COST OF LIVING CRISIS

An explainer

Background

Europe remains in the grip of the worst cost of living crisis of the past 50 years, with staggering inflation and looming energy bills eroding wages for people across the continent. Over the past year, food prices have gone through the roof: [average milk prices in the EU have increased by 43 percent and rice now costs 68 percent more]than last year.

Together with food, rental prices increased almost everywhere.According to [Eurostat], rents have increased by 18% since 2010. Estonia and Ireland are among the countries recording the highest escalation, with a hike of 214% and 82% respectively. As if skyrocketing prices weren't bad enough, a report from Eurofound found that [thousands of Europeans have lost their jobs]as a result of the energy crisis.

Yet not everyone seems to be losing out in this cost of living crisis. Energy companies, pharmaceutical corporations, big tech and multinationals operating in the food and luxury sectors have all been raking in billions of euros in profits. Within the first two years of the Covid-19 pandemic, when the entire world was brought to an economic standstill, [573 new billionaires emerged], at the rate of one every 30 hours. Today the world's ten richest men have more wealth than the poorest 40 percent of humanity — 3.1 billion people — combined.

This ravaging inequality is the result of decades of neoliberal reforms and austerity, trampling labour rights while cutting social spending. This is not the time for hesitant recommendations, a radical overhaul of the current state of affairs is needed, protecting the lives and dignity of workers across Europe: increase pay, tax profits and stop speculation.

Increase pay

While inflation in the European Union is now record breaking (11.5 percent), real wages have fallen in every EU member state this year by as much as 9%, while corporate profits continue to rise. Research conducted by ETUC indicates that the average annual energy bill is now more than a month's wages for low paid workers in the majority of EU member states. Users of food banks shot up in the past months (85,000 in Italy alone) and increasing numbers of workers across Europe are taking on additional jobs to try to cover ever rising energy bills, food and rent.

The International Labour Organisation highlights that low-paid workers are the ones hit hardest by the crisis since a big part of their salary is used to buy essential goods, where inflation is rising faster. Protests, strikes and industrial action have shaken the capitals of all European member states with demonstrators calling for better wages and support measures to combat the cost of living crisis.

Economists and trade unions agree: corporate profits - not wages - are the driving force behind rising inflation and cost of living crisis. Workers across Europe are, once again, footing the bill for the hardship inflicted upon them by the rich.

Tax profits & Stop Speculation

While workers struggle to make ends meet, multinational corporations operating in the energy, tech, food and luxury sectors have been enjoying an unprecedented cash bonanza. European big energy companies such as Shell,TotalEnergies, Eni, and Repsol made a combined total profits of €77.9bn over the nine first months of 2022.

Food giant Cargill is expected to report record profits this year, surpassing even last year's record-breaking US$5 billion.

Pharmaceutical companies have seen their profits soar thanks to the pandemic, especially as vaccines were developed thanks to public subsidies. The pandemic has created 40 new pharma billionaires. Pharmaceutical corporations like Moderna and Pfizer are making $1,000 profit every second just from their monopoly control of the COVID-19 vaccine, despite its development having been supported by billions of euros in public investments.

Similarly, companies operating in the luxury sector have been registering record profits: Prada Group's sales in Europe for example, rose by 22 percent for the first half of 2022, with a revenue of €1.9 billion.

These figures stand in stark contrast with the falling wages of workers and families in Europe. Taxing corporate super profits, and especially windfall profits driven by the pandemic and the war, could generate additional revenues that could partially mitigate the adverse effect of inflation on the poorest.

The view from the Left

The record profits of multinationals has spurred a discussion on "greedflation" exploring the connection between corporate power more generally and higher prices. Greedflation occurs when large corporations increase their prices during times of extreme strife—like during a worldwide pandemic or a war.

Workers and families are once again bearing the cost of this crisis while multinationals keep making unprecedented profits. We need to put an end to these growing inequalities. Wages, social security and pensions need to be urgently raised above the inflation rate.

It is not acceptable to "socialise losses and privatise profits". The obscene corporate profits of the past two years is the direct result of speculation and market concentration in the hands of a few powerful actors. These need to be taxed and redistributed, providing liquidity to finance urgent measures to tackle the cost of living crisis.