AMERICAN ECONOMIC LIBERTIES PROJECT

Big Oil & Other Corporate Collusion Driving High Prices

Key Takeaways:

- According to new evidence released by the Federal Trade Commission in connection with the proposed Exxon/Pioneer merger, ***the high price of oil from 2021-2023 was due to collusion among oil corporations*.** This evidence included emails and text messages between Pioneer Resources CEO Scott Sheffield and an OPEC official.

- The oil industry surged from a likely loss in 2020 to more than $238 billion in profits in 2021 and $451 billion in profits in 2022.

- The American Economic Liberties Project estimates this price-fixing scheme cost Americans between $500-1000 per person and between $2,000 to $4,000 a year for a family of four in 2021, a quarter of the total inflationary increase that year.

- Price-fixing and the resulting increased prices are pervasive across the economy, including in rental housing, meat, and in the tech industry. Antitrust enforcers are bringing lawsuits to address this illegal behavior.

Further Background on Sheffield's Collusion:

On May 2, the Federal Trade Commission approved a $60 billion merger between Exxon Mobil and Pioneer Natural Resources. At the same time, the FTC made a surprise announcement, banning former Pioneer CEO Scott Sheffield from serving on the combined company's board. The FTC alleges that Sheffield colluded with the global OPEC oil cartel to cut American oil output and raise prices on consumers. Sheffield "exchanged hundreds of text messages with OPEC representatives and officials discussing crude oil dynamics, pricing and output." The FTC plans to make a criminal referral to the Department of Justice for Sheffield's conduct.

Sheffield estimated that competition lowered the price of oil by $20-30/barrel over ten years. But prices per barrel spiked by even more than that during the inflationary surge. The United States consumes 7 billion barrels of oil annually. The oil industry surged from a likely loss in 2020 to *more than $238 billion in profits in 2021*, doubling again to more than $451 billion in profits in 2022.

The American Economic Liberties Project estimates that Sheffield's alleged actions cost individual Americans between $500 and $1,000 annually. That's between $2,000 to $4,000 a year for a family of four. According to the US Census Bureau, the median household income in the United States was $74,580 in 2022. That means the price fixing scheme potentially cost a family of four more than five percent of their annual income. This cost registers not just directly in the price of filling up a gas tank, but also indirectly in increased prices for almost all products, as oil is an input into most goods and services. Taken together, we calculate that in 2021, Sheffield's scheme was responsible for between 15-30 percent of all inflationary increases. But the oil industry was hardly alone in taking advantage of cash-strapped Americans. Industries across the board sought to improve their bottom line at the expense of their customers as the world economy rebounded from the lockdown-induced recession.

Other Price-Fixing Examples

From renting an apartment to filling a gas tank, American corporations have used consolidated power via mergers or unlawfully fixed prices to steal from Americans under the veil of inflation:

- The government filed a price-fixing suit in the meat industry against data consultancy Agri-Stats, for coordinating pricing and production among meat processing giants.

- The Federal Trade Commission sued Amazon in part for inflating prices across the internet with an algorithm called 'Project Nessie,' 'which hiked prices for a product on Amazon when it knew other retailers were mirroring Amazon's price.

- Multiple states have a price-fixing claim against landlords for conspiring to raise rent prices using price-setting software from the analytics and consulting firm RealPage, which claims as clients the ten largest multifamily property managers in the United States.

- Similar lawsuits have been filed against providers of hotel industry software pricing services, along with the largest lodging chains: including Hilton, Hyatt and Choice Hotels International. The filings allege the software gives the hotel industry unprecedented information about competitors, contributing to price increases so rapid that one executive for Red Roof Inn claimed "Red Roof's franchisees for the most part are making more money with less occupancy."

- As private equity and corporate investment in veterinary care surged during the pandemic period, the cost of seeking medical care for household pets increased at rates well in excess of overall inflation. In March 2024, the Consumer Price Index for urban consumers was up 3.5 percent. year over year. The veterinary services category increased by more than double that amount, by 9.6 percent.

Americans continue to say inflation is one of their most pressing problems. In a Gallup poll conducted last month, 41% said inflation was the most important problem facing their family. This is up from 35% last year. Another recent poll by Navigator Research found 84% of Americans blamed inflation on "corporations being greedy and raising prices to make record profits." Scott Sheffield's alleged actions and that of other corporations demonstrate Americans' suspicions of corporate greed are on the mark.