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Retailer Inventory and Pricing Behavior During Supply Chain Disruptions

SUMMARY

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May 11, 2026

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Recent supply chain disruptions have contributed to price increases for certain consumer goods, such as vehicles, groceries, apparel, and consumer electronics. Congress has expressed interest in various types of retailers that sell these consumer goods, particularly after their profits and prices have increased following supply chain disruptions.

Retailers provide services to producers and consumers and charge a price for their services. One of their main services is *inventory management*. That is, retailers acquire, hold, and maintain goods that are for sale to consumers. A retailer's inventory management can affect its pricing behavior, particularly during supply chain disruptions. For example, if supply chain disruptions prevent a retailer from acquiring new inventory, the retailer might choose to increase prices to potentially increase its profits, avoid selling out of a product, or both. The price of a retail service is typically the *markup* charged on the product—the difference between the amount a retailer pays the supplier and the amount the retailer charges the consumer. The size of a markup may vary with time, retailer type, and a variety of competitive and contextual factors.

Retailer behavior can affect how supply chain disruptions transmit down to the consumer. Retailers' responses to such events may vary by the type of retailer, type of disruption, and a variety of contextual factors, such as inventory levels, competition, retail pricing strategies, and information access. Because of these factors, changes in markups and consumer prices are not uniformly driven by supplier price changes. Retailers might increase, decrease, or maintain their markups following changes in supplier pricing. During the Great Recession, vehicle dealerships paid higher prices to manufacturers that faced tightening financial constraints but did not pass those higher costs on to consumers. In contrast, during the COVID-19 pandemic, vehicle dealerships increased markups while experiencing record low vehicle inventories. As another example, grocery stores increased markups for meats during certain agricultural supply chain disruptions. Changes in tariffs in 2025 contributed to changes in import volumes and prices paid by retailers, both of which might affect retailer behavior. How a retailer responds to a supply chain disruption can affect both its profitability and consumer prices.

A retailer typically makes pricing and inventory decisions in response to market forces, such as consumer demand for its products, competitive pressure from other retailers, and the diversity of its upstream supplier network. Statute can affect retailers' pricing behaviors within certain contexts. For example, Section 102 of the Defense Production Act of 1950 (50 U.S.C. §4512) prohibits hoarding of materials that the President has designated as scarce for the purpose of selling those goods at an elevated price.

No federal laws or regulations explicitly prohibit *price gouging*, a term often used to describe price increases perceived to be excessive, typically in response to sudden changes in supply or demand (e.g., caused by a supply chain disruption). Price gouging bills introduced by Members of the 119th Congress and state price gouging laws often have focused on supply chain disruptions or other market shocks. Congress might consider using its oversight authority to ask federal agencies to take actions to enforce existing laws that can affect pricing during supply chain disruptions. Congress might consider addressing price gouging through legislation. If Members of Congress choose to introduce additional legislation related to price gouging, considerations may include the circumstances in which a price increase might be considered excessive, whether to prohibit a specific price increase in statute or direct a federal agency to promulgate regulations to define the terms excessive or price gouging, and whether to prohibit price gouging in specific contexts or for certain goods.

Congress also might consider legislation addressing supply chain resiliency. One option that Congress might consider is to direct research to identify industries to build supply chain resiliency and support domestic production of certain goods. The House and Senate passed their respective versions of a Promoting Resilient Supply Chains Act of 2025 (H.R. 2444; S. 257), which would direct the Assistant Secretary of Commerce for Industry and Analysis to lead and establish an intergovernmental working group to develop plans and analyses to increase U.S. supply chain resiliency for industries and goods critical to U.S. economic or national security.

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Introduction

A range of recent supply chain disruptions have contributed to price increases for certain consumer goods,[1] such as vehicles, groceries, apparel, and consumer electronics. In some cases, price increases for these goods have coincided with higher retail profits. Congress has expressed interest in various types of retailers that sell these consumer goods, particularly after their profits and prices increased following supply chain disruptions.[2] For example, the pricing behavior, inventory levels, and profits of grocery stores and vehicle dealerships received attention from some Members of Congress following recent supply chain disruptions. Additionally, some Members have also commented on the potential effects of certain tariff increases on the availability and price of retail goods such as apparel and consumer electronics.[3]

This report discusses how retailer behavior and inventory levels can affect consumer prices for certain goods during supply chain disruptions. The specific types of retail goods that receive congressional attention generally reflect the concerns of consumers. The behaviors and disruptions of a selection of consumer goods analyzed in this report illustrate the range of possible retailer pricing and inventory behaviors during supply chain disruptions.

During the 119th Congress, some Members have introduced legislation that could affect the availability and pricing of retail goods during supply chain disruptions. This report (1) provides background on the retail industry, (2) analyzes the pricing behavior of certain retailers during selected supply chain disruptions, and (3) discusses selected policy options for Congress. Selected options discussed in this report include continued oversight, legislation to prohibit certain price increases in some contexts, and legislation to affect supply chain resiliency.

Retailing Background

Retailers provide services to producers and consumers.[4] Generally, these services can help consumers acquire goods and provide producers a place to store and market their goods. Retailers charge a price for these services and typically charge consumers a higher price for goods than the

[1] A supply chain disruption is an event that affects supplier networks and that typically contributes to supplier prices increasing at accelerated rates or the availability of goods decreasing or both.

[2] For example, see U.S. Congress, House Committee on Energy and Commerce, Subcommittee on Consumer Protection and Commerce, *Pandemic Profiteers: Legislation to Stop Corporate Price Gouging*, hearing, 117th Cong., 2nd sess., February 2, 2022, https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=114360; U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *The Semiannual Monetary Policy Report to the Congress*, hearing on the Oversight on the Monetary Policy Report to Congress Pursuant to the Full Employment and Balanced Growth Act of 1978, 118th Cong., 1st sess., March 7, 2023, S.Hrg. 118-205; and U.S. Congress, Senate Special Committee on Aging, *Making Washington Work for Seniors: Fighting to End Inflation and Achieve Fiscal Sanity*, hearing, 119th Cong., 1st sess., January 29, 2025, https://www.congress.gov/event/119th-congress/senate-event/LC74258/text.

[3] U.S. Joint Economic Committee, Representative Don Beyer, "Trump's Tariff Plans Will Drive up Costs for the Average American Family between $1,600 and $2,000 per year," March 3, 2025, https://beyer.house.gov/uploadedfiles/jec_house_dems_trump_tariffs_report_3.3.25.pdf; and "Short Term Pain, Long Term Gain: Rep. Burchett on Tariffs," *Bloomberg*, April 3, 2025, https://www.bloomberg.com/news/videos/2025-04-03/short-term-pain-long-term-gain-rep-burchett-on-tariffs-video.

[4] In the context of this report, a retailer is a business with a physical store that purchases goods for purposes of resale to final consumers. A producer is a business that creates a physical good through an assembly, manufacturing, agricultural, mining, packaging, or other physical activity. Producers might sell their physical goods directly to a retailer or to an intermediary (commonly referred to as a wholesaler).

retailers pay the suppliers of these goods.[5] Retailers also seek other profit opportunities tied to their services and goods (e.g., financial products, insurance products, warranties).[6] This section describes and analyzes (1) retail inventory management and (2) the prices retailers charge for providing their services.

Retail Inventory Management

Retailers aim to maximize their revenue by matching consumers and products across a range of preferences, characteristics, prices, and time horizons. They facilitate that matching process by managing inventory and evaluating consumer behavior, among other activities. Inventory management is one of the main services of a retailer that can affect its pricing behavior, particularly during supply chain disruptions.

Retailers acquire, hold, and maintain *inventories* available for sale to consumers. Inventories are the unfinished or finished goods that a business possesses at its facilities that it has not yet sold; for retailers, these are generally finished goods. Retailers typically acquire these inventories from multiple suppliers, although some retailers might acquire them from one supplier. Retailer inventory management can help producers reduce manufacturing costs by, for example, enabling manufacturers to produce larger batches of goods, thereby reducing the average per-unit cost of production. Retail inventory management services also can allow producers to shift the cost of overproduction to retailers if consumer demand is lower than expected because the retailer would hold the excess inventory. If demand is higher than expected, the retailer might be able to increase prices and obtain a greater profit. Retailers also help suppliers reach consumers in different geographic areas. These services also can help consumers find a variety of goods and brands to choose from in one location.

Holding and maintaining inventories is costly for retailers.[7] Thus, retailers tend to hold an inventory level that they believe balances the conflicting risks of losing potential revenue by selling out of inventory and of incurring additional costs from potentially holding inventory levels that exceed consumer demand.[8] The amount of inventory a retailer holds depends on factors such as the characteristics of their consumer base and the costs of holding inventory. The costs to retailers to hold inventory may include financing and insurance, maintenance, depreciation, spoilage, obsolescence, and theft. Different products or industries may have different cost profiles. For example, a vehicle may have higher inventory financing and insurance costs than a food item at a grocery store.[9] These factors, among others, result in different types of retailers holding different levels of inventories relative to their sales.

Supply chain disruptions can limit a retailer's ability to acquire inventories. Congress has held hearings on the effect of some recent supply chain disruptions on retail inventory levels and

[5] A supplier is a business that sells a physical good to a retailer. Suppliers can be producers or wholesalers. Wholesalers acquire their goods from producers or other wholesalers.

[6] Kevin Camp et al., "Automotive Dealerships 2007-19: Profit-Margin Compression and Product Innovation," *Monthly Labor Review*, BLS (October 2022), https://doi.org/10.21916/mlr.2022.26.

[7] Amulya Gurtu, "Optimization of Inventory Holding Cost Due to Price, Weight, and Volume of Items," *Journal of Risk and Financial Management*, vol. 14, no. 2 (February 2021), p. 65, https://doi.org/10.3390/jrfm14020065.

[8] Eric T. Anderson et al., "Measuring and Mitigating the Costs of Stockouts," *Management Science*, vol. 52, no. 11 (November 2006), p. 1751, http://dx.doi.org/10.1287/mnsc.1060.0577; and Terry Damron and William T. Rupp, "Inventory Control in the Retail Sector: Case Studies of Best Business Practices," *International Journal of Procurement Management*, vol. 9, no. 3 (2016), p. 354, http://dx.doi.org/10.1504/IJPM.2016.076309.

[9] Unless noted otherwise, throughout this report, *grocery store* refers to a store that primarily sells food intended for consumption at home (e.g., Kroger, Albertsons); it does not include a supercenter (e.g., Walmart Supercenter, Target) or warehouse club (e.g., Costco, Sam's Club).

prices.[10] Because retailers tend to hold the amount of inventory that they believe balances the risks of selling out or holding too much, unexpected changes in supply or demand can contribute to shortages or excess inventory. If supply chain disruptions become more frequent, some retailers may choose to hold more inventory to be more resilient to these disruptions. For retailers and consumers, this increased retail inventory might reduce the likelihood of shortages and related short-term, scarcity-driven price increases. Holding more inventory might also increase costs for retailers, who might pass on these costs to consumers through higher prices.

Retail Prices: Markups

Retailers charge a price for the services they provide. The price of a retail service is typically the *markup* charged on the product—that is, the difference between what a retailer pays the supplier and what the retailer charges the consumer.[11] For example, if a retailer pays its supplier $20 for a shirt and sells it to a consumer for $30, the price of the retail service and markup would be $10. Markups can be expressed in dollars or as a percent. In the example above, the dollar markup would be $10 and the markup percent would be 50% ($10 ÷ $20). For retailers that sell many types of products, the markup on each product may differ. The markup charged by a retailer can vary across retailer types. For example, in 2024, publicly traded vehicle dealerships typically had a markup percent between 6% and 9%,[12] while publicly traded grocery stores typically had a markup percent between 30% and 40%.[13]

A retailer with a higher markup is not necessarily more profitable than a retailer with a lower markup. Retailers use the *gross profits*[14] generated from selling products to pay their other costs (e.g., operating costs such as wages, utilities, and rents). If the gross profits exceed those other costs, then the retailer will have generated a *net profit.*[15] A retailer's total profitability also depends on the total value of its sales, its other costs, and other ancillary services from which it might profit.[16] For example, a retailer with $1 million in sales at an 8% markup would earn a gross profit of $74,074, whereas a retailer with $300,000 in sales at a 30% markup would earn a lesser gross profit of $69,231. Cash generated from gross profits can be used to pay a retailer's operating costs, which can vary across retailers. For example, in 2024, operating costs for publicly traded grocery stores were typically between 17% and 26% of total sales, whereas

[10] For example, see U.S. Congress, House Committee on Energy and Commerce, Subcommittee on Consumer Protection and Commerce, *Pandemic Profiteers: Legislation to Stop Corporate Price Gouging*, hearing, 117th Cong., 2nd sess., February 2, 2022, https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=114360.

[11] Producer Price Index Program Staff, "Wholesale and Retail Producer Price Indexes: Margin Prices," *Beyond the Numbers*, U.S. Bureau of Labor Statistics (BLS), vol. 1, no. 8 (August 2012), https://www.bls.gov/opub/btn/volume-1/wholesale-and-retail-producer-price-indexes-margin-prices.htm; and BLS, *Handbook of Methods: Producer Price Indexes*, July 31, 2025, https://www.bls.gov/opub/hom/ppi/concepts.htm.

[12] Typical range identified by CRS analysis of vehicle dealership 10-Ks. For example, see AutoNation, Inc., *Form 10-K for the Fiscal Year Ended December 31, 2024*, filed with the U.S. Securities and Exchange Commission (SEC), February 14, 2025, https://www.sec.gov/ix?doc=/Archives/edgar/data/0000350698/000035069825000029/an-20241231.htm.

[13] Typical range identified by CRS analysis of grocery store 10-Ks. For example, see Albertsons Companies, Inc., *Form 10-K for the Fiscal Year Ended February 22, 2025*, filed with the SEC, April 21, 2025, https://www.sec.gov/ix?doc=/Archives/edgar/data/0001646972/000164697225000052/aci-20250222.htm. This markup percent does not apply to supercenters (e.g., Walmart, Target) and warehouse clubs (e.g., Costco, Sam's Club).

[14] *Gross profits* are revenues minus inventory acquisition costs (i.e., net profits before subtracting operating, administrative, and other costs).

[15] *Net profits* are revenues minus total costs.

[16] For example, vehicle dealerships generally earn more profits from financial and insurance sales than they do from vehicle sales; Camp et al., "Automotive Dealerships 2007-19."

operating costs for publicly traded vehicle dealerships were typically between 10% and 12% of total sales.[17]

The markup a retailer charges is influenced by consumer behavior, the prices it pays suppliers, and a range of competitive and contextual factors. These factors include the availability of substitutes for a retailer's product, competition among retailers to sell the same product in the same market, cost structure of products and markets, inventory levels for products for sale, and a retailer's range of products. Retailers sometimes implement a pricing strategy tailored to one or more of those factors.

To maximize revenues, retailers may change prices and markups in response to changes in market conditions. For example, if a retailer thinks demand is increasing faster than it can acquire additional inventory, the retailer might increase prices so that it can get the most revenue out of its available inventory. Conversely, if demand is falling and the retailer is concerned it might have excess inventory, the retailer might decrease prices to attract consumers and stimulate sales. Producers may change their production levels in response to retailer price changes, which might result in additional changes in price. For example, when retailers increase their markups and prices, doing so can incentivize producers to increase production. If supply chains are functioning smoothly and producers are able to increase production, retailers may have more inventory to sell, which can result in decreases in prices if inventory levels increase relative to sales.

In some cases, ethical considerations could arise when retailers increase prices during supply chain disruptions. Some consumers and policymakers might assert that the fairest way to allocate scarce goods is to adjust the price. This allows the consumers who are willing to pay more for these goods to obtain them and retailers to generate a higher profit. Alternatively, some consumers and policymakers might assert it is unethical or unfair for a retailer to raise prices during a disruption when supply is constrained and inventories are low. When supply is constrained, higher markups and retail prices might not result in increased supply of a good. This can contribute to perceptions of *profiteering*, which is a word commonly used to describe someone gaining a profit without providing a commensurate value in return. Price increases that occur during rapid supply or demand changes, such as in response to a natural disaster or other supply chain disruption, are sometimes considered to be *price gouging*, which is a term often used to describe price increases perceived to be excessive, typically in response to sudden changes in supply or demand (e.g., caused by a supply chain disruption). For example, during the COVID-19 pandemic, the Attorney General for the District of Columbia suggested that a convenience store was "price gouging" for selling scarce cleaning supplies at a reported 200% markup.[18] Some retailers might use extra revenue earned during supply chain disruptions to make improvements, such as investing in commercial infrastructure that might help them manage inventory effectively.

If supply chain disruptions were to become more frequent, retailers might respond by holding more inventory or diversifying their supplier network by identifying additional sources of goods. This might result in fewer price fluctuations if retailers are less susceptible to supply chain disruptions. It might also incentivize more producers to enter supplier markets, resulting in supply

[17] In this report, *operating costs* refer to selling, general, and administrative costs. Typical range identified by CRS analysis of vehicle dealership and grocery store 10-Ks. For example, in 2024, Albertsons Companies' "selling & administrative expenses" were 26% of its total revenue, whereas AutoNation's "selling, general, and administrative expenses" were 12% of its total revenue (see Albertsons Companies, Inc., *Form 10-K*; and AutoNation, Inc., *Form 10-K*, respectively).

[18] Sydney Coplin, "DC Convenience Store Accused of Price Gouging During State of Emergency," *NBCWashington*, May 4, 2020, https://www.nbcwashington.com/news/coronavirus/dc-convenience-store-accused-of-price-gouging-during-state-of-emergency/2292842/.

chain resiliency without intervention from policymakers. Retailers may be unable to diversify their supplier network if it is too costly or if additional sources of the goods do not exist. For example, scarcity-driven price increases may be too small or too brief to incentivize domestic producers to enter a market. As another example, tariffs or other trade restrictions could prevent retailers from using suppliers in other countries.

Retailers and Supply Chain Disruptions

Retailers' pricing behaviors during supply chain disruptions highlight their role as the final node in supply chains for new consumer goods. Retailer behavior can affect how supply chain disruptions transmit down to the consumer. Retailers might respond differently depending on whether the disruption directly affects prices, inventories, or both. Changes to inventory levels are some of the main contributors to changes in retail prices during supply chain disruptions,[19] but other factors can affect retail prices (e.g., competition, consumer demand, retail pricing strategies, and information access). Because of these factors, changes in retailer markups and consumer prices are not uniformly driven by changes in supplier prices or inventory levels.

During a supply chain disruption, retailers might increase, decrease, or maintain their markups in response to changes in supplier pricing or inventory levels. For example, multiple studies found that retail markups accounted for some of the increased inflation during the COVID-19 pandemic;[20] during the Great Recession of 2007-2009 (GR), some retailers absorbed price increases from manufacturers by decreasing their markups.[21] When retailers anticipate disruptions, they might adjust their inventories before and during the disruption.

This section analyzes retailer pricing and inventory behavior during a selection of disruptions to illustrate the different ways a retailer and its inventories can affect prices or product availability for consumers. Each of the disruptions and associated retailer responses may be relevant to potential policy options that Congress might consider. This section uses three examples that illustrate retailers increasing or decreasing their markups or adjusting their inventories during supply chain disruptions: (1) vehicle dealerships' responses to the GR and the COVID-19 pandemic, (2) grocery stores' responses to agricultural supply chain disruptions, and (3) import supply disruptions following changes in tariff conditions in 2025. The characteristics that distinguish each disruption include consumer demand, inventories, and the degree to which the disruption was anticipated.

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[19] Neil Mehrotra et al., *Retail Inventories and Inflation Dynamics: The Price Margin Channel*, International Finance Discussion Papers no. 1424, October 2025, https://doi.org/10.17016/IFDP.2025.1424; Florian Zettelmeyer et al., *Scarcity Rents in Car Retailing: Evidence from Inventory Fluctuations at Dealerships*, NBER, May 2006, http://www.nber.org/papers/w12177; Ayelet Israeli et al., "How Market Power Affects Dynamic Pricing: Evidence from Inventory Fluctuations at Car Dealerships," *Journal of Management Science*, vol. 68, no. 4 (October 2021), http://dx.doi.org/10.1287/mnsc.2021.3967; and Salomé Baslandze and Simon Fuchs, "The Price of Delay: Supply Chain Disruptions and Pricing Dynamics," Federal Reserve Bank of Atlanta, Working Paper 2025-8a, revised March 2026, https://www.atlantafed.org/-/media/Project/Atlanta/FRBA/Documents/research/publication/working-paper/2025/09/24/08-the-price-of-delay-supply-chain-disruptions-and-pricing-dynamics.pdf.

[20] Andrew Glover et al., "How Much Have Record Corporate Profits Contributed to Recent Inflation," *Economic Review*, Federal Reserve Bank of Kansas City, vol. 108, no. 1 (January 2023), https://www.kansascityfed.org/documents/9329/EconomicReviewV108N1GloverMustredelRiovonEndeBecker.pdf; Michael Havlin, "Automotive Dealerships 2019-22: Dealer Markup Increases Drive New-Vehicle Consumer Inflation," *Monthly Labor Review*, BLS (April 2023), https://www.bls.gov/opub/mlr/2023/article/automotive-dealerships-markups.htm; and Leila Davis, "Profits and Markups During the Post-COVID-19 Inflation Shock in the U.S. Economy: A Firm-Level Lens," *European Journal of Economics and Economic Policies*, vol. 21, no. 1 (September 2024), p. 309, https://doi.org/10.4337/ejeep.2024.0137.

[21] Camp et al., "Automotive Dealerships 2007-19."

Vehicle Dealership Markups: Great Recession and Pandemic

The changes in consumer prices and markups at vehicle dealerships during the GR and the COVID-19 pandemic demonstrate how inventory levels, consumer demand, and supplier prices may affect retailer behavior and prices during disruptions. The supply chain disruptions in each case had different characteristics, which contributed to contrasting responses from dealerships.

Great Recession

The GR precipitated some unique supply and demand conditions that affected vehicle dealership (retailer) behavior. The GR was a broad decrease in economic activity that lasted from December 2007 to June 2009. A contributing factor to the GR was a financial crisis that reduced the supply of cash and other liquid financial assets available to banks, households, and manufacturers.[22] Although the GR was primarily a demand disruption in that consumer demand decreased as the financial crisis deepened, the underlying financial crisis contributed to some supply chain disruptions—especially for automotive manufacturers and vehicle dealerships. The GR example discussed in this subsection illustrates the role of retail inventory management services during disruptions and how prices charged by retailers can decrease despite price increases from their suppliers.

During the GR, vehicle dealerships paid higher prices to manufacturers and absorbed excess inventories while reducing prices for consumers. Because of tightening financial conditions and the potential of bankruptcy caused by the financial crisis,[23] manufacturers of new vehicles increased prices to remain solvent during the GR despite a decrease in consumer demand.[24] From December 2007 to January 2009,[25] prices paid by dealerships to acquire new vehicles increased on average by 2.5% for domestically produced vehicles and by 1.9% for imported vehicles.[26] Because of decreased consumer demand, dealerships could not pass these price increases onto consumers while maintaining vehicle sales. Inventory levels at dealerships increased, and the excess inventory contributed to lower markups (see **Figure 1**) and consumer prices at dealerships.[27] From December 2007 to January 2009, dealership markups decreased by 18.9%,[28] and prices that dealerships charged consumers for vehicles decreased by 2.7%.

[22] For more information on the Great Recession (GR) and financial crises, see CRS Report R47479, *Common Causes of Economic Recession*, by Lida R. Weinstock.

[23] Simon Gilchrist et al., *Inflation Dynamics During the Financial Crisis*, National Bureau of Economic Research (NBER), November 2016, http://www.nber.org/papers/w22827.

[24] Camp et al., "Automotive Dealerships 2007-19."

[25] December is baseline peak month immediately preceding the GR, and January 2009 is when dealership markups reached a GR minimum.

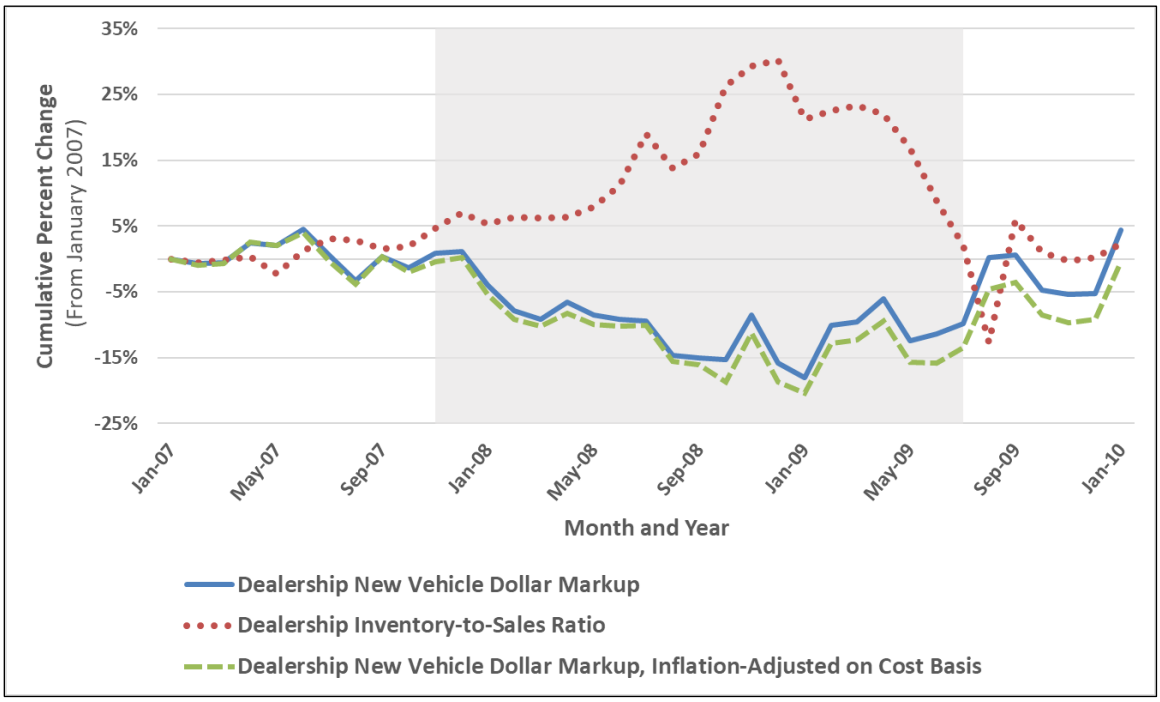
[26] CRS calculations based on Producer Price Index (PPI) and Import Price Index (IPP) data from BLS, accessed via the BLS one-screen data tool; BLS, *PPI for Commodity Data*, accessed September 16, 2025, https://www.bls.gov/data/home.htm; and BLS, "Data Tools," accessed September 16, 2025, https://www.bls.gov/data/home.htm.

[27] Inventory levels affect vehicle dealerships' pricing power; see Florian Zettelmeyer et al., *Scarcity Rents in Car Retailing: Evidence from Inventory Fluctuations at Dealerships*; and Ayelet Israeli et al., "How Market Power Affects Dynamic Pricing: Evidence from Inventory Fluctuations at Car Dealerships.

[28] According to the BLS PPIs that track dollar markups. Unless otherwise specified, references to percent changes in dollar markups in this report are based on the BLS PPIs that directly measure changes to dollar markups.

Figure 1.Vehicle Markups and Inventories During the Great Recession

January 2007 to January 2010



Source: CRS with data from U.S. Bureau of Labor Statistics (BLS) and U.S. Bureau of Economic Analysis.

Notes: Dealership New Vehicle Dollar Markup is a BLS price index that measures the change to the dollar markup (price – cost of goods sold). Dealership New Vehicle Dollar Markup, Inflation-Adjusted on Cost Basis is the Dealership New Vehicle Dollar Markup adjusted for inflation by the Producer Price Index and U.S. Import Price Indexes for vehicles. The inflation-adjusted measure indicates whether dollar markups grew at a faster or slower rate than supplier price changes. The Vehicle Dealership Inventory-to-Sales Ratio is a measure of inventory levels, where inventories are expressed as a ratio to sales. In the vehicle dealership industry, inventory levels sometimes have a relationship with dealership pricing behavior. The Great Recession (GR) began in December 2007 and lasted until June 2009 (illustrated by the gray box). The Global Financial Crisis began in summer 2007. January 2007 was chosen as the base year to provide pre-GR and pre-GFC context. January 2010 was chosen as the ending month because dealership markups had generally reached pre-GR levels by this time.

COVID-19 Pandemic

The COVID-19 pandemic was the worldwide spread of a new strain of coronavirus that affected numerous supply chains and consumer behaviors.[29] The pandemic example discussed in this subsection demonstrates how retailers may allocate scarce resources during a supply chain disruption by increasing prices, how decreases in inventories across retailers can enable them to increase prices without losing customers,[30] and how retailer price increases can materialize as a result of supply constraints originating further back in the supply chain.

During the COVID-19 pandemic, imbalances between demand and supply contributed to vehicle shortages at vehicle dealerships. When the COVID-19 pandemic began, many automotive manufacturers expected a prolonged economic recession and cancelled orders for new goods

[29] For more information on the effect of the COVID-19 pandemic on the U.S. economy, see CRS Report R46606, *COVID-19 and the U.S. Economy*, by Lida R. Weinstock.

[30] Zettelmeyer et al., *Scarcity Rents in Car Retailing*; and Israeli et al., "How Market Power Affects Dynamic Pricing."

across their supply chains.[31] The cancelled orders made it challenging to restart production in the automotive sector. For example, when automotive manufacturers cancelled orders for semiconductors, the cancellations contributed to semiconductor manufacturers pivoting their capacity and production toward technology companies.[32] Automotive manufacturers then faced difficulties obtaining semiconductors, which delayed new vehicle production and contributed to limited inventories at dealerships. Meanwhile, consumer demand increased as a result of economic stimuli and pandemic-related behavior changes.[33]

Because of the changes in production and consumer demand, the automotive industry experienced record-low vehicle inventories at dealerships and an increase in vehicle consumer prices that outpaced the increase in supplier prices. From January 2020 through June 2022,[34] the prices dealerships paid to manufacturers for new vehicles increased on average by 7.3% for domestically produced vehicles and 3.9% for imported vehicles.[35] Meanwhile, the prices dealerships charged consumers for vehicles increased on average by 16.2%.[36] This differential was reflected in higher markups at dealerships (see **Figure 2**).[37]

[31] David Coffin et al., *The Roadblocks of the COVID-19 Pandemic in the U.S. Automotive Industry*, International Trade Commission, Working Paper ID-091, June 2022, https://www.usitc.gov/publications/332/working_papers/final_the_roadblocks_of_the_covid-19_pandemic_in_the_automotive_industry.pdf.

[32] Coffin et al., *The Roadblocks of the COVID-19 Pandemic in the U.S. Automotive Industry*; and Havlin, "Automotive Dealerships 2019-22."

[33] Havlin, "Automotive Dealerships 2019-22."

[34] January 2020 is used as the pre-Covid-19 baseline because some portions of the economy were being affected as early as February 2020, and June of 2022 is the referenced time period because it is when vehicle dealership markups reached the maximum level between January 2020 and January 2025.

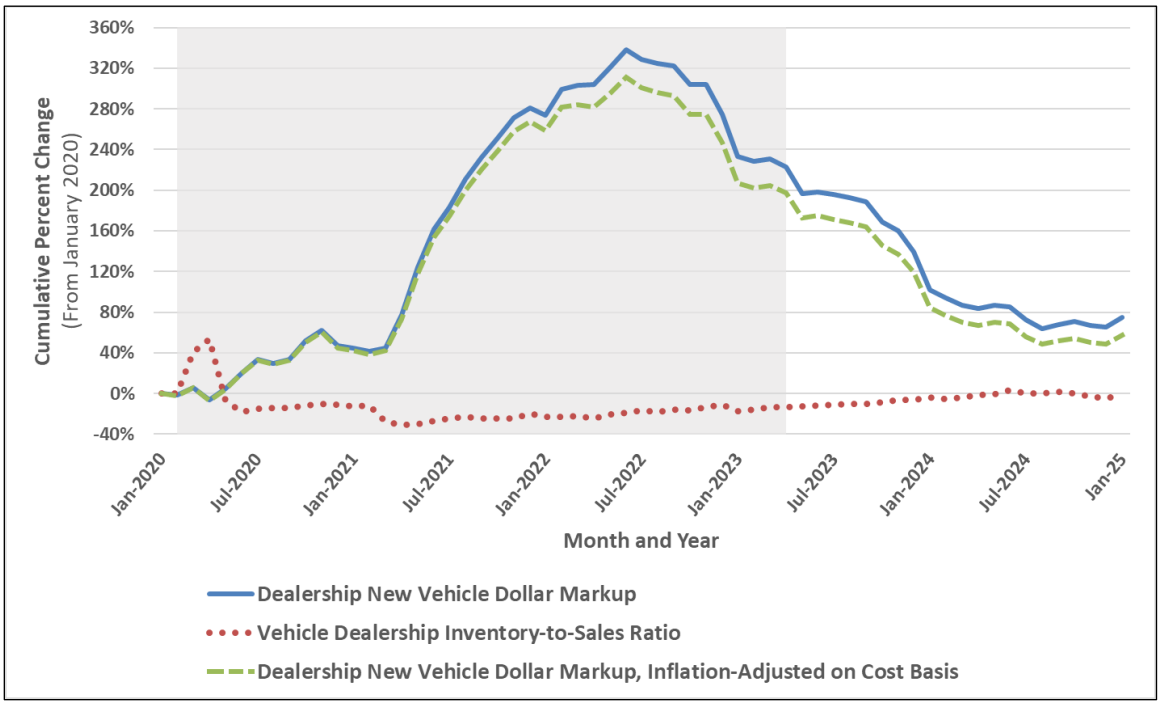
[35] CRS calculations based on PPI and IPP data, accessed via the BLS one-screen data tool; BLS, "Data Tool," accessed September 16, 2025, https://www.bls.gov/data/home.htm.

[36] CRS calculations based on Consumer Price Index (CPI) data from BLS, accessed via the BLS one-screen data tool; BLS, "Data Tool," accessed September 16, 2025, https://www.bls.gov/data/home.htm.

[37] For demonstration of how these measures relate, see Havlin, "Automotive Dealerships 2019-22."

Figure 2. Vehicle Markups and Inventories During the COVID-19 Pandemic

January 2020 to January 2025



Source: CRS with data from U.S. Bureau of Labor Statistics (BLS) and U.S. Bureau of Economic Analysis.

Notes: Dealership New Vehicle Dollar Markup is a BLS price index that measures the change to the dollar markup (price – cost of goods sold). Dealership New Vehicle Dollar Markup, Inflation-Adjusted on Cost Basis is the Dealership New Vehicle Dollar Markup adjusted for inflation by the Producer Price Index and U.S. Import and Export Price Indexes for vehicles. The inflation-adjusted measure indicates whether dollar markups grew at a faster or slower rate than supplier price changes. The Vehicle Dealership Inventory-to-Sales Ratio is a measure of inventory levels, where inventories are expressed as a ratio to sales. In the vehicle dealership industry, inventory levels sometimes have a relationship with dealership pricing behavior. A national emergency for the COVID-19 pandemic was declared in March 2020 and was terminated in April 2023 (illustrated by the gray box). This chart begins in January 2020 to provide pre-pandemic context. January 2025 is the ending date because it generally excludes certain tariff changes that occurred in 2025.

Grocery Store Markups During Selected Agricultural Shortages

Certain agricultural supply chain disruptions[38] have contributed to lower retail inventories and higher retail prices for meats.[39] The markup behavior of grocery stores during these agricultural supply chain disruptions highlight how dollar markups and retail prices can increase when retail markup percentages do not increase.[40] Additionally, this example discusses how an increasing

[38] The proportion of food manufacturers identifying "insufficient supply of materials" as the reason for underutilized plant capacity increased from the first quarter (Q1) of 2021 to Q4 of 2025, with accelerated increases occurring in 2021 and 2022, which is an indicator of a supply chain disruption. U.S. Census Bureau, Quarterly Survey of Plant Capacity Utilization, accessed April 7, 2026, https://www.census.gov/programs-surveys/qpc/data/tables.html; and Neil Mehrotra et al., *Retail Inventories and Inflation Dynamics: The Price Margin Channel*.

[39] Thomas Bittmann et al., "Short- and Long-Term Drought Impacts on the U.S. Beef Value Chain," *Environmental Research Letters*, vol. 20 (2025), https://doi.org/10.1088/1748-9326/ade45d; and Omid Zamani et al., "The Effect of Avian Influenza Outbreaks on Retail Price Premiums in the United States Poultry Market," *Poultry Science*, vol. 103, no. 10 (October 2024), https://doi.org/10.1016/j.psj.2024.104102.

[40] For discussion of the difference between a dollar markup and markup percent, see "Retail Prices: Markups."

dollar markup can contribute to higher retail profits regardless of whether markup percentages increase.

Several agricultural supply chain disruptions started in 2021 and 2022. In part due to droughts,[41] beef cow herd sizes decreased at successively accelerating annual rates from 2021 through 2023, and decreases continued into 2026.[42] In 2025, live beef cow inventories reached the lowest level since 1961.[43] Around the same time as the beef supply chain disruptions, starting in early-2022, culling of poultry began increasing at accelerating rates in response to an avian flu,[44] which reduced the supply of poultry. These disruptions contributed to grocery stores facing higher supplier prices and less inventory available for meats.[45]

In response to these supply chain disruptions,[46] as **Figure 3** illustrates, grocery stores generally increased their average retail meat prices by a larger dollar amount than their average supplier price increases but not by a larger percent change. Generally, dollar markups increasing at a slower percent rate than supplier prices means that the markup percent decreased.[47] Similarly, when supplier prices increase at a higher percent rate than consumer prices, it means the markup percent decreased but not necessarily the dollar markup.

As a discrete, hypothetical example of how a dollar markup can increase while the percent markup does not, consider a supermarket that buys one pound of ground beef for $3 and sells it to a consumer for $4 in January 2021; the dollar markup would be $1, and the markup percent would be 33.3% ($1 ÷ $3). Then, in January 2023, if the supermarket buys one pound of ground beef for $4.25 and sells it to a consumer for $5.50, the dollar markup would be $1.25, and the markup percent would be 29.4% ($1.25 ÷ $4.25). Although the dollar markup increased by 25% in this example, the markup percent decreased by 11.7%. Additionally, in this example, the dollar markup increased although the consumer price percent increase of 37.5% was smaller than the supplier percent increase of 41.7%.

This example underscores the distinction between dollar markups and percent markups and how dollar markups can increase when percent markups remain constant or decrease, which might inform certain policy considerations. The effects of higher meat dollar markups during these

[41] R. Aaron Hrozencik, "The Stocking Impact and Financial-Climate Risk of the Livestock Forage Disaster Program," Economic Research Service, Report no. 329 (January 2024), https://ers.usda.gov/sites/default/files/_laserfiche/publications/108372/ERR-329.pdf?v=57904.

[42] Bernt Nelson, "Smaller Cattle Herd Creates Market Volatility," American Farm Bureau Federation, February 10, 2026, https://www.fb.org/market-intel/smaller-cattle-herd-creates-market-volatility; U.S. Department of Agriculture (USDA) National Agricultural Statistics Service (NASS), "United States Cattle Inventory Report," news release, July 25, 2025, https://web.archive.org/web/20250725203702/https://www.nass.usda.gov/Newsroom/2025/07-25-2025.php; and USDA NASS, *Quick Stats*, accessed April 7, 2026, https://quickstats.nass.usda.gov/results/81B2426E-08E0-3871-B132-06D93D6C72A2.

[43] USDA NASS, *Quick Stats.*

[44] USDA Economic Research Service (ERS), *Livestock, Dairy, and Poultry Outlook: May 2022*, Mary 18, 2022, https://ers.usda.gov/sites/default/files/_laserfiche/outlooks/103952/LDP-M-335.pdf?v=80650; USDA, "Confirmations of Highly Pathogenic Avian Influenza in Commercial and Backyard Flocks," Animal and Plant Health Inspection Service, https://www.aphis.usda.gov/livestock-poultry-disease/avian/avian-influenza/hpai-detections/commercial-backyard-flocks; and CRS Report R48518, *The Highly Pathogenic Avian Influenza (HPAI) Outbreak in Poultry, 2022-Present*, by Christine Whitt.

[45] Bittmann et al., "Short-and Long-Term Drought Impacts on the U.S. Beef Value Chain"; and USDA ERS, Livestock, Dairy, and Poultry Outlook: May 2022. For more discussion of beef cow inventories and prices, see CRS Insight IN12687, *Argentine Beef Import Quota Expansion*, by Benjamin Tsui and Christine Whitt.

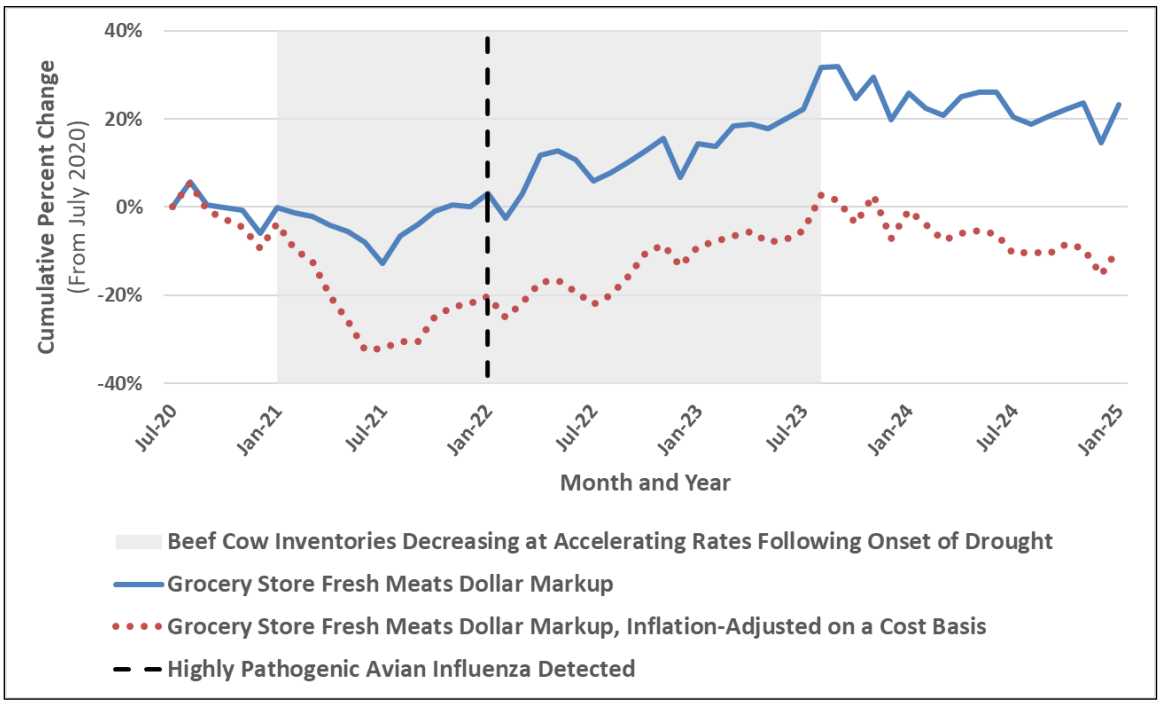
[46] Bittmann et al., "Short-and Long-Term Drought Impacts on the U.S. Beef Value Chain"; and Zamani et al., "The Effect of Avian Influenza Outbreaks on Retail Price Premiums in the United States Poultry Market."

[47] An exception would be when dollar markups are negative in the initial period.

supply chain disruptions on net profits for a grocery retailer depend on the retailer's other costs (e.g., rent, utilities, wages) and its total sales volume.

Figure 3. Supermarket and Grocery Store Fresh Meats During Selected Agricultural Shortages

July 2020 to January 2025



Source: CRS with data from U.S. Bureau of Labor Statistics (BLS) and U.S. Department of Agriculture.

Notes: Grocery Store Fresh Meats Dollar Markup is a BLS price index that measures the change to the dollar markup (price – cost of goods sold). Grocery Store Fresh Meats Dollar Markup, Inflation-Adjusted on Cost Basis is the Grocery Store Fresh Meats Dollar Markup adjusted for inflation by the Producer Price Index (PPI) for Meats, Poultry, and Fish. The inflation-adjusted measure indicates whether dollar markups grew at a faster or slower rate than supplier price changes. This chart begins in July 2020 to exclude certain COVID-19-related volatility that occurred in the first half of 2020 that was unrelated to the drought that began in 2020 and to include the effects of the drought and the Highly Pathogenic Avian Influenza. January 2025 is the ending date because it generally excludes certain tariff changes that occurred in 2025.

Import Volumes and Tariffs in 2025

Tariff increases in 2025 disrupted retail supply chains.[48] This disruption was widely anticipated by businesses,[49] including some retailers,[50] and generally contributed to higher costs and lower

[48] For example, see Marina Azzimonti et al., "Tariffs: Estimating the Economic Impact of the 2025 Measures and Proposals," Economic Brief, Federal Reserve Bank of Richmond, April 2025, https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-12. For discussion of tariff increases during 2025 and the products that were affected, see CRS Report R48549, *Presidential 2025 Tariff Actions: Timeline and Status*, by Keigh E. Hammond and William F. Burkhart.

[49] Philippe Andrade et al., "Who Will Pay for Tariffs? Businesses' Expectations about Costs and Prices," Federal Reserve Bank of Boston, *Current Policy Perspectives*, vol. 25, no. 13 (September 2025), https://www.bostonfed.org/publications/current-policy-perspectives/2025/who-pays-for-tariffs.aspx.

[50] Russell Mills et al., "SOURCE Insights: An Initial Look at the Anticipated Impact of Tariffs on Fourth District

(continued...)

inventories for retailers of the goods affected by the tariff increases. Retailer behavior during this supply chain disruption highlights the role of inventories in retail markups for a range of retailer types and highlights how retailers might respond when they anticipate a disruption.

Changes in import data reported by the Bureau of Economic Analysis (BEA) suggest that retailers adjusted their inventories before and after tariff increases in 2025.[51] According to BEA, quarterly real imports of consumer goods (excluding automotive and food)[52] increased by 25% from the fourth quarter (Q4) of 2024 to Q1 of 2025.[53] This increase in imports was likely due to retailers acquiring inventories before tariff increases took effect.[54] Subsequently, as some tariff increases took effect in Q2 of 2025,[55] BEA's estimate of quarterly inflation-adjusted consumer goods imports decreased by 26% from Q1 to Q2 of 2025,[56] then decreased by 8% from Q2 to Q3 of 2025, and then by 6% from Q3 to Q4 of 2025.[57] In Q4 of 2025, BEA's quarterly estimate of these imports was the lowest since Q3 of 2020,[58] which was a quarter coinciding with the COVID-19 pandemic supply chain disruptions. According to BEA, the categories listed under consumer goods with import volumes that decreased on an annual basis from 2024 to 2025 were (1) furniture and household items; (2) apparel, footwear, and household goods; (3) household and kitchen appliances; (4) home entertainment and recreational equipment and materials; (5) other durable consumer goods; and (6) other nondurable consumer goods.

These import decreases were not accompanied by a decrease in retail sales,[59] suggesting retailers drew down inventories to maintain sales. Seasonally adjusted inventories relative to sales decreased for retailers across a range of product types from Q4 of 2024 to Q4 of 2025.[60] Some businesses and business associations have reported that sudden decreases in imports can generally contribute to potential inventory shortages.[61] In November 2025, the founder of a consumer

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Businesses," Federal Reserve Bank of Cleveland, February 2025, https://www.clevelandfed.org/publications/cleveland-fed-district-data-brief/2025/cfddb-20250422-sorce-insights-anticipated-impact-of-tariffs; and T. Woods, "3 Major Retailers that Will Raise Prices Immediately Under Trump—Tariffs Play Key Role," *Yahoo!Finance*, January 3, 2025, https://finance.yahoo.com/news/3-major-retailers-raise-prices-150119217.html.

[51] The Bureau of Economic Analysis (BEA) provides a measure of real imports, which is adjusted for both inflation and seasonal trends.

[52] The category of data published by the BEA is "consumer goods, except food and automotive"; this is a category of data that is inflation-adjusted and seasonally adjusted by BEA.

[53] Largest percent increase on record going back to Q1 2007, which is when this data series became available; see BEA, "Table 4.2.6B Real Exports and Imports of Goods and Services by Type of Product, Chained Dollars: Quarterly," accessed on February 26, 2025.

[54] Retail Dive Staff, "3 Ways Tariffs are Impacting Retailers," *RetailDive*, August 28, 2025, https://www.retaildive.com/news/3-ways-tariffs-are-impacting-retailers/758864/.

[55] For discussion of tariff increases during 2025, see CRS Report R48549, *Presidential 2025 Tariff Actions: Timeline and Status*, by Keigh E. Hammond and William F. Burkhart.

[56] Largest percent decrease on record going back to Q1 of 2007, which is when this data series became available; see BEA, "Table 4.2.6B Real Exports and Imports of Goods and Services by Type of Product, Chained Dollars: Quarterly."

[57] BEA, "Table 4.2.6B Real Exports and Imports of Goods and Services by Type of Product, Chained Dollars: Quarterly."

[58] BEA, "Table 4.2.6B Real Exports and Imports of Goods and Services by Type of Product, Chained Dollars: Quarterly."

[59] CRS analysis of retail sales data from Census Bureau, *Time Series / Trend Charts*, accessed April 1, 2026, https://www.census.gov/econ/currentdata/.

[60] CRS analysis of data in BEA, "Table 3BU. Real Inventory-Sales Ratios for Manufacturing and Trade, Seasonally Adjusted," accessed March 13, 2026.

[61] Fin Daniel Gómez and Richard Escobedo, "Walmart, Target CEOs Privately Warned Trump Tariffs Could Lead to Empty Shelves Soon," *CBSNews*, April 23, 2025, https://www.cbsnews.com/news/walmart-target-trump-tariff-supply-(continued...)

electronics retailer reportedly stated, "we have sold down to extremely low stock levels—we probably have about 10% of the inventory we need."[62]

Some retailers, knowing that their competitors would also likely import fewer goods and thus have fewer inventories, may have increased their markups.[63] Some research suggests that when supply shocks are widely anticipated and known by all market participants—as is the case with the 2025 tariff increases—retailers might increase prices to a greater degree and at a faster rate compared with an unexpected shock.[64] According to Bureau of Labor Statistics (BLS) data, dollar markups at retailers of certain types of consumer goods (e.g., electronics, apparel, and furniture) increased at accelerated rates in 2025 compared with 2024 and prior years.[65] In some cases, the types of consumer goods with markups that increased at accelerated rates in 2025 also experienced import volume decreases in 2025. For example, from December 2024 to December 2025, in-store dollar markups of "furniture retailers" increased by 8% after decreasing the prior year.[66] As another example, in 2025, in-store dollar markups of "hobby, toy, and game retailers" increased by 13% after averaging an annualized change of 0% in the prior four years. Not all retailer types had increases in markups in 2025.

Selected Policy Options for Congress

Some Members of Congress have expressed concern about retailers' price increases and perceptions of price gouging, particularly during supply chain disruptions. These concerns tend to be focused on retailers of certain goods that are experiencing increases in price or decreases in availability. Should Congress consider policy options to affect such behavior, Congress might evaluate how certain retailers and other market participants might respond to these policies. Retailers tend to respond to policy changes in manners that allow them to maximize their profits, which might include responses that are contrary to the goal of the policy.

This section provides some considerations were Congress to (1) continue oversight of retailers through existing laws, (2) consider legislation to affect price gouging, and/or (3) consider legislation to strengthen supply chain resiliency.

Continued Oversight

Congress might choose not to take legislative action and continue monitoring how retailers respond to public perceptions of their behavior and other market conditions, such as consumer demand for their products, competitive pressure from other retailers, and changes in their supplier network during supply chain disruptions. For example, a retailer might choose not to increase

chains/; and Lori Ann LaRocoo, "The Trade War's Wave of Retail Shortages Will Hit U.S. Consumers in Stages. Here's When," *CNBC*, April 24, 2025, https://www.cnbc.com/2025/04/24/unsustainable-china-trade-war-retail-shortage-warnings.html.

[62] Deborah Mary Sophia and Savyata Mishra, "Small US Retailers Face Holiday Supply Chaos Due to Trump Tariffs," Reuters, November 26, 2025, https://www.reuters.com/business/retail-consumer/small-us-retailers-face-holiday-supply-chaos-due-trump-tariffs-2025-11-26/.

[63] For more information on the retail inventory-markup relationship, see Neil Mehrotra et al., *Retail Inventories and Inflation Dynamics: The Price Margin Channel*, International Finance Discussion Papers no. 1424, October 2025, https://doi.org/10.17016/IFDP.2025.1424.

[64] Alverez-Blaser et al., *Markups and Cost Pass-through Along the Supply Chain*; Isabella M. Weber and Evan Wasner, "Sellers' Inflation, Profits and Conflict: Why Can Large Firms Hike Prices in an Emergency?," *Review of Keynesian Economics*, vol. 2, no. 2 (April 14, 2023), p. 183, https://doi.org/10.4337/roke.2023.02.05.

[65] CRS analysis of BLS retail trade price indexes.

[66] CRS calculations based on BLS retail trade price indexes.

prices when demand is high because of concerns that its customers would choose to patronize a competing retailer. Alternatively, a retailer might choose to vary its prices with demand, which could contribute to higher prices in some cases and lower prices in others. Congress has exercised oversight of such behavior by, for example, evaluating it in hearings or sending letters to retailers, some of which might be publicly available.[67]

Congress might consider using its oversight authority of federal agencies to review their enforcement of existing federal statutes that may affect retailer pricing behavior during supply chain disruptions. For example, the Federal Trade Commission (FTC), Department of Justice (DOJ), and Consumer Financial Protection Bureau published a joint press release warning consumers about potential scams and price gouging in the wake of hurricanes and other natural disasters.[68] The FTC also released a report on grocery store supply chain disruptions during the COVID-19 pandemic, which provided insights on how market structure and business conduct differed across grocery retailers, wholesalers, and producers.[69] DOJ has taken action against individuals for violating the Defense Production Act of 1950 (DPA, 50 U.S.C. §§4501 et seq.), as discussed below.

Defense Production Act of 1950

The DPA was enacted during the Korean War to provide the President with greater executive powers to control defense production and aspects of industrial and economic policy; it has been used primarily in the context of national defense.[70] Section 102 of the DPA prohibits the accumulation of materials that the President has designated as scarce "in excess of the reasonable demands of business, personal, or home consumption" or for the purpose of resale of products "at prices in excess of prevailing market prices."[71]

The first Trump Administration and the Biden Administration used the authority provided by Section 102 of the DPA during the COVID-19 pandemic. President Trump used this authority to instruct the Secretary of Health and Human Services, in consultation with the Administrator of the Federal Emergency Management Agency, to prevent hoarding of certain health and medical products, including personal protective equipment.[72] Subsequently, DOJ created a COVID-19

[67] For example, see U.S. Congress, House Committee on Energy and Commerce, Subcommittee on Consumer Protection and Commerce, *Pandemic Profiteers: Legislation to Stop Corporate Price Gouging*, hearing, 117th Cong., 2nd sess., February 2, 2022, https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=114360; U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *The Semiannual Monetary Policy Report to the Congress*, hearing on the Oversight on the Monetary Policy Report to Congress Pursuant to the Full Employment and Balanced Growth Act of 1978, 118th Cong., 1st sess., March 7, 2023, S.Hrg. 118-205; and U.S. Congress, Senate Special Committee on Aging, *Making Washington Work for Seniors: Fighting to End Inflation and Achieve Fiscal Sanity*, hearing, 119th Cong., 1st sess., January 29, 2025, https://www.congress.gov/event/119th-congress/senate-event/LC74258/text.

[68] FTC, "FTC, DOJ and CFPB Warn Consumers About Potential Scams and Price Gouging in the Wake of Hurricanes and other Natural Disasters," press release, October 9, 2024, https://www.ftc.gov/news-events/news/press-releases/2024/10/ftc-doj-cfpb-warn-consumers-about-potential-scams-price-gouging-wake-hurricanes-other-natural.

[69] FTC, *Feeding America in a Time of Crisis: The United States Grocery Supply Chain and the COVID-19 Pandemic*, March 21, 2024, https://www.ftc.gov/reports/feeding-america-time-crisis-ftc-staff-report-united-states-grocery-supply-chain-covid-19-pandemic.

[70] For more information on the Defense Production Act of 1950, see CRS Report R43767, *The Defense Production Act of 1950: History, Authorities, and Considerations for Congress*, by Alexandra G. Neenan.

[71] 50 U.S.C. §4512; and see CRS Report R43767, *The Defense Production Act of 1950: History, Authorities, and Considerations for Congress*, by Alexandra G. Neenan.

[72] Executive Order 13910 of March 23, 2020, "Preventing Hoarding of Health and Medical Resources to Respond to the Spread of COVID-19," 85 *Federal Register* 17001, March 26, 2020, https://www.federalregister.gov/documents/2020/03/26/2020-06478/preventing-hoarding-of-health-and-medical-resources-to-respond-to-the-spread-of-covid-19.

Hoarding and Price Gouging Task Force to "pursue bad actors who amass critical supplies either far beyond what they could use or for the purpose of profiteering."[73] The Biden Administration extended this scarcity designation,[74] and DOJ indicted several individuals in multiple cases for violating Section 102 of the DPA. Section 102 does not explicitly prohibit price gouging, but DOJ used the term to describe its indictments in press releases.[75] To the extent that Section 102 affects price gouging, it would be limited to the context of prohibiting hoarding of materials designated as scarce by the President for the purpose of price gouging.

As part of its oversight activities, Congress could ask the President to designate certain products as scarce and use the President's authority under Section 102 of the DPA to prevent retailers from hoarding and reselling these products at an elevated price. Congress also could amend the DPA to explicitly address price gouging as proposed in some bills discussed in the following section.

Retailer Price Gouging

Some Members of the 119th Congress have introduced bills that would prohibit price gouging; the majority of these bills include provisions on supply chain disruptions.[76] For example, the Cracking Down on Price Gouging Act (H.R. 4720) would amend Section 102 of the DPA to include "price gouging" and presume that a violation has occurred if prices increase by a certain percent after a shortage caused by a supply chain disruption. Similarly, the Price Gouging Prevention Acts of 2025 (H.R. 4528 and S. 2321) would presume that a violation has occurred if sales at a "grossly excessive price" occur during a "market shock"[77] and other conditions are met. As another example, the Stop Disaster Price Gouging Act (H.R. 2427) would prohibit price gouging for certain goods after the date on which the President declares a major disaster or emergency, which are events that typically include or cause supply chain disruptions.

No federal laws or regulations explicitly prohibit price gouging. According to the National Conference of State Legislatures, as of January 2025, 39 states, the District of Columbia, and some U.S. territories have statutes or regulations that prohibit price gouging.[78] Most of these state laws and regulations prohibit price gouging in response to a disaster or state of emergency,[79] in

[73] Department of Justice, "Combating Price Gouging & Hoarding," March 23, 2022, https://www.justice.gov/coronavirus/combatingpricegouginghoarding.

[74] Executive Order 14001 of January 21, 2021, "A Sustainable Public Health Supply Chain," 86 *Federal Register* 7219, January 26, 2021; and Department of Health and Human Services, "Extension of Designation of Scarce Materials or Threatened Materials Subject to COVID-19 Hoarding Prevention Measures; Extension of Effective Date with Modifications," 86 *Federal Register* 35810, July 7, 2021.

[75] For example, see U.S. Attorney's Office, District of Puerto Rico, "Individual Indicted for Price Gouging," press release, April 29, 2021, https://www.justice.gov/usao-pr/pr/individual-indicted-price-gouging.

[76] The price gouging bills that do not include supply chain disruption provisions tend to focus on specific products, such as medications or groceries.

[77] *Market shock* is a term that commonly includes supply chain disruptions.

[78] National Conference of State Legislatures, "Price Gouging State Statutes," updated January 21, 2025, https://www.ncsl.org/financial-services/price-gouging-state-statutes. For more information on selected examples of state laws on price gouging, see CRS Report R47072, *Gasoline Price Increases: Federal and State Authority to Limit "Price Gouging"*, by Adam Vann.

[79] For example, see Conn. Gen. Stat. §29-319, https://www.cga.ct.gov/2025/pub/chap_541.htm#sec_29-319; and Ind. Code §§4-6-9.1-1 et seq., https://iga.in.gov/laws/2025/ic/titles/4#4-6-9.1-1.

response to market disruptions,[80] or at all times;[81] some are applicable for specific consumer products, such as fuel or milk.[82]

A fundamental question for legislation on price gouging is the circumstances or situations in which a price increase is considered excessive. In the 119th Congress, some bills would prohibit a certain percentage increase in price over a specified time period in certain cases.[83] Other bills would prohibit an excessive increase in prices, direct the FTC to promulgate regulations to define excessive, and provide a percentage increase for the FTC to consider in its definition.[84] Both sets of bills include an exception or affirmative defense if the seller increases prices in response to an increase in costs. Congress could consider specifying a maximum dollar or percent markup in legislation[85] because the markup explains the relationship between the price at which the retailer sells a good and its acquisition cost.[86] Specifying a maximum in terms of a markup percent might result in a more flexible policy that would allow retailers to adjust their markup based on the magnitude of their costs but might not address price increases where a retailer is maintaining a constant markup percent. Specifying the maximum markup in terms of dollars might account for price increases where the markup percent is constant, but the inflation-adjusted size of the markup would decrease over time unless Congress were to adjust the maximum dollar markup for inflation. Congress might also consider using different markups for different types of retailers,[87] which might accommodate the fact that retailers of different types of goods tend to have different markups.

How Congress chooses to address the definition of excessive or price gouging in legislation, if Congress chooses to address it, might have different tradeoffs. Legislation that would direct a federal agency to define the term might provide agency flexibility to adapt to changing market conditions, such as how suppliers are responding to a supply chain disruption. Alternatively, legislation that would explicitly define excessive or price gouging in statute could provide retailers more clarity on how to comply with the law but might not allow regulating agencies to adapt to changing market conditions or the economy over time.

Congress might consider the scope of a price gouging prohibition; legislation could apply in certain contexts, such as supply chain disruptions, or at all times. Legislation in which a proposed prohibition focuses on supply disruptions might target instances where retail markup increases do not generally result in suppliers increasing production because supply is constrained. Such a scope might also require regulators and retailers to identify when a supply chain disruption is occurring and when the law would apply.

[80] For example, see Me. Rev. Stat. Ann. tit. 10 §1105, https://www.mainelegislature.org/legis/statutes/10/title10sec1105.html; and N.Y. General Business Law §396-r, https://www.nysenate.gov/legislation/laws/GBS/396-R.

[81] For example, see Mich. Comp. laws 445.903, https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-445-903.

[82] For example, see Conn. Gen. Stat. §29-319, https://www.cga.ct.gov/2025/pub/chap_541.htm#sec_29-319; Ind. Code §4-6-9.1-1 et seq., https://iga.in.gov/laws/2025/ic/titles/4#4-6-9.1-1; and N.Y. General Business Law §396-rr, https://www.nysenate.gov/legislation/laws/GBS/396-RR.

[83] See Cracking Down on Price Gouging Act (H.R. 4720) and Stop Disaster Price Gouging Act (H.R. 2427).

[84] See Price Gouging Prevention Acts of 2025 (H.R. 4528 and S. 2321) and Stop Price Gouging in Grocery Stores Act of 2025 (H.R. 4966).

[85] For example, similar to the language in §2(a)(1)(B) of the Stop Disaster Price Gouging Act (H.R. 2427).

[86] See "Retailers and Supply Chain Disruptions."

[87] For example, similar to what is accounted for by the language contained in §2(a)(2)(A(i)(II) of H.R. 2427.

Congress also could limit the scope of a prohibition to, for example, certain goods that tend to be in demand during supply chain disruptions,[88] such as groceries or fuel, or apply it to all goods. Limiting a prohibition to certain goods might focus policymaking on areas where consumer concerns around fairness and access are more acute than others. A potential bill could define or list certain "essential goods," but the types of goods that consumers perceive to be essential might vary, change, and include goods that are not covered by the law. Similarly, when a supply chain disruption begins, its duration is typically unknown; the length of a supply chain disruption can affect which goods are perceived to be essential by consumers.[89] Congress, regulators, or the courts would need to determine which goods are considered essential and thus covered by the law.

Congress also might consider how retailers operating in the United States may respond if they were to face explicit restrictions on the prices they charge, particularly during a supply chain disruption. The immediate effect might be lower consumer prices and retail profits for a period, but there might be other longer-term effects. For example, lower retailer profits might result in store closures or lower retailer investments in assets such as financial stocks, logistical infrastructure, excess inventory buffers, or upstream supply chain infrastructure.

A restriction on prices that retailers charge might also incentivize the development of less-regulated underground resale markets, particularly if supply of the product is constrained by a disruption. For example, if consumers are willing to pay more than the capped price, someone might acquire and hoard the good and then resell it to other consumers in an undocumented market. Generally, less-regulated markets might be less likely to comply with a price-gouging law and might be more susceptible to other illegal or unethical commercial behavior.

It is unclear how retailers would choose to allocate scarce goods if they were unable to adjust prices above a threshold. Although consumers might pay lower prices than they would without a price gouging prohibition in place, consumers might encounter other allocation systems that could raise other potential congressional concerns. With reduced pricing flexibility, retailers might sell the goods to consumers who arrive first, which could contribute to longer lines.[90] Retailers also might prioritize certain consumers, such as repeat customers, customers with social or political capital, or customers who buy memberships with the retailer. The relative value of prioritizing certain consumers might be higher if retailers were unable to sell their goods at prices that maximize revenues. Congress also may choose not to pursue legislation and to defer to market forces and consumer responses to address price gouging.

Supply Chain Resiliency

Congress might consider addressing underlying supply chain conditions to reduce uncertainty and minimize disruptions, which may reduce incidences of short-term scarcity-driven retail price increases. The supplier network available to retailers can affect their ability to acquire inventories, which can affect their pricing behavior, particularly during disruptions.[91] In some cases,

[88] Consumers may find it difficult to abstain from certain goods for any amount of time, even when prices increase.

[89] For example, consumers might be able to abstain from purchasing a new vehicle for a shorter time period but find it more difficult to abstain from purchasing a new vehicle for a longer period of time.

[90] Yoram Barzel, "A Theory of Rationing by Waiting," *The Journal of Law & Economics*, vol. 17, no. 1 (April 1974), p. 73, https://doi.org/10.1086/466785; and H. E. Frech III and William C. Lee, "The Welfare Cost of Rationing-By-Queuing Across Markets: Theory and Estimates from the U.S. Gasoline Crises," *The Quarterly Journal of Economics*, vol. 102, no. 1 (February 1987), p. 97, https://doi.org/10.2307/1884682.

[91] See "Retailers and Supply Chain Disruptions."

increasing supply chain resiliency to address short-term disruption-driven price increases may contribute to longer-term structural cost increases, which may be passed on to consumers.

Congress might consider incentivizing diversified supplier networks for certain goods to affect supply chain resiliency. Some consumer goods are mostly manufactured, or depend on components that are mostly manufactured, outside of the United States. Globalized supply chains generally have provided U.S. consumers with a more diverse selection of goods, typically resulting in lower prices during stable economic periods, but also may contribute to import reliance and exposure to global supply chain disruptions.[92] Domestic production also can be vulnerable to supply chain disruptions under certain market conditions, such as when most of the production is conducted by a few firms and when it is difficult for new firms to enter the market.[93] One way Congress might help diversify supplier networks and build supply chain resiliency is with policies that support domestic production capacity. These policies could result in decreased incidences of short-term scarcity driven price increases but may also contribute to longer-term structural cost increases for the private sector because producers in the United States sometimes have higher costs than those located in other countries.

Congress has sometimes sought to ease the tension between supply chain resiliency and private sector costs by subsidizing certain industries (e.g., by providing production or investment tax credits while allowing competition from imports).[94] These types of policies may reduce the likelihood of shortages and help diversify supply chains. They could also contribute to countries retaliating against each other with increases in their respective subsidies.[95] Additionally, production or investment tax credits could decrease federal government revenues.[96] Depending on how the subsidies are specified, they also may raise potential concerns regarding U.S. commitments to certain trade agreements.[97]

Congress might consider identifying industries and consumer goods for which it determines supply chain resiliency potentially is needed to help prevent shortages and price fluctuations for these items during supply chain disruptions. A Promoting Resilient Supply Chains Act of 2025 (PRSCA; H.R. 2444 as passed by the House; S. 257 as passed by the Senate) would direct the Assistant Secretary of Commerce for Industry and Analysis to lead and establish an intergovernmental working group to develop plans and analyses to increase U.S. supply chain resiliency for industries and goods critical to the economic or national security of the United States. The bills would direct the Assistant Secretary to identify which industries, supply chains, and goods are critical to the economic security of the United States. The bills would consider both domestic and international components of the supply chain. The Senate and the House passed their respective versions of PRSCA, which differ regarding the role of the Department of Homeland Security (DHS). Each chamber of Congress might consider the role of the DHS in

[92] For analysis of a selection of these disruptions, see "Retailers and Supply Chain Disruptions."

[93] For example, the supply chain disruptions in the domestic production of infant formula (see FTC, *Market Factors Relevant to Infant Formula Supply Disruptions 2022*, March 13, 2024, https://www.ftc.gov/system/files/ftc_gov/pdf/infant_formula_report_final.pdf).

[94] For example, see the Infrastructure Investment and Jobs Act (P.L. 117-58), the CHIPS Act of 2022 (Division A of P.L. 117-167), P.L. 117-169 (the FY2022 budget reconciliation law, commonly referred to as the Inflation Reduction Act), and P.L. 119-21 (the FY2025 budget reconciliation law, commonly referred to as the One Big Beautiful Bill Act).

[95] Elizabeth Van Heuvelen, "Subsidy Wars," *Finance & Development Magazine*, IMF, June 2023, https://www.imf.org/en/Publications/fandd/issues/2023/06/B2B-subsidy-wars-elizabeth-van-heuvelen.

[96] Subsidies that are government expenditures would increase government expenditures, and subsidies that reduce tax obligations would reduce government revenues.

[97] For list of trade agreements, see CRS Report R45846, *Congressional Votes on Free Trade Agreements and Trade Promotion Authority*, by Keigh E. Hammond.

supply chain resiliency and whether its potential role is appropriate. The Congressional Budget Office estimates it would cost less than $500,000 to execute the activities proposed in the PRSCA bills.[98]

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[98] Congressional Budget Office, *Cost Estimate*, February 19, 2025, https://www.cbo.gov/system/files/2025-02/s0257.pdf.