The Washington Post *Democracy Dies in Darkness*

White House allies split over inflation plan as Biden trains attacks on corporate greed

The administration has blamed large companies for price increases but some question that approach

Listen to article 9 min

By Jeff Stein

Today at 6:00 a.m. EST

President Biden's push to blame some corporations for high prices has divided the White House's allies, with liberal economists both inside and outside the administration split over whether monopoly power accounts for the spike in inflation facing the nation.

In recent weeks, the White House has amplified its case that price increases for gasoline and meat are connected to corporate consolidation and greed, castigating meatpackers, gas companies, and other firms for passing higher prices onto consumers.

The push follows the private warnings of several Democratic pollsters who told the White House several months ago that the administration needed a new approach to countering Republican attacks over rising inflation.

It also aligns with the White House's prior commitments — articulated long before inflation emerged as a threat — to crack down on industries where consolidation has hurt consumers. Corporate profits have soared along with economic growth in the past year, even as Americans face higher prices and inflation-adjusted worker wages stagnate.

But the move to blame big firms for the price spikes has divided many supporters of the administration. Senior officials at the Treasury Department, for instance, have been unsettled by the White House's attempts to blame some large corporations for inflation, skeptical of that explanation for the recent rise in prices, according to four people with knowledge of internal administration dynamics.

Senior Treasury officials are generally supportive of the White House's broader antitrust strategy and believe it is possible that corporate consolidation is playing some role in higher prices. But they are wary that the White House's recent efforts risk going too far.

"There are some people at Treasury, all the way to the top, that have a very strong analytical bent and recognize there is something to the notion that the lack of contestability in certain markets has driven up prices, but also think that it's hard to imagine that's a significant factor in the current surge," said Eswar Prasad, an economist at Cornell University and former senior official at the International Monetary Fund. "There is unease at Treasury about pushing this line too hard," he added. "There is a real concern there about this going too far."

Over the last month, some Treasury officials have argued privately that the administration should prioritize relaxing tariff duties to ease the price increases hitting American consumers. The administration has not yet done so, in part to avoid surrendering the levies as a negotiating tool against China without securing significant concessions in return, the people said. The Trump administration imposed tariffs on more than two-thirds of what the U.S. imports from China that remain in effect. That represented more than $300 billion a year in goods before the tariffs were enacted.

Internal analyses by Biden administration economists have also found that lifting the tariffs on China might only minimally alleviate inflation in the United States, which could lead to a "double bind" in which Biden both looks soft on China with little clear benefit to the public, two other people said. The people spoke on the condition of anonymity to reflect private administration talks.

The tensions reflect the broader challenge facing the Biden administration as it tries to contain the economic and political fallout over inflation with few obvious solutions at hand.

The administration has so far refrained from arguing corporate America overall is responsible for inflation writ large, limiting its most pointed attacks on sectors where consolidation is particularly significant. Government-mandated price controls have not been seriously discussed by administration economists, people familiar with the matter said. And the administration has cited antitrust as just one of the steps — along with releasing gas reserves, buttressing the supply chain, and passing its economic agenda — aimed at lowering costs.

Treasury Secretary Janet Yellen has also recognized that the Office of the United States Trade Representative is in negotiations with China over the tariffs that will take time to resolve. Yellen has also said publicly that rescinding the tariffs would not be a "game-changer" for inflation.

A Treasury spokeswoman said department officials have not raised internal objections to the administration's attacks on corporate consolidation.

"Treasury is hard at work implementing the president's executive order on competition, including reports on the adverse impacts consolidation can have on our economy," said Lily Adams, a Treasury spokeswoman. "We'll continue to partner in this whole of government approach to promote increased competition that ultimately benefits consumers and workers alike."

Michael Gwin, a White House spokesman, added, "There is agreement across the administration — and among members of Congress from both parties who have worked on these issues for decades — that more competition is good for our economy, and good for consumers." Republicans such as Sen. Charles E. Grassley (R-Iowa) have backed the administration's approach to antitrust on agricultural issues.

When inflation first emerged as a potential threat in the spring of 2021, many Biden administration officials characterized it as temporary and unlikely to persist. The White House was forced to reverse course over the summer and fall as price hikes — initially confined to a few sectors particularly affected by the coronavirus — spread to hit the rest of the economy more broadly.

As the president's economic approval ratings slipped, his aides fielded increasingly alarmed messages from Democratic operatives urging the White House to adopt a new message on inflation. In November and December, at least four Democratic polling experts told senior White House officials that they needed to find a new approach as public frustration over price hikes became widespread and highly damaging to Biden's popularity, according to three people with knowledge of the private conversations.

"What we said is, 'You need a villain or an explanation for this. If you don't provide one, voters will fill one in. The right is providing an explanation, which is that you're spending too much,'" one Democratic pollster who, like the others, spoke on the condition of anonymity to reflect private conversations, told The Washington Post. "That point finally became convincing to people in the White House."

The push was given new urgency by corporate America reporting enormous profits while consumers and many small businesses felt increasingly besieged by higher prices.

Matt Stoller, an antitrust expert close to many White House appointees in the field, published an analysis finding that higher corporate profits reflect roughly 60 percent of the rise in inflation now borne by consumers. With the stock market booming, U.S. corporations are on pace to make more than $1.7 trillion in profits this year, explosive growth compared to the roughly $1 trillion they made in 2019. (Some analysts have disputed Stoller's conclusions.)

Several economists and market analysts said there is proof that large firms are using the cover of inflation to raise prices on consumers and increase their profit margins, particularly in beef, where four producers control 85 percent of the market. Introducing additional competition to those markets could help bring down consumer costs, they say.

Sen. Elizabeth Warren (D-Mass.) has gone further than the administration, saying corporations are "exploiting the pandemic to gouge consumers with higher prices on everyday essentials, from milk to gasoline." Several former Warren aides are in high-ranking positions in the Biden administration, including at the White House National Economic Council.

"The truth is the link between price hikes and profiteering is hiding in plain sight. It's clear as day in earnings calls where CEOs can't stop crowing about their 'pricing strategies,'" said Lindsay Owens, an economist at the Groundwork Collaborative, a left-leaning group that has encouraged the administration to take a tougher position.

"Macroeconomists just don't spend a lot of time looking at profits, so it's taken a group of progressive outsiders to bring this major driver of inflation to the fore. Fortunately, the White House hasn't been dogmatic in their approach to inflation and is taking an aggressive stance on tackling the corporate power that is underlying price increases," she added.

But even some liberal economists in the administration's orbit are skeptical of the new approach, arguing it is unlikely to ease the price crunch anytime soon. They point out that corporate consolidation is a phenomenon going back decades, so it is unlikely to explain this year's sudden burst of inflation.

Conservatives and Republican lawmakers are more likely to blame Biden's $1.9 trillion relief plan for booming demand that has thrown the economy out of whack, while liberal economists say the pandemic has pushed up prices by damaging the supply chain, shifting consumption patterns, and forcing millions out of the labor market.

"I don't think corporate consolidation explains the jump in prices," said Dean Baker, a liberal economist who endorsed Warren's presidential candidacy in 2020. Baker said he had relayed this skepticism to the White House. "I don't see a good story here in blaming inflation on concentration."

Claudia Sahm, a liberal economist who worked at the Federal Reserve, added, "I don't understand the strategy. It must have something to do with politics, but you're not going to get many economists to back up the argument that it's going to address inflation right now."

The criticisms are even more pointed from less liberal economists. Larry Summers and Jason Furman, who both served in the Obama administration, have been dismissive of the notion that corporate consolidation explains the price hikes. But they said it makes sense for the administration to use price pressures to push their antitrust agenda.

"If they're using inflation to get a mechanism to go after genuine monopoly problems, as I said, a crisis is a terrible thing to waste, and it's all sort of fine. If they think this is a strategy for actually reducing inflation, they're badly wrong," said Summers, a former Treasury secretary and top economic official in prior Democratic administrations. "I hope it's the first."

...