Chairman Sanders, Ranking Member Graham, thank you for inviting me to testify today. My name is Lindsay Owens, and I am the Executive Director of the Groundwork Collaborative.

Groundwork is a think tank working to produce broadly shared prosperity and abundance for all.

My testimony today will focus on three key points:

- First, corporate profiteering and price-gouging are accelerating price increases and squeezing consumers and small businesses.

- Second, Wall Street's presence in every corner of our economy is putting us at risk for a profit-price spiral. In contrast, the share of economic output going to labor is declining, inconsistent with a wage-price spiral.

- Finally, today's price increases are the direct result of the outsized market power that megacorporations hold over our supply chains and our economy more broadly.

There are a range of factors driving inflation right now, from increasing and shifting demand to supply chain disruptions and even conflict abroad. But last week's Bureau of Economic Analysis data release laid bare another culprit–plain old profiteering.

- Corporate profits of non financial firms surged 35% in 2021, and profit margins reached their highest level since 1950.
- In all four quarters of 2021, the overall profit margin stayed above 13%, a level reached in just one other three-month period during the past 70 years.[1]

The 2021 profit data mirrors what CEOs have been telling shareholders for months–inflation has been very, very good for business.

My team at the Groundwork Collaborative has combed through hundreds of quarterly earnings calls to understand why profit margins are at a record high, despite the rising costs of energy and raw materials. In these calls, executives tell investors about last

1 https://www.bloomberg.com/news/articles/2022-03-30/2021-was-best-year-for-u-s-corporation-profits-since-1950?srnd=premium&sref=azsh6QkL

quarter's performance and discuss what investors can expect going forward. Over and over, the message from corporate America is clear: they aren't just asking consumers to pay for their rising costs, they're going for more.

- Or as the CFO of Constellation Brands, the parent company of popular beers Modelo and Corona, put it in their January earnings call: "So we want to make sure that we're not leaving any pricing on the table. We want to take as much as we can...."

Megacorporations are able to get away with this kind of aggressive and extractive pricing precisely because of the current inflationary environment.

- As the CEO of Hostess said on an earnings call last month, "When all prices go up, it helps."

Wall Street's influence in every corner of our economy makes this period of inflation unique and puts us at risk for a profit-price spiral. As profits rise as a result of price hikes, so too does the investor demand for those profits.

- Take the example of oil and gas. Last month the CEO of Texas-based Pioneer Oil was asked whether Pioneer would consider increasing production to make up for any shortfall resulting from Russia's invasion of Ukraine. His answer: "No." When asked to explain, he said: "It's all about the shareholders. Our shareholders own this company. They want a return of cash."
- It's not just Pioneer. 59% of oil and gas executives recently told the Dallas Fed that "investor pressure to maintain capital discipline" is the primary reason publicly traded oil companies are throttling supply despite high prices.

Shareholders across sectors aren't hiding the ball: they expect buybacks and dividends, not investments in production. And their strategy is paying off.

- In 2021, S&P 500 firms spent nearly $900 billion on stock buybacks and U.S. companies paid out nearly $1.5 trillion in dividends to shareholders, both record highs.

Corporate America's ruthless pursuit of efficiency and short-term profit has also contributed to today's high prices by ushering in a wave of corporate consolidation that left us vulnerable to profiteering and price increases in two ways:

- First, it hollowed out and nearly-eliminated diversity in our supply chain, leaving us without any failsafes to withstand significant shifts in demand without supply shortages.

- Second, without competition to undercut companies who are charging excess prices, companies with market power can continue raising prices unabated.

Megacorporations' control over our supply chains has supplanted the functioning, resilient system we could have built through robust public investment.

But it's not too late – we have many policy tools at our disposal:

- First, Congress should tax excess and windfall profits to encourage productive investment instead of profiteering.
- Second, regulators should enforce the laws already on the books to make markets more competitive and prevent collusion and price-fixing.
- Third, Congress should pursue a federal price-gouging standard to protect against excessive price hikes during periods of economic transition.
- Fourth, Congress should make long-overdue investments in our supply chain.

Importantly, interest rate hikes, which slow inflation by tamping down demand and making people poorer, do not address any of the underlying causes of our supply shortages and would do nothing to address profiteering.

Big corporations are getting away with pushing up prices to fatten their profit margins, and consumers are quite literally paying the price. It’s time to rein them in.

Thank you.