zaman kaybı anlamına gelmektedir. Durumun karmaşıklığı ancak iyi tasarlanmış politikaların etkin bir şekilde uygulamaya konulabilmesini gerektirmektedir. Ücret ve fiyat ayarlamaları arasındaki etkileşime yapılan bu vurgu, bunların enflasyonla mücadeledeki merkezi rolünün altını çizmektedir. Bu iki yönlü yaklaşım, daha kapsamlı bir çözüm potansiyeli sunmakta ve bu ilkelerin bir araya getirilmesinin, enflasyonla mücadeleye yönelik gelecekteki çabaların ve stratejilerin altını çizmesi gerektiğini öne sürmektedir. Sonuç olarak, enflasyonla mücadelede faiz artırımına başvurmak yerine aşırı kârlara vergi uygulamak daha uygun bir yaklaşım olarak görünmektedir. Bununla birlikte, bu araçların etkinliğinin hassas tasarımlarına ve ustaca uygulanmalarına bağlı olduğunu kabul etmek önemlidir; kötü formüle edilmiş herhangi bir önlem, istenmeyen yansımalara yol açabilmektedir. Vergilendirme mekanizmaları, piyasa hakimiyeti yoluyla sömürücü fiyatlandırma taktikleri uygulayan şirketleri hedef almak için kullanılabilir. Ancak bu vergiler için eşik değerlerin belirlenmesi, gelişigüzel kısıtlamalar yerine kabul edilebilir sınırları aşan kar marjlarına odaklanılması çok önemlidir. Bu tür vergi politikaları şekillendirilirken, istihdam fırsatlarının korunmasına gereken önem verilmelidir. Bivens'in (2022) çalışmasından yola çıkarak, salgın sonrası toparlanmanın nüanslarını ve kalıcı etkilerini kabul etmek politika yapıcılar için hayati önem taşımaktadır. Ücret-fiyat dinamikleri bu dönemde değişebileceği ve enflasyonla mücadeleyi potansiyel olarak zorlaştırabileceği için bu çok önemlidir. Bu nedenle, IMF (2022) tarafından da vurgulandığı üzere, yalnızca iyi tasarlanmış politikalar etkili bir şekilde uygulanabileceğinden, ücret ve fiyat ayarlamaları arasındaki karmaşık etkileşim büyük önem taşımaktadır. Konczal and Lusiani (2022) bu tür ekonomik zorluklarla yüzleşirken hem talep hem de arz kriterlerini ele alan ilkelere bağlı kalınması gerektiğinin altını çizmektedir. Kapsamlı bir çözüm oluşturmak için, bu ilkeler bir araya getirilmeli ve eldeki sorunun üstesinden gelmek için bütünsel bir yaklaşım sunulmalıdır. Sonuç olarak, gelecekteki çalışmalar ve uygulamalar bu anlayışları içermeli, enflasyon ve karmaşıklıklarıyla mücadelede çok yönlü ve etkili bir yaklaşım sağlamalıdır.