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Biden: Fight inflation by bringing jobs back to US

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President Joe Biden has offered a solution for fighting inflation that may seem counterintuitive: He wants to bring factory jobs back from places like China and Singapore and reestablish them in places like Oklahoma and Tennessee.

The idea challenges a decades-long trend of employers moving jobs overseas to save money by taking advantage of cheaper labor. That has contributed to the loss of 6.8 million manufacturing jobs since 2000. However, it also has translated into lower prices for consumers and put downward pressure on inflation in ways that sustained broader economic growth.

It was a trade-off that many corporate and political leaders were privately comfortable making.

Now, with inflation at a 40-year high, the president has begun to argue that globalization is stoking higher prices. Proponents of outsourcing, he has said, have failed to take into account costs of increasingly frequent disruptions in global supply chains. Recent disruptions have included the COVID-19 pandemic, shortages of basic goods like semiconductors, destructive storms and wildfires, and, now, the Russian invasion of Ukraine, which has sent oil prices soaring.

Biden said the federal government can pursue two courses. It can either pull back on support and cause wages and growth to cool at home or it can get rid of pressure points that can lead to inflation when emergencies and uncertainties occur. On Wednesday, he met with Commerce Secretary Gina Raimondo, state governors and business leaders at the White House to emphasize the need to finalize a bill that would encourage domestic manufacturing.

Job growth encouraged in Oklahoma

In Oklahoma, in recognition of supply chain disruptions triggered by the pandemic, leaders last year launched a "Supply Chain Oklahoma" initiative. Working in tandem with the Oklahoma Manufacturing Alliance, the state launched Connex, a digital platform built to facilitate connections between Oklahoma companies and others. To date, more than 400 Oklahoma companies have utilized Connex.

The Oklahoma Department of Commerce also increasingly has addressed infrastructure and its connection to economic development. Officials recently announced grants for 28 communities to boost efforts at attracting new industry investment.

"Companies want to move to Oklahoma," Commerce Executive Director Brent Kisling has said. "It's our job to make sure there are sites and workers available. To make that happen, we have to increase our focus on infrastructure – from helping communities develop sites that can support businesses to ensuring there is housing and desirable quality of life opportunities for individuals and families."

In Washington, the Biden administration has based its anti-inflation approach, at least in part, on an analysis done by the McKinsey Global Institute. A 2020 report by the institute found that companies likely will experience supply chain disruptions lasting a month or longer every 3.7 years, which increases costs and cuts into profits.

Risks examined in the report ranged from a “supervolcano” event to cyberattack. Political instabilities also pose risks, it said, as 29% of all global trade in 2018 involved countries that were ranked in the bottom half for political stability by the World Bank, an increase from 16% in 2000.

Biden’s assertion sets up an ideological battle with Republicans, who blame the president’s $1.9 trillion coronavirus relief package for being excessive and flushing more cash into the U.S. economy than was needed. GOP lawmakers have said inflation – up from recent averages of about 2% – is entirely the president’s fault, while the administration is trying to say the bigger problem rests with the structure of the global economy.

“Global supply chains lower costs and increase efficiency,” said Scott Lincicome, director of economics and trade at the libertarian Cato Institute. “The idea that reshoring will somehow lower costs assumes a permanent pandemic situation and that’s just not reality.”