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Congressional Testimony

"The Inflation Equation: Corporate Profiteering, Supply Chain Bottlenecks, and COVID-19"

U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

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I. Introduction

Chairwoman Waters, Ranking Member McHenry, members of the committee, thank you for inviting me to testify today. My name is Rakeen Mabud, and I am the Chief Economist and Managing Director of Policy and Research at the Groundwork Collaborative.

Groundwork is an economic policy think tank based in Washington, D.C. dedicated to advancing a coherent, economic worldview that produces broadly shared prosperity and abundance for all. Groundwork has no government contracts and accepts no government funds.

I am grateful to the Committee for holding this hearing about the critical issue of rising prices and inflation.

Today's price hikes are the result of three interacting factors: supply shortages and bottlenecks as a result of increased demand that are causing genuine increases in input costs, a highly concentrated economy that gives firms outsized pricing power -- especially when they can use the current inflationary environment as cover, and a deeply financialized economy that prioritizes short-term profit maximization over long-term investments. Together, these factors enable pandemic profiteering.

My testimony today will focus on three key points:

- First, corporate profiteering is playing an important but underreported role in rising prices. Corporate executives and shareholders are enjoying the highest profit margins in 70 years – all while consumers are paying the price.

- Second, Wall Street's presence in every corner of our economy makes this period of inflation unique. Investor demands for ever higher profits suggest that a profit-price spiral is a significant risk. In contrast, there is absolutely no evidence that wages are driving prices up.

- Finally, today's price increases are the direct result of the outsized power that mega-corporations hold over our supply chains and economy more broadly. Over the last 50 years, mega-corporations have set up a "heads I win, tails you lose" system, resulting in a brittle supply chain and less resilient economy.

I will conclude by recommending that Congress take on pandemic profiteering and recent price hikes by directly tackling the imbalanced power dynamics in our economy. First, the committee should work across Congress to tax excess profits to encourage productive investment. Second, it is critical that Congress makes additional long-overdue investments in our physical and human infrastructure to keep prices down and foster an economy rooted in shared prosperity and abundance. Finally, Congress should ensure rigorous competition in key product markets and at critical nodes along the supply chain by curtailing mergers that further concentrate industry.

II. Corporate profiteering is playing an important but underreported role in rising prices. Corporate executives and shareholders are enjoying the highest profit margins in 70 years – all while consumers are paying the price.

Corporate profit margins are soaring because of rampant price hikes on consumers across sectors. Record profit margins are directly tied to corporate profiteering.

There are a range of factors driving inflation right now, including increased and shifting demand, as well as supply chain disruptions resulting in bottlenecks and supply shortages. Corporations across the economy are citing these challenges as the reasons why their prices are going up. While increased demand could certainly increase corporate profits, the 70-year record-high[1] in corporate profit *margins* – despite rising input costs which would normally eat into margins -- demonstrate that megacorporations are taking advantage of this crisis to pad their profits by passing along more pricing than justified by rising input costs alone.

In short, it is true that firms are experiencing higher input costs as a result of these supply chain disruptions; but these very real price increases are giving firms cover to pad their profits and raise prices on consumers further.

Groundwork Collaborative has combed through hundreds of earnings calls over the last three quarters to understand why profit margins are at a record high. In these calls, executives tell investors about the last quarter's performance and also discuss what investors can expect from the company in the months ahead. Over and over, in sector after sector, the message from corporate America is clear: CEOs are telling their investors that the current inflationary environment has created significant opportunities to extract more and more from consumers by raising prices.

Take Constellation Brands, the parent company of popular beer brands Modelo and Corona. On their Q3 earnings call in January, Constellation's CFO said, "As you know, we have a consumer set that skews a bit more Hispanic than some of our competitors. And in times of economic downturn, if you will, or weakness, they tend to get hit a little bit harder and they recover a little bit slower. So we want to make sure that we're not leaving any pricing on the

[1] Reuter, Dominick and Andy Kiesrz. "Companies are pocketing their fattest profits in more than 70 years, even as they complain about inflation," *Business Insider*, Dec 2021, https://www.businessinsider.com/companies-pocket-largest-profits-in-70-years-amid-inflation-complaints-2021-12

table. We want to take as much as we can."[2]

In the same breath as they acknowledge that their consumers are hurting, Constellation's executives are expressing excitement about an exploitative and aggressive pricing approach to maximize their profit margins.

The most poignant examples of corporate profiteering are in sectors where dominant corporations have a stranglehold on essential goods, resulting in the toxic combination of immense market power and low price elasticity – and ultimately, sky high prices for consumers.

Take Procter and Gamble, one of the most dominant companies in the world with a chokehold on diaper production and more than a quarter of the global market on laundry products.[3] The company produces a range of household goods, from feminine care items to cleaning supplies.

In the company's quarterly earnings call on January 19, P&G CFO Andre Schulten announced price increases in all 10 of their product categories in 2021 with more to come in 2022 and stated, "Building on the strength of our brands, we are thoughtfully executing tailored price increases...We see a lower reaction from the consumer in terms of price elasticity than what we would have seen in the past."[4] Procter & Gamble reported that price increases helped drive their net sales up six percent higher than the previous year, bringing their total net earnings for the quarter up 9% to $4.2 billion.[5]

In other words, Schulten knows the company can take advantage of consumers' basic needs because demand is relatively unresponsive to price hikes for goods like diapers or household cleaning supplies. The ability to raise prices without seeing consumer demand drop, combined with significant market share, essentially gives companies like Procter and Gamble free rein over price increases – especially when they can blame inflation for the rising prices, rather than their insatiable desire to boost short-term profits.

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[2] "Constellation Brands (STZ) Q3 2022 Earnings Call Transcript," *Motley Fool Transcribing,* Jan 2022, https://www.fool.com/earnings/call-transcripts/2022/01/06/constellation-brands-stz-q3-2022-earnings-call-tra/

[3] "Can Procter & Gamble's Revenue Cross $72 Billion By 2021?," *Forbes,* October 2019, https://www.forbes.com/sites/greatspeculations/2019/10/31/can-procter--gambles-revenue-cross-72-billion-by-2021/?sh=11bb795eaee9.

[4] "The Procter & Gamble Company (PG) Q2 2022 Earnings Call Transcript," *Alpha Street*, January 29, 2022, https://news.alphastreet.com/the-procter-gamble-company-pg-q2-2022-earnings-call-transcript/.

[5] Coral Murphy Marcos, "Procter & Gamble's sales jump as consumers brush off rising prices," *New York Times*, January 19, 2022, https://www.nytimes.com/2022/01/19/business/procter-gamble-2q-2021-earnings.html.

Linda Montag, senior vice president at Moody's, agrees. She told Marketplace's Justin Ho that since companies like P&G sell essential household items people need to clean their homes and take care of their families, they can hike prices with little pushback in response.[6]

Consumers and small businesses are particularly affected by price hikes further up the supply chain because price hikes compound.

ConAgra, the parent company for popular brands such as Duncan Hines, Reddi Wip and Hunts, acknowledged that their price hikes would filter down to consumers through the grocery stores and other retailers that purchased their products: "We don't control what customers do with the price they put on the shelf. But I'd say, on average, they tend to pass it through pretty close to the way we pass it through to them. There may be some that take a small margin grab..."[7]

Small businesses in particular are hit hard because when their input costs go up, they have no choice but to pass the price increases on to consumers – often resulting in the loss of market share as customers abandon local businesses for big box retailers that can negotiate better prices.

Amid rampant supply chain shortages, the biggest players are first in line for inputs and inventory. Giants like Walmart and Amazon can absorb higher shipping costs and have the buying power to negotiate more favorable contracts with suppliers in the first place. One smaller retail competitor to Walmart and Amazon told *the Washington Post* that his contracts for inventory "were not worth the paper they were written on."[8]

The price hikes we are seeing now are rooted in corporate greed, plain and simple. Even the Chair of the Federal Reserve, Jerome Powell, has weighed in on this issue. When asked by Senator Elizabeth Warren if corporations with outsized market power are raising their prices to "fatten their profit margins," he did not mince words: "They're raising prices because they can," he explained.

Unfortunately, these aggressive pricing actions are commonplace and span the entire economy. In sector after sector, company after company, we see consumers paying more and mega-corporations getting ever richer.

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[6] Janet Nguyen, "Why are company profits rising despite inflation?," *Marketplace,* January 2022, https://www.marketplace.org/2022/01/20/why-are-company-profits-rising-despite-inflation/

[7] "Conagra Brands, Inc. (CAG) Q2 2022 Earnings Call Transcript," *The Motley Fool,* Jan 2022, https://www.fool.com/earnings/call-transcripts/2022/01/06/conagra-brands-inc-cag-q2-2022-earnings-call-trans/

[8] Groundwork Collaborative and American Economic Liberties Project, "Concentrated Corporate Power is Raising Prices, Harming Main Street, and Empowering Pandemic Profiteers," October 2021, https://groundworkcollaborative.org/wp-content/uploads/2021/10/GWC2140-EconLiberties.pdf.

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Information asymmetries are allowing mega-corporations to use the inflationary environment to jack up prices.

Mega-corporations are able to get away with this kind of aggressive and extractive pricing precisely *because* of the current inflationary environment. Increased demand and the resulting supply chain disruptions have caused input costs to increase, and consumers expect higher prices as a result. However, firms have much more information than consumers about the degree to which input costs have increased. It is this information asymmetry that firms are able to exploit to pad their profits.

As Hostess' CEO Andy Callahan said on a March 2022 earnings call, "We're also seeing consumers experience a lot of disruptions. And it's a large range of variability as we flow throughout the year. They're losing benefits. They're moving to a normalized COVID environment. They haven't fully recognized they were absorbed [sic] pricing."[9]

Inflation is a helpful cover for these price hikes. Callahan said later in the same call, "Pricing, by definition, is a change model. It's temporary. Consumers get used to it. When all prices go up, it helps."[10]

These information asymmetries are not only being leveraged for short-term price hikes, but also have longer-term implications. Because prices are sticky, companies are able to use the current bout of inflation as cover for price hikes that will permanently push prices up.

As Utz's CFO Ajay Kataria said just last week, "Our actions around pricing and productivity have stickiness to them. While they address margin gaps in the near term, they will drive margin enhancement when inflation stabilizes…We have very strong reasons to believe that when inflation stabilizes, things are going to start improving in terms of margins. And part of that is because that [sic] once inflation stabilizes, there will be some overlapping pricing benefit going forward."[11]

Hormel's CFO Jim Sheehan agrees. "And over the long-term trend, it really shows that the value of Hormel products are accepted by the consumer and that we are able to price effectively into the marketplace. So I think it's been a great success."[12]

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[9] "Hostess Brands, Inc. (TWNK) Q4 2021 Earnings Call Transcript," *The Motley Fool*, March 2022, https://www.fool.com/earnings/call-transcripts/2022/03/02/hostess-brands-inc-twnk-q4-2021-earnings-call-tran/?source=iedfolrf0000001

[10] Ibid.

[11] "Utz Brands, Inc. (UTZ) Q4 2021 Earnings Call Transcript," *The Motley Fool,* March 2022, https://www.fool.com/earnings/call-transcripts/2022/03/03/utz-brands-inc-utz-q4-2021-earnings-call-transcrip/?source=iedfolrf0000001

[12] "Hormel Foods Corporation (HRL) Q4 2021 Earnings Call Transcript," *The Motley Fool*, Dec 2021, https://www.fool.com/earnings/call-transcripts/2021/12/09/hormel-foods-corporation-hrl-q4-2021-earnings-call/?source=iedfolrf0000001

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III. Wall Street's presence in every corner of our economy makes this period of inflation unique. Investor demands for ever higher profits suggest that a profit-price spiral is a significant risk. In contrast, there is absolutely no evidence that wages are driving prices up.

Our economy is deeply financialized, which means that we can see Wall Street's influence in every corner of our economy. As a result, companies are incentivized to prioritize short-term returns for investors over productive investments and other stakeholders.

The excessive financialization of our economy is undeniable. Take stock buybacks, where firms buy back their own shares to artificially elevate their share price. In 2021, the largest U.S. companies engaged in $850 billion worth of buybacks, the highest in history.

Record buybacks are occurring in sectors as varied as the oil industry to hospitals.

As recently reported in the *Financial Times*, "The seven supermajors — BP, Shell, ExxonMobil, Chevron, TotalEnergies, Eni and Equinor — are poised to return $38bn to shareholders through buyback programmes this year, according to data from Bernstein Research. Investment bank RBC Capital Markets puts the total figure even higher at $41bn. That would be almost double the $21bn in buybacks completed in 2014 when oil last traded above $100 a barrel and the highest level since 2008 when their total buybacks topped $46bn driven by a huge share purchasing scheme at Exxon."[13]

Universal Health Services, one of the country's largest hospital management companies, announced last year that it would "increase the amount it will buy back to $3.7 billion, up from $2.7 billion. Since the program began in 2014, UHS has repurchased 20 million shares for $2.5 billion."[14]

Buybacks are simply a symptom of a "shareholder first" economy that prioritizes short-term shareholder payouts over productive investments and other stakeholders such as workers. As Dr. Lenore Palladino writes, "For nearly half of a century, America’s public corporations, driven by a shareholder primacy approach to corporate governance, have increasingly prioritized shareholder payments over other, more productive uses of corporate resources. Over the same

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[13] Wilson, Tom, "Big Oil on course for near-record $38bn in share buybacks," *The Financial Times*, Feb. 2022, https://www.ft.com/content/2852b800-4a03-4cf6-a47f-65c306a22657

[14] Paavola, Alia, "UHS sees profit climb to $325M, ups stock buyback program by $1B," *Becker's Hospital Review,* July 2021, https://www.beckershospitalreview.com/finance/uhs-sees-profit-climb-to-325m-ups-stock-buyback-program-by-1b.html

period, employee bargaining power has fallen and wages for non-executive workers have stagnated across sectors."[15]

Pandemic profiteering is being reinforced by a highly financialized economy, putting us at risk for a profit-price spiral.

The stickiness of prices, combined with Wall Street's influence in every corner of our economy puts us at risk for a profit-price spiral[16][17] and higher prices over the longer term. As profits rise as a result of price hikes, so too does the demand for those profits – sending prices spiraling ever upward. Because investors are so powerful across our economy, these spiraling demands are contagious from sector to sector – driving prices higher and higher across a range of sectors.

Take Walmart and Target, whose executives wanted to pursue a strategy of increasing market share by keeping prices low. As a result, both companies experienced brutal selloffs.[18] Simply put, investors were not having it: having seen how successful price hikes were across the retail industry, they punished anyone who was not pursuing the same strategy. Within three months, both companies had raised their prices.[19]

In another example, the cost of Kimberly-Clark N95 masks more than doubled between October 2021 and January 2022 when the CDC updated its guidance to wear more protective masks.[20]

Michael Hsu, Kimberly-Clark's CEO, was not shy about sharing why the company had jacked up prices. In an earnings call just last week, he noted that, "While our overall financial results were disappointing, we took decisive action to offset the impact of higher costs with significant pricing actions." On the same call, Hsu suggested that these pricing actions would allow Kimberly Clark to allocate more cash to shareholders through dividends and buybacks.[21]

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[15] Palladino, Lenore, "Ending Shareholder Primacy in Corporate Governance," *Roosevelt Institute Working Paper*, Feb. 2019, https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI_EndingShareholderPrimacy_workingpaper_201902.pdf

[16] Joe Weisenthal, Feb 2022, https://twitter.com/TheStalwart/status/1491485319811805192

[17] Alloway, Tracy. "Investors Are Loving Companies That Increase Their Prices," *Bloomberg*, Feb 2022, https://www.bloomberg.com/news/articles/2022-02-09/investors-love-companies-increasing-prices-and-shifting-inflation-to-consumers?sref=azsh6QkL

[18] Repko, Melissa. " Walmart and Target clash with investors over strategy to keep prices low despite inflation," *CNBC,* https://www.cnbc.com/2021/11/17/walmart-and-target-clash-with-investors-over-low-price-strategy-.html

[19] Repko, Melissa, "Walmart says shoppers are on alert as grocery bills climb," *CNBC,* https://www.cnbc.com/2022/02/17/walmart-cfo-brett-biggs-says-customers-are-paying-attention-to-rising-prices.html

[20] Claire Ballentine and Misyrlena Egkolfopoulou, "N95 Mask Prices Hit 'Ridiculous' Highs on Speculation Over CDC Guidance," *Bloomberg*, January 12, 2022, https://www.bloomberg.com/news/articles/2022-01-12/n95-kn95-or-cloth-masks-prices-surge-as-cdc-weighs-new-recommendations?sref=azsh6QkL.

[21] "Kimberly-Clark Full Year 2021 Results and 2022 Outlook Prepared Remarks," January 26, 2022, https://investor.kimberly-clark.com/static-files/1297975a-1de1-4095-8d91-d7dc9413a88e

In other words, even though the company was experiencing a disappointing quarter, Kimberly-Clark's CEO was prioritizing shareholder payouts – all on the backs of consumers paying higher prices for essential items.

While investor demands for higher profits are sending prices spiraling up, there is no evidence that wages or labor shortages are playing a role in driving up prices.

In a system characterized by the kind of baked-in inequality and power-imbalances we have in our economy, many will look to blame wages or recent federal investments for the rise in prices. Not only would focusing on these factors be misguided, but also trying to correct for higher wages or derailing critical, long-overdue investments would only double down on the harm that workers and families are feeling at the checkout line.

A recent analysis by the Economic Policy Institute looks at the relationship between price increases and wage increases over time. While historically there has been a link between price inflation and wage growth – leading to a "wage-price spiral," there has been no correlation between these two factors since December 2020.[22]

One reason wages are not having as much of an impact on prices right now is because worker power has seen a precipitous decline over the last several decades, in large part because of the weakening of organized labor. Since the 1970s, we have experienced a secular decline in unionization rates: sector union membership rate was 6.1% in 2021[23] down from 24.2% in 1973[24].

To be clear, both wage increases and increased worker power backed by unionization would begin to rebalance the pernicious power dynamics that we have in our economy right now – corporations hold outsized power, allowing them to exploit crises to amass even more wealth and power. Increased unionization and higher wages are good things – both for workers and our economy as a whole.

In short, there is absolutely no evidence to suggest wage increases for workers are to blame for the price increases we are seeing today. In February hourly earnings rose just one percent, and over the past year, wages are up only 5.1%. Further, an exceptionally strong jobs report last Friday, with 678,000 jobs added to the labor market, should ease any concerns about labor shortages driving up prices.

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[22] Josh Bivens, "U.S. workers have already been disempowered in the name of fighting inflation," *Economic Policy Institute,* January 2022, https://www.epi.org/blog/u-s-workers-have-already-been-disempowered-in-the-name-of-fighting-inflation-policymakers-should-not-make-it-even-worse-by-raising-interest-rates-too-aggressively/

[23] "Union Members – 2021," *Bureau of Labor Statistics*, Jan 2022. https://www.bls.gov/news.release/pdf/union2.pdf

[24] "The Shrinking American Labor Union," *New York Times*, Feb 2015, https://www.nytimes.com/2015/02/08/business/the-shrinking-american-labor-union.html

IV. Today's price increases are the direct result of the outsized power that mega-corporations hold over our supply chains and economy more broadly. Over the last 50 years, mega-corporations have set up a "heads I win, tails you lose" system, resulting in a brittle supply chain and less resilient economy.

But the question remains: *why* do corporations have so much power to exploit crises for their own gain? The answer starts decades before the pandemic: we spent a half-century allowing business executives and financiers to take control of our supply chains. They hailed the so-called "efficiencies" – ignoring the fact that this knife-edge system was supremely ill-equipped to handle the inevitable supply bottlenecks.

Corporate America's ruthless pursuit of efficiency ushered in a wave of mergers and acquisitions that has contributed to today's high prices in two important ways:

- First, it hollowed out and nearly-eliminated diversity in our supply chain, leaving us without enough geographic diversification or productive capacity to withstand significant shifts in demand, COVID-induced closures, or natural disasters without supply shortages.
- Second, it has left us vulnerable to pandemic profiteering. Without competition to undercut companies who are charging excess prices or laws and regulations prohibiting this behavior, companies will continue unabated.

Extreme concentration has created a brittle system unable to withstand shocks.

We have an economy characterized by extreme concentration. This concentration has thinned out our supply chains and left the remaining mega-companies perfectly positioned to capitalize on the frenzy around inflation to post record profits while extracting from consumers. The presence of Wall Street backing these corporate behemoths has driven this trend in corporate consolidation as investors profit.

And Wall Street's unending quest for maximizing short-term returns has resulted in deregulation of everything from shipping to our rail network. As corporate executives bowed down at the altar of a lean, just-in-time supply chain system that eliminated resiliency and redundancy and increasingly relied on precarious labor, our economy was left more vulnerable to shocks and to the price-gouging, collusion, and pandemic profiteering those shocks allow. In other words, corporations have been able to keep costs low and reap profits, without any risk of being undercut by competition, all at the expense of stability and reliability for consumers.

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The majority of the goods families rely on are delivered by as few as three ocean shipping alliances,[25] packed by four meatpackers[26] and equipped by a single chip maker.[27] If something goes wrong with any of these companies, consumers are left without goods on the shelves – driving up prices due to scarcity.

This extreme consolidation has also left us with a bare-bones workforce that relies on vulnerable, precarious workers who are often misclassified and exploited. Take truckers, for instance, a vital puzzle piece in getting goods to grocery store shelves. While big shipping companies such as XPO decry trucker shortages, the truth is that as many as 80% of port truckers are misclassified as independent contractors.[28]

As Harold Meyerson writes in a piece about the trucking industry, "As independent contractors, they receive no benefits and aren't covered by minimum-wage statutes. They must pay for their gas, maintenance, rig insurance, and repairs themselves; and, ever since the pandemic clogged the ports with more goods than ever before, they've had to wait in lines for as long as six uncompensated hours before they can access a container and get it on the road. If they get in the wrong line at the port, they literally can't get out, surrounded by other trucks and doomed to waste more time. Many ports don't even provide bathrooms for waiting truckers, because they aren't port employees."[29]

And the reason that so many truckers are facing rock-bottom working conditions and pay comes down to deregulation. Until the 1980s, truckers, especially those taking on long-haul journeys, "were generally employed by regulated companies whose routes and rates had to pass muster with the Interstate Commerce Commission." Drivers were unionized and could expect a comfortable life with benefits and good pay. The Motor Carrier Act of 1980 precipitated a race to the bottom, deregulating the industry and driving down trucker wages, working conditions, and unionization rates. We're not facing a trucker shortage – we're facing a shortage of good trucking jobs, spurred on by deregulation of the industry. And the upshot is that consumers and workers around the country suffer.[30]

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[25] "Shipping Alliances: 2M, Ocean Alliance & THE Alliance [2021 Overview]," *Container Xchange,* July 2019, https://www.container-xchange.com/blog/shipping-alliances/

[26] "Explainer: How four big companies control the U.S. beef industry," *Reuters,* June 2021, https://www.reuters.com/business/how-four-big-companies-control-us-beef-industry-2021-06-17/

[27] Yang Jie *et al.,* "The World Relies on One Chip Maker in Taiwan, Leaving Everyone Vulnerable," *Wall Street Journal,* June 2021, https://www.wsj.com/articles/the-world-relies-on-one-chip-maker-in-taiwan-leaving-everyone-vulnerable-11624075400

[28] Harold Meyerson, "Why Trucking Can't Deliver the Goods," *American Prospect,* February 2022. https://prospect.org/economy/why-trucking-cant-deliver-the-goods/

[29] Ibid.

[30] Ibid.

Concentration leaves the economy vulnerable to profiteering and price gouging.

The meat packing industry provides a stark example of how mega-corporations have consolidated the market to reap massive profits while consumers and workers are left to foot the bill. According to a recent analysis from the White House National Economic Council, the four biggest meatpackers have seen their net profit margins go up more than 300%[31] since the start of the pandemic, while consumers continue to face sky-rocketing prices.

The consolidation in the meat-packing industry can be traced back to the Reagan administration, which ushered in a period of deregulation and institutionalized Robert Bork's approach to antitrust that adopted the consumer welfare standard. Bork argued that as long as consumer prices were unchanged, or even dropping, monopolistic control over an industry was not a problem.[32] Across all industries, including the meat-packing industry, the Reagan administration stopped enforcing antitrust provisions and allowed big companies to acquire competitors and consolidate their power.

Today, four companies in the meat-packing industry, Tyson, Cargill, JBS, and National Beef Packing, control 85% of the beef industry.[33] These corporations promised that through consolidation, consumers would face lower costs.[34] And yet, these companies have ended up with higher profit margins while consumers faced a 30% jump in beef prices from 2020 to October of 2021.[35]

Corporate consolidation has helped facilitate the pandemic profiteering we are seeing today. With control and dominance over the market, these massive corporations can raise prices and pass along expenses to consumers who have nowhere else to turn. Furthermore, pandemic profiteering further highlights the wildly imbalanced power dynamics that continue to decimate

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[31] Brian Deese *et al.*, "Recent Data Show Dominant Meat Processing Companies Are Taking Advantage of Market Power to Raise Prices and Grow Profit Margins," *The White House,* December 2021, https://www.whitehouse.gov/briefing-room/blog/2021/12/10/recent-data-show-dominant-meat-processing-companies-are-taking-advantage-of-market-power-to-raise-prices-and-grow-profit-margins/

[32] "Who Do You Want Controlling Your Food?," *The New York Times,* January 2022, https://www.nytimes.com/2022/01/28/podcasts/the-daily/beef-prices-cattle-ranchers.html?action=click&module=audio-series-bar&region=header&pgtype=Article

[33] Nicole Goodkind, "Meet the 4 meat empires Biden says are unreasonably jacking up prices for Americans," *Fortune*, January 2022, https://fortune.com/2022/01/06/meat-prices-biden-inflation-tyson-cargill-jbs/#:~:text=The%20four%20major%20meat%20companies,%2C%20cattle%2C%20and%20chicken%20markets.

[34] "Who Do You Want Controlling Your Food?," *The New York Times,* January 2022, https://www.nytimes.com/2022/01/28/podcasts/the-daily/beef-prices-cattle-ranchers.html?action=click&module=audio-series-bar&region=header&pgtype=Article

[35] David Lawder, "Analysis: High U.S. meat prices: packer profiteering or capacity crunch?," *Reuters,* January 2022, https://www.reuters.com/business/retail-consumer/high-us-meat-prices-packer-profiteering-or-capacity-crunch-2022-01-19/

the economic security of low-income people of color – communities who have faced a broken economy for decades.[36]

V. Congress should encourage productive investment over profiteering by taxing excess profits, making long-overdue investments in our infrastructure, and beefing up antitrust enforcement to create an economy that works for all.

Tackling pandemic profiteering requires checking the outsized power that megacorporations hold in our economy and encouraging productive investment to build a resilient economy that works for all.

Given the supply-side nature of the problem, fiscal policy is one of the best paths forward in this important moment in our economic health. Congress must also do it's part to address corporate concentration and the power that these megacorporations exert on prices, wages, and working conditions.

- Congress should tax excess profits, as it did after World War I and World War II to encourage productive investment and deter price gouging. Other types of taxes, such as an increase in the corporate rate, or the establishment of a minimum tax on book income, could serve a similar purpose.

- Congress should ensure rigorous competition in key product markets and at critical nodes along the supply chain by curtailing mergers that further concentrate industry or by breaking up monopolies. Congress can pass legislation aimed at breaking up and re-regulating the large ocean shipping monopolies that are stoking inflation and gumming up critical points in our supply chain.

- Congress should make critical, long-overdue investments in sectors where we are seeing significant shortages, such as housing, and along key nodes of our supply chain. Congress should also make critical investments in sectors that have been eating into family budgets for decades, such as health care and the care sector.

Taken together, these actions will begin the important work of reorienting our economy towards the people who keep it going: consumers, workers, and small businesses.

VI. Conclusion

Workers, families, and small businesses around the country are feeling the pressure of higher prices for basic goods and services. Everything from groceries to medical care to the supplies

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[36] From businesses to workers, inflation is taking its toll on Black communities," *The Grio*, January 2022, https://thegrio.com/2022/01/30/inflation-businesses-workers-black-communities/.

small business owners need to sustain their livelihoods is more expensive. The more sway large corporations have over our economy, the more power they have to profit off the pain of consumers and Main Street.

Addressing this crisis means focusing on the real reasons that prices are soaring and small businesses are struggling to stay afloat: the unchecked power of giant corporations and their armies of lawyers and lobbyists who have rigged our economy in their favor for decades. This has created a brittle system that has allowed them to take advantage of consumers and small businesses over the course of this crisis. Egged on by investors, these megacorporations are using inflation as a cover for rampant profiteering – and it must be stopped.

Our economy works best when it works for all of us, and deeply entrenched concentrated corporate power has systematically stripped down supply chains and undermined consumers' bargaining power. The path towards an inclusive, resilient economy must include policies that foster competitive markets where consumers, working people, and smaller competitors all have meaningful bargaining power.

The best way to bring down prices and get our supply chains back up and running is to make smart investments now — and make sure dominant corporations don't get to siphon them off or use them to accumulate even more market power. These investments, coupled with pro-competition safeguards, will shift power to working people, consumers, and communities, reduce costs and prices in the long run, and ensure that no one is left behind during the recovery and beyond.

Thank you.