



THE ALARMING RISE OF GREEDFLATION



Scan to review worksheet

Expemo code:
1FBR-Z1LD-DA5



1

Warm up

Match the figures needed to complete the following sentences.

53

70

74

three

- a. The profit margins of the top 350 listed corporations in the UK are _____% higher than before the pandemic.
- b. ExxonMobil's profits rose from £15 billion before the pandemic to £ _____ billion in 2023.
- c. Four food traders control _____% of global grain.
- d. One in _____ people in the US routinely skip meals or rely on food banks.





2

Focus on vocabulary

Add the following words to the gaps in the definitions.

accepted contribute decline disapproval fashionable income increase rising

1. **buzzword** (n) - a word or expression from a particular subject area that has become _____ by being used a lot
2. **common assumption** (phrase) - a widely held belief or expectation that is generally _____
3. **corporate revenues** (phrase) - the total _____ generated by a business
4. **wage restraint** (phrase) - deliberate effort to limit the _____ in wages
5. **real terms wage drop** (phrase) - a _____ in wages adjusted for inflation
6. **soaring** (adj.) - rapidly _____ or increasing to a great height
7. **detractors** (n) - individuals or groups who criticise or express _____
8. **donors** (n) - individuals, organisations, or entities that _____ money, resources, or support to a cause

3

Listening for gist



You are going to listen to a clip from a radio programme about greedflation. What is the main idea of the recording?

1. ☐ Rising costs are examined, with the UK government's successful approach to the economic situation being praised.
2. ☐ The concept of greedflation is explained, while different governments' responses to rising costs are detailed.
3. ☐ A recent study about greedflation is questioned as its findings are not supported.





4

Listening for comprehension

Listen to the report about the rise of greedflation again and answer the multiple-choice questions below.

1. What process does the term 'greedflation' describe?
 - a. lowering prices to boost sales
 - b. using pandemic-related savings to reduce production costs
 - c. increasing profits by exploiting certain conditions
 - d. reducing profits to boost inflation
2. What has been falsely blamed for inflation?
 - a. lower poverty levels
 - b. unreliable accounting
 - c. lower profit margins
 - d. increasing wages
3. What does the European Central Bank suggest can be done to reduce inflation?
 - a. Interest rates can be lowered to encourage borrowing.
 - b. Companies can take on the increased expenses associated with paying higher wages.
 - c. Businesses can be encouraged to pass on the extra cost of higher wages to consumers.
 - d. Companies can freeze their employees' wages to control costs.
4. What has Rishi Sunak encouraged people in the UK to do?
 - a. take part in industrial action
 - b. join job training programs
 - c. accept their existing wages
 - d. increase their spending
5. What have critics suggested is the reason behind the government's approach?
 - a. Some of their supporters gain from the existing system.
 - b. It is an attempt to distract the public from other problems.
 - c. They want to focus on other issues.
 - d. It is driven by random decision-making.



5 Speaking practice

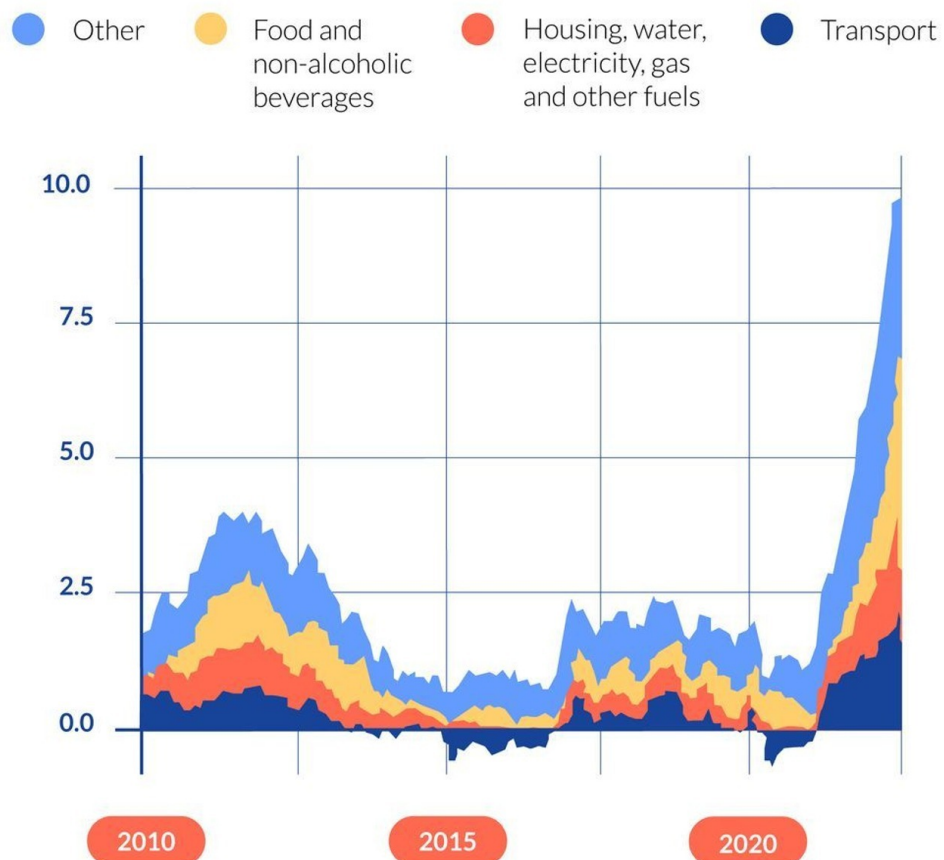
Look at the graphs (pages four and five) and answer the following questions.

1. Can you identify any patterns between the information shown in the two graphs?
2. What factors or events might have led to the increase in corporate profits?
3. Is it possible to estimate future levels of corporate profit from the data presented in the graphs?

Inflation drivers

Food and energy prices continue to drive the global inflation surge.

(percent, median, inflation rate)

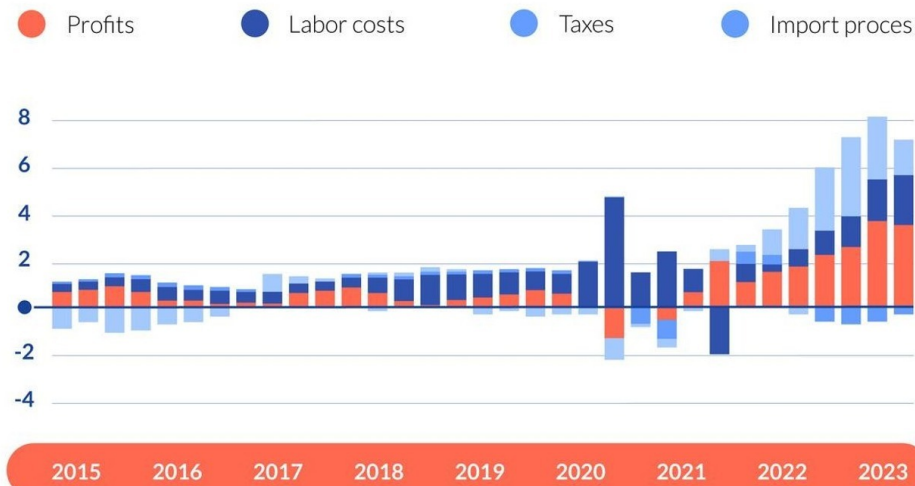


Sources: IMF CPI database and IMF staff calculations. Note: Chart shows median total inflation and in select categories across 88 countries, including 28 advanced economies and 60 emerging and developing economies.



Inflation drivers

Corporate profits now account for nearly half of all euro area inflation.



Sources: Eurostat, OECD, IMF staff calculations, Notes: Profits, labor costs, and taxes refer to the total contributions from their nominal values per unit of real value added summed up from sectoral level, and import prices refers to the contribution from foreign value added. See Hansen, Toscani, and Zhou (2023) for details.

6 Focus on vocabulary

Match the words and phrases with the correct definitions.

Group A

1. profiteering (n)
2. think tanks (phrase)
3. disposable incomes (phrase)
4. on par with (idiom)
5. exacerbated (v)
 - a. made more severe or intense
 - b. organisations that conduct research and analysis on various topics
 - c. the income that can be freely spent or saved for discretionary purposes
 - d. the act of taking advantage of a situation in order to make money
 - e. remain at a comparable level or standard

**Group B**

1. price shock (phrase)
2. global market dynamics (phrase)
3. counterfactual (adj.)
4. surfeit (n)
5. monopolistic (adj.)
 - a. an amount that is too large, or is more than is needed
 - b. referring to a market structure where a single company dominates or controls the supply of a particular product or service
 - c. a sudden and significant change in the cost of goods or services
 - d. the forces that influence the functioning and behaviour of the international market
 - e. relating to or expressing what might have happened under different circumstances

7**Scanning for the general idea**

Skim read the article about excessive corporate profits (page seven) and match the headings with the correct paragraph.

- A) Higher food and energy prices affect costs in other sectors
- B) Grain market dominated by just four companies
- C) Record inflation in the UK prompts calls for higher corporate tax rates
- D) Study mirrors previous findings by the United Union
- E) Tax on global profits needed to break up monopolies.
- F) Profits soar for American companies





Excessive profits and inflation

The case for corporate tax reform

I. _____¹

Profiteering has played a significant role in boosting inflation, according to a report that calls for a global corporation tax. Analysis of the financial accounts of many of the UK's biggest businesses found that profits were far greater than increases in costs, helping to push up inflation last year to levels not seen since the early 1980s. The report from the Institute for Public Policy Research (IPPR) and Common Wealth think tanks found that business profits rose by 30% among UK-listed firms.

II. _____²

Excessive profits were even larger in the US, where many important sections of the economy are dominated by just a few powerful companies. This rise in profits happened as wage increases largely failed to stay on par with inflation, and workers suffered their largest fall in disposable incomes since the Second World War. Researchers said the energy companies ExxonMobil and Shell, mining firms Glencore and Rio Tinto, and food and commodities businesses Kraft Heinz, Archer-Daniels-Midland, and Bunge all saw their profits far outpace inflation following Russia's invasion of Ukraine.

III. _____³

"Because energy and food prices feed so significantly into costs across all sectors of the wider economy, this exacerbated the initial price shock - contributing to inflation peaking higher and lasting longer than had there been less market power," the report said. After the analysis of 1,350 companies listed on the stock markets in the UK, US, Germany, Brazil, and South Africa, the report said firms in the technology sector, telecommunications, and the banking industry also pushed through significant price increases that raised their profit margins.

IV. _____⁴

"Such companies have been able to protect their profit margins or even increase them, generating excess profits through a combination of high market power and global market dynamics," the report added. Isabella Weber, an economist at the University of Massachusetts, showed how certain sectors can have a huge impact on inflation across the wider economy. The report mirrors research by the Unite union, which last year revealed how the biggest price increases affecting the UK consumer prices index (CPI) were driven by firms that either maintained or improved their profit margins.

V. _____⁵

Just four food companies control an estimated 70% of the world grain market. "This has caused significant harm to the economy as a whole," the report said. "Global GDP could be 8% higher than it is now had market power not risen. Labour income is likely significantly lower, and overall economic activity is weaker than in a counterfactual world where big corporations were less dominant," it added.

VI. _____⁶

Some members of the US Central Bank, and the Federal Reserve, have acknowledged that prices have risen in order to boost profits. Isabel Schnabel, a member of the executive board of the European Central Bank, said that "on average, profits have recently been a key contributor to total domestic inflation, above their historical contribution". Jung and the Common Wealth economist Chris Hayes said a tax on the estimated \$4tn of surfeit global profits was needed, alongside moves to break up monopolistic practices that allowed firms to exploit their market power. Jung said the Bank of England had fallen behind in the debate and needed to "catch up".

Sources: *The Guardian*, *ft.com*



8

Reading comprehension

Read the article and answer the questions true (T) or false (F).

1. Inflation in the UK is at its highest level for sixty years. _____
2. American food companies have seen their profits increase substantially. _____
3. The banking industry decided against raising prices. _____
4. Isabella Weber found that certain sectors may have a minimal impact on inflation across the wider economy. _____
5. Workers earn much less compared to a scenario in which there are fewer powerful corporations. _____

9

Optional extension/homework

Read the clues and fill in the crossword on page nine.

Down

- 1) Organisations that conduct research and analysis on various topics
- 3) Intense desire for wealth
- 4) A concept from a specific subject area that has become fashionable due to frequent use
- 5) Made more severe or intense
- 8) A sudden and significant change in the cost of goods or services

Across

- 2) Increase in general price levels
- 6) Workers' collective action in protest
- 7) Large business entity
- 9) People or groups that criticise or express disapproval of a person or a policy
- 10) Individuals or entities contributing support

