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Biden Says He Is Fixing Supply Chains, But His Regulatory Actions Say Otherwise

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Last Wednesday, the White House convened industry leaders — from the Teamsters and AFL-CIO labor unions to the U.S. Chamber of Commerce, and other business groups — to try and convince the American public that it has a handle on the supply chain. Following the meeting, it announced that the nation's largest port — one of the least efficient ports in world — will join the Port of Long Beach in expanding its operation to 24/7. Okay, great.

But honestly, that measure sounds like the equivalent of trying to rescue a sinking boat with a solo cup. In fact, as reported in this piece, "despite President Joe Biden's goal to move cargo around the clock in Los Angeles ports, the gates remained shut on Sunday with a smattering of open traffic on Saturday." That's because, as Rich Lowry rightly notes, "our logistics system is beset by idiotic policies and practices that make it hugely inefficient." This piece by the Cato Institute's Scott Lincicome is a must-read if you want to begin to understand the challenges we face. You should also read this one.

In addition, the president's claim that his administration "is working around the clock to move more goods faster and strengthen the resiliency of our supply chains" sounds a little hollow when one knows that his administration — not content with merely continuing the policies highlighted by Lincicome at the expense of commerce — is actually pursuing new policies that would make our transportation system even worse. Adding insult to injury, these counterproductive policies are being pushed because of cronyism and blatant rent-seeking.

Take our private freight rail system for example. I wrote earlier this year that industry continues to be pushed by Democrats, at the behest of labor unions, to lock in forever the current labor practice of having two workers in the cab of a locomotive. But now these companies, including CSX and Union Pacific, are also facing a threat — under the ruse of increasing "competition" — to make their privately owned networks open for use by competitors, with access to these properties controlled not by their owners but, instead, by bureaucrats in Washington.

Known as “reciprocal switching,” but more aptly described as open access (or backdoor price control), the scheme is strongly advocated by the powerful and more profitable chemical sector (see pg. 10 of the report at the link), which includes Delaware-based DuPont — a longtime political ally of the president.

Iain Murray of the Competitive Enterprise Institute writes that the Biden administration prefers a system where regulators would

force railroad companies to offer below-market rates to shippers. . . . This completely upends the purpose of 1980’s Staggers Act, a deregulatory measure passed under Jimmy Carter thanks in no small part to the efforts of Senator Ted Kennedy, who realized that the similar micromanagement of shipping rates by bureaucrats in place then was killing America’s freight railroads. Reimposing those rules will reduce investment in freight rail infrastructure and in the end increase delivery times and costs for end consumers. This is why successive administrations have refrained from making this mistake. Yet the president is asking officials to do it.

There are thousands of switching points across the nation, and should the government be able to force switches at will, today’s supply-chain woes will almost certainly become institutionalized. These woes could even — by the administration’s own acknowledgement — disrupt and delay service for the president’s beloved Amtrak. Open access isn’t about consumer welfare. Instead, it’s theft of property from disfavored industries in order to reward favored ones.

And what do you think this policy will do to the industry’s willingness to invest in expansion, improvement, and maintenance? This bipartisan coalition letter notes that:

Since 1980, the industry has invested more than half a trillion dollars of its own funds into its networks, with annual investment averaging more than $26 billion over the last few years. According to Towson University’s Regional Economic Studies Institute, major U.S. railroads in 2014 alone supported approximately 1.5 million jobs, $274 billion in annual economic activity, nearly $90 billion in wages, and $33 billion in tax revenues. Moreover, average inflation-adjusted freight rates are down more than 40 percent since 1980. . . . Many industry observers have expressed concern that imposing forced reciprocal switching and reducing rate flexibility will come at the expense of network investment.

So here you go. The bottom line is this: If the president really wants to improve the operation of supply chains now and in the future there is a lot he can do, like ending the Jones Act. Lincicome explains:

The good ol’ Jones Act, which requires U.S.-built, -crewed, and -flagged ships to move all freight between U.S. ports on supposed “national security” grounds, made those ships incredibly expensive and dramatically reduced the size of the U.S.-flagged fleet. Along with the aforementioned high port handling costs, this has essentially eliminated the coastwise shipping that the Jones Act regulates and, in turn, has worsened the current shipping situation by (1) putting additional pressure on inland transit (i.e., trucks and trains are used instead of ships that could travel between U.S. ports); and (2) causing companies to avoid the Jones Act by “port hopping" up and down U.S. coasts using larger, foreign-flagged ships that take longer to offload *and* are prohibited from picking up additional cargo while they're in port.

Here is a very good Great Antidote podcast on the Jones Act with Colin Grabow. (Full disclosure, the host is my daughter.) But I guess the president's relationship with his union-boss friends would be strained, so scratch that idea and let's keep this awful rule on the books.

President Biden could also think about the implication of his vaccine mandate. As explained in this piece, there is a risk that the vaccine mandate will make the supply chaos worse:

The bottlenecks on the West Coast are going to compact and even intensify further peak-season capacity needs into November and December," Shelley Simpson, chief commercial officer for the country's biggest long-haul trucking company, said Friday. "It will be a lot of bureaucracy, and I don't see it really helping this situation much other than causing confusion in the supply chain even more," he said on the call.

Unfortunately, for this administration, like others before it, policies are less about promoting the public good and more about serving special-interest groups.