

Steve Chapman – How Washington created the infant formula crisis

Steve Chapman

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At first glance, “Operation Fly Formula” is a commendable example of swift government action to help ordinary people. Faced with a terrifying shortage of infant formula, the Biden administration acted to bring in supplies from Germany.

First lady Jill Biden was at Dulles International Airport last Wednesday to welcome the arrival of 60 tons of formula and promise that the administration “won’t stop until all parents can get the formula all their children need.”

From this heartening spectacle, you would not realize that the problem being addressed is one this same government did much to create. Companies all over the world produce baby formula. But almost none of it is consumed by American babies, because our trade policy is ingeniously designed to keep it out.

The chief method is putting tariffs ranging from 14.9% to 17.5% on imported formula, which are meant to price foreign companies out of the U.S. market. But if imports exceed various specified levels, they are subject to even more duties. The average effective tariff, according to the Congressional Research Service, is a punishing 25.1%

This is a wonderful system if your goal is to limit consumer options, constrain supplies, prop up prices and shield American corporations from competition. If your goal is to ensure parents and caregivers reliable, affordable access to a type of nutrition most infants need, it’s something short of wonderful.

Joe Biden deserves a smidgen of credit for recognizing that this emergency warrants easing the rules that helped create it. But we don’t give an arsonist a medal for putting out a fire he set. The president has been involved in making federal policy long enough that he can’t very well escape a share of blame for this one.

The shortage emerged in April, after the Food and Drug Administration found a deadly bacteria in formula made in an Abbott Laboratories factory in Michigan. The ensuing shutdown of the plant, which produced about a quarter of the nation’s supply, led to empty store shelves and desperate parents.

Inevitably, some Democrats fingered profit-seeking capitalists. “The shortage was caused in large part by corporate greed and consolidation,” said Rep. Rosa DeLauro, D-Conn. Four companies account for 90% of U.S. sales.

In a letter to Abbott’s CEO, Sens. Elizabeth Warren, D-Mass., and Cory Booker, D-N.J., charged, “This corporate concentration, combined with decades of inactivity by regulators, allowed your company to skate by with subpar safety protocols, knowing that consumers did not have the option to easily switch to a competitor.”

Shed no tears for Abbott. In a House hearing Tuesday, FDA director Robert Califf said the agency found “shocking” and “egregiously unsanitary” conditions at the Michigan plant.

But if corporate concentration is to blame for the shortage or the safety lapses, Congress should ask how that concentration came about. One big factor is that the federal government has long blocked purchases from abroad, insulating U.S. companies from competition.

The pandemic has raised doubts about our reliance on products whose supply chains run through China. But in the case of infant formula, it’s not just our enemies we fear; it’s also our friends.

Outside the U.S., the biggest companies in the business are based in western Europe. Canada could also sell us formula, if the United States-Mexico-Canada Agreement — Donald Trump’s lame substitute for NAFTA — didn’t block the way.

Gabriella Beaumont-Smith, a policy analyst at the libertarian Cato Institute, writes that the U.S. insisted on rules “to restrict imports of formula from Canada, supposedly because China was investing in a baby food plant in Ontario, and this new production might eventually enter the U.S. market (heaven forbid!).”

When the shortage materialized, Sen. Rick Scott, R-Fla., demanded to know why Canada, among other countries, has “plenty of baby formula” and we don’t. Scott, it should not surprise you to learn, voted for the USMCA.

Last year, thanks in part to this accord, we imported no formula from our neighbor to the north. Zero. How’s that for an achievement?

The trade deal also worked to shore up the U.S dairy industry, which provides milk for baby formula. When it was reached in 2019, the USMCA won praise from Tom Vilsack, president of the U.S. Dairy Export Council. He’s now Biden’s secretary of agriculture.

At times like this, politicians shouldn’t be stepping forward to place blame. They should be lining up to claim their share.

