



The Daily Dish

The Nicest Thing I Can Write About Supply Chain Policy

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Eakinomics: The Nicest Thing I Can Write About Supply Chain Policy

A supply chain is a series of commercial transactions that permits the final assembly and delivery of a good or service. A supply chain is what it needs to be – short, long, simple, complex, quick, or time-consuming. Firms pick the combination of the characteristics to deliver the best value proposition they can. So, while I can understand what a tax policy is, what a trade policy is, what an occupational safety regulation is, and myriad other federal policies, I fear there is no such thing as a supply-chain policy. Supply chains are the province of private firms.

But the energetic policy beavers in this administration did not let this deter them, and on Tuesday the White House issued a [“FACT SHEET: Biden-Harris Administration Announces Supply Chain Disruptions Task Force to Address Short-Term Supply Chain Discontinuities.”](#)

I’m not smart enough to develop a classification system for all the possible kinds of policy errors. Sometimes you just instinctively know something is not right. Bad policy is a lot like pornography; you know it when you see it. Such is the smut known as the administration’s supply-chain policies.

To begin, consider the first sentence of the fact sheet: “...immediate actions the Administration will take to strengthen American supply chains to promote economic security, national security, and good-paying, union jobs here at home.” What the he?ck does creating union jobs have to do with “short-term supply chain discontinuities”? Nothing.

It gets even more muddled. *The Wall Street Journal* [reports](#) that among the proposals is using the Defense Production Act to form a public-private consortium to produce medicines. That’s not addressing short-term discontinuities in the private-sector supply chain. That’s replacing the private sector. If you want to nationalize essential medicines, be honest about it.

Next there is tapping the Energy Department’s loan authority to invest in production of advanced vehicle battery cells and to establish new manufacturing plants. Battery cells are not the supply chain, and neither are new plants. This has nothing to do with supply chain disruptions and everything to do with industrial policy.

Even better is “Establishing a ‘trade strike force’ that will propose enforcement actions against what the administration says are unfair foreign-trade practices, such as government subsidies, that have eroded critical supply chains and shore up cooperation with allies.” That’s rich for a government proposing government subsidies. The reality is that it is protectionism dressed up as supply-chain policy.

Finally, “Proposing a financing program under the U.S. Export-Import Bank for U.S. manufacturing facilities and infrastructure projects.” Really? Using the Ex-Im bank for something that is about government-controlled

domestic manufacturing (with good union jobs!)? Shameless.

The Biden Administration is not solely to blame for this mess. Some in the American business community appear to have embraced the notion of a supply-chain policy. *The Wall Street Journal* also reports, “The administration is also seeking to address the semiconductor shortage, which has caused production slowdowns, from appliances to computers, with auto makers being the most prominent to feel the squeeze. [Ford Motor Co.](#), [General Motors Co.](#) and [Stellantis NV](#), maker of Jeep and Chrysler, have all pressed the government for help, though short-term government solutions have been elusive. Chips are used in vehicle braking systems, touch screens and numerous other components. But they are also in high demand for consumer electronics and other products that became popular with people forced to stay home during the pandemic.” Note, for the record, this has little to do with national security, economic security, or crucial public policy issues. It is mostly about how quickly one can get a new car or PlayStation.

Nevertheless, the Senate just passed a provision for \$50 billion to subsidize chip fabrication – something the president had requested – and the House will doubtlessly concur. That might seem like an industry victory, but wait until it realizes that the administration will assume it gives it the right to insist on union jobs, micromanage the design of chips, and dictate the pricing and distribution of the products. Good luck with that. As the definitive volume on policy analysis (Benjamin Franklin’s *Poor Richard’s Almanack*) put it, “He that lieth down with dogs shall rise up with fleas.”