Inflation, Corporate Profits, and the Legal-Institutional Limits of Monetary Governance: Rethinking the Post-Pandemic Price Surge

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Abstract

This paper reinterprets the 2021-2023 post-pandemic inflation, particularly in the United States and advanced economies, through a structural and legal-institutional lens. Challenging orthodox macroeconomic explanations centered on aggregate demand, empirical evidence indicates that partial supply-side constraints, corporate mark-up expansion, and rising financial overhead primarily drove inflation. Drawing on Keynesian, Kaleckian, and Minskyan frameworks, the analysis demonstrates how legal frameworks governing antitrust and international monetary relations enabled concentrated firms to exert pricing power. The paper concludes that conventional interest-rate tightening was inadequate and counterproductive, proposing an alternative policy framework focused on market-structure reform, strategic price regulation, and international monetary cooperation.

Keywords: Inflation, Corporate Profits, Monetary Governance, Market Power, Legal-Institutional Frameworks

JEL Classification: E31, E52, L13, O23

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1. Introduction

Inflation reemerged in 2021 as a pressing economic and political issue after decades in which advanced economies experienced persistently low and stable price growth. While the inflationary experience varied globally, this paper focuses primarily on the United States and similar advanced economies, where the consumer price index rose at its fastest pace since the late 1970s. Policymakers, financial analysts, and media commentators widely attributed the inflation to a combination of pandemic-era fiscal stimulus, supply-demand imbalances, and an overheating labor market (Friedman 1968; Gordon 2016). Central banks responded by rapidly tightening monetary policy, with the U.S. Federal Reserve raising interest rates at the most aggressive pace in 40 years.

However, the conventional explanation struggled to account for several striking empirical patterns. Real wages declined for much of the period (BLS 2024), contradicting the notion that workers were bidding up prices. Corporate profit margins reached their highest levels in seventy years (Bivens 2023; BEA 2024), suggesting substantial mark-up expansions. Inflation was concentrated in sectors such as automobiles, energy, food, and shipping, where supply bottlenecks, global logistics disruptions, and concentrated market structures played a dominant role (Nersisyan and Wray 2022). Moreover, inflation fell sharply in 2023 and 2024 despite continued tight labor markets and without the recession predicted by orthodox Phillips-curve models. These anomalies highlight the inadequacy of prevailing macroeconomic models, particularly the output-gap framework and the expectation-augmented Phillips curve, for explaining the inflation that emerged during the pandemic recovery (Friedman 1968).

The dominant narrative also underplayed the role of legal and institutional forces, including antitrust policy, public-utility regulation, central-bank mandates, financial oversight, and the international legal architecture of sovereign debt and capital flows (Gallagher and Kozul-Wright 2022). This omission is consequential, for inflation is not simply a macroeconomic pathology but a product of the institutional structures that organize markets, distribute power, and mediate economic outcomes.

This white paper seeks to reinterpret the post-pandemic inflation through a structural and legal-institutional lens grounded in the insights of Keynes, Kalecki, and Minsky (Keynes 1936;

Kalecki 1971; Minsky 1986). It argues that inflation was driven primarily by supply-side disruptions, corporate markup expansion, and financial overhead, all operating within institutional frameworks that allowed concentrated firms to exert pricing power and financial markets to discipline productive investment (Lazonick 2014; Matamoros 2024). The paper also extends the analysis to developing economies, which experienced inflation primarily through exchange-rate depreciation, capital-flow volatility, and external debt burdens exacerbated by U.S. interest-rate hikes (UNCTAD 2020; Gallagher and Kozul-Wright 2022; Dhungel 2022).

The paper proceeds as follows. Section 2 develops the theoretical framework, highlighting the contributions of Keynesian, Kaleckian, and Minskyan theories as well as the legal-institutional structures governing inflation. Section 3 examines empirical patterns of the post-pandemic inflation, including profit behavior, wage dynamics, supply constraints, and global asymmetries. Section 4 demonstrates why interest-rate tightening was inadequate and often counterproductive. Section 5 provides a structural and legal interpretation of inflation, integrating market power, financialization, and global monetary relations. Section 6 outlines a policy framework beyond monetary tightening. The paper concludes by arguing that post-pandemic inflation underscores the need to rethink monetary governance and market regulation.

2. Conceptual and Theoretical Foundations of Inflation

2.1. Keynes: Partial and True Inflation

John Maynard Keynes drew a foundational distinction between partial and true inflation, which is highly relevant to interpreting the post-pandemic price surge. In The General Theory, Keynes (1936) argued that inflation becomes a genuinely macroeconomic phenomenon only when aggregate output reaches the full-employment level. In such conditions, increases in nominal expenditure cannot raise real output and therefore must raise the price level.

By contrast, partial inflation occurs when price increases arise from sectoral shortages, relative scarcities, or supply-chain constraints rather than aggregate excess demand. When the economy is not operating at full capacity, an increase in nominal expenditure expands output rather than driving prices broadly higher. The inflation of 2021-2023 aligns strongly with

Keynes's concept of partial inflation. Despite low unemployment, the U.S. economy did not reach full productive capacity in key sectors, particularly semiconductors, autos, energy refining, and logistics. Manufacturing capacity utilization remained below its pre-2008 average, global supply chains were severely constrained, and bottlenecks in shipping, warehousing, and microchip production limited output expansion (UNCTAD 2020). These sector-specific disruptions created localized price pressures that propagated across input-output networks rather than reflecting economy-wide overheating. Keynes's framework also anticipates the role of institutional factors, such as wage-setting rules, administered prices, and market structures, which influence how supply constraints translate into prices. Thus, the post-pandemic episode provides empirical support for a Keynesian view that inflation often begins in particular sectors, especially when rigidities or supply constraints limit productive capacity.

2.2. Monetarism and the Limits of the Natural-Rate Model

Milton Friedman's famous assertion that inflation is "always and everywhere a monetary phenomenon" (Friedman 1968, 1) remains foundational for contemporary central banking. The natural-rate or NAIRU framework assumes that an unemployment gap fundamentally drives inflation. In this expectations-augmented Phillips curve model, inflation is predicted to rise when actual unemployment falls below the theoretical natural rate, assuming a specific sensitivity of inflation to labor-market tightness. Consequently, the model dictates that monetary policy is required to push unemployment back up to stabilize prices.

However, the 2021-2023 data profoundly contradicted the natural-rate model. First, real wages fell during much of the inflationary period (BLS 2024), indicating no wage-driven overheating. Second, inflation accelerated despite unemployment being well above conventional estimates of the natural rate during the early recovery. Third, inflation decelerated sharply in 2023-2024 without rising unemployment or a recession, contradicting NAIRU predictions. More importantly, the natural-rate framework lacks mechanisms to integrate corporate markup expansion (Bivens 2023), market power in concentrated sectors (Lazonick 2014), supply bottlenecks and global logistics disruptions (Nersisyan and Wray 2022), or legal-institutional determinants of pricing power (Gallagher and Kozul-Wright 2022). The model's focus on labor markets obscures the empirical reality that profits, not wages, drove the majority of price

increases during the post-pandemic inflation. The Phillips curve's empirical breakdown (Gordon 2016) and the divergence between prices and labor costs highlight the limits of monetarist approaches in a financialized, oligopolistic economy.

2.3. Kalecki and Mark-Up Inflation

Michał Kalecki's theory of price formation offers a more accurate framework for understanding inflation in modern capitalist economies. Unlike neoclassical models, Kalecki (1971) argues that firms in oligopolistic sectors set prices according to a mark-up over unit labor costs, which are determined by the wage bill and labor productivity. The markup is determined not by marginal cost but by market structure, bargaining power, and financial commitments. As market concentration rises, so does the mark-up. This theory aligns closely with the U.S. experience in 2021-2023, during which the Economic Policy Institute found that over 50% of price increases in the nonfinancial corporate sector came from rising profits (Bivens 2023).

Kalecki's expanded closed-economy pricing model incorporates other determinants, demonstrating that price increases can occur even when wages remain flat. Higher profit claims, government deficits channeled through concentrated industries, and financial costs all increase prices via mark-up expansion. The post-pandemic inflation fits this model precisely: price increases were strongest in oligopolistic sectors such as energy, shipping, food processing, autos, and pharmaceuticals, industries characterized by high mark-ups, structural bottlenecks, and global exposure.

2.4. Minsky and Financial Overhead

Hyman Minsky extends Kalecki's mark-up theory by showing how financial structures shape price dynamics. In Stabilizing an Unstable Economy, Minsky (1986) argues that firms integrate interest obligations on their debt into their cost structures. Thus, increases in interest rates mechanically raise the mark-up required for firms to maintain profitability. This contradicts the orthodox assumption that monetary tightening reduces inflation. In a highly financialized economy, higher interest costs feed into prices through higher borrowing costs for working capital, refinancing needs for outstanding corporate debt, rising costs for leveraged firms in utilities, shipping, and energy, and rent increases driven by rising mortgage costs. Given that

U.S. corporate debt exceeded $12 trillion by 2023, the Minskyan mechanism is nontrivial. Recent empirical research supports this pathway: Matamoros (2024) shows that interest-rate hikes contributed to mark-up inflation in highly indebted sectors. The Minskyan perspective thus explains why the Federal Reserve's aggressive rate increases may have amplified inflation in some markets even as they suppressed demand elsewhere.

2.5. The Legal-Institutional Architecture of Inflation

The abstract's core argument, that inflation is a legally mediated outcome, requires situating price dynamics within the broader institutional framework that structures market power, financial flows, and global monetary relations. The Federal Reserve's mandate, rooted in the Federal Reserve Act, grants authority over interest rates but not over corporate pricing behavior, supply-chain governance, markup regulation, or speculative trading in commodity markets.

Meanwhile, decades of weakened antitrust enforcement, driven by the Chicago School's "consumer welfare" paradigm (Lazonick 2014), allowed concentration to increase in sectors central to the inflation surge: energy, agriculture, shipping, pharmaceuticals, and technology. Public-utility regulation also played a role; in many states, utility pricing is governed by cost-plus frameworks that incorporate rising financial overhead.

Legal frameworks that incentivize shareholder-value maximization, such as permissive rules on stock buybacks, deregulated commodity index funds, and corporate-governance norms, encourage firms to prioritize short-term profits. This magnifies Kaleckian and Minskyan inflationary pressures by raising mark-ups, diverting profits toward dividends rather than investment, and increasing reliance on debt financing (Lazonick 2014).

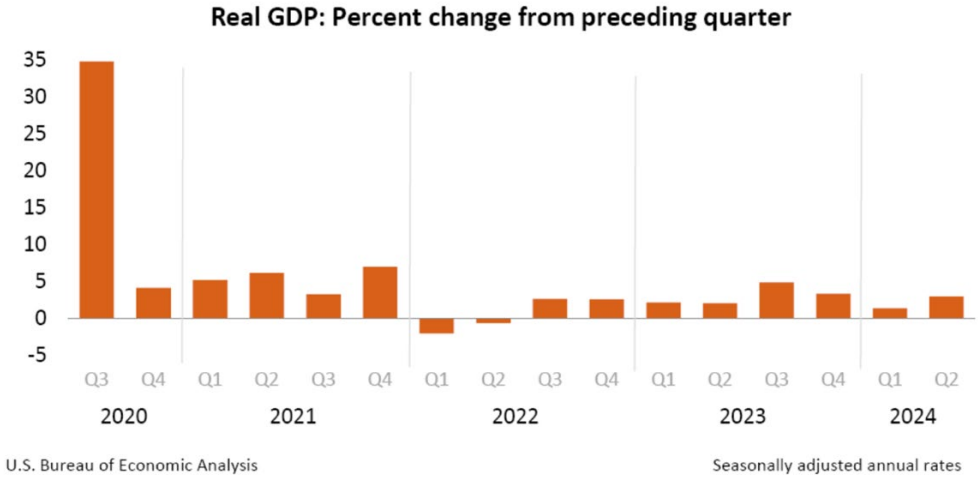
Developing economies faced inflation primarily as an imported phenomenon. Legal constraints embedded in sovereign debt contracts, IMF conditionality, capital-flow liberalization, and the dollar-based international monetary system limited their ability to deploy countercyclical monetary or fiscal tools (Gallagher and Kozul-Wright 2022; UNCTAD 2020). Currency depreciation induced by U.S. rate hikes further raised the cost of food, fuel, medicine, and debt service, reinforcing global inequality in inflation outcomes.

Taken together, Keynesian, Kaleckian, and Minskyan frameworks, when integrated with legal-institutional analysis, reveal that post-pandemic inflation cannot be adequately explained by monetarism or the natural rate theory. Inflation emerged from: sectoral bottlenecks (Keynes), corporate mark-up expansion (Kalecki), financial overhead (Minsky), and legal institutions shaping market power, financialization, and global asymmetries.

3. Empirical Patterns of Post-Pandemic Inflation

The empirical record of the post-pandemic period reveals dynamics that sharply diverge from the conventional narrative of an overheated, demand-driven economy. As shown in Figure 1, real GDP growth fluctuated significantly during 2020 due to pandemic shutdowns and reopening, but by 2021-2024 output growth had stabilized at modest, historically typical rates. These data indicate that the U.S. economy was not operating beyond its productive capacity during the inflationary surge. Instead, real activity remained well within normal bounds, with no evidence of sustained demand pressure that could justify the scale or persistence of price increases. The absence of an output boom and the fact that inflation later subsided without a recession directly challenge claims that the inflation of 2021-2023 resulted from excessive aggregate demand. Instead, the GDP trajectory underscores that the inflationary episode must be understood as emerging from structural factors, profit mark-up expansion, supply-chain bottlenecks, and financial dynamics, rather than macroeconomic overheating.

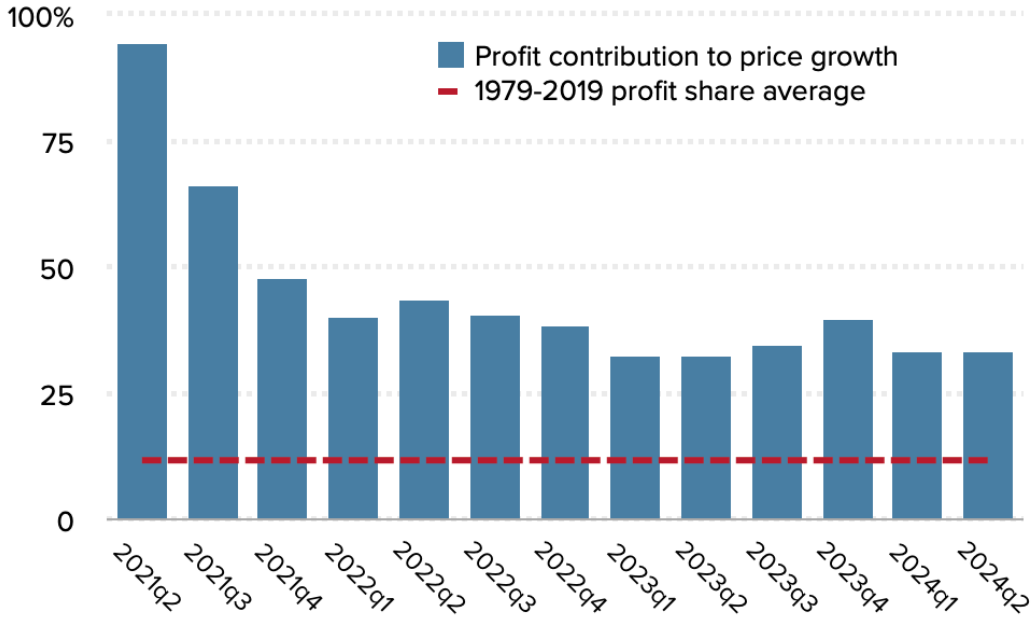
Figure 1: Real GDP: Percent Change from Preceding Quarter, 2020-2024



Source: U.S. Bureau of Economic Analysis (BEA), National Income and Product Accounts.

One of the most distinctive features of the 2021-2023 inflation was the substantial contribution of corporate profits to price growth. According to the Economic Policy Institute, corporate profits accounted for more than half of the increase in prices in the U.S. nonfinancial corporate sector between 2020 and 2023, compared with a historical average of about 11 percent (Bivens 2023). As shown in Figure 2, the profit contribution to price growth surged to unprecedented levels in 2021 and remained well above historical norms throughout 2022 and 2023, even as supply-chain disruptions eased. This surge in profit share is not a marginal phenomenon but a structural divergence from four decades of U.S. price dynamics, signaling that firms in key concentrated sectors substantially expanded mark-ups during the post-pandemic recovery.

Figure 2: Profit Contribution to Price Growth



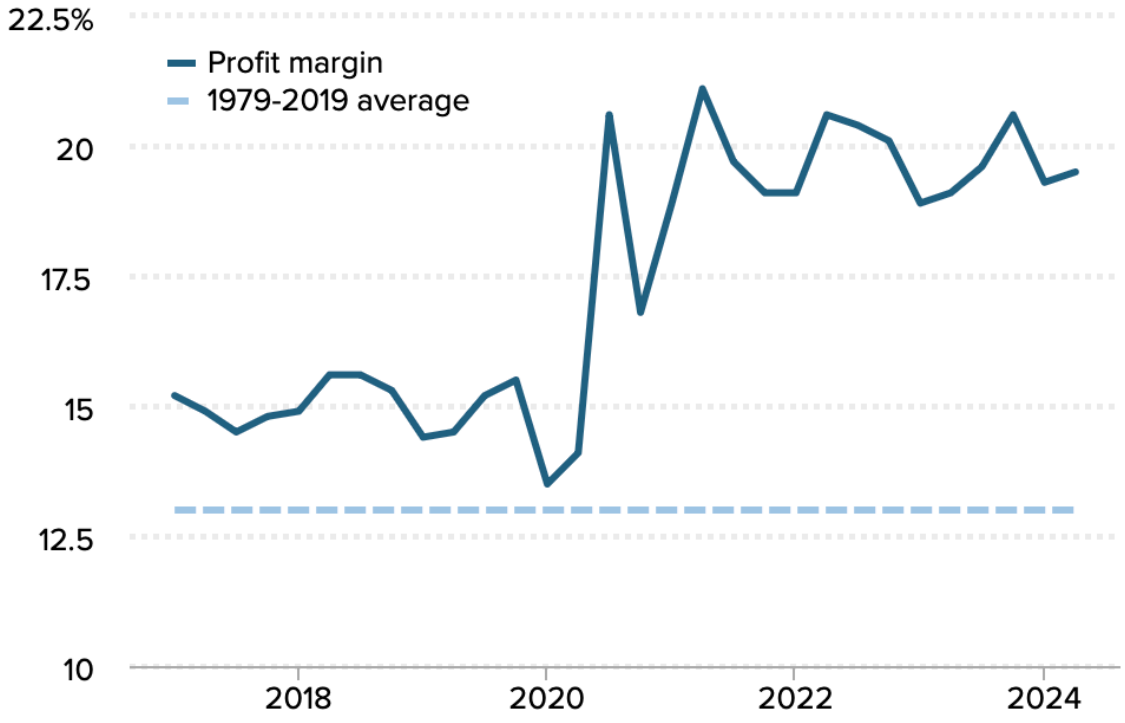
Source: Josh Bivens[1], Economic Policy Institute

Data from the Bureau of Economic Analysis further show that profit margins reached their highest levels since the 1950s (BEA 2024), reinforcing the conclusion that inflation during this period was driven not by rising labor costs but by profit-seeking behavior in oligopolistic

[1] (Bivens 2023) analysis of data from Table 1.14 from the National Income and Product Accounts (NIPA) of the Bureau of Economic Analysis (BEA).

markets. As illustrated in Figure 3, profit margins in the nonfinancial corporate sector surged well above their long-term average during 2021-2023, reaching levels unmatched in several decades. This sustained margin elevation, well above the 1979-2019 historical benchmark, signals a structural shift in pricing behavior rather than a temporary or cost-driven adjustment. Rather than following the classical wage-price spiral narrative, the data reveal a profit-price dynamic in which dominant firms in the energy, food processing, transportation, and manufacturing sectors capitalized on pandemic-era disruptions to substantially expand mark-ups. These patterns are consistent with a Kaleckian interpretation of inflation, in which prices are administered rather than competitively determined and market power enables firms to convert supply shocks into opportunities for increased profit extraction.

Figure 3: Profit Margins vs. Historical Average

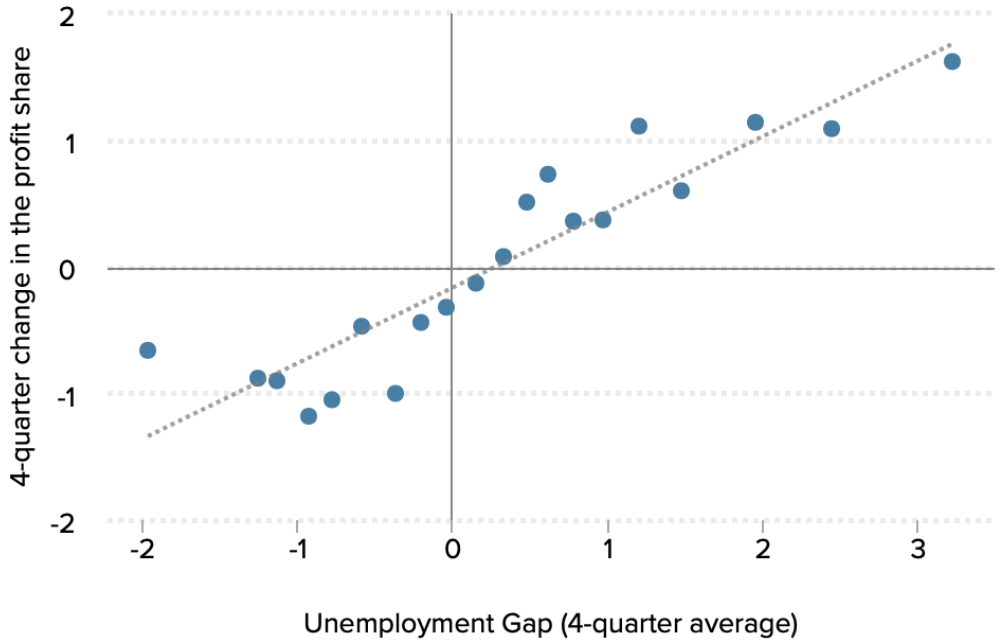


Source: Josh Bivens[2], Economic Policy Institute.

[2] (Bivens 2023) analysis of data from Table 1.14 from the BEA NIPAs.

Real wages tell a parallel story. Despite modest nominal wage increases in specific sectors, inflation-adjusted earnings declined for much of 2021 and 2022, with Bureau of Labor Statistics data showing sustained negative real-wage growth during the inflation's peak (BLS 2024). The labor share of national income remained stagnant or fell in several industries, indicating that workers did not gain bargaining power and were not pulling prices upward. This divergence between falling real wages and rising prices undermines monetarist and natural-rate explanations while reinforcing the view that profits rather than labor costs drove the inflationary dynamic.

Figure 4: Relationship Between the Unemployment Gap and Changes in the Profit Share (Four-Quarter Averages)



Source: Josh Bivens[3], Economic Policy Institute

A further illustration of the distributional dynamics of the post-pandemic inflation comes from the relationship between labor-market conditions and changes in the profit share. As shown in Figure 4, periods of tighter labor markets, indicated by a smaller unemployment gap, were

[3] (Bivens 2023) analysis of data from the Bureau of Labor Statistics (unemployment), the Congressional Budget Office (natural rate of unemployment), and the BEA NIPAs (profit share of the corporate sector). Binned scatterplot of regression on four-quarter change in the profit share on the four-quarter average of the unemployment gap, with controls for recessions and business cycle dummy variables.

associated not with rising wage shares, as orthodox Phillips-curve logic would predict, but with increases in the profit share instead. The positive relationship between the unemployment gap and the four-quarter change in the profit share underscores that firms expanded mark-ups during moments of low unemployment, even as real wages were declining (BLS 2024; Bivens 2023). Rather than a wage-price spiral, the data reveal what might be termed a profit-price spiral, in which stronger labor markets coincided with greater profit capture. This empirical pattern further weakens natural-rate interpretations of inflation and aligns with Kalecki's theory of mark-up dynamics in concentrated industries.

Supply-side bottlenecks also played a central role in the inflationary surge. Semiconductor shortages disrupted automobile production worldwide, and shipping delays, exacerbated by port congestion, container shortages, and pandemic-era logistics failures, raised input costs throughout manufacturing and retail supply chains. Energy prices surged in part due to Russia's invasion of Ukraine and the long-term fragility of global refining capacity. In contrast, food prices increased amid fertilizer shortages, climate shocks, and concentrated control of agribusiness (Nersisyan and Wray 2022). These sector-specific disruptions align with Keynes's notion of "partial inflation," in which price increases emerge from relative scarcities rather than aggregate excess demand (Keynes 1936). They also demonstrate how global supply chains are vulnerable to shocks that quickly propagate through production networks.

A further dimension of the inflation concerned the role of corporate financialization. Firms increasingly used elevated profits not to expand productive capacity but to increase share buybacks, dividends, and other financial distributions. As Lazonick (2014) argues, the shareholder-value model of corporate governance incentivizes firms to prioritize short-term financial gains over long-term investment. This pattern was evident during the post-pandemic recovery: while profits surged, investment in productive capacity lagged, limiting firms' ability to respond to supply constraints. Financialized firms with significant debt obligations also faced rising interest costs, which, consistent with Minsky's concept of financial overhead, were passed on to consumers in the form of higher prices (Minsky 1986; Matamoros 2024). This dynamic reveals how monetary tightening can paradoxically reinforce inflationary pressures in a financialized economy.

In the developing world, inflation followed a distinct but related trajectory shaped by the structure of global finance and the international monetary system. Countries such as Ghana, Pakistan, Zambia, and Sri Lanka experienced sharp currency depreciations, rising costs of food and fuel imports, and increasing external-debt servicing burdens, especially for nations with large dollar-denominated liabilities (UNCTAD 2020). U.S. interest-rate hikes triggered capital outflows and exchange-rate pressure, while IMF conditionality constrained fiscal policy responses and limited governments' ability to protect consumers from rising prices (Gallagher and Kozul-Wright 2022). For many developing economies, inflation was therefore an imported phenomenon driven by global commodity markets, currency movements, and the legal-institutional constraints of the international monetary regime rather than domestic overheating.

The empirical record strongly suggests that the inflation of 2021-2023 was driven by profits, supply shocks, market concentration, and financialization, not by excessive demand or wage pressure. The convergence of rising corporate mark-ups, sectoral bottlenecks, financial overhead, and global monetary asymmetries demonstrates that inflation is best understood as a structural and institutionally mediated process rather than a simple macroeconomic imbalance.

4. Why Interest-Rate Policy Was Inadequate and Counterproductive

The Federal Reserve’s decision to raise interest rates from near zero to over 5 percent between 2022 and 2023 represented the most aggressive tightening cycle in four decades. However, the subsequent decline in inflation primarily resulted from the easing of supply constraints rather than from the contractionary effects of monetary policy. Improvements in shipping capacity, semiconductor availability, fertilizer production, and energy supplies exerted downward pressure on prices (UNCTAD 2020; Nersisyan and Wray 2022). By contrast, monetary tightening did not address the structural causes of inflation identified earlier, namely sector-specific bottlenecks, corporate mark-up expansion, and financial overhead. As critics have emphasized, raising interest rates cannot manufacture semiconductors, expand refinery capacity, or resolve global logistics congestion; it is fundamentally mismatched to supply-driven inflation (Bivens 2023; Gallagher and Kozul-Wright 2022).

From a Kaleckian perspective, the inadequacy of monetary tightening is not merely operational but theoretical. Kalecki's price equation demonstrates that prices in oligopolistic industries incorporate a mark-up over unit labor costs. Building on Minsky's insights into financial overhead, this mark-up can be decomposed into a base mark-up and a component reflecting interest payments on corporate debt. This formulation shows that as the interest rate increases, prices rise when debt levels are substantial. With U.S. corporate debt exceeding $12 trillion by 2023, much of it tied to refinancing needs, leveraged buyouts, and stock buybacks, this mechanism is significant (Lazonick 2014). In other words, interest-rate hikes may inadvertently raise prices for sectors able to pass on rising financial overhead to consumers. Rather than functioning as a neutral lever of demand management, monetary policy interacts with financialized corporate structures in inflationary ways (Matamoros 2024).

The Minskyan framework further clarifies the destabilizing effects of rate hikes on corporate balance sheets. This dynamic can shift firms from hedge to speculative or even Ponzi financing profiles (Minsky 1986), heightening the risk of defaults, layoffs, and cutbacks in productive investment. Such fragility is especially acute in sectors already strained by supply-chain disruptions or dependent on short-term financing. Thus, instead of stabilizing the economic system, monetary tightening can magnify financial instability, precisely the opposite of its intended effect.

Households face similar pressures. Higher interest rates increase mortgage costs, elevate credit card and auto loan burdens, and reduce disposable income. Rising mortgage rates have fed directly into rents and owners' equivalent rent, key components of the consumer price index, thereby sustaining inflation even as other categories softened (BLS 2024). For many households already contending with pandemic-era income losses, higher borrowing costs exacerbate financial stress, dampen consumption, and increase default risks. The distributional effects are regressive, disproportionately affecting low-income borrowers and renters.

The global repercussions of U.S. monetary tightening were even more severe, exposing the structural vulnerabilities of a dollar-centric financial system. As investors sought higher returns in the more appealing U.S. market, interest rate hikes triggered massive capital outflows from the developing world. This capital flight depleted foreign reserves, led to sharp currency

depreciation, and raised the local-currency costs of essential food and fuel imports. It also drastically increased balance-sheet losses for nations with dollar-denominated net obligations (UNCTAD 2020; Dhungel 2022). The timing of this tightening was particularly precarious: between 2019 and 2021, the COVID-19 pandemic had already sharply raised public debt in developing economies, from an average of 54 percent to 65 percent of GDP. For many nations, the fiscal toll became paralyzing, with at least 25 developing economies forced to allocate over 20 percent of their government income merely to service foreign public debt (Dhungel 2022).

Consequently, countries such as Ghana, Pakistan, Zambia, and Sri Lanka experienced acute balance-of-payments crises. This scenario presents a worrying parallel to the Volcker shock of the early 1980s, which precipitated a devastating debt crisis and a "lost decade" of plummeting GDP and ballooning poverty across Latin America and Africa (Dhungel 2022). Compounding the contemporary crisis, these macroeconomic emergencies were met with IMF conditionality that restricted fiscal and monetary policy options precisely when governments needed flexibility to manage inflation and support domestic demand (Gallagher and Kozul-Wright 2022). As a result, U.S. monetary tightening transmitted inflationary pressures globally while simultaneously forcing austerity measures in countries least equipped to absorb them, underscoring the Fed's historical failure to account for how its domestic choices affect the broader global economy

In sum, interest-rate policy was not only insufficient to address the structural drivers of post-pandemic inflation but also potentially counterproductive. By raising financial overhead, suppressing investment, increasing household debt burdens, and transmitting instability internationally, the tightening cycle risked amplifying inflationary pressures and deepening inequality. Viewed through the integrated Keynesian, Kaleckian, and Minskyan framework advanced in this paper, the reliance on interest-rate hikes reflects a narrow conception of inflation that neglects its legal, institutional, and distributional determinants.

5. A Structural and Legal-Institutional Interpretation of Inflation

A structural and legal-institutional interpretation of inflation provides the most coherent explanation for the post-pandemic price surge. Unlike orthodox macroeconomic approaches that emphasize aggregate demand, monetary aggregates, or labor-market tightness, a structural-

institutional approach situates inflation within the organizational, legal, and power relations that structure modern capitalism. The inflation of 2021-2023 revealed the extent to which price dynamics emerge not from abstract macroeconomic forces but from the concrete institutional configurations that govern market concentration, supply chains, financial flows, and global monetary hierarchies. In this sense, inflation must be understood as an outcome of the legal-economic architecture rather than a purely monetary event (Lazonick 2014; Gallagher and Kozul-Wright 2022).

A central component of this interpretation concerns market power and corporate governance. In highly concentrated industries, such as energy, shipping, food processing, pharmaceuticals, and technology, firms have substantial pricing discretion. Antitrust enforcement in the United States has weakened markedly since the 1980s due to the ascendance of the Chicago School's consumer-welfare standard, which narrowed the scope of antitrust to short-run price effects and ignored structural market power (Lazonick 2014). As a result, dominant firms were able to increase mark-ups dramatically during the post-pandemic recovery, using supply disruptions as justification for price hikes that exceeded cost increases (Bivens 2023). This aligns with Kalecki's theory of mark-up pricing, which holds that prices reflect the relative strength of firms and labor in markets structured by imperfect competition (Kalecki 1971). Inflation was thus not merely a market response to scarcity, but a distributional struggle mediated through institutionalized corporate power.

Financialization further shaped inflationary dynamics by transforming corporate priorities and cost structures. Over the past four decades, U.S. firms have increasingly oriented their operations around the demands of financial markets, prioritizing share buybacks, dividend payouts, and balance-sheet engineering over investment in capacity expansion. This privileged short-term shareholder value over long-term productive efficiency (Lazonick 2014). In the post-pandemic period, elevated profits were often used not to alleviate supply constraints but to increase financial distributions, thereby reinforcing systemic bottlenecks. Moreover, high corporate leverage meant that interest-rate increases increased firms' financial overhead, consistent with Minsky's argument that debt obligations shape price-setting behavior (Minsky 1986; Matamoros 2024). The resulting financial cost-push pressures fed directly into consumer prices, especially in regulated or oligopolistic sectors that could pass on costs.

The inflationary process was also profoundly influenced by the legal governance of public utility sectors, such as energy, electricity, and transportation. Many of these sectors operate under cost-plus regulation or rate-setting mechanisms that allow firms to pass along rising financing and input costs to consumers. In such settings, higher interest rates can lead to higher regulated rates, amplifying the very inflation that monetary policy aims to suppress. In addition, deregulated segments of energy and logistics markets saw speculative behavior in commodity derivatives and freight futures markets, further decoupling prices from physical supply and embedding financial volatility into essential goods markets (UNCTAD 2020).

Beyond domestic institutions, the international monetary system played a critical role in shaping global inflation. The U.S. dollar's centrality in global finance, combined with the legal obligations embedded in dollar-denominated sovereign debt contracts, meant that U.S. monetary tightening was transmitted globally through capital outflows, currency depreciation, and rising import prices in developing economies. Countries with limited foreign-exchange buffers and heavy external-debt burdens experienced acute inflationary pressures, compounded by IMF conditionality requiring fiscal consolidation and subsidy removal during inflationary periods (Gallagher and Kozul-Wright 2022). These global asymmetries illustrate that inflation is embedded in a hierarchy of monetary power that structurally disadvantages the Global South (UNCTAD 2020).

Thus, from a structural and legal-institutional standpoint, the post-pandemic inflation reflects a complex interplay of market concentration, weakened antitrust institutions, financialization, supply-chain fragility, public-utility governance, and asymmetric international monetary relations. These factors mediated the transmission of supply shocks into sustained price increases and conditioned how firms, households, and states responded. In this interpretation, inflation is not a neutral macroeconomic signal, but a manifestation of power relations encoded in legal and institutional frameworks.

Such a perspective highlights the limitations of relying solely on interest-rate policy to manage inflation. Monetary tightening targets aggregate demand even when inflation arises from structural or institutional factors that interest rates cannot meaningfully change. By ignoring the legal architecture of markets and the distributional foundations of pricing power, policymakers

risk misdiagnosing inflation and deploying tools that exacerbate rather than resolve underlying vulnerabilities.

In sum, a structural and legal-institutional interpretation reveals that the inflation of 2021-2023 cannot be understood apart from the institutional design of markets, corporate governance, global finance, and the state. Inflation is a governed process, shaped by statutes, regulatory choices, financial norms, and international rules. Far from being purely monetary, it is a legal-economic phenomenon embedded in systems of power, inequality, and institutional constraint.

6. Policy Alternatives Beyond Monetary Tightening

A structural and legal-institutional diagnosis of post-pandemic inflation necessarily implies a broader, more targeted policy toolkit than interest-rate adjustments alone. Because inflation in 2021-2023 was overwhelmingly driven by supply bottlenecks, corporate markup expansion, financial overhead, and global monetary asymmetries, effective policy must intervene directly in these mechanisms rather than relying on aggregate-demand suppression. A more appropriate response centers on market-structure reform, strategic price governance, financial regulation, industrial policy, and international monetary cooperation, each rooted in well-established historical precedents and contemporary empirical evidence.

One central instrument is the excess-profits tax, which limits firms' ability to convert temporary supply shocks into sustained mark-up increases. Historically, such taxes have been deployed in the United States, the United Kingdom, and several European economies during periods of crisis, including both World Wars, to prevent opportunistic price-setting and stabilize inflation expectations (Hebous and Prihardini 2022). Given that corporate profits accounted for more than half of price growth during the recent inflation (Bivens 2023), an excess-profits tax would have directly targeted the distributional mechanisms that magnified inflationary pressures. Such a tax aligns with Kalecki's insight that price-setting reflects power rather than cost conditions, and it allows states to recapture rents accumulated through concentrated market structures.

Another policy alternative involves strategic price regulation in essential sectors where prices are susceptible to supply constraints and market concentration. Historical precedents, including

wartime price boards, utility rate regulation, and pharmaceutical price caps, demonstrate that targeted price controls can prevent exploitative pricing without undermining productive incentives (Gordon 2016). In sectors such as energy, shipping, and pharmaceuticals, industries that saw some of the most significant markup expansions during the post-pandemic inflation (BEA 2024), temporary or conditional price ceilings could mitigate the pass-through of supply disruptions into consumer prices. Importantly, price regulation need not be rigid; modern regulatory approaches can rely on dynamic benchmarks, cost audits, and excess-profit thresholds to ensure alignment between prices and underlying conditions.

Market-structure reforms are equally crucial. Decades of weakened antitrust enforcement enabled rising concentration across supply chains, allowing dominant firms to exercise pricing power during disruptions. Strengthening antitrust law, particularly by moving beyond the narrow consumer-welfare standard, can reduce the systemic vulnerability of the price level to oligopolistic behavior (Lazonick 2014). This includes reinvigorating merger scrutiny, regulating platform dominance, enforcing fair competition rules in shipping and agribusiness, and addressing abusive contract practices in global supply networks. A less concentrated economy is structurally less prone to markup-driven inflation.

Given the role of financial overhead in price dynamics, financial regulation and corporate-governance reform must also be part of an anti-inflation toolkit. Policies that limit speculative commodity trading, restrict leveraged buyouts, curb stock buybacks, and encourage reinvestment can reduce the financial pressures that feed into Kaleckian-Minskyan price increases (Minsky 1986; Matamoros 2024). For instance, reintroducing restrictions on share repurchases or conditioning buybacks on certain investment thresholds would shift corporate priorities toward capacity expansion and supply resilience. Expanding public financing tools, such as development banks, credit guarantees, or targeted lending, would further mitigate the inflationary effects of rising interest rates by lowering financial overhead for firms in essential sectors.

The pandemic also demonstrated the need for an industrial policy to bolster supply-chain resilience. Public investment in domestic semiconductor capacity, renewable energy infrastructure, critical minerals, and strategic transportation networks can address the structural bottlenecks that amplified inflationary pressures (UNCTAD 2020). The CHIPS and Science Act

and the Inflation Reduction Act represent steps in this direction. However, a long-term industrial strategy is required to stabilize prices by expanding productive capacity in key nodes of the global supply chain.

Because inflation in many developing economies was transmitted through global financial channels, international monetary reforms are indispensable. Regional currency-swap arrangements, enhanced multilateral lending facilities, capital-flow management tools, and more flexible debt-restructuring mechanisms would reduce vulnerability to U.S. monetary tightening and global commodity shocks (Gallagher and Kozul-Wright 2022). Such measures would allow developing economies to stabilize their currencies and prices without resorting to contractionary policies that harm growth and social welfare. The creation of alternative payment systems expanded the use of local currency trade settlement, and reforms to IMF conditionality would further increase global resilience to inflationary shocks.

Taken together, these policy alternatives constitute a structural, distributional, and institutionally grounded framework for inflation management. They directly address the sources of the 2021-2023 inflation, market power, supply disruptions, financialization, and monetary asymmetries, rather than relying on interest rates to indirectly suppress demand. Ultimately, moving beyond monetary tightening requires recognizing that inflation is not a purely macroeconomic phenomenon, but a governed outcome shaped by legal rules, institutional choices, and power relations. A more equitable and effective inflation policy must therefore intervene in the structures that organize production, pricing, finance, and global economic integration.

7. Conclusion

The 2021-2023 inflation in the United States and advanced economies revealed profound limitations in orthodox macroeconomic frameworks. Far from constituting excess aggregate demand or wage-driven overheating, the post-pandemic price surge was a structural and institutionally mediated phenomenon. Declining real wages, historically elevated profit margins, and supply bottlenecks contradict monetarist assumptions, aligning instead with Keynesian partial-inflation dynamics, Kaleckian mark-up behavior, and Minskyan financial overhead.

This inflation cannot be understood without reference to the legal and institutional architecture governing modern capitalism. Weakened antitrust enforcement, shareholder-value prioritization, and a dollar-centric monetary system provided the structural conditions for dominant, concentrated firms to raise mark-ups amid pandemic-induced supply disruptions aggressively.

Consequently, the Federal Reserve's aggressive interest-rate hikes proved inadequate and counterproductive. Monetary tightening is ill-equipped to resolve supply-chain failures or oligopolistic mark-ups. Instead, guided by Minskyan dynamics, rate hikes risk amplifying inflation by increasing the financial overhead of indebted firms, while depressing productive investment and exacerbating household fragility. Globally, the U.S. is tightening, exporting inflationary pressures to developing economies, triggering capital outflows, currency depreciation, and mounting external debt burdens under strict IMF conditionality.

Moving beyond the punitive logic of demand suppression requires a fundamental rethinking of inflation governance. A structurally informed policy framework must intervene directly in the institutional mechanisms generating price instability. Implementing excess-profits taxes, strategic price regulations, and rigorous market-structure reforms can neutralize the pricing power of concentrated capital. Paired with targeted industrial policy and a more equitable international monetary architecture, these measures offer a path to sustainable price stability.

Ultimately, the post-pandemic episode underscores that inflation is not a neutral macroeconomic pathology. It is a governed outcome, shaped by the legal allocation of market power and global finance. Crafting an effective response demands abandoning outdated monetarist paradigms in favor of a framework addressing the structural and institutional realities of the modern global economy.

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