



Congressional Testimony

(Im)Balance of Power: How Market Concentration Affects Worker Compensation and Consumer Prices

House Select Committee on Economic Disparity & Fairness in Growth

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I. Introduction

Chairman Himes, Ranking Member Steil, thank you for inviting me to testify today. My name is Michael Mitchell, and I am the Director of Policy and Research at the Groundwork Collaborative.

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

I am grateful to this committee for holding this hearing about the critical issues of corporate concentration and consolidation, the imbalance of market bargaining power between workers and companies, and the impacts these power imbalances have on our economy.

My testimony today will focus on three key points:

- First, corporations are seeing record profits despite rising input costs, inflation, and supply chain snarls. In other words, corporate executives and shareholders are cashing in on the current crisis and getting richer – all while consumers, workers, and small businesses pay the price.
- Second, the corrosive concentration of corporate power has facilitated widespread profiteering, which is taking a massive toll on consumers, workers, and small businesses around the country.
- Third, today's price increases are the direct result of the outsized power that megacorporations hold over our supply chains and economy more broadly. Over the last 50 years, megacorporations have set up a "heads I win, tails you lose" system, resulting in a brittle supply chain and less resilient economy.

I will conclude by recommending that Congress take on corporate power, pandemic profiteering, and recent price hikes by directly tackling these imbalanced power dynamics and corrosive concentrations of corporate power in our economy.

First, Congress should ensure rigorous competition in key product markets to keep prices down by curtailing mergers that further concentrate industries. Second, lawmakers should continue to urge the FTC to use their existing authority to crack down on extractive and exploitative business practices. Finally, the committee should work across Congress to tax excess profits and corporations more broadly to encourage productive investment and curb corporate greed. Recent actions in both the House and Senate to pass the Ocean Shipping Reform Act – which will empower the Federal Maritime Commission to investigate and further regulate ocean carriers – are positive steps towards addressing supply chain issues. Government action,

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

II. Corporations are seeing record profits despite rising input costs, inflation, and supply chain snarls. In other words, corporate executives and shareholders are cashing in on the current crisis and getting richer all while consumers, workers, and small businesses pay the price.

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. Newly-released Bureau of Economic Analysis data shows that domestic non-financial corporations saw profits increase by 35% over the year prior. This is the largest annual increase in profits in over a decade.¹ Nearly two-thirds of the biggest publicly traded companies reported higher profits last year than in previous years before the pandemic.² Last year, profit margins increased from 10.2% in 2020 to 14.28% in 2021 – the highest levels in the past 70 years.³ In other words, despite complaints about rising labor and input costs and supply chain snarls, it is clear that corporate revenues increased well above the additional costs businesses have taken on as a result of the pandemic.

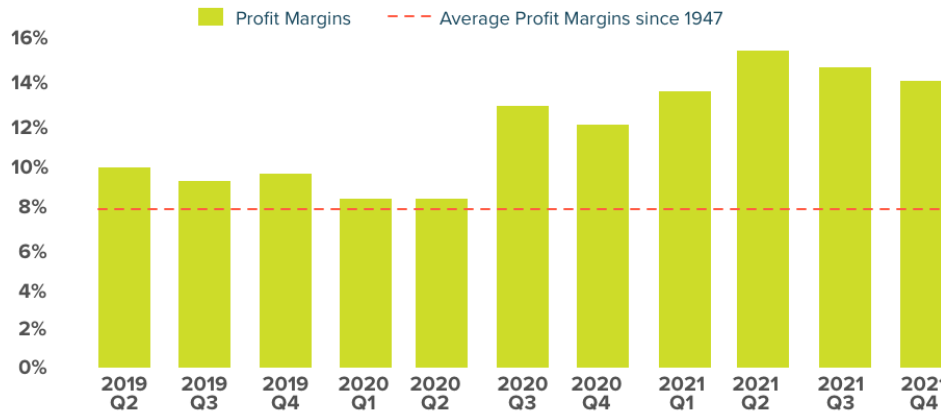
¹Groundwork Collaborative analysis of US Bureau of Economic Analysis Data, National Income and Product Accounts Table 1.14. “Gross Value Added of Domestic Corporate Business in Current Dollars and Gross Value Added of Nonfinancial Domestic Corporate Business in Current and Chained Dollars.”

² “What Does Inflation Mean for American Businesses? For Some, Bigger Profits,” *Wall Street Journal*, November 2021, <https://www.wsj.com/articles/inflation-yellen-biden-price-increase-cost-shipping-supply-chain-labor-shortage-pandemic-11636934826>

³ 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.”

Corporate profit margins have increased significantly from pre-pandemic levels

After-tax profits as a share of gross value added by nonfinancial corporations, 2019-2021



Source: Groundwork Collaborative analysis of BEA data. US Bureau of Economic Analysis GDP

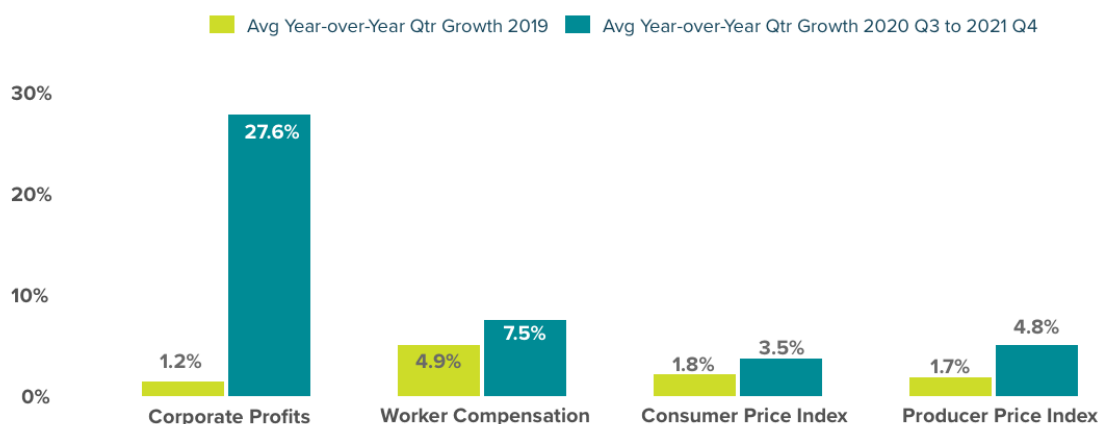


Our analysis of the BEA corporate profits data shows that through the end of 2021 the surge in corporate profits far exceeded any increases in employee compensation and price increases as measured by the consumer price index and producer price index. For example, on an average annual basis, non-financial corporations have seen their profits grow 27.6% since Q3 and Q4 of 2020, while workers saw their compensation grow at only 7.5% over the same time period.⁴ In short, corporate profits have far outstripped any increases in inflation, labor costs, and input costs as indicated by the consumer price index and the producer price index.

⁴ Important to note is that these CPI and PPI comparisons are only for the Q3 2020-Q4 2021 period in order to better compare to the corporate profits and worker compensation data. These numbers therefore do not incorporate the high inflation that we've seen over the first quarter of 2022.

Since the second half of 2020, non-financial corporate profits have grown faster than worker compensation, prices and input costs.

Excludes Q1 and Q2 of 2020 because of the severe economic impact of COVID 19 and lockdowns.



Source: Groundwork Collaborative analysis of BEA data. US Bureau of Economic Analysis GDP



These record profits have come at the direct expense of consumers.

Take oil and gas companies, for instance. Gasoline prices for consumers increased by roughly 50% over the course of 2021,⁵ prior to the conflict in Eastern Europe.⁶ Despite the significant hardship that higher gas prices have incurred on families around the country, producers resolutely refused to increase supply to respond to the supply chain issues increasing the price of gas.⁷

As a result, the three biggest U.S. oil companies— ExxonMobil, Chevron, and Marathon Petroleum— saw profits increase by almost \$90 billion while shareholder handouts jumped by over \$4.5 billion in FY 2021.⁸ While recent global shocks⁹ 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

⁵ “Biden has few options to combat surging gas prices as voters grow concerned about inflation,” *CNBC*, October 2021, <https://www.cnn.com/2021/10/25/biden-has-few-options-to-combat-surging-gas-prices-amid-inflation-fears.html>

⁶ 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.

⁷ “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/>

⁸ “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>

⁹ “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/>

climb even higher, subsequent declines in crude oil costs¹⁰ have not translated into relief at the pump. In other words, large oil companies are choosing to keep prices high 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.¹¹ 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."¹² 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.

Oil and gas executives are not the only ones to be excitedly celebrating record profit margins while consumers suffer. Take Chipotle, who's CEO has repeatedly boasted that the company can hike prices further and that the company was "fortunate" in its pricing power. In February on CNBC he said, "we're pretty fortunate with the pricing power we have... So we have more room to take the price as we need to."¹³ He repeated the sentiment in an earnings call the same month that "we're fortunate that we can pull it. And we see no resistance to date with the levels that we're currently at."¹⁴ In 2021, Chipotle's prices were up 10% by the end of the year compared to the previous year.¹⁵

Despite the fact that Chipotle's CEO claimed that price hikes were due to inflation and rising wages for their hourly workers, his public statements suggest that the company is simply exercising its enormous pricing power to rake in record profits in a moment when consumers are struggling to get by. In 2021, Chipotle's total revenue increased over 25% from the previous year. More telling, their operating profit margin was 10.4% in 2021, a more than a 100% increase from their 2020 profit margin of 4.8% – signaling that price hikes were well above what was necessary to cover rising costs.¹⁶

¹⁰ "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/>

¹¹ "Dallas Fed Energy Survey," *Federal Reserve Bank of Dallas*, March 23, 2022, <https://www.dallasfed.org/research/surveys/des/2022/2201.aspx#tab-questions>

¹² Ibid.

¹³ "Our business remains strong despite price hikes, says Chipotle CEO," *CNBC*, February 8 2022, <https://www.cnn.com/video/2022/02/08/our-business-remains-strong-despite-price-hikes-says-chipotle-ceo.html>

¹⁴ "Chipotle Mexican Grill CEO Brian Niccol on Q4 2021 Results - Earnings Call Transcript," *Seeking Alpha* February 8 2022, <https://seekingalpha.com/article/4485311-chipotle-mexican-grill-inc-cmg-ceo-brian-niccol-on-q4-2021-resu-lts-earnings-call-transcript>

¹⁵ "Chipotle CEO Says Another Price Increase Likely as Costs Grow," *Wall Street Journal*, February 2022, <https://www.wsj.com/articles/chipotle-says-it-is-planning-to-expand-as-sales-grow-11644359291>

¹⁶ "Chipotle Announces Fourth Quarter and Full Year 2021 Results," *Chipotle Mexican Grill News Releases*, February 2022, <https://ir.chipotle.com/2022-02-08-CHIPOTLE-ANNOUNCES-FOURTH-QUARTER-AND-FULL-YEAR-2021-RESULTS>

III. The corrosive concentration of corporate power has facilitated widespread profiteering, which is taking a massive toll on consumers, workers, and small businesses around the country.

In company after company, and across sectors, corporate executives are bragging about their ability to engage in aggressive price hikes without the risk of losing customers because they can pin the blame on inflation and geopolitical conditions and because they operate in highly concentrated markets with little to no competition. As Fed Chair Powell put it, corporations are raising prices beyond what elevated input costs would call for *because they can*.¹⁷

Big corporations are taking advantage of the moment to raise prices and to generate record profits, which is possible due to rising market power¹⁸ in the U.S. and the decline of market competition in the U.S. over the last 20 years.¹⁹

As a result, consumers are being hit by price hikes – from gas to food to diapers – on all sides. Even worse, corporate executives are remarkably open about how they are using the cover of inflation and pandemic-induced supply chain issues to boost their returns while consumers pay more.

Take Constellation Brands, the largest beer import company in the U.S. that also has the third largest market-share of all beer companies²⁰ and is the parent company of popular beers Modelo and Corona. On its earnings call in January, Constellation's CFO said, "As you know, we have a consumer set that skews a bit more Hispanic than some of our competitors. And in times of economic downturn... they tend to get hit a little bit harder and they recover a little bit slower. So we want to make sure that we're not leaving any pricing on the table. We want to take as much as we can..."²¹ Corporations know they can hike costs and reap profits, while exploiting consumers.

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¹⁷ Sharon Zhang, "Fed Chair Jerome Powell Says Corporations "Are Raising Prices Because They Can"", Truthout, January 11, 2022, <https://truthout.org/articles/fed-chair-jerome-powell-says-corporations-are-raising-prices-because-they-can/>

¹⁸ Ufuk Akcigit & Sina T. Ates, "What Happened to U.S. Business Dynamism?," *NBER*, May 8 2019, https://conference.nber.org/conf_papers/f129751.pdf

¹⁹ Thomas Phillippon, "The Economics and Politics of Market Concentration," *NBER*, December 2019, <https://www.nber.org/reporter/2019number4/economics-and-politics-market-concentration>

²⁰ "Major Supplier Shipments and Share," *Beer Marketer Insights*, 2022, https://www.beerinsights.com/index.php?option=com_k2&view=item&id=19559:major-supplier-shipments-and-share-2015-vs-2014&tmpl=component

²¹ "Constellation Brands (STZ) Q3 2022 Earnings Call Transcript," *The Motley Fool*, January 2022, <https://www.fool.com/earnings/call-transcripts/2022/01/06/constellation-brands-stz-q3-2022-earnings-call-t-ra/>

Price hikes are also happening for goods that consumers need for everyday life. Procter & Gamble (P&G) is one of the most dominant companies in the world with a chokehold on diaper production and more than a quarter of the global market for laundry products.²² The company produces a range of household products, from feminine care items to cleaning supplies. Despite inflation and supply chain snarls, P&G beat profit expectations in 2021 and then raised earning expectations for 2022.²³ Subsequently, P&G increased their plans to send more cash to shareholders, planning \$17-18 billion in stock buybacks and dividends over the course of their fiscal year, even while they continue to hike prices on consumers.²⁴

In the company's quarterly earnings call on January 19, the P&G CFO said that they increased prices in all 10 of their product categories in 2021 and announced more to come in 2022, stating, "Building on the strength of our brands, we are thoughtfully executing tailored price increases...We see a lower reaction from the consumer in terms of price elasticity than what we would have seen in the past."²⁵ Procter & Gamble reported that price increases helped drive their net sales up 6% higher than the previous year, bringing their total net earnings for the quarter up 9% to \$4.2 billion.²⁶

In other words, P&G knows the company can take advantage of consumers' basic needs because they make price inelastic products that families need, like diapers and cleaning supplies. And because P&G has a significant amount of the market share, they're not worried about competition undercutting their high prices and taking customers. The combination of selling necessities and controlling a significant share of the market gives P&G, and other megacorporations like them, free reign, especially when they can blame inflation for rising prices, rather than their insatiable desire to boost short-term profits.

Unfortunately, these aggressive pricing actions are commonplace and span the entire economy. In sector after sector, company after company, we see consumers paying more as megacorporations with large shares of the market get even richer.

The price hikes we are seeing now are rooted in corporate greed and facilitated by megacorporations' market power.

Corporate concentration not only harms consumers but also small businesses.

²² "Can Procter & Gamble's Revenue Cross \$72 Billion By 2021?," *Forbes*, October 2019, <https://www.forbes.com/sites/greatspeculations/2019/10/31/can-procter-gambles-revenue-cross-72-billion-by-2021/?sh=11bb795eae9>.

²³ "P&G earnings top estimates as price hikes offset rising costs, company raises 2022 sales forecast," *CNBC*, January 19, 2022, <https://www.cnbc.com/2022/01/19/procter-gamble-pg-q2-2022-earnings.html>

²⁴ The Procter & Gamble Company (PG) Q2 2022 Earnings Call Transcript," *Alpha Street*, January 29, 2022, <https://news.alphastreet.com/the-procter-gamble-company-pg-q2-2022-earnings-call-transcript/>.

²⁵ *Ibid.*

²⁶ Coral Murphy Marcos, "Procter & Gamble's sales jump as consumers brush off rising prices," *New York Times*, January 19, 2022, <https://www.nytimes.com/2022/01/19/business/procter-gamble-2q-2021-earnings.html>.

The devastating effect of corporate concentration on small businesses is not just hypothetical. 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.
- Megacorporations are using their outsized power and extensive resources to build exclusive supply-chain end-arounds while small businesses are left out on a limb.
- Big businesses strong-arm suppliers into deals that raise prices for small businesses and leave them waiting longer for goods and products.

As demand has increased and supply chains have been unable to keep up, small businesses have struggled to maintain inventory. As a result, these businesses must spend additional time and resources trying to source products. For many small businesses who, by definition, operate with fewer employees and fewer resources, these challenges can mean the difference between staying open or having to shut down. 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 line²⁷ and a 2020 Federal reserve study found that 800,000 small businesses closed in the first year of the pandemic, about a third more than in a typical year.²⁸

Beyond the additional work of sourcing, small businesses are also disadvantaged as big-box stores have used their expanded resources and greater market share to ramp up logistics operations to keep inventories running more smoothly. Given the breakdown in traditional supply chains, some major companies have taken steps to circumvent problem spots by chartering their own cargo ships²⁹ or creating “pop-up” freight container yards near major ports.³⁰ Needless to say, these are not feasible options for most small businesses.

²⁷ “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>

²⁸ Crane, Leland D., Ryan A. Decker, Aaron Flaaen, Adrian Hamins-Puertolas, and Christopher Kurz “Business Exit During the COVID-19 Pandemic: NonTraditional Measures in Historical Context,” Finance and Economics Discussion Series 2020-089r1. Washington: Board of Governors of the Federal Reserve System, 2021, <https://doi.org/10.17016/FEDS.2020.089r1>

²⁹ 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-a-mid-supply-chain-crisis.html>

³⁰ 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>

Size not only prevents small businesses from navigating supply chain struggles, it also prevents them from acquiring inventory as large corporations throw their weight around in order to jump to the head of the line.

Giants like Walmart and Amazon have the buying power to negotiate more favorable contracts with suppliers in the first place. In *The American Prospect*, journalist Rose Adams describes how Walmart used its tremendous market share in the grocery industry to bully suppliers. “In late 2020, the company sent a memo to its suppliers announcing that in early 2021, vendors who didn’t complete 98 percent [previously 70 percent] of Walmart’s orders on time and in full would be fined 3 percent of the order’s cost.”³¹ Suppliers have little bargaining power to push back against such demands and must prioritize orders to megacorporations at the expense of small businesses.

Suppliers also have little ability to raise costs on big-box retailers. As a result, the only option for suppliers is to raise their prices on other customers – namely, smaller retailers. One smaller retail competitor to Walmart and Amazon told the *Washington Post* that his contracts for inventory “were not worth the paper they were written on.”³²

A survey released in March this year from the Institute for Local Self Reliance supports this claim: 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.³³

Small businesses also lose out when corporate concentration occurs further up the supply chain.

In January, the CFO of Steel Dynamics, the third largest US steel producer, congratulated her team on pushing their prices up to *more* than offset their input costs, despite also reporting the company was “not impacted dramatically” by inflation. The company confirmed where these profits would go: even more stock buybacks.³⁴

The result squeezes small businesses downstream. If corporations are charging more for steel, then a local bike shop still has to raise prices on consumers even if they’re not engaging in

³¹ Rose Adams, “Big Business Games the Supply Chain,” *The American Prospect*, February 9, 2022, <https://prospect.org/economy/big-business-games-the-supply-chain/>

³² Groundwork Collaborative and American Economic Liberties Project, “Concentrated Corporate Power is Raising Prices, Harming Main Street, and Empowering Pandemic Profiteers,” October 2021, <https://groundworkcollaborative.org/wp-content/uploads/2021/10/GWC2140-EconLiberties.pdf>.

³³ “2022 Independent Business Survey: Top Challenges and Policy Priorities,” *Institute for Local Self Reliance*, March 30, 2022, <https://ilsr.org/2022-survey-businesses/>

³⁴ “Steel Dynamics, Inc. (STLD) CEO Mark Millett on Q4 2021 Results - Earnings Call Transcript,” *Seeking Alpha*, January 25, 2022, <https://seekingalpha.com/article/4481513-steel-dynamics-inc-stld-ceo-mark-millett-on-q4-2021-results-earnings-call-transcript>.

extractive pricing. And that local bike shop's margins also get crushed by unnecessarily higher input costs because corporations with massive market shares can set prices wherever they want.

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

The question remains: *why* do corporations have so much power to exploit crises and consumers for their own gain? The answer starts decades before the pandemic: we spent a half-century permitting massive deregulation, unsupervised corporate mergers, and business executives and financiers to take control of our supply chains. They hailed so-called "efficiencies" of consolidation – ignoring the fact that this knife-edge system was supremely ill-equipped to handle the inevitable supply bottlenecks. As a result, they created an environment ripe for corporations to exploit consumers.

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

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

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

We have an economy characterized by extreme concentration, which has thinned out our supply chains and left the remaining mega-companies perfectly, and uniquely, positioned to capitalize on the frenzy around inflation. The presence of Wall Street backing these corporate behemoths has further driven this trend in corporate consolidation.

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. As corporate executives implemented a lean, just-in-time supply chain system that eliminated resiliency and increasingly relied on precarious labor, our economy was left more vulnerable to a brittle supply chain that would further facilitate price-gouging and pandemic profiteering.

Corporate concentration has hollowed out and nearly eliminated redundancy in our supply chain, leaving us without enough productive capacity to withstand significant increases or 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,³⁵ packed by four meatpackers,³⁶ and equipped by a single chip maker.³⁷ If something goes wrong with any of these companies, prices can be driven up due to scarcity.

This extreme consolidation has also left us with a bare-bones workforce that relies on vulnerable, precarious workers who are often misclassified and exploited. Take truckers, for instance, a vital puzzle piece in getting goods to grocery store shelves. While big shipping companies such as XPO decry trucker shortages, the truth is that as many as 80% of port truckers are classified as independent contractors.³⁸

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."³⁹

And the reason that so many truckers are facing rock-bottom working conditions and pay comes down to deregulation. Until the 1980s, truckers, especially those taking on long-haul journeys, were 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 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. Consumers and workers around the country suffer as a result.⁴⁰

³⁵ "Shipping Alliances: 2M, Ocean Alliance & THE Alliance [2021 Overview]," *Container Xchange*, July 2019, <https://www.container-xchange.com/blog/shipping-alliances/>

³⁶ "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/>

³⁷ 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-1624075400>

³⁸ Harold Meyerson, "Why Trucking Can't Deliver the Goods," *American Prospect*, February 2022. <https://prospect.org/economy/why-trucking-cant-deliver-the-goods/>

³⁹ *Ibid.*

⁴⁰ *Ibid.*

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 price gouging. Over 80% of the ocean shipping industry and 95% of the east-west trade routes is controlled by three alliances: 2M, Ocean Alliance, and THE Alliance.⁴¹ As with other industries, deregulation during the 1980s and 1990s allowed for ocean carriers to build power and consolidate and has ultimately resulted in their ability to price-gouge during the pandemic. For example, spots for freight shipping on ocean liners cost ten times more in September 2021 compared to the beginning of 2020. Prices have largely not come down from their September 2021 highs. At the same time, these carriers have seen their profits skyrocket. The industry saw a massive \$190 billion in profits in 2021. For context, that profit is five times higher than the combined profits for the industry between 2010 and 2020. Their profit margins have also jumped. On average, margins have jumped from 3.7% to 56%.⁴²

Sadly, it's not just the ocean shipping industry that showcases how megacorporations have consolidated the market 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. According to a recent analysis from the White House National Economic Council, the four biggest meatpackers have seen their net profit margins go up more than 300%⁴³ since the start of the pandemic, while consumers continue to face skyrocketing prices.

The consolidation in the meat-packing industry can be traced back to the Reagan administration, which ushered in a period of deregulation and institutionalized Robert Bork's approach to antitrust that adopted the consumer welfare standard. The consumer welfare standard argued that as long as consumer prices were unchanged, or even dropping, monopolistic control over an industry was not a problem.⁴⁴ Across all industries, including the meat-packing industry, the Reagan administration stopped enforcing antitrust provisions and allowed big companies to acquire competitors and consolidate their power. Today, four companies, Tyson, Cargill, JBS, and National Beef Packing, control 85% of the beef industry.⁴⁵

⁴¹ 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/>

⁴² Ibid.

⁴³ 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/>

⁴⁴ "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®ion=header&pgtype=Article>

⁴⁵ 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.>

These corporations promised that through consolidation, consumers would face lower costs.⁴⁶ 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 2021.⁴⁷

The auto industry faces similarly high levels of market concentration.⁴⁸ In the U.S., five corporations – General Motors, Toyota, Ford, Stellantis, and Honda – control almost 65% of the market share.⁴⁹ As a result of the pandemic, manufacturers in the auto industry cut production in response to 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 12.2% jump in new car prices and an alarming 40.5% jump in prices for used cars. Manufacturers cite supply chain snarls and higher consumer demand as the reason for the rising prices.⁵⁰ However, recent reporting finds that even with the easing of supply shortages, automakers are unlikely to increase supply to pre-pandemic levels 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.⁵¹ Corporate concentration has ensured that greedy decisions made by a few powerful corporations will have resounding effects on consumers who will be forced to pay higher prices because of the lack of competition.

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. Furthermore, pandemic profiteering further 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.⁵²

⁴⁶ “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®ion=header&pgtype=Article>

⁴⁷ 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/>

⁴⁸ 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>.

⁴⁹ “Big Three Automakers,” *Investopedia*, January 2022, <https://www.investopedia.com/terms/b/bighthree.asp#:~:text=In%202020%2C%20Toyota%20ranked%20at,%2C%20and%20Nissan%20at%204.2%25>.

⁵⁰ 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>.

⁵¹ “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>.

⁵² 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/>.

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

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

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 can 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. Rep. Janice D. Schakowsky's COVID-19 Price Gouging Prevention Act and Senator Elizabeth Warren's Prohibiting Anti Competitive Mergers Act of 2022 are two pending bills that would help address these issues.
- Public investment in critical infrastructure can help prevent private corporations from building supply chains that crumble under stress. Congress should make long-overdue investments in sectors where we are seeing significant shortages, such as housing, and along key nodes of our supply chain. Congress should also 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,⁵³ 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. Senator Bernie Sanders's Ending Corporate Greed Act is a strong step in the right direction.

⁵³ 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-comp-are-other-countries>

- Congress should also 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 is a necessary balance to short-sighted corporate actions that create precarious labor and jeopardize a strong and growing 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 from groceries, to medical supplies, to the inputs small business owners need to sustain their livelihoods more expensive. The more sway large corporations have over our economy, the more power they have to profit off the pain of consumers and Main Street.

Addressing this crisis means focusing on 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. This has created a brittle system that has allowed them to take advantage of consumers and small businesses over the course of this crisis. Egged on by investors, these megacorporations are using inflation as a cover for rampant profiteering – and it must be stopped.

Our economy works best when it works for all of us, and 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 pro-competition safeguards that will shift power to working people, consumers, and communities, reduce costs and prices in the long run, and ensure that no one is left behind during the recovery and beyond.