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6 PANDEMIC PROFITEERS:

7 LEGISLATION TO STOP CORPORATE PRICE GOUGING

8 WEDNESDAY, FEBRUARY 2, 2022

9 House of Representatives,

10 Subcommittee on Consumer Protection and Commerce,

11 Committee on Energy and Commerce,

12 Washington, D.C.

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16 The subcommittee met, pursuant to call, at 10:30 a.m.,  
17 in Room 2123 of the Rayburn House Office Building, Hon. Jan  
18 Schakowsky, [chairwoman of the subcommittee] presiding.

19 Present: Representatives Schakowsky, Rush, Castor,  
20 McNerney, Cardenas, Dingell, Kelly, Soto, Fletcher, Pallone  
21 (ex officio); Bilirakis, Upton, Latta, Guthrie, Bucshon,  
22 Dunn, Lesko, Pence, and Rodgers (ex officio).

23 Also present: Representative Carter.

24

25 Staff Present: Katherine Durkin, Policy Coordinator;  
26 Lisa Goldman, Senior Counsel; Waverly Gordon, Deputy Staff  
27 Director and General Counsel; Jessica Grandberry, Staff

28 Assistant; Tiffany Guarascio, Staff Director; Perry Hamilton,  
29 Clerk; Ed Kaczmariski, Policy Analyst; Zach Kahan, Deputy  
30 Director Outreach and Member Service; Mackenzie Kuhl, Press  
31 Assistant; David Miller, Counsel; Elysa Montfort, Press  
32 Secretary; Kaitlyn Peel, Digital Director; Caroline Rinker,  
33 Press Assistant; Chloe Rodriguez, Clerk; Andrew Souvall,  
34 Director of Communications, Outreach and Member Services;  
35 C.J. Young, Deputy Communications Director; Sarah Burke,  
36 Minority Deputy Staff Director; Michael Cameron, Minority  
37 Policy Analyst, CPC, Energy, Environment; Nate Hodson,  
38 Minority Staff Director; Peter Kielty, Minority General  
39 Counsel; Emily King, Minority Member Services Director; Tim  
40 Kurth, Minority Chief Counsel, CPC; Brannon Rains, Minority  
41 Professional Staff Member, CPC.

42

43           \*Ms. Schakowsky. The Subcommittee on Consumer  
44 Protection and Commerce will now come to order.

45           Today we will be holding a legislative hearing entitled,  
46 "Pandemic Profiteering: Legislation to Stop Corporate Price  
47 Gouging."

48           So due to COVID-19 public -- the public health  
49 emergency, members can participate in today's hearing either  
50 in person or remotely, via online video conferencing.  
51 Members who are participating in person must wear masks,  
52 except when you are speaking. Staff and press who are  
53 present in the room must wear masks.

54           For members participating remotely, your microphones  
55 will be set on mute for the purpose of eliminating  
56 inadvertent background noise. Members participating remotely  
57 will need to unmute your microphones each time that you wish  
58 to speak. Please note that, once you are unmuted, your  
59 microphones are -- will catch everything you say, so you want  
60 to make sure that you go on mute when you aren't speaking.

61           Since members are participating from different locations  
62 at today's hearing, all recognition of members shall be for  
63 -- let's see, I am sorry, you know my reading thing -- for  
64 questions will be in the order of subcommittee seniority.

65           Documents for the record can be sent to Ed Kaczmariski.  
66 He -- at the end -- at the -- what is this? At the email  
67 address that we have provided to staff. All documents will

68 be entered into the record at the conclusion of the hearing.

69 The chair now recognizes herself for an opening  
70 statement of five minutes.

71 So today we will consider legislation to protect  
72 consumers from corporate greed and price gouging related to  
73 the pandemic. The COVID-19 Price Gouging Prevention Act will  
74 empower the Federal Trade Commission and state attorneys  
75 general with the enforcement tools that are needed to  
76 effectively go after price gougers.

77 Throughout the pandemic health emergency, we have seen  
78 skyrocketing billionaire wealth and corporate greed take  
79 advantage of people's fears and uncertainty and needs. We  
80 have seen, actually, unconscionable price hikes in everyday  
81 consumer goods like toilet paper, face masks, and hand  
82 sanitizers, as well as critical medical supplies like  
83 respirators and personal protective equipment. In the last  
84 month alone, we have seen Big Pharma increase the price of  
85 559 -- 554 drugs, with an average price hike of 6.3 percent.

86 Pfizer has raised prices on 125 drugs, more than any  
87 other company. This came after Pfizer reported record  
88 profits in 2021 from the -- from their taxpayer-funded COVID-  
89 19 vaccines, and after boosting their CEO pay 17 percent, to  
90 \$21 million.

91 Johnson and Johnson executives are no different. They  
92 raised prices according -- across all consumer health

93 products, despite a 13.6 percent increase in the -- in  
94 revenues last year, and projected 3 to \$5 billion in revenue  
95 in 2022 from their COVID-19 vaccine alone.

96         Instead of giving Americans a break from skyrocketing  
97 prices, companies are pocketing these extra -- this extra  
98 cash. Last week it was reported that UnitedHealth Group  
99 spent \$5 billion buying back its own stock, and paying  
100 shareholders \$5 billion in dividends in 2021. This came  
101 after it reported \$24 billion in profits, the largest ever in  
102 its industry -- in its industry's history.

103         And there -- and those -- these trends aren't limited to  
104 health-related goods and services. S&P 500 companies' 2001  
105 (sic) earnings were up nearly 50 percent for the year, and  
106 corporate profits -- profit margins reached a 70 percent year  
107 high.

108         Procter & Gamble has repeatedly raised prices on its  
109 U.S. products during the pandemic, while raking in \$21  
110 billion in profits in 2021, up 6 percent from the previous  
111 year.

112         Grocery giant Kroger posted record earnings during the  
113 pandemic, including \$132 billion in 2020, all while raising  
114 prices, decreasing wages paid to -- by -- to workers by 8.1  
115 percent, authorizing billions in stock buybacks, and its CEO  
116 taking a \$6.4 million raise -- that is just the raise. And  
117 enough is enough.

118           We are at war with this pandemic, war with this virus.  
119   And during World War II, war profiteers were held  
120   accountable. The same should be applied here today. We are  
121   absolutely at war, and we have to take action. We will not  
122   tolerate corporate -- corporations taking advantage of  
123   American consumers by gouging, by price gouging, especially  
124   not during a pandemic.

125           So the critical -- this critical legislation needs to be  
126   heard and ultimately passed.

127           [The prepared statement of Ms. Schakowsky follows:]

128

129   \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

130

131           \*Ms. Schakowsky. And I want to thank our witnesses for  
132 being here, and I now recognize Mr. Bilirakis for his five  
133 minutes of opening statement.

134           \*Mr. Bilirakis. Thank you, Madam Chair, and I thank the  
135 witnesses, as well.

136           Our constituents are facing a serious problem with  
137 inflation. And as we have seen from recent mishaps by the  
138 Biden Administration, we need to be smarter about our policy  
139 choices so the -- okay.

140           First, I would be remiss if I didn't express some  
141 disappointment that we are not joining in the theme of our  
142 friends in the Transportation and Infrastructure Committee,  
143 Madam Chair, who are discussing a path forward on autonomous  
144 vehicles, which will provide a true opportunity to transform  
145 our economy and save thousands of lives.

146           That said, I certainly don't want to dismiss the  
147 importance of our discussion here today about how our  
148 constituents are paying higher and higher prices.

149           I greatly respect the work we tasked the FTC with  
150 executing. And as our comprehensive privacy and data  
151 security draft bill demonstrates, I also believe in working  
152 closely with the state attorneys general to help enforce a  
153 preemptive law.

154           But we must have an honest discussion about the real  
155 challenges our country and constituents are facing, rather

156 than a bait-and-switch about where to push blame.

157 I know my colleagues on the other side of the aisle are  
158 aware of inflation problems and the crunch on our supply  
159 chain, and the President was questioned about this in his  
160 most recent press conference. However, somehow we are  
161 supposed to be convinced that there is widespread price  
162 gouging occurring.

163 Even the majority's memo for today's hearing disputes  
164 its own thesis by footnoting an article from The Washington  
165 Post called "The Inflation-Causing Financial Strain for  
166 Nearly Half of U.S. Households.'" That article doesn't  
167 reference price gouging once. Instead, it attributes  
168 increased prices to surging inflation, booming consumer  
169 demand, and crippling -- crippled supply chains. Not that  
170 price gouging is not occurring, but we have to address the  
171 real problems. The article even goes on to say -- and I  
172 quote -- "The picture is further complicated by widespread  
173 labor shortage and the revolving door of the pandemic.'"

174 The legislation brought forth by the chair today, which  
175 would give, again, more new authorities -- broad new  
176 authorities, in my opinion -- to the FTC to go after price  
177 gouging during the public health emergency, does not define  
178 what excessive price gouging is, and does not adequately  
179 account for any of the causes for increased prices.

180 The legislation is missing a full account for the supply



181 and consumer demand of certain goods: the bottlenecking of a  
182 -- our ports and distribution centers, current labor  
183 shortages, or even the organized crime ripping goods right  
184 off freight rail, like we are seeing in cities like Los  
185 Angeles.

186         This committee should seek to avoid unintended  
187 consequences on businesses when protecting consumers, and  
188 thus I can't support this legislation in front of us today,  
189 and we shouldn't let it divert our attention from President  
190 Biden's big government spending programs and over-regulation  
191 that are crushing our economy and keeping it from fully  
192 recovering.

193         The fact is, I am not sure the American public buys into  
194 the narrative, either. They know that honest local mom-and-  
195 pop stores are doing their best with whatever products they  
196 can get their hands on. Add to that a recent article from  
197 the New York Post reporting the results of a study that found  
198 69 percent of respondents disapprove of how President Biden  
199 is responding to the inflation crisis, with only 29 percent  
200 approving.

201         This committee has a duty to protect consumers and  
202 promote commerce. We have supported providing FTC with the  
203 tools they need to be successful, like when we gave them  
204 first-time civil penalty authority to go after COVID-19  
205 scams. But giving consumers a false protection here, without

206 properly identifying actual harms, we will give the FTC chair  
207 more unchecked powers at a time when her actions should be --  
208 should receive more sunshine. Where is the sunshine in this  
209 case?

210 I am hopeful this committee can get back to the business  
211 of how to grow our economy with innovation springing from  
212 clear regulatory frameworks, like for AVs and artificial  
213 intelligence, and protect consumers with clearly defined  
214 authorities for FTC, like we do in our privacy and data  
215 security draft.

216 I know we can do better.

217 [The prepared statement of Mr. Bilirakis follows:]

218

219 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

220

221           \*Mr. Bilirakis. With that, Madam Chair, thank you for  
222 giving me the opportunity, and I thank the witnesses for  
223 being here again, and I look forward to your testimony.  
224 Thank you so much, and I yield back.

225           \*Ms. Schakowsky. I thank the gentleman, and just want  
226 to point out I think that we are making some real progress on  
227 the AV issue, and I certainly agree that we need to be  
228 working on that promptly. So, yes, it is good news.

229           And at this point I want to welcome the chair of the  
230 full committee, Mr. Pallone, for his five minutes of opening  
231 statement.

232           \*The Chairman. Thank you, Madam Chair. I mean, I --  
233 look, I -- certainly, we can work on AVs, but, I mean, I got  
234 to be honest with you. I think AVs are not the answer to  
235 inflation, and price gouging, and our economic problems. It  
236 is certainly something we can do, but it is not something  
237 that is very -- that is going to solve that problem or any of  
238 those problems.

239           My concern right now -- and I don't want to go into it  
240 -- I just get the impression more and more -- and I hope it  
241 doesn't continue to the end of this session -- that, you  
242 know, the answer to everything that we talk about is no.

243           You know, we talk about the COMPETES Act. We were at  
244 Rules yesterday. I have been hearing for the last year or so  
245 from the Republicans about China, and the competition from

246 China. But yes, when we were at the Rules Committee  
247 yesterday, "No, no, we can't do this bill, this bill is no  
248 good, this isn't going to solve the problem."

249 Now we talk about price gouging. "Well, I can't support  
250 this bill because this bill isn't going to solve the price  
251 gouging problem."

252 I mean, I just hope I am wrong, and that we just don't  
253 get, between now and the election, nothing but "We can't do  
254 this, we can't do that." It is just sad, because I want to  
255 work in a bipartisan basis on everything, even AVs. But we  
256 are just -- you know, we are really not getting much  
257 cooperation from the other side, in all honesty.

258 Now let me just say that we are -- we still face major  
259 challenges with our economy, clearly, but we are seeing major  
260 signs of economic recovery.

261 Last year, overall gross domestic product grew 5.7  
262 percent, the highest annual rate in nearly 4 decades. The  
263 economy added 6.4 million jobs, the largest annual increase  
264 in American history. That historic job creation reduced  
265 unemployment for 15 percent at the beginning of last year to  
266 just 3.9 percent today. Wages are increasing. We did have  
267 the American Rescue Plan and the bipartisan infrastructure  
268 bill -- I say bipartisan, but I think there were only 12  
269 House Republicans that supported it -- and we do now lead the  
270 world on our economic pandemic recovery.

271           But our economy, while it is recovering, it is true that  
272 American families are still struggling to make ends meet.  
273 Rising prices for food and other household necessities. But  
274 a lot of these price increases are a result of the ongoing  
275 pandemic. That is why we are taking action later this week  
276 to pass the America COMPETES Act. I hope we do get some  
277 Republican support. That deals with the supply chain issue  
278 and shortages of critical goods, and tries to have more goods  
279 made here and today, made here in the USA. And yes, reduce  
280 -- you know, make us more competitive with China and other  
281 countries.

282           But the fact of the matter is there are price -- there  
283 is a lot of price gouging taking place. Some businesses are  
284 simply price gouging consumers. And these actions have been  
285 constant throughout the pandemic, evolving with each phase,  
286 and disproportionately harming the most vulnerable when they  
287 can least afford it. And opportunist price gouging initially  
288 focused on the sudden need for items like personal protective  
289 equipment and hand sanitizer, but more recently we have heard  
290 reports of overpriced COVID test kits and face masks, and now  
291 pandemic profiteering has expanded to virtually all types of  
292 consumer goods.

293           And I do think that corporate greed is motivating large  
294 companies to use the pandemic and supply chain issues as an  
295 excuse to raise prices, simply because they can. And a lot

296 of executives brazenly boast to investors about raising  
297 prices on consumers without consequences. And these  
298 executives are saying they are going to continue to do so.

299 The legislation under discussion today is basically  
300 designed to bring this outrageous price gouging to an end.  
301 The Act is a straightforward solution to the immediate  
302 problem. It is introduced by Chair Schakowsky and -- along  
303 with myself, Representatives Cicilline, and Nadler. It would  
304 give the FTC the authority to seek civil penalties from those  
305 price gouging during the COVID-19 pandemic. States attorney  
306 generals would be able to enforce the legislation without  
307 losing any of their existing authority under state law.

308 And the fact of the matter is there is no Federal price  
309 gouging law today. While most states do have some kind of  
310 authority, those laws are inconsistent, and many fail to  
311 address the unique circumstances of the COVID-19 pandemic.  
312 So Congress has to give the FTC and states the authority  
313 enforcement tools they need to go after companies that are  
314 gouging consumers. It is mostly large companies.

315 So I look forward to the discussion today, and I hope we  
316 can find bipartisan agreement to act on this important  
317 legislation that puts consumers first.

318

319

320

321 [The prepared statement of The Chairman follows:]

322

323 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

324

325           \*The Chairman. And with that, Madam Chair, I yield  
326 back.

327           \*Ms. Schakowsky. The gentleman yields back, and the  
328 chair now recognizes the ranking member of the full  
329 committee, Mrs. Rodgers, for five minutes.

330           \*Mrs. Rodgers. Thank you, Madam Chair. Good morning,  
331 and welcome to our witnesses.

332           American families are feeling the pain of one-party  
333 rule. President Biden's inflation has hit a 40-year high.  
334 Prices have risen across the board, from the pump to the  
335 grocery store and everything in between. I just heard a mom  
336 in my district who is struggling to find baby formula. She  
337 said, "The supply chain crisis is really hurting my family in  
338 being able to find food."

339           I appreciate the comments of the chairman, but I think  
340 the frustration on this side of the aisle for many  
341 Republicans is that we continue to see a go-it-alone  
342 approach: bills that are being put together in the Speaker's  
343 office without input from the Republicans. And it is -- the  
344 fact of the matter is the Democrats have the votes. They are  
345 running the show. And we see record spending, we see top-  
346 down mandates, COVID-19 restrictions, surging energy costs  
347 that are making rising prices and empty shelves worse. It is  
348 all connected.

349           To be transparent with Americans about rising prices,



350 today's topic should be focused on how to reverse the damage  
351 that is resulting in supply chain and inflation crises.  
352 Unfortunately, what we see is a diversion. It is a  
353 deliberate diversion on the root issues, on the price of --  
354 on the issue of price gouging.

355         Standing up against those who have profiteered during  
356 the pandemic is a bipartisan issue. Last Congress I joined  
357 with Chairman Pallone and Subcommittee Chair Schakowsky,  
358 along with then-Ranking Member Walden, in sending a letter to  
359 the FTC. The letter requested biweekly updates from the FTC  
360 on their tracking of illegal behavior during the pandemic,  
361 like price gouging and scams. And I will be entering that  
362 letter into the record.

363         So a question is, if the majority believes this is a top  
364 concern, why don't you restart the FTC updates this Congress,  
365 and why don't you consider our suggestions from two years ago  
366 on how to make this legislation better?

367         Again, we see a go-it-alone approach. They seem to be  
368 more comfortable in the partisan solution.

369         As I said, today's hearing is a deliberate diversion  
370 from the inflation crisis.

371         The COVID-19 Price Gouging Prevention Act still contains  
372 the flaws it did two years ago. For instance, it fails to  
373 define what constitutes an excessive price increase, despite  
374 many states having established their own laws specifying an

375 allowable percentage, while taking into account supply chain  
376 factors.

377         This proposal is supposed to be targeting the goods and  
378 services during the public health emergency that are the most  
379 vulnerable to gouging, but it fails to address the real  
380 issues for spiking prices. It doesn't take into account when  
381 schools are forced to shut down. Many parents leave the  
382 workforce, unable to participate in the economy. It doesn't  
383 address workers being forced out of their job for refusing to  
384 submit to vaccine mandates. It doesn't take into account  
385 that we are in a very different stage of this pandemic than  
386 we were two years ago. It doesn't take into account hundreds  
387 of billions of dollars that Democrats continue to pump into  
388 the economy, causing consumer demand to spike, even as fewer  
389 products are available due to supply chain strains and  
390 workforce shortages.

391         The record spending by the Federal Government only  
392 exacerbates the inflationary death spiral. Last Congress we  
393 were able to enact bipartisan, bicameral legislation for the  
394 first offense penalty authority to tackle COVID-19 scams. It  
395 is disappointing that that legislation failed to be included  
396 today.

397         Let's work together. Let's work in -- together. We all  
398 agree, we want America to compete, America to lead.

399         My colleague brought up the issue of autonomous

400 vehicles. Today Transportation and Infrastructure Committee  
401 is having a hearing on autonomous vehicles. One month from  
402 now, the National Institute of Standards and Technology  
403 within the House Science Committee has -- which has  
404 jurisdiction over -- is holding a workshop on autonomous  
405 vehicles. We are talking about price gouging.

406 I was pleased to hear the subcommittee chair say that  
407 she is open to autonomous vehicle legislation. Four years  
408 ago we passed bipartisan -- Republicans and Democrats came  
409 together and passed -- legislation to lay out a national  
410 standard for -- a framework for autonomous vehicles. We need  
411 that in order to win the future. We hear a lot about  
412 electric vehicles, but we need the autonomous vehicle  
413 language, the framework. That is our future, and America  
414 should be leading in developing this technology, rather than  
415 allowing China to continue to dominate, and test, and move  
416 forward.

417 My colleagues and I are ready to work on real solutions,  
418 whether it is supply chains, inflation, innovation. Let's  
419 win the future. Let's work together. I yield back.

420 [The prepared statement of Mrs. Rodgers follows:]

421

422 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

423

424           \*Ms. Schakowsky. The gentlelady yields back, and the  
425 chair would like to remind all members that, pursuant to  
426 committee rules, they are -- that any written opening  
427 statements shall be made part of the record.

428           And now it is my pleasure to introduce our witnesses for  
429 today's hearing.

430           We have Alex Harman, competition policy advocate at  
431 Public Citizen, and who is here remotely.

432           We have Sarah Frasch, who is chief deputy attorney  
433 general and director for the Bureau of Consumer Protection at  
434 the Pennsylvania Office of Attorney General.

435           We have Dr. Glenn Richey, Jr., Harbert eminent scholar  
436 and chair for the Department of Supply Chain Management at  
437 Auburn University.

438           And Dr. Rakeen -- let's see -- Mabud, who is managing  
439 director of the -- of policy and research, and chief  
440 economist at Groundwork Collaboration (sic).

441           At this time the chair will recognize each of the  
442 witnesses for five minutes to provide their opening  
443 statement.

444           Before we begin I would just like to explain the light  
445 system for those who don't know it. And for those who are  
446 watching, who are participating remotely, as well. The -- at  
447 first, the -- in front of you will be -- and you will see on  
448 the screen a series of lights. The light will initially be

449 green. The light will turn yellow when you have one minute  
450 remaining, and please begin to wrap up your testimony. And  
451 at that point the light will turn red when those five minutes  
452 have expired.

453 For the witnesses testifying remotely, there is a timer  
454 on your screen that will count down your remaining time.

455 So, Mr. Harman, you are recognized now for five minutes.

456

457 STATEMENT OF ALEX HARMAN, COMPETITION POLICY ADVOCATE, PUBLIC  
458 CITIZEN; RAKEEN MABUD, PH.D., MANAGING DIRECTOR OF POLICY AND  
459 RESEARCH AND CHIEF ECONOMIST, GROUNDWORK COLLABORATIVE; SARAH  
460 FRASCH, CHIEF DEPUTY ATTORNEY GENERAL AND DIRECTOR, BUREAU OF  
461 CONSUMER PROTECTION, PENNSYLVANIA OFFICE OF THE ATTORNEY  
462 GENERAL; AND GLENN RICHEY, PH.D., HARBERT EMINENT SCHOLAR AND  
463 CHAIR, DEPARTMENT OF SUPPLY CHAIN MANAGEMENT, AUBURN  
464 UNIVERSITY HARBERT COLLEGE OF BUSINESS

465

466 STATEMENT OF ALEX HARMAN

467

468 \*Mr. Harman. Thank you, Chairwoman Schakowsky, Ranking  
469 Member Bilirakis, and other members of the subcommittee, for  
470 the opportunity to testify before you in person on corporate  
471 price gouging and profiteering during the coronavirus  
472 pandemic. I am Alex Harman, competition policy advocate for  
473 Public Citizen's Congress Watch Division.

474 We are a national nonprofit organization with more than  
475 500,000 members and supporters. For the past 50 years we  
476 have represented the public interest on a broad range of  
477 issues, including consumer protection and consolidation of  
478 corporate power.

479 I think it is important to first explain what price  
480 gouging is. For those of us who remember our basic economics  
481 classes, we learn that supply and demand are supposed to

482 result in a market-based price that reflects what consumers  
483 are willing to pay. When that price rises too high, a  
484 competitor will respond with a lower price, or consumers will  
485 find an alternative. Price gouging is where that supply and  
486 demand process is distorted by an emergency situation that  
487 puts the seller in the position of dictating a price above  
488 market because consumers have no other choice but to pay.

489 At its best, it is exploitive of consumers across the  
490 board. But at its worst, it specifically targets people in  
491 their most vulnerable, making conditions even worse for them.  
492 Unfortunately, even before the country faced lockdowns,  
493 closures, and shortages of essential goods due to the  
494 coronavirus pandemic, price gouging was already underway.

495 In fact, by the time the first U.S. death of -- from  
496 COVID-19 had been reported, price gouging on sales of  
497 protective masks on Amazon had already resulted in warnings  
498 to third-party sellers against engaging in the practice.  
499 Then brick and mortar retail stores such as Target, Costco,  
500 and Kroger began to impose quantity limits on products such  
501 as toilet paper, hand sanitizer, and disinfectants. But  
502 where physical stores had empty shelves, online sellers  
503 charge excessive prices.

504 As the pandemic worsened, so too did price gouging.  
505 Over nearly two years, price gouging has shifted to a broad  
506 array of products and, unfortunately, normalized. Consumers

507 and policymakers cannot be blamed for wondering if price  
508 increases on essential products are at least in part due to  
509 price gouging.

510 Many Americans experience the pandemic facing  
511 unemployment, financial hardship, or in dangerous conditions  
512 on the front lines of the health care and service industries.  
513 However, for the biggest companies, the pandemic proved to be  
514 a goldmine of increased profits and significant growth.  
515 Amazon, Walmart, Kroger, and many others experienced  
516 significant price increases or profit increases in 2020. But  
517 in the second year of the pandemic, sales and profits  
518 continue to rise to record levels for retailers. This  
519 reality of massive corporate profits has been true for  
520 consumer packaged goods and food manufacturers, as well.

521 In addition to record sales and profits, these companies  
522 have no shame about their plans to raise prices. In fact,  
523 they have been bragging to investors about how they are able  
524 to raise prices without driving down sales. Procter &  
525 Gamble's chief financial officer told investors that the  
526 company has not seen any material reaction to price increases  
527 from consumers, and Kroger's CFO told the their investors,  
528 "We have been very comfortable with our ability to pass on  
529 the increases that we have seen to this point.''

530 These companies are only making more profit as they  
531 raise prices in the face of higher costs. Is it any wonder,



532 then, that the companies are so eager to raise prices?

533 In a recent piece by former U.S. Labor Secretary Robert  
534 Reich, he argues that these companies are exploiting higher  
535 costs as an excuse to make even bigger profits. It is hard  
536 to disagree.

537 Corporate price gouging is unacceptable, and should be  
538 stopped. Unfortunately, there is no Federal price gouging  
539 law. So H.R. 675, the COVID Price Gouging Prevention Act,  
540 the subject of this hearing, was introduced by Chairwoman  
541 Schakowsky to establish a Federal price gouging law in  
542 response to the initial reports of pandemic profiteering and  
543 price gouging.

544 As Members of Congress consider efforts to stop price  
545 gouging, it is worth examining state laws and where a Federal  
546 statute would be useful to protect consumers. Unfortunately,  
547 where state laws prohibiting price gouging exist, there is a  
548 wide variance between definitions and applicability. The  
549 lack of a Federal law, the inconsistency or absence of laws  
550 in the states, combined with online shopping that transcends  
551 state borders has created gaps in protection from price  
552 gouging, and has led to a potential for state laws to be  
553 ineffective at addressing the practice online.

554 Price gouging is an exploitive business practice that  
555 manipulates markets and takes advantage of people at their  
556 most vulnerable and desperate. A Federal statute that

557 augments state laws is needed to address this problem. It  
558 should be in place as soon as possible to help stop price  
559 gouging now, and so that the next emergency, big or small,  
560 does not result in the exploitation we have seen in the last  
561 two years.

562         During emergencies people are scared, desperate, and in  
563 need. Price gouging is an insidious exploitation of the most  
564 vulnerable. There is no excuse for the most profitable  
565 countries -- companies preying on consumers.

566         Thank you again for this opportunity to testify on this  
567 important topic.

568         [The prepared statement of Mr. Harman follows:]

569

570 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

571

572           \*Ms. Schakowsky. Thank you very much.

573           And now, Ms. Frasch, you are recognized for five  
574 minutes.

575

576 STATEMENT OF SARAH FRASCH

577

578 \*Ms. Frasch. Good morning, Chair Schakowsky, Ranking  
579 Member Bilirakis, members of the committee. Thank you for  
580 inviting me to testify today. My name is Sarah Frasch, and I  
581 serve as the director of the Bureau of Consumer Protection  
582 for the Pennsylvania Office of Attorney General.

583 Our section is charged with civil enforcement of  
584 Pennsylvania's consumer protection laws, including  
585 Pennsylvania's Price Gouging Act. In general, we work  
586 directly with consumers and businesses to both mediate  
587 disputes and to bring legal actions, when necessary, to stop  
588 unfair and deceptive business practices. We obtain  
589 restitution and other relief for consumers, and appropriate  
590 civil penalties.

591 So turning specifically to price gouging, we have our  
592 own Price Gouging Act in Pennsylvania, which was passed in  
593 2006. It has given our office an important tool in our  
594 toolbox to help protect consumers when disasters strike.

595 \*Ms. Schakowsky. Ms. Frasch, could you speak up just a  
596 little bit more?

597 \*Ms. Frasch. Sure.

598 This Act protects consumers from unconscionably  
599 excessive price hikes, beginning when the governor declares a  
600 state of disaster emergency, and then continuing through 30

601 days after the termination of the state of emergency.  
602 Generally, unconscionably excessive prices in violation of  
603 the Act include price increases of 20 percent or more during  
604 the applicable time period, when compared to the price 7 days  
605 prior to the state of emergency declaration.

606 Our Act in Pennsylvania gives our office the  
607 responsibility to enforce the law with civil penalties of up  
608 to \$10,000 per violation. While this law is limited in  
609 scope, it does help us both combat and deter price gouging  
610 during disaster situations, including during the pandemic.

611 In March of 2020, immediately following our governor's  
612 declaration of the state of emergency due to the pandemic, we  
613 set up a task force within our bureau to accept, investigate,  
614 and act on the tips and complaints of price gouging made by  
615 the public. Most of those tips covered different consumer  
616 products, but we found most prevalent were PPE equipment,  
617 hand sanitizer, bottled water, things like that -- face  
618 masks.

619 One example of a tip we received was from the husband of  
620 a nurse in Bucks County, Pennsylvania. He was concerned that  
621 his wife and her coworkers didn't have the appropriate access  
622 to PPE, such as N95 masks, during the first weeks of the  
623 pandemic. And so one of his employees was in a local  
624 pharmacy filling a prescription, saw that the store had N95  
625 masks available, and she purchased them. She was able to get

626 5 masks and was charged \$20 per mask.

627 For context, before the declaration was issued, N95  
628 masks could be obtained for less than \$1. And even factoring  
629 in the increase of the cost and the supply incurred by the  
630 pharmacy, that price to the consumer was significantly  
631 increased, in clear violation of our statute. And we were  
632 able to contact that store and, as a result, that buyer  
633 received a refund of the full amount that she was  
634 overcharged, and the store was able to bring back the prices  
635 to reasonable levels, preventing other consumers from being  
636 harmed.

637 So this -- the declaration remained in effect from March  
638 2020 through June 2021. And at that time we received between  
639 -- or around 6,200 consumer complaints of price gouging from  
640 all over Pennsylvania.

641 You know, some of these were actually mistakes by  
642 businesses. They didn't understand the law, perhaps, and  
643 they corrected their action after we approached them. Others  
644 fell outside the scope of our statute because maybe they were  
645 business-to-business transactions that didn't cover household  
646 use goods. Many of these cases also involved increased costs  
647 to the local stores that they themselves passed on to the  
648 consumers, which is actually legal under our statute.

649 But we did not hesitate to use our enforcement under the  
650 Act, and we were able to issue 523 cease and desist letters

651 to individuals and entities. We issued 241 subpoenas to  
652 gather more information. We filed two lawsuits for  
653 violations of the Act. We also entered into 29 settlement  
654 agreements, separate from any litigation, and we resolved  
655 those, and ultimately we were able to return \$73,272 in  
656 consumer restitution to make those consumers whole.

657 We also focused on a multi-state effort to engage with  
658 major e-commerce platforms such as eBay, Amazon, and  
659 Facebook, and others in order to enhance [inaudible]. As a  
660 result of those efforts, we were able to identify additional  
661 price gouging, took appropriate action, and obtained refunds  
662 for consumers, and also had those platforms take down  
663 violations of the Act. And we were able to present  
664 presentations to trade groups, consumer advocates, and other  
665 retailers to help educate and inform what violations may be.

666 So as I mentioned, we have some limitations. Right now  
667 it is not currently --

668 \*Ms. Schakowsky. Your time has expired, so wrap up  
669 right now.

670 \*Ms. Frasch. Sure, thank you. We have no protection  
671 currently for price gouging in place in Pennsylvania.

672 [The prepared statement of Ms. Frasch follows:]

673

674 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

675

676           \*Ms. Schakowsky. Okay, thank you so much. I really  
677 appreciate your testimony.

678           And now let me welcome Dr. Richey for five minutes for  
679 his opening statement.

680



681 STATEMENT OF GLENN RICHEY

682

683 \*Dr. Richey. -- to be part of this process. My name is  
684 Glenn Richey. As mentioned, I am the Harbert eminent scholar  
685 supply chain management at Auburn University, where we host  
686 the -- or hold the number seven undergraduate program in  
687 supply chain management in North America, and also have a top  
688 10 research program globally in supply chain management  
689 logistics.

690 I am also currently the editor in chief, or co-editor in  
691 chief, of the Journal of Business Logistics, which is largely  
692 considered the top journal in supply chain management and  
693 logistics worldwide.

694 My other hat that I wear is in the research director  
695 position of the Center for Supply Chain Innovation. And so I  
696 can talk to issues with technology, if you like.

697 I have about a decade of experience in practice in  
698 wholesaling and manufacturing, and have done now, for about  
699 20 years, research in international business, supply chain  
700 management, and logistics and marketing.

701 I should also add that I have experienced a lot of  
702 different disasters over the course of my life, living in a  
703 lot of states around this country, and that includes  
704 tornadoes in Ohio and Oklahoma, floods in Tennessee,  
705 hurricanes in Alabama, the heat waves in Maine, and storms in

706 Texas, ice storms in Texas. So you probably don't want to  
707 live next to me, but I have experienced a lot of the post-  
708 crisis behavior which seems to be what we are talking about  
709 in this resolution.

710 The H.R. 675 resolution is interesting. I will say that  
711 I got confused about it quickly, because price gouging  
712 typically occurs at the retail level during these crises, and  
713 it tends to be relatively small players. Corporate strategy  
714 level price gouging does not happen to the degree that has  
715 been suggested in the document, and that is because it is  
716 quite obvious to see, it is obvious to see to government and  
717 to business.

718 I dug a bit deeper, as well, to look into the America  
719 COMPETES Act. And in reading that Act I was concerned that  
720 Congress may not understand the complexities of supply chains  
721 and the things that we have to deal with. So I have added a  
722 couple of comments in my written testimony to kind of flesh  
723 those things out. And later on, if the committee would like  
724 more documentation or things that, like, explain what we do,  
725 I would be happy to get into that and follow up with those  
726 materials.

727 There are several specific issues that concern me about  
728 the current legislation, the current discussion, and that has  
729 to do with a couple of different things, one being the local  
730 level concern. And we are talking about corporate level.

731 The other being that I took some time last night to look at  
732 the supply chain management publications that are out there,  
733 and found almost no discussion of price gouging over the  
734 years of 2020 and 2021.

735 So I am here to address some of the big concerns on the  
736 list, and I will list those for you. There are eight.

737 One is specificity in the document. I don't know what  
738 "unconscionable," "excessive," or "increased prices,"  
739 "unreasonably," or "grossly exceeds" is. There is no kind  
740 of barrier on what those things are.

741 There is no emphasis in facing what contribution margin  
742 is, which really defines what companies make. It is the  
743 difference between what their costs and what their prices  
744 are.

745 I am worried about the passage of time. February of  
746 2022 is dramatically different than the economic concerns of  
747 January of 2020, and so that seems a bit strange to me.

748 I am concerned that the similar products and substitute  
749 products in the legislation will be compared based on their  
750 pricing, and not on their cost or their quality or their  
751 value.

752 I am worried that the term "corporate" could be  
753 extended directly down to small businesses, local mom-and-pop  
754 grocery stores that are struggling mightily in this time  
755 period, and would even put them in a difficult -- more

756 difficult position than they are now.

757 I am concerned that the government at the Federal level  
758 will not be able to handle monitoring the supply chain  
759 because of the level of complexity, and I am happy to talk  
760 about that.

761 I also think that there are a number of things in this  
762 legislation that would be unenforceable. When we talk about  
763 companies that have raised prices during the pandemic, just  
764 about everyone should be able to show additional cost, loss  
765 of control, negative impacts on profit, lost sales, and  
766 additional risks that have been incurred that will drive  
767 prices up naturally in the market economy.

768 And the other thing is first responders are the ones  
769 that typically deal with these problems. It is the people  
770 that are within the states and within the communities, and I  
771 am not certain how D.C. handles that problem.

772 Finally, I would like to say that, you know, we have a  
773 number of movements in price that happen in the supply chain  
774 and across the economy. Companies may raise prices to cover  
775 fixed costs or to add a replacement supplier, incorporate  
776 rising transportation costs -- sustainability program that  
777 was stopped during the pandemic, to respond to energy crisis,  
778 and maybe just to adjust to existing or new government  
779 replacements.

780 So in summary, there is a lot of issues to worry about

781 here, to be concerned about here. But I thank you for having  
782 me, and I am happy to help the committee if I can.

783 [The prepared statement of Dr. Richey follows:]

784

785 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

786

787           \*Ms. Schakowsky. Thank you.

788           And now I invite Dr. Mabud to give his statement for  
789 five minutes.

790

791 STATEMENT OF RAKEEN MABUD

792

793 \*Dr. Mabud. Chairwoman Schakowsky, Ranking Member  
794 Bilirakis, Chairman Pallone, Ranking Member McMorris Rodgers,  
795 and members of the subcommittee, thank you for inviting me to  
796 testify today. My name is Rakeen Mabud, and I am the chief  
797 economist and managing director of policy and research at the  
798 Groundwork Collaborative.

799 Groundwork is an economic policy think tank based in  
800 Washington, D.C., dedicated to advancing a coherent economic  
801 worldview that produces broadly shared prosperity and  
802 abundance for all.

803 I am grateful to the subcommittee for holding this  
804 hearing about the critical issues of pandemic profiteering  
805 and price gouging. My testimony will focus on three key  
806 points.

807 First, pandemic profiteering is widespread, and is  
808 taking a massive toll on consumers, workers, and small  
809 businesses, all while corporate executives and shareholders  
810 are enjoying record profits.

811 Second, today's profiteering is the direct result of  
812 decades of policy choices, resulting in an imbalanced and  
813 brittle economy that allows mega-corporations to profit from  
814 crises.

815 Third, wage increases for workers are not a driver of

816 current price spikes.

817           Big corporations have taken advantage of shifting demand  
818 to raise prices on essentials like COVID tests and masks.  
819 Just last month, after the CDC updated its guidance for the  
820 public to "wear the most protective masks you can,"  
821 producers of critical PPE immediately cashed in.

822           In early October a 50-pack of Kimberly-Clark N95 masks  
823 cost \$23.19. By mid-January, the same box costs \$57.15. In  
824 Kimberly-Clark's earnings call last week, the CEO noted that  
825 "While our overall financial results were disappointing, we  
826 took decisive action to offset the impact of higher costs  
827 with significant pricing actions.'" On the same call, he  
828 said that Kimberly Clark would allocate more cash to  
829 shareholders through dividends and buybacks. In other words,  
830 even though the company was experiencing a disappointing  
831 quarter, Kimberly-Clark CEO was confidently telling  
832 shareholders that he would be able to deliver their payouts,  
833 all on the backs of consumers paying higher prices for  
834 essential items.

835           Unfortunately, profiteering is not limited to pandemic-  
836 specific goods. Take Procter and Gamble, a Fortune 500  
837 company with a chokehold on diaper production and more than a  
838 quarter of the global market on laundry products. In the  
839 company's January 19th earnings call, their CFO announced  
840 price increases in all 10 of their product categories in



841 2021, with more to come in 2022. He stated, "Building on the  
842 strength of our brands, we are thoughtfully executing  
843 tailored price increases. We see a lower reaction from the  
844 consumer in terms of price elasticity than what we would have  
845 seen in the past.'" In other words, the consumer is -- the  
846 company is taking advantage of consumers' basic needs because  
847 demand is relatively unresponsive to price hikes for goods  
848 like diapers.

849         The ability for -- to raise prices without seeing  
850 consumer demand drop, combined with significant market share,  
851 gives companies like Procter and Gamble free rein over price  
852 increases and ever-increasing profit margins, especially when  
853 they can blame inflation for the rising prices.

854         Corporations have this kind of power because of Wall  
855 Street's ruthless pursuit of efficiency and short-term  
856 profits that ushered in a deeply concentrated economy that  
857 leaves consumers vulnerable to profiteering and price  
858 gouging. The unending quest for maximizing short-term  
859 returns has resulted in deregulation of everything from  
860 shipping to rail. As corporate executives prioritize a lean,  
861 just-in-time supply system that eliminated resiliency and  
862 increasingly relied on precarious labor, our economy was left  
863 more vulnerable to price gouging and pandemic profiteering.

864         Corporations have been able to keep costs low and reap  
865 profits without any risk of being undercut by competition,

866 all at the expense of stability and reliability for consumers  
867 and small businesses. While concentrated market power isn't  
868 the only reason for our current plight, it plays a critical  
869 role in propping up an imbalanced economy that prioritizes  
870 profits over a functioning system.

871 Finally, I would like to address a common misperception  
872 about the role of worker wages on the price hikes. Recent  
873 research demonstrates that there has been no correlation  
874 between price increases and wage increases just since  
875 December 2020. In short, there is absolutely no evidence to  
876 suggest wage increases for workers are to blame for the price  
877 increases we are seeing today.

878 There is a clear path forward for Congress.

879 First, Congress should take up H.R. 675, the COVID-19  
880 Price Gouging Prevention Act. This legislation would provide  
881 -- would create a clear framework to identify and prohibit  
882 profiteering, and provide the Federal Trade Commission, as  
883 well as state attorneys general, the power to protect  
884 consumers from corporate price gouging.

885 Second, the committee can continue to ensure that the  
886 FTC investigates anti-competitive, deceptive, and unfair  
887 business practices to protect consumers and encourage  
888 competition.

889 The best path towards an inclusive, resilient economy is  
890 to support policies that foster competitive markets, where

891 consumers, working people, and smaller competitors all have  
892 meaningful bargaining power. Smart investments, coupled with  
893 regulatory safeguards [inaudible] ensure that no one is left  
894 behind during the recovery period [inaudible].

895 Thank you, and I look forward to your questions.

896 [The prepared statement of Dr. Mabud follows:]

897

898 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

899

900           \*Ms. Schakowsky. Thank you very much. We have now  
901 concluded with the witnesses' opening statements. At this  
902 time we will move to member questions.

903           Each member will have five minutes to question our  
904 witnesses, and I will start by recognizing myself for five  
905 minutes.

906           The effect of COVID-19 pandemic, of course, has hurt and  
907 -- felt especially hard on those people who are low-income  
908 and working people. Corporate price increases are no  
909 exception.

910           Thankfully, we are seeing long-overdue wage growth in  
911 our country, and increased worker bargaining power. But  
912 these gains are threatened by rising prices.

913           Some of my colleagues on the other side of the aisle  
914 have argued that increased wages could produce a "wave --  
915 wage price spiral," where high prices cause higher wages,  
916 while then -- which then leads to even higher prices from --  
917 for -- from more -- you know, for -- continues the cycle.  
918 But others, like the Federal Trade Chair -- Federal Reserve  
919 Chair Powell, disagrees.

920           So Dr. Mabud, in your research, have you found that  
921 rising wages to -- are a -- to -- are troubling?

922           Do you believe that they are responsible at all for the  
923 price increases that we are seeing today?

924           \*Dr. Mabud. Thank you, Chair Schakowsky. It is crystal

925 clear that wages are not the main driver of rising prices  
926 right now.

927         Since the start of the pandemic there has been  
928 absolutely no [inaudible] between rising wages and  
929 [inaudible] prices. While there has been a link  
930 historically, that is not the case today. In fact, the  
931 sectors of the economy that saw the highest price increases  
932 are not correlated with seeing significant wage growth.

933         But the other important thing is that too many workers  
934 have been facing rock-bottom wages for decades. The secular  
935 decline in unionization has really harmed many workers'  
936 access to economic mobility and security, and the fact that  
937 we are seeing an increase in wages for especially the lowest  
938 income in our economy in the midst of a crisis is, frankly, a  
939 real testament to the importance of the Federal investments  
940 that Congress made throughout the pandemic.

941         \*Ms. Schakowsky. Thank you. So do you think, then,  
942 there are any risks to working families from trying to combat  
943 rising prices by limiting wage growth?

944         \*Dr. Mabud. Absolutely. Tamping down on wage growth  
945 and demand is the last thing that working families need in  
946 the midst of an unprecedented health and economic crisis.

947         Increased demand is actually a really strong signal that  
948 families are weathering the storm, and it suggests that we  
949 are going to come out of this crisis with a stronger

950 foundation for our economy, one that is broad-based and  
951 inclusive.

952 Raising interest rates or other actions that will stifle  
953 demand or wage growth would harm exactly the people who are  
954 currently bearing the brunt of rising prices: families and  
955 small businesses around the country.

956 \*Ms. Schakowsky. So let me ask you, finally, Dr. Mabud,  
957 in your research what evidence have you found of corporate  
958 price gouging?

959 \*Dr. Mabud. So my team and I have combed through  
960 hundreds of earnings calls across a broad range of sectors,  
961 which has really given us a window into what CEOs across the  
962 economy are thinking. And what we are seeing is that, in  
963 sector after sector, in company after company, corporations  
964 are jacking up prices on consumers and using concerns about  
965 inflation as cover to do so.

966 We see that in Kimberly-Clark taking advantage of the  
967 pandemic to raise prices on masks. We see Procter and Gamble  
968 using the fact that they sell essential goods that families  
969 depend on, like diapers, to raise prices in this moment of  
970 crisis. And we even see companies like McDonald's raising  
971 prices on consumers, even as they enjoy massive increases in  
972 sales.

973 So in short, this is a really broad-based problem. It  
974 is, unfortunately, not limited to a specific sector of the

975 economy.

976 \*Ms. Schakowsky. Thank you.

977 Mr. Harman, why is legislation to empower the FTC and  
978 states -- state attorneys general critical to stop price  
979 gouging?

980 \*Mr. Harman. Thank you. Well, there is no Federal law,  
981 so the FTC has no authority to take any action. It is not  
982 considered illegal. They can collect information, but they  
983 can't take action.

984 And in -- there are states that have no protections, as  
985 well. And so there is a lack of overall protection.

986 And then there is this larger question of where there is  
987 price gouging online, and on national marketplaces, the --  
988 whether the state laws can even cover those issues.

989 \*Ms. Schakowsky. Thank you. We saw Amazon raise prices  
990 at the beginning of the pandemic and, you know, really  
991 hurting consumers.

992 So my five minutes have expired. And now I welcome the  
993 ranking member for his questions for five minutes.

994 \*Mr. Bilirakis. Thank you very much, I appreciate it,  
995 Madam Chair. Thank you, and I want to thank the witnesses,  
996 as well.

997 Our constituents are facing a serious problem with  
998 inflation. And as we have seen in recent mishaps by the  
999 Biden Administration, we need to be smarter, folks, about our

1000 policy choices, so the situation does not worsen.

1001           One of the contributing factors to higher prices and  
1002 fewer goods is the bottleneck at our ports and distribution  
1003 centers that are causing a delay in goods from reaching our  
1004 constituents. That is why I was very glad to see our  
1005 governor, Governor DeSantis, offer up the ports of Florida to  
1006 alleviate the bottlenecking in California, where cargo ships  
1007 wait in the water, they are waiting to unload their cargo.

1008           I just want to reiterate his words, and say Florida is  
1009 here to help. So I want everyone to know Florida is here to  
1010 help with this issue.

1011           Sadly, it appears that President Biden is no closer to  
1012 solving this problem. The Transportation Intermediaries  
1013 Association recently quoted to Homeland Security Secretary  
1014 Mayorkas regarding their dire concern about the vaccine  
1015 mandates, which recently were ruled, as you know,  
1016 unconstitutional. But they will still take their toll, since  
1017 DHS is applying the mandate to international truckers --  
1018 hopefully, not for long -- even after U.S. truckers were  
1019 deemed exempt because of the nature of their work.

1020           So my question is to Dr. Richey.

1021           Dr. Richey, if the Administration is going to limit the  
1022 truck drivers available for transport, and we already have a  
1023 truck driver shortage here in the United States, shouldn't  
1024 the White House set up some sort of framework, such as



1025 autonomous systems -- that I understand are available -- that  
1026 will keep these products moving?

1027 In addition to the effect on consumers, this could also  
1028 greatly impact suppliers, and cause them to go bankrupt. Can  
1029 you explain how new technologies on the market may help  
1030 alleviate these issues?

1031 Again, the question is for Dr. Richey.

1032 [Pause.]

1033 \*Mr. Bilirakis. I am not sure if he is able to  
1034 communicate with us, Madam Chair.

1035 Dr. Richey?

1036 \*Dr. Richey. I am here. Yes, sorry.

1037 \*Mr. Bilirakis. Oh, there he is. Okay. Very good.

1038 \*Dr. Richey. Yes, thank you. Thank you very much.

1039 \*Mr. Bilirakis. Thank you.

1040 \*Dr. Richey. It is a very interesting question. We  
1041 have the RFID lab here at Auburn University that does a  
1042 number of different research activities around high-level  
1043 technologies in the supply chain, and business overall.

1044 Certainly, we have some advancements that we are working  
1045 on in over-the-road trucking. There is still work to do in  
1046 that arena to get those vehicles to where they do what we  
1047 want them to do.

1048 And as you know, every intersection in this country is  
1049 different, and so the vehicles have to be able to handle

1050 those contiguous [inaudible] and differences.

1051         There are also other things that we can potentially do.  
1052 Automated material handling equipment is heavily used in  
1053 international ports, and it is not used to the same degree in  
1054 the United States. That would certainly be something that we  
1055 could work for and get into place in the Ports of Los Angeles  
1056 [inaudible] that currently are bringing in about 40 percent  
1057 of all the international inventory and supplies that we  
1058 [inaudible], and are potentially impacting every citizen in  
1059 the United States.

1060         Outside of that, there are things that we can do with  
1061 drones related to nearby delivery. But currently those  
1062 situations are restricted by both state and Federal law. So  
1063 freeing up some of the legislation that has made it difficult  
1064 to implement these things would help.

1065         And then we can also think about information technology.  
1066 We have been doing tests with RFID to track -- we have been  
1067 doing tests with blockchain technology that allows us to  
1068 track transactions [inaudible], and motivating those things  
1069 to move forward may help some with the crisis.

1070         But, certainly for us, the labor crisis is still the  
1071 issue. We need people to go back to work.

1072         \*Mr. Bilirakis. Thank you, Doctor.

1073         Now I would like to read a quote from Jason Furman, and  
1074 -- the former chair of the Council of Economic Advisers under

1075 President Obama. He states, and I quote, "The current  
1076 inflation has many causes, including a post-pandemic  
1077 reallocation of labor, a spending shift from services to  
1078 goods, lingering supply chain disruptions, and rising global  
1079 oil and gas prices.'"

1080 Dr. Richey, according to Furman, there are many factors  
1081 to the increased costs consumers are currently facing. But  
1082 one reason he doesn't include, in this particular case, is  
1083 price gouging. So can you elaborate on what is really going  
1084 on here?

1085 How do we fix the problem?

1086 And I appreciate your testimony today in answering the  
1087 first question. Thank you.

1088 \*Dr. Richey. Yes, the -- you know, there are a number  
1089 of issues that all contribute to the increase in prices in  
1090 this country, and they have a lot to do with what we call  
1091 transaction costs. It is economic [inaudible] --

1092 \*Ms. Schakowsky. You are way --

1093 \*Dr. Richey. -- understanding and theory developed by  
1094 Oliver Williamson.

1095 \*Ms. Schakowsky. You are way over.

1096 \*Mr. Bilirakis. I am over? Yes.

1097 \*Dr. Richey. Sorry. So --

1098 \*Mr. Bilirakis. Yes --

1099 \*Dr. Richey. -- there are a number of different inputs,

1100 right, that have to come into the process that drive up  
1101 costs.

1102 So when we see scarcity in the supply chain,  
1103 organizations, obviously, increase costs to cover fixed costs  
1104 to make sure they can stay viable in the market. So that is  
1105 why I earlier recommended that we take a look specifically at  
1106 contribution margin, and what the profit is [inaudible] item,  
1107 because it is very difficult to --

1108 \*Mr. Bilirakis. Dr. Richey?

1109 \*Dr. Richey. Yes?

1110 \*Mr. Bilirakis. I apologize.

1111 \*Dr. Richey. Oh, yes.

1112 \*Mr. Bilirakis. I am way over my five minutes, and I  
1113 must yield back.

1114 \*Dr. Richey. Okay.

1115 \*Mr. Bilirakis. But I appreciate it very much.

1116 \*Dr. Richey. No worries.

1117 \*Ms. Schakowsky. Yes, okay.

1118 \*Mr. Cardenas. Madam Chair, can somebody check the  
1119 microphones in the committee room or something? Once in a  
1120 while there is background noise coming in. It doesn't look  
1121 like it is coming from the mikes on the screen. Sorry, I  
1122 just -- can we get that fixed? It is hard to hear people.

1123 \*Ms. Schakowsky. I am sorry, what did he --

1124 [Pause.]

1125           \*Ms. Schakowsky. Yes, please stay muted if you are not  
1126 being -- speaking, if you are not speaking. You know, we  
1127 don't want that inadvertent background noise.

1128           And now let me call on the chairman of the full  
1129 committee for his five minutes of questioning.

1130           Mr. Pallone?

1131           \*The Chairman. Yes, I just have to say, before I ask a  
1132 question, you know, I respect Mr. Bilirakis, but I just don't  
1133 understand.

1134           I mean, the problem, the biggest problem we have right  
1135 now, is COVID, right? The reason people are afraid to go  
1136 back to work is because they are afraid they are going to be  
1137 in contact with people that don't have vaccines, or people  
1138 that don't have masks, and the COVID continues to spread.

1139           I mean, talking about, you know -- the answer is to try  
1140 to get as many people vaccinated as possible, to try to get  
1141 COVID ended, so that people aren't afraid to go back to work.

1142           But I mean, you know, I see some -- I am not saying it  
1143 is true for you, Gus, but I see so many of my Republican  
1144 colleagues, you know, not -- suggesting that people should  
1145 even be vaccinated, or not talking about it at all.

1146           I mean, look, I am not going to argue over the mandate.  
1147 But the bottom line is we have to convince people to get  
1148 vaccinated. Otherwise, we are never going to get over this  
1149 COVID problem.

1150           And then, when you talk about autonomous trucks, I mean,  
1151 I don't want -- I mean, part of the problem is -- with  
1152 autonomous vehicles, or particularly trucks, is that -- what  
1153 does that mean? It displaces people. Of course we have to  
1154 move towards autonomous vehicles, or even autonomous trucks.  
1155 We have to be very careful that we don't do this in a way  
1156 that displaces truck drivers and they don't have a job. And,  
1157 you know, I don't think we are ready to literally say we are  
1158 going to have some major autonomous trucks right now.

1159           I mean, that is something that has to be looked into,  
1160 and we can certainly work on it on a bipartisan basis. But,  
1161 you know, I am very afraid of the fact that, you know, people  
1162 who are driving trucks are going to be displaced. I don't  
1163 want that to happen today.

1164           The problems here have to do with COVID, and we have got  
1165 to get that under control. But the best way to do that is  
1166 through vaccines.

1167           And I just wanted to say to the ranking member, when we  
1168 talked about price gouging, remember, this bill is -- a  
1169 legislative hearing is just a start today. You mentioned  
1170 several things that you would like to see in the legislation.  
1171 We are certainly -- would like to sit down with you over the  
1172 next few days or next few weeks and figure out what those  
1173 things are, so we can have a bill on a bipartisan basis.

1174           The same is true for the AVS. We can do these things on

1175 a bipartisan basis. But -- and I don't want to suggest that  
1176 we can't.

1177 Now, let me just ask a couple of questions. I wanted to  
1178 ask Dr. Mabud.

1179 In your testimony you suggest that some companies are  
1180 using the cover of rising costs in pandemic-related supply  
1181 chain issues to boost profits, while consumers pay more. Can  
1182 you just expand on that, and ask -- and answer whether there  
1183 are particular industries where profiteering is most  
1184 prevalent, if you would?

1185 \*Dr. Mabud. Sure, thank you, Chair Pallone.

1186 Unfortunately, for consumers this is a really deeply  
1187 pervasive problem. You know, the earnings call data  
1188 [inaudible] suggests that this kind of profiteering is  
1189 happening up -- supply chains and across a range of goods.  
1190 Pandemic profiteering is not limited to a small corner of the  
1191 economy.

1192 And some of the most flagrant examples of profiteering  
1193 are big companies like Kroger and Procter and Gamble, that  
1194 sell products that people can't do without. And that is why  
1195 H.R. 675 is so critical, you know, it really takes on what  
1196 has become rampant pricing gouging of consumers across the  
1197 country.

1198 \*The Chairman. All right. And then I wanted to ask  
1199 that Dr. Mabud again.

1200           Do you agree that corporate price gouging is  
1201 self-reinforcing?

1202           In other words, how does it help keep prices high, even  
1203 when the broader underlying price forces, like supply chain  
1204 disruptions and the pandemic, appear to be heading in the  
1205 right direction? The issue is self-reinforcing, if you will.

1206           \*Dr. Mabud. Yes. I mean, this is essentially the story  
1207 of financialization, when one company is able to get away  
1208 with padding their profits with price gouging [inaudible]  
1209 from across the board [inaudible]. And that is exactly what  
1210 [inaudible] companies with aggressive pricing strategies --  
1211 rewarded [inaudible] are not taking the strategy on  
1212 [inaudible].

1213           In other words, investors [inaudible] expect these  
1214 higher prices, and these prices are translating into higher  
1215 returns for them.

1216           The other point to make here is that this is, with the  
1217 exception of volatile commodities, fairly sticky [inaudible]  
1218 just going to go down, just when supply chain pressures ease.  
1219 Consumers will be stuck with higher prices over the long  
1220 haul.

1221           \*The Chairman. All right. Let me just ask either you  
1222 or Dr. Harman, are there particular incentives for these  
1223 companies that Congress should be considering when working to  
1224 stop price gouging?



1225 Or are they -- do you believe Federal price gouging  
1226 legislation is necessary to stop pandemic profiteering?

1227 Dr. Mabud?

1228 \*Dr. Mabud. Sure, I am happy to jump in. Absolutely.

1229 I mean, having a Federal standard that is clear and  
1230 widely applicable is absolutely critical to ensuring that  
1231 price gougers are not able to get away with that behavior.

1232 \*The Chairman. So you think the legislation is  
1233 necessary?

1234 \*Dr. Mabud. Correct.

1235 \*The Chairman. All right, thanks a lot.

1236 Thank you, Madam Chair.

1237 \*Ms. Schakowsky. The gentleman yields back, and now I  
1238 recognize the ranking member of the full committee, Mrs.  
1239 Rodgers, for five minutes of questions.

1240 \*Mrs. Rodgers. Thank you, Madam Chair. Let me start  
1241 with autonomous vehicles.

1242 We hear a lot about electric vehicles in this hearing,  
1243 or in this hearing room, in this committee. The majority,  
1244 the President, the Administration is all in on electric  
1245 vehicles, believing that that is our future. Not as  
1246 concerned about displaced workers. I guess our question is  
1247 why can't we move forward on autonomous vehicles?

1248 I just read that the death rates have gone up pretty  
1249 dramatically in the last year. On average it is 37,000 on

1250 the roads. But I think we have already reached 31, we are  
1251 getting close to that number already. So I believe that  
1252 autonomous vehicles have the opportunity to save lives. It  
1253 is our future. We should move forward.

1254 When it comes to drafting -- you know, to addressing  
1255 solutions, whether it is solutions around rising costs on  
1256 Americans, or any legislation --

1257 \*Ms. Schakowsky. If I could just comment on that, you  
1258 know, in the infrastructure --

1259 \*Mrs. Rodgers. Okay, okay.

1260 \*Ms. Schakowsky. Do you mind?

1261 \*Mrs. Rodgers. Well --

1262 \*Ms. Schakowsky. Okay, go ahead. Go ahead.

1263 \*Mrs. Rodgers. Well --

1264 \*Ms. Schakowsky. I can give you --

1265 \*Mrs. Rodgers. Okay, I would love to hear what the  
1266 update is on autonomous vehicles, because there was a bill  
1267 that we passed bipartisan four years ago, and --

1268 \*Ms. Schakowsky. Unanimously.

1269 \*Mrs. Rodgers. Unanimously, okay.

1270 And then, on just jobs that are being displaced, right  
1271 now jobs are being shut down in the energy sector all across  
1272 this country. Day one it was the Keystone Pipeline. Now we  
1273 are -- you know, we talk about wanting to manufacturing in  
1274 the United States. We are shutting down mining. An Arizona

1275 mine -- was it a cobalt mine? Minnesota, another mine being  
1276 shut down.

1277 I think, when it comes to solutions -- and I appreciate  
1278 the chairman talking about wanting to work together -- I  
1279 would welcome working together, but working together is not  
1280 having the majority tell us, "Oh, here is a bill, will you  
1281 support it?" And that is how -- you know, this American  
1282 COMPETES Act, our input has not been offered. It is, "This  
1283 is what we put together. We have changed" -- you know, some  
1284 of the bipartisan bills that we did work on were changed when  
1285 they were included in the draft. We are ready to come to the  
1286 table. We need to be included earlier on in the process, not  
1287 just told, "This is our solution, will you join us?"

1288 Okay, so on to the issue of rising costs in the United  
1289 States of America. Dr. Richey, I shared a story about the  
1290 mom that is struggling to find formula for a newborn. Can  
1291 any -- can you -- so I would like to start with Dr. Richey,  
1292 and if anyone on the panel can tell me yes or no, does this  
1293 legislation in front of us address her struggles?

1294 And I just would like to ask a quick yes-or-no of the  
1295 panel, starting with Dr. Richey -- the panelists.

1296 [Pause.]

1297 \*Mrs. Rodgers. Dr. Richey, would this legislation help  
1298 the mom that is trying to find formula?

1299 \*Dr. Richey. Yes, so I would say that it doesn't.

1300 Unfortunately, it does not address the supply chain crises  
1301 and disruptions. Those disruptions create scarcity in the  
1302 marketplace, and scarcity is what allows for price gouging  
1303 and it creates opportunities for increases in prices.

1304 \*Mrs. Rodgers. Okay, okay. Mr. Harman?

1305 \*Mr. Harman. I mean, I don't know the situation, but I  
1306 would say it is not a supply chain legislation.

1307 \*Mrs. Rodgers. Mr. -- Doctor, I am sorry, Dr. Mabud?

1308 \*Dr. Mabud. Yes. Part of what we are seeing here is  
1309 really a need to address supply chain issues, which allow  
1310 corporations to engage in profiteering and price gouging.  
1311 And so this is -- this piece of legislation is one piece of  
1312 the puzzle in making sure that mother is able to provide  
1313 formula for her child.

1314 \*Mrs. Rodgers. So -- okay. And Mr. Frasch? Ms.  
1315 Frasch, I am sorry.

1316 \*Ms. Frasch. Right. You know, we have seen some supply  
1317 chain issues in our local stores. And part of the reason why  
1318 the local stores were charging more money was because  
1319 [inaudible] in order to get the items. So if the supply  
1320 chain issue [inaudible] be corrected, then you [inaudible]  
1321 have the price increases, which potentially could be caused  
1322 by price gouging, starting from the --

1323 \*Mrs. Rodgers. Okay, right. So I appreciate that. I  
1324 appreciate you highlighting that, when supplies are not

1325 available, prices go up. And right now, in the energy -- you  
1326 know, we see our gas prices going up, nearly doubling the  
1327 price of gas. And you know, it is -- and then the oil and  
1328 gas companies are accused of gouging consumers.

1329         And you know, this isn't something new. One hundred  
1330 years ago -- I would like to submit for the record a tweet  
1331 from the former White House official, Bob McNally. He shows  
1332 a newspaper reporting that -- one of the earliest FTC  
1333 investigations of illegal market manipulation in the gasoline  
1334 market dating back to 1920. They found no evidence of  
1335 anti-competitive behavior then. And guess what? I don't  
1336 believe they are going to find it now. It is an issue of  
1337 supply and demand.

1338         Putting aside the fact that the President wrote to the  
1339 FTC, which is supposed to be an independent agency, and not  
1340 to be influenced by the White House, Dr. Richey, what do you  
1341 think of -- the Administration should be focused on, in terms  
1342 of securing our energy supply and keeping prices down?

1343         Oh, and I am over. Okay. Dr. Richey, I would  
1344 appreciate you answering that question at a later time.

1345         Madam Chair, I am sorry. I yield back. I appreciate  
1346 your indulgence.

1347         \*Ms. Schakowsky. Thank you very much. I will refrain  
1348 from trying to respond. We can talk later, and let me now  
1349 call on Mr. Rush, Bobby Rush, my colleague from Illinois, for

1350 five minutes for his questions.

1351 \*Mr. Rush. I want to thank you, Madam Chair [inaudible]  
1352 for this hearing. And on the onset, Madam Chair, I wanted to  
1353 let you know that I am writing a letter to you requesting a  
1354 hearing to address the allegations of racism that have been  
1355 leveled against the National Football League by Brian Flores.

1356 That said, Madam Chair -- Mr. Harman, in your testimony  
1357 you mentioned how price gouging "specifically targets people  
1358 at their most vulnerable -- and their most vulnerable."'  
1359 Have you seen any evidence to suggest that racial minorities  
1360 or low-income people are more likely to be subject to price  
1361 gouging?

1362 If so, what specific actions can we take today to stem  
1363 this abuse?

1364 \*Mr. Harman. So the short answer on the front end is  
1365 no, not specific empirical evidence of racial discrimination  
1366 in price gouging.

1367 However, price gouging is primarily on items that are  
1368 essential items, staples, things that people need now. And  
1369 the people who tend to be faced with price gouging are people  
1370 in emergencies -- with the economic crisis, with economic  
1371 hardship -- and people who are able, with means, to  
1372 accommodate increased costs in their monthly budget are less  
1373 affected by those increases.

1374 And people who are on fixed incomes and limited budgets,

1375 or are suffering unemployment or economic hardship due to the  
1376 emergency are going to be affected more directly and,  
1377 therefore, disproportionately impacted. And so that tends to  
1378 be people at the lower end of the economic scale, and people  
1379 in poverty, and that disproportionately, unfortunately,  
1380 affects people of color.

1381 \*Mr. Rush. Thank you.

1382 Ms. Frasch, in your testimony you discuss how  
1383 Pennsylvania's price gouging statute only applies to  
1384 "personal, family, or household purposes," and therefore  
1385 excludes the business sector. I am deeply concerned about  
1386 the real-world impact of this type of limitation, including  
1387 reports of price gouging by health care staffing agencies.

1388 For example, Safety Net Hospital in Chicago reports  
1389 budgeting 130 to -- \$1.30 to \$1.50 an hour for agency nurses,  
1390 where one hospital in my district -- paid \$2 million per  
1391 month. These agencies are pocketing a significant portion of  
1392 what they charge for profits. Under -- unless things change,  
1393 many hospitals serving underserved communities will have to  
1394 reduce their services, limiting access severely to needed  
1395 health care. This is just one example of how price gouging  
1396 in the business sector has a direct impact on consumers.

1397 With that in mind, do you believe that the Federal price  
1398 gouging legislation should address the business sector?

1399 \*Ms. Frasch. Yes, I share your concern deeply on the

1400 issue that you just raised. And yes, we did see issues where  
1401 the government, where schools, hospitals, you know, fire  
1402 stations were trying to protect themselves by getting PPE,  
1403 and even cleaning services to try to mitigate any spread of  
1404 the virus. And because our statute did not apply to those  
1405 types of goods or services, we were unable to, you know, make  
1406 sure that they didn't pay, you know, for things that they  
1407 shouldn't have paid, or paid [inaudible]. But this -- yes,  
1408 this bill would address that shortfall.

1409 \*Mr. Rush. Thank you very much.

1410 Madam Chair, I yield back.

1411 \*Ms. Schakowsky. The gentleman yields back. Before I  
1412 call on the next member, let me just say I am going to have  
1413 to excuse myself for a few minutes. And in the meantime, the  
1414 vice chair of the subcommittee, Mr. Cardenas, who is -- will  
1415 chair the subcommittee virtually, and I will be back as soon  
1416 as I can.

1417 But now let me call on Mr. Upton for his five minutes of  
1418 questions.

1419 \*Mr. Upton. Well, thank you, Madam Chair, and I sort of  
1420 wish that we had a witness from the Administration here to  
1421 answer some of our questions, because I have got to say --  
1422 and I think many of us, certainly on this side of the aisle,  
1423 would agree that our economy is in a world of hurt, and it  
1424 has not been overnight. And I would also say that inflation



1425 is at the very top of the list.

1426 For more than a year -- actually, a couple of years --  
1427 as I travel around my district, but I am sure as everybody  
1428 does on both sides of the aisle, there is not an employer out  
1429 there that isn't looking for more people to work.

1430 I met with my home builders last week in Michigan. They  
1431 have got a lot of folks in, "We want to build a new house, we  
1432 want additions.'" They don't have the workers to help that.

1433 You know, your restaurants, your hotels -- your hotels  
1434 don't -- they are not offering daily cleaning if you are  
1435 going to stay there for the weekend. They will clean it  
1436 before the next guest comes if you are there for a couple of  
1437 days, but they don't have the staff.

1438 Talk to the auto industry. They are looking for parts.  
1439 You know, I have got a company in my district, they are  
1440 looking for 200 auto workers just to make axles for autos.

1441 You look at chips. You know, they had a great  
1442 announcement. I talked to my colleague, Mr. Latta next to me  
1443 here, and just did a huge chip thing in Ohio last week with  
1444 most of the delegation. You have got people on both sides of  
1445 the aisle, from as far left as Joyce Beatty to as far right  
1446 as Jim Jordan. I mean, there is nobody on the outside of  
1447 that flank, I don't think. The Senate passed a bill last  
1448 year in June with nearly 70 votes, and we can't get a chips  
1449 bill on its own that we can all vote for here.

1450           Talk about the autonomous vehicle legislation. We  
1451 passed that in this committee under Greg Walden, Chairman  
1452 Walden. Every member voted for it here. Maybe one, maybe  
1453 Justin Amash voted against it in the Senate, but he was --  
1454 you know, it passed with over 400 votes. And four years  
1455 later we are letting China run forward, as we haven't come  
1456 back with a bill. And we had -- despite our vote, we  
1457 couldn't get it done in the Senate.

1458           Even the IRS is looking for thousands of people to  
1459 process these returns, and people can start sending in this  
1460 -- last week.

1461           I could remember in my district the little town of  
1462 Coloma. I think it has got two traffic lights. And across  
1463 the street from the McDonald's, for the entire summer, there  
1464 is a yard sign there: "Truck washers wanted, \$18.00 an  
1465 hour.'" I mean, basically, you need a good pressure hose and  
1466 maybe a couple of brushes to do something like that.

1467           So inflation is a big issue. And you can't drive on the  
1468 highway if you pass a truck or if a truck passes you without  
1469 a sign on the back of it that says, "We need you.'" We know  
1470 about those truck-driving shortages. We -- you know, I think  
1471 just yesterday I saw FedEx was going to limit their priority  
1472 deliveries because they don't have drivers.

1473           And this morning I got an email from a guy that I don't  
1474 know, but he said we have just learned that the FMCSA -- that

1475 is the Federal Motor Service -- has a new regulation going  
1476 into effect on Friday, this Friday, that is going to limit  
1477 the ways in which employees can earn a commercial driver's  
1478 license. The new rules require all drivers to attend a  
1479 three-week or seven-weekend course. And it is going to  
1480 increase the cost of earning a CDL from the current levels of  
1481 \$1,000 a driver to \$15,00 a driver, including training costs  
1482 and wages. It is going to be prohibitive for small  
1483 businesses and individuals. It is going to exacerbate a  
1484 serious shortage of the already severely limited supply of  
1485 commercial drivers. "Businesses like mine simply can't  
1486 afford it without a sharp and immediate price increase that  
1487 the market won't bear. And soon to come, deeper labor  
1488 shortage will limit our capacity to conduct crucial  
1489 infrastructure work."

1490         Those are the stories that we need to be addressing  
1491 here. You can't -- and we know about energy costs. Good  
1492 grief, the price of the pump is going to be four bucks by  
1493 spring. We have this winter that is upon us now. It is  
1494 hitting the rest of the country. As we see these storms, it  
1495 is the leading story on the news.

1496         Gas prices, the natural gas prices are up 30, 40 percent  
1497 from where they were before. So our farmers need that, but  
1498 so do our workers and families struggling to make ends meet.  
1499 So you know, the idea that we are going to shut off the

1500 pipelines, that we are going to -- we are going to limit our  
1501 efforts to identify and produce North American energy here,  
1502 instead of coming from overseas, all of those things tip the  
1503 dominoes the wrong way, as it relates to inflation and trying  
1504 to get our economy back on track.

1505           So I am sorry I didn't get any questions here. I would  
1506 like to have all of you comment, but I can see that my time  
1507 has expired. So with that I will wave the white flag for  
1508 this hearing, and I just wish we had someone from the  
1509 Administration that could help answer some of these  
1510 questions, instead of --

1511           \*Mr. Cardenas. [Presiding] Thank --

1512           \*Mr. Upton. -- got today. And with that --

1513           \*Mr. Cardenas. Thank you.

1514           \*Mr. Upton. -- Madam Chair, I yield back.

1515           \*Mr. Cardenas. The gentleman yields back. Next we  
1516 recognize Representative Castor for five minutes.

1517           \*Ms. Castor. Thank you, Mr. Chairman, and thank you to  
1518 all of the witnesses who have appeared today. This is a very  
1519 important hearing on how we can address price gouging.

1520           Price gouging is so maddening for everyone, and I hear  
1521 it from my neighbors back home in the Tampa Bay Area and in  
1522 the State of Florida. You know, from the beginning of the  
1523 pandemic in 2020 we saw these unconscionable price spikes for  
1524 masks and other PPE for medical supplies, toiletries, rapid

1525 tests, and drugs, as well. In fact, a local TV station,  
1526 WFTS, had a recent report of a local business selling at-home  
1527 COVID tests for \$50. That is double the going rate. And  
1528 fortunately, the Administration has addressed that with some  
1529 of their free COVID testing that consumers can order.

1530         It is -- you know, even the Federal Reserve chair said  
1531 -- was asked recently why are companies raising prices, and  
1532 he said, "Because they can.'" And this practice is harmful  
1533 and wrong. So I am all in on giving our consumer protection  
1534 agencies the tools they need to help stop it.

1535         You know, it is not an -- it is not a new phenomenon,  
1536 however. Coming from the State of Florida, we see this time  
1537 and time again when a tropical storm or hurricane is  
1538 approaching, where scam artists pop up and they charge  
1539 consumers exorbitant prices for basic goods. And the same  
1540 thing is happening now during this pandemic. But it is some  
1541 -- it seems like even those scam artists just aren't as  
1542 brazen as some of the stuff that is going on right now.

1543         And Dr. Mabud, you have detailed a lot of this in your  
1544 testimony, occurrences of executives trying to explain away  
1545 price increases. Tell me, are these price increases you  
1546 discuss related to underlying cost increases?

1547         Can legitimate reasons beyond corporate greed explain  
1548 all of the price hikes we are seeing?

1549         And why do these companies believe they can raise prices

1550 without facing any consequences from customers or the law?

1551           \*Dr. Mabud. Thank you for that question. I will take  
1552 your sort of last point first.

1553           You know, many -- some of the most flagrant profiteering  
1554 we are seeing is by companies who really sell essentials,  
1555 right? These are goods that families need every single day:  
1556 diapers, cleaning supplies. And frankly, they can raise  
1557 prices because people need these goods, regardless of what  
1558 the price is and because these companies are -- hold a lot of  
1559 market share. So if Procter and Gamble has, say, 15  
1560 different brands of detergent, you know, they can jack up  
1561 prices on all of those different brands of detergent, and  
1562 consumers have nowhere to go.

1563           But I think the question around input costs is also  
1564 really important. You know, input costs are subject to the  
1565 same brittle supply chain that is weakening our overall  
1566 economic resiliency. We have a system that -- where  
1567 corporate executives have really prioritized a just-in-time  
1568 system, where there is no resiliency and redundancy built  
1569 into our supply chain to help our economy weather shocks.

1570           And so we really need to invest in a system that allows  
1571 companies to get input costs -- inputs to their goods  
1572 appropriately. We also need to stem pandemic profiteering  
1573 where it is happening, which is predominantly with large  
1574 companies today and in other crises that you mentioned.

1575           \*Ms. Castor. Yes, thank you very much.

1576           Ms. Frasch, how has the pandemic caused you all to look  
1577 at different approaches to stem the price gouging that is  
1578 going on right now?

1579           \*Ms. Frasch. Thank you for that question. So I think,  
1580 in terms of what we were seeing, you know, typically, this --  
1581 the statute that we have in Pennsylvania is something that is  
1582 very local and very geographic to a specific area. Here we  
1583 saw it across the entire commonwealth, we saw it occurring  
1584 outside the commonwealth. And so we had to put a whole bunch  
1585 of people on a task force, where we typically maybe have, you  
1586 know, one or two agents and a couple of attorneys working on  
1587 it because it is a specific area with limited, you know,  
1588 consumers who are being harmed, to the entire state of  
1589 Pennsylvania having, you know, these issues. And you know,  
1590 we had to dedicate a lot of time and resources to  
1591 investigate, learn, and enforce our law.

1592           \*Ms. Castor. Thank you very much.

1593           Well, I want to urge my GOP colleagues to [inaudible]  
1594 lower costs for consumers, whether that is the cost of  
1595 prescription drugs, health care [inaudible] Build Back Better  
1596 and the American Rescue Plan, or it is building up our  
1597 domestic manufacturing base through America COMPETES that is  
1598 on the floor of the House this week. We are taking action.  
1599 I really want to invite our GOP colleagues to join us in

1600 doing that, as well.

1601 And I will yield back my time. Thanks so much.

1602 \*Mr. Cardenas. Thank you. The gentlewoman yields back.

1603 Also, members, if you have your microphone on, whether  
1604 you are on Zoom or in committee, can you please double check?

1605 We have got some tremendous background noise going on right  
1606 now. It sounds like somebody is moving some stuff, or  
1607 coughing, or what have you. So somebody's mike is on.

1608 So with that, we recognize Congressman Latta for five  
1609 minutes.

1610 \*Mr. Latta. Well, thank you very much, and thanks for  
1611 our witnesses for being with us today.

1612 First, I want to thank the ranking member of the  
1613 subcommittee, and also the ranking member of our full  
1614 committee, for bringing up AV, autonomous vehicles. Just  
1615 real briefly again, this is legislation I sponsored back in  
1616 the 115th Congress. We had over 300 meetings in this  
1617 committee alone with our staff. We talked to people across  
1618 the spectrum. We brought out a very good bill. We worked  
1619 across the aisle, and it got unanimous support as it left  
1620 this committee. Not only did it get unanimous support when  
1621 it left this committee, but it was also voice-voted on the  
1622 floor.

1623 And as we have seen since that time -- bringing back  
1624 this legislation since it went over to the Senate and,



1625 unfortunately, we couldn't get it over -- get it done there,  
1626 that foreign entities across the world are out there, being  
1627 able to get ahead of us in this, and we want to make sure the  
1628 United States is the one bringing this forth, this  
1629 technology.

1630           It was also brought up about what is happening on our  
1631 highways. You know, the latest statistic, that horrible  
1632 statistic that just came out, 31,720 people were killed  
1633 through the third quarter of this past year. And this number  
1634 is not going down, it is going up.

1635           But with that, I think we need to be addressing it and  
1636 getting it going again as soon as possible.

1637           Dr. Richey, if I could start my questioning with you,  
1638 according to a December small business Optum survey, almost a  
1639 quarter of small businesses said that inflation is the  
1640 greatest problem in operating their business. Small  
1641 businesses, in particular, are not able to absorb supply  
1642 chain disruptions, as well as causing them to charge higher  
1643 prices to their consumers and customers.

1644           And you know, in your testimony, which I found  
1645 interesting when I was reading it, you brought up a couple of  
1646 points here. You say, "My concern is that, coming out of the  
1647 pandemic, nearly every company in the country will be able to  
1648 show additional costs, loss of control, negative impacts on  
1649 profit, lost sales, and/or other types of risk incurred

1650 through the supply chain, including acquisition, production,  
1651 distribution, and sales.'

1652       You go on to say, "It is important to remember that  
1653 prices move with the market and across supply chain  
1654 transactions,'" and I realize that because I have got over  
1655 80,000 -- according to the national manufacturers -- over  
1656 80,000 manufacturing jobs in my district, and over the last  
1657 week-and-a-half, when I was back in Ohio, going in and out of  
1658 businesses everywhere, I heard the same thing: can't find  
1659 employees, energy costs going up, transportation costs going  
1660 up, material costs going up.

1661       The American Truckers Association put out their survey  
1662 saying that they need 80,000 truck drivers right now because  
1663 of the shortage.

1664       So with that, Dr. Richey, you know, what -- in your  
1665 research, what is the impact of the current supply chain  
1666 crisis on small businesses?

1667       \*Dr. Richey. Yes, it is all of those different things,  
1668 which are quite dramatic and quite difficult on small  
1669 business, starting with the scarcity that has been created by  
1670 supply chain issues, and trying to get the product into the  
1671 country.

1672       But we have also had an issue with labor, certain  
1673 [inaudible] inputs, getting people to the job, and actually  
1674 paying them to drive the vehicles. [Inaudible] difficult

1675 thing to deal with, as well.

1676 All of these inputs drive inflation up in this country,  
1677 right? And so price gouging could be a component. But if  
1678 you think about labor costs, when you think about [inaudible]  
1679 parts being scarce, prices going up, when you think about  
1680 business partners having to raise prices to some degree to  
1681 cover fixed costs that they have invested in already, it is,  
1682 unfortunately, kind of natural to see these prices increase.

1683 Now, obviously, it has the hardest impact on small  
1684 business. And so, you know, the legislation will have to be  
1685 quite careful uncovering, you know, what is really a price  
1686 gouging situation and what is just a natural need to increase  
1687 prices to make sure that a small business can remain viable.

1688 \*Mr. Latta. Well, and with my last 58 seconds, let me  
1689 follow up with something else you have in your testimony,  
1690 which I found rather interesting, and I think the -- my  
1691 colleague, Mr. Upton from Michigan, was bringing some of this  
1692 up.

1693 You mentioned on page three of your testimony adding the  
1694 government to supply chains is highly likely to add touches,  
1695 processes, time, and costs. What is the who, what, where,  
1696 when, and how on that?

1697 \*Dr. Richey. Yes. So that type of discussion goes back  
1698 to the von Mises work of the 1950s that shows that government  
1699 intervention raises prices when they get involved in business

1700 relationships. You know, maybe the relationship between  
1701 bringing your in-laws to come live at your home shows the  
1702 complexity that is created when that happens, and the same  
1703 type thing happens in the supply chain.

1704 It also can drive trust out of relationships and cause  
1705 relationships to dissolve. So that is kind of what I am  
1706 getting out there, and hopefully I cleared that up a little.

1707 \*Mr. Latta. Well, thank you very much.

1708 And Mr. Chairman, my time has expired and I yield back.

1709 \*Mr. Cardenas. I just want to clarify for the record I  
1710 don't think the Federal Government has ever forced anybody to  
1711 have their in-laws [inaudible]. I just want to -- hope  
1712 people didn't misunderstand that.

1713 A little levity, people, amongst all the noise. Not the  
1714 noise of the government, but this background noise is driving  
1715 me --

1716 \*Voice. Yes, what is that?

1717 \*Mr. Cardenas. Anyway, next -- the gentleman yields  
1718 back. Next we recognize Congressman McNerney for five  
1719 minutes.

1720 \*Mr. McNerney. Well, I thank the chair, thank the  
1721 witnesses. Great hearing this morning.

1722 Mr. Harman, currently 39 states, including my state of  
1723 California, have authority to enforce against price gouging  
1724 during emergencies or disasters. You state that most states

1725 have a law against price gouging during the declared  
1726 emergency, but laws vary very widely. How do different --  
1727 the differences and limitations in state authority hinder our  
1728 recovery from the pandemic?

1729 \*Mr. Harman. So I think the inability of the FTC to  
1730 investigate nationwide price gouging, so when you have a  
1731 manufacturer raising prices across the country, it is much  
1732 easier to look at that and figure out where there is cost  
1733 increase, where there is -- versus where there is price  
1734 gouging. And for a state that is much harder to see.

1735 The state price gouging laws, as has been mentioned,  
1736 were really focused on localized emergencies and localized  
1737 price gouging. And what we have seen in the pandemic is  
1738 widespread national price gouging. And while there are  
1739 investigations, and while there is enforcement, as the other  
1740 witnesses have detailed, you really can't get at the core  
1741 problem that is now, as I mentioned, normalizing. And we are  
1742 seeing it in so many more sectors and categories than just,  
1743 you know, the pandemic-related PPE-type things we saw  
1744 initially.

1745 \*Mr. McNerney. Well, do you think that online price  
1746 sellers, online sellers, may take what they have learned from  
1747 the pandemic price gouging on the consumers in the future,  
1748 after the pandemic ends?

1749 \*Mr. Harman. Oh, 100 percent. And it is a business

1750 practice that works, and we are now seeing the, you know, the  
1751 other retailers and -- traditional retailers and  
1752 manufacturers mirror it in their in their pricing.

1753 \*Mr. McNerney. Well, you know, it could be argued that  
1754 corporations are just doing their job to maximize profits by  
1755 price gouging. You could make that argument, right? So what  
1756 does that tell you about the current corporate structure,  
1757 about the current corporate model we have in this country?

1758 \*Mr. Harman. We are suffering a crisis of corporate  
1759 concentration in every sector across the economy.

1760 Dr. Mabud mentioned Procter and Gamble having 15  
1761 different detergents, and in every sector you find that there  
1762 are -- even when there are multiple brands and names, it is  
1763 really just a few -- a handful of companies controlling what  
1764 we buy, and that affects consumers, obviously. It also  
1765 affects the small businesses who are attempting to compete  
1766 with them, but also serving as their vendors.

1767 \*Mr. McNerney. But what is the solution?

1768 \*Mr. Harman. There is a lot of solutions. I think  
1769 price gouging legislation is one of them.

1770 \*Mr. McNerney. Right.

1771 \*Mr. Harman. So we can investigate where this  
1772 particular harm is.

1773 But, you know, we really need to focus on where there is  
1774 consolidation that shouldn't be happening, and that is also

1775 work the FTC needs to do.

1776 \*Mr. McNerney. Well, how do state laws fail to provide  
1777 authority to police pandemic price gouging by online  
1778 platforms?

1779 \*Mr. Harman. They are trying, right? And this is a new  
1780 type of price gouging, in the sense that we have a national  
1781 emergency, and that is fairly novel.

1782 Early on in the pandemic, Kentucky brought a case  
1783 against online sellers, and they ultimately prevailed. But  
1784 the challenge against -- what really challenged the core of  
1785 state law was can a state price gouging law dictate the  
1786 prices, nationally? And that is how online sales work,  
1787 right? Even if you are in the state setting the price, it is  
1788 a national price. And again, they ultimately prevailed, but  
1789 that really cast doubt on how state laws, in the absence of a  
1790 Federal law, can address this problem.

1791 \*Mr. McNerney. Well, thank you.

1792 Dr. Mabud, each week I hear from small businesses in my  
1793 district that continue to face an uncertain future, how  
1794 corporate executives and shareholders enjoy record profits.  
1795 How would a Federal price gouging law benefit small business  
1796 owners who are still fighting to overcome losses incurred?

1797 \*Dr. Mabud. Yes, I mean, it is absolutely critical to  
1798 take on bad actors in the market to support small businesses.  
1799 You know, small businesses are often -- some of the entities

1800 in the market that are most [inaudible] price gouging,  
1801 particularly upstream.

1802 Consider U.S. Steel, the third largest steel producers  
1803 -- excuse me, the third largest steel producer in the U.S.,  
1804 recently reported that they are raising prices that go beyond  
1805 their input costs, right? Imagine [inaudible] on your local  
1806 bike shop, someone -- a small business owner who is, you  
1807 know, facing higher input costs, who has seen their profit  
1808 margins decrease, and all -- you know, [inaudible], even  
1809 though they are not behaving badly, having to pass those  
1810 [inaudible] onto the consumer.

1811 And so really, [inaudible] are getting crushed by  
1812 corporate price gouging the same way that consumers are.

1813 \*Mr. McNerney. Thank you. I yield back.

1814 \*Ms. Schakowsky. [Presiding] The gentleman yields back.  
1815 Thank you, Mr. Cardenas, for chairing.

1816 And now, Mr. Guthrie, you are -- it is yours for five  
1817 minutes.

1818 \*Mr. Guthrie. Thank you, Madam Chair, and thank you for  
1819 holding this hearing.

1820 And you know, Kentucky did have price gouging laws, and  
1821 successful. And you have seen a lot of it where people are  
1822 hoarding products and selling on the internet.

1823 And, you know, looking at the corporate side, I know  
1824 Kroger has been brought up, and the profits from Kroger. But



1825 if you tell people they can't go out to eat, the grocery  
1826 stores are going to have more volume and make more money. So  
1827 the question is, are they price gouging or are they just -- I  
1828 know their profits have gone up -- or is it price gouging?

1829         And one good example I remember, I have a lot of --  
1830 there are fewer now -- but dairies in my district, and  
1831 dairies were pouring out milk while you couldn't get milk at  
1832 the grocery store. And of course, as they are bringing it to  
1833 my attention, I wanted to get to the bottom of it, and  
1834 started asking around and finding out around, and the problem  
1835 was most -- a good portion of milk, I forget the percentages,  
1836 but I talked to people in the milk industry -- went to  
1837 institutions, so they went to schools. We shut schools down.  
1838 They went to universities, we shut universities down. And  
1839 there weren't enough gallon jugs. That was the problem, the  
1840 kind of things that you sell at a grocery store.

1841         So on the face of it, you would see on the news people  
1842 dumping milk because it didn't -- you can't store it long  
1843 enough. And it was a supply chain issue, it wasn't somebody  
1844 purposely trying to gouge or move forward -- and so those are  
1845 the things that we have to be careful of.

1846         When people go out and buy all the hand sanitizer they  
1847 can buy, and try to corner the market on the hand sanitizer,  
1848 and then sell it to you online, that is one thing. But I  
1849 would just like to see the example -- since Kroger has been

1850 brought up with them price gouging. I have three in my town,  
1851 and I will certainly do whatever I can to point out where  
1852 they are price gouging, where that is, not just that they are  
1853 -- and the opposite side, I can show you a lot of restaurant  
1854 owners who are -- were not profitable in the last couple of  
1855 years. And so it moves forward.

1856 I want to talk to Dr. Richey.

1857 And one thing, you know -- and I said I heard that  
1858 Kroger decreased wages, I think that was -- I think Kroger is  
1859 -- in my area it is represented by a bargaining unit, and I  
1860 will tell you they have signs up everywhere for work. So I  
1861 am -- I would like to see the data on that, if that is  
1862 possible.

1863 But Dr. Richey, you were talking about just trying to  
1864 find workers. I know the Kroger that I go to in our area,  
1865 Meijer's -- Peter Meijer is in Congress -- we have a Meijer,  
1866 I go there as well, and Walmarts -- I will just hit them all  
1867 -- and they are all looking for workers.

1868 And so the question is, Dr. Richey, there has been  
1869 several -- I think some panelists here that talk about  
1870 expanding and increasing unemployment benefits. How has that  
1871 affected the supply chain, the increased unemployment  
1872 benefits, and what would happen if -- you think -- if we  
1873 expanded the unemployment benefits with the bonus -- Federal  
1874 bonuses of which -- I think I voted for it in the original

1875 because of the -- I did, because of -- the whole economy was  
1876 shut down. And -- but now that we are looking for workers,  
1877 how would that affect it?

1878 \*Dr. Richey. Yes. Well, first let me point out that we  
1879 are definitely looking for workers, and it is a big problem.  
1880 And, you know, across the country people are saying, "Where  
1881 did the workers go?" And so we are hopeful to see those  
1882 folks come back.

1883 We had an interesting situation going on around the  
1884 holidays this year, right, where we had a number of vehicles  
1885 that were trapped off the coast. We had poor flow of product  
1886 across the United States. We had truck drivers that weren't  
1887 able to come to work and move that product, and we had  
1888 already had a problem with that level of capacity  
1889 [inaudible].

1890 At the same time we had a lot of money dumped into the  
1891 system, right, to try to help people that were unable to make  
1892 money. And we also have opportunities to encourage them to  
1893 buy or purchase early, or panic-buy based on their concerns  
1894 or on worrying that they weren't going to get their holiday  
1895 gifts. That combination of economic stimulus, while the  
1896 supply chain was stopped, that created a dramatic disruption,  
1897 and we are still shaking that out today.

1898 So we need to really ask questions about whether or not  
1899 doing something like that would exacerbate the situation and

1900 make it even worse.

1901 \*Mr. Guthrie. Do you think that it would? I mean  
1902 [inaudible] ask the question, do you think that it would?

1903 \*Dr. Richey. I would say until there is, you know, a  
1904 break in some of these different points where, you know,  
1905 ports or the trucks, I think that adding -- increasing demand  
1906 would make it worse.

1907 \*Mr. Guthrie. Okay. Just on a -- related, but just a  
1908 little separate, I know you talked to AEI on the blockchain  
1909 technology, so it is -- I know our committee is interested in  
1910 that.

1911 So blockchain technology has many applications,  
1912 including increasing privacy and data security. Would you  
1913 highlight your conversations with AEI on how blockchains can  
1914 assist supply chain management?

1915 And I have about 30 seconds. Can you elaborate on how  
1916 this technology can be beneficial for supply chain  
1917 management?

1918 \*Dr. Richey. Yes --

1919 \*Mr. Guthrie. In 30 seconds.

1920 \*Dr. Richey. -- it lets you, you know, diversify and  
1921 move all of your information to a digital platform that makes  
1922 it available to all of the members of the supply chain.

1923 It also allows those transactions to be governed by the  
1924 members of the supply chain. So if something nefarious

1925 happens, like price gouging, you would be able to see it  
1926 across the blockchain.

1927           So we are still in the early stages of implementing  
1928 that. Some companies are testing it out, but it is a great  
1929 opportunity. We will see if we can get it moving as rapidly  
1930 as we need it.

1931           \*Mr. Guthrie. Thank you. My time has expired, and I  
1932 yield back. I appreciate your answer.

1933           \*Ms. Schakowsky. Okay, Mr. Cardenas, the next five  
1934 minutes are yours.

1935           \*Mr. Cardenas. Thank you very much, Madam Chairwoman,  
1936 thank you so much for having this hearing, and also to the  
1937 Ranking Member Bilirakis. I want to thank both of you. This  
1938 is a very important hearing, and very informative for all of  
1939 us.

1940           Time and time again, throughout this pandemic we have  
1941 seen the most vulnerable communities among us suffer the  
1942 most, while the wealthy find a way to make it through without  
1943 the devastating fallout that others receive. COVID-19 has  
1944 highlighted glaring inequalities in our society. And when  
1945 the wealthy exploit that for profit, we in Congress cannot  
1946 turn a blind eye.

1947           I want to thank you, Madam Chairwoman, again for  
1948 introducing this legislation. No legislation is perfect, but  
1949 we shouldn't wait for the perfect to make sure that we

1950 protect the American people from exploitation.

1951 Dr. Mabud, in your testimony you described the  
1952 willingness of some corporations to take advantage of the  
1953 steady demand for basic household items like diapers and  
1954 household cleaning supplies, even in the face of price hikes.  
1955 These items are not luxuries, they are necessities. As an  
1956 economist, can you speak to the impact that targeting basic  
1957 products like these is having on Americans in low-income  
1958 communities?

1959 \*Dr. Mabud. Yes, thank you for that really important  
1960 question. Low-income communities, especially communities of  
1961 color, are disproportionately affected by price gouging.  
1962 Higher prices, particularly on essentials, just simply eat up  
1963 a bigger proportion of already strapped household budgets.  
1964 We know that low-income communities are more likely to be  
1965 communities of color and, therefore, are feeling the effects  
1966 of price gouging more acutely.

1967 The other thing to remember is that these workers, by  
1968 definition, are low income, right? They are having a hard  
1969 time accessing good jobs in the labor market. They might be  
1970 facing discrimination, or occupational segregation, and other  
1971 barriers to labor market entry. So low-income folks,  
1972 particularly low-income folks of color, are really hit from  
1973 all sides. They have rising prices at the checkout line and  
1974 they have a higher, harder time accessing good, well-paid

1975 jobs.

1976           \*Mr. Cardenas. Well, thank you. So right now, during a  
1977 pandemic, we have some folks who are working two and three  
1978 jobs, maybe a single parent, and needing to buy diapers. You  
1979 mentioned that being one of the products that seem to have  
1980 gone up in price, while it appears that some of the companies  
1981 that actually provide those essential products are actually  
1982 making larger profit margins. How do we reconcile that?

1983           Is it really a supply chain issue, or is it, as you  
1984 mentioned, "tailored price increases," which is what one of  
1985 the C-suite executives was explaining -- was it during some  
1986 kind of meeting of their shareholders or something?

1987           \*Dr. Mabud. I mean, simply put, this is corporate  
1988 greed, right? These companies have enormous market power.  
1989 They have the dominance to set prices on goods across the  
1990 market because they are so big. And the companies like, you  
1991 know, the ones that sell diapers, you know, are selling  
1992 products that people need, and they know that, right?

1993           The point about price elasticity essentially refers to a  
1994 consumer's responsiveness to prices. And when you have  
1995 essential goods, consumers are not responsive to price  
1996 increases because they are essential. And so what we are  
1997 seeing now is simply these big corporations taking advantage  
1998 of the most vulnerable at a point where they are at their  
1999 most vulnerable, and padding their profits.

2000 I mean, that is the other point here. Like, you know,  
2001 these CEOs, these executives, these shareholders are just  
2002 raking it in, all while consumers are paying more for  
2003 essential goods at the checkout line.

2004 \*Mr. Cardenas. Thank you. In your testimony you also  
2005 touch on the pain being felt by small business owners who  
2006 must compete with giant companies like Walmart and Amazon for  
2007 inventory. You reference a quote by one small business owner  
2008 who said that his contracts for inventory were "not worth the  
2009 paper they were written on.'" Can you describe how these  
2010 large firms are using their size to crowd out small  
2011 businesses when it comes to getting their products to their  
2012 shelves?

2013 \*Dr. Mabud. Yes. Big businesses are able to negotiate  
2014 prices better than small businesses, right? That is simply  
2015 because of their market power.

2016 So one example from the latest issue of the American  
2017 Prospect is Walmart in town is able to negotiate \$1 boxes of  
2018 Duncan Hines cake mix, which is the most popular cake mix in  
2019 the area. The local grocery store, on the other hand, can  
2020 only manage to squeeze out a seasonal discount that brings  
2021 the price of these cake mixes down to 1.32. So in that case,  
2022 when that small business can't, you know, push around using  
2023 its power, the prices that it can sell its products for in  
2024 the store, you know, how can you expect that small business



2025 to compete?

2026 So it is really important to -- you know, in order to  
2027 have a thriving small business community we have to tackle  
2028 the power that these mega-corporations have over prices.

2029 \*Mr. Cardenas. Thank -- Dr. Mabud, I only have 20  
2030 seconds.

2031 So I have a question. Does -- has history borne out  
2032 that, when larger companies squeeze out smaller competitors,  
2033 that, once the smaller competitors are off the playing field,  
2034 that the larger companies tend to increase their prices,  
2035 regardless of what the market can bear?

2036 \*Dr. Mabud. Absolutely, and my colleague on the panel  
2037 can speak to Amazon, which does this.

2038 \*Mr. Cardenas. Thank you very much.

2039 My time has expired. I yield back, Madam Chair, thank  
2040 you so much.

2041 \*Ms. Schakowsky. Thank you.

2042 And now, Mr. Bucshon, you are recognized for five  
2043 minutes.

2044 \*Mr. Bucshon. Thanks, Madam Chair. I don't support  
2045 price gouging. However, I am finding it hard not to point  
2046 out the hypocrisy in front of us today. The Hoosiers I  
2047 represent aren't paying more at the pump or more in their  
2048 everyday groceries because of price gouging. They are paying  
2049 more because of inflation.

2050           This legislation won't restock the bare grocery store  
2051 shelves or car lots scattered throughout my district and the  
2052 country. These problems originate from larger market  
2053 factors, and COVID, of course. And the Biden  
2054 Administration's failure to address these problems is only  
2055 adding fuel to the fire.

2056           Indiana is currently bracing for a heavy snowstorm  
2057 today, with temperatures dropping rapidly, and most Hoosiers  
2058 are going to be left wondering how they will pay for their  
2059 heating bill. But instead of looking at solutions that will  
2060 help lower energy costs, Democrats in Washington are  
2061 attempting to add even more taxation in their massive Build  
2062 Back Better bill that would increase each household's heating  
2063 bill by \$242 a year, not to mention the fact the Biden  
2064 Administration continues to block the creation of pipelines  
2065 that would help lower energy prices, and terminating oil and  
2066 gas leases on public lands in the U.S., ironically, while  
2067 asking OPEC to send more oil and then improperly tapping our  
2068 Strategic Oil Reserve because the American people are  
2069 noticing the price is going up. You really can't make this  
2070 stuff up.

2071           My point being I wish we could get serious and look at  
2072 the real problems, so that we could come up with real  
2073 solutions. Running to the FTC to investigate gas prices  
2074 every time they go up isn't a serious exercise, and it only

2075 ignores the real problem. Advancing policies that promote  
2076 energy independence and production at home is a real  
2077 solution. Supporting policies that incentivize people to get  
2078 back to work is a real solution.

2079 I hope this committee doesn't get too distracted by  
2080 today's hearing that it forgets to pay attention to the real  
2081 issue of why our constituents are paying more for everyday  
2082 items, and that is inflation. It is a good try by the  
2083 majority to try to change the narrative. Unfortunately, the  
2084 American people, I think, know the facts.

2085 Dr. Richey, a question for you. I didn't -- I do not  
2086 believe that the legislation before us today adequately  
2087 factors in the effects that overly burdensome government  
2088 regulations and policies have on price increases. This is  
2089 something the FTC and state AGs must adequately consider when  
2090 determining if price gouging has occurred. Because again,  
2091 what we are seeing today is in response to inflation, not  
2092 price gouging.

2093 Dr. Richey, do you believe it is important to consider  
2094 key factors such as labor shortages, government interference,  
2095 and other market factors when determining if price gouging is  
2096 occurring or not?

2097 \*Dr. Richey. Yes, that is absolutely true, and it is  
2098 absolutely something that should be considered. Certainly, I  
2099 would like to look at research on labor costs that show that

2100 they are not having an impact on price. I can tell you the  
2101 anecdotal evidence, in talking to truck driving companies,  
2102 manufacturers, [inaudible], and distribution businesses,  
2103 their prices are being increased because of the dollar  
2104 figures that they are placing on labor.

2105 Now, in some places you may see that reduced, because  
2106 they can't get the people to come to work and pay  
2107 [inaudible]. And in that instance, the product is not going  
2108 to flow through the system.

2109 There are a number of different things that impact  
2110 inflation, and you touched on some of those things  
2111 [inaudible] money into the economy [inaudible], which  
2112 doesn't. Restriction on distribution causes scarcity, which  
2113 doesn't. The labor costs cause that issue, as well. And  
2114 even though it is nice to receive a higher pay rate, we  
2115 should expect to see prices increase as those pay scales go  
2116 up.

2117 \*Mr. Bucshon. Thank you. Were the factors I laid out  
2118 and we -- and you just talked about referenced anywhere in  
2119 this legislation?

2120 \*Dr. Richey. I don't believe they are, sir. No, sir.

2121 \*Mr. Bucshon. Do you think that leaving language vague  
2122 for what qualifies as grossly [inaudible] would further  
2123 enable the FTC to be used as a political tool that targets  
2124 the Administration's chosen enemy of the day?

2125           \*Dr. Richey. Well --

2126           \*Mr. Bucshon. -- America?

2127           \*Dr. Richey. Yes, yes. That is tough to answer, but I  
2128 would say that there is a lot going on. There are a lot of  
2129 dynamics here, and I am not certain this is the key issue.

2130           I try to get executives and students to focus on core  
2131 issues, root causes of these things, and I feel like this is  
2132 not a root cause. It is an effect of the other things that  
2133 we see out there in the marketplace.

2134           \*Mr. Bucshon. Thank you very much. I recently was at  
2135 the Port of LA and saw some of the problems there. In  
2136 fairness, there is a labor shortage there for a variety of  
2137 reasons. And COVID is still a factor, no doubt. But it is a  
2138 difficult problem, but we certainly need to be offering real  
2139 solutions, and not having hearings trying to cast blame at  
2140 our free market economy.

2141           Thank you, I yield back.

2142           \*Ms. Schakowsky. The gentleman yields back, and I  
2143 invite Congresswoman Dingell for five minutes.

2144           \*Mrs. Dingell. Thank you, Madam Chair, for holding this  
2145 important hearing, all the witnesses for testifying today.

2146           I do think that this is an important hearing because we  
2147 all remember how, early in the pandemic, toilet paper, hand  
2148 sanitizer, PPE, and other essentials saw skyrocketing prices  
2149 amid consumers' immediate panic in preventing the spread of

2150 COVID-19. In 2020 the Michigan Attorney General's Office  
2151 received 4,522 price gouging complaints, and this was the  
2152 first time price gouging made the top 10 of the most frequent  
2153 consumer complaints in the state.

2154 As we continue to grapple with the impacts of the  
2155 pandemic, consumers and their families are still struggling.  
2156 I agree that inflation is real, with my colleague, but they  
2157 are struggling with rising prices for common household goods  
2158 amidst a robust economic recovery. And you -- corporations  
2159 are posting record profits.

2160 It is the responsibility of Congress to ensure that  
2161 corporations are not taking advantage of consumers during  
2162 this emergency to increase their profit margins through price  
2163 gouging. So I want to talk about the downstream supply chain  
2164 impacts.

2165 One of my concerns is the impact of price gouging within  
2166 the supply chain, and its impact on downstream prices, much  
2167 of what falls ultimately on the consumer. Dr. Mabud, in your  
2168 testimony you highlight how price gouging further up in the  
2169 supply chain can force small businesses to pass on price  
2170 increases to the consumer due to higher production or other  
2171 input costs. Can you go into the additional details on how  
2172 this practice disproportionately hurts smaller businesses?

2173 \*Dr. Mabud. Yes, absolutely. I mean, given the extreme  
2174 consolidation in product markets, bigger companies simply

2175 have power to set prices in a way that smaller businesses  
2176 don't. And that power is, in many ways, magnified when those  
2177 big businesses are sitting higher up on the supply chain and  
2178 passing those prices, those input costs, down to smaller  
2179 businesses.

2180         You know, the owner of Country Fresh Farm Markets, a  
2181 local grocery store in Cincinnati, you know, confirmed that  
2182 he was being able to -- forced to sacrifice his own margins  
2183 entirely because of the prices that big businesses like  
2184 Procter and Gamble are setting.

2185         And as mentioned before, you know, when we see the input  
2186 costs of things -- goods like, you know -- as input costs of  
2187 things like steel go up, that has deep implications for small  
2188 businesses across the country that rely on those inputs to  
2189 for their own goods and their own well-being.

2190         \*Mrs. Dingell. So Dr. Mabud, again, would addressing  
2191 supply chain bottlenecks such as critical funding for  
2192 semiconductors, and increasing domestic manufacturing  
2193 capacity help to prevent price increases further up in the  
2194 supply chain from translating into higher costs for small  
2195 businesses and consumers?

2196         \*Dr. Mabud. The short answer is yes. We are living in  
2197 a world where we have turned our supply chains over to big  
2198 corporations. You know, they have really maximized short-  
2199 term returns. They -- these companies have essentially

2200 carved away at our supply chains until what we are left with  
2201 right now is this brittle knife-edge system. And so small  
2202 businesses are completely at the mercy of a system that can  
2203 be thrown out of whack by something as simple as a storm  
2204 halfway across the world, or a COVID outbreak in a factory.

2205 So investing in our supply chain, ensuring that we have  
2206 redundancy and domestic capacity for certain -- for key  
2207 pieces of our supply chain will help ease bottlenecks and  
2208 create a more predictable and reliable system for small  
2209 businesses, which sets them up for success.

2210 \*Mrs. Dingell. So I am down to about a minute, so I am  
2211 going to ask Dr. Mabud, Mr. Harman, Mr. Frasch, would -- and  
2212 ask you to be short, yes or no -- would addressing supply  
2213 chain vulnerabilities through the America COMPETES Act  
2214 alleviate some of these issues, yes or no?

2215 Start with Dr. Mabud.

2216 \*Dr. Mabud. Yes, it would alleviate some of these  
2217 pressures.

2218 \*Mrs. Dingell. Mr. Harman?

2219 \*Mr. Harman. It likely would, yes.

2220 \*Mrs. Dingell. Ms. Frasch?

2221 \*Ms. Frasch. Yes, it likely would.

2222 \*Mrs. Dingell. So I want to thank you again for all of  
2223 the witnesses being here today, and to Chairwoman Schakowsky  
2224 for holding this important hearing. Congress has to take



2225 immediate action to address gaps in our supply chain that are  
2226 having a crippling effect on our economy and leave consumers  
2227 vulnerable to predatory [inaudible] consequences.

2228         And with that, Madam Chair, I yield back the balance of  
2229 my 19 seconds. Thank you.

2230         \*Ms. Schakowsky. Thank you very much.

2231         And now, Mr. Dunn, it is your opportunity to ask  
2232 questions for five minutes.

2233         \*Mr. Dunn. Thank you very much, Madam Chair. I  
2234 appreciate the opportunity to discuss the important issue of  
2235 rising prices across America today.

2236         You know, my constituents constantly express how out of  
2237 control inflation across all goods and all services is  
2238 affecting their daily lives. It is clear that all of our  
2239 members hear the same thing from their districts, as well.  
2240 As Members of Congress we have a responsibility to address  
2241 and reverse the economic trend which is caused, frankly, by  
2242 this Administration's failed policies.

2243         We all know price gouging can be a serious issue,  
2244 especially during states of emergency. However, when we  
2245 study the issues facing today's economy, we must consider all  
2246 of the factors that are contributing to the price increases  
2247 in our nation over the last 12 to 18 months. We have the  
2248 worst inflation in nearly 40 years. It is destroying the  
2249 purchasing power of everyday Americans. We can't allow

2250 uninformed policy to make this problem even worse.

2251           So, Dr. Richey, you described our supply chain as  
2252 struggling to meet demand. Yet the Biden Administration  
2253 continues to push more Federal spending, which leads to  
2254 increased demand.

2255           And I want to focus on the other contributing factor  
2256 here: the pressure on the supply chains and labor shortages.  
2257 President Biden's ineffective vaccine mandates have  
2258 exacerbated the labor shortages, putting upward pressure on  
2259 inflation. Our Federal Government is hurting our nation's  
2260 suppliers, just as they try to get back on track.

2261           So Dr. Richey, can you briefly describe how a workforce  
2262 which has been incentivized to not work, and even highly-  
2263 skilled workers are being driven out of work, how does that  
2264 contribute to rising prices?

2265           \*Dr. Richey. Yes, certainly that is a major issue.  
2266 Getting labor back to work has been a problem, of course,  
2267 over the entire pandemic.

2268           I can tell you in our scenario, even with undergraduate  
2269 students, our students are back from their internship in the  
2270 summertime before their senior year, and 75 percent of them  
2271 already have a job. Those options are out there, and they  
2272 are everywhere. Without people in those positions, you can't  
2273 move product, you can't get enough supply to meet demand in  
2274 those different marketplaces, and that is going to have a

2275 significant impact on price, because those companies have to  
2276 cover costs.

2277 \*Mr. Dunn. You are right, so I agree with you. I asked  
2278 the question because so many other companies are, in fact,  
2279 mandating their employees to get vaccinated in order to  
2280 return to work. Or worse, they are terminating them if they  
2281 aren't vaccinated. So labor shortages do affect supply  
2282 chains and cause prices to rise.

2283 Let me just, on a side note, say I have a fondness for  
2284 Auburn in my heart there, Dr. Richey. I have a son who is a  
2285 physicist, graduated from there, and so War Eagle, right?

2286 \*Dr. Richey. Yes.

2287 \*Mr. Dunn. Another question for you, though. We know  
2288 short supply, combined with the increased demand, contributes  
2289 to inflation. But we are missing an opportunity this week to  
2290 do something about that. China has this 2025 plan to grow  
2291 industry, but we are pushing policies that restrict  
2292 production in energy, transportation, and labor sectors,  
2293 while simultaneously pushing enormous Federal spending and  
2294 easy monetary policies.

2295 Do you believe reducing the Federal spending and  
2296 providing appropriate regulatory relief would help alleviate  
2297 the ongoing strain on supply chains?

2298 \*Dr. Richey. Yes, I definitely think that regulatory  
2299 relief will help. That is one of the things that makes it

2300 difficult for product to move and [inaudible].

2301           Certainly what we see going on in the Port of LA and  
2302 Port of Los Angeles is an example of those restrictions that  
2303 are making things difficult to move. And if we can find some  
2304 way to reduce those regulations, which to some degree those  
2305 ports have, it will help things move in that direction.

2306           We also see regulations around truck driving. Certainly  
2307 in California it is quite difficult to get into that market  
2308 if you are an independent contractor. Independent  
2309 contractors choose to be their own bosses. They don't want  
2310 to be part of major corporations. They are choosing not to  
2311 go into California for that reason, because of the laws that  
2312 exist there. That takes about 20 percent of the truck  
2313 drivers out of the picture to move product out of California.

2314           And so --

2315           \*Mr. Dunn. So to your point, I think we all know that  
2316 the Producer Price Index -- I want to focus on that just for  
2317 the last few seconds -- the Producer Price Index, which is  
2318 the wholesale version, if you will, of the CPI, Consumer  
2319 Price Index, it is up almost 10 percent year on year. You  
2320 know, this spells a structural inflation for our country that  
2321 I think has nothing to do with price gouging, and nor is it a  
2322 transitory problem with inflation.

2323           I appreciate the time to get -- look into this today,  
2324 Madam Chair, and thank you, members of the hearing,

2325 witnesses, to -- for joining us.

2326           \*Ms. Schakowsky. The gentleman yields back, and now I  
2327 recognize Congressman Kelly for five minutes.

2328           \*Ms. Kelly. Thank you, Chair Schakowsky, for holding  
2329 this hearing, and to the witnesses for appearing today.

2330           It is [inaudible] at the beginning of the pandemic, when  
2331 toilet paper and hand sanitizer were precious commodities.  
2332 Shelves were cleared out, and purchases were limited.  
2333 Unfortunately, disasters often magnify social inequality, and  
2334 disproportionately fall on minority communities, as the  
2335 Department of Consumer and Worker Protections in New York  
2336 City found last year in their report on price gouging.

2337           Dr. Mabud, what are some underlying economic conditions  
2338 that make some communities more vulnerable to price gouging?

2339           \*Dr. Mabud. I mean, simply put, price gouging affects  
2340 lower-income communities disproportionately, because it eats  
2341 up a larger proportion of their budgets. You know, families,  
2342 whether you are rich or poor, you need a diaper. But that  
2343 diaper is a bigger part of your budget if, you know, you have  
2344 a child. And so that is one of the key factors that is  
2345 really harming communities, low-income communities, right  
2346 now.

2347           \*Ms. Kelly. And thank you for that. Price gouging  
2348 after emergencies is often a local problem where local  
2349 enforcement agencies are best suited to address it. That is

2350 why it is critical that Federal price gouging legislation  
2351 serves as a baseline of protection for people, while allowing  
2352 states to keep their existing authority to go after  
2353 profiteers.

2354 Ms. Frasch, as someone who has brought price gouging  
2355 cases during the COVID-19 pandemic and witnessed consumer  
2356 harm up close, do you agree that additional enforcement tools  
2357 from Federal gouging legislation would help your office  
2358 protect the people of your state?

2359 \*Ms. Frasch. Yes. Currently, our price gouging act  
2360 doesn't even have protection over Pennsylvania, and so any  
2361 Federal legislation to give us authority to enforce would  
2362 certainly bring more protection to Pennsylvania, and then  
2363 also having the FTC as a partner would be helpful, as well.

2364 \*Ms. Kelly. And how would this ensure that existing  
2365 state authorities are complemented, but not weakened in any  
2366 way?

2367 \*Ms. Frasch. I believe the way the bill is proposed  
2368 allows for both the state enforcement tool to continue, while  
2369 having this additional tool for those states who don't have  
2370 enforcement authority, or at least to have a floor that would  
2371 be across the board for all the states and the FTC.

2372 \*Ms. Kelly. Also, your testimony highlighted some  
2373 limitations of Pennsylvania's existing price gouging law.  
2374 Can you cite some specific examples of cases or types of

2375 cases your office could not bring or could not consider  
2376 bringing because of these limitations?

2377 \*Ms. Frasch. Correct. So like I mentioned earlier, you  
2378 know, any time that we receive tips from a fire company, or  
2379 from a hospital, or from a school, or a government agency who  
2380 is trying to get PPE for their staff, or to supply for, you  
2381 know, for their well-being, we were unable to apply our state  
2382 price gouging law to that particular transaction.

2383 \*Ms. Kelly. And then having the authority of this law,  
2384 that would have changed your assessment of these matters?

2385 \*Ms. Frasch. That is correct.

2386 \*Ms. Kelly. And lastly, your testimony talks about how  
2387 important it is to prevent price gouging before it occurs.  
2388 In your experience, do you believe an authority -- in the  
2389 authority to seek civil penalties in price gouging cases is  
2390 an effective deterrent?

2391 \*Ms. Frasch. Yes. In most cases we did not seek  
2392 significant penalties. We believe that, you know, when we  
2393 sent out cease and desist letters and the threat of a penalty  
2394 to continue price gouging, it deterred that continued  
2395 conduct. So having a penalty at our -- in our toolbox  
2396 certainly is helpful, but it doesn't mean that it necessarily  
2397 will apply. And I do believe that it did deter quite a lot  
2398 of price gouging in Pennsylvania.

2399 \*Ms. Kelly. Thank you so much.

2400 And Madam Chair, I yield back.

2401 \*Ms. Schakowsky. The gentlewoman yields back, and now  
2402 Mrs. Lesko.

2403 I recognize you for five minutes.

2404 \*Mrs. Lesko. Thank you, Madam Chairman. This mask that  
2405 I was just wearing was made in China. This is the mask that  
2406 was provided to us from the U.S. House of Representatives.  
2407 And then the test kits, the COVID home test kits that  
2408 taxpayers paid for, and are given -- shipped out to  
2409 Americans, is also made in China.

2410 And so, Dr. Richey, since you are an expert on supply  
2411 chain issues, I was hoping you could tell me if you have any  
2412 ideas of how America can be less reliant on China.

2413 \*Dr. Richey. Oh, sure, absolutely, I can. And thanks  
2414 for that question.

2415 You know, over the years we have seen a transition to a  
2416 more efficient system. It is based on low cost. And that  
2417 system definitely moved a healthy amount of manufacturing to  
2418 China. I can tell you, over the last year or so, we have  
2419 been spending a significant amount of time with [inaudible]  
2420 and other groups, trying to put together educational systems  
2421 that will help managers understand risk of sourcing from a  
2422 single location.

2423 So what I mean by that is that the tools that we have  
2424 developed teach them to think about an international source



2425 of supply that can keep costs down, think about a near  
2426 sourcing option, perhaps Latin America and that region, that  
2427 could make the product cheaper and be competitive, and then  
2428 also think about a domestic source of supply, setting up a  
2429 three-set system, so that you have suppliers competing  
2430 against each other and a fallback on much different players.

2431         The reality is companies like Toyota, that instigated  
2432 the just-in-time management system have now stepped away from  
2433 those things, and the supply chain is naturally moving as a  
2434 unit to more responsive approaches. So that is what we  
2435 should expect to see over the next few years, and it is  
2436 already in play across a number of industries.

2437         \*Mrs. Lesko. Thank you.

2438         And Dr. Richey, I have another question for you. Can  
2439 you give me any examples -- you have mentioned some already -  
2440 - of how the Biden Administration's policies are actually,  
2441 you know, making it worse, the supply chain issues,  
2442 inflation, price increases. Can you name any?

2443         I am thinking one is maybe their energy policy, and how  
2444 they are so adversary to oil and gas, and how that is  
2445 increasing prices here in America.

2446         \*Dr. Richey. Yes, certainly the energy policy has  
2447 increased prices significantly.

2448         Remember, manufacturing has to pay for energy. Then the  
2449 truck drivers have to pay for increased energy prices. The

2450 customer has to pay for increased energy prices. And if you  
2451 think about companies like in automotive, you think about the  
2452 tires, that product includes petroleum in the product itself,  
2453 and then it includes petroleum in the manufacturing, and the  
2454 energy related to the manufacturing, and in the  
2455 transportation. So as many -- as the price of oil and gas go  
2456 up, it is a multilevel hit on these businesses. That is one  
2457 of the key components [inaudible] inflation in the  
2458 marketplace today, and it was one of the first steps that the  
2459 Biden Administration made.

2460 I have asked and been a proponent of saying we should  
2461 get all in on energy. We should be doing a lot of exploring  
2462 with the fossil fuels, be trying to use that fossil fuel  
2463 exploration to pay for these additional types of energy that  
2464 [inaudible] to move away from fossil fuels.

2465 \*Mrs. Lesko. Thank you very much. And I am just going  
2466 to conclude with, I guess, a statement.

2467 I know that one of our witnesses is Dr. Mabud, and I  
2468 read an article in the New York Times that quoted her, and it  
2469 said something about why the -- and that is exactly why this  
2470 fearmongering around inflation is proving so effective, as if  
2471 people are using -- fearmongering inflation. And maybe I  
2472 interpreted it wrong, but it doesn't seem to me that our  
2473 constituents are fearmongering inflation. It is real. This  
2474 is real. Prices are going up.

2475 I don't know about my colleagues, but here in  
2476 Washington, D.C., when I went to the Whole Foods in the Navy  
2477 Yard, the shelves were empty, some of the shelves were empty.  
2478 There was no milk. And when I went back home to Arizona,  
2479 certain items, they are very mysterious, like pasta. Pasta  
2480 was out of stock. I mean, this is some real problems.  
2481 Prices are going up, and it is not fearmongering, it is real.

2482 And with that I yield back.

2483 \*Ms. Schakowsky. And next is Mr. Soto, who has been  
2484 here for the whole time of the subcommittee, which I  
2485 appreciate.

2486 And it is five minutes for you. Thank you.

2487 \*Mr. Soto. Thank you, Madam Chair.

2488 Earlier this term, we passed the American Rescue Plan to  
2489 put shots in arms, money in pockets, and it stopped another  
2490 great recession. In Florida alone, unemployment is under  
2491 four percent now, and foreclosures just came in lower this  
2492 year. Our community was decimated by foreclosures because  
2493 Congress went too small with the -- during the great  
2494 recession with the American Reinvestment Act. We went big,  
2495 and we stopped devastation from happening in our community.

2496 And then we passed the bipartisan infrastructure  
2497 framework, which, according to Republican Senator Rob  
2498 Portman, is counter-inflationary. And we are already seeing  
2499 money coming down to our communities. I want to thank the

2500 members on this committee who voted for it. A few of you  
2501 did. A lot of you didn't. And you know, I guess you will  
2502 have to explain that to your constituents.

2503         And now I agree we have a bipartisan agreement that we  
2504 need to boost domestic manufacturing, microchips, technology  
2505 like telecommunications, and others. We are going have this  
2506 great bill called the COMPETES Act up. The AFL-CIO and the  
2507 U.S. Chamber of Commerce support it. I hope you do, too. We  
2508 had nearly 20 Republicans supporting it in the Senate. So  
2509 maybe we will get everybody coming together to increase our  
2510 domestic production, or maybe we won't. I guess we will find  
2511 out this week.

2512         Today we are here to discuss COVID-caused inflation due  
2513 to price gouging. Inflation is happening across the world.  
2514 Factories, transportation, raw materials -- workers are  
2515 getting sick. They go home, and everything becomes slower,  
2516 less efficient, because of this pandemic. Some price  
2517 increases are related to this. Still, others -- other  
2518 companies didn't have major increases, and they used the  
2519 pandemic as an opportunity to raise prices. You don't have  
2520 to take my word for it. CEOs across the nation have  
2521 literally said this to shareholders.

2522         And so we have to look at grocery stores, oil companies,  
2523 PPE manufacturers, which -- I appreciate our colleagues  
2524 bringing that up -- as three examples of price gouging that

2525 we know is happening.

2526 So the COVID-19 Price Gouging Prevention Act is before  
2527 us today. We are acting on inflation in this committee when  
2528 it is unconscionably excessive, price gouging, and using  
2529 public health emergencies to increase prices unreasonably.

2530 You know, President Biden had mentioned -- think about  
2531 this. What are Republicans for? What are they for? Name me  
2532 one thing they are for.

2533 We are hearing a lot of complaining about inflation in  
2534 this committee. Join us to help solve it. Today we have  
2535 legislation. Today we have an opportunity to reduce  
2536 inflation, and we are asking you to join us and actually do  
2537 something about it, rather than hem and haw and nitpick. And  
2538 so that is why we are here today.

2539 And it would be great to hear from you, Mr. Harman. You  
2540 know, we have heard the FTC is cracking down on oil and gas  
2541 companies for illegally increasing their prices. President  
2542 Biden took the important step of announcing the release of 50  
2543 million barrels of oil, increasing production. Would the  
2544 COVID-19 Price Gouging Prevention Act help us reduce price  
2545 gouging at the pump, Mr. Harman?

2546 \*Mr. Harman. Yes. The investigation that they are  
2547 conducting gives -- or the President asked them to conduct --  
2548 gives us the information about whether or not there is price  
2549 gouging. But they don't have any authority to do anything,

2550 and this legislation is necessary to give them that  
2551 authority.

2552 \*Mr. Soto. And what about at the grocery stores?

2553 \*Mr. Harman. It is the same. It covers the FTC, gives  
2554 them that power, and it also gives states that power, where  
2555 they either have a limited price gouging statute or have no  
2556 price gouging statute.

2557 \*Mr. Soto. So they are gathering the information, but  
2558 the COVID-19 Price Gouging Prevention Act is the sword to  
2559 actually do something about it, to actually cut inflation.  
2560 Isn't that correct?

2561 \*Mr. Harman. That is correct.

2562 \*Mr. Soto. Thank you so much, and I yield back.

2563 \*Ms. Schakowsky. Thank you. The gentleman yields back.  
2564 And Mr. Pence, thank you for waiting, and it is now your  
2565 turn.

2566 \*Mr. Pence. Thank you --

2567 \*Ms. Schakowsky. Five minutes.

2568 \*Mr. Pence. -- Chair Schakowsky and Ranking Member  
2569 Bilirakis, for holding this hearing today, and the witnesses  
2570 for being here.

2571 Wow. We are attacking inflation by fixing prices of all  
2572 these American companies.

2573 You know, I spent over 30 years in the retail and  
2574 wholesale distribution industry, and my state of Indiana has

2575 had price gouging legislature. And as Dr. Richey stated in  
2576 his opening remarks, price gouging happens at the local  
2577 level. And all my life, it has been my observation that it  
2578 always happened at the retail, in small communities, done by  
2579 small players.

2580         You know, H.R. 675 defies the economics of supply and  
2581 demand. I have spent a lot of time in education, taking  
2582 economics courses. There are some PhDs here that seem to be  
2583 disregarding what I learned at school.

2584         I believe this bill is an attempt by the Democrats to  
2585 deflect their responsibility for aggravating the inflation  
2586 that we have been dealing with during the pandemic. And what  
2587 we are talking about today with 675 is an attempt to start  
2588 fixing prices at retail and wholesale across this country  
2589 from Washington, D.C., because we know better here in  
2590 Washington, D.C.

2591         Since all of my economic classes discuss the principles  
2592 of price elasticity, I am disappointed how this bill is seen  
2593 as a solution. Price elasticity is ultimately a result of  
2594 supply and demand, and a number of you witnesses know that  
2595 very well. Having said that, can each of you answer a  
2596 question for me?

2597         If the prices have been going up by the control of the  
2598 companies, and not inflation, why have these companies that  
2599 have been accused of price gouging not raised prices before

2600 the pandemic?

2601 Why didn't they raise them before, if they can just do  
2602 it right now?

2603 Dr. Mabud, you first, quickly.

2604 \*Dr. Mabud. Yes, companies have power to hike prices in  
2605 a crisis precisely because they have so much control over the  
2606 system, and they are able to exploit the situation where  
2607 there is a crisis, and people are vulnerable to take  
2608 advantage of that and [inaudible] consumers.

2609 \*Mr. Pence. So the grocery store or the gas station  
2610 across the street or across town can't kind of lower it if  
2611 their competitor is just being opportunistic.

2612 Mr. Harman, what do you think?

2613 \*Mr. Harman. Well, we saw it with online sellers,  
2614 Amazon in particular. Prices were -- went up with price  
2615 gouging because they could, because people were buying online  
2616 and not going to the local store.

2617 \*Mr. Pence. So there was more demand, and they could  
2618 increase the price.

2619 Of course, as you well know, on Amazon there was a lot  
2620 of wait time because they actually didn't have the supply.

2621 \*Mr. Harman. Yes, that was part of it, but they --

2622 \*Mr. Pence. Part of it? No, we are talking about --

2623 \*Mr. Harman. No, no, no --

2624 \*Mr. Pence. -- that it is price gouging --



2625           \*Mr. Harman. Right.

2626           \*Mr. Pence. -- that has increased -- you are suggesting  
2627 here today with H.R. 675 that it is price gouging alone that  
2628 has caused inflation.

2629           \*Mr. Harman. Amazon itself banned 6,000 users in March  
2630 of 2020 for price gouging. I mean, they themselves  
2631 identified it as the problem on their platform.

2632           \*Mr. Pence. Okay, so actually, companies regulate and  
2633 manage that because it is not very competitive when that  
2634 happens, right?

2635           \*Mr. Harman. Well --

2636           \*Mr. Pence. Supply and demand will regulate itself, so  
2637 they have more supply.

2638           Dr. Richey, how would you answer this?

2639           \*Dr. Richey. I think the way I would answer it is a  
2640 little bit differently.

2641           I think, when we look at the different companies that  
2642 have been discussed today in this hearing, and we talk about  
2643 them as price gougers, whether they are mega-corporations or  
2644 multinationals, we are neglecting to look at the fact that  
2645 these are the businesses that stayed open during the  
2646 pandemic, unlike small businesses, the competitors --

2647           \*Mr. Pence. Good point.

2648           \*Dr. Richey. -- that were required to shut down, and  
2649 that they were also able to leverage e-commerce better than

2650 the small business and mid-sized businesses in the country.  
2651 So you would expect that the [inaudible] profitability would  
2652 have improved, and that is what we are seeing, not price  
2653 gouging.

2654 \*Mr. Pence. Right. And let me just close with this.  
2655 So, back home, my manufacturers and retailers are saying they  
2656 no longer have the ability -- since the PPI, which was  
2657 mentioned earlier, is outstripping the CPI, they no longer  
2658 have the ability to pass on prices, and their profits are  
2659 going down rapidly in the last two months. We saw retail  
2660 went down in December, and we saw in Europe today that  
2661 inflation is roaring. It is not price gouging, folks. It is  
2662 just inflation.

2663 Thank you, Madam Chair, I yield back.

2664 \*Ms. Schakowsky. The gentleman yields back. And last,  
2665 but certainly not least, for five minutes I call on  
2666 Representative Fletcher for five minutes of questions.

2667 \*Mrs. Fletcher. Thank you so much, Chairwoman  
2668 Schakowsky, and thanks to you and Ranking Member Bilirakis  
2669 for organizing today's hearing. Thank you to all of our  
2670 witnesses for offering your expertise, and spending your time  
2671 with us today. This hearing has been very illuminating, as  
2672 well as your written testimony, and I want to follow up on a  
2673 couple of things.

2674 I think it is important to note at the end of this

2675 hearing that this Congress and the last Congress have taken a  
2676 number of steps to mitigate the damages of the COVID-19  
2677 pandemic, including the health and economic impacts. And  
2678 today's focus on the impacts on consumers is another really  
2679 important effort in addressing the challenges that people are  
2680 facing across the country. And we have come a long way since  
2681 March of 2020, but we also know we are not finished with  
2682 COVID-19 yet. And the economic impacts are still being felt,  
2683 from shipping delays, to increased costs of food, and fuel,  
2684 and health care products, many of the things we have been  
2685 discussing throughout this hearing.

2686         Some of the COVID essentials, like tests and masks, are  
2687 prohibitively expensive for people nationwide, and we are  
2688 making great strides, right, with the recent efforts to make  
2689 them available, sending test kits out, delivering masks  
2690 across the country. These efforts from the Administration  
2691 are hugely important. But one of the things that I have been  
2692 focused on since the pandemic began is access to and the cost  
2693 of testing, and the importance of testing.

2694         And Dr. Mabud, in your written testimony you mentioned  
2695 that the BinaxNOW COVID-19 at-home rapid tests at some  
2696 providers nearly doubled in price after a deal between those  
2697 retailers and the Biden Administration expired in December of  
2698 last year.

2699         We have also seen providers charging a wide range of

2700 prices for COVID tests, and I know this is something my  
2701 constituents are focused on, concerned about.

2702         We also know that the highly contagious Omicron variant  
2703 has spread across the U.S., and that the demand for testing  
2704 is getting, you know, higher and higher, as we see these  
2705 record case numbers.

2706         So in this Congress and in the last Congress I  
2707 introduced the Stop COVID-19 Surprise Medical Bills Act to  
2708 better understand the widely varying costs of COVID-19 tests  
2709 by different providers by requiring HHS to survey and report  
2710 on the prices of testing services in order to help identify  
2711 outliers. And Dr. Mabud, I was hoping you could explain why  
2712 free or low-price COVID tests are necessary for a strong  
2713 economic recovery, and how understanding the challenges that  
2714 we see and the disparity in pricing and testing may relate to  
2715 that. If you could share your thoughts with that -- thoughts  
2716 on that with us, that would be very helpful.

2717         \*Dr. Mabud. Sure. I mean, in the midst of a global,  
2718 unprecedented pandemic, ensuring access to affordable or free  
2719 testing and PPE is absolutely vital to keep our economy  
2720 going, because our economy is fundamentally at its best when  
2721 we are at our best, right? And that means addressing health  
2722 concerns, and that means addressing, you know, all the  
2723 barriers that workers and families are facing in contributing  
2724 to our economy, whether that is child care or testing.

2725           And so, for essential workers putting their health at  
2726 risk every day, or for parents who have children in school  
2727 and are worried about transmission, masks and at-home tests  
2728 are an important backstop to prevent the spread of the virus.  
2729 And in doing so they are an important backstop to a healthy  
2730 economy that really supports all of us.

2731           \*Mrs. Fletcher. Thanks for that, and I have got about a  
2732 minute-and-a-half left, so I want to direct my next question  
2733 to you, and then open it up to anyone else. And if I run out  
2734 of time, I would love to get any additional responses in the  
2735 record.

2736           But I think it is a good way to close this hearing in  
2737 saying, you know, how would empowering Federal and state  
2738 agencies to enforce against pandemic price gouging ensure  
2739 that those crucial COVID-related supplies, like masks and  
2740 tests that you were just talking about that are so necessary  
2741 to our economic recovery, how would empowering them ensure  
2742 that those supplies are available to all Americans?

2743           \*Dr. Mabud. A clear, Federal standard that ensures that  
2744 consumers across the country, no matter where they live, no  
2745 matter what state they live in, are able to be protected from  
2746 price gouging, especially for essentials in a global  
2747 pandemic, is a really clear and straightforward way of  
2748 ensuring that we do have a healthy economy, and that people  
2749 are able to access the goods that they need.

2750           \*Mrs. Fletcher. Thank you, Doctor. Thank you, Dr.  
2751 Mabud.

2752           Would anyone else like to weigh in on that question in  
2753 the 30 seconds I have left?

2754           \*Dr. Richey. Yes, I --

2755           \*Mr. Harman. I would be happy to jump in.

2756           \*Mrs. Fletcher. Dr. Richey?

2757           \*Mr. Harman. I think the -- one of the things you see -  
2758 - you saw it very publicly, but would also be happening in a  
2759 less public way now, is when there is an increase in demand  
2760 there is a hoarding by suppliers so that they can price  
2761 gouge. And I think we saw this with testing a few months  
2762 ago, where suddenly people were trying to sell tests for  
2763 hundreds or even \$1,000 because they knew there was increased  
2764 demand. And this would stop that.

2765           \*Mrs. Fletcher. Well, thank you so much, Mr. Harman,  
2766 for that. And anyone else who wants to comment, I will be  
2767 glad to see your responses in the record. But I have  
2768 exceeded my time.

2769           And so, Madam Chairman, thank you so much, and I yield  
2770 back.

2771           \*Ms. Schakowsky. Thank you. And we have a waive-on on  
2772 the committee.

2773           And I want to welcome Mr. Carter, and recognize you now  
2774 for five minutes.

2775           \*Mr. Carter. Thank you, Madam Chair. I appreciate the  
2776 opportunity to be with you. Madam Chair, before I begin, I  
2777 understand that earlier this week Mr. Soto, Representative  
2778 Soto, had mentioned support for the America COMPETES Act  
2779 earlier, as I say, on the floor this week. And I would like  
2780 entered into the record -- and I ask for unanimous consent to  
2781 be entered into the record -- a letter to Congress from the  
2782 U.S. Chamber of Commerce opposing the America COMPETES Act.

2783           \*Ms. Schakowsky. Oh, yes, without objection.

2784           [The information follows:]

2785

2786           \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

2787

2788           \*Mr. Carter. Okay, thank you.

2789           \*Ms. Schakowsky. Without objection.

2790           \*Mr. Carter. Madam Chair, let me begin by saying that I  
2791 applaud what you are doing here today, calling for a hearing  
2792 to protect Americans from steep price increases. This is  
2793 important, and I commend you for doing that.

2794           But I fear that what is happening here is that we are  
2795 doing everything to avoid the reality and the simplest answer  
2796 as to why we are seeing all these price increases, and that  
2797 is Democratic policies. Policies have consequences. And  
2798 that is what we need to understand. President Biden, Speaker  
2799 Pelosi, and Leader Schumer forced through some of the largest  
2800 spending packages our country has ever seen, with policies  
2801 that discourage work, that ended energy projects, and  
2802 bottlenecked our ports and distribution centers.

2803           Yet we act as we -- as if we are surprised that this has  
2804 resulted in record inflation, the highest in nearly 40 years.  
2805 Instead, we find the Administration picking winners and  
2806 losers by targeting industries that it disagrees with, and  
2807 attempting to weaponize the FTC, and doing so in a way that  
2808 is not within the jurisdiction of this subcommittee.

2809           In light of these actions, I would like to ask unanimous  
2810 consent to submit into record testimony from the North  
2811 American Meat Institute.

2812           \*Ms. Schakowsky. Without objection.



2813 [The information follows:]

2814

2815 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

2816

2817           \*Mr. Carter. Thank you. This letter that I am -- that  
2818 was just allowed -- and thank you again, Madam Chair -- it  
2819 describes how the meat industry has been affected by COVID-  
2820 19. It addresses claims of consolidation within the  
2821 industry, and it explains the market forces behind increased  
2822 prices.

2823           Regardless, I think it would be eye-opening for my  
2824 colleagues to hear a quote from Larry Summers, the former  
2825 Secretary of the Treasury under President Obama, who said,  
2826 "If they are using inflation to get a mechanism to go after  
2827 genuine monopoly problems, as I said, a crisis is a terrible  
2828 thing to waste, and that is all sort of fine. If they think  
2829 this is a strategy for actually reducing inflation, they are  
2830 badly wrong.''

2831           You know, if you add in the new regulations, or the  
2832 proposed regulations that will add more costs to the  
2833 industry, you see why we are in the situation we are in right  
2834 now.

2835           Look, I am not an economist. However, I did run a small  
2836 business for 32 years, and I know that when the cost of  
2837 inputs goes up, so does the cost of goods and services. It  
2838 is just simple, basic economy.

2839           I wanted to ask Dr. Richey, supply chain issues at ports  
2840 -- I have the honor and privilege of representing two major  
2841 seaports, the Port of Brunswick and the Port of Savannah, and

2842 we have seen the supply chain issues firsthand. But I am  
2843 pleased to share with you that everyone on the committee --  
2844 and everyone on the committee that, unlike many ports across  
2845 the country, the Port of Savannah no longer has a backlog.  
2846 At one time we had 31 ships offshore, but now we have zero.  
2847 Now we are accommodating all of those ships. And this comes  
2848 at a time as -- when this port moved a record 5.6 million  
2849 containers in 2021, more than a million than the year before,  
2850 making it the third busiest port in the nation.

2851         And I believe that -- and I know that they are doing it  
2852 with (sic) a backlog. And that is the only major port, the  
2853 only major port in the country is in Savannah that is doing  
2854 this without a backlog. And I want to credit the common  
2855 sense and innovative approaches that the State of Georgia and  
2856 the Ports Authority have taken to ensure that this happened.  
2857 They have been very innovative. In fact, an example, last  
2858 year the Georgia Ports Authority was allowed to reallocate \$8  
2859 million of their funding to convert inland facilities into  
2860 pop-up container ports. And this is important.

2861         My question for you, Dr. Richey, what are some similar  
2862 actions or innovations that states and industries can take to  
2863 overcome the supply chain challenges we see in other areas  
2864 like distribution centers?

2865         \*Dr. Richey. Yes, that is a great question, thank you  
2866 very much for the question.

2867 I will say that the Port of Savannah has been a shining  
2868 star in [inaudible] over the pandemic, and so there is a lot  
2869 that we can learn at other ports from what has happened  
2870 there.

2871 When you think about distribution [inaudible], which are  
2872 an area that is also kind of [inaudible], there are lots of  
2873 opportunities to use different types of automation to move  
2874 things along and assist with that movement. And I would  
2875 encourage Members of Congress to take [inaudible] this at the  
2876 MODEX Conference, which takes place once a year in Atlanta  
2877 and once a year in Chicago, to look at the options that are  
2878 out there.

2879 The other thing I want to say quickly is that, you know,  
2880 we don't see these innovations moving jobs for people. What  
2881 we see is assistance and [inaudible] them to work jobs that  
2882 are easier to deal with. We don't expect to see automotive  
2883 or truck AVs end up being something that drives people out of  
2884 business in terms of truck driving. By the year 2035 we will  
2885 still need another half million people to drive trucks in the  
2886 U.S.

2887 \*Mr. Carter. Great. And again, thank you, Madam Chair,  
2888 for allowing me to waive on, and thank you for your  
2889 indulgence, and I will yield back.

2890 \*Ms. Schakowsky. The gentleman yields back. And now I  
2891 want to thank our -- here we go -- I really want to thank all

2892 of our witnesses that are here today for their participation  
2893 and for being here, remotely or in person.

2894 I remind members that, pursuant to the committee rules,  
2895 that they have 10 business days to submit additional  
2896 questions for the record to be answered by the witnesses who  
2897 have appeared. We certainly encourage each witness to  
2898 respond promptly to any questions that are sent your way. We  
2899 would appreciate it very much.

2900 Before we are adjourning, I request unanimous consent to  
2901 enter into -- the following into the record. We find these  
2902 documents: a letter from Consumer Reports; a letter from the  
2903 American Hospital Association; a letter from the National  
2904 Association of Convenience Stores; a tweet from Bob McNally;  
2905 a fact sheet from the Food Industry Association; an article  
2906 from The Washington Post; a letter from the Transportation --  
2907 what is that?

2908 \*Voice. Intermediaries.

2909 \*Ms. Schakowsky. Intermediate?

2910 \*Voice. Intermediaries.

2911 \*Ms. Schakowsky. Intermediary (sic) Association; a  
2912 letter from the National Retail Federation; a letter to the  
2913 FTC.

2914 And with that, with no objections -- any objections?

2915 So ordered.

2916 At this time, the subcommittee, with my gratitude again

2917 to the witnesses, is adjourned.

2918 [Whereupon, at 1:20 p.m., the subcommittee was

2919 adjourned.]