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**“The Impact of Inflation on Working People and Their Families”**

**Testimony before the  
Pennsylvania House Majority Policy Committee**

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Chairman Causer and members of the Committee, thank you for the invitation to testify today about inflation, and specifically food prices.

My name is Daren Bakst and I'm the Senior Research Fellow in Environmental Policy and Regulation at The Heritage Foundation. The views I express in this testimony are my own and shouldn't be construed as representing any official position of The Heritage Foundation.<sup>1</sup>

### **The Latest on Food Prices**

Last Friday, the Bureau of Labor Statistics released new Consumer Price Index data. Prices increased by 8.6% year-over-year, which is even greater than last month's 8.3% year-over-year increase.<sup>2</sup>

Food prices in May 2022 were a whopping 10.1% greater than prices in May 2021.<sup>3</sup> Over the past nine months, each month's year-over-year food price increase has been above 4%, with each successive month higher than the previous month (starting at 4.6% in September and reaching 10.1% in May). These food price increases, which have not been seen in over 40 years, are occurring across food categories, from fresh fruits (8.5%) to fish and seafood (12.2%).<sup>4</sup>

### **Practical Impact**

This data can make the situation sound so academic and impersonal. But make no mistake, these skyrocketing food prices are devastating for Americans and their families.

For many of us, going to the grocery store is where we really feel and witness the crushing inflation. At the checkout line, we see the big price tag for our groceries. We then do calculations in our heads to determine what we might have to sacrifice financially because we just got hit by a high food bill.

For lower-income Americans, this situation is particularly troubling. Skyrocketing food prices are regressive and particularly damaging to low-income Americans, as they spend a greater share of their after-tax income on food compared with higher-income Americans.<sup>5</sup>

Their tradeoffs might not just be giving up a night at the movies or a going out to dinner. It might be far worse, such as not going to the doctor or running the air conditioning.

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<sup>1</sup> This testimony was prepared to be presented orally to the Committee.

<sup>2</sup> Consumer Price Index Archived News Releases, U.S. Bureau of Labor Statistics, <https://www.bls.gov/bls/news-release/cpi.htm> (accessed June 10, 2022).

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> See e.g. Daren Bakst, Patrick Tyrell, eds. "Big Government Policies that Hurt the Poor and How to Address Them," Heritage Foundation Special Report No. 176, April 5, 2017, <https://www.heritage.org/poverty-and-inequality/report/big-government-policies-hurt-the-poor-and-how-address-them>

## Government Intervention

During the peak of the pandemic, the Trump administration and government at all levels recognized that removing harmful government intervention was critical to allowing the resilient food supply chain to adjust and get Americans the food that they needed.

But things have changed for the worse. Instead of removing barriers, the Biden administration is creating an endless stream of regulatory obstacles across the economy, including those in energy and labor.

The administration's war on energy<sup>6</sup> is one of the main culprits in driving up food prices. Energy is an input that affects sectors across the economy, including the food sector. From turning on lights, operating machinery, to transporting goods, energy is critical across the food supply chain.

It is also critical to the food supply chain in ways that may not seem as obvious. For example, high energy prices drive up the costs to farmers for a key agricultural input; namely, fertilizer. More than 57% of fertilizer used in the United States are nitrogenous fertilizers, and a critical input for nitrogenous fertilizers is natural gas, which can account for 70% to 90% of its manufacturing cost.<sup>7</sup>

Energy prices just went up 34.6% in May, which is the eighth month in a row above 25%.<sup>8</sup> For gasoline prices specifically, based on the latest Energy Information Administration data, regular retail gas prices have doubled (increased by 104%) since President Biden took office, with the price per gallon at \$4.88 for the week ending June 6, 2022.<sup>9</sup> For many people across the country, they are dealing with prices over \$5 a gallon and it is taking its toll on the food sector, just as it has taken its toll on families.

Yet instead of trying to address energy costs, the Biden administration is imposing new permitting requirements, restricting energy production, and sending a very clear signal to oil and gas companies that it doesn't want their industry to even exist.

Labor shortages and government intervention that disincentivizes work and drives up labor costs

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<sup>6</sup> See e.g. Katie Tubb, "Biden's Energy Screw-up," Heritage Foundation Commentary, April 1, 2022, <https://www.heritage.org/environment/commentary/bidens-energy-screw>

<sup>7</sup> Daren Bakst and Joshua Loucks, "Food Price Inflation Continues to Worsen. Here's What Should Be Done About It," Heritage Foundation Commentary, April 26, 2022, <https://www.heritage.org/agriculture/commentary/food-price-inflation-continues-worsen-heres-what-should-be-done-about-it>

<sup>8</sup> Consumer Price Index Archived News Releases, U.S. Bureau of Labor Statistics, <https://www.bls.gov/bls/news-release/cpi.htm> (accessed June 10, 2022).

<sup>9</sup> Weekly U.S. Regular All Formulations Retail Gasoline Prices (Dollars per Gallon), Energy Information Administration, [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM\\_EPMR\\_PTE\\_NUS\\_DPG&f=W](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPMR_PTE_NUS_DPG&f=W) (accessed June 10, 2022). Regular retail gas prices were \$2.392 per gallon the week ending January 25, 2021 (the week when Biden took office) and were \$4.876 the week ending June 6, 2022. It should be noted that starting with the week ending January 25, 2021, regular retail gas prices had already risen 48% by the week ending Feb. 21, 2022 (three days before Russia's invasion of Ukraine).

is also exacerbating food prices. There are 11.4 million job openings,<sup>10</sup> which is about 50% above the pre-pandemic record,<sup>11</sup> and translates into 1.9 jobs available for every unemployed worker. There are 3.2 million fewer people in the labor force today, compared to the pre-pandemic rate.<sup>12</sup> According to the NFIB's May 2022 survey, a record-high 51 percent of employers reported job openings they could not fill.<sup>13</sup>

These labor challenges are hurting the food sector, like many other industries. For example, the fast-food industry has been experiencing a labor shortage<sup>14</sup> and offering significant bonuses<sup>15</sup> to attract potential workers. Just drive around where restaurants are located and one will quickly see the prominent advertisements for workers, making the shortages readily apparent.

There are also plenty of obstacles specific to the food and agricultural sector. Controversial countervailing duties on Moroccan fertilizers are driving up fertilizer costs.<sup>16</sup> The infamous federal sugar program intentionally drives up sugar prices, costing consumers as much as \$3.7 billion a year.<sup>17</sup>

There are also many food labeling regulations that are unnecessary, including menu labeling rules,<sup>18</sup> and environmental regulations hurting farmers and ranchers. For example, the Biden administration is moving forward with another rule to define what waters are regulated under the

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<sup>10</sup> Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/JTS0000000000000000JOL> (accessed June 10, 2022).

<sup>11</sup> Ibid. See also Rachel Greszler, "What Is Happening in This Unprecedented U.S. Labor Market? February 2022 Update," Heritage Foundation *Backgrounder* No. 3684, February 8, 2022, <https://www.heritage.org/sites/default/files/2022-02/BG3684.pdf>

<sup>12</sup> Rachel Greszler, "The Small Business Workforce Challenge: Causes, Impacts, and Solutions," testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate, June 8, 2022, [https://www.sbc.senate.gov/public/\\_cache/files/a/5/a5a8c228-6ef0-47b9-8de1-3a8468e68d29/6370354B22A6372350A860EB1F51CEA0.greszler-testimony.pdf](https://www.sbc.senate.gov/public/_cache/files/a/5/a5a8c228-6ef0-47b9-8de1-3a8468e68d29/6370354B22A6372350A860EB1F51CEA0.greszler-testimony.pdf) (accessed June 10, 2022).

<sup>13</sup> William C. Dunkelberg, "NFIB Jobs Report: Over Half of Small Businesses Have Unfilled Job Openings," National Federation of Independent Business, May 2022, <https://www.nfib.com/foundations/research-center/monthly-reports/jobs-report/> (accessed June 10, 2022).

<sup>14</sup> Ian Thomas, "How McDonald's, Wendy's and other fast food brands are dealing with labor shortages," CNBC Work, November 11, 2021, <https://www.cnbc.com/2021/11/11/how-mcdonalds-and-wendys-are-dealing-with-fast-food-labor-shortages.html> (accessed June 10, 2022).

<sup>15</sup> Amelia Lucas "These restaurant chains have raised hourly wages or offered bonuses to attract workers," CNBC, July 11, 2021, <https://www.cnbc.com/2021/07/11/these-restaurant-chains-have-raised-wages-or-offered-bonuses.html> (accessed June 10, 2022).

<sup>16</sup> Daren Bakst and Gabriella Beaumont-Smith, "'Fertilizer Taxes' Will Hurt Farmers and Likely Drive Up Food Prices," Heritage Foundation Commentary, April 5, 2021, <https://www.heritage.org/agriculture/commentary/fertilizer-taxes-will-hurt-farmers-and-likely-drive-food-prices>.

<sup>17</sup> Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill and Policy Implications for the 2013 Farm Bill," June 3, 2013, <http://fairsugarpolicy.org/wordpress/wp-content/uploads/2018/03/AgralyticaEconomicEffectsPaperJune2013.pdf> (accessed June 10, 2022).

<sup>18</sup> Daren Bakst, "FDA's Final Menu Labeling Rule: Going Way Beyond What's Required Under Obamacare," The Daily Signal, November 25, 2014, <https://www.dailysignal.com/2014/11/25/fdas-final-menu-labeling-rule-going-way-beyond-whats-required-obamacare/>

Clean Water Act,<sup>19</sup> referred to as “waters of the United States” even as the U.S. Supreme Court is going to be hearing a case in the fall that could make any new rule moot.<sup>20</sup>

Making matters worse, Russia’s invasion of Ukraine will only increase food prices. Removing harmful government intervention is not only important to help bring down food prices, but also to help increase global food supplies to minimize the risk of food shortages in other countries.

## Recommendations

Most of the harmful government intervention that drives up food prices is on the federal level. However, here are two recommendations for Pennsylvania policymakers:

**Review and remove harmful state intervention that could be driving up food prices.** In doing so, policymakers should carefully examine regulations affecting the entire food supply chain. This includes intervention hurting farmers, truckers, meatpackers, food manufacturers, food retailers, and consumers. Regarding consumers, policymakers should repeal policies that increase consumer costs for the purpose of influencing personal dietary choices.<sup>21</sup>

**Communicate concerns to the federal government.** The Commonwealth of Pennsylvania and its policymakers should communicate their concerns to federal officials regarding harmful federal policies that are driving up food prices. Much of the harmful policy is being formulated by federal agencies. Submitting comments, getting involved in federal agency efforts to secure feedback from states, among other opportunities, are important ways to help convey concerns.

## Conclusion

This is a troubling time for Pennsylvanians, just like it is for all Americans. This current inflation acts like a tax on all of us and it is hurting our quality of life.

Policymakers at all levels of government should be laser focused on removing the government intervention that is driving up prices, including food prices. Instead of driving inflation, policymakers need to remove the policies that are contributing to it.

Thank you again for this opportunity to testify.

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<sup>19</sup> Department of the Army, U.S. Army Corps of Engineers, Department of Defense, and U.S. Environmental Protection Agency, “Revised Definition of ‘Waters of the United States,’” Proposed Rule, *Federal Register*, Vol. 86, No. 232 (December 7, 2021), p. 69372, <https://www.federalregister.gov/documents/2021/12/07/2021-25601/revised-definition-of-waters-of-the-united-states> (accessed June 10, 2022) and U.S. Environmental Protection Agency, “Notice of Public Meetings Regarding ‘Waters of the United States,’” <https://www.epa.gov/wotus/notice-public-meetings-regarding-waters-united-states> (accessed June 10, 2022).

<sup>20</sup> *Sackett v. EPA*, Supreme Court Docket No. 21-454, <https://www.supremecourt.gov/search.aspx?filename=/docket/docketfiles/html/public/21-454.html> (accessed June 10, 2022).

<sup>21</sup> See e.g. Daren Bakst, “Government Control of Your Diet: Threats to ‘Freedom to Eat,’” Heritage Foundation *Issue Brief* No. 4033, September 3, 2013, <https://www.heritage.org/health-care-reform/report/government-control-your-diet-threats-freedom-eat> and Daren Bakst, “The Working Poor Aren’t Finding Anything Sweet in Philly’s Soda Tax,” Heritage Foundation Commentary, February 2, 2017, <https://www.heritage.org/taxes/commentary/the-working-poor-arent-finding-anything-sweet-phillys-soda-tax>.

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