



April 5, 2022

The Honorable Bernie Sanders
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Sanders:

We appreciate your Committee's attention to the inflation that is hitting American businesses and consumers, but it is difficult to think of a focus for a hearing that is more misinformed and misguided as this blatant attempt to, for political purposes, place the blame for rising prices on American businesses. This attempt to shift blame only increases the likelihood that policymakers will misdiagnose the real causes of inflation, prolonging and exacerbating higher prices for families, and risking a recession.

Economics teaches us that when supply is constrained and/or demand rises, prices rise in order to achieve a greater equilibrium between the available supply and demand (see the Encyclopedia Britannica's entry on [supply and demand](#) for a quick summary). Pandemic related shocks combined with a tight labor market, and loose monetary and fiscal policy have limited the supply of many goods and at the very same time boosted demand with an obvious result: broad based price increases.

The premise of your hearing has been roundly refuted by economists. As the *Washington Post's* Editorial Board recently explained in a [piece](#) entitled, "*The White House once again offers a bizarre message on inflation*":

President Biden is facing mounting criticism for inflation's rise to its highest level since 1982. Unfortunately, the White House's latest response is to blame greedy businesses. Economists across the political spectrum are rightly calling out the White House for this foolishness. Even some within the White House are questioning this approach.

Inflation, which was relatively low for years, did not suddenly rise in recent months because businesses decided now was the ideal time to squeeze their customers. What actually happened is that demand soared for many products as the economy recovered. Often, there were not enough products to meet it, thanks to supply chain hiccups and

labor shortages, so prices went up. In a surprise to many, consumers kept buying goods such as cars and washing machines even at higher prices.¹

Perhaps the one group cheering your efforts are Democratic political strategists. On January 10, 2022, the *Washington Post* [reported](#):

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."²

Yet, this message was not grounded in economics. The same article noted:

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.

If this were just another example of Congressional hearing driven by politics rather than facts, it would be sad, but perhaps unremarkable. But this effort could in fact contribute to prolonged inflation and a recession.

Larry Summers, who served as Secretary of the Treasury under President Clinton, head of the National Economic Council under President Obama, and who has testified numerous times before your committee, [said](#) the following earlier this year:

"Every time a Washington policy maker suggests that this is caused by corporate greed or some such, they are delaying the date at which we will achieve the credibility necessary to bring down inflation with stable employment."

"Misdiagnosis of the problem around greed or around particular sectors raises the risk that ultimate recession will be necessary."³

Rather than blame the business community, policymakers should be working on solutions that address the real root causes. For example, former Secretary Summers has

¹ See <https://www.washingtonpost.com/opinions/2022/01/10/white-house-again-offers-bizarre-message-inflation/>

² See <https://www.washingtonpost.com/us-policy/2022/01/10/white-house-inflation-strategy/>

³ <https://www.bloomberg.com/news/articles/2022-01-14/summers-says-u-s-risks-recession-by-blaming-inflation-on-greed>

suggested that policymakers should work to reduce tariffs, raise supplies of fossil fuels, and relax regulations. Of course, monetary policy remains the best tool for fighting inflation. Here's what won't lower prices for families and small businesses: a Congressional hearing based on politics rather than economics and designed to shift blame onto American businesses.

Sincerely,

A handwritten signature in blue ink, appearing to read "Neil L. Bradley", with a large, stylized flourish at the end.

Neil L. Bradley
Executive Vice President, Chief Policy Officer,
and Head of Strategic Advocacy
U.S. Chamber of Commerce

cc: Members of the Senate Committee on the Budget