

NOVEMBER 2023

A SPECIAL REPORT ON
GREEDFLATION

HOW CORPORATIONS ARE MAKING RECORD PROFITS ON THE BACKS OF AMERICAN FAMILIES



SENATOR BOB CASEY
CHAIRMAN, SUBCOMMITTEE ON CHILDREN & FAMILIES
HEALTH, EDUCATION, LABOR, & PENSIONS COMMITTEE

A DAY IN THE LIFE

MEET ANNE

Anne is a Pennsylvania mom of two kids, ages six and two. She has a middle class job and took home the median household income in Pennsylvania: approximately \$68,000.¹ In 2021 she spent nearly \$67,000 for herself and her family, the national average.² With the right amount of budgeting, Anne's family has been able to live comfortably and pay their bills. But lately, Anne has noticed that her dollar isn't going as far as it used to. Some of this can be attributed to inflation, which has squeezed the budget of families like Anne's over the last few years. But Anne can't shake the feeling that something else is going on. Even as inflation has moderated in the last year, Anne still struggles to make ends meet and wonders whether she is being taken advantage of.

Anne's intuition is correct: like millions of Americans, Anne is falling victim to greedflation. Corporations are using inflation as a cover to raise prices, while raking in record profits at the expense of Anne and middle class families like hers. This report will follow Anne through her typical day to show how greedflation is hurting her family.



GREEDFLATION

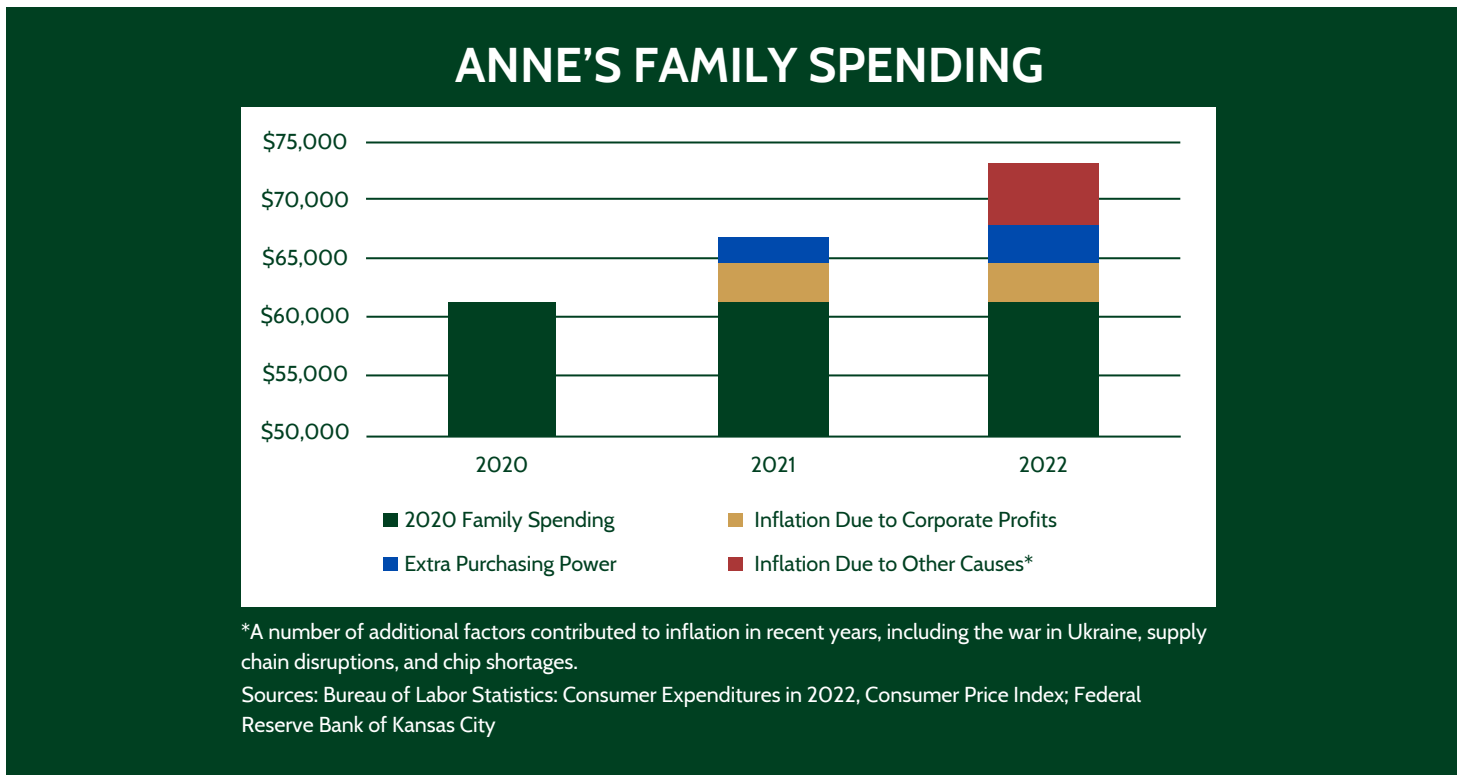
While monthly inflation has slowed with the help of Democrats' passage of the *Inflation Reduction Act*,³ families like Anne's are still living with artificially high prices. From July 2020 through July 2022, inflation rose by 14 percent,⁴ but corporate profits rose by 75 percent over those two years,⁵ five times as fast as inflation.



Corporations raised prices on consumers – not to offset inflation – but to increase their own profits. Federal Reserve research found that “corporate profits contributed a large percentage to inflation in the first year and contributed much less in the second” after the pandemic. In particular, they found that corporate profits accounted for all the inflation in the first year of the pandemic recovery (roughly July 2020 to July 2021) and 41 percent of inflation overall in the first two years of the post-pandemic recovery (July 2020 to July 2022).⁶

Putting that in terms of Anne’s family budget: Anne’s family expenses went up by \$3,194 in 2021 and by \$3,546 in 2022 just due to corporate profiteering.

According to the Bureau of Labor Statistics (BLS) the average family spent \$61,332 in 2020. Average family spending grew to \$66,928 in 2021,⁷ or 9.1 percent. It would seem like Anne was able to spend a lot more in 2021, but inflation also rose by 5.2 percent from July 2020 to July 2021. That means of the \$5,596 extra she spent in 2021, about \$3,194 was due to inflation. According to the Federal Reserve research, all of that \$3,194 in inflation was due to corporate profit-taking.



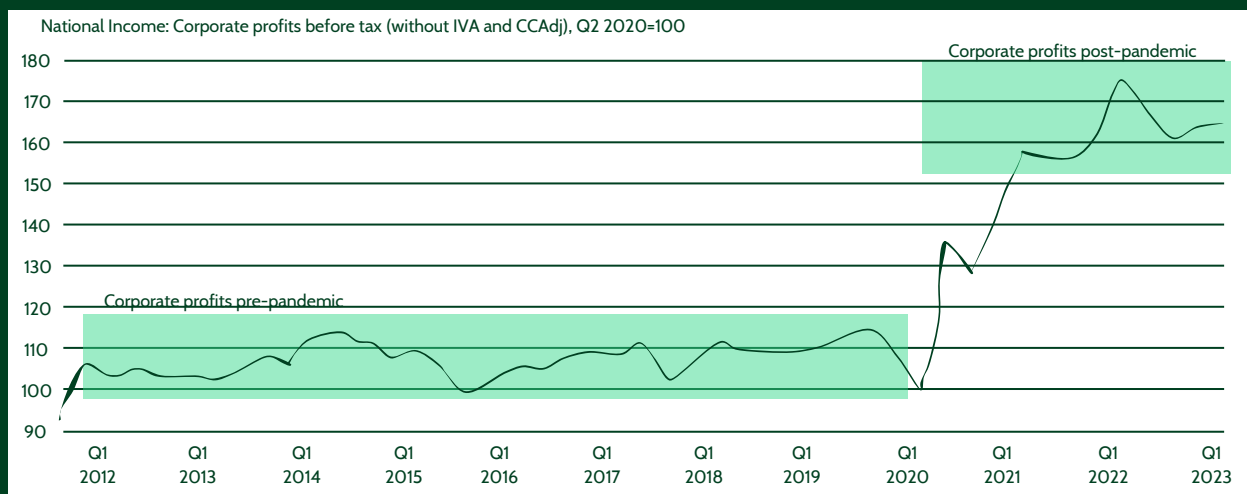
In 2022, Anne’s family spending grew with the national average to \$72,967. That means that since 2020, her annual spending had grown \$11,633, a 19 percent increase. Of her total increase in spending since 2020, \$8,587 or 14.1 percent just went to catching up with inflation.



The year 2022 did see some inflationary events like the war in Ukraine and various supply chain disruptions for micro processing chips, lumber and other goods. But still, according to the Federal Reserve research, Anne's family paid \$3,546 just toward corporate profiteering in 2022, above what she had paid in 2020.

In total in 2021 and 2022, Anne paid \$6,740 more as a result as a result of greedflation. That \$6,740 could have gone to new winter coats for her kids, or to enroll her oldest in after-school activities, or even a few family dinners out so that Anne could take a night off from cooking. Instead, it lined the pockets of corporate executives and wealthy shareholders. Corporate profits in 2023 remain well above their pre-pandemic levels. That means Anne will continue paying at least \$3,546 for corporate greed this year.

CORPORATE PROFITS (2012-2023)



Other analysts have reached similar conclusions as the Federal Reserve research and our report, finding that increased corporate profits comprise a large portion of increased inflation in the post-pandemic period. These analysts include the President of the European Central Bank,⁸ the International Monetary Fund (IMF),⁹ the Economic Policy Institute (EPI), and Roosevelt Institute, among others.¹⁰

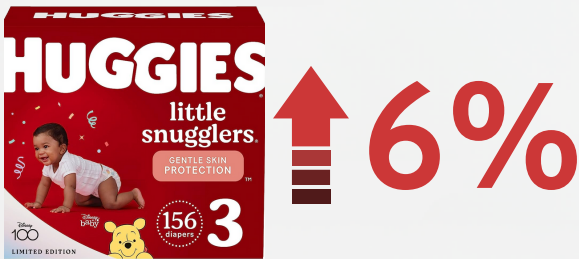


MORNING ROUTINE: GETTING KIDS DRESSED AND FED

Anne starts each day by waking up her two kids to them get ready for school and day care before she drives to work. Her morning routine is the same as many Pennsylvania families—changing diapers, brushing teeth, pouring cereal, and rushing out the door. These days, for Anne and many others, mornings are no longer just hectic, they're also more expensive.

RECEIPT

HUGGIES DIAPERS



from April to June 2023

CREST TOOTHPASTE



from October to December 2022

FROSTED FLAKES



from June 2022 to June 2023

In its Q3 2023 quarterly report Kimberly-Clark, the maker of Huggies, reported that the cost to make its products fell by \$75 million, including in the segment that makes diapers. Instead of passing those savings along to consumers, Kimberly-Clark banked \$168 million in operating profits in Q3 2023.¹²

In a filing with the Securities and Exchange Commission, Proctor and Gamble noted that a net sales increase in fiscal 2023 was driven by “higher pricing.”¹⁴ During a recent earnings call with investors, Proctor and Gamble reported that it does not see a need to offer sales or price cuts on their products.¹⁵

In its 2022 fiscal fourth quarter, Kellogg reported better-than-expected profit.¹⁷ During its Q4 2022 earnings call, the company stated that “Our cash flow increased year-on-year” and discussed how it would spend more on buybacks and increased dividends.¹⁸



GROCERY STORE

On her way home from work, Anne stops by the grocery store to do her weekly shopping. She buys a chicken to roast for dinner that evening, snacks to pack in her kids' lunches, and a few pints of ice cream as a treat. She also stocks up on household products like dish soap, toilet paper, and surface cleaner.

Tyson doubled their profits from Q1 2021 to Q1 2022²¹ and had record revenue in 2022, which it attributed to “improved performance in our chicken segment.”²²

Over the past 3 years Tyson Foods has been ordered to pay hundreds of millions in penalties and restitution by federal²³ and state²⁴ authorities for “illegally conspiring to inflate chicken prices.”

In the first half of 2023, Ben & Jerry's parent company, Unilever, saw its sales volume decline, yet its operating profits increased by 20%.²⁶

PepsiCo's CFO admitted in April 2023 that even though inflation was going down, their prices would not.²⁸ Later that month, he bragged in an TV interview that he didn't “think [PepsiCo's profit] margins are going to deteriorate at all” and that “consumers generally look at our products and say ‘you know what – they are worth paying a little bit more for.’”²⁹

RECEIPT

CHICKEN



↑ 20%

in 2021

BEN & JERRY'S ICE CREAM



↑ 12%

from April to June 2023

SUN CHIPS



↑ 16%

from January to March 2023



Colgate-Palmolive's CEO admitted on a 2022 earnings call that price increases have helped them improve their gross margins. He later bragged that Colgate-Palmolive has "led pricing" compared to other companies, and that "We have seen competitors begin to follow," reducing pressure on his own company to cut prices.³¹

Clorox's CEO has noted that its products are "household essentials' that can withstand" inflation.³³ On an investor call, she discussed how the company is "coming off four rounds" of "significant price increase." When asked if Clorox might roll back price increases as commodity prices fall, the company admitted it "anticipate[s] the pricing increases will stick."³⁴

Kimberly-Clark saw profit increase by more than \$100 million when comparing Q3 2023 to Q3 2022. The company attributed the increase in profit to higher prices.³⁶ According to the Kimberly-Clark CEO, the increased profits despite price increases "reflect the essential nature of our categories."³⁷

PALMOLIVE DISH SOAP



12%

from March 2022 to March 2023

CLOROX MULTI-SURFACE CLEANER



16%

from June 2022 to June 2023

SCOTT TOILET PAPER



10%

from October 2022 to March 2023



MOVIE NIGHT

Friday night is movie night in Anne's house. After a spirited debate at the dinner table between Anne and her six-year-old, they decide to watch a classic: Finding Nemo. Anne grabs the popcorn from the pantry, cracks a Diet Coke to keep herself awake, and they settle in for movie night. It's a perfect evening for Anne's family, except that it's costing more than it used to.

RECEIPT

ORVILLE REDENBACHER'S POPCORN



from October to December 2022

DIET COKE



from October 2022 to October 2023

DISNEY+



in 2022

Conagra's CFO noted that "Food companies tend to do better" when consumers are watching their household budgets "because people... don't go out to eat as much" which "plays well for us."³⁹ An analyst at Goldman Sachs noted that Conagra "has been able to price its profits above inflation rates and recovered its profit margins."⁴⁰

The CEO of Coca-Cola claimed that the company had "earned the right" to push price hikes because its sodas are popular.⁴²

Price increases would continue to "better reflect the value of our content offerings," said Disney's CEO.⁴⁴



CONCLUSION

Greedflation is costing Anne's family every day. While Anne is budgeting and finding it harder to save for the future, corporations are getting richer – and greedier. Corporate executives have openly bragged that they will keep prioritizing their profits over their customers like Anne. These companies charge artificially high prices for classic brands and staple products simply because they can. And because they believe they have “earned the right” to charge families like Anne's more to line their shareholders' pockets.

Senator Casey believes enough is enough: It's time to put a stop to greedflation. He knows that we can lower costs for working families like Anne's by doing four simple things:

PUT MORE MONEY IN THE POCKETS OF WORKING FAMILIES

Congress should take immediate steps to provide middle-class American with more disposable income and to ensure that they are equal participants in a growing economy.

- The Child Tax Credit monthly payments from the American Rescue Plan, which Senator Casey strongly supported, drastically reduced child poverty, dipping to the lowest level on record.⁴⁵ Over 2.2 million Pennsylvania parents used those payments for food, rent, school supplies, and child care.⁴⁶ Reinstating the Child Tax Credit monthly payments will help families like Anne's breathe easier.
- Over the past few years, Senator Casey has fought to pass laws like the *American Rescue Plan*, *CHIPS and Science Act*, *Infrastructure Investment and Jobs Act*, and *Inflation Reduction Act*, which have grown Pennsylvania jobs numbers to the highest on record and sent the Pennsylvania unemployment rate down to the lowest level on record.⁴⁷ Senator Casey will keep fighting to provide good-paying job opportunities for Pennsylvania families.
- Senator Casey supports raising the minimum wage, which has been stuck at \$7.25 since 2009, to at least \$15 an hour. He is also fighting to eliminate the subminimum wage, which would raise wages for workers with disabilities, some of whom are being paid as little as a few cents an hour.



MAKE BIG CORPORATIONS PAY THEIR FAIR SHARE

The 2017 Republican tax bill, which Senator Casey firmly opposed, lowered the corporate tax rate from 35 percent to 21 percent while adding at least \$1.8 trillion to the national debt.⁴⁸ Proponents claimed that the corporate tax cuts would trickle down to a \$4,000 raise for the average family, but that benefit never materialized for most families.⁴⁹ Instead, corporations bought back stocks from shareholders. The S&P 500 companies spent a record \$806 billion on stock buybacks in 2018 alone.⁵⁰

- The 2017 tax law clearly failed to bring any significant relief to American consumers. Senator Casey believes that raising the corporate tax rates and making corporations pay their fair share would give families like Anne a fighting chance.⁵¹
- Senator Casey introduced the *Tax Fairness for Workers Act*, legislation to reverse a provision in the 2017 tax bill that stripped workers of their ability to deduct common expenses incurred because of their work. Furthermore, it would improve upon the previous deduction so all workers can deduct the cost of their union dues “above the line.”⁵²



FIGHT UNFAIR CORPORATE PRICE GOUGING

There needs to be real, concrete consequences when corporations engage in the price gouging.

- Senator Casey supports legislation like the *Big Oil Windfall Profits Tax Act*⁵³ and the *Price Gouging Prevention Act*⁵⁴ to bring price relief to consumers like Anne. The *Big Oil Windfall Profits Tax Act* would provide quarterly rebates of excess profits to working families.
- Senator Casey also fought to pass historic legislation in 2022 allowing Medicare to negotiate prescription drug prices for the first time. The law also capped the price of insulin for Medicare recipients at \$35, all of which will save consumers billions.



TAKE ON CORPORATE MONOPOLIES TO INCREASE COMPETITION AND LOWER COSTS

When corporations grow large enough to control an entire market, they reduce competition and can harm customers and workers alike.

- Senator Casey voted for legislation to empower antitrust enforcement and protect consumers, including substantially increasing outdated merger filing fees for large transactions, requiring disclosure of foreign subsidies in premerger filings, and increasing funding for antitrust enforcement.⁵⁵
- Senator Casey also led several of his colleagues in urging the Biden Administration to utilize all of its oversight tools to ensure that hospital consolidation does not lead to harm for patients, nurses, and doctors.⁵⁶ He also supports banning corporate practices that keep workers from leaving to find new jobs at competitors.⁵⁷
- Senator Casey wrote to the Federal Trade Commission urging it to investigate whether pending mergers of huge oil and gas companies would drive up oil and gasoline prices and violate antitrust law and, if so, to oppose the mergers.⁵⁸



ADDENDUM

EXTRA INFORMATION ON PRODUCT PRICE RAISES

- **Huggies Diapers:** The cost of Huggies diapers rose 6% from April to June 2023.¹¹
- **Crest Toothpaste:** Proctor and Gamble, maker of Crest toothpaste, increased prices by about 7 percent in Q4 2022, year over year.¹³
- **Frosted Flakes:** Kellogg raised prices on its products over 14 percent between Q2 2022 and Q2 2023.¹⁶
- **Chicken:** Tyson Foods, the nation's largest chicken producer, raised prices by 20 percent in 2021.¹⁹ Prices for boneless chicken rose to a record high of \$4.75 per pound wholesale in 2022 and remain over a dollar per pound higher than they were pre-pandemic.²⁰
- **Ben & Jerry's Ice Cream:** Unilever, maker of Ben & Jerry's ice cream, raised prices by 12 percent during a single quarter in 2023.²⁵
- **SunChips:** PepsiCo, maker of SunChips, raised the average price of its snacks and beverages by 16 percent in the first three months of 2023.²⁷
- **Palmolive Dish Soap:** Prices for Colgate-Palmolive products increased 12 percent between first quarter 2022 and first quarter 2023.³⁰
- **Clorox Multi-Surface Cleaner:** Clorox raised prices in their Health and Wellness segment by 16 percent between fiscal Q4 2022 and fiscal Q4 2023. This price raise meant that customers bought 2 percent fewer of their products. But the net result of higher prices and lower sales was good for Clorox's bottom line: their revenue rose 12 percent, beating expectations.³²
- **Scott Toilet Paper:** Kimberly-Clark Corp, the maker of Scott, Cottonelle, and Viva toilet paper raised prices by 10 percent for two straight quarters.³⁵
- **Orville Redenbacher's Popcorn:** Conagra, which owns the Orville Redenbacher brand, increased its prices by 17 percent in the quarter leading to January 2023. In the three previous quarters, it increased prices by 14 percent, 13 percent, and 9 percent.³⁸
- **Diet Coke:** Last year, Coca-Cola increased the average selling price of its products by 11 percent.⁴¹
- **Disney+:** Disney+ increased its ad-free subscription service by \$30 a year to a whopping \$140. Disney also owns Hulu, which increased its ad-free price by \$36 a year.⁴⁴



REFERENCES

1. <https://www.census.gov/quickfacts/fact/table/PA/INC110221> (Accessed November 2, 2023)
2. <https://www.bls.gov/opub/reports/consumer-expenditures/2021/home.htm>
3. <https://apnews.com/article/inflation-prices-interest-rates-economy-federal-reserve-8ab5c75e191a31942f2fc1eeb8fa44c>, <https://democrats-budget.house.gov/resources/reports/inflation-reduction-act-one-year-later-lower-costs-cleaner-communities#:~:text=Under%20President%20Biden%2C%20more%20than,inclusive%20growth%20as%20wages%20rise>. The Inflation Act included several provisions to lower families' expenses and also placed new taxes on excess profiteering by large corporations.
4. <https://fred.stlouisfed.org/graph/?g=1aF4V>
5. <https://fred.stlouisfed.org/graph/?g=1aF9q>
6. <https://www.kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022/>
7. <https://www.bls.gov/news.release/cesan.nr0.htm>
8. <https://www.theguardian.com/business/2023/jun/27/corporate-profits-driving-up-prices-ecb-president-christine-lagarde>
9. <https://www.imf.org/en/Blogs/Articles/2023/06/26/europes-inflation-outlook-depends-on-how-corporate-profits-absorb-wage-gains>
10. <https://www.epi.org/blog/even-with-todays-slowdown-profit-growth-remains-a-big-driver-of-inflation-in-recent-years-corporate-profits-have-contributed-to-more-than-a-third-of-price-growth/>, https://rooseveltinstitute.org/wp-content/uploads/2022/06/RI_PricesProfitsPower_202206.pdf, <https://www.elgaronline.com/view/journals/roke/11/2/article-p183.xml>
11. Q2 2023 KimberlyClark Corp Earnings Call, LexisNexis, accessed 10/27/2023
12. <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000055785/000005578523000064/kmb-20230930.htm>
13. <https://apnews.com/article/pg-earnings-inflation-7dbf16980b3aa22462d6ff84faad212a>



14. <https://www.sec.gov/ix?doc=/Archives/edgar/data/80424/000008042423000073/pg-20230630.htm>
15. <https://finance.yahoo.com/news/procter-gamble-company-nyse-pg-124130550.html>
16. <https://www.fooddive.com/news/kellogg-boosts-outlook-after-raising-prices/689942/>
17. <https://www.cnbc.com/2022/02/10/kellogg-may-raise-prices-again-in-2022-amid-double-digit-cost-inflation-says-ceo.html>
18. <https://finance.yahoo.com/news/kellogg-company-nyse-k-q4-202405110.html>
19. <https://www.latimes.com/business/story/2023-05-10/column-these-are-the-companies-whose-thirst-for-profits-drove-inflation-higher>
20. <https://fred.stlouisfed.org/series/APU0000FF1101>
21. <https://time.com/6269366/food-company-profits-make-groceries-expensive/>
22. <https://talkbusiness.net/2022/11/tyson-foods-reports-fiscal-year-income-up-6-2-revenue-up-13-2/>
23. <https://www.reuters.com/article/us-tyson-foods-chicken-settlement/tyson-foods-to-pay-221-5-million-to-settle-some-chicken-price-fixing-claims-idUSKBN29O2IK>
24. <https://www.atg.wa.gov/news/news-releases/ag-ferguson-s-price-fixing-lawsuit-nets-105-million-washingtonians-tyson-foods>
25. <https://qz.com/unilever-ice-cream-sales-inflation-benefits-revenue-1850673152>
26. <https://qz.com/unilever-ice-cream-sales-inflation-benefits-revenue-1850673152>
27. <https://www.nytimes.com/2023/05/30/business/economy/inflation-companies-profits-higher-prices.html>
28. <https://seekingalpha.com/article/4596343-pepsico-inc-pep-q1-2023-earnings-call-transcript>
29. <https://www.bloomberg.com/news/videos/2023-04-25/people-are-willing-to-pay-more-for-pepsi-cfo-says-video>
30. <https://www.nytimes.com/2023/05/30/business/economy/inflation-companies-profits-higher-prices.html>
31. Q3 2022 ColgatePalmolive Co Earnings Call, LexisNexis, accessed 11/3/2023
32. <https://www.reuters.com/business/retail-consumer/clorox-forecasts-strong-annual-profit-higher-prices-steady-demand-2023-08-02/>. See also: <https://www.prnewswire.com/news-releases/clorox-reports-q4-and-fy23-results-provides-fy24-outlook-301891903.html>
33. <https://www.cnbc.com/2022/05/04/cloroxs-brands-are-inflation-proof-and-can-thrive-in-recessions-ceo-says.html>
34. <https://finance.yahoo.com/news/clorox-company-nyse-clx-q4-175412192.html>



35. <https://www.marketwatch.com/story/greedflation-is-replacing-inflation-as-companies-raise-prices-for-bigger-profits-report-finds-bfb51060>
36. <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000055785/000005578523000064/kmb-20230930.htm>
37. Q2 2023 KimberlyClark Corp Earnings Call, LexisNexis, accessed 10/27/2023
38. <https://www.wsj.com/articles/conagra-cfo-doesnt-see-need-for-big-price-increases-in-near-term-11673561602>
39. <https://www.wsj.com/articles/conagra-cfo-doesnt-see-need-for-big-price-increases-in-near-term-11673561602>
40. <https://www.nytimes.com/2022/11/01/business/food-prices-profits.html>
41. <https://www.reuters.com/business/retail-consumer/coca-cola-sees-annual-profit-above-estimates-resilient-demand-price-hikes-2023-02-14/>
42. <https://www.reuters.com/business/retail-consumer/raise-prices-or-not-consumer-goods-makers-weigh-bets-buyer-strength-2023-02-20/>
43. <https://www.cnet.com/tech/services-and-software/disney-plus-price-hike-what-it-means-for-your-next-bill-and-ways-to-save/>
44. <https://www.wsj.com/articles/pricing-power-this-is-kate-spades-hottest-bagand-it-costs-500-83bdfd7b>
45. <https://www.epi.org/blog/child-tax-credit-expansions-were-instrumental-in-reducing-poverty-to-historic-lows-in-2021/>
46. <https://www.census.gov/library/stories/2021/10/nearly-a-third-of-parents-spent-child-tax-credit-on-school-expenses.html>
47. <https://www.media.pa.gov/Pages/Labor-and-Industry-Details.aspx?newsid=807#:~:text=Pennsylvania's%20total%20nonfarm%20jobs%20were,new%20all%20time%20high%20level.>
48. <https://archive.triblive.com/news/politics-election/toomeys-says-tax-bill-to-spur-growth-while-casey-calls-it-raw-deal/>, <https://www.cbo.gov/publication/53437>
49. <https://www.americanprogress.org/article/trumps-corporate-tax-cut-not-trickling/>
50. <https://apnews.com/article/438fae12f9204b1fbd8e8b1985ae554f>
51. <https://www.casey.senate.gov/fivefreedoms/next-steps>
52. <https://www.casey.senate.gov/news/releases/casey-introduces-legislation-to-make-tax-code-fairer-for-workers-combat-union-busting>
53. <https://www.congress.gov/bill/118th-congress/senate-bill/408/cosponsors>
54. <https://www.congress.gov/bill/117th-congress/senate-bill/4214/cosponsors>



55. <https://www.congress.gov/bill/117th-congress/house-bill/2617/text>
56. https://www.casey.senate.gov/imo/media/doc/letter_to_ag_garland_and_ftc_chair_khan_re_anti-competitive_hospital_consolidation.pdf,
<https://rollcall.com/2021/07/09/biden-orders-agencies-to-look-at-hospital-consolidation-costs-of-drugs-and-hearing-aids/>
57. <https://www.nlr.gov/news-outreach/news-story/nlr-general-counsel-issues-memo-on-non-competes-violating-the-national>
58. <https://www.casey.senate.gov/download/letter-to-ftc-re-exxon-pioneer>

