



(Im)Balance of Power: How Market Concentration Affects Worker Compensation and Consumer Prices (4/6/2022)

Inefficient markets where firms hold more bargaining power than people—whether they be workers, consumers, or small business owners—can reduce overall economic activity and worsen societal well-being. Within labor markets, an imbalance of power between companies and their employees can impact wages, worker benefits, and productivity. Within product markets, the imbalance between companies and consumers can impact prices, product options, and quality.

On April 6, 2022, the House Select Committee on Economic Disparity and Fairness in Growth, chaired by Congressman Jim Himes (CT-04), held a hearing, entitled “(Im)Balance of Power: How Market Concentration Affects Worker Compensation and Consumer Prices,” to examine the ways in which product and labor markets with high levels of firm concentration can adversely impact workers, consumers, and small businesses.



Possible Policy Solutions

During the hearing, experts offered the following potential recommendations for the Select Committee to consider:

Reduce Frictions in the Labor Market

- Address artificially suppressed wage floors by increasing the minimum wage and exploring the possibility of wage boards, or government bodies that bring together the perspectives of workers, employers and the general public, to set minimum standards for specific occupations and sectors.
- Conversely, do not increase the national minimum wage because of its inability to address localized costs of living, the potential of decreasing overall employment, and increased consumer costs.
- Create the stable foundation for dynamic and competitive labor markets that help workers set minimum standards for well-being through effective anti-discrimination enforcement, enforcement of existing laws combatting anti-competitive behavior, workplace safety standards, and family economic security policies such as paid family and medical leave, paid sick time, accessible and affordable childcare, and schedule stability.
- Codify, clarify, and strengthen antitrust laws for labor markets, which currently lack significant legal precedent for protecting workers.
- Undo existing policies that reduce worker mobility and dynamism, such as occupational licensing laws and restrictive zoning and land-use planning practices.

Remove Barriers to Union Organizing and Collective Bargaining

- Prioritize reforms that restore workers' rights to organize and bargain collectively, including the Protecting the Right to Organize (PRO) Act and the Public Service Freedom to Negotiate Act, which secure workers' ability to advocate for stable work, strong wages and a safe working environment and address the imbalance of power caused by shortcomings with current labor laws.
- Boost funding for the National Labor Relations Board to overcome understaffing and enable it to address items in a timely manner.
- Increase penalties on firms that engage in illegal union busting practices.

Reduce Anticompetitive Business Activities

- Urge the Federal Trade Commission to use its existing authority to crack down on extractive and exploitative business practices.
- Further empower state and federal regulators to protect consumers, as outlined in the COVID-19 Price Gouging Prevention Act and the Prohibiting Anticompetitive Mergers Act.
- Ensure rigorous competition in key product markets and at critical nodes along the supply chain by curtailing mergers that further concentrate industries or by breaking up monopolies.
- Pass the Ocean Shipping Reform Act to empower the Federal Maritime Commission to investigate and further regulate ocean carriers.
- Amend the Sherman Act to make it easier to prove that firms have engaged in anticompetitive behavior and to permit courts to bar corporate executives convicted of price-fixing from working in the industries in which they broke the law.
- Invest in domestic production capacity so that the supply of crucial goods can respond quickly to fluctuations in demand.
- Increase the corporate tax rate, bring taxes on capital income in line with those on labor income and explore taxing excess profits, much like after World War I and World War II.
- Deregulate childcare, remove tariffs on food and inputs, and open up government procurement processes to reduce cost of living by lowering prices.

Expert Hearing Panelists

The following experts provided the possible policy recommendations listed above:

- **Dr. Kate Bahn**, Chief Economist, Washington Center for Equitable Growth
- **Dr. Heidi Shierholz**, President, Economic Policy Institute
- **Mr. Michael Mitchell**, Director of Policy and Research, Groundwork Collaborative
- **Dr. Hal Singer**, Managing Director, Econ One Research
- **Mr. Ryan Bourne**, R. Evan Scharf Chair for the Public Understanding of Economics, Cato Institute

