

Statement of Chairman Sherrod Brown
“Higher Prices: How Shrinkflation and Technology Can Impact Consumers’ Finances”
May 2, 2024

This hearing will come to order.

Every time Ohioans go to the grocery store, they’re paying for corporate stock buybacks and executive bonuses.

Prices today are far too high, and families are having a harder time finding a fair price, seeing more of their paycheck vanish into thin air.

I hear all the time from Ohioans who are justifiably angry that when they buy groceries and other basic essentials, they are paying more than they did a few years ago.

All of this is happening while corporate profits hit record highs.

Let’s be clear: the fact that prices and corporate profits are going up at the same time is no coincidence.

A study by the Kansas City Fed found that corporate profits drove half of the price increases in 2021. And profits are still high today.

Now, of course I want businesses making money. I want American companies to be the most competitive and most profitable in the world.

What I am against is corporate profiteering that funnels money from working people to executives in the form of massive bonuses and stock buybacks.

I am against markets that don't foster competition and low prices.

I am against market manipulation.

A family walking into a restaurant or a store should not have to guess what they will be charged. Someone shopping online should not be paying more for the exact same product because of their online search history.

Businesses should create new goods and services that Americans want to buy, at prices justified by the cost.

And workers – who are critical for the success of any businesses – should be paid fairly for helping the business succeed.

Instead, the same Wall Street business model that has kept wages low and executive compensation high for decades is now pushing prices up too.

Corporations used supply shocks from the pandemic and war in Ukraine as an excuse to raise prices, and they keep raising them.

And let's be clear: they are not charging more because they're paying workers more. Wages are not causing prices hikes. Corporations are raising prices far beyond their input costs, and funneling the profits to executives, not workers – just like they always do.

They've realized that when the market isn't free or fair, they can keep pushing prices up and up.

And they are using tried and true techniques – and new technology to refine old ones – to charge these higher and higher prices and get away with it.

When they're talking to their Wall Street investors, they admit what they're doing.

On an investor earnings call, one CEO said, “Consumers are tolerating [frequent price increases] well.”

You hear that? Consumers are “tolerating” price increases.

I’m here to tell CEOs that working families cannot tolerate unfair price increases.

Price gouging isn’t new, but it is getting easier to conceal.

By now, we’ve all heard about what the media dubbed “shrinkflation,” where corporations shrink their products but keep prices the same, or even raise them.

The rolls of paper towels have fewer sheets, but they don’t lower the price. The package of Oreos has fewer cookies in it, but the price stays the same.

That trick isn’t new – but it’s getting worse. What’s next – will they shrink the amount of cream in the cookies? Will double-stuffed become half-stuffed?

Companies are also using advances in technology to find new methods of price gouging.

They’re now using new pricing strategies and data collection to charge people more.

They call these tactics “dynamic pricing” and “personalized pricing algorithms.”

“Dynamic pricing” and “personalized pricing.” You know some corporate PR firm is really proud of those.

Customers don’t want their pricing personalized. They want it to be fair, transparent, and as low as possible.

Gone are the days when Americans could simply expect to walk into a store having a clear idea of what they’d pay.

It’s not just the act of walking into a brick-and-mortar store that’s nostalgic – it’s the notion of predictable, transparent prices.

With online retailers, the price can change every day or even within the hour, sometimes dramatically.

And they’re spreading the technique to brick-and-mortar stores, adding electronic menu boards to restaurants and digital price labels to shelves so that corporations can raise the price at a moment’s notice.

It's frustrating, and it makes impossible for people to compare prices and shop around – key ingredients in any fair, open market.

Families with fixed budgets cannot afford to walk into the grocery store or pharmacy not knowing how far their paycheck will get them.

Big Tech has exported their data-mining business model to retailers, and that has made all of this even easier for companies.

As more people shop online, retailers learn more about our browsing and shopping habits by collecting every bit of our online data. They can charge you more based on your search history.

You start shopping around to try to find the lowest price on a new washing machine. Now online retailers realize that you're in the market for appliances, and start showing you higher and higher prices.

Spying on people and charging them more for the products they need isn't innovation – it's price gouging.

Charging more for food during mealtime isn't the free market – it's exploitation.

The story is always the same: Whether using old tricks or new technologies, corporations win, the rest of us lose.

That's not how free markets are supposed to work.

It's why standing up to corporate interests matters.

And people hate Washington because too many politicians do corporations' bidding.

It took us more than a decade of fighting the drug companies and their lobbyists and their allies in Congress to finally lower drug prices and to cap the cost of insulin at \$35 a month for seniors.

We need members of Congress to grow spines and stand up to more of these corporate lobbyists. Senator Casey and I have a bill to crack down on companies shrinking their products and raising their prices, by directing the FTC to label this what it is – a deceptive practice.

We need our colleagues to join us in efforts like this, to lower prices and stop these tactics that distort the market,

stifle competition and make it harder for Americans to afford the cost of living.