



## **Biden to talk up domestic manufacturing's role in fighting inflation, but some economists aren't buying it**

**Analyst: 'Core flaw' in president's reshoring plan is that global supply chains tend to reduce prices**

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President Joe Biden looks set to deliver a speech Thursday in which he will continue to push for boosting domestic manufacturing — and argue that making more in the U.S. should help fight inflation.

Biden will talk about how innovation and competition legislation would provide “stronger supply chains, more manufacturing jobs and lower prices for consumers, as we break up the bottlenecks, like semiconductor chips, that have driven inflation over the last year,” said White House press secretary Jen Psaki on Wednesday during a briefing for reporters.

The president's speech is scheduled to take place around 2:15 p.m. Eastern Thursday at North Carolina A&T, a historically Black university in Greensboro.

But some analysts have expressed doubts about Biden's rhetoric that links “reshoring” to the prices paid by shoppers.

Scott Linicome, director for general economics and trade at the libertarian Cato Institute, criticized the president last month after Biden said in his State of the Union address that making more cars and other goods in the U.S. would help tame inflation.

“Even granting Biden's (questionable) premise that targeted, ‘microeconomic’ policy reforms could significantly reduce the current inflationary pressures, the core flaw in his big reshoring plan is that global supply chains (aka global value chains or ‘GVCs’) tend to *reduce* prices, not raise them — especially when compared to wholly nationalized production,” Linicome wrote in a column for The Dispatch.

“Indeed, that's pretty much the whole point: The proliferation of GVCs and trade in manufacturing inputs (‘intermediate goods’) was driven primarily by multinational manufacturers' desire to leverage specialization and comparative advantage across multiple

countries (not to mention revolutions in containerized shipping and information technology) to provide cost-conscious customers with the highest-value product at the lowest possible price.”

In a similar vein, an economics professor at the University of Chicago’s Booth School of Business said earlier this month that companies “would have already moved production back” if it “were the case that it’s massively cheaper to produce that stuff here rather than offshore.”

“There are reasons why you might want to reshore, but short-run price effects are not anywhere near the top of the list,” said the professor, Chad Syverson, in a Wall Street Journal interview.

Biden has repeatedly called for Congress to send bipartisan innovation and competition legislation to his desk. The measure is expected to include more than \$50 billion in subsidies for chip makers SOXX, +2.15% SMH, +2.38%, along with billions more for other industries to build out U.S. manufacturing capacity.

The Senate passed its version of such legislation in June, while the House passed its version in February, but negotiators still need to reconcile the two versions of the legislation.

Government data on Tuesday showed the U.S. rate of inflation climbed to 8.5% last month. The last time inflation breached 8% was in January 1982.

U.S. stock futures ES00, -0.21% were little changed Thursday morning ahead of the final trading session of a holiday-shortened week, as investors awaited results from major banks as well as economic data, including March retail sales.