

**EVERYDAY EXPENSES AND EVERYDAY
AMERICANS: HOW HIGH COSTS
IMPACT CHILDREN AND FAMILIES**

HEARING
BEFORE THE
SUBCOMMITTEE ON CHILDREN AND FAMILIES
OF THE
COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS
UNITED STATES SENATE
ONE HUNDRED EIGHTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING EVERYDAY EXPENSES AND EVERYDAY AMERICANS,
FOCUSING ON HOW HIGH COSTS IMPACT CHILDREN AND FAMILIES

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JULY 9, 2024
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**EVERYDAY EXPENSES AND EVERYDAY
AMERICANS: HOW HIGH COSTS
IMPACT CHILDREN AND FAMILIES**

Tuesday, July 9, 2024

U.S. SENATE,
SUBCOMMITTEE ON CHILDREN AND FAMILIES,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:59 a.m., in room 562, Dirksen Senate Office Building, Hon. Bob Casey, Chairman of the Subcommittee, presiding.

Present: Senators Casey [presiding], Murray, Murphy, Hassan, Tuberville, Cassidy, and Murkowski.

OPENING STATEMENT OF SENATOR CASEY

Senator CASEY. The Health, Education, Labor, and Pensions Subcommittee on Children and Families will come to order. Good morning, and welcome to today's Subcommittee hearing, Everyday Expenses and Everyday Americans, How High Costs Impact Children and Families. I want to thank our witnesses for being with us today and for their testimony.

I also want to thank Ranking Member Tuberville for convening this hearing with me and to have this important conversation. We know that over the last few years, so many of us, we have—go back home to our states, and I certainly have experiences in Pennsylvania, whether it is a city like Pittsburgh or Lancaster in the middle of our state or the communities in the Southeastern corner or Northeastern corner of our state, I have heard a lot about how challenging it is to make ends meet, especially families with children.

Moms and dads are struggling to afford food and basic household necessities like diapers and laundry detergent. Students are choosing between tuition, books, and food. Small businesses, from independent grocery stores to restaurants, are struggling to cover their costs and earn a profit. These challenges exist not just across Pennsylvania, but across the nation.

I wanted to better understand why our communities are feeling this pressure, so I dug into the research. Here is what the research indicated, and it was startling. From July 2020 to July 2022, corporate profits in the United States of America rose 75 percent, 5 times the rate of inflation.

Let me say that again, corporate profits rose five times the rate of inflation in that time period. In that period from 2020 to 2022, corporate profits accounted for 41 percent of the inflation overall, according to the Kansas City Federal Reserve. That is the reality in terms of what was happening at that time.

It is true that the pandemic and the war on Ukraine took a toll on costs. Supply chains were disrupted, and our economy was shaken. But that has passed. What has remained in many ways reveals how corporations have sought to profit off of economic uncertainty, undermining and deceiving consumers while they do so.

To be blunt about it, they have been ripping people off. Using inflation as a cover, corporations have artificially raised their prices, leading their profits to soar—record profits and exploding prices all at the same time.

Now, my colleagues on the other side of the aisle have tried to blame congressional spending on programs that helped Americans recover from the post pandemic—to blame that for the drivers of inflation, but I think the data is clear. While families struggled, corporations took in record profits.

In the second quarter of 2022, inflation for families and consumers reached its peak. At the same time, the Commerce Department reported that corporate profits reached an all-time high as corporations raked in over \$3 trillion in the second quarter of 2022 alone—\$3 trillion.

I have been calling it greed-flation. I have got a report issued back in November of last year and have issued other reports that speak to this issue and amplify it. I have also sponsored a bill—two bills actually, but one in particular that will crackdown on corporate price gouging. Corporations that are not engaged in price gouging, they should have nothing to worry about.

But if they are engaged in corporate price gouging, there should be a penalty for that, plain and simple. They should be held accountable, just like all of us are held accountable. From shirking products to adding new fees on goods and services, corporations have many levers to increase their prices and gouge consumers.

Today, we will hear from two Pennsylvanians about how those price increases and deceptive practices, from junk fees to shrinkflation, have impacted their families and businesses. Pennsylvanians and all Americans deserve to pay fair prices, fair prices, and we must hold corporations accountable for all the ways in which they take advantage of consumers.

As I have made reference, I have led legislation in the Senate, one on corporate price gouging and the other on shrinkflation, the Shrinkflation Prevention Act, that will do just that. So, I look forward to having this conversation today.

It is critically important that we shine a light on how corporations are fleecing Americans and what we can do to protect our Nation's children and families. Now, I will turn next to the Ranking Member.

OPENING STATEMENT OF SENATOR TUBERVILLE

Senator TUBERVILLE. Thank you, Mr. Chairman. Thank and appreciate you calling this hearing on the impact of rising prices and what effect they are having on American families. Inflation has been out of control for the past 3 years and it is having a devastating impact on our Country and my State of Alabama.

We have got to rein in inflation, or we are not going to have a middle class left in this country. I want to welcome the Chairman's three witnesses. Thank you for coming today and I look forward to visiting with you. I am honored to have been able to invite a brilliant economist, an incredible record of public service, to today's panel, former World Bank President and Senior Trump Treasury official, David Malpass.

I look forward to introducing David after sharing some brief observations on the inflation crisis. During President Donald Trump's administration, annual inflation averaged 2.1 percent. Under President Joe Biden, the annual inflation level has skyrocketed to 5.6 percent, and inflation has hit a 40 year high.

Under President Trump, real wages increased by \$4,000. Under President Biden, real wages have decreased \$4,200. Gasoline under President Trump's pro-American energy policy averaged \$2.58 per gallon. Gas under President Biden has averaged nearly \$1 a gallon higher, at \$3.49. Unlike politicians trying to get reelected, the numbers don't lie. Americans of all backgrounds are struggling, and their struggles show in the data.

Credit card debt has soared to a near all-time high of over \$1 trillion. American families just can't afford to keep up with skyrocketing prices. Overall, prices have increased 20 percent under President Biden's leadership. Even if inflation normalizes, those are baked in price increases that aren't going away.

Every American has suffered as a result of the inflation crisis. People of color, single moms, and young folks just starting out have had an especially difficult time in this economic environment.

For the average American to afford the same lifestyle they have had at the end of President Trump's presidency, they would need an additional \$11,400 per year today just to maintain what they had 3 years ago—\$11,000. Two-thirds of the Americans are currently living paycheck to paycheck.

Who is to blame for the situation we are in? President Joe Biden and a Congress obsessed with spending money our Country doesn't have. The Biden administration has successfully pushed for trillions of dollars in irresponsible deficit spending and dumped fuel on the inflation fire sweeping our Country.

Clinton Treasury Secretary and Obama Chief Economic Adviser Larry Summers called it right when he said in 2021 that the Biden administration's economic agenda was the least responsible microeconomic policy in decades. The good news for Americans is that it doesn't have to be this way.

There is a game plan that can turn the American economy around and it has worked before. We are desperately in need of supply side growth along the lines of what President Reagan

brought about in the 1980's, by growing the size of the economy and increasing production of goods and services.

President Reagan was successful at turning out of control inflation. The key to igniting the supply side market response was a tax and regulatory agenda that encourage economic growth by unleashing the power of the free market system and made America the greatest, most prosperous nation in the world.

President Trump built on the Reagan playbook in 2017, when his tax cut package and aggressive deregulatory agenda—as a result of President Trump's pro-growth policies, American prosperity reached new heights, and for the first time in history, blue collar wages rose faster than white collar wages.

Americans of all colors, creeds, and classes thrived. I look forward to hearing the perspectives of all the witness on the economic challenges facing American children and family. I am hopeful our discussion today can be the start of something meaningful and a change to turn things around. Thank you, Mr. Chairman.

Senator CASEY. Thank you, Ranking Member Tuberville. I will start our witness introductions, and I will start with Mrs. Erin Wiggle. Mrs. Wiggle lives in Montgomery County, Pennsylvania, in the Southeastern corner of our state. And with her husband and 11 children, six of whom were adopted, Mrs. Wiggle will share how rapidly rising costs have impacted her, her business, and her community.

Mrs. Wiggle, we thank you for testifying today. Our second witness is Mr. Daniel Lee. Mr. Lee is a retired Army veteran who owns a small business in Philadelphia, Farina Pasta and Noodle. Mr. Lee will share how rising costs have impacted his business's growth and will discuss how "junk fees" imposed on his business impact expansion. Mr. Lee, we thank you for testifying.

Our third witness is Dr. Emily Gee. Dr. Gee is the Senior Vice President for Inclusive Growth at the center for American Progress, where she oversees economic policy and health policy. She leads research initiatives and policy development that aim to support equitable economic growth, our topic of focus today.

Doctor, we thank you for testifying. And I will turn now to the Ranking Member for his introduction.

Senator TUBERVILLE. Thank you, Mr. Chairman. My witness today have both President Reagan and President Trump craft their winning supply side economic growth struggles and strategies. He is one of the best economists out there and respected far and wide, David Malpass.

Most recently served as the 13th President of the World Bank where he focused on increasing economic growth to reduce global poverty. Just prior to this role, Mr. Malpass was nominated by President Trump and confirmed by the Senate as Undersecretary of the Treasury for International Affairs where he represented the United States at global meetings such as the G7 and G20. In addition to these positions, he spent years at the chief economics of Wall Street giant Bear Stearns.

Mr. Malpass also served as Deputy Assistant Secretary of the Treasury under President Ronald Reagan, Deputy Assistant Sec-

retary of State under President George H.W. Bush, and as Staff Director of the Joint Economic Committee here on Capitol Hill. He earned a bachelor's degree from Colorado College and an MBA from the University of Denver, and he undertook extensive graduate work in economics in Georgetown University.

Currently, Mr. Malpass serves as Distinguished Fellow of International Finance at Purdue University. David joined here today by his wife, Adele, and has a distinguished career on Capitol Hill service herself, and now runs the Daily Caller news organization. I am honored to have David here today as a witness and look forward to his testimony. Thank you, Mr. Chairman.

Senator CASEY. Thank you, Ranking Member Tuberville.

We will turn first to Mrs. Erin Wiggle.

STATEMENT OF ERIN WIGGLE, CONSUMER, WORCESTER TOWNSHIP, PA

Mrs. WIGGLE. Chairman Casey, Ranking Member Tuberville, and Members of the Subcommittee, thank you for the opportunity to testify before you today. My name is Erin Wiggle. I currently live in Worcester Township, Pennsylvania, along with my husband and children. I am testifying before you today to share my family's experience with rising costs. First, I want to share a bit about my family.

My husband and I are both retired Army veterans serving together from 1991 till 2010. Today, we own a nonprofit, Go and Farm Animal Rescue, that grew out of our community's tremendous need for farm animals rescued during the COVID-19 pandemic.

In addition to this, my husband and I are proud parents to 11 children from ages 3 to 27, 6 of whom were adopted. After having five children around, we chose to expand our family through foster care and adoption.

Over the course of 12 years in the foster care system, we have cared for an upward of 50 children. Many of these children we have fostered and since adopted have special needs, including down syndrome, Dandy-Walker syndrome, Tourette syndrome, and a genetic disorder that is currently unnamed.

Between our businesses and our children, we incurred many expenses from diapers and food to gas and their costs. This is particularly true given the medical needs of some of our children with special needs.

Some require special diets, while others require frequent trips to specialists. These capped costs add up. They have become more burdensome since the pandemic. For example, yogurt used to be four for \$1.

Now, they are \$1 each. American cheese went from \$4.99 to \$9.99. I used to be able to buy a bale of hay for under \$5, now they are at least \$10. Dairy products have increased tremendously. We have also seen products we use every day, like laundry detergent, shrink while we are stuck paying the same prices.

This means while I used to buy laundry detergent every month, I am now buying it more frequently. Similarly, paper products have

gone up in price as well and shrinking in size. And at one time I could buy all of our paper products, paper towels, paper plates, toilet paper for the month.

Now, I find we are needing to restock in 3 weeks' time. Our oldest children are now beginning to live on their own and make financial decisions of their own. Oldest son has joined the military and is currently stationed in Arizona. Three of these children have tried to stay local, but I have found it is not possible to stay in the area as housing prices are far too high for the typical 20 something.

They struggle to afford things like groceries, utilities, and health care, things that my generation took for granted. High costs have impacted every generation of our family. My family and community have wondered why cost will continue to stay high, even continue to rise following the pandemic.

My husband works and logistics, so we were very aware and understanding of the supply chain challenges and—that the market faced during the pandemic, but they have continued to increase in cost. It is making no sense. Starting wages have remained the same, yet the price of nearly everything has gone up.

The average employee will work for an hour and can still not afford a block of Velveeta cheese. Senator Casey's work on greedflation exposing large corporations who have continued to increase their prices beyond what is necessary during the pandemic to inflate their own profits has resonated with my family.

From street price increase to junk fees, to what Senator Casey has called shrinkflation, it is not fair to consumers. Companies should be able to make a product and make a profit, but not take advantage of the average family.

I want to be able to continue to give my children the life that they deserve and to continue to operate our rescue, but these costs have strained our family, and our companies should be aware of the impact and the actions may have on consumers. Thank you for the opportunity to testify and share my experiences today.

[The prepared statement of Mrs. Wiggle follows.]

PREPARED STATEMENT OF ERIN WIGGLE

Chairman Casey, Ranking Member Tuberville, and Members of the Subcommittee, thank you for the opportunity to testify before you today. My name is Erin Wiggle and I currently live in Worcester Township, Pennsylvania along with my husband and children.

I am testifying before you today to share my families' experience with rising costs. First, I want to share a bit about my family. My husband and I are both retired Army Veterans, serving together from 1995–2010. Today, we own a non-profit goat and farm animal rescue that grew out of our community's tremendous need for farm animal rescue during the COVID–19 pandemic.

In addition to this, my husband and I are the proud parents of 11 children from ages three to 27, six of whom are adopted. After having five children of our own, we chose to expand our family through foster care and adoption. Over the course of 12 years in the foster care system, we have cared for upwards of 50 children. Many of the children we have fostered and since adopted have special needs, including Down Syndrome, Dandy-Walker Syndrome, Tourette syndrome, and a genetic disorder that is currently unnamed.

Between our business and children, we incur many expenses, from diapers and food to gas and vet costs. This is particularly true given the medical needs of some

of our children with special needs. Some require special diets, while others require frequent trips to specialists.

These costs add up—and have become more burdensome since the pandemic. For example, yogurt used to be 4 for \$1, now they are \$1 each. American cheese went from \$4.99 to \$9.99. I used to be able to buy a bale of hay for under \$5, now they are at least \$10. Dairy products have increased tremendously. We have also seen products we use every day, like laundry detergent, shrink, while we are stuck paying the same price. This means that while I used to buy laundry detergent every month, I am now buying it more frequently. Similarly, paper products have gone up in price while also shrinking in size. At one time I could buy paper plates, paper towels and toilet paper for the month. Now I find we are needing to restock in 3 weeks' time.

Our older children are also now beginning to live on their own and make financial decisions of their own. Our oldest son joined the military and is currently stationed in Arizona. Three of our other children have tried to stay local but have found it's not a possibility to stay in the area, as housing prices are far too high for the typical 20-something. They struggle to afford things, like groceries, utilities and health insurance—things that our generation took for granted.

High costs have impacted every generation of our family.

My family and community have wondered why costs have continued to stay high—and even continue to rise following the pandemic. My husband works in logistics, so we are very aware and understanding of the supply chain challenges that the market faced during the pandemic—but the continued increases in cost make no sense. Starting wages have remained the same, yet the price of nearly everything has gone up. The average employee will work an hour, and still cannot afford a block of Velveeta cheese.

Senator Casey's work on greedflation—exposing large corporations who have continued to increase their prices beyond what was necessary during the pandemic to inflate their own profits—has resonated with my family. From straight price increases to junk fees to what Senator Casey is calling “shrinkflation,” it is not fair to consumers.

Companies should be able to make a profit, but not by taking advantage of the average family. I want to be able to continue to give my children the life they deserve, and continue to operate our rescue, but these costs have strained our family and companies should be aware of the impact their actions have on consumers.

Thank you for the opportunity to testify and share my experience today.

Senator CASEY. Thank you, Mrs. Wiggle.

We will turn next to Mr. Lee.

STATEMENT OF DANIEL LEE, OWNER, FARINA NOODLE AND PASTA, PHILADELPHIA, PA

Mr. LEE. Thank you. Chairman Casey, Ranking Member Tuberville, and Members of the Subcommittee, thank you for inviting me to participate in today's hearing and thank you for your attention on a topic that is of critical importance. My name is Daniel Lee. I own and operate Farina Pasta and Noodle.

We are a fast casual restaurant located in Center City, Philadelphia. I am a member, or veteran of the Army, and I was doing explosive ordnance disposal work for about four or 5 years. I started fresh—a fresh pasta focused restaurant concept and a ghost kitchen in 2020. It evolved into a brick and mortar location in 2021.

I love what I do, and I thrive in the trusting relationships that I have built with my local community, but I am challenged every day with how to keep my doors open, my staff compensated, and my customers happy and eager to return. Today, I would like to share a few of these macro challenges with you all.

Challenge one, the pre-pandemic prices have now come back. As a small business, everything I buy has gone up significantly in

price. When prices rose during the pandemic, we accepted the general pricing hikes on everything from produce to packaging, plates, silverware, everything.

Those price increases were passed on to small business owners, and however, there is now no longer a shortage of produce and drivers and general things to bring those prices back down. We still see a higher price in gas, and we still see higher pricing in our packaging. Why haven't we seen these prices come down? As you are likely aware, fast casual corporate chains, many backed by private equity investors, are open all around me.

I am not afraid of a competition. I will stand by my products and services, but it is not a level playing field. We don't have the buying power that they do. We can't purchase in bulk. We can't buy tons and tons of packages to reduce our pricing.

We don't have the negotiating power. We also don't have the large marketing budgets to bring in the customers that they do. Challenge No. 2, the junk service fees. When customers order delivery from a restaurant many times are finding us through some of the third delivery apps like Grubhub, DoorDash, Uber Eats, and they charge fees as a part of being on their platform.

Sometimes those fees are as high as 30 percent, plus marketing fees, which can be like sponsoring a post or something like that. All told, that can take as much as 50 percent from each order. To offset these fees, we charge a higher price on their platforms than what we are charging in-store. That alienates a lot of our customers.

When these delivery apps find out that you have a higher price on the third party apps versus what you have on an in-store, what they will do is they will throttle your company. So, they will basically take your company and move it down in the search rankings.

I have an email from one of these companies saying that they did just that to my company because I have lower fees, lower prices in my in-store. Most of these stores, most of these small businesses are not easy to find as it is on these third party apps.

Companies like Wendy's, McDonald's, sometimes you will find them under their local eats section under Uber Eats. As far as I know, McDonald's is not local anywhere. It is a vicious cycle. We raise our prices to maintain revenue. Higher prices cause me to lose business and lose money.

Eventually, restaurants like mine shut down. Challenge No. 3, employee acquisition and retention gets more and more challenging. Inflation also impacts my labor costs. Employees are struggling with the same inflated cost of groceries, gas, and rent.

Currently, I pay a base salary of \$14 an hour plus tips, which puts them over \$15 an hour and that is to retain the qualified labor and committed, well-paid employees, which also results in later on better customer experience.

But as I have experienced, if you cannot pay \$14 an hour or \$15 an hour in some cases, plus tips, you will find that your customer service suffers so customers don't return and then they leave you bad reviews.

In conclusion, I can say that I care very much about my business and the small business community and the culture around me. When consumers shop local, \$0.68 of each \$1.00 spent is recirculated within the local economy.

This ripple effect is powerful and significant to our local economies, and it is also at risk. As small businesses fail, our neighborhoods lose what makes them unique and vibrant, from the food they serve, to the goods they provide, and to the cultures and communities that they—represent.

This isn't just true from Philadelphia, but this is true for all large cities and small towns across the country. As an advocate for these communities, I thank you for listening and I look forward to help you in moving forward.

[The prepared statement of Mr. Lee follows.]

PREPARED STATEMENT OF DAN LEE

Chairman Casey, Ranking Member Tuberville and Members of the Subcommittee—thank you for inviting me to participate in today's hearing and thank you for your attention to a topic that is of critical importance.

My name is Dan Lee. I own and operate a small, fast-casual restaurant—Farina Pasta and Noodle—which I opened in Philadelphia, Pennsylvania in 2021 after proudly serving our Country in the Army as a bomb squad team member.

I started our fresh pasta-focused restaurant concept in a ghost kitchen in 2020, soon evolving to a brick-and-mortar location in 2021. I love what I do and I thrive on the trusting relationships I've built with my local community, but I'm challenged every single day with how to keep my doors open, my staff compensated, and my customers happy and eager to return.

Today, I'd like to share a few of these macro-challenges with all of you.

Challenge 1: Pre-pandemic Prices Have not Come Back

As a small business, everything I buy has gone up significantly in price. When prices rose during the pandemic, we accepted the general pricing spikes on everything from produce to packaging to fuel. These price increases were passed on to small business owners. However, now there's no longer a shortage of produce and gas prices have fallen from their peak, and the logistical challenges for shipping have come and gone. Why aren't we—the shop owners—seeing a difference?

As you are likely aware, fast-casual corporate chains—many backed by Wall Street investors—are opening all around me. I'm not afraid of competition and will stand by my product and services, but it's not a level playing field for myself and small businesses like mine. I'm paying \$1 per box for the pizza boxes I need for take-out for just one of my menu items. I don't have the buying or negotiating power of a chain restaurant that benefits from economies of scale. We don't have large—if any—marketing budgets to drive sales and acquire new customers. It's hard to compete.

Challenge 2: The Junk (Service) Fees From Food Delivery Apps are Constantly Inflated, With no end in Sight

When a customer orders delivery from my restaurant, many times they're finding us through a food delivery service like Grubhub, DoorDash, or Uber Eats. The fees that these apps charge the consumer are significant and strain the consumers' ability to shop at my store. They can be as high as 30 percent plus marketing fees which means you can see as much as 50 percent being taken from the total order.

To offset the fee these companies charge, we raise our prices for the apps and run the risk of alienating our customers—even our loyal ones—because they can't afford the higher price in addition to the extra fees. The delivery apps do not like when a business owner charges a higher price on their platforms versus what is charged for an instore purchase. With one of the delivery platforms, if they find out you charge a different price, they will not show your store as high in the search rankings until you change the prices to make them the same. Most small restaurants are not as easily searchable and are buried deep in their list of food providers. In fact, I have seen large chain businesses, like Wendy's or McDonald's, rec-

ommended as a “local” favorite by these apps—this is because these larger restaurants are able to develop a relationship, at the corporate level, with the apps.

It’s a vicious cycle—we raise prices to maintain revenue, higher prices cause me to lose business and lose money—and eventually restaurants like mine must shut down.

Challenge 3: Employee Acquisition and Retention Gets More and More Challenging

Inflation also impacts my labor costs—my employees are struggling with the same inflated costs for groceries, gas, and rent. I pay a base of \$14 per hour plus tips to recruit and retain qualified labor. Committed and well-paid employees also result in an all-around better customer experience. Not to mention that turnover, often resulting from low pay, is expensive and time-consuming.

Conclusion

I care about my business and about the small business community culture around me. When consumers shop local, \$0.68 of every dollar spent is recirculated in the local economy. This ripple effect is powerful and significant to our local economies, and it is also at risk. As small businesses fail, our neighborhoods lose what makes them unique and vibrant, from the food they serve, to the goods they provide, to the cultures and communities they represent. This isn’t just true for Philadelphia, but for other large cities to small towns across the country. As an advocate for these communities, I thank you for listening and I look forward to your help in moving us forward.

Senator CASEY. Mr. Lee, thank you for your testimony.

Dr. Gee.

STATEMENT OF DR. EMILY GEE, SENIOR VICE PRESIDENT, CENTER FOR AMERICAN PROGRESS, WASHINGTON, DC

Dr. GEE. Good morning, Chairman Casey, Senator Tuberville, and Members of the Subcommittee. Thank you for inviting me to testify today about the high costs that American families face for everyday expenses and what can be done to improve affordability.

I am an Economist and Senior Vice President for Inclusive Growth at the Center for American Progress, an independent, non-partisan policy institute dedicated to improving the lives of all Americans.

Today, I want to stress that the trajectory of the economy is not simply the result of an invisible hand, of the markets, but the result of deliberate policy choices. Rising corporate power and growing inequality come from decades of overly permissive antitrust policy, labor laws hostile toward workers, and a tax system that lets corporations get away without paying their fair share.

This morning, I will discuss the ways in which high costs for these expenses can undermine families’ economic security, the role of corporate concentration in rising prices, and last, recommendations for Federal policies that have provided families relief and could further restore the balance of power in the economy.

First, allow me to mark that the state of the overall U.S. economy is strong. In the past 40 months, United States has added over 15 million jobs. The unemployment rate has held steady at around 4 percent since late 2021, and inflation is now below 3 percent.

Nevertheless, the global economic shock brought by the COVID-19 recession looms large in our collective memory. It rocked fami-

lies' financial security, fractured fragile supply chains, and placed small businesses at a disadvantage.

The pandemic's unstable economic environment also generated an opening for firms to exercise their market power by hiking prices above cost. Researchers at the Federal Reserve Bank of Kansas City found that markups could account for more than half of 2021 inflation. Higher markups translate in higher profits, and both markups and corporate profits rose in 2021 to the highest levels in 50 years.

Where inflation has moderated, the high level prices are still giving Americans sticker shock at the checkout counter and in the grocery aisle. When surveyed, Americans rank the high cost of living and inflation as one of the top concerns facing this country. In particular, childcare and health care are two of the biggest costs in families' budgets.

Many families spend well above the Federal affordability benchmark, that is 7 percent of annual household income, for basic childcare, including 95 percent of low income working families. And the burden of rising healthcare costs only adds to this financial strain.

One contributor toward higher prices throughout the economy is rising consolidation. This is the result of 40 years of policy tilted in favor of large corporations, fueling the growth of private equity at the expense of workers, families, and small businesses. Corporate profits increasingly are concentrated in a declining number of firms.

Americans should be concerned about dominant corporations using their increased market power not only to increase prices but also to limit choice, to conceal information necessary to make informed decisions, to build greater control over our personal data, and to remove workers' job mobility.

By one estimate, the increase in corporate power over the past 20 years cost the average American household \$5,000 annually through higher prices and lower wages. Federal policymakers have an opportunity to shape markets to lower costs for American families and empower businesses—small businesses and workers.

With everyday costs in mind, I want to highlight three areas of policy to address corporate power. First, greater transparency is essential for robust competition. Transparency for consumers including offering full information upfront about pricing and product characteristics facilitates comparison shopping and budgeting.

It also enables honest firms and efficient firms to distinguish themselves by offering lower costs in the marketplace. Second, if Congress wants to improve competition, it should back that up with funding for expanded authority—and expanded authority for antitrust enforcement.

The FTC and DOJ are charged with overseeing a growing economy marked by diminished competition but are not being given the resources to keep up. And third, as we consider the toll of high costs, we should keep in mind the other side of the ledger on family budgets that is wages.

Going forward, policies such as overtime protections, bans on non-compete clauses, and raising the minimum wage are essential to ensuring that workers have a fair shot. In conclusion, the growth of corporate profits stands in contrast to the still shaken confidence that American families have in the economy and the stress that they feel from high prices.

To grow the middle class and ensure that families are able to afford the things they need, Congress should take action to ensure that high costs are not a barrier to growing the middle class and for American families. Thank you.

[The prepared statement of Dr. Gee follows.]

PREPARED STATEMENT OF EMILY GEE

Chairman Casey, Ranking Member Tuberville, members of the subcommittee, thank you for inviting me to testify before you about the high costs that American families face for everyday expenses and what can be done to improve affordability.

I am a Senior Vice President for Inclusive Growth at the Center for American Progress, an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans. I oversee the organization's economic policy, health policy, and Women's Initiative. Prior to joining American Progress, I served as an economist on the staff of the Council of Economic Advisers in the White House and at the U.S. Department of Health and Human Services.

I want to stress that the trajectory of the economy—and the economic security of families and children today and into the future—is not simply the result of the “invisible hand” of the markets but the result of deliberate policy choices. Rising corporate power and growing inequality are the products of decades of overly permissive antitrust policy, labor laws hostile toward unions, and a tax system that lets corporations get away without paying their fair share.

I will discuss some of the ways in which high costs for basic expenses can undermine families' economic security, the role of corporate concentration in rising prices, and recommendations for federal policies that have provided families relief and could further restore the balance of power in the economy.

The COVID-19 pandemic recession exposed weaknesses in the U.S. economy

To understand the present state of the economy, we should look to the recent past. The state of the current U.S. economy is strong. In the past 40 months, the United States has added 15.6 million jobs,² the unemployment rate has held steady at or below 4 percent since December 2021,³ and inflation is below 3 percent.⁴ Incomes have grown faster than inflation across all income groups, and that growth has been strongest for the poorest Americans.⁵

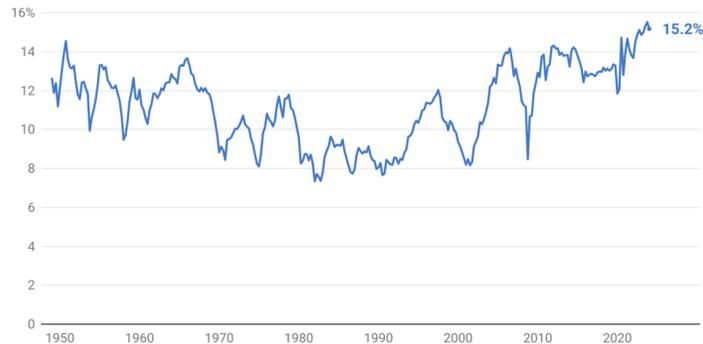
Nevertheless, the global economic shock brought by the COVID-19 pandemic recession looms large in our collective memory. The recession, along with the rise in energy costs resulting from Russia's war on Ukraine, exposed the fragility of our economic system. Fractures in fragile supply chains rapidly led to shortages of goods, from toilet paper and medical supplies, and to spikes in prices. The supply chain disruptions also exposed the challenges small businesses disproportionately face; a recent Federal Trade Commission report on competition in the grocery industry noted that small grocers were at a disadvantage relative to large corporations.⁶

The resulting spell of high inflation the United States experienced in 2021 and 2022—with PCE price indexes at 5.9 percent for both years—can be attributed to a number of factors,⁷ with the largest effect coming from the supply side.⁸ In addition, the pandemic's unstable economic environment also generated an opening for firms to exercise their market power by hiking prices.

In fact, during that period of supply chain disruptions, corporations raised prices for consumer goods beyond levels justified by present costs—in other words, increased their markups. Markups were also a major contributor to inflation. In fact, researchers at the Federal Reserve Bank of Kansas City found that “markups could account for more than half of 2021 inflation.”⁹ Higher markups translate into higher profits, and both markups and corporate profits rose in 2021 to their highest levels in over 50 years.¹⁰ (See figure below.)

Corporate profits are at historically high levels

Corporate profits as a share of national income, 1949–Q1 2024



This analysis includes inventory valuation adjustment (IVA) and capital consumption adjustment (CCAAdj) but excludes Federal Reserve bank profits.

Source: CAP analysis of U.S. Bureau of Economic Analysis, "NIPA Table 1.12: National Income by Type of Income," available at <https://apps.bea.gov/iTable/> (last accessed July 2024); U.S. Bureau of Economic Analysis, "NIPA Table 6.16B-D: Corporate Profits by Industry," available at <https://apps.bea.gov/iTable/> (last accessed July 2024).

Chart: Center for American Progress

While inflation has moderated, many American families still feel squeezed

Thanks to a series of federal investments that helped defray families' costs for major expenses like child care and rent during the recession and spur private investment in sectors critical for the economy of the 21st century, the United States made a strong recovery from the pandemic recession. To put things in perspective, the U.S. economy had a faster recovery and is experiencing lower inflation than the economies of other G7 nations, and it is on track to grow faster this year than those of the other G7 countries.¹¹

Inflation has moderated and is now below 3 percent. Grocery price inflation peaked at 13.5 percent in 2022,¹² and has come down since then, following policies to ease supply chain bottlenecks in meat and poultry processing and increased policymaker scrutiny of high food prices.¹³ Food prices were essentially flat between April and May.¹⁴ And substantial wage growth has helped keep groceries affordable for many families: a typical worker must work fewer hours to buy a bag of groceries than in 2019.¹⁵

Nevertheless, the high *level* of prices is still giving Americans sticker shock in the grocery aisles and the checkout counter. When surveyed, Americans rank the high cost of living and inflation as one of the top concerns facing the country.¹⁶ Even families who say they are making it feel a heightened sense of precarity, knowing they are just one car breakdown or one illness away from financial disaster.¹⁷

Child care and health care are two of the biggest items in family budgets. Many families spend well above the federal affordability benchmark—7 percent of annual household income—for licensed child care, including 95 percent of low-income working families.¹⁸ The burden of rising health care costs only add to this financial strain. In 2022 nearly half of U.S. adults, including 47 percent of those with insurance, reported difficulty affording health care costs including monthly premiums, deductibles, and out-of-pocket expenses.¹⁹ High costs and unaffordable care can lead to medical debt, which further increases families' risk of financial hardship.²⁰

Rising consolidation leads to higher prices and harms families and small business

Corporate profits as a share of our economy are above where they were before the pandemic. This is the result of 40 years of tax, labor, regulatory, and antitrust policy tilted in favor of large corporations and fueling the growth of private equity, at the expense of workers and families. As research by my CAP colleague Marc Jarsulic has shown, the share of firms earning profits above competitive levels has risen substantially since the 1970s, markups have increased in recent decades, and corporate profits are concentrated in a declining number of firms.²¹

Corporate concentration is rising throughout the economy, and since the 1990s has increased in more than 75 percent of U.S. industries.²² In 2019, the top four grocery chains accounted for 43 percent of grocery sales, compared with just 21 percent in 1997.²³ Within the prescription drug financing chain, the top three pharmacy benefit managers accounted for nearly 80 percent of

the market.²⁴ And in the global container shipping business, the top four firms control more than half of shipping capacity.²⁵

Americans should be concerned about dominant corporations using increased market power not only to raise prices but also to limit choice, to conceal information necessary for consumers, investors, and small businesses to make informed decisions, to wield greater control over our personal data, and to limit workers' job mobility. By one estimate, the increase in corporate power over the past 20 years costs the average American household \$5,000 annually through higher prices and lower wages.²⁶

So-called "junk fees" represent one manifestation of insufficient competition. The hidden fees for everything from airline tickets to home rentals to banking take consumers by surprise, robbing them of the ability to comparison shop and making it more difficult for families to budget for the future.²⁷ The numerous actions the Biden administration has taken to eliminate junk fees are projected to save Americans over \$20 billion annually, as well as millions of hours of wasted time.^{28,29}

Policy recommendations to improve the economic security of American families

Federal policymakers have an opportunity to shape markets to lower costs for American families and rightly value the contributions of American workers and small business owners. Indeed, recent legislation, as well as actions by the Biden administration, have turned the United States in a better direction.

The Inflation Reduction Act (IRA) is a prime example of reforms aimed at countering corporate power to lower everyday costs.³⁰ I applaud Congress for having stood up to Big Pharma greed to newly empower Medicare to directly negotiate lower prescription drug prices, cap the cost of insulin at \$35, and prevent unjustifiable price hikes and return that money to seniors' pockets. The IRA was also a historic investment for climate, accelerating the U.S. transition to cleaner energy and lowering families' costs for household appliances and utility bills.³¹

With everyday costs in mind, I want to highlight three areas of competition policy to address corporate power: transparency, antitrust, and stronger consumer and producer protections:

Transparency. Transparency is essential for robust competition and for corporate accountability. First, greater transparency for consumers, including full information upfront about pricing and product characteristics, facilitates comparison shopping and budgeting. It also enables honest and efficient firms, offering lower costs, to distinguish themselves in the marketplace. For example, standardization of health insurance plans reduces choice overload and allows consumers to easily compare the plan characteristics that matter most to them.³² The elimination of hidden junk fees and surprise medical billing are also examples of consumer-facing reforms that advance transparency.

A second area for greater transparency is corporate control and financial risk. An ever-larger number of private equity funds and companies are taking advantage of expanded exemptions from the critical disclosures that public companies are required to make regarding operations, management, risks, and audited financials. Private markets are growing rapidly and private companies, which are now often worth billions, increasingly raise capital from pension and other retirement funds—essentially from millions of retirement savers—while avoiding disclosure mandates. Examples abound of geographies where private equity funds have acquired a large share of a particular industry or profession, enabling greater control over prices, employment, and more. In addition, close connections between private funds in these dark markets compound these concerns, with private equity funds selling to each other (secondary buyouts) and colluding with each other in some industries in which more than one private equity fund owns businesses (oligopolistic collusion).³³

Mandated disclosures would be particularly impactful in health care markets, where consolidation, concentration, and the proliferation of private equity are driving up health care costs for American families.³⁴ For example, to address issues related to prescription drug pricing, insurers, drug wholesalers, pharmacy benefit managers, retail pharmacy chains, group purchasing organizations, and mail-order pharmacies would disclose information on all material contractual and economic relationships with other parties that affect medication pricing, availability, and choice for patients. Implementing disclosures would provide much needed insight into health care delivery operations, shedding light on who is benefitting and by how much, as well as exposing conflicts of interest that are increasing the cost of care and harming patients.³⁵ Moreover, these disclosures would equip antitrust authorities to identify and address anticompetitive behavior.

Stronger antitrust enforcement. If Congress wants to improve competition, it should back that up with funding. The nation's competition watchdogs are charged with overseeing a growing economy marked by diminished competition but are not being given the resources to do so. Between 2010 and 2018, the antitrust budgets for the FTC and DOJ grew only 3 percent while the overall U.S. economy grew by 37 percent.³⁶ FTC and DOJ's new merger guidelines call for increased scrutiny of serial acquisitions, vertical consolidation, and labor market effects of consolidation transactions,³⁷ but the success of that agenda in practice will require bringing merger challenges and other cases and having the resources to win.

Expanding the FTC's authority over anticompetitive conduct would also help consumers and workers. For example, the Price Gouging Prevention Act of 2024 would empower the FTC to stop dominant corporations from using periods of market shock to opportunistically raise prices, which many appear to have done during the pandemic to raise profits, while creating a defense for small businesses that act in good faith.³⁸ The FTC's ban on non-compete agreements is a major step forward for workers,³⁹ and Congress could bolster that to explicitly extend the FTC's conduct enforcement authority to not-for-profit entities, such as non-profit hospital systems.

Worker protections. As we consider the toll of high costs, we should keep in mind the other side of the ledger in family budgets: wages. The good news is Americans' wages are growing faster

than inflation: almost six in 10 workers got an annual raise that beat inflation as of November last year, a share higher than the pre-pandemic (2017-2019) average.⁴⁰ Going forward, policies such as overtime protections, bans on non-compete clauses, and minimum wage, as well as the free and fair choice to form a union, will remain essential to ensuring that corporations are fairly compensating labor and that workers have a fairer shot.

Conclusion

The growth of corporate profits stands in contrast to the still-shaken confidence families have in the economy and stress they feel from high prices.⁴¹ To grow the middle class and ensure families are able to afford the things they need, Congress should take action to ensure that high costs—including groceries, housing, child care, and health care—are not a barrier for American families.

¹ I am grateful to my colleagues Brendan Duke, Alexandra Thornton, Natasha Murphy, Marc Jarsulic, Christian Weller, and Casey Peeks for their input, as well as to Kyle Ross and David Correa for research assistance.

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Senator CASEY. Dr. Gee, thanks very much for your testimony. Mr. Malpass.

**STATEMENT OF HON. DAVID MALPASS, FORMER PRESIDENT
OF THE WORLD BANK GROUP, WASHINGTON, DC**

Mr. MALPASS. Thank you, Chairman Casey, and Senator Tuberville, and Members of the Subcommittee. Thank you for the invitation to testify.

My remarks today are focused on the cause and impact of high prices. They are continuing to put strain on children and families in the U.S. and around the world. I focused my work as President of the World Bank on higher incomes, clean water, and sufficient energy for people in developing countries.

Fast, market-based growth, non-inflationary growth is the critical underpinning of higher living standards. U.S. first quarter real GDP growth was only 1.4 percent. This is disappointingly slow, especially considering the huge injection of demand through Government spending and debt. The non-Government portion of the economy is barely growing.

The explosion of Government debt is costly not only because of debt service. Even more costly is the inter-generational transfer that supports the current Government and its policies but uses up future resources. The Congressional Budget Office economic projections show only 2 percent real growth in 2024, and the same or less in the subsequent 10 years.

The generation of Americans coming of age, then, will be repaying trillions of dollars of debt without having benefited much from it. Reversing the current stagflation will require a complete upheaval in economic policy to allow faster growth, greater private sector investment, more production, a conscious shift in regulation from excessive to effective regulation, much slower growth in Government spending, revised Federal Reserve models and tools, and a recovery in education.

None of these is forthcoming in the current Administration. I would like to mention education briefly, given the Committee's important remit on that. Children in the U.S. suffered a severe setback in learning during COVID, as they did everywhere in the world, with remote learning proving ineffective.

The focus on literacy and numeracy is urgently needed if we are to recover some of the ground lost during the school closures and enable the generation that is expected to repay the explosion of Government debt underway. High prices are closely related to production shortfalls. In a market system, prices are a response to supply and demand.

Complex regulations discourage investment and production, boosting prices and putting key infrastructure such as canals, locks, pipelines, and the electricity grid at risk. Many sectors of energy production are constrained either by existing regulations or the fear of new regulations, such as the attempted ban on liquefied natural gas exports.

The regulatory freeze is particularly problematic for U.S. mining and energy production, which are key drivers of economic growth.

To compete effectively, the U.S. needs more energy, not less. Production of nuclear power and other non-intermittent sources of electricity need to be accelerated dramatically to add to baseload as we work to strengthen and protect the electricity grid.

Combined with costly regulations, the explosion in Government spending causes inflation. It is hard sometimes to fully comprehend the size of the expansion of Government in recent years. I have called it uncharted territory, but that doesn't go far enough. It is truly out of control. Outlays were running roughly \$4.2 trillion per year prior to COVID.

They jumped to \$6.7 trillion in Fiscal Year 2020 and 2021 and are now expected to be maintained at roughly \$7 trillion per year, and then rise to \$8 trillion later this decade. This sustained surge in spending causes businesses to invest and hire less. It crowds out small businesses.

It is the epitome of irresponsible microeconomic policy. CBO's June baseline showed \$85 trillion in 10 year outlays in the Fiscal Year 2024 to 2030—2034—Fiscal Year 2025 to Fiscal Year 2034 time period, and \$63 trillion in revenues. This adds \$22 trillion to the national debt. That is the CBO baseline under the current policies of the Biden administration.

The rapid escalation of national debt is creating huge problems globally. I have written extensively on this. The U.S. Government is materially slowing global growth by absorbing a huge portion of global capital and allocating the funds to Government consumption, rather than global investment.

The short maturities of U.S. debt add materially to that particular problem. Solutions exist. You can change policy. The Government can rethink the way it interacts with inflation. The risk under current policies is continuation of the status quo as the economy weakens. That is in the CBO forecasts.

The economy is digesting years of high real interest rates and a deeply inverted yield curve. That is a scenario that is antithetical to private sector growth. Manufacturing data has been weak. Commercial and industrial loans have been weak.

There needs to be greater production, of energy, which is critical for sustaining the electricity grid and the growth in electricity that is needed. A supply side approach would—based on increased production, would bring inflation down and also allow interest rate cuts while defending the dollar. The Biden administration has argued against such changes. At first, it said inflation will be transitory.

That idea was supported by the Federal Reserve. But like so many of the Fed's models, inflation models, it didn't pan out. The Administration didn't blame the supply chain, it blamed shrinkflation. It blamed corporate greed and Donald Trump. Shrinkflation didn't work because the CPI takes smaller package size into account.

The corporate greed complaint wasn't supported by the data. An exhaustive Fed study last month disproved it. Aggregate markups have stayed essentially flat since the start of the recovery. So, in

conclusion, the election cycle has made clear that there is another path.

There is positive change by reducing harmful regulations, taxing much less than President Biden's proposals, encouraging private sector growth, and defending the dollar. Markets are forward looking, so the benefits would spread quickly through the economy. Prices and interest rates could decline relatively quickly, helping consumers make a comeback. Thank you, Mr. Chairman.

[The prepared statement of Mr. Malpass follows.]

PREPARED STATEMENT OF DAVID MALPASS

Chairman Casey, Senator Tuberville, Members of the Subcommittee, thank you for the invitation to testify. People across the country and around the world have been hit hard by inflation. Children and families are particularly at risk due to high food, medical and energy prices and the generational setback in education from prolonged school closures during COVID.

As background, my career has been focused on economics, finance and development. My first job in Washington was in 1984 as a tax and trade economist with the Senate Budget Committee chaired by Senator Pete Domenici. From 1986–1993, I was an economic official at the Treasury and State Departments with Secretary James Baker and then worked on Wall Street from 1993–2016. From 2017–2023, I was privileged to serve as Treasury Undersecretary and then World Bank president.

My remarks today are focused on the cause and impact of high prices. They are continuing to put strain on children and families in the U.S. and around the world. Reversing the current stagflation will require a complete upheaval in economic policy to allow faster growth, greater private sector investment, more production, a conscious shift from excessive regulation to effective, much slower growth in government spending, a smaller, more focused Federal Reserve with revised models and tools, and a recovery in education, none of which is forthcoming in the current Administration. The election choice has made clear that there is another path: positive change by reducing harmful regulations, taxing much less than President Biden's proposals, shrinking the oversized government and Washington establishment, encouraging private sector growth, and defending the dollar. Markets are forward-looking, so the benefits would spread quickly through the economy. Prices and interest rates could decline relatively quickly, helping consumers make a comeback.

Stagflation and Reversal in Education

During my recent 6 years in public service, I participated actively in the G7, G20 and IMF discussions on economic policies and the outlook for inflation and interest rates. I focused my work as president of the World Bank on higher incomes, clean water and sufficient energy for people in developing countries. By 2021, the Covid lockdowns and school closures were causing severe reversals in living standards, especially for children and families. World Bank statistics on poverty, child nutrition, and literacy showed devastating declines in developing countries, reflecting deep trauma for poorer families.

Russia's February 24, 2022 invasion of Ukraine came immediately after the weak U.S. and NATO message I heard at the Munich Security Conference on February 18–20, 2022. Russia's invasion, on the heels of the abrupt U.S. withdrawal from Afghanistan in 2021, added major new obstacles to global growth. Among them, the invasion triggered an energy crisis in western Europe, which was heavily dependent on Russian gas and oil despite harsh Reagan and Trump sanctions. Europe's leaders began buying up natural gas supplies worldwide that would otherwise have gone to developing countries. The resulting shortages of natural gas caused disruption of fertilizer, agriculture and electricity production. Government spending surged and inflation worsened. The prolonged war in Ukraine has strengthened Russia and China across the developing world.

By the World Bank's June 2022 Global Economic Prospects report, I warned of stagflation and an extended period of slow global growth.¹ I urged added production. "With inflation now running at multidecade highs in many countries and supply expected to grow slowly, there is a risk that inflation will remain higher for

¹ World Bank Global-Economic-Prospects-June-2022-Foreword.

longer than currently anticipated. . . It's essential to boost the supply of key food and energy commodities. Markets look forward, so even mere announcements of future supply would help reduce prices and inflation expectations."

In remarks at the Brookings Institution on July 13, 2022,² I noted that much of the supply increase needed to come from the U.S. because it has the capital and resources to make rapid additions to world supplies:

"If the anti-inflationary policies that are now getting underway are primarily achieved through interest rate increases, it risks deepening the inequality that is so problematic in the world. Stagflation could worsen. It's exacerbated by shortages of the working capital needed for small businesses and supply chains. We have a system patently set up that diverts capital to the big players and not to the small players that provide this solution to the current inflation problem. . . The United States has the biggest ability in the world to expand production to counteract the global inflation underway. *Not enough steps are being taken to dramatically increase U.S. production of supplies that are in shortage.*"

Slow Growth, Explosion of Debt

Fast market-based non-inflationary growth is the critical underpinning of higher living standards. U.S. first quarter real GDP growth was only 1.4 percent. This is disappointingly slow, especially considering the huge injection of demand through government spending and debt. The non-government portion of the economy is barely growing. The explosion of government debt is costly not only because of debt service. Even more costly is the intergenerational transfer that supports the current government and its policies but uses up future resources.

The Congressional Budget Office economic projections shows only 2 percent real growth in 2024 and the same or less in the subsequent 10 years. The generation of Americans coming of age then will be repaying trillions of dollars of debt without having benefited much from it. *Reversing the current stagflation will require a complete upheaval in economic policy to allow faster growth, greater private sector investment, more production, a conscious shift in regulation from excessive to effective, much slower growth in government spending, revised Federal Reserve models and tools, and a recovery in education, none of which is forthcoming in the current Administration.*

I'd like to mention education briefly given this Committee's important remit. Children in the U.S. suffered a severe setback in learning during Covid, as they did many countries. The World Bank is deeply involved in education worldwide. This led to a major coordinated global call to action to overcome the Covid losses in education. I co-hosted and spoke at the September 2022 summit on Transforming Education to urge leaders to make changes in educational systems, among them to reopen more schools and focus on literacy and numeracy.³ This focus is urgently needed if we are to recover some of the ground lost during the school closures and enable the generation that is expected to repay the explosion of government debt underway.

Inflation/Production Crisis

I'm also deeply concerned by high prices and regulatory obstacles. They are closely connected to the explosion of government debt and production shortfalls. In a market system, prices are a response to supply and demand. Complex regulations discourage investment and production, boosting prices and putting key infrastructure such as canals, locks, pipelines and the electricity grid at risk. Many sectors of energy production are constrained either by existing regulations or the fear of new regulations such as the attempted ban on liquified natural gas (LNG) exports. The regulatory freeze is particularly problematic for U.S. mining and energy production, key drivers of economic growth. To compete effectively, the U.S. needs more energy, not less. Production of nuclear power and other non-intermittent sources of electricity need to be accelerated dramatically to add to baseload as we work to strengthen and protect the electricity grid.

At the end of 2020, U.S. CPI inflation was 1.4 percent year-over-year. It rose sharply during the year due mostly to supply chain problems and a huge expansion of government spending. If the spending had been one-time, I think markets would

² Brookings Instute July 2022 wbg president-david-malpass-on-the-state-of-the-global-economy/.

³ *Wbg-president-at-unga-77, Sept. 2022, the-global-challenge-of-addressing-the-learning-crisis.*

have adjusted, and the Federal Reserve would have been on firmer ground in treating inflation as transitory. However, during 2021–2022, a multitude of large spending bills combined with regulatory constraints on production made clear to markets that demand would remain above supply. Inflation expectations rose, demand increased more than supply, and prices rose. CPI-U inflation reached 7 percent by the end of 2021 and peaked at 9.1 percent in June 2022.

From the standpoint of children and families, this result is devastating. Inflation and the policies causing it chew up anyone with limited disposable income. It is making housing unaffordable, especially for the young, via rent increases, high mortgage rates and the Administration’s war on appliances. It will take years of better policies to reverse the damage to discretionary income.

Out of Control Spending Misallocation of Capital

It is hard to fully comprehend the size of the expansion of the government in recent years. I’ve called it “uncharted territory” but that doesn’t go far enough. Spending growth is out of control. Combined with costly regulations, it causes inflation. I’ve advocated strongly for new checks and balances that make spending increases harder when debt levels are too high. Outlays were running roughly \$4.2 trillion per year prior to Covid. They jumped to \$6.7 trillion in fiscal year 2020 and fiscal year 2021 and are now expected to be maintained at roughly \$7 trillion per year, then rise to \$8 trillion yearly later in the decade.⁴ This sustained surge in spending causes businesses to invest and hire less. It is the epitome of irresponsible macroeconomic policy.

CBO’s June baseline showed \$85 trillion 10-year outlays in fiscal year 2025–34 and \$63 trillion in revenues, adding \$22 trillion to the national debt. These are incredibly large numbers, and it is worth noting that actual spending is often well above the baseline due to add-ons, over-runs and new spending priorities. One example: The peace dividend that the U.S. enjoyed in the 1990’s ended due to U.S. weakness abroad and needs to be replaced by stronger and more effective growth in defense spending not included in the baseline.

The rapid escalation of U.S. national debt is creating huge problems globally. I described these in detail while at the World Bank. In a speech at the Churchill Symposium in Zurich,⁵ I described the problem:

“On the fiscal side, governments borrowed heavily from savers around the world to support consumption, leaving shortages of capital for growth and investment, especially in developing countries. Almost all the fiscal stimulus went to benefit people in advanced economies, often people with incomes well above the median. On the monetary side, the major central banks moved further away from monetarism. Some entirely removed the reserve requirement on banks, adopting a post-monetarist framework in which central banks both regulate and allocate capital, rather than controlling the money supply through bank reserves. . . From an inequality standpoint, this framework misallocates capital, favoring those with higher net worth at the expense of broad-based growth.”

In an October 2022 speech⁶ at Stanford’s Stanford Institute for Economic Policy Research (SIEPR), I explained:

“The increase in fiscal and monetary policy accommodation has fed primarily into asset prices in advanced economies. This supports the wealthy who hold these assets, rather than the bulk of the population, at a moment of nearly unprecedented inequality. Growth in median income has lagged with only a few exceptions; for developing countries, capital inflows mostly supported government spending and asset portfolios, with little showing up in foreign direct investment or gross fixed capital formation. . .

“To unwind this imbalance would require clear communication that increased production is a policy goal as is a market-oriented flow of capital to development. With inflation high, several tools are available beyond interest rate hikes: first, create the conditions for supply to increase in response to price increases; markets are forward looking, so even the announcement of future supply by private investors and governments would

⁴ <https://www.cbo.gov/system/files/2024-06/60039-Outlook-2024.pdf>.

⁵ *Churchill symposium remarks-May 2022 by-wbg-president-malpass-to-the-europe-institute-at-university-of-zurich.*

⁶ *The-crisis-facing-development-SIEPR speech-by-wbg-president-malpass-Sept 2022.*

help; second, in the advanced economies, reduce the size of government current spending and improve efficiency by targeting it more on the poor and vulnerable; this would reduce non-productive demand and leave more space for global capital markets to fund investment, taking pressure off inflation; and third, reduce the maturity of the central banks' current and future bond holdings; this would send a signal to markets that capital can flow to other assets such as the short-term floating rate capital needed by smaller businesses to increase global output."

In a Wall Street Journal article in May 2023,⁷ I focused attention on the problem that the U.S. Government is materially slowing global growth by absorbing a huge portion of global capital and allocating the funds to government consumption rather than global investment. The short maturities of U.S. debt add materially to the problem.

"As I near the end of my term as World Bank president, I'm discouraged by the lack of resolve and action. I worry that slow growth may persist for years. The world is digesting the huge buildup of government debt relative to gross domestic product, normalization of artificially low interest rates, and a system allocating capital away from small businesses and toward bond issuers, especially governments and the largest businesses. The result is reduced dynamism at home and fragility abroad. . .

"Solutions exist. First, markets are forward-looking, so credible government spending restraint would provide immediate encouragement to growth-oriented investment. Restraint that forces debt-to-GDP ratios to stabilize and then decline (without threatening default) would allow market-based capital flows to resume. Second, central banks should put more focus on policies that encourage currency stability and supply creation, not only demand destruction. They should give up their bond holdings and reduce their massive short-term debt. Combined with distortive credit regulation, current policies concentrate capital in narrow segments of the advanced economies and slow growth elsewhere. These policies need to be replaced to restart growth. This is discussed in international meetings but rejected in favor of the status quo. The world needs a range of strong policies that spur production to combat inflation. With no change, the likelihood is a long period of slow global growth and downward asset repricing. Capital will continue moving in the wrong direction, toward a narrow group of "sinks"—governments, big corporate borrowers, excess consumption—rather than to small businesses, working capital and forward moving developing countries that could add to long-term global growth."

Risk of Slowdown and "More of the Same"

The outlook is no less concerning now. The most recent data showed CPI inflation of 3.3 percent over the 12 months through May. That's still well above the Federal Reserve's 2 percent target. Gasoline is averaging \$3.50 per gallon, with the risk to the upside given the rising price of oil.

The government has so much short-term debt that high interest rates haven't been effective. The theory is that high rates will constrain credit, slowing the economy and allowing supply to catch up to demand. The reality is that Treasury and Federal Reserve interest payments are levitating the upper end of the economy, leaving prices high and millions of people, especially non-wealthy families with children, under heavy shortfalls in discretionary income.

The risk under current policies is continuation of the status quo as the economy weakens. It is digesting the prospect of years of high real interest rates and a deeply inverted yield curve, a scenario antithetical to private sector growth. Manufacturing data has been weak despite massive government injections. The May data showed an uptick in the unemployment rate and downward revisions to March and April job growth.

Commercial and industrial loans—the lifeblood that small businesses use to finance inventory and equipment growth—should have increased by more than \$175 billion in 2023 to keep up with inflation and rising GDP. Instead they fell by \$38 billion. Government hiring and subsidies have been one of the few supports for consumption growth in recent years, but that creates an unsustainable debt path.

⁷ <https://www.wsj.com/arcles/the-world-economy-needs-to-get-its-growth-back-group-of-seven-developing-countries-debt-nancing-yield-curve-private-sector-innovaon-4113e720>.

Greater energy production would be especially valuable because it is a critical economic building block and a resource the U.S. has in abundance. If U.S. production had been encouraged in 2021 and 2022 instead of discouraged, I think inflation and interest rates could have peaked at substantially lower levels, allowing higher current living standards and a better growth outlook.

A supply side approach based on increased production would bring inflation down and allow interest rate cuts while defending the dollar. That in turn would help homebuilding, infrastructure, small businesses and indebted consumers, all of which are struggling due to high short-term interest rates. This is the core of supply side economics and my fervor to see average people doing better around the world. Looking abroad, global growth needs to run at 5 percent to lift poorer families but has fallen to half that rate. Low investment rates spell continued weakness in growth and increasing pressure to migrate. Of course, conditions and challenges are different in the United States, but the common theme is for governments to allow markets to function and people to have the freedom, basic skills and opportunities to advance.

My June 26, 2024 Wall Street Journal article ⁸ addressed the election choice:

“The Biden administration has argued against change. At first, it said inflation would be transitory. That idea was supported by the Federal Reserve, but like so many of the Fed’s inflation models, it didn’t pan out. The Administration then blamed the supply chain, “shrinkflation,” corporate greed and Donald Trump. Shrinkflation didn’t work because the CPI takes smaller package size into account. The corporate-greed complaint wasn’t supported by the data. An exhaustive Fed study last month disproved it: “Aggregate markups have stayed essentially flat since the start of the recovery.”

The election cycle has made clear that there is another path: positive change by reducing harmful regulations, taxing much less than President Biden’s proposals, encouraging private sector growth, and defending the dollar. Markets are forward-looking, so the benefits would spread quickly through the economy. Prices and interest rates could decline relatively quickly, helping consumers make a comeback.

Thank you for the opportunity to present a statement on these all-important topics. I look forward to your questions.

[SUMMARY STATEMENT OF DAVID MALPASS]

David R. Malpass will highlight several key points in his testimony today:

1. **Impact of Inflation on Families:** Inflation has severely affected children and families, particularly through high food, medical, and energy prices, compounded by setbacks in education due to prolonged school closures during COVID-19.
2. **Causes and Impact of High Prices:** High prices can be attributed to inadequate economic policies. Significant policy changes could spur faster growth, increase private sector investment, boost production, and reform regulatory frameworks.
3. **Stagflation and Economic Policy:** Stagflation is a huge issue. Malpass advocates for policies to enhance production, reduce government spending growth, reform the Federal Reserve’s approach, and revive education to counter long-term economic stagnation.
4. **Education and COVID-19 Impact:** The global setback in education due to COVID-19 is a huge issue. He advocates for urgent reforms to recover lost educational ground, particularly emphasizing literacy and numeracy.
5. **Government Spending and Debt:** The rapid expansion of government spending is largely at blame for inflation, and Malpass urges fiscal discipline to prevent intergenerational economic burdens.
6. **Energy Production and Regulations:** Malpass argues for increased energy production and criticized regulatory barriers hindering U.S. energy independence and economic growth.

⁸ <https://www.wsj.com/articles/for-trump-as-for-clinton-its-sll-the-economy-stupid-debate-spending-in.aon-0a4a4afc>.

7. Global Economic Challenges: Global economic challenges are exacerbated by geopolitical tensions, particularly Russia's invasion of Ukraine has negatively impacted energy markets and inflation.

8. Policy Recommendations: Policies supporting increased production, reduced government spending, and market-oriented approaches will stimulate economic growth and reduce inflation.

9. Election Choice and Economic Outlook: Malpass will contrast current policies with alternative approaches, advocating for reduced regulations, lower taxes, and a stronger defense of the dollar to stimulate economic recovery.

Overall, Malpass will stress the need for comprehensive economic reforms to address inflation, support families, and promote sustainable economic growth domestically and globally. His testimony focuses on the urgency of policy changes to mitigate economic challenges and support future generations' prosperity.

Senator CASEY. We are just way over, so we want to move on. We will start with our questions. I will start with Mrs. Wiggle for my round of questions. I wanted to discuss a few of the products you spoke about in your testimony. You mentioned how now that you are buying paper plates and paper towels and toilet paper every 3 weeks instead of once a month. Is that correct?

Mrs. WIGGLE. Yes.

Senator CASEY. These products are shrinking, and yet the price is remaining the same. That—meaning that you and other consumers are paying a higher price per unit for each price. In the report that I issued in January, the shrinkflation report, which was, I guess, a third of my series of reports, I detailed some of the shrinking products.

For example, Charmin toilet paper reduced the size of a roll by 7 percent but continued to charge the same. Gatorade reduced the size of their bottles by 12 percent without changing the price.

What I found is that shrinkflation is easier for companies to get away with, and the data has shown that consumers are less sensitive to size changes compared to price increases. They often don't notice a slightly smaller bottle of dish soap or less full bag of chips.

This comes in addition to price increases that you have seen across product categories. You flagged both yogurt and cheese in your opening statement. I would ask you this, how much would you say your grocery bill has gone up per month since the pandemic?

Mrs. WIGGLE. Well, obviously we have a large grocery bill to start with, but it has easily doubled. Sometimes it has tripled if you are buying fresh fruits and other products like that. But with the paper products and dairies and meats going through the roof, we easily blow through our grocery budget within the first 2 weeks of the month.

Senator CASEY. You are seeing a big increase. And when you realized that prices are going up, did you also realize that the product you had come to regularly purchase was being made smaller—that kind of the product is shrinking but the price is not shrinking?

Mrs. WIGGLE. Not right away. It took a little bit, probably two or 3 months. And me being the mom that I am saying, where is this stuff going? And asking my kids, are you using this? Are you using that? And kind of bringing the hammer down on everybody, and nothing had changed except for the size of our products.

Senator CASEY. Well, I think in your testimony, among other things you related to us, I think you said it pretty well. Probably better—certainly better than I did. You said high costs have impacted every generation of our family. You also said toward the end, the last full paragraph, “companies should be able to make a profit, but not by taking advantage of the average family.”

I think you said it as well as anyone could say it. I wanted to move to Mr. Lee for a question. I wanted to highlight one of your statements from DoorDash, the statement that you provided to us. I guess it is an August 2022 statement. August 2022. Farina, your small business, made nearly \$8,500 in sales over DoorDash. However, DoorDash charged you a commission in addition to fees.

You had both a commission and fees. In the statement you provided, the commission is defined as, “amount in commission charged per order collected by DoorDash.” Fees are defined as, “the sum of all fees associated with services you use on DoorDash.” These descriptions seem, at least to me, vague, and yet DoorDash charged you approximately \$2,300, roughly 26 percent of your sales total.

Using a delivery service like DoorDash takes significant revenue away from your business. Can you walk me through the various charges you have incurred from DoorDash and other delivery apps, and how this has changed over time?

Mr. LEE. Yes. So, the first fee that you normally get is just the top line fee that they charge for just using their service. So that could be anywhere from 15 percent. That could be 25 percent. Or it could go right now, as I said, 30 percent.

That is just automatically what they take off for just using their service. Some of the other fees that they have on there are marketing fees. So, in order to stay competitive with a lot of the other larger companies, you have to run ads. You have to give out sales. So, buy one, get one \$5 off a \$20, that sort of type of thing.

All of those things we pay for. So, a lot of those associated fees that seem, that they don’t have a name to them because it is just kind of all-encompassing of all of their—the things that they offer for you to sell. At the end of the day though, when you do use a lot of those services, you lose money.

I mean, if you take 40 percent off of top line revenue, and historically 15 percent is great for profit margin for restaurants, you are in the negative.

Senator CASEY. Thanks very much. I am a little bit over time. I will turn next to the Ranking Member.

Senator TUBERVILLE. Thank you. Mr. Malpass, can a Trump, Reagan style supply side economic approach of tax cuts and deregulation ease the current inflation crisis facing our Country?

Mr. MALPASS. I think the answer is yes. And as we look at the regulatory policy, and I addressed this in my remarks, it really matters to the economy how the regulations work and what burdens they put on.

What does it cost to comply with the regulations? What do they allow you to do and stop you from doing? One of the examples is this—the natural gas export ban. It changes the world.

Do you know what has happened in Europe, is it causes them to buy Russian gas under the table so that the ban on the U.S. export of natural gas helps Russia and it hurts the job creation in the U.S. On the tax side, the issue—economists think about it as a tax wedge.

If you think of an employer, they employ a worker and pay the worker the gross wages. The worker only receives the net wages. That is the tax wedge. And so, as that goes up, then the incentive for the worker is less and the cost of the burden on the employer is more, so the employer employs fewer people.

As we look out into 2025, really 2026, as the Trump tax cuts expire, there is a bigger wedge and that slows down the economy. So, you can fix that by thinking about what do you want to do on tax policy that allows incentives and what do you want to do on regulatory policy to actually permit businesses around the country to produce more.

Senator TUBERVILLE. Talk about the war on fossil fuels. How is that affecting our small businesses and prices, a rise in prices across the country?

Mr. MALPASS. In our current system, whether you like it or not, it is the mainstay of how the system operates. It powers the electricity grid, which is so important for manufacturing, for people's homes, and the cost matters a lot. So, as you wage a war on fossil fuels, you drive up the prices and that filters through the whole supply chain.

As we look at it, the U.S. is an energy rich country and I think needs to really take advantage of that. We have enough energy in the country, stored in the ground and in the nuclear power potential of the country, to pay down the national debt, not keep making it larger.

These are key issues for the Government to think about and for the private sector, of course, to be thinking about in whether you want to invest more in the United States or are you going to go to other parts of the world that are more friendly toward, growth in energy supplies.

That is—we see it in the—especially in the electricity projections with artificial intelligence growing, the internet growing, and the uses for Bitcoin mining, for example, growing. These are energy intensive. And manufacturing, of course. It is clear the country just simply needs a lot more energy and a pathway to get there.

Senator TUBERVILLE. A good friend of mine, Boone Pickens, who I got to know very well through my coaching days at in West Texas, once told me that we had a 300 year supply of natural gas that we knew of just in this country. We can—we will never run out of it. Do you agree with that?

Mr. MALPASS. I think the data—remember the U.S.—well, I can recall one. It used to be that the U.S. was thinking about importing natural gas, and there were hubs being set up in the Caribbean to offload natural gas brought from the Persian Gulf because it is so valuable to people in the U.S. to make fertilizer, to make plastic products.

Remember, it is much cleaner on electricity than the alternative, which would clear a lower carbon intensity than oil and coal. And so, it is this giant, valuable resource for the U.S. Then when new discoveries were made on how to tap into U.S. natural gas, all of a sudden the U.S. became a giant world exporter.

It improves the value of the resources inside the U.S., and also the value from the climate change standpoint of greenhouse gas emission reduction, it is the way the U.S. has been able to lower. One of the things I saw at the World Bank is on the global stage, people keep having conferences, and what they are looking at is how the rest of the world is going to keep increasing its greenhouse gas emissions.

Only the U.S. really has been able to control it. That is largely due to the natural gas resource, which is hugely valuable. One other point is the fertilizer cost. When Russia invaded Ukraine, it cutoff natural gas supplies and that destroyed—it really changed the fertilizer industry.

As we are looking at the famines—the children and families in Africa, they are suffering massively because specifically of the lack of availability of natural gas for making fertilizer. It is the critical input for that. So, as the U.S. thinks about what it wants to do, specifically on natural gas, just recognize that it is also the raw material for feeding the world's children.

That is a giant capability of the United States, and it is one that I have talked about a lot internationally.

Senator TUBERVILLE. Thank you.

Senator CASEY. Thank you very much.

I will turn next to Senator Hassan.

Senator HASSAN. Thank you very much, Mr. Chairman. Thanks to you and the Ranking Member for holding this hearing. And to our witnesses, thank you for being here and for your testimony.

Dr. Gee, I am going to start with a question to you. More and more Americans are seeing higher medical bills because of unfair fees from hospitals, something that the hospitals call facility fees, which are charged by hospital systems that own a regular doctor's office.

For example, I just recently heard from a constituent, Raymond, from Concord, New Hampshire, who had a quick office visit with a specialist and then received a bill with a \$1,000 fee for using a so-called hospital facility, even though the hospital itself was across town. This happened because his doctor's office was owned by a hospital.

Doctor, can you talk more about the impact that these unfair costs can have on families? And what can we do to protect families from this kind of unfair health care fee?

Dr. GEE. Senator, thank you for that question. Health care costs are indeed one of the biggest items of family budgets, and it is also an area where we are seeing high inflation and recent increases of high costs.

Let me back up for a second. First, I think one reason that we are seeing high prices and consolidation in the industry, part of

that is because indeed when hospitals acquire offsite facilities where there is an ambulatory surgery center or a clinic, they can then charge facility fees.

They can also get higher rates under the Medicare program because hospitals and their off campus properties can receive higher rates than would a non-hospital facility. This incentivizes consolidation in the healthcare sector. We are seeing bigger and bigger healthcare systems dominate markets.

The share of physicians working in private practice is now below half, 47 percent. We are also seeing increasing vertical consolidation throughout healthcare. So, things like insurance companies joining with PBMs, the middlemen for prescription drugs. We are seeing more and more ownership of clinics by hospital systems.

This is worrying because, first of all, antitrust has historically treated vertical consolidation as pro-competitive, when in fact we are seeing both vertical and horizontal competition increasing prices. It gives patients less choice and raises prices, and it also makes it harder for employees, particularly those who are subject to non-compete agreements, to earn better wages in the medical profession.

Senator HASSAN. Thank you.

Dr. GEE. Some solutions I would raise include better transparency for patients being able to, in their limited cases where they can, be able to compare prices and interim medical bills. We should hold hospital systems, particular those who are nonprofit, accountable for ensuring that patients understand financial systems plans.

Then some payment policies even include some neutrality in Medicare. So, if you can get the same service—if you can have the same service outside the hospital setting performed at the same price or the same cost with similar health outcomes, then we should not be paying more for that when it occurs at the hospital.

Senator HASSAN. Thank you very much. I appreciate that. And for my colleagues' information, we have a bill onsite neutrality working its way through the Senate. You have constituents right now who on a Friday when their physician's office is independently owned were paying a couple hundred dollars for a treatment. And on Monday, after the hospital buys it, it can go up to \$1,000. So— or more.

I appreciate that answer very much and look forward to working with people on both sides of the aisle on this issue. Mrs. Wiggle, good morning. And first of all, I have been informed that in addition to being a mom of a large and thriving family, you are also a veteran. Is that correct?

Mrs. WIGGLE. Correct.

Senator HASSAN. Thank you very much for your service.

Mrs. WIGGLE. Thank you.

Senator HASSAN. In the Inflation Reduction Act, we took on big pharma by finally allowing Medicare to negotiate prescription drug prices, which will bring down the cost of prescription drugs for seniors and help drive down medication prices all across the board. As a mother of 11 children, how does the high cost of prescription drugs and other health care expenses impact your family?

Mrs. WIGGLE. Health care is a hot topic in our house. We have a lot of trips to and from doctor's offices, specialists, and wherever we are getting our medication from. Sometimes one medication isn't available at our local pharmacy, and we have to go get it from another pharmacy.

That is a hassle because I have to call the doctor's office, have the prescription transferred. Medication and health care needs to be a top priority. Especially for growing families, it is difficult.

Even for my adult children, they have to make the choice, do I get the better health care package that cost more, or do I take the lower standard health care package and then pay out the nose if something happens.

Senator HASSAN. Right. Well, I appreciate that. I am running out of time. My third question was going to be one to Mrs. Wiggle about the impact of childcare costs. I will hold because we have another member here, but I will follow-up with you in writing. Thank you.

Senator CASEY. Thank you, Senator Hassan.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman and to the Ranking Member. Thank you for this conversation this morning. And Senator Hassan, I will follow-up on your childcare cost because that is a critical one for all of us. But before I do that, I would like to direct a question to you, Dr. Gee. I am the Vice Chair of the Senate Indian Affairs committee, and we have been focused and concerned about the socio-economic conditions of American Indian, Alaska Natives, Native Hawaiian children and families.

When Senator Heidi Heitkamp was here in the Senate, we worked together to form a commission on native children. And then in May, we were able to have a roundtable discussion on the report that was generated from that commission. Years of work focused on what limited access to education, economic opportunities, health care resources, higher rates of poverty—what that means for so many of our indigenous peoples and the children as they are growing up.

One of the things that I think we know without even the benefits of a report like that is that, unfortunately, the median income of American Indian Alaska Native families is around \$48,000. 26 percent of American Indian Alaska Native people make less than \$500 a week.

When we think about these high inflationary costs and then that disproportionate socioeconomic impact, can you speak to how the inflationary trend that we are seeing now, really devastating in so many parts of the country, how it impacts the well-being of our native peoples compared to other demographic groups. Have you done any reviewer analysis of this?

Dr. GEE. Thank you for that question, Senator. I can talk about, what I do know, which is sort of appreciation for what you identify as some very deep disparities in both health access as well as health outcomes between the native population and the U.S. overall.

Some of that also overlays with rural health in general, where rural communities tend to live far from an emergency room or from, say, an obstetrician. Native claims have much higher rates of maternal mortality than the rest nine states.

I think as we see more entry of private equity and also more consolidation of health care systems, we are seeing increasingly rural communities being further from tertiary medical care and being able to access hospital and emergency care.

I think a couple places where I point out that the United States has been able to lower health care costs in the past few years are for those who do not have either access to Medicaid or have access to health care through an employer across the United States, is the expansion of the enhanced subsidies for marketplace coverage in the Inflation Reduction Act, which on average, lower costs for families and relative to that type of coverage by \$800 per year.

There are also subsidies available to—you have subsidies available to low income, Native American populations, tribal members.

Senator MURKOWSKI. I am going to interrupt you there and move to the question that was raised earlier about childcare, because I think we recognize that when it comes to families and their ability to go to work, if there is not affordable childcare or if there is no childcare whatsoever, it makes it pretty darn hard.

We recognize that childcare is one of the two biggest items in a family's budget, with 7 percent of a family's annual household income going into it in Alaska. It is much worse than that. Families pay an average of just about \$1,000 a month for childcare, which is roughly 16 percent of the average Alaskan family's annual household income. And then it is not just about the affordability. It is about the availability. 61 percent of Alaskans live in what is known as a childcare desert, and it is not just related to very rural places like Alaska.

What I have been trying to focus on are ways that we can develop childcare more as a career than just kind of a job until you get "the real job." And we have been working with those in our military community in Alaska to try to identify that.

But this is something where I feel pretty strongly that we have to have a better strategy. It has to be a long term strategy that we need to consider developing childcare as a career to ensure that we have—we have trained, credible, available, and hopefully affordable childcare providers for our kids so that families can go out and access these jobs.

I have not allowed you time for a response there, but maybe if the Chairman would entertain that, if somebody wants to just speak quickly to childcare access.

Senator CASEY. Sure.

Dr. GEE. I am happy to go. As you mentioned—large swaths of the United States are indeed childcare deserts. Roughly one half of all Americans live in a place where that is considered a childcare desert.

Meaning that there are fewer than one licensed childcare providers available for every three children who need childcare. So, I think there is—so two main pieces of this I would highlight is one,

is improving the affordability, ensuring that families can, do not owe more than the affordability threshold, 7 percent of their income, toward childcare.

This is crucial not only because it is expensive, but it's also an expense that families face early in their children's life cycle, in their own life cycle, when their earnings power is less than it would be later in life. It is also important to look at the workforce side of this, as you said, making sure that these are good jobs. Childcare workers is work that supports other work in the economy.

Many childcare providers are themselves mothers. And so, it is important that childcare workers earn a fair wage. That childcare providers are able to meet the costs of providing that care as small businesses, in particular. And also, that, people who are in the care workforce, receive benefits that we would want Americans to have, including paid leave.

Senator CASEY. Thank you, Senator Murkowski.

I will turn next to Senator Murray.

Senator MURRAY. Well, Chairman Casey, thank you so much for holding this hearing and really putting a spotlight on how companies are hiding behind inflation as they jack up prices beyond all reason and hide behind junk fees to charge consumers more, and hiding behind those smaller sizes so families get less and pay more.

That is why I am a very proud co-sponsor of your bill Senator Casey, Shrinkflation Prevention Act. I think that is really important. When I talk to people back in Washington State, the grocery store were all seeing the same thing.

Companies are shrinking sizes, hoping that we won't notice, raising prices well beyond inflation, and hoping we just won't ask them why. So, we just can't stand for that, so I really appreciate your leadership on this.

One of the things, and Senator Murkowski talked about it, I know others have mentioned it, is essential to this and I am glad we are having this conversation about it, is childcare. It is a full-fledged crisis.

Providers are really struggling to keep their doors open. Workers are struggling to make ends meet on poverty wages, and parents are struggling everywhere to find any quality, affordable options that work for their families.

Certainly, as Senator Murkowski talked about, having providers is absolutely essential. But I think one of the things we have to recognize is that corporate greed is actually adding fuel to this fire, making it harder for childcare providers to stay in business and harder for families to fit childcare in their budget. When you can't get affordable childcare, you can't work. It is that simple.

When you can't work, that makes your family budget even tighter, and it hurts our whole entire economy. So, I really believe we have to take very bold action to save our Nation's childcare system and all the families who really depend on it. That is actually why I wrote the Childcare for Working Families Act.

I am going to keep pressing on it, because what my bill does for working parents is that the typical family in America would pay

about \$10 per day for childcare. No working family would pay more than 7 percent of their income on childcare. That would make a huge change for parents across the country.

This is such a huge cost to families, and it is one we can absolutely bring to this conversation and need to have this conversation. And it is how we build a fair economy that works for families, for childcare that is affordable, and companies don't profiteer off inflation, and wealthy pay their fair share. And that is, I think, what all of us are working to move toward.

Let me go right to childcare. In my home State of Washington, couples pay on average 15 percent of their income on childcare. Single parents pay almost 30 percent. Programs like Childcare and Development Block Grant and Headstart are really a lifeline for working parents. And it is why I was very proud in the last Appropriations bill to secure \$1 billion increase for childcare initiatives.

But, as I said, the childcare for working families focuses on all of it. And one of the things we do is a 7 percent cap on the cost of childcare. Dr. Gee, can you comment on what that would mean for families?

Ms. GEE. A cap on the cost of childcare is crucial to making it affordable for families. As—said earlier, I think one of the problems with the cost of childcare is that unlike other major purchases in life, higher ed tuition, home mortgages, car payments, there is no good option for financing that upfront cost of childcare.

Just to underscore how childcare costs relative to other things folks might encounter life, in 32 states and here in Washington, DC, the cost of childcare exceeds in-state college tuition. This is also a cost that is actually decreasing over a child's life. The most labor intensive period of childcare is for infants and toddlers.

But that coincides, that is the opposite of the trajectory of parental earnings that we would expect to see where people tend to get promoted and earn more of their lifetimes, which means that families are facing a very high cost early in that life cycle.

I think that, this is a classic example of, where markets are going to fail us because we can't expect families to—invest in their children and in the economy without some support and some ability to just smooth those costs over the life cycle. I would also say that the—childcare is important for the economy overall.

It enables parents, particularly women, to participate in the labor force, which is important for families' overall economic security and for employers being able to hire the workers they need.

Senator MURRAY. Thank you. And Mrs. Wiggle, I see by your resume that you are the mom of 11 children. Talk to us about what childcare means to you.

Mrs. WIGGLE. Childcare for us is not an option. I have to stay home with the children while my husband goes out and work. And on the flip side of things, being a foster parent, you can see the divide of parents that are able to work.

You either qualify for benefits for childcare or you don't. And if you don't, you struggle for the rest of that child's life until they get to school. And if you are lucky enough to be in a public school that will have affordable before care and after care.

It is just not even an option for most families, including my family, which I would consider us upper middle class. And it is not an option. It is just not even obtainable.

Senator MURRAY. Well, Mr. Chairman, I know you feel strongly about this too. We have to deal with this issue, so I appreciate it. Thank you.

Senator CASEY. Thank you, Senator Murray. We will do a second—second round of questions starting now. We may have other Members that come in for their first round, but I want to start with Dr. Gee. As for most Americans, the inflation our Country has experienced, especially in the period 2020 to 2022 was a terribly difficult time for families.

These families had to make really, horrifically challenging choices as costs for their favorite holiday foods or child's diapers or gasoline rose even higher. At the same time, big corporations weren't facing the same difficult choices. On page two of your testimony, you say, and I am quoting, "corporations raise prices for consumer goods beyond levels justified by present costs.

In other words, increase their markups. Markups were also a major contributor to inflation." So, while families costs rose, corporations just hiked prices—just hiked prices up and were raking in record profits. Doctor, what are some of the tactics corporations have used to squeeze American families and American workers?

Dr. GEE. Thank you for that question, Mr. Chairman. I will highlight a few ways that corporations are squeezing workers. One is junk fees, as we have been talking about previously. Mr. Lee mentioned the food delivery apps and the way they stack prices for service fees on top of the posted price for food.

Another is in the banking sector. We see fees that consumers might not notice in the reams and reams of fine print that they got for overdraft fees, for late fees. And the Consumer Financial Protection Bureau is working on capping those so that consumers don't face unexpectedly high costs.

Another is airline fees, which I know the Department of Transportation is working on. Families may face fees for being able to sit with their children, which adds to vacation costs and travel costs to visit family. These are all things that make it hard for consumers to compare prices upfront, and therefore make competition difficult.

Another is one that you were tackling in your Shrinkflation Act, which was that—consumer value by not only raising prices for the same product, but also by shrinking a product size, say offering a smaller volume of soda or a smaller package of crackers for the same price. And I think this is worrying not because only it—makes it harder for families to afford what they need, but it also makes families—it makes it harder for families to budget for the future.

A survey by the U.S. Census shows that people find these recent price changes stressful. In terms of workers when—one thing I would highlight is non-compete clauses is a way that corporations exercise their power. These are contract clauses that prevent a worker from moving to a competitor.

What it does, in effect, is locks people onto their job. It prevents a worker from, say, going to a job where they might have better benefits, they might have higher wages, and it helps suppress wages. This is particularly worrying in rural areas where there are not a lot of choices of employers.

We see this often happening in the health care sector where, say, a nurse or a physician's assistant has to sign a clause that promises they will not work for a competitor. And in order to find a job, that person may need to leave town, thus reducing the supply of providers in order to find a new job.

Senator CASEY. Thanks very much. I will turn next to Mr. Lee. You, as you—when we heard in your testimony, price increases in recent years have strained your restaurant. And you said that you are challenged each day to keep your doors open, to compensate your staff, and to satisfy your customers.

You have had challenges kind of making ends meet. In order to keep your restaurant afloat and maintain some profit margin, you have had to take steps to increase revenue. This looks very different for each business.

We know that just as corporate price increases have affected you, changes in the local economy constrain consumers. So here is the first question, how would you—how have you responded to both price increases on your supplies and your materials?

Mr. LEE. What we tend to do is we try to take a step back and look at what we are serving. If there is a way for us to source our products differently, from somewhere else. Unfortunately, sometimes it does mean that you have to cut back on the portion size or whatever you serve. But a lot of times it is trying to find a different vendor.

Senator CASEY. You have noticed, has this had an effect on your patrons or how do you assess—?

Mr. LEE. Absolutely. A lot of them get very upset when their portion sizes are shrunk or when the prices are increased, and they tend not to return. They also tend to leave bad reviews on sites like Google and Yelp and things like that.

Senator CASEY. I am a little over, and I don't know if we have any other Members that are on their way. The answer is no. Okay. I will conclude my questions here, but to the Ranking Member, any questions you have?

Senator TUBERVILLE. Yes, I got a few.

Senator CASEY. Okay. Thank you very much.

Senator TUBERVILLE. Thank you, Mr. Lee. Mrs. Wiggle, thank you for your service by the way. Mr. Lee, you lost your mind when you went in the restaurant business. I did that while I was coaching. I thought coaching was hard.

My gosh, restaurant business is really rough and getting worse. Just a little information, it is going to be harder and harder for food in this country. I am on the Ag committee. Last 3 years, we have lost 150,000 farms in this country and we have lost 25,000 farmers. Regulations, food costs are going to be enormous. It is going to get worse, not going to get better. Mr. Malpass, first quar-

ter growth under the Biden administration was a pitiful 1.4 percent.

As Congress thinks about tax reform next year, which we will have tax reform after election, what is the most effective tax cut to get growth moving in the right direction? And why don't we give cuts to people who have kids for childcare? I am all for that. What is your thoughts on that?

Mr. MALPASS. There are lots of sectors—thank you, Senator. Across the economy, people are always looking to have their tax rate lowered. That is the old adage of tax the guy behind the tree. Don't tax me. Don't tax thee. Tax the guy behind the tree.

I want my taxes lower. So, as you think about childcare, there needs to be considerations of that and that is part of, I think, the public debate. For me, economics is pretty clear that one function of the tax system is to raise revenue for the Government, but to do it in a way that is less distortive.

That comes back to this idea of low rate on a broad base. So, try, try to have taxation not be specified—not be narrowed down to certain groups because it distorts the activity that you end up having on that.

As we look into 2026, you want to have a tax structure that allows small businesses to invest, for example, and that is one of the ideas behind expensing of—for small businesses of equipment, so that they do buy the new machine that will make their workers more productive and that way they pay the workers more.

That is an idea. I think also very important is simply on the income tax side, that the brackets stay where they are, and the rates stay where they are. That is an extension. And it looks to me like President Biden has included that in his budget proposal for workers below a certain level to keep the rates, knowing that actually affects their livelihoods, their incentives to work.

We look, historically, the best way to have your tax system is to try to keep away—to keep the rates down on as broad a base as you can. One example of that, if I can turn to international is foreign countries struggling with the value added tax. We saw, over the last month, this catastrophe in Kenya where people were actually killed over the proposal of the government to raise taxes.

It goes to this core that what when you raise the tax rate to a certain level, people simply won't and can't pay that tax rate, and that was the core of the uprising that occurred in Kenya. The government, I think, correctly decided to pull back from that. It was an IMF inspired high tax rate regime meant to pay off creditors.

You were having the government take money from poor people to pay to creditors. So, they backed off on that, which I was pleased to see, but you ended up with people dead because of this tax policy that was being put in.

Senator TUBERVILLE. I only got about a minute left here. Just one more question, you, Mr. Malpass. You mentioned defending the dollar. What would be the consequences of us losing the dollar, world currency?

Mr. MALPASS. We are already seeing some of that. The U.S. doesn't say enough about the importance of the dollar. You don't

hear that from the Administration and of it being—and the dollar being the mainstay of the world system.

China looks at that and looks to create its own central bank digital currency. So, what I mean by defending the dollar is simply having it be stated by the Treasury Department, by the Federal Reserve as they are considering what to do with their policies, that a core part of the U.S. success is having the dollar be a currency that is used around the world, and it keeps its value over time.

If you lose that, you end up with inflation for one, which is harmful to children and families, but you also lose the desire to invest into that country. So, it is when—the U.S. is in an Okay position right now because we are chewing through the worst part of this inflation surge.

It is as devastating as we have been discussing, but I think there will be an opportunity in 2025 and 2026, if you can increase the production in the economy, inflation will come down, and then interest rates can fall in the context of defending the dollar.

Senator TUBERVILLE. Thank you.

Senator CASEY. Thank you, Ranking Member Tuberville. Just—now that the tax debate for next year has been raised, I want to ask Dr. Gee, what is your assessment for extending all of the tax provisions for both individuals and corporations going forward?

Dr. GEE. Mr. Chairman, I think some of the points that Ms. Malpass just raised about tax cuts were some of the things that we heard ahead of the Tax Cuts and Jobs Act passage in 2017.

Major provisions of that tax expire at the end of next year, 2025. And I think it is important that we reassess what those claims were at the time, and because so many of them have not come to pass. For example, the tax changes that law were overwhelmingly skewed toward the wealthy.

Extending those tax cuts will not go very far to helping—I think that those are those tax cuts could be better be used as revenue to support things like childcare, to support lower health care costs. And one thing that would be more helpful to American families would be to extend the child tax credit.

We saw from the Rescue Plan Act, enhancement of the child tax credit, including its full refundability, that is an incredibly powerful tool to reducing child poverty. In fact, it cut child poverty in half. The TCJ's corporate tax cuts failed to trickle down to ordinary workers. We did see that—an increase in compensation for workers in the top 10 percent by income.

But within the firms, we didn't see an increase for the bottom 90 percent. We also did not see the level of corporate investment that many predicted. Studies show that corporate for some people slowed.

This wasn't as high as expected. And these tax cuts also have not paid for themselves. They are responsible for a large part of the growth of deficits over the past decade.

Senator CASEY. Well, thanks very much. I know we are a little bit over time. I just wanted to thank everyone. I will do a closing statement and turn to the Ranking Member, but I want to start by thanking our witnesses for being here today, Mrs. Wiggle, Mr. Lee,

Dr. Gee, and Mr. Malpass for taking the time to be with us for your testimony and your insights that we all benefit from.

As we heard from both Erin Wiggle and Dan Lee, every dollar adds up when you are managing a family budget or the budget of a small business. A smaller package of paper plates on top of a higher priced yogurt can eat into a family's budget. A fee imposed on a restaurant by a delivery service that they are forced to rely upon hurts not only the business owner, but also the local economy.

Dr. Gee painted a bigger picture for us, demonstrating just how the economy has been shaped by the actions of and the interests of corporations, whether it is through industry collusion, market concentration, price increases, junk fees, shrinkflation, greedflation, or the like.

We have seen it play out in the last few months. This I believe at least has backfired on a lot of corporations, or they have become desperate to cover themselves and get consumers back into their stores. So, guess what? They are lowering prices a little bit. I welcome these moves.

We all should. But these actions make clear that prices, in fact, were artificially inflated and we will see what happens the next time they have an opening to jack up prices. It is now evident that corporations saw the pandemic and related economic shocks as an opportunity, an opening not to support Americans with reasonable price increases, but to bolster their profits and keep their prices very high.

That meant that corporate profits rose in that period of July 2020 to July of 2022, 5 times faster than inflation. At this moment in time, corporations feel they have a right to take advantage of a crisis and gouge Americans out of their paychecks. As the CEO of Coca Cola said the company felt it had, "earned the right," to push price hikes.

While corporations, just like small businesses, should be able to make a profit, they should not be able to make a profit at the expense and on the backs of struggling American families. As Erin Wiggle said, "companies should be able to make a profit, but not by taking advantage of the average family."

Certainly, they should not be able to take advantage through deceptive practices. Congress can and should take action to hold corporations accountable and fight back against greedflation, when corporations jack up their prices way beyond their costs.

I look forward to working with my colleagues to make this happen, to pass my price gouging bill and my shrinkflation bill. I will now turn to the Ranking Member for his closing remarks.

Senator TUBERVILLE. Yes. Just quick. I went July 4th from cooking steak to chicken this year, as a lot of people did because it is a lot less priced. American people are suffering. our Country's in trouble when it comes to inflation. It all starts with the common folks. People that actually raise the food or that actually run the businesses.

Small business is in trouble. In my State of Alabama, we are struggling big time with the cost of everything. And it starts with fuel, the input cost for farmers, inputs costs for truckers. The fuel

cost of hauling something has almost tripled in cost and inflation is not going to go down unless we get back to depending on our fuel and our oil and gas in this country. It is not going to happen, we can trick ourself.

It is just not going to happen, but regulation, regulation, regulation. That is all you have to know. Every time I go to a farmer, to a small business, the regulations put on from city, to state, to county, all the way to Federal is unbelievable.

We need to let people live and make a living. We need to let people do what they need to do to help our Country become stronger and stronger. And until we lift these regulations, until we get the Federal Government out of people's lives, we are not going to have the same country that most of us had a chance to grow up in.

Inflation is growing, and it is not going to go anywhere. And I hate it for the American people, and I just hope the people up here on Capitol Hill will get out of the dang way and let people live. Put more money back in their pockets so they can take care of their families, and that is all they want. Thank you, Mr. Chairman.

Senator CASEY. Thank you, Ranking Member Tuberville. We will conclude now, but I did want to again reiterate our thanks to our witnesses for being here. I know it is not easy to travel to Capitol Hill to give testimony and to be here, but we are grateful.

If any Senators have additional questions for the record, or I should say questions for witnesses, or the hearing record, the record will be kept open until July 23rd. Thank you all for participating today. We are adjourned.

[Whereupon, at 11:23 a.m., the hearing was adjourned.]