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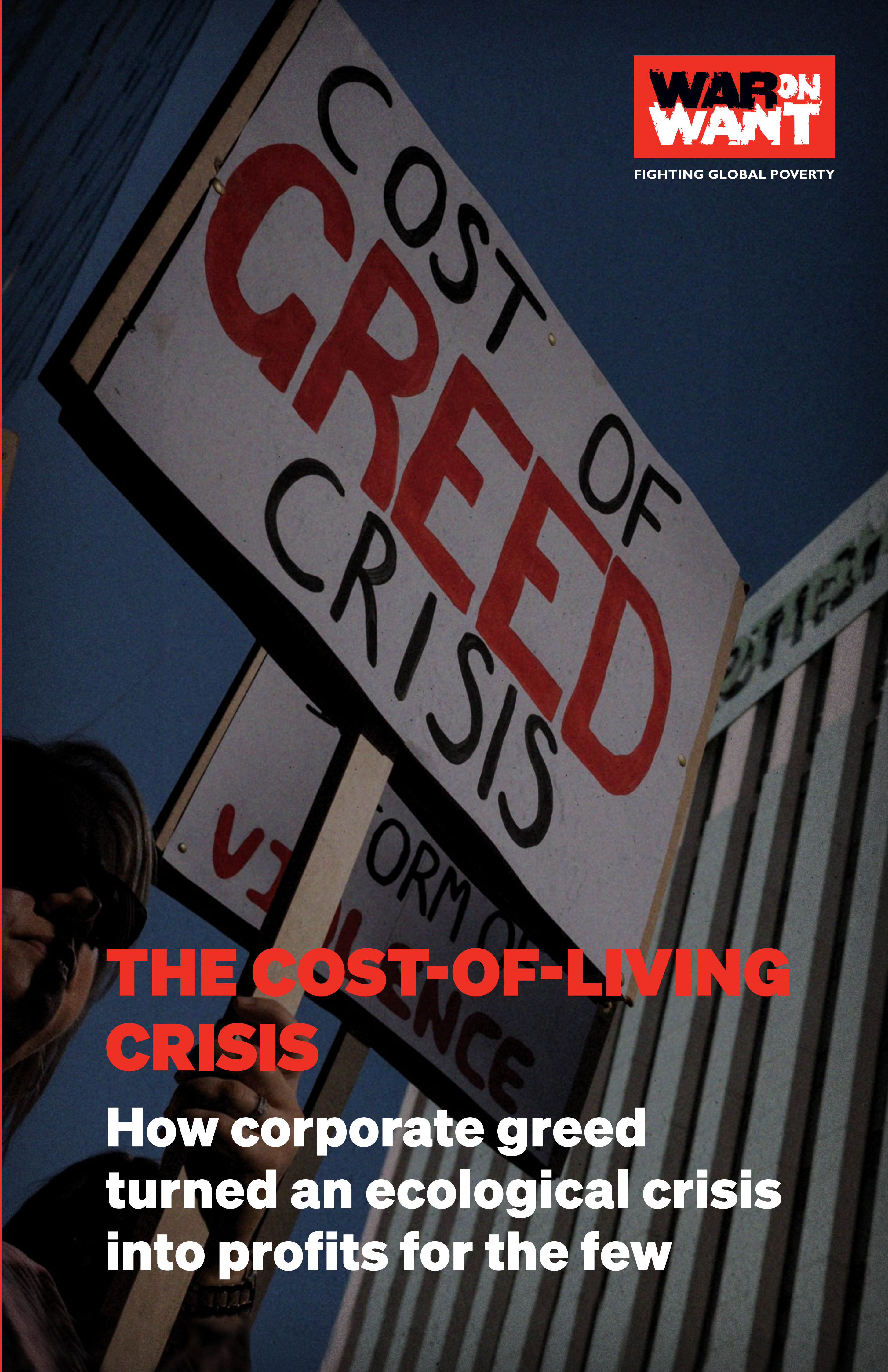

THE COST-OF-LIVING CRISIS

How corporate greed turned an ecological crisis into profits for the few

The cost-of-living crisis:
How corporate greed turned an ecological crisis into profits for the few

September 2023

Written by James Meadway with the War on Want policy team

About War on Want

War on Want fights against the root causes of poverty and human rights violations, as part of the worldwide movement for global justice.

We do this by:

- working in partnership with grassroots social movements, trade unions and workers' organisations to empower people to fight for their rights
- running hard-hitting popular campaigns against the root causes of poverty and human rights violations
- mobilising support and building alliances for political action in support of human rights, especially workers' rights
- raising public awareness of the root causes of poverty, inequality and injustice, and empowering people to take action for change.

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The success of our work relies on inspiring people to join the fight against poverty and human rights abuse.

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Cover image: Protest against fuel energy price rises and the cost of living crisis outside the headquarters of Scottish Power in Glasgow, August 2022.

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Introduction

Globally, people are facing multiple and deepening crises. The rising cost of living, poverty, inequality, hunger and a lack of access to COVID-19 vaccines, are combining, amplifying, and come on the back of a climate crisis that is impacting the poorest the most.

These are not separate or isolated crises but the result of decisions made by those who hold power – governments and corporations. These crises are the inevitable result of an economic system rigged to generate increasing wealth and power for rich elites, billionaires and corporations – at the expense of the vast majority of people on this earth. This is the background to the current 'cost-of-living' crisis: a cost-of-greed crisis.

For 500 years, the logic of exploitation of people and the limitless extraction of resources has fuelled slavery, colonialism and imperialism. The manifestation of this logic that has prevailed for the last four decades, known as neoliberalism, stressed the superiority of 'free markets' that actually embedded structures of exploitation and oppression in a system of 'racialised capitalism' across the globe. Even as some countries previously most enthusiastic about neoliberal economics have seemingly turned away from the free market approach, those oppressive and exploitative structures have remained in place.[1]

This system has brought vast wealth and influence over trade, tax and other financial policies for a select few. For everyone else, the current 'cost-of-living' crisis is yet another shock that has its roots in an unfair global economic system. One based on relentless extraction and exploitation in pursuit of wealth through any means necessary, regardless of the damage to communities and to the planet.

As governments determine how best to respond, it is clear that tinkering around the edges of a failed economic system will not be enough to meet and reverse the damage being done to people and planet. Instead, a radical vision of alternatives is needed, proposed through the framework of a Global Green New Deal;[2] which prioritises a fair global economy. Key to a shift to a just world will be the transfer of wealth back to the Global South, the redistribution of wealth within countries, public ownership and dismantling corporate power, and countries paying their fair share of responsibility for climate breakdown.

1. The global cost-of-living crisis

The cost-of-living crisis is truly global. Hardly any parts of the world remained untouched by the dramatic rise in prices for energy and essential goods in 2022.

The International Monetary Fund (IMF) reports that the average rate of inflation globally rose from 3.2% in 2017 to 7.4% in 2022, bringing three decades of low inflation – starting from the early 1990s – to a halt.[3] These headline figures show the *average* change in price for a 'basket of goods and services (such as childcare)' that an *average* person might buy. However, there is no such thing as an 'average' person; everyone buys slightly different things and the poorer someone is, the higher the proportion of their income they must spend on essentials such as food, housing, and energy for heating and cooking.[4] 'Average' inflation figures obscure the true picture.

Essentials are *precisely* the items that most rapidly increased in price during 2022. When their prices rise significantly, people have no choice but to divert spending away from other items to carry on buying essentials. For the poorest, this means falling even further into poverty and debt to survive. This is the cost-of-living crisis, felt hardest by those with the least.

As people or 'consumers' across a society spend less on non-essential goods or services (such as leisure activities), the likelihood of a country's economy being dragged into a recession increases, i.e. as demand across much of the economy falls.[5] When this happens, businesses close, and unemployment increases.

Companies supplying essentials see more income flow into their businesses as the price of these goods and services rise. Where these companies are monopolies, or near-monopolies – i.e. a single seller in a market, or holding a dominant market share of a specific essential good or service – a company's profits are even greater, as the lack of competitors forces more consumers to buy from that company.[6] The result is a greater concentration of society's wealth in the hands of those companies' shareholders. In turn, these monopolistic corporations hold more sway over the economy, gaining greater access to the levers of governmental power – and even greater influence over national trade deals and taxation policies already catering to the richest in society.

a) The global food system

Global food prices shot up by more than a third in 2022, and are forecast to rise further throughout 2023. March 2022 saw the biggest one-month increase in food prices since the United Nations (UN) began providing a global price index to measure relative price changes in 1990. The soaring cost of food is exacerbating the wider cost-of-living crisis, since food is an essential. Rapid rising food prices are expected to dramatically increase global poverty; and have already provoked riots and instability in food-insecure regions such as parts of Africa, South Asia and conflict affected countries.[7] Among Global North economies, where average incomes are typically higher and, historically, economic shocks have been less severe, similar effects on poverty rates and the cost of living are beginning to appear, as the price of food spirals upwards.

Table 1 Global inflation rates, 2017-2022

	2017	2018	2019	2020	2021	2022	5 Year change
Advanced economies	1.7	2	1.4	0.7	3.1	5.7	4
Emerging market and developing economies	4.4	4.9	5.1	5.2	5.9	8.7	4.3
World	3.2	3.6	3.5	3.2	4.7	7.4	4.2

Source: International Monetary Fund databank

From Britain to the Global South, rising food prices are causing millions to go hungry.

However, the rising cost of food is not the result of *lack* of food globally: there is plenty of food grown and produced in the world to sufficiently feed everyone. In fact, enough food is grown globally to feed everyone *6,000 calories a day* – when just 2,250 calories per person, per day, is sufficient. The world could be fed more than twice over.

Yet millions are going hungry because much of the food produced is lost or wasted in the supply chain.[8] This is a failure of the global food system, built on a colonial model of Global North extraction, the plundering of resources of the Global South – and profiteering on an industrial scale. The entire food supply chain from seed to market is now concentrated in the hands of just a few multinational corporate 'agribusiness' monopolies. Whilst large-scale agribusiness creates huge waste in the rush for profit, peasant farmers with far fewer resources feed at least 70% of the world's population on just 30% of arable land.[9]

Between them, the four biggest global agribusinesses have seen their profits soar 255% since the pandemic.

The major agribusinesses aim to squeeze maximum profit from the food system by occupying and controlling as much of the supply chain as possible (from land ownership to pesticide and fertiliser markets, to production and retail). Rising global food prices have translated into rapidly growing agribusiness profits. The pandemic saw the creation of 62 new food sector billionaires, who owe their vast fortunes to their ownership of global food production. Archer-Daniels-Midland is one of four companies alongside Cargill, Bunge and Louis Dreyfus – known collectively as the 'ABCD companies' due to their initials – which are the dominant traders of grain globally.[10] Cargill made its highest-ever profit in 2021 and was expected to beat that record in 2022.[11] Bunge and Louis Dreyfus both reported exceptional revenues. Between them, the four biggest global agribusinesses have seen their profits soar 255% since the pandemic.[12]

b) Energy

Increases in the price of energy since the start of 2022 have been staggering, hitting ordinary people hard and destabilising the global economy. Vast revenue flows have been diverted out of national economies across much of the world and steered towards the corporations (and the countries) holding resources such as oil and gas which are rapidly increasing in price, with energy company profits reaching all-time highs.

A primary factor in the global energy price rise was a surge in demand post-lockdown, which predated the start of the war in Ukraine. Broader ecological factors have played their part too, with drought affecting nuclear power and hydroelectric operations across Europe. This has meant that European countries' attempts to reduce demand for gas has

Massive increases in the cost of energy have left many struggling to adequately heat their homes.

resulted in a huge rebound in the burning of coal to generate electricity, up 19% in 2022 compared to 2020, with terrible consequences for greenhouse gas emissions and global heating.

Most of the world's oil and gas reserves are held by state-owned companies,[13] although coal and renewables are more likely to be outside of direct government ownership. However, the behaviour of fossil fuel and energy corporations is similar, whether state-owned or not. With the cost of producing and supplying energy (whether from oil, gas, or renewables) fixed by the technology used and local environmental conditions – for instance, Arctic oil is harder to pump and so more costly than oil from Saudi Arabia – any increase in the global price of energy above the production cost turns into a windfall for the producer. If oil from the North Sea is produced at $15/barrel, but the global price is $88/barrel,[14] the difference is profit. The same goes for gas or renewable electricity.[15]

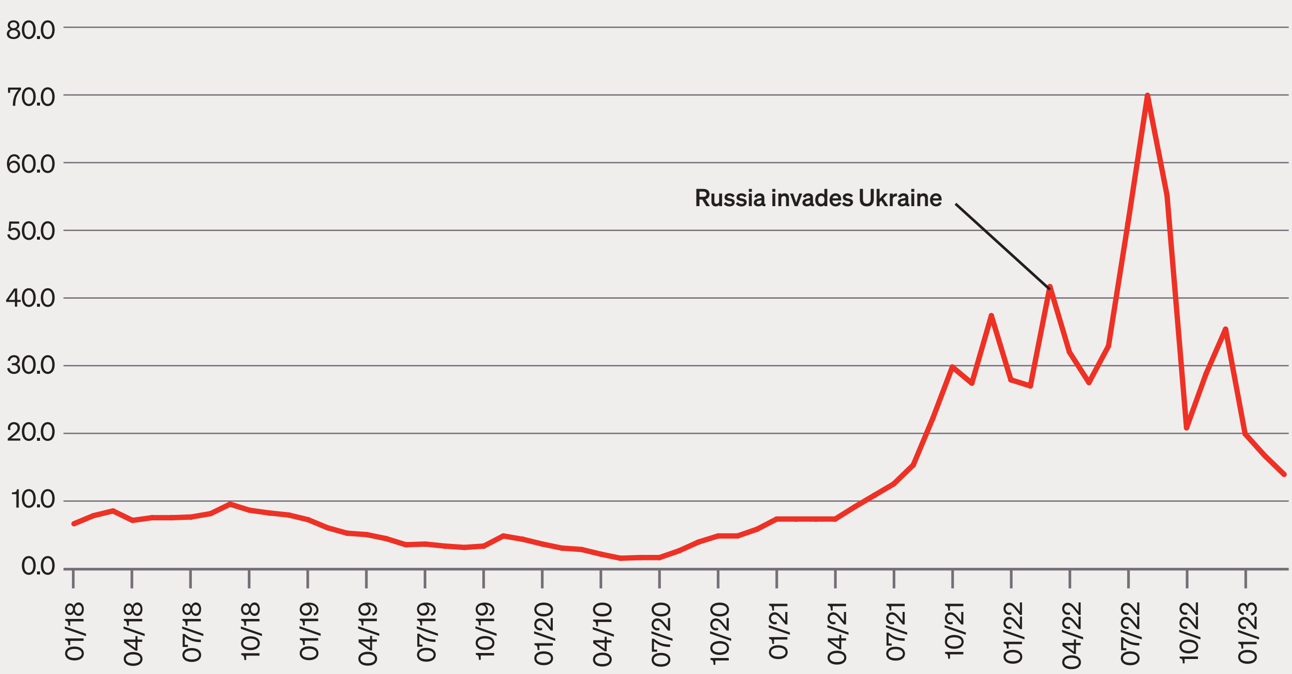
The result is record-breaking windfall profits for energy suppliers. The UK Treasury anticipates up to £170 billion in extra profits for UK energy companies alone in the next two years.[16]

c) The climate impact

The cost-of-living crisis is inextricably linked to the wider ecological crisis. Global heating, biodiversity loss and depletion of the planet's natural resources are all now exerting serious and significant pressures on the global economy. The climate crisis is the result of two hundred years of industrialised exploitation and plundering of the planet's natural resources, now producing a major blowback.

This means that the cost-of-living crisis is larger and more fundamental than price spikes provoked by the war in Ukraine. A human catastrophe, the effects of the war are deeply disruptive spreading across markets for essentials such as oil, gas, basic foods and other industrial materials, but prices for these essentials were already rising prior to Russia's invasion in February 2022. Whilst we can expect further disruption and potentially higher prices as the war continues, even a relatively rapid peaceful settlement unfortunately will not remove the deep, underlying problems the world economy now faces.

Figure 1 **Natural gas price, European Union, $m per British thermal unit, 2018-2023**



Source: St Louis Federal Reserve Economic Database

Relief trucks cross submerged agricultural land during the 2022 Pakistan floods

The graph above shows the rise in the price of natural gas in Europe from the end of 2020, well prior to Russia's invasion of Ukraine on 24 February 2022. The economic disruption of Covid, with national and local lockdowns followed by rapid re-openings, caused a surge in demand for gas across Europe and Asia, placing pressure on the price of gas sold across the two continents.[17] Covid is in effect an exceptionally severe 'ecological' disruption, with the initial shock of the outbreak still playing out across the world, with the possibility of further disruptions to demand and supply.[18] Even as the price has come down since its spectacular peaks last summer, it remains more than nine times higher than at its May 2020 low point.

But it is the growing number of *other* climate impacts that are starting to translate into consistently higher costs for economic activity: the production of goods or services. These effects are cumulative and reflect the increasing ecological instability of a world subject to climate breakdown Between 1979 to 2019, the number of extreme weather events annually increased five-fold.[19] As such, the average 'cost' of an extreme weather event is estimated to have increased substantially, by 77% since 1979 – even after adjusting for inflation.[20]

Every day, there are fresh reports of extreme weather events, from the catastrophic flooding in Pakistan in 2022 that displaced an estimated 30 million people, to the wildfires tearing through California and Arizona the same year. Aside from the terrible human cost and immediate ecological damage, these events impose economic difficulties – disrupting production and dislocating supply chains, pushing prices higher.

- Coffee production in Brazil was damaged by frost over the 2021 season, forcing the price of coffee beans globally to their highest since 2014;
- Drought in Canada damaged farm production, pushing down wheat production by 35% in 2021;[21]
- South Africa's biggest locust plague for 25 years – linked to increasingly volatile weather conditions associated with the climate crisis – attacked farms in the eastern part of the country in April 2022;[22]
- Extreme heat in 2022 is expected to reduce UK production of carrots, onions, sugar beet, apples and hops by 10-50%, according to Environment Agency forecasts;[23]
- Europe's worst drought in 500 years in 2022 is forecast to reduce maize production by 16%, soybeans by 15%, and sunflowers by 12% compared to the average for the last five years.[24]

Biodiversity loss, largely the by-product of the global industrial agrifood system,[25] is placing the future supply of food under "severe threat", according to the Food and Agriculture Organization of the United Nations (FAO).[26]

But the impacts of extreme weather and ecological instability are not only hindering food production. Other essentials in a modern economy are increasingly being disrupted, and supply chains damaged:

- Winter storms in 2021 in Texas, US, hit semiconductor production (essential components of electrical devices), forcing factory closures;[27]
- Droughts in Taiwan in summer 2021 affected semiconductor production, which uses huge amounts of fresh water to maintain clean fabrication plants;[28]
- Droughts in Europe over summer 2022 reduced the level of the Rhine, hitting the river transport of goods across the continent;[29]
- Extreme heat in the Sichuan province of China in August 2022 increased demand for electricity to power air conditioning, with the province closing factories in 19 out of 21 cities to ration power.[30]

Across the spread of economic activities from high-tech silicon chip production to growing staple crops, the climate crisis is imposing new costs and difficulties. As supply is constrained, but demand remains the same, the pressure of competition ensures that prices are pushed upwards. This is a form of rationing by price – those who cannot pay the increased price are excluded and forced to go without.

Because markets across the world have been, quite deliberately, more closely integrated over the last forty years, with trade barriers removed and finance allowed to flow freely around the globe, what happens in one part of the world – say, frosts in Brazil – can translate into rapidly rising prices in other parts of the world. Supply chains which now span the globe, and link coffee plantations in Brazil or sunflower harvests in Argentina with food on supermarket shelves in the UK, are highly exposed to ecological shocks. Recently published research has shown that "temperature shocks" – extreme heat or cold, becoming more frequent with climate change – is directly correlated to higher inflation across the world since the 1960s.[31]

This is the backdrop to the current cost-of-living crisis. The poorest, already severely impacted by years of austerity measures in the UK, then a global pandemic, now bear the brunt of rapidly increasing prices of essential goods. The results of a cost-of-living survey carried out by The Union of Shop, Distributive and Allied Workers (USDAW) of over 6,500 workers found that:[32]

- 48% reported that petrol prices and travel costs affected their ability to get to work
- 68% relied on some form of unsecured borrowing in the past 12 months to pay their bills, and nearly half of those struggled to keep up with repayments
- One in four missed meals every month in order to pay bills
- More than 70% reported that financial worries affected their mental health

Fuel poverty – where people cannot afford to heat (or cool) their homes – is increasing among households which are not able to pay the rising cost of gas and electricity bills, all while fossil fuel companies are seeing record-breaking profits on the back of the energy crisis.

There will be many crises hitting our world as ecological breakdown progresses; we have a global system centred on profit, which translates those crises into greater wealth for the richest elites and corporations, with the majority of people experiencing worse conditions and lower wealth. The cost-of-living crisis is another turn of the screw upwards towards greater inequality.

2. The global economy

In theory, the market system is supposed to respond to these price signals (changes in the price of different goods and services) from shortages and ecological shocks. If goods or services become more expensive, new producers are supposed to be attracted to the market to sell more of the goods or services which are in demand – and in doing so, the price of said goods or services is pulled back down.

In theory, the *global* market – where the goods and services of different countries are traded – is supposed to be especially good at this, since it is vast and price signals can be transmitted rapidly across the world, attracting investment from all over the globe. However, in reality this global market was created in direct opposition to the needs and demands of local producers and populations.

The rules of the global economy

In the post-World War II era, political leaders called for economic cooperation so countries could regulate international markets. The ideals of this rules-based global economy were determined by, and aimed at benefiting, the Global North, with anti-colonial movements demanding the sovereign right to determine their own alternative economic pathways.

By the 1970s, global banks, corporations, and their allies in the UK and US governments rewrote the rules in the interest of capital assets and corporate elites. Over the last 50 years international institutions such as the IMF, World Bank and World Trade Organization (WTO) imposed policies of forced privatisation and deregulation on the Global South, overriding democratic decisions, and enabling unfettered corporate power.

> **An estimated $2 trillion a year flows from Global South countries to the rich economies of the Global North.**

The flow of capital away from the Global South continued as many countries were forced into producing goods for export to meet the demands of the Global North. An estimated $2 trillion a year flows from Global South countries to the rich economies of the Global North through capital flows (the movement of assets out of a domestic economy), capital flights (a sudden and large withdrawal of assets from a country) tax evasion and avoidance and unsustainable debt repayments.[33]

The rigged economic system

From colonial exploitation to the post-World War II pattern of exploitative trade deals, and the creation of the World Trade Organization, the global market has required the removal of local and national sovereignty in the name of so-called 'free trade', which in reality has only been to the benefit of major corporations in the Global North.

Legal and other institutions helped preserve the dominance of the Global North, and more specifically, of banks, corporations, and their government allies. For instance, Investor-State Dispute Settlement (ISDS) clauses were widely included in trade deals, providing secretive arbitration in disputes between nations and corporations; effectively handing exceptional powers to corporations (typically in the Global North) to push back on governmental restrictions on a corporation's projected *future* profits, irrespective of the local population's wishes. Governments worldwide have been robbed of billions through ISDS cases – including for enacting climate protecting-policies – brought against them and won by corporations.[34]

Intellectual property (IP) rights were habitually used to exclude those in the Global South from producing their own much cheaper versions of things like essential medicines; creating monopolies and near-monopolies and vast profits for major pharmaceutical companies usually based in the Global North, as with the production of Covid vaccines.[35]

System failure, even on its own terms

But even after it was built, at the cost of chronic underdevelopment in the Global South, the global market does not operate according to the textbook. In the real economy there are two fundamental barriers to global market prices encouraging global investment:

Firstly, production costs are increasing for everyone, due to the climate crisis, costs which are unavoidable and permanent. Secondly, it is not possible for new producers to enter markets – and bring prices back down – due to the presence of *monopolies* and near-monopolies, which hold such large market-share, and have such dominance over global supply chains and raw materials, that they are able to sell goods at far cheaper prices.

Put these two factors together and the outcome is almost continually rising prices with a few monopoly or near-monopoly suppliers benefiting. Inflation in an economy is the product of various price increases, but *especially* the rise in price of essential goods and services which are most affected by ecological shocks, and where supply is dominated by a few large companies. These large suppliers, in turn benefit from scarcity and price increases.[36]

The economic models used by central banks and governments across the world are designed around the idea that rising prices will eventually encourage more supply, and that the costs arising from the climate crisis are not permanent losses. These models view inflation as simply the product of *monetary* forces: either money is too 'cheap' – interest rates are too low and borrowing too easy; or that too much money is in the hands of people who spend it, such as workers.

Central banks across the Global North are responding to increasing inflation – in reality the by-product of *real* disruptions to the economy, from Covid to ecological breakdown – by pushing up interest rates, i.e. treating inflation as a *monetary* problem. But raising interest rates in the UK will not make more coffee grow in Brazil or end a plague of locusts in South Africa. It won't reduce the price of gas in Qatar that the UK now buys.[37] Raising interest rates is a strategy that will punish working people, and seeks to intimidate them with the spectre of unemployment. Interest rates can't deal with the real-life impacts of ecological crisis.[38]

Raising interest rates is likely to push economies closer to recession. Rising interest rates make borrowing more expensive but saving more attractive; and so money is pulled out of the economy of producing and consuming, in favour of investment in financial assets that pay interest – even if this is just a deposit account with a bank.

A recession, in turn, usually makes it harder for workers to win wage rises, as increased unemployment figures intimidate people away from demanding higher pay or taking industrial action. As the Financial Times put it, by raising interest rates the Bank of England (and other central banks) *"wants us to feel poorer, spend less and be more fearful about demanding pay increases".*[39] The brutal principle here is that by cutting the cost of labour, corporate profits can be protected – even without putting up prices. An economy working to different priorities, shaped by a Global Green New Deal and focused on protecting living standards and the planet, could break out of this divide.

a) A world of inequality and injustice

Nearly half of the world's population are living at the poverty line on the equivalent of less than $6.85 a day.[40] One billion people in the world – 13% of the total population – have no access to electricity, mostly in Africa and South Asia.[41] Millions face energy poverty, and are denied access to critical public services such as health, education and housing, with 50 million on the brink of famine.[42] The neoliberal economic model has not worked. Instead, it has reversed many of the progressive steps that post-colonial governments put in place.

> **Nearly half of the world's population are living on the equivalent of less than $6.85 a day. One billion, 13%, have no access to electricity.**

Globally, it is only where countries have rejected neoliberal economic policies that there is evidence of genuine progress in the last few decades. Global North countries' relative economic weakness since the 2008 crash has created space for alternative economic models. For example, since the early

Amazon workers stage a walkout in Maryland, USA in March 2022 demanding a modest $3 pay rise.

2000s, South American countries have moved away from the neoliberal model and proposed alternative, regionally-integrated economic models to counteract the economic, political and military hegemony of the US. Even the IMF, at the forefront of promoting neoliberal policies, has accepted significant failures with this approach.[43]

However, any gains made have been heavily impacted by the climate crisis. The combination of global capitalism as a system founded on hierarchy and inequality, and worsening climate crisis means that as prices rise, so too do profits in key sectors, which are dominated by a few massive suppliers.

This dynamic intensified throughout the Covid pandemic. Many workers, particularly those on low pay or with precarious employment contracts, had to survive on reduced incomes as Covid measures and lockdowns brought varying degrees of uncertainty. Whilst governments took unprecedented measures to prevent economic collapse by providing funding to corporations; we now know that many larger corporations not only survived the impact of lockdowns, but thrived –handing large payouts to shareholders, despite being in receipt of taxpayer funding.

Companies including McDonald's, Amazon and Next not only weathered the storm but profited. In January 2022, Next awarded its shareholders £205 million as a further dividend in the year,[44] even though many workers in Next's Global South supply chains had been forced into debt – and faced food shortages – due to Next cancelling orders, many of which had already been made by garment workers, leaving them unpaid for work completed. McDonald's was able to claim hundreds of millions in UK government support during the pandemic, including £229 million from the job retention scheme. Instead of passing these publicly-funded benefits to workers, McDonald's rewarded its shareholders with a bumper £2.9 billion in dividend payments.[45]

b) Inequality and the declining share of income for workers and small businesses

The cost-of-living crisis would be less severe if it hadn't followed on from a decade of low-to-zero growth in real-term incomes for workers and smaller producers.[46] Both trends have been stronger in Global North countries. Over the longer term there has been a significant increase in incomes (starting from a far lower base) for many in the Global South, most dramatically in the rapidly growing countries of East Asia. However, this has often been coupled with the loss of traditional forms of income protection; for those in the Global North, the removal of social safety nets such as cuts to welfare benefits and the loss of the 'social wage' (amenities provided to society through public funds) has been a central part of the experience of neoliberalism since the late 1970s.

McDonald's workers' picket at Wandsworth McDonald's, November 2019.

Weak (or even falling) real income growth, weakening social protections, or worst of all (as in the UK) – both in combination – means that many millions of households are facing the cost-of-living crisis with minimal capacity to absorb such shocks. Across the richest Global North economies, already thin margins between earnings and savings are being squeezed by the rising prices of essential goods and services – with savings rapidly drawn-down upon, and household debt increasing. This has a knock-on effect for wider economies, as any major shifts in spending away from 'discretionary' items, such as meals out or new clothes, towards essential goods and services drags economies towards recessions, and increases the strain particularly on smaller businesses when consumers are spending less.

> **From April to June 2022, Shell posted $16.7 billion in profit, ExxonMobil $17.9 billion, Chevron $11.7 billion and BP $9.3 billion.**

Price rises across goods and services in 2022 – while bad for the majority of people especially those on lower incomes – have been good for many large corporations. Oil and gas companies, notoriously, have benefited from the surge in fossil fuel prices throughout 2022. In the three months from April to June 2022 alone, ExxonMobil posted $17.9 billion in profit, Chevron $11.7 billion, Shell $16.7 billion[47] and BP $9.3 billion.[48]

- In the UK, profits for the largest 350 FTSE-100 listed companies were up 73%, since the end of 2019. Even when energy companies are excluded, profits are up 52%.[49]
- Corporate profit margins have risen to their highest levels since 1950 in the US,50 with profits last year rising to $2.5 trillion.[51]
- The largest 450 companies in Europe saw their profits rise 42% between March 2021 and March 2022.[52]

When wages stagnate, but prices go up, profits rise.

c) Speculation and financialisation

Financial speculation, which is when banks, hedge funds and pension funds take risky bets on the prices of food and other commodities in order to make a profit, is playing a major part in driving prices upwards, as happened in the early 2010s, when global food prices skyrocketed. The global trade in commodities, or raw materials – from copper to lithium, to grain and sunflower seeds – is now heavily 'financialised': which means risky financial products are available to allow gambling on prices to take place. Typically, such potentially profitable (for 'investors') activity is highly 'leveraged', with speculators borrowing funds to maximise the potential profit or, on the downside, the risk of major losses. Globally, approximately 13 times more oil is traded in the form of futures contracts,[53] for example, than is physically delivered.[54]

Speculative funds have rushed into financial vehicles such as trading funds, that allow rapid and leveraged investment in a range of commodities, allowing investors to spread their money across a range of different assets. For example: by April 2022, two top agricultural Exchange Trading Funds had attracted net investor investment of $1.2 billion – compared to $197 million for the whole of 2021.[55]

Global fuel and food prices have helped drive huge profits for the largest banks on the planet, which have seen a £4 billion increase in trading revenue from commodities in 2022, with Goldman Sachs alone registering a £1.9 billion increase.[56] The number of trades in oil and natural gas has reached record highs in the last few years.[57] However, it is the nature of speculation that these rushes of financing help *amplify* rather than *cause* the major price movements.[58] The fundamentals of demand and supply are more important than speculation alone in deciding prices of essential commodities over the long term, and when price movements are sustained.

3. Responses to the crisis

a) The rise of austerity and racism

The immense shock of COVID-19 was the first truly global crisis of what geologists are calling the "Anthropocene": the dangerous new period in our planet's history where the changes wrought by humanity in the last two hundred years of industrial capitalism are reshaping the earth's entire ecology.[59] There will be many responses to this period of worsening ecological disaster. One is the global rise of right-wing parties, such as in Italy, coalescing around a set of demands stressing the need for firm external borders and a defence of the existing social order.

Although historically tending towards outright climate denialism, sections of the right increasingly use the language of adaptation when confronted with the overwhelming evidence of climate breakdown. France's National Rally argued that "borders are the environment's greatest ally" as a defence against exploitative "globalism" and climate refugees.[60]

On the other side, the tightening of economic circumstances and weak economic growth across the world is leading to more calls for austerity, both reducing the social wage of public expenditure at the same time as calling for wage restraint (to moderate demands for wage increases) in the face of rising inflation.

Neo-fascists have acted in support of austerity governments, and as in the Italian case, for continuity with previous foreign policies, in support of 'Atlanticism' (advocating cooperation between Western Europe and the US on military, political and economic matters), and war sanctions. Both sides represent different ways to defend a failed status quo. Neither get to the core of the problem for much of the world – of ecological crisis and capitalist profiteering.

b) Addressing the crisis: building a movement for change

Boosting wages and rights at work

Firstly, and most urgently, a rapid increase in shares of national income for workers and smaller businesses is a necessary protection against the cost-of-living crisis. It would allow households dependent on incomes – whether from work, pensions, or welfare payments – to spend a lower proportion of their earnings on essential goods and services. For those in work, significant increases in the living wage would shift a greater proportion of national income toward labour – towards workers' wages – increasing the amount of money in the economy and widening economic activity, with tax breaks focused on support for smaller businesses, and those struggling the most.[61]

It would support the wider economy, by boosting demand for non-essential goods and services rather than shoveling cash to monopoly corporations and speculators which dominate global markets for essentials. Rights at work should be extended and deepened to provide a crucial safety net in the face of expected increasing costs and climate crisis-induced uncertainty: rights to form and join trade unions and to take collective action easily and quickly. Social safety nets, worn threadbare from years of neoliberalism and post-financial crisis austerity, should be restored and increased to buffer and support people in the face of a global system unable to provide security or fair incomes.

Impose price controls on essentials, restrain profiteering

Governments, particularly those in countries hardest hit by inflation and wage repression, need to impose price controls on essentials – rent, basic foods and energy – in order to support people struggling with the cost of living. Programmes to implement modern price controls in an environmental inflationary crisis have been presented for a number of European countries.[62]

A tax of up to 5% on the world's multi-millionaires and billionaires could raise $1.7 trillion a year, enough to lift two billion people out of poverty

Redistribute wealth, tax the rich

Taxes on excessive profits and on the wealthy are a fair and economically-efficient way to reduce societal inequality and fund increased social protections, together with price controls on essential goods typically subject to ecological shocks (such as energy and grain prices).[63] We must impose higher taxes on wealth relative to labour. In the UK, the Tax Commission are recommending a broad-based one-off 1% tax on the wealth of individuals with net assets over £10 million, as well as reforms to existing taxes on wealth.[64] This could raise substantial revenue to support public services and alleviate poverty, as much as £10 billion. Some argue that wealth taxes must be global to be effective. Oxfam are calling for a tax of up to 5% on the world's multi-millionaires and billionaires which could raise $1.7 trillion a year, enough to lift two billion people out of poverty.[65]

Cancel debt and pay reparations, and climate finance

Much of the global south is in a debt crisis, forced to divert much needed revenue away from public services and support for struggling people in order to meet debt repayments to lenders. Income spent on debt repayments is essentially 'dead' money, diverted away from economic activity and into the bank accounts of creditors. Writing off debt for the poorest Global South countries would free up revenue which instead could be used to fund public services and provide relief for people facing rising living costs and climate breakdown. Investment in public services helps households where debts have risen dramatically in the last few years of crisis, supporting the wider economy. We must push for cancellation of illegitimate and unsustainable debt, and the UK should do everything in its power to bring private lenders to the negotiating table.

Global South countries facing climate breakdown must be recompensed through fair shares and reparations for the damage caused. That means that countries must:

- Stop doing harm, by rapidly cutting their carbon emissions,

Cost-of-living crisis protest at London Kings Cross in October 2022.

- Repair harm, by providing technology and finance to support people around the world to adapt to the crisis, and
- Compensate for harm that cannot be repaired, via payments to Global South countries for loss and damage.

Emergency relief measures can protect people from some of the consequences of ecological damage and end the power of global corporations in the short term, but without transforming the fundamental economic systems our civilisation relies on, price controls, taxes and redistributing a higher proportion of a society's income towards workers and small producers will only be temporary solutions. Ultimately, the underlying root causes of this crisis – that financialised capitalism cannot deliver the productivity and cannot supply the goods and services we need for a dignified life – must be addressed.

Public ownership and an energy transition

Publicly owned and well-funded public services are key to a dignified life, and to supporting people struggling through the cost of living crisis. We must continue to resist, and shift the control of energy, education, health, food, water and our digital infrastructure away from corporate control and towards public ownership for the common good. We must urgently push for a rapid and just transition to clean energy, and towards global food sovereignty.

Energy production must be taken out of private, profit-seeking control, and placed instead under public and common ownership, with a clear mandate to reduce carbon emissions and environmental damage. Food production and distribution must be relocalised, with food systems placed back under local and small-farmer control – and realigned with environmental conditions. Major price swings and spikes in food prices could be reduced by pushing back on speculation. The capacity for speculators to gamble on price movements would be removed by shifting energy and other services into public ownership and towards long-term contracts for the supply of essentials.

Build a global movement for change

It is because the economic and ecological crises are global in their origins and consequences that we have a chance of addressing them. Rising prices are affecting the poorer in society and working class everywhere and, although those in the Global North have a greater economic starting point, the result is a crisis affecting millions globally.

The shared experience of rising prices amid a cost-of-living crisis has the potential to lead to a shared, global agency – across borders and between peoples – to push back against the crises and offer solutions for a fairer world. Solidarity across borders and a shared vision of an alternative – internationalism – is crucial to success in these circumstances in times of global crisis. The concentration of power and wealth into the hands of fewer and fewer corporations whose global value chains stretch across the planet creates natural targets for international campaigning, organising and movement building between workers, and communities affected by their activities and price gauging.

As one of War on Want's partners said:

> The progressive politics and large amount of movements in the Global South are intrinsically internationalist, because they are structurally tied to the global international financial institutions – the IMFs of the world, the World Bank of the world, the donors in the Global North. Their politics is intrinsically internationalist in character because their economy, their political independence is very much tied to them eventually being freed up from these structures. It is the politics of the left in the Global North that is missing the internationalist character.[66]

c) Decolonise and decarbonise – the right of everyone to live with dignity and in harmony with the planet

Internationalism means accounting for historic injustices which continue to structure our world. The concentration of wealth and into a few hands in the Global North is the result of colonialism and capitalist exploitation. This history and timeline of exploitation means that the countries which industrialised first and grew rich – on the back of slavery, and the exploitation of the Global South's natural resources – have contributed the most to the ecological and social crisis the world faces today, yet suffer the least consequences.

Global justice means recognition by Global North countries –including in the form of reparations – of the centuries of unjust exploitation, plunder, and ecological damage wrought on the Global South; while the Global South countries must be allowed to determine their own development pathways and are supported in doing so; creating the necessity for the Global North – and the wealthiest inhabitants in those countries – to decarbonise and reduce their ecological footprints far more rapidly.

The cost-of-living crisis today is the result of the growing spread of this ecological damage and economic inequality, now creeping into food, energy and other essential systems in the Global North. Resolving the crisis requires a restructuring of these essential systems across the world – which supports improved incomes of the poor, peasant farmers and workers in the Global South; promotes investment in publicly owned technology and low-carbon infrastructure; and squeezes out the monopoly profits of the giant corporations that dominate these essential systems.

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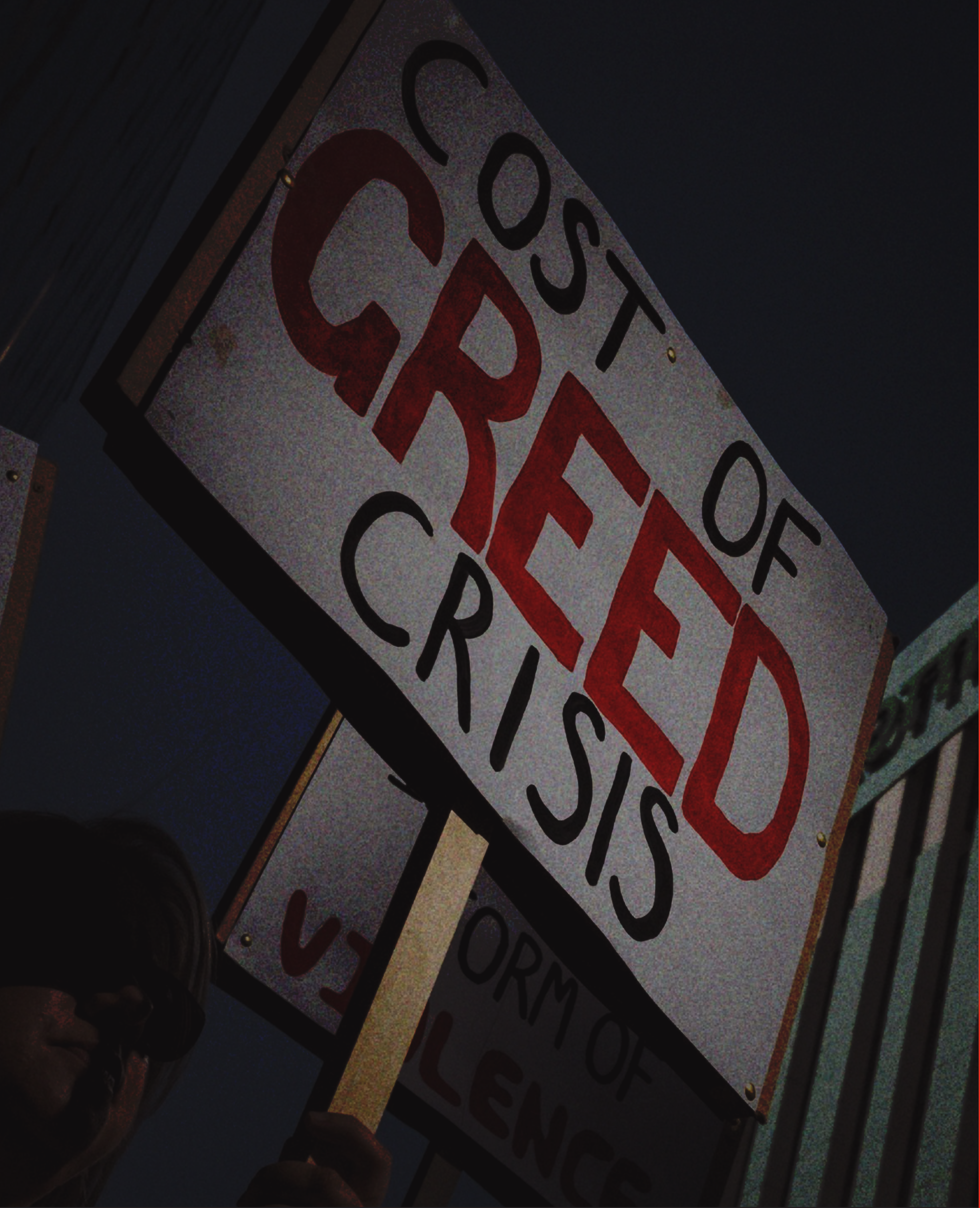

WAR ON WANT
FIGHTING GLOBAL POVERTY

War on Want fights against the root causes of poverty and human rights violations, as part of the worldwide movement for global justice.

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