Congressional Testimony

Reviving Competition, Part 6: Rebuilding America's Economic Leadership and Combating Corporate Profiteering

Subcommittee on Antitrust, Commercial and Administrative Law

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I. Introduction

Chairman Cicillini, Ranking Member Buck, thank you for inviting me to testify today. My name is Rakeen Mabud and I am the Chief Economist and Managing Director of Research and Policy at the Groundwork Collaborative. Groundwork is an economic policy think tank based in Washington, D.C. dedicated to advancing a coherent, economic worldview that produces broadly shared prosperity and abundance for all.

I am grateful to this committee for holding this hearing about the role of corporate power and concentration on the high prices putting pressure on families and small businesses around the country.

My testimony today will focus on three key points:

- First, megacorporations are using their pricing power to push prices up beyond what rising input costs and supply chain snarls would justify. The result is that as families and small businesses around the country face increasing financial precarity, megacorporations are seeing the highest profit margins in 70 years.

- Second, entrenched concentration has afforded megacorporations enormous pricing power, and the pandemic, the cover of inflation, and the war in Ukraine has given these megacorporations the opportunity to use that power.

- Finally, the brunt of these price hikes does not fall evenly across our economy. Small businesses, low-income people, and people on fixed incomes are paying the highest price.

Congress must take on corporate power and the resulting pandemic profiteering by directly tackling these imbalanced power dynamics and corrosive concentrations of corporate power in our economy. That means:

- Congress should ensure rigorous competition in key product markets to keep prices down by strengthening antitrust laws on the books, curtailing mergers that further concentrate industries, and when necessary, consider breaking up dominant firms to reduce unhealthy market competition.

- Lawmakers should continue to urge the Federal Trade Commission (FTC) to use their existing authority to crack down on extractive and exploitative business practices.

- Congress should tax excess profits and corporations more broadly to encourage productive investment and curb corporate profiteering.

- Congress should enact a federal price gouging statute to curtail exploitative pricing during emergencies.

Government action, regulatory and legislative, has the power to foster an economy rooted in shared prosperity and abundance.

II. Megacorporations are enjoying the highest profit margins in 70 years

While consumers have struggled to navigate both a deadly pandemic and rising costs that have further strapped family budgets, corporations have exploited consumers to enjoy record profits and profit margins.

Bureau of Economic Analysis (BEA) data shows that domestic non-financial corporations saw year over year profits increase by 35%. This is the largest annual increase in profits in over a decade.[1] Last year, profit *margins* increased from approximately 10% in 2020 to 14% in 2021 – the highest levels in the past 70 years.[2][3]

A recent analysis from the Economic Policy Institute (EPI) underscores what the BEA data suggests: corporate profit margins are a significant driver of rising prices. Their analysis finds that approximately 54% of the price increases in companies that produce goods and services in the economy come from an increase in corporate profits. By contrast, the same analysis finds that labor costs (primarily wages) and non-labor costs (such as input costs) have contributed only 8% and 38%, respectively.

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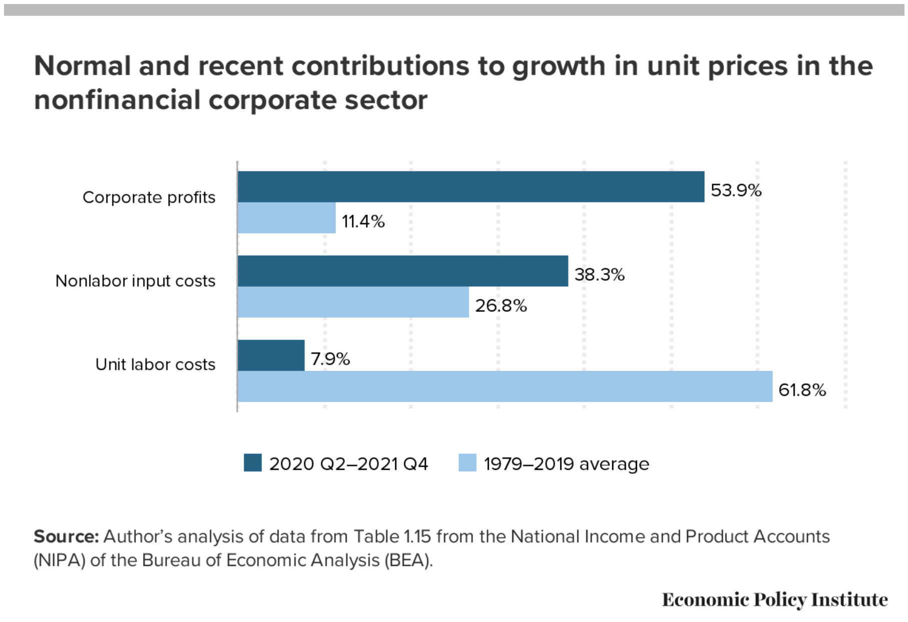
[1] Groundwork Collaborative analysis of US Bureau of Economic Analysis Data, National Income and Product Accounts Table 1.14. "Gross Value Added of Domestic Corporate Business in Current Dollars and Gross Value Added of Nonfinancial Domestic Corporate Business in Current and Chained Dollars."

[2] Groundwork Collaborative analysis of US Bureau of Economic Analysis Data, National Income and Product Accounts Table 1.14. "Gross Value Added of Domestic Corporate Business in Current Dollars and Gross Value Added of Nonfinancial Domestic Corporate Business in Current and Chained Dollars."

[3] Matthew Boesler, "Profits Soar as U.S. Corporations Have Best Year Since 1950," *Bloomberg,* March 30, 2022, https://www.bloomberg.com/news/articles/2022-03-30/2021-was-best-year-for-u-s-corporation-profits-since-1950?sref=azsh6QkL.



In other words, despite loud complaints from CEOs about rising labor and input costs and supply chain snarls, corporate revenues have driven the majority of the price hikes that consumers are facing on supermarket shelves.

II. Entrenched concentration has handed megacorporations enormous pricing power, and the pandemic, the cover of inflation, and the war in Ukraine has given these megacorporations the opportunity to use that power.

The pricing power enjoyed by megacorporations has its roots in entrenched concentration, facilitated by decades of deregulatory policies that led to the privatization of much of our economic infrastructure. Our current supply chain crisis is a direct result of those policy choices, which created an environment where megacorporations not only have the power to set prices, but are also able to profiteer with impunity when the opportunity arises. The presence of Wall Street backing these corporate behemoths has only driven this trend further.

Wall Street's unending quest for maximizing short-term returns, in conjunction with already existing pressures from corporate lobbying, resulted in tremendous pressure to deregulate large swaths of our supply chain – from shipping to our rail network. This was spurred on by policymakers and regulators from both sides greenlighting rampant mergers and acquisitions. As corporate executives eliminated resiliency and increasingly drove down labor standards to minimize costs, our economy was left with a vulnerable and brittle supply chain that facilitates price-gouging and pandemic profiteering during crises.

Corporate concentration has hollowed out and nearly eliminated redundancy in our supply chain, leaving us without enough productive capacity to withstand shifts in demand or pandemic-induced disruptions in production without supply shortages. The majority of the goods Americans rely on are delivered by as few as three ocean shipping alliances,[4] packed by four meatpackers,[5] and equipped by a single chip maker.[6] If something goes wrong with any of these companies, prices shoot up due to scarcity.

Concentration leaves the economy vulnerable to profiteering and price gouging.

The ocean shipping industry provides a stark example of how massive consolidation and concentration has made our economy ripe for profiteering. Over 80% of the ocean shipping industry and 95% of the east-west trade routes are controlled by three alliances: 2M, Ocean Alliance, and THE Alliance.[7] As with other industries, deregulation during the 1980s and 1990s allowed for ocean carriers to build power and consolidate.

The result of these deregulatory policies meant that we ended up with giants that dominated the industry and were able to cash in during the pandemic. Spots for freight shipping on ocean liners cost 10 times more in September 2021 compared to the beginning of 2020. Prices have largely hovered around their September 2021 highs.[8] At the same time, these carriers have seen their profits skyrocket. The world's top five biggest container shipping companies all saw profits increase by triple digit percentages—or $40.86 billion—after raising rates in their 2021 fiscal years.[9] Senate passage of the bipartisan Ocean Shipping Reform Act is an important step towards addressing the entrenched concentration in this industry.

Sadly, it's not just the ocean shipping industry that showcases how market consolidation has allowed megacorporations to reap massive profits while consumers and workers are left to foot the bill. The meat packing industry also provides a crystal-clear example of how corporations have rigged the economy in their favor. According to a recent analysis from the White House National Economic Council, the four biggest meatpackers have seen their net profit margins go

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

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

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

[7] David Dayen, "Biden Wants to Take Down the Ocean Shipping Cartel," *The American Prospect,* February 28, 2022, https://prospect.org/economy/biden-wants-to-take-down-the-ocean-shipping-cartel/

[8] Peter S. Goodman, "American Importers Accuse Shipping Giants of Profiteering," *The New York Times,* May 4, 2022, https://www.nytimes.com/2022/05/04/business/shipping-container-shortage.html.

[9] Accountable.us, "Top 5 Shipping Companies Saw Profits Spike By Over $40B After Raising Their Rates in 2021," May 2022, https://www.accountable.us/news/report-top-5-shipping-companies-saw-profits-spike-by-over-40b-after-raising-their-rates-in-2021/.

up more than 300%[10] since the start of the pandemic, while consumers continue to face skyrocketing prices.

Consolidation in the meat-packing industry can be traced back to the Reagan administration, which ushered in a period of deregulation. Across all industries, including the meat-packing industry, the Reagan administration stopped enforcing antitrust provisions and allowed big companies to acquire competitors and consolidate their power. As a result four companies, Tyson, Cargill, JBS, and National Beef Packing, now control 85% of the beef industry – in stark contrast to the beef industry in 1977, when the four leading beef firms controlled only 25% of the industry.[11][12] These corporations promised that through consolidation, consumers would face lower costs.[13] And yet, these companies have ended up with higher profit margins while consumers faced a 30% jump in beef prices from 2020 to October of 2021.[14] And Q1 earnings reports show that even as their sales fell at the beginning of the year, Tyson continued to bring in massive profits that exceeded analyst expectations.[15]

The auto industry also faces high levels of market concentration.[16] In the U.S., five corporations – General Motors, Toyota, Ford, Stellantis, and Honda — control almost 65% of the market share.[17] Manufacturers in the auto industry cut production in response to pandemic lockdowns and decreased consumer demand. However, as the economy rebounded, car prices skyrocketed and supply has yet to return to pre-pandemic levels. In the last year, consumers have seen a 13.2% jump in new car prices and an alarming 22.7% jump in prices for used cars.[18]

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

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

[12] Binyamin Appelbaum, "Building a Better Meatpacking Industry," *The New York Times,* January 15, 2022, https://www.nytimes.com/2022/01/15/opinion/meat-meatpacking-industry.html.

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

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

[15] Patrick Thomas, "Tyson Foods Profits Soar as Meat Prices Climb," *Wall Street Journal*, May 2022, https://www.wsj.com/articles/tyson-second-quarter-sales-profit-boosted-by-higher-prices-11652099801.

[16] Henry Kallstrom, "What makes the auto industry highly concentrated?," *Yahoo News,* February 2015, https://www.yahoo.com/news/weather/makes-auto-industry-highly-concentrated-140540290.html.

[17] "Big Three Automakers," *Investopedia,* January 2022, https://www.investopedia.com/terms/b/bigthree.asp#:~:text=In%202020%2C%20Toyota%20ranked%20at,%2C%20and%20Nissan%20at%204.2%25.

[18] U.S. Bureau of Labor Statistics, Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by expenditure category, retrieved from BLS Economic New Release; https://www.bls.gov/news.release/cpi.t01.htm, May 11, 2022.

Manufacturers cite supply chain snarls and higher consumer demand as the reason for the rising prices.[19] However, recent reporting finds that even with the easing of supply shortages, automakers are *choosing* to curtail supply in an attempt to lock-in the current high prices. In the U.S., both General Motors and Ford have signaled they will continue to throttle production to preserve their higher profit margins.[20] A lack of real competition has ensured that the decisions made by a few powerful corporations will have resounding effects on consumers, who will ultimately foot the bill in the form of higher prices.

Corporate consolidation has helped facilitate the profiteering we are seeing today. With control and dominance over the market, these massive corporations can raise prices and pass along expenses to consumers who have nowhere else to turn.

Corporate power makes work more precarious and entrenches a reliance on low-quality jobs.

This extreme consolidation has also left us with a bare-bones workforce that relies on vulnerable, precarious workers who are often misclassified and exploited. Take truckers, for instance, a vital puzzle piece in getting goods to grocery store shelves. While big shipping companies such as XPO decry trucker shortages, the truth is that as many as 80% of port truckers are classified as independent contractors.[21]

As Harold Meyerson writes in a piece in The American Prospect about the trucking industry, "As independent contractors, they receive no benefits and aren't covered by minimum-wage statutes. They must pay for their gas, maintenance, rig insurance, and repairs themselves; and, ever since the pandemic clogged the ports with more goods than ever before, they've had to wait in lines for as long as six uncompensated hours before they can access a container and get it on the road. If they get in the wrong line at the port, they literally can't get out, surrounded by other trucks and doomed to waste more time. Many ports don't even provide bathrooms for waiting truckers, because they aren't port employees."[22]

And the reason that so many truckers are facing exploitative working conditions and pay comes down to deregulation. Until the 1980s, truckers, especially those taking on long-haul journeys, were considered employees by companies whose routes and rates were regulated by the Interstate Commerce Commission. Drivers were unionized and could expect a comfortable life with benefits and good pay. The Motor Carrier Act of 1980 precipitated a race to the bottom, deregulating the industry and driving down trucker wages, working conditions, and unionization

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[19] Ben Casselman, Car prices rose more slowly in January, but new disruptions loom," *The New York Times,* February 2022, https://www.nytimes.com/2022/02/10/business/economy/car-prices-inflation.html.
[20] "Car Discounts Aren't Coming Back After Pandemic, AutoNation Says," *Bloomberg,* February 2022, https://www.bloomberg.com/news/articles/2022-02-17/car-discounts-aren-t-coming-back-after-pandemic-autonation-says?sref=azsh6QkL.
[21] Harold Meyerson, "Why Trucking Can't Deliver the Goods," *American Prospect,* February 2022. https://prospect.org/economy/why-trucking-cant-deliver-the-goods/
[22] Ibid.

rates. Despite contrary claims, we are not facing a trucker shortage – but rather a shortage of good trucking jobs, spurred on by deregulation of the industry.[23]

III. Corporations are not shy about how the pandemic and concerns about inflation have been good for business.

Groundwork Collaborative has combed through hundreds of corporate earnings calls to better understand how these megacorporations are exercising their pricing power to make record profits – using inflation, the pandemic, and increasingly the war in Ukraine as cover. Across the board, corporate executives are forthright about what a boon these crises have been for their businesses, especially those which operate in highly-concentrated markets with little to no competition.[24] In short, while the profit motive has always been there, these intersecting crises have given megacorporations the opportunity to extract from consumers by jacking up their prices.

Some of the most egregious cases are corporations like Visa and Mastercard that cannot even blame supply chain disruptions for their profiteering. As Visa's executives said on their Q1 earnings call in April, "Service fees and international fees are basis points on volume. So inflation typically lifts transaction size…net-net, historically, inflation has been positive for us."[25]

In other words, since credit card companies make their money on a fixed percentage fee off of each transaction, inflation means that they can take a bigger cut – even without raising fees. But of course, these companies are not content to stop with the "positive" effects of inflation – both Visa and Mastercard also reported that they would be raising the fees themselves, netting even more in an environment already difficult for small businesses and consumers.[26]

As Senator Durbin, Senator Marshall, Congressman Welch and Congresswoman Van Duyne noted in a letter to Visa and Mastercard executives in April, these companies are taking advantage of the fact that "the current electronic payment system is a clear duopoly that your companies dominate, and you impose fees and rules that merchants, consumers, and small banks have no real choice but to accept…normal competitive market pressures and economics

[23] Ibid.
[24] Groundwork Collaborative, https://endcorporateprofiteering.org
[25] "Visa (V) Q2 2022 Earnings Call Transcript," *Motley Fool*, April 27, 2022, https://www.fool.com/earnings/call-transcripts/2022/04/27/visa-v-q2-2022-earnings-call-transcript/?source=iedfolrf0000001
[26] Tiffany Ap, "Your no annual fee credit card is costing you $700 a year, US retailers say," *Quartz,* April 26, 2022, https://qz.com/2157995/visa-mastercard-are-upping-merchant-fees/

are not currently at play to constrain your fee rates."[27] Together, the two companies cover over 70% of the payment network market.[28]

Meanwhile, companies like Kimberly-Clark, one half of a major diaper duopoly and a manufacturer of essential household products such as toilet paper and feminine hygiene products, are well aware that they can use the price inelasticity of their goods to jack up prices. Despite inflation and supply chain snarls, the company exceeded investor expectations in Q1, sending its stock surging 9% on the back of their earnings release and higher financial expectations for 2022.[29]

On its Q1 2022 earnings call in April, Kimberly-Clark's CEO seemed well aware that the essential nature of their products meant that they had room to jack up prices without losing consumers: "I do think our strong top line…reflects the essential nature of our categories and the strength of our brands."

In other words, big companies like Kimberly-Clark know they can take advantage of consumers' basic needs because they make price inelastic products, like diapers and cleaning supplies. And because of their significant market share, they know consumers don't have a choice except to accept the price increases. The combination of selling necessities and controlling a significant share of the market gives megacorporations free reign – especially when they can blame inflation for rising prices, rather than their insatiable desire to boost short-term profits.

Finally, take oil and gas companies, an industry dominated by seven "supermajor" companies that hold an overwhelming share of the market. Gasoline prices for consumers increased by roughly 50% over the course of 2021,[30] prior to the conflict in Eastern Europe, and retail gas has risen 32% since January 2022.[31][32] Despite the significant hardship that higher gas prices have

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[27] Senator Durbin, "Letter to Mr. Kelly and Mr. Miebach," April 12, 2022, https://www.durbin.senate.gov/imo/media/doc/Letter%20to%20Mr.%20Kelly%20and%20Mr.%20Miebach%20-%20April%2015,%202022.pdf

[28] Medora Lee, "Credit card companies adjust merchant fees. Consumers may pay the price," *USA TODAY*, April 25, 2022, https://www.usatoday.com/story/money/business/2022/04/25/credit-card-fees-processing/7413110001/

[29] Sarah Min, "Stocks making the biggest moves midday: HCA Healthcare, Kimberly-Clark, Gap and more," *CNBC*, April 22. 2022, https://www.cnbc.com/2022/04/22/stocks-making-the-biggest-moves-midday-hca-healthcare-kimberly-clark-gap-and-more.html

[30] "Biden has few options to combat surging gas prices as voters grow concerned about inflation," *CNBC,* October 2021, https://www.cnbc.com/2021/10/25/biden-has-few-options-to-combat-surging-gas-prices-amid-inflation-fears.html

[31] These data predate the conflict in Eastern Europe and we anticipate the increasing volatility as a result of war to continue to push the price of oil higher.

[32] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Meats, Poultry, Fish, and Eggs in U.S. City Average [CUSR0000SAF112], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CUSR0000SAF112, May 11, 2022.

incurred on families around the country, producers resolutely refused to increase supply to respond to the supply chain issues increasing the price of gas.[33]

As a result, major oil companies are seeing record profits in Q1 2022. BP posted its highest quarterly profit in a decade, ExxonMobil has doubled its profits from last year to $5.48 billion, and Chevron reported a quarterly profit of $6.26 billion, over four times its earnings of $1.4 billion in the first quarter of last year.[34] Meanwhile, shareholder handouts jumped by over $4.5 billion in FY 2021.[35] While recent global shocks[36] like Russia's invasion of Ukraine and the resulting U.S., U.K., and E.U. sanctions against Russia did cause energy and oil prices to climb even higher, subsequent declines in crude oil costs[37] have not translated into relief at the pump. In other words, large oil companies are choosing to keep gas prices high despite lower crude prices to pad their bottom line.

Shareholder pressure to maximize returns has played an important role in the decision to constrain production. In a recent Federal Reserve Bank of Dallas survey, nearly 60% of oil executives said that investor pressure to maintain capital discipline is the primary reason they are restraining production.[38] One oil executive said, "Discipline continues to dominate the industry. Shareholders and lenders continue to demand a return on capital, and until it becomes unavoidably obvious that high energy prices will sustain, there will be no exploration spending."[39]

Pressure and power from shareholders is ensuring that oil companies can raise prices, rake in profits, and pay these same shareholders at the expense of consumers.

IV. The brunt of these price hikes does not fall evenly across our economy. Small businesses, low-income people, and people on fixed incomes are paying the highest price.

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33 "U.S. producers reluctant to drill more oil, despite sky-high gas prices," *CBS News,* March 25, 2022, https://www.cbsnews.com/news/oil-production-prices-us-companies-wont-increase-2022-dallas-fed-survey/

34 Wyatte Grantham-Philips, "Oil giants reap record profits as war rages in Ukraine, energy prices soar: Here's how much they made," *USA TODAY*, May 7, 2022, https://www.usatoday.com/story/money/economy/2022/05/07/oil-company-record-profits-2022/9686761002/

35 "Top Corporations in Major CPI Categories Rewarded Shareholders With Over $140 Billion After Raising Prices on Consumers," *Accountable US,* March 10, 2022, https://www.accountable.us/news/report-top-corporations-in-major-cpi-categories-rewarded-shareholders-28-2b-after-raising-prices-on-consumers/#:~:text=Gasoline%3A%20As%20gasoline%20prices%20increased,%244.5%20billion%20in%20FY%202021

36 "Gas prices are hitting new highs. Here's why — and how long the surge could last," *Washington Post,* March 2022, https://www.washingtonpost.com/business/2022/03/09/gas-prices-going-up-russia-ukraine/

37 "Why aren't gas prices dropping if oil is getting cheaper?," *Marketplace,* March 2022, https://www.marketplace.org/2022/03/18/why-arent-gas-prices-dropping-if-oil-is-getting-cheaper/

38 "Dallas Fed Energy Survey," *Federal Reserve Bank of Dallas,* March 23, 2022, https://www.dallasfed.org/research/surveys/des/2022/2201.aspx#tab-questions

39 Ibid.

Pandemic profiteering highlights the wildly imbalanced power dynamics that continue to decimate the economic security of low-income people of color – communities that have faced a broken economy for decades.[40] Low-income people of color, who already disproportionately face predatory and extractive pricing across a wide swatch of our economy, from payday loans to for profit colleges, also experience a greater proportion of their household budgets taken up by essential goods – the very products that companies are most eager to jack up prices on. Similarly, for those living on a fixed income, across-the-board price increases make already precarious financial situations absolutely untenable.

Like so many other aspects of our economy, the most marginalized groups in our economy are paying the price – all while big corporations and wealthy shareholders see record profits.

Small businesses also face unique challenges since they are forced to operate in highly concentrated markets. From navigating supply chains to maintaining inventories, small businesses face unique challenges that result directly from corporate concentration. Specifically:

- *Small businesses find their limited resources stretched thin as they struggle to maintain inventory and source products consumers need.* A survey of small businesses released by Goldman Sachs in January found that 69% of small businesses said that supply chain issues were negatively affecting their bottom line.[41]

- *Megacorporations are using their outsized power and extensive resources to build exclusive supply-chain end-arounds while small businesses are left out on a lim*b. Given the breakdown in traditional supply chains, some major companies have taken steps to circumvent problem spots by chartering their own cargo ships[42] or creating "pop-up" freight container yards near major ports.[43] Needless to say, these are not feasible options for most small businesses.

- *Big businesses strong-arm suppliers into deals that raise prices for small businesses and leave them waiting longer for goods and products.* Giants like Walmart and Amazon have

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[40] From businesses to workers, inflation is taking its toll on Black communities," *The Grio*, January 2022, https://thegrio.com/2022/01/30/inflation-businesses-workers-black-communities/.
[41] "Survey: Small Businesses on the Brink - New Survey Data Shows Omicron Hurting Main Street, Leading Small Business Owners to Overwhelmingly Support Congress Passing Additional Aid," *Goldman Sachs,* January 24, 2022, https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/small-businesses-on-the-brink/index.html
[42] Alex Hammer "Will THIS save Christmas? Target and Home Depot are chartering their OWN cargo ships to beat the US supply chain crunch as global crisis rages," Daily Mail, October 6, 2021, https://www.dailymail.co.uk/news/article-10065537/Target-Home-Depot-chartering-ships-holiday-season-amid-supply-chain-crisis.html
[43] Eric Kulisch, "Walmart rents space for pop-up container yards near major ports", FreightWaves, December 1, 2021, https://www.freightwaves.com/news/walmart-rents-space-for-pop-up-container-yards-near-major-ports

the buying power to negotiate more favorable contracts with suppliers in the first place. In one archetypal example, Walmart used its tremendous market share in the grocery industry to bully suppliers, increasing the number of orders that had to be fulfilled without triggering a 3 percent fine from 70 to 98 percent.[44] Suppliers have little bargaining power to push back against such demands and must prioritize orders to megacorporations at the expense of small businesses. As the Institute for Local Self Reliance found in a March 2022 survey, 65% of small businesses said that a top challenge was big competitors strong-arming suppliers and receiving special discounts from them, which then delays shipments to small businesses and forces suppliers to charge them more.[45]

V. Congress should curb corporations' power and ability to profiteer by beefing up antitrust enforcement, empowering the FTC to use their existing authority to crack down on profiteering and price gouging, and taxing excess profits in order to create an economy that works for all.

Tackling pandemic profiteering and building a healthy, resilient economy requires checking the outsized power that megacorporations hold over our economy and encouraging productive investment.

Congress must do its part to address corporate concentration and the power that these megacorporations exert on prices, wages, and working conditions.

- Congress should ensure rigorous competition in key product markets and at critical nodes along the supply chain by curtailing mergers that further concentrate industry or by breaking up monopolies. The passage of the Ocean Shipping Reform Act, for example, is an encouraging development that will help to re-regulate the large ocean shipping monopolies that are stoking inflation and gumming up critical points in our supply chain.

- Lawmakers must strengthen antitrust laws already on the books and continue to urge the FTC to use their existing authority to crack down on extractive and exploitative business practices, including price gouging as well as further empower regulators at both the state and federal level to identify price gouging and protect consumers. This should include a federal price gouging statute to curtail exploitative pricing during emergencies.

- Public investment in critical infrastructure can help prevent private corporations from building supply chains that crumble under stress. Congress should make long-overdue

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[44] Rose Adams, "Big Business Games the Supply Chain," *The American Prospect,* February 9, 2022, https://prospect.org/economy/big-business-games-the-supply-chain/
[45] "2022 Independent Business Survey: Top Challenges and Policy Priorities," *Institute for Local Self Reliance,* March 30, 2022, https://ilsr.org/2022-survey-businesses/

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

- Corporations and the super wealthy have enjoyed rock-bottom tax rates for decades,[46] lawmakers should look to increase the corporate tax rate and ensure that CEOs and shareholders pay their fair share. Congress should also explore taxing excess profits, as it did after World War I and World War II, to encourage productive investment and deter price gouging.

- Congress should ensure that workers have the protections they need in the workplace. Securing workers' rights to organize and advocate for stable work, strong wages, and a safe working environment are necessary to counterbalance short-sighted corporate actions that create precarious labor and jeopardize a strong and sustainable recovery.

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

VI. Conclusion

Workers, families, and small businesses around the country are feeling the pressure of higher prices for basic goods and services, while large corporations wield almost unrestricted power and enjoy record profit margins. Large corporations are making everything more expensive, from groceries, to medical supplies, to the inputs small business owners need to sustain their livelihoods. The more sway large corporations have over our economy, the more power they have to profit off the pain of consumers and Main Street.

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

Our economy works best when it works for all of us, and the path towards an inclusive, resilient economy must include policies that foster competitive markets where consumers, working people, and smaller competitors all have meaningful bargaining power. We need

[46] Tax Policy Center, "How do US corporate income tax rates and revenues compare with other countries'?" May 2020, https://www.taxpolicycenter.org/briefing-book/how-do-us-corporate-income-tax-rates-and-revenues-compare-other-countries

pro-competition safeguards that will shift power to working people, consumers, and small businesses, reduce costs and prices in the long run, and ensure that no one is left behind during the recovery and beyond.