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Opening Statement of Chairman Raja Krishnamoorthi Hearing on “Power and Profiteering: How Certain Industries Hiked Prices, Fleeced Consumers, and Drove Inflation” September 22, 2022

As CBS News reported earlier this year, Selina Flores, a resident of southwest Florida, used to be able to provide her family of four with balanced meals that included meat at most dinners. But when grocery prices nearly doubled, that fell to including meat only two or three days per week.

At the same time the Flores family was struggling to keep up with record meat prices, America’s four largest meat processing companies saw their profits surge 134% from \$3.8 billion in 2019 to \$8.9 billion in 2021. In the first half of 2022 alone, their combined profits totaled \$2.5 billion—a 92% increase over the first half of 2019.

Ms. Flores’s story—and the stories of others like her who are struggling to feed their families, afford insulin, or purchase gas—is why we are here. **Since early 2021, Americans have been suffering from rising prices caused primarily by global supply chain disruptions and changing demand patterns due to the pandemic. Even combined with traditional supply-and-demand factors, however, these elements are insufficient to explain why inflation remains elevated.**

Some would have you believe the American Rescue Plan is the other factor driving inflation. Those critics cannot explain, however, how the ARP somehow caused inflation to soar in other countries around the world. For example, the UK is currently experiencing 20% more inflation than the United States, but the ARP did not exist there. The European Union is collectively experiencing 22% more inflation than the United States, but the ARP did not exist in any of those countries. And Turkey is experiencing over 900% more inflation than the United States, but the ARP did not exist there either.

Additionally, non-partisan economists at Moody’s Analytics and elsewhere have credited the ARP with preventing another recession and creating as many as 4 million jobs.

There are, however, other factors that contribute to inflation that have not received enough attention. One of those factors is extreme price hikes—in other words, corporations raising prices far more than required to offset higher costs, even when accounting for shifts in supply and demand, resulting in the highest profit margins we have seen in over seventy years.

Americans outside the halls of Congress recognize the importance of this issue. In a poll that Navigator Research released in late July, a whopping 80% majority of Americans, including many Republicans, viewed excess corporate price hikes as a cause of inflation.

Although Democrats in Congress and President Biden have adopted a long-term plan to fight inflation that will reduce prescription drug prices and save the average family \$500 per year on energy costs, certain corporations instead dramatically hiked up their prices under the smokescreen of inflation.

That is why, under my chairmanship, this Subcommittee launched investigations this year into industries that implemented price hikes far in excess of their cost increases, all under the cover of shifting consumer expectations due to inflation. In January, we sent letters to meat processing giants, which collectively saw

their 2021 net profit margins increase by 300% since the start of the pandemic. In March, our Subcommittee and the Select Subcommittee on the Coronavirus Crisis jointly sent letters to three of the largest shipping companies in the world. They had 2021 profit margins 200 times greater than in 2019, but their average operating expenses increased only 18% during that time. And across our entire economy, corporate net profit margins continue to hover at historic highs.

We have convened this hearing so that our distinguished panel of experts can help us understand how corporations are able to engage in excessive price hikes, the economics behind these practices, and their harmful effects on American consumers.

We are not here today to vilify corporations. American innovation is the backbone of our economy, and many corporate leaders deserve praise for creating jobs and growth. The Inflation Reduction Act is already drawing huge new investments in American manufacturing, and the CHIPS and Science Act has led to immediate plans for new semiconductor plants. We are also not here to suggest that excessive price hikes are the sole cause of inflation. But we cannot ignore the reality that American corporations today are reporting higher profit margins than ever, while increasing prices more than necessary to cover costs—all at the expense of the American consumer. And we must do everything in our power—to shine a light on these harmful practices.

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