

Supply Chains, Inflation, and Investing in the United States' Economic Resilience

As the United States continues to recover from the coronavirus pandemic, ongoing supply chain disruptions have led to delays and higher prices that are putting a strain on household budgets. Decades of disinvestment and outsourcing have left supply chains vulnerable, and amid pandemic-induced surges in demand, these fragile supply chains have struggled to keep up. This has pushed up prices across industries.

Wage gains, the expanded CTC and direct payments have helped families weather the increased costs of household necessities, and Congress and the Biden administration are taking actions to fix supply chain disruptions, bring down costs for working families and reduce inflationary pressures.

- The Biden administration is working to fix bottlenecks, solve logistical hurdles and fight anti-competitive practices that increase costs.
- Job growth in key supply chain industries have been strong under the Biden administration, with transportation and warehousing now 210,000 jobs *above* February 2020 levels. Manufacturing added 31,000 jobs in the month of November.
- The Build Back Better Act will reduce costs for working families, cutting taxes and lowering costs by \$7,400 for an average couple with two children.
- The Build Back Better Act is fully paid for, reduces the long-term budget deficit and is not expected to impact inflation.
- The bipartisan Infrastructure Investment and Jobs Act helps protect and improve U.S. supply chains by investing \$17 billion in ports and waterways, repairing airports with \$25 billion in new spending, putting an additional \$110 billion into roads and bridges and investing \$66 billion into improving passenger and freight rail.

In addition, the bipartisan Infrastructure Investment and Jobs Act, the bipartisan U.S. Innovation and Competition Act (USICA) and the Build Back Better Act together constitute a historic investment in America's domestic manufacturing, infrastructure and supply-chain resiliency.

Decades of disinvestment and outsourcing led to fragile supply chains that have been disrupted as a result of the pandemic, causing backlogs that are pushing up prices

Big corporations have put profits over resilience, leading to just-in-time supply chains that are vulnerable to disruption during the pandemic. For decades, big corporations have been using “just-in-time” supply chains to [maximize their profits](#) and ensure big payouts for their

executives and shareholders, instead of investing in workers, resiliency and innovation. When the pandemic created large demand and supply shocks, these fragile supply chains, which prioritize efficiency over preparedness, were unable to keep up. In the face of record profits, some executives [chose to brag](#) to their shareholders about raising consumer prices rather than making the long-term investments necessary to make supply chains more resilient.

Decades of outsourcing have eroded domestic manufacturing jobs and made the U.S. reliant on imports for many manufactured goods. Manufacturing has long been a core strength of the American economy, but increasing global competition has threatened many of these high-quality jobs. Since January 2000, the United States has lost nearly a third of all domestic manufacturing jobs, a decline of about 4.8 million. Increased [competition from China](#) led to approximately 985,000 American manufacturing jobs being lost between 1991 and 2011.

The coronavirus pandemic and extreme weather events created significant disruptions to global supply chains. Coronavirus outbreaks led to factory shutdowns in countries like [Taiwan](#) and [Malaysia](#) that play an outsized role in the global semiconductor industry. The U.S. accounted for only [12%](#) of global semiconductor manufacturing in 2019, down from 37% in 1996, and these manufacturing pauses contributed to domestic shortages and higher costs. Extreme weather events, like the Texas winter storms that [shut down](#) energy production in February 2021, or the [recent flooding](#) in the port of Vancouver, are examples of disruptions will become [increasingly common](#) without further action to combat global climate change.

In the immediate term, the Biden administration is working to fix supply chain bottlenecks that resulted from decades of disinvestment and outsourcing

The Biden administration is easing supply chain issues by improving port operations and helping solve logistics hurdles. Actions including moving some of the country’s largest ports to around the clock operations and utilizing off-peak hours to move more cargo have already reduced the amount of dwell time for containers at ports. Notably, the number of long-dwelling containers—those on the docks for 9 days or more—in the ports of Los Angeles and Long Beach is down by [41%](#) from the beginning of November, when the Biden administration announced that both ports would move to 24/7 operations and port officials proposed [monetary penalties](#) on shippers leaving long-dwelling containers at ports.

The Biden administration is working to end anti-competitive business practices that push up costs. The Biden administration has pushed for investigations into anti-competitive practices in the supply chain and invested in small businesses to [increase competition](#), lower consumer prices and raise wages in key industries.

Business leaders have praised the Biden administration for fixing supply chain issues. Walmart’s CEO [said](#) that the Biden administration push to ease bottlenecks was working to [ease](#) congestion at major ports. Mattel’s CEO [said](#) “we are seeing consistent improvement in supply chain and reduction of congestion in ports.”

Key supply chain sectors have seen strong job gains in recent months. Transportation and warehousing are now 210,000 jobs *above* February 2020 levels. This includes particularly strong

gains in trucking, which has now recovered over 96% of jobs lost during the pandemic. Manufacturing added 31,000 jobs in November and has now recovered 82% of the jobs lost since the peak of the pandemic, while construction has now recovered 90% of the jobs lost during the pandemic.

Strong economic growth and the American Rescue Plan are bolstering family economic security, helping families weather global price increases and supply chain disruptions

Congress passed the expanded Child Tax Credit and direct payments to help mitigate the impact of the real, ongoing financial strain from the coronavirus pandemic, such as increased food and energy costs. A year of extreme weather combined with supply chain disruptions have pushed up food prices and strained global natural gas supplies, with winter heating methods like fuel oil increasing 12.3% in October. But the expanded CTC and direct payments have offset [all](#) of these increased costs. Half of the expanded CTC is being distributed in advance via monthly payments, helping families meet their financial needs in real time and pay for household expenses like food, rent, utilities and child care. Qualifying families began receiving monthly checks in July, with over 36 million families having received advance CTC payments [averaging](#) \$435 in November 2021.

Increased wage gains and robust job growth are helping make up for increased costs for families. Average hourly earnings [are up](#) 5.1% over the previous year, and the U.S. has created 5.9 million jobs under President Biden. Wage growth, alongside the expanded CTC and direct payments in the American Rescue Plan, more than make up for recent price increases.

Price increases and supply chains disruptions are a global problem, but the U.S. is fortunate to have recovered faster and stronger than our peers thanks to a successful vaccination program and the American Rescue Plan. High energy and food prices are a worldwide problem that can be a real burden for working families, and delivery delays can be a problem for businesses and households. At the same time, the U.S. has created 5.9 million jobs under President Biden, an average of 588,000 jobs created each month. The unemployment rate dropped to 4.2%, a new pandemic-era low, and GDP has surpassed its pre-pandemic peak, making the U.S. the only nation among its peer countries to reach this milestone.

Congress and the Biden administration are taking action to bring down costs for families and reduce long-term inflationary pressures

The Build Back Better Act will bring down major costs for working families--including health care, child care, housing and pharmaceutical costs--with an average American couple with two kids getting back [\\$7,400](#) in lower taxes and reduced costs as a result of Build Back Better. The Build Back Better Act expands access to affordable high-quality child care, including limiting the cost to no more than 7% of family income, as well as improving access to affordable elder care. The bill extends health insurance tax credits first put in place under the American Rescue Plan, which can [help](#) up to 4.2 million Americans access health insurance and reduce health spending among currently-insured families by 23%. In addition, the Build Back Better Act invests \$150 billion in housing affordability, to bring down housing costs

for working families. The bill finally authorizes Medicare to negotiate with pharmaceutical companies to bring down drug costs.

The Build Back Better Act is fully paid for by asking the wealthy and big corporations to pay their fair share, and is not expected to increase inflation. Nonpartisan analysis from [Tax Policy Center](#) and the [Joint Committee on Taxation](#) showed that Build Back Better would increase revenue from the top 1% in its first year of implementation, while shielding families making under \$500,000 from tax increases. The Center on Budget and Policy Priorities [noted](#) that Build Back Better is “unlikely to have any noticeable effect on inflation” and will reduce long-term budget deficits.

The bipartisan Infrastructure Investment and Jobs Act will make investments that reduce long-term inflationary pressures. Investing in roads, bridges, freight rail, airports and cargo ports will strengthen supply chains, improve productivity and reduce long-term inflation. Economists and analysts, including [17 Nobel Prize winners](#) and Moody’s Analytics chief economist Mark Zandi, agree that President Biden’s legislative agenda will reduce inflationary pressures.

Congress is making historic investments in domestic manufacturing, infrastructure and supply chain resilience that will create jobs and power long-term economic growth

The Build Back Better Act, the bipartisan Infrastructure Investment and Jobs Act and the bipartisan U.S. Innovation and Competition Act together constitute the biggest investment in American supply chains, manufacturing and innovation in modern history. By strengthening domestic manufacturing, these investments will make American industries and consumers less reliant on a volatile global supply chain. For example, USICA includes significant investment in semiconductor manufacturing facilities that would reduce dependence on overseas manufacturers. These bills also invest in programs that help American manufacturers innovate and stay competitive, including technical assistance centers and apprenticeship programs.

Investments in the bipartisan Infrastructure Investment and Jobs Act will protect and improve supply chains by repairing roads and bridges, investing in ports and airports and making infrastructure resilient to climate change and extreme weather. The legislation will help U.S. supply chains by [investing](#) \$17 billion in ports and waterways, repairing airports with \$25 billion in new spending, putting an additional \$110 billion into roads and bridges and investing \$66 billion into improving passenger and freight rail. These actions will reduce costs for businesses and protect American supply chains. The Economic Policy Institute [estimated](#) that the legislation will support 196,000 jobs each year for roads and bridges, as well as over 26,000 jobs for airport upgrades and over 23,000 jobs associated with ports and waterways.