



Congressional Testimony

Power and Profiteering: How Certain Industries Hiked Prices, Fleeced Consumers, and Drove Inflation

*Subcommittee on Economic and Consumer Policy,
House Committee on Oversight and Reform*

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I. Introduction

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

I am grateful to this committee for holding this hearing about the role of corporate power and concentration in 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 pricing power to push prices beyond what input costs and supply chain snarls would justify. In fact, even as input prices are coming down, prices are staying sky-high. As a result, corporations are recording the highest quarterly profit margins in over 70 years.¹
- Second, entrenched concentration has afforded megacorporations enormous pricing power. The pandemic, inflation, and the war in Ukraine have allowed these megacorporations to use that power to rake in record profits margins.
- Finally, the brunt of these price hikes does not fall evenly across our economy. The most marginalized groups in our economy are paying the biggest price.

Congress must take on corporate power and the resulting 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, considering breaking up dominant firms to reduce unhealthy market competition.
- Lawmakers should continue to urge the Federal Trade Commission (FTC) to use its existing authority to crack down on extractive and exploitative business practices.

¹ Reade Pickert, "US Corporate Profits Soar With Margins at Widest Since 1950," *Bloomberg*, <https://www.bloomberg.com/news/articles/2022-08-25/us-corporate-profits-soar-taking-margins-to-widest-since-1950?sref=azsh6QkL>.

- Congress should tax excess profits and big corporations more broadly to encourage productive investment and curb corporate profiteering, as revenue policies within the recently enacted Inflation Reduction Act would do.
- 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 using their outsized corporate power to keep prices high and make record profits, even as input costs start to come down.

While consumers have struggled to navigate both a deadly pandemic and rising costs that have further strapped family budgets, large corporations have exploited consumers to enjoy record profits and profit margins. Corporate profit margins exploded in 2021, but they reached new highs in the second quarter of 2022 at 15.5%, the highest quarterly profit margin in over 70 years.²³ Moreover, recent research from the Roosevelt Institute finds that firm markups were the highest on record in 2021.⁴

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 the war in Ukraine as cover. Across sectors, 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.⁵ Megacorporations have used this opportunity to extract from consumers by jacking up prices and keeping them high, even as their input costs decrease – sometimes referred to as "price stickiness."

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>.

⁴ Mike Konzcal and Niko Lusiani, "Prices, Profits, and Power: An Analysis of 2021 Firm-Level Markups", Roosevelt Institute, June 2022,

https://rooseveltinstitute.org/wp-content/uploads/2022/06/RI_PricesProfitsPower_202206.pdf.

⁵ David Dayen and Rakeen Mabud, "How We Broke the Supply Chain," *American Prospect*, January 31, 2022, <https://prospect.org/economy/how-we-broke-the-supply-chain-intro/>.

We see this in the data: Prices have remained high even as input costs have begun to come down. The World Container Index,⁶ which measures the cost of shipping goods around the world, fell 8% the week of September 12, and dropped 52% when compared year-over-year.⁷ Similarly, the Fed's measurement of global supply chain pressures showed a 16% decrease month over month in August.⁸

However, none of these decreases in input costs have translated to substantially lower prices for consumers. Core inflation for consumers rose 6.3% year over year, while core input costs for businesses only rose 5.6% year over year. In other words, these data present more evidence that the stubbornly high prices we are seeing are driven by more than higher input costs.

Executives from companies ranging from J.M. Smucker, which makes JIF peanut butter and Folgers coffee, to Autozone, the largest American retailer of aftermarket automotive parts and accessories, have stated on recent earnings calls that inflation has been a useful cover for keeping prices high – and that consumers should not expect prices to come down as inflation eases and input costs decline. Autozone's CEO said the company had increased pricing due to inflation and "that following periods of higher inflation, our industry has historically not reduced pricing to reflect lower ultimate cost."⁹ J.M. Smucker is executing \$1.2 billion worth of price increases, despite their input costs rising less than \$900 million.¹⁰

Another prime example comes from H.B. Fuller, an adhesive manufacturing company, which told analysts in June that the company expected "sizable margin expansion" as costs declined because of "extremely sticky" prices and said the company would "push harder" on price increases. Just in case that wasn't explicit enough, H.B. Fuller's CEO made it clear: "we don't reduce prices on the back end of these increases." The CEO even went as far as to say "a nice light recession would be perfect for us" because it would bring raw material costs down even more.¹¹

⁶ "World Container Index - 08 Sept." *Drewry*, <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>.

⁷ Ibid.

⁸ "Global Supply Chain Pressure Index (GSCPI), Estimates for August 2022", Federal Reserve Bank of New York, <https://www.newyorkfed.org/research/policy/gscpi#/interactive>.

⁹ "Autozone, Inc. (AZO) Q3 2022 Earnings Call Transcript", *Alphastreet*, May 25, 2022, <https://news.alphastreet.com/autozone-inc-azo-q3-2022-earnings-call-transcript/>.

¹⁰ "J.M. Smucker (SJM) Earnings Call Transcript," *The Motley Fool*. June 7, 2022, <https://www.fool.com/earnings/call-transcripts/2022/06/07/jm-smucker-sjm-q4-2022-earnings-call-transcript/>.

¹¹ "H.B. Fuller Company's (FUL) CEO Jim Owens on Q2 2022 Results - Earnings Call Transcript," *Seeking Alpha*, June 23, 2022, <https://seekingalpha.com/article/4520021-h-b-fuller-companys-ful-ceo-jim-owens-on-q2-2022-results-earnings-call-transcript>.

These companies are well-aware of how their market power affords them the ability to keep prices high. Procter & Gamble, a massive conglomerate that encompasses recognizable brand names like Luvs and Pampers in the diaper market to Tide, Downy, Bounce, and Gain in the detergent market, said on a July earnings call that they planned to raise prices "across most categories" in the coming months, despite paying shareholders \$3.5 billion last quarter. Executives also told analysts that consumers were responding well to price hikes, noting they "don't deselect" their "daily use" products.¹²

In other words, big companies like Procter & Gamble know they can take advantage of consumers' basic needs because the goods they make are necessities, like diapers and laundry supplies – even if the price rises, people will continue to buy them. And because of their significant market share, they know consumers don't have a choice but to accept the price increases because there are few available alternatives. The combination of selling necessities and controlling a significant share of the market gives megacorporations free rein to jack up prices – especially when they can blame inflation for rising prices, rather than their insatiable desire to boost short-term profits.

Even with the easing of supply shortages and input costs coming down, other companies in key sectors, such as housing and cars, are *choosing* to curtail supply in an attempt to lock in 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.¹³ And D.R. Horton, a major homebuilder, said it strategically delayed releasing new homes on the market despite high demand, while simultaneously passing price increases onto new home buyers: "The strong demand for homes, combined with a limited supply, has allowed us to continue to raise prices and maintain a very low level of sales incentives in most of our communities."¹⁴

II. Concentration and deregulation have handed megacorporations enormous pricing Power. Crises like the pandemic and inflation have given these megacorporations the opportunity to use that power to boost profits.

The sway these companies hold over pricing was not inevitable; it is the result of decades of deregulation and privatization that handed control of our economy over to a handful of ultra-powerful corporations. The supply chain crisis we have experienced since the beginning of the pandemic is a direct result of those policy choices, which set the stage for megacorporations' outsized pricing power and the ability to profiteer with impunity when the

¹² "The Procter & Gamble Company (PG) CEO John Moeller on Q4 2022 Results - Earnings Call Transcript", *Seeking Alpha*, July 29, 2022, <https://seekingalpha.com/article/4527454-procter-and-gamble-company-pg-ceo-jon-moeller-on-q4-2022-results-earnings-call-transcript>.

¹³ "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>.

¹⁴ "D.R. Horton (DHI) Q2 2022 Earnings Call Transcript," *Motley Fool*, April 26, 2022, <https://www.fool.com/earnings/call-transcripts/2022/04/26/dr-horton-dhi-q2-2022-earnings-call-transcript/>.

opportunity arises.¹⁵ 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 special interest groups, resulted in tremendous pressure to deregulate large swaths of our supply chain and economy. As corporate executives sought to build leaner and more profitable supply chains, they did so by eliminating resiliency and increasingly driving down labor standards to minimize costs. The result is a vulnerable and brittle supply chain that made our economy more susceptible to shortages and supply chain breakdowns in the face of strong demand during the pandemic. These shortages gave already powerful corporations a ready-made excuse to jack up their prices and make record profits.

Corporate concentration has hollowed out our supply chains, leaving us without enough productive capacity to withstand shifts in demand or disruptions in production without supply shortages. Fueled by lax antitrust policy, rampant mergers and acquisitions have resulted in corporate concentration of the U.S. economy that has increased 50% between 2005 and 2020.¹⁶ The majority of the goods Americans rely on are delivered by as few as three ocean shipping alliances,¹⁷ packed by four meatpackers,¹⁸ and equipped by a single chip maker.¹⁹ 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 have 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.²⁰ As with other industries, deregulation during the 1980s and 1990s allowed ocean carriers to build power and consolidate.

¹⁵ David Dayen and Rakeen Mabud, "How We Broke the Supply Chain," *American Prospect*, January 31, 2022, <https://prospect.org/economy/how-we-broke-the-supply-chain-intro/>.

¹⁶ Falk Bräunig, José L. Fillat, and Gustavo Joaquim. "Cost-Price Relationships in a Concentrated Economy", Current Policy Perspectives, Federal Reserve Bank of Boston, May 2022. <https://www.bostonfed.org/publications/current-policy-perspectives/2022/cost-price-relationships-in-a-concentrated-economy.aspx>.

¹⁷ "Shipping Alliances: 2M, Ocean Alliance & THE Alliance [2021 Overview]," *Container Xchange*, July 2019, <https://www.container-xchange.com/blog/shipping-alliances/>.

¹⁸ "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/>.

¹⁹ 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>.

²⁰ 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/>.

The result of these deregulatory policies meant that we ended up with corporate behemoths that dominated the industry and were able to cash in during the pandemic. These companies raised spot rates for freight shipping from the United States to Asia by over 1,000% from January 2020 and February 2022.²¹

Although shipping costs have gone down recently, these carriers have seen their profits skyrocket. The world's top five biggest container shipping companies all saw profits increase by triple-digit percentages after raising rates in their 2021 fiscal years.²² Maersk, the second largest shipping company in the world, saw over a 50%²³ increase in quarterly revenue in Q2 of 2022. The shipping industry as a whole is expected to see a 73% increase in yearly profits in 2022.²⁴

Shipping companies are using their record profits to increase corporate concentration even further. Maersk purchased an air freight competitor late last year and is planning to buy another logistics group this year to increase its holdings in Europe and Asia.²⁵ Other large shipping companies, such as Mediterranean Shipping Company and CMA CGM, are using their profits to push into land-based logistics and buy out competitors in Africa and other parts of the world.^{26,27} The Ocean Shipping Reform Act, recently signed into law, is an important step towards addressing entrenched concentration in this industry.

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

Extreme consolidation has 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

²¹ "Statement by President Joe Biden on Congressional Passage of Ocean Shipping Reform Act," *The White House*, September 9, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/09/white-house-releases-the-biden-harris-economic-blueprint/>.

²² 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/>.

²³ "A.P. Moller - Maersk continues to grow logistics business and deliver record results," Maersk, August 3, 2022, <https://www.maersk.com/news/articles/2022/08/03/maersk-continues-to-grow-logistics-business-and-deliver-record-results>.

²⁴ Brendan Murray, "Container Lines Are Set to Smash Year-Old Record Profit Record By 73%," *Bloomberg*, August 9, 2022, <https://www.bloomberg.com/news/articles/2022-08-09/container-lines-to-smash-year-old-profit-record-with-73-surge?sref=azsh6QkL&leadSource=uverify%20wall>.

²⁵ Richard Milne, "Maersk to plough bumper profits into global supply chain integration," *The Financial Times*, August 31, 2022, <https://www.ft.com/content/21964919-cd6c-4745-a2ef-bd34bb748e09>.

²⁶ Mike Schuler, "MSC Reaches Deal to Acquire Bolloré's Africa Logistics Business for 5.7 Billion Euros," *QCaptain*, April 1, 2022, <https://gcaptain.com/msc-bolloré-africa-logistics-acquisition/>.

²⁷ "French shipping firm CMA CGM buys part of Ingram Micro in \$3 bln deal," *Reuters*, December 8, 2021, <https://www.reuters.com/business/autos-transportation/french-shipping-firm-cma-cgm-buys-part-ingram-micro-3-bln-deal-2021-12-08/>.

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.²⁸

Deregulation has driven the decline in labor standards for truckers. 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. We are not facing a trucker shortage – but rather a shortage of good trucking jobs, spurred by deregulation of the industry.²⁹

The rail sector also provides a crystal-clear example of how concentration and an intentional whittling down of supply chains have resulted in high prices for consumers, falling labor standards for workers, and massive profits for corporations. As Matthew Jino Buck writes in the *American Prospect*, "In 1980, at the dawn of rail deregulation, there were 40 Class I railroads. Today, there are just seven. Of those seven, four have 83% to 90% of the freight railroading market."³⁰ Like other critical parts of the supply chain, the rail industry has been pressured by Wall Street to slim down spare capacity and lower costs - and "Wall Street judges railroads' success based in part on spending less money running the railroad and more on stock buybacks or dividends."³¹ This rampant cost-cutting meant that when the pandemic hit and demand for goods surged, the rail industry was unable to keep up.

This push for efficiency also pushed these companies to slim down the rail workforce and lower labor standards, creating more vulnerabilities along the rail supply chain. Federal regulatory agency Surface Transportation Board finds that rail carriers have 30% fewer employees than in 2016,³² and for years, workers have complained about deteriorating safety standards, being forced to be on-call around the clock, and – coming to a head last week – not having enough predictability in scheduling to even plan for a routine doctor's appointment.

But while those bottlenecks were a huge issue for consumers, they were a bonanza for rail companies: Operating profit margins almost tripled for the major carriers over the last two decades. This year, BNSF, one of the largest rail carriers, posted the best operating margin in

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

²⁹ Ibid.

³⁰ Matthew Jino Buck, "How America's Supply Chains Got Railroaded," *American Prospect*, February 4, 2022, <https://prospect.org/economy/how-americas-supply-chains-got-railroaded/>.

³¹ Ibid.

³² "STB Issues Hearing Notice for Urgent Issues in Freight Rail Service," Surface Transportation Board, April 7, 2022, <https://www.stb.gov/news-communications/latest-news/pr-22-21/>.

over two decades.³³ And the biggest rail companies spend almost \$10 billion a year on stock buybacks and dividends.³⁴

Last week's narrowly averted strike highlights how Wall Street's unending pursuit of efficiency, ever more concentration, and whittling down of the labor force and labor standards, have resulted in a broken supply chain that can imperil the health of our entire economy. This is not how it has to be: ensuring that key parts of our supply chain have enough workers in good, quality jobs and have in place failsafes to deal with fluctuations in the economy would strengthen our supply chain and result in a stronger economy overall.

Corporations, not workers, are driving up prices.

We must abandon the myth that workers are to blame for rising inflation. The conventional macroeconomic story about inflation suggests that higher prices lead to workers demanding higher wages, pushing prices up further – what is referred to as a "wage-price spiral." However, this is not the story of our economy right now. Labor costs have not risen enough to account for the inflation we have experienced over the last year and a half. In fact, throughout the inflation crisis, wage growth has lagged behind inflation. Inflation rose 8.3% over the last year compared to wage growth of only 5.2%.³⁵ This tells us that wage growth is dampening inflation rather than amplifying it.³⁶ Moreover, nominal wage growth measured in dollars has already slowed significantly since 2021, but this did not translate into lower inflation.³⁷ In short, there is no evidence of a wage-price spiral.

The real problem is that corporations have jacked up prices while refusing to pay high enough wages. Median *real* wages— the amount workers are paid once adjusted to account for rising prices— have fallen by 2.8% year-over-year since August.³⁸ But there is a bright spot for workers at the bottom of the income distribution. Real labor income (adjusted for inflation) for the poorest 25% of workers has risen by 9.1% since January 2020.³⁹ This represents a remarkable reduction in labor income inequality that has lifted up the poorest members of our society. It

³³ Garder, Eric, "Rail Strike By The Numbers: Railroad Profits are Soaring at Workers' Expense," *More Perfect Union*, September 13, 2022, <https://perfectunion.us/rail-profits-soaring-at-workers-expense/>

³⁴ Ibid.

³⁵ Rob Wile, "How inflation has eaten into Americans' average weekly pay in the past year," NBC News, September 2022. <https://www.nbcnews.com/business/economy/how-inflation-affects-americans-average-weekly-pay-past-year-rcna47545>.

³⁶ Josh Bivens, "Wage growth has been dampening inflation all along—and has slowed even more recently," Economic Policy Institute. May 12 2022. <https://www.epi.org/blog/wage-growth-has-been-dampening-inflation-all-along-and-has-slowed-even-more-recently/>.

³⁷ Paul Krugman, "The Humbug Economy," *The New York Times*. July 2022. <https://www.nytimes.com/2022/07/12/opinion/employment-wages-recession-economy.html>.

³⁸ U.S. Bureau of Labor Statistics, *Real Earnings Summary*, September 13, 2022, <https://www.bls.gov/news.release/realer.nr0.htm>.

³⁹ Thomas Blanchet, Emmanuel Saez, and Gabriel Zucman, "Who Benefits from Income and Wealth Growth in the United States?," *Realtime Inequality*. August 2022. <https://realtimeinequality.org/>.

also represents an enormous improvement compared to the recovery from the Great Recession during which wages for the bottom 25% remained below pre-recession levels for nearly a decade.⁴⁰

Some have suggested that unemployment rates as high as 10% are necessary to bring down prices. But throwing the economy into a recession will not resuscitate purchasing power for working families, and would not address the supply chain disruptions and corporate profiteering at the root of the inflation crisis. Rather, a recession would surely imperil the impressive wage gains for our most vulnerable workers.

IV. The brunt of these price hikes does not fall evenly across our economy: the most marginalized groups in our economy are paying the biggest price.

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.⁴¹ Low-income people of color, who already disproportionately face predatory and extractive pricing across a wide swath 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 untenable.

Much of recent inflation is driven by housing and food, which hits low income families the hardest.⁴² Research shows that those in the bottom 20% spend about half of their income on shelter, and 15% of their budget on groceries.⁴³ In 2020, housing comprised approximately 35% of family budgets—it's the single biggest line item in family budgets and double the second most expensive line item, transportation. While families can cut back on some expenses, cutting back on housing is not an option. Price hikes for essential goods also hit households of color harder – Black households historically face higher and much more volatile inflation⁴⁴ and Black and Native American Americans are more likely to report financial struggles related to inflation.⁴⁵

⁴⁰ Ibid.

⁴¹ Jessica Floyd, "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/>.

⁴² Rachel Siegel, "Stocks sink after inflation report shows unexpected price climb in August," *Washington Post*, September 2022, "https://www.washingtonpost.com/business/2022/09/13/inflation-cpi-august-fed/"

⁴³ Orchard, Jacob. "Inflation inequality: Poorest Americans are hit hardest by soaring prices on necessities," *The Conversation*, January 13, 2022.

⁴⁴ Munseob Lee, "Do Black Households Face Higher and More Volatile Inflation?," *Federal Reserve Bank of Richmond*, July 2022, https://www.richmondfed.org/publications/research/economic_brief/2022/eb_22-25.

⁴⁵ "Poll: High U.S. inflation rates are having a more serious impact on Black Americans than white Americans," *Harvard T.H. Chan School of Public Health*, August 2022, <https://www.hsph.harvard.edu/news/press-releases/poll-high-u-s-inflation-rates-are-having-a-more-serious-impact-on-black-americans-than-white-americans/>.

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 July found that 67% of small businesses said that supply chain issues were negatively affecting their bottom line.⁴⁶
- *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.* At the peak of the supply chain crisis, major companies took steps to circumvent problem spots by chartering their own cargo ships⁴⁷ or creating “pop-up” freight container yards near major ports.⁴⁸ Needless to say, these options are not available to 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 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% fine from 70% to 98%.⁴⁹ Suppliers have little bargaining power to push back against such demands and must prioritize orders to megacorporations at the expense of small businesses.⁵⁰

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

⁴⁶ “Survey: Small Business Challenges Worsen Amid Record Inflation and Workforce Shortages,” *Goldman Sachs*. July 13, 2022. <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/small-businesses-fear-looming-recession/index.html>

⁴⁷ 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>

⁴⁸ 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>

⁴⁹ Rose Adams, “Big Business Games the Supply Chain,” *The American Prospect*. February 9, 2022. <https://prospect.org/economy/big-business-games-the-supply-chain/>

⁵⁰ “2022 Independent Business Survey: Top Challenges and Policy Priorities,” *Institute for Local Self Reliance*, March 30, 2022. <https://ilsr.org/2022-survey-businesses/>

V. Congress should curb corporations' 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 rein in the unchecked 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 industries 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 and targeted price controls where appropriate.
- Corporations and the super wealthy have enjoyed rock-bottom tax rates for decades.⁵¹ Lawmakers should look to increase the corporate tax rate and ensure that CEOs and shareholders pay their fair share. The Inflation Reduction Act's new 15% corporate minimum tax on firms with more than \$1 billion in annual profits, combined with the 1% tax on stock buybacks, are both great policies in this direction. 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.
- Public investment in critical infrastructure can help prevent private corporations from building supply chains that crumble under stress. The recently enacted CHIPS and Science Act invests more than \$50 billion in domestic semiconductor manufacturing to reduce reliance on insecure overseas supply chains. Congress should continue to make long-overdue investments in sectors where we are seeing significant shortages and along key nodes of our supply chain.

⁵¹ 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 ensure that workers have the protections they need in the workplace. Securing workers' right to organize and advocate for stable work, strong wages, and a safe working environment is necessary to counterbalance short-sighted corporate actions that hurt workers and jeopardize a strong and sustainable recovery.
- Congress should provide immediate relief to struggling families by investing in sectors that have been eating into family budgets for decades, such as health care and child care, and providing resources to families to help them weather higher costs.

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 materials small business owners need to sustain their livelihoods.

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 have created a brittle system that has allowed big corporations to take advantage of consumers and small businesses throughout 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, so the path towards an inclusive, resilient economy must include policies that foster competitive markets where consumers, workers and smaller competitors all have meaningful bargaining power. We need a pro-competition policies that will shift power to workers, consumers, and small businesses, reduce costs and prices and ensure that no one is left behind during the recovery and beyond.