Democrats Are Taking on Corporate Greed and Fighting for American Families

Big companies have used their market dominance to rake in profits by raising prices on families. These price hikes have played a detrimental role in driving inflation and resulted in persistently higher prices for American families. This has been especially clear with the price of food, where industry consolidation in sectors like meat production gave corporations more extreme pricing dominance and major returns in profits. Some companies have also reduced the size of essentials like food and household paper products without lowering prices, shorting families while pushing up profits.

Data shows that big companies made abnormally high profits during the recent period of inflation, driving up prices. Typically, company profits account for only 13% of price increases. However, between April 2020 and December 2021 company profits accounted for **54% of overall price increases**, and remained above normal levels through 2022. The rise in profits was especially extreme for the largest companies, whose margins surged and remained high following April 2020.

Democrats and the Biden administration are pushing back on big companies and these practices by going after corporate consolidation, pushing down the cost of prescription drugs, cracking down on junk fees, and supporting unions. In contrast, Republicans are calling for more tax cuts for the wealthy and are trying to undo Democrats' efforts to protect consumers. While prices may change based on shifting economic forces, the federal government has a clear role in protecting families from excessive and predatory price hikes.

When families were struggling with inflation in 2021, many CEOs continued to raise prices to ratchet up profits, beyond what was needed to cover costs.

While American families struggled with rapidly rising prices in 2021, corporate CEOs and shareholders raked in surging profits. In many cases, companies raised prices well beyond what was necessary to cover their costs—taking hard-earned money away from American families. Several CEOs have even touted this to their investors, showcasing how unnecessary price increases directly benefited their companies, often using inflation as just an excuse. The CFO of the major auto parts company AutoZone called inflation "a little bit our friend…in terms of retail pricing." The head of a major company for construction materials, Holcim, noted that their "proactive" pricing drove up the company's profit margins. The CEO of Kroger also emphasized passing increased costs to consumers, stating "we view a little bit of inflation as always good in our business." In 2023, large corporations were still increasing prices on families, even while they recorded months of heightened profits.

Evidence shows that big companies were able to take advantage of their market dominance to hike prices during the pandemic.

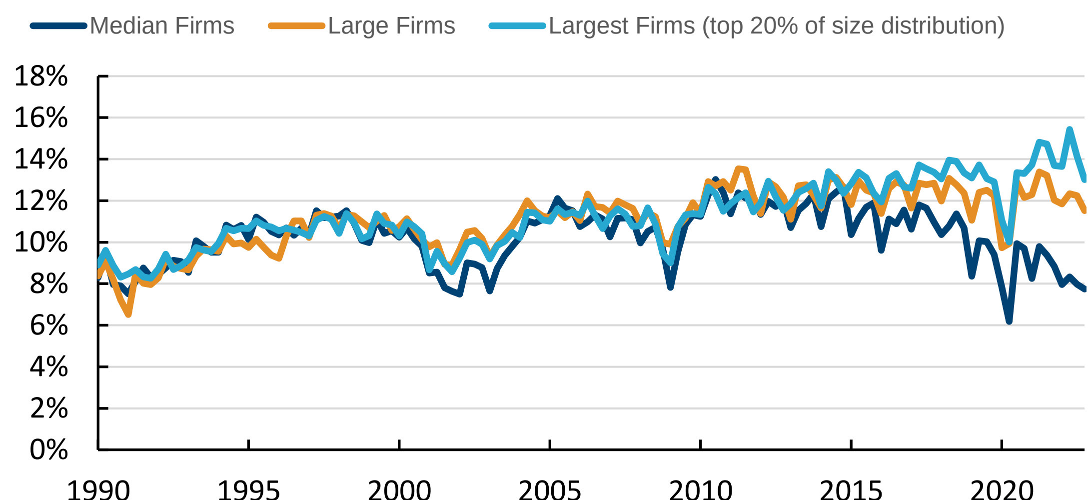
Economists and policymakers have called out how corporations with historic market dominance seized on the pandemic and post-pandemic economy to rake in profits at the expense of families. In recent years, large companies have increasingly carried out mergers—when two or more companies combine into one larger company—and acquisitions—when one company buys another. If these companies sell similar goods, families are left with fewer options to choose from when they are shopping around for the best price. In this way, by reducing competition, CEOs can force hiked prices on families with few to no alternatives.

Studies have shown that since the 1970s, fewer companies have been participating in U.S. industries overall due to mergers and acquisitions. The number of small companies has declined, and just a few big companies now dominate many markets. This overall trend is known as greater corporate concentration.

Larger companies in industries with greater corporate concentration can more brazenly pass higher production costs onto consumers, using inflation as an excuse to rake in higher profits. When studying inflation, the Federal Reserve Bank of Boston found that companies are more likely to pass increased production costs onto consumers in concentrated industries. A recent Federal Reserve study also showed that profit margins remained highest among the largest companies following the pandemic.

The Largest Companies Expanded Their Profit Margins More In Recent Years

Nonfinancial Publicly Traded Companies Profit Margins



Source: Federal Reserve Board, Palazzo 2023 analysis of corporate profits data from publicly traded companies not in the financial sector.

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Large companies with market dominance have kept prices high for families.

Consolidation is especially harmful when it drives up the costs of essential goods like food and diapers. In these cases, families have no choice but to buy these everyday necessities, even as higher prices are forced on them. As of 2018, just four firms controlled 55-85% of the U.S. market for poultry, pork, and beef—giving them significant power over both consumer prices and the prices that ranchers and farmers are paid for their products. Meat price increases alone accounted for half of the increase in food prices at places like grocery stores between December 2020 to September 2021.

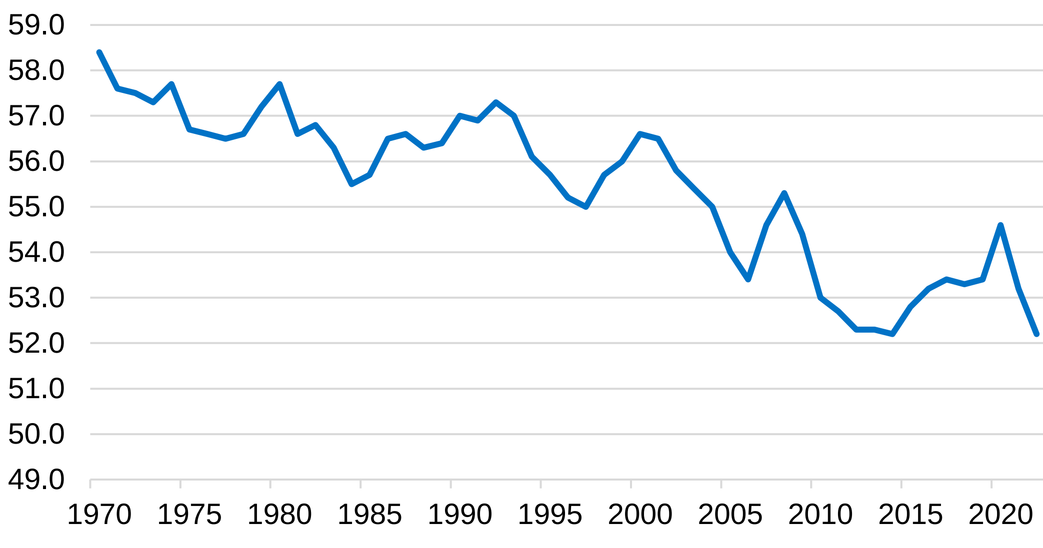
Prices for groceries and other essential items remain elevated, which particularly hurts low- and middle-income households who spend more of their family budgets on essential goods. While overall inflation has come down, grocery stores' profit margins have continued to rise. CEOs and large shareholders appear to be doing everything in their power to keep prices high. For example, companies have been more frequently experimenting with how much people are willing to pay for goods, pushing up prices as much as they can while monitoring sales data to maintain higher profits. This is particularly punishing on families in sectors where consumers are stuck with only a small number of large companies to choose from.

Increasing corporate dominance and consolidation has also harmed workers.

As the economy has become more concentrated over time, workers have received a shrinking share of overall income. Between 1978 and 2021, the average worker's compensation grew by just 18.1%, while CEO compensation grew by 1,460%. In 1965, the ratio of CEO-to-typical worker compensation was 20-to-1. By 2021, it stood at a shocking 399-to-1. Workers' output per hour has grown more than four times as much as pay since the late 1970s, but workers' share of national income has steadily declined.

The Labor Share of National Income Has Declined Since 1970

Shares of gross domestic income: Compensation of employees, paid, annual, 1970-2022



Source: Bureau of Economic Analysis, FRED.

Increasing corporate concentration and power has been shown to suppress workers' earnings. Research has shown that when a worker's company is bought by another company, that worker is more likely to lose their job and will have lower income prospects in the future. Additionally, the use of noncompete agreements and the reduction in the number of companies available to offer jobs have depressed workers' ability to negotiate for higher wages or move to a higherpaying company. While the strong post-pandemic labor market has helped many lower-paid workers change jobs and earn higher wages, they are still at a disadvantage in many industries due to increased corporate concentration.

Large companies have also increased their power by continuing to dismantle and block worker unionization. In 1950, more than 30% of the workforce was unionized and powerful labor unions helped ensure that workers shared in the benefits of growth. However, union participation began to decline in the 1970s as employers across sectors ramped up their efforts to combat unions and organizing efforts. These efforts were emboldened by legal changes that restricted workers' rights and tilted the playing field against them.

Democrats are fighting back against consolidated corporate dominance and its impact on workers and their families.

From early on in his administration, President Biden recognized the need to address corporate concentration and curb large companies' power. Just a few months into his presidency, he introduced his Executive Order on Promoting Competition in the American Economy in 2021 to protect American families from exploitation by excessively powerful firms.

The administration has also challenged companies that suppress competition, especially those in industries selling essential products to American families. As food prices rose, the Biden administration worked with state attorneys general to take on anti-competitive practices in U.S. food supply chains, and invested in smaller producers to counter price-raising corporate concentration in the meatpacking industry. In addition to fighting corporate consolidation in the food and grocery industry, they have taken on big companies in health care, banking, home mortgage services, energy, and big tech.

Democrats also recognize that workers' rights must be protected in the face of growing corporate power. That's why Congressional Democrats, including Chairman Heinrich, are working to pass the PRO Act, which would bar companies from a range of union-busting activities and empower workers. President Biden and Congressional Democrats have also passed the Inflation Reduction Act (IRA), the CHIPS and Science Act, and the Bipartisan Infrastructure Law (BIL), which protect workers' wages and include pro-union provisions.

Corporate dominance enabled price hikes of key consumer goods. If left unchecked, big companies will continue to expand their market dominance to the benefit of CEOs and shareholders, and at the direct expense of American workers and families. As the economy comes back into balance, Democrats will continue to take on corporate CEOs and put power back in the hands of everyday Americans.