



U.S. supply chain makes no sense

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If there is one universally recognized principle in American political life, it's that the president of the United States should want Christmas to come off without a hitch.

Surely, this is one of the reasons Anthony Fauci rapidly backed off his comment in an interview the other day that it's too early to say whether people should gather for the holiday. No sooner had Fauci relented than the national focus shifted to an ongoing crisis of the global supply chain that is clearly going to crimp the Christmas shopping season, forcing the Biden administration to scurry to try to alleviate a long-running, highly complex mess.

We've gone from fruitless "infrastructure weeks" in the Trump administration to fruitless "trying to pass infrastructure and reconciliation" weeks in the Biden administration to, now, "an attempting to make our infrastructure work" week that might have to be constantly repeated.

As part of the push to get our logistics unstuck, the president is prodding the Port of Los Angeles, one of the most important in the country, to operate on a 24/7 basis. This is welcome news, although it might cause most people to stop and think, "Wait a minute — our ports don't already operate 24 hours a day?"

No, which speaks to the thick layer of irrationality encrusting our supply chain.

It is experiencing its worst disruption since the advent of the shipping container era in the late 1950s, driven, at bottom, by the pandemic. A surge in e-commerce, coupled with a labor shortage, helped to a spiraling series of bottlenecks.

Ships are idling waiting to unload their cargo at ports, while containers are waiting at the ports to be shipped farther inland, while cargo is waiting outside full warehouses on chassis that aren't available to use to pick up other containers, and so on.

There's no underestimating the challenge here. Yet the situation also highlights how, as Scott Lincicome of the Cato Institute persuasively argues, our logistics system is beset by idiotic policies and practices that make it hugely inefficient.

Consider our ports. U.S. facilities are nowhere near the top-performing facilities around the world. They are generally less automated and less efficient. Ports in Asia operate 24 hours a day, matching the 24-hour-a-day pace of factories, whereas, until now, the Ports of Los Angeles and Long Beach were operating only 16 hours a day.

The main culprit for this massive inefficiency is the incredibly powerful International Longshore and Warehouse Union, which has a lock on the ports up and down the West Coast. It hates automation and has won extraordinary pay for its workers and strict work rules.

As Peter Tirschwell writes in the Journal of Commerce, “Huge cost increases, limited ability to automate terminals, chronic avoidable disruption during contract negotiations, and far lower productivity and working hours compared with ports in Asia and elsewhere around the world are at the core of the issue.”

Meanwhile, long-haul truckers around the country need about 20,000 more drivers and have also been hit by a shortage of chassis. In the midst of a major logistical nightmare, the U.S. International Trade Commission imposed roughly 200% duties (on top of Trump-era duties of 25%) on the world’s biggest manufacturers of chassis, China Intermodal Marine Containers. The head of the Harbor Trucking Association, representing port truckers on the West Coast, complained, “Now we’ve created scarcity and increased the cost.”

Then, as Lincicome points out, there are longstanding rules like the Jones Act, which makes it much more expensive to ship goods from port to port within the U.S., putting a premium on the overtaxed ground systems.

Eventually, U.S. logistics will reach a new equilibrium. Still, this crisis should prompt a rethinking of the needless inefficiencies we foist on ourselves. It will be too late to hold this coming Christmas harmless, but will serve us well going forward, whatever the season.