

SPECIAL REPORT

No. 252 | JANUARY 20, 2022

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INSTITUTE FOR ECONOMIC FREEDOM

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Inflation is soaring at rates not seen in a generation. Policy reforms in housing, labor, trade, food, and energy could ease the record inflation now hitting American families and businesses without artificially distorting markets. Misguided government intervention can exacerbate supply and demand issues, drive up prices, and prevent markets from efficiently responding to existing challenges. Sadly, instead of fighting inflation, Washington sits idly by or, worse, pushes misguided legislation such as Biden's Build Back Better Act that would make inflation worse. Policy negligence leaves inflation to an increasingly overwhelmed Federal Reserve, a playbook that turned to disaster in the 1970s. As this leadership void continues, Americans stand alone to suffer the crushing effects of inflation. By adopting the policy reforms outlined here, policymakers would ease inflationary concerns and enable Americans to get more from their hard-earned money.

Over the past 12 months, inflation rose 7 percent—the largest annual increase in 40 years.¹ Government, particularly at the federal level, has imposed policies and mandates that have increased the prices that American households and businesses pay for goods and services. Policy-driven inflation has now accelerated over the past year and threatens to continue should Congress pass the Build Back Better Act.² This negligence puts pressure on the Federal Reserve's limited ability to promote stable prices, one of its congressional mandates. This is creating instability within financial markets:³ The Fed is now signaling that inflation is becoming a larger concern, with Chairman Jerome Powell recently abandoning “transitory” inflation language amid uncertainty about whether high inflation will persist.⁴

At this stage, however, there are a number of policy steps that the federal government can take to reduce inflationary pressures, in some cases dramatically. There are also policies that should not be pursued because they

could make inflation even worse. In particular, President Biden's Build Back Better Act, which has passed the House, would increase inflation substantially by raising taxes, increasing mandates and regulations that adversely affect American producers,⁵ and increasing demand through new federal spending on top of the additional \$5.5 trillion in spending already obligated by the federal government since the COVID-19 pandemic began.⁶ These policies would have the effect of raising prices on energy, food, home goods, and many other commodities that households rely upon.

Congress and the Administration should make reforms to deliver inflation relief right now, especially in light of existing supply-chain problems and to help Americans who are struggling financially. This *Special Report* details how policymakers can achieve this goal by addressing five different areas: (1) housing prices, (2) labor costs, (3) tariff costs, (4) food prices, and (5) energy prices. Within these sections, there are specific policy recommendations that can deliver immediate relief to struggling American families and businesses while taking pressure off both the Federal Reserve and the economy.

1. Housing Prices

What Is Happening with Housing Prices?

Echoing the last housing bubble, government policies are once again artificially driving up housing prices. Spanning the pandemic era from February 2020 through September 2021, home prices soared 27.1 percent.⁷ Over the past 12 months, home prices are up 19.5 percent, dwarfing the prior 12 months jump of 7.1 percent, while residential property prices in the United States adjusted for inflation are now just 2.2 percent below the all-time record levels of the 2006 bubble.⁸ Home prices are increasing far greater than family income growth is. The home-price-to-median-income ratio now stands at more than 7.2 (eclipsing the 7.03 peak in late 2005), significantly higher than the levels of well under 5.0 experienced from 1980 to 2000.⁹

Home Mortgages. The decline in long-term interest rates has induced and enabled borrowers to take out bigger loans, feeding the rise in prices.¹⁰ The impact of the surge in home prices is now eclipsing the cost savings of lower interest rates. The mortgage-payment-to-income ratio hit 32.7 percent in September 2021—the highest level since 2008.¹¹ A return to 6.6 percent 30-year fixed mortgage rates (still below the historical average) from current rates of near 3.0 percent would increase a mortgage payment for a new borrower by 50 percent even with no increase in home prices.¹²

Rental Prices. Median apartment rental costs have jumped more than 15 percent this past year.¹³ Because leases often roll over annually, the Consumer Price Index (CPI) data from the Bureau of Labor Statistics (BLS) does not yet fully reflect this surge. Numerous cities experienced rent increases well in excess of 30 percent. For the past 20 years, rental prices have increased at a greater pace than inflation has. Nationally, rental prices increased 38 percent in just the past decade.¹⁴ Some urban areas have experienced far steeper jumps in rent. For instance, rental prices in the Seattle metro area jumped 58 percent over the past decade.¹⁵ And rents in the largely rent-controlled San Francisco metro area soared 51 percent—both nearly triple the overall rate of inflation.¹⁶

Why Are Housing Prices Rising Faster Than Usual?

Government-sponsored enterprises (GSEs)—namely, Fannie Mae and Freddie Mac—continue to dominate the mortgage market. Investors who purchased Fannie Mae and Freddie Mac bonds and mortgage-backed securities (MBSs) ultimately provide funds for people to finance homes, and these bondholders and MBS investors enjoy implicit government backing. Investors in MBSs receive cash flows from interest and principal payments on the pool of mortgages comprising the MBSs. With the GSEs under continued conservatorship, it is common knowledge that taxpayers will make good on promised cash flows if either Fannie or Freddie were to ever fail again financially. The moral hazard created by government backing leads to riskier lending, because it allows investors to ignore the true financial risks of those underlying mortgages and securities.¹⁷

Since March 2020, the Federal Reserve has driven down mortgage interest rates and fueled a rise in housing costs by purchasing \$1.2 trillion of MBSs from Fannie Mae, Freddie Mac, and Ginnie Mae. The \$2.6 trillion now owned by the Federal Reserve is 88 percent higher than the levels of March 2020.¹⁸

Proponents of such intervention often argue that it is necessary to increase the rate of home ownership. However, robust homeownership was established in the United States long before the government became heavily involved in the housing market. From 1949 to 1968 (the year that Fannie Mae was allowed to purchase non-government-insured mortgages), government-backed mortgages never accounted for more than 6 percent of the market in any given year.¹⁹ Yet the homeownership rate was 64 percent in 1968, virtually identical to what it is now.

On the local level, stringent zoning restrictions, density limitations, and aggressive environmental regulation limit the supply of housing while increasing the costs of construction. Regulations often account for more than 30 percent of the costs of rental housing construction.²⁰ Rent control further compounds the problem by deterring new construction, giving landlords fewer incentives to spend on upkeep and remodeling, and reducing the future supply of housing.

Congressional inaction has expanded the government's role in the wake of the prior financial crisis. Government subsidies have increased borrowing and demand for housing without increasing supply, leading once again to higher home prices and increased taxpayer risk. Subsidies and government guarantees of MBSs will perpetuate inflated prices, deprive other sectors of needed financial resources, and place the burden of catastrophic risk on the federal taxpayer. It is difficult to argue that these policies improve the status quo for anyone other than the lenders, securitizers, and MBS investors who will gain additional federal protections. Optimally, Congress would gradually remove federal mortgage guarantees and subsidies and narrow the scope of business for the GSEs.

Policy Recommendations to Address Housing Prices

Policymakers should:

- **Sever the special status given to the GSEs.** This approach would communicate to the market that this implicit guarantee is terminated and allow MBS prices to more fully reflect the risk involved. Continuation of these guarantees leads to excessive risky debt. Private investors, not federal taxpayers, should bear the financial risks.
- **Raise Fannie Mae and Freddie Mac mortgage guarantee fees immediately while the GSEs remain in conservatorship.** This fee is paid by the lender seeking the federal guarantee, although it is effectively passed along to the borrower in the form of a higher interest rate. Raising the fees on defaults would make the rates available on non-government-guaranteed mortgage loans more competitive, scaling back the role of the GSEs. Some potential borrowers may choose to forgo homeownership for the time being, alleviating some of the artificially induced housing demand.

- **Eliminate the geographic price differentials for conforming loan limits for loans purchased by the GSEs.** Limits in high-cost areas are up to 50 percent higher than the baseline. In 2022, the baseline conforming loan limit will jump a record 18 percent from \$548,250 for a single-family residence to \$647,200. In high-cost areas, the maximum will rise from \$822,375 to \$970,800.²¹ The GSEs should also gradually reduce the baseline conforming loan limits.
- **Narrow the GSEs' focus to financing primary home purchases.** Approximately 90 percent of GSE volume is currently devoted to refinances, investor purchases, lower loan-to-value loans, and pricier homes purchased by higher-income earners. This support should be eliminated. In particular, subsidizing cash-out refinances²² impedes middle-class families from accumulating net worth.
- **Reject eviction moratoria.** Initially, the decrease in cash flow from an eviction moratorium affects the landlord only. However, landlords will increase rents to mitigate the heightened risk of future moratoria and to recoup revenue already lost. Prospective renters may find themselves subject to increased security deposits and tighter credit checks. Ultimately, fewer affordable housing units may be constructed.
- **Consider the impact of local regulations on housing affordability.** By reforming land-use laws—in effect, increasing supply—rental prices could plateau or even decline. Likewise, repealing rent control would incentivize construction of additional housing units.
- **Forbid offering conforming loan amortization options beyond the traditional 30-year repayment term.** Fannie Mae and Freddie Mac extending the maximum amortization to 480 months from the current 360 months will encourage riskier lending and incentivize borrowers to overleverage their finances. Although the monthly payment may be lower, the borrower accrues substantially higher total interest payments. These extended amortization schedules result in upward price pressure as borrowers become more willing, and more able, to borrow more money.
- **Terminate the Federal Reserve's monthly purchases of MBSs and begin diminishing the size of its MBS portfolio.** Artificially

increasing the amount of capital available for the residential home mortgage market and distorting interest rates is exacerbating home unaffordability.

2. Labor Costs

What Is Happening with Labor Costs?

Government policies have substantially increased labor costs nationwide by limiting the supply of labor and by increasing the demand for goods and services. Labor is a significant component of nearly all the goods and services Americans consume. The BLS reports that labor costs make up more than 60 percent of the value of output produced in the nonfarm business sector.²³

Unprecedented Labor Shortage. The unprecedented (and in many ways seemingly inexplicable) labor shortage in the United States—with an employment gap of about 4.7 million workers—is contributing to supply-chain issues and rising prices.²⁴ In stark contrast to a weak labor market that would be expected following the pandemic, the labor market for workers is incredibly strong. Businesses across nearly every industry in the United States are desperate for workers and have expanded their pay and benefit packages. Yet the number of job openings in the United States remains at record levels, with 10.6 million job openings in November 2021—the equivalent of more than 1.5 jobs available for each of the 6.9 million unemployed workers.²⁵

The National Federation of Independent Business (NFIB) reports that 48 percent of business owners were unable to fill open positions in November—more than double the 22 percent historical average.²⁶ Accordingly, businesses are increasing compensation. According to NFIB, 44 percent of business owners reported raising compensation in November (a 48-year record high), and 32 percent plan to raise compensation in the next three months (a record high).²⁷

Wage increases are a great thing when they come from workers becoming more productive through education, experience, and technology, because it means they are adding more to the economy. But when wage increases are caused by an artificial shortage of willing workers due to government policy, this unnecessarily increases businesses' costs of production. Those higher costs translate into higher prices for consumers, and they eat away at the value of the wage gains. That seems to be happening today as average hourly earnings rose by an above-average 4.7 percent over the past year

(December 2020 to December 2021),²⁸ but real average earnings (taking into account the effect of inflation) were down 2.4 percent.²⁹

But these are only the direct wage costs for payroll employees. Other labor cost increases may be playing an even greater role in rising prices. Employers may temporarily fill unmet labor needs with more expensive contractors (not reflected in hourly wage data). And replacing the record number of workers who are quitting their jobs is extremely costly and burdensome. Over the past four months, the number of workers quitting their jobs has averaged 4.3 million.³⁰ If that rate holds steady, employers will have to replace one out of three workers over the course of a year.

The Society for Human Resource Management reports that replacing a worker costs between six and nine months of his or her salary.³¹ At that rate, replacing the 10.0 million *additional* workers who quit their jobs over the past 12 months (compared to the 12 months prior) translates into a cost of between 2.9 percent and 4.3 percent of total salaries. That cost provides no new value to employers, but it must nevertheless be recouped by charging higher prices for the same goods and services.

Another factor potentially contributing to rising costs are strikes, or work stoppages. The BLS reports data on work stoppages affecting 1,000 workers or more. In 2021, there were 12 such strikes leading to 886,800 cumulative days of lost work.³² That marks a significant increase from 2020 but is a little below the five-year average from 2016 to 2020.³³ Those, however, are only the “major” work stoppages.

A new “labor action” tracker established in 2021 by the Industrial and Labor Relations School at Cornell University has documented strikes at 368 workplaces in 2021 (including multiple workplace strikes affecting the same employers).³⁴ While it is unknown how this number of strikes compares to past years, policy-induced labor shortages have created conditions that make workers more likely to strike (such as having to work longer hours and not being able to take time off) and give them leverage in a strike (because it is harder to for employers to find new workers).

Why Are Labor Costs Rising Faster Than Usual?

A conglomeration of COVID-19 welfare benefits—including 18 months of super-sized and easily available unemployment insurance benefits—have almost certainly contributed to the labor shortage and rising prices.³⁵ Data on workers’ reservation wages—the lowest wage at which individuals say they will accept a job—shows that the reservation wage for workers making less than \$60,000 surged 26.4 percent, from \$40,197 to \$50,825,

CHART 1

Workers' Reservation Wages

Reservation wages are the lowest wages at which workers are willing to accept a job.

PERCENT CHANGE FROM 2019 AVERAGE



SOURCE: Federal Reserve Board Bank of New York, "Survey of Consumer Expectations," <https://www.newyorkfed.org/microeconomics/sce/labor#/> (accessed January 5, 2022).

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between March 2020 and March 2021³⁶ and then fell sharply, as some major COVID-19 programs (such as the eviction moratorium and many states' unemployment insurance benefits) ended.³⁷

Although the unemployment bonuses have ended, an array of welfare-without-work policies—such as a 21 percent increase in Supplemental Nutrition Assistance Program (SNAP) benefits and vastly expanded Obamacare subsidies—remain in place. Moreover, the Build Back Better Act would further reduce the incentive to work by adding \$11,300 of welfare-without-work benefits for the average low-income household.³⁸

The Build Back Better Act would also embolden unions to drive up labor costs—for example, by encouraging states to create a unionized third-party middleman between federal payments and home health care workers (circumventing the Supreme Court's *Janus v. AFSCME* decision that barred unions representing public-sector workers from charging dues to non-members)³⁹ and by imposing severe fines on employers for unfair labor practices.⁴⁰

Case Study of Labor’s Role in Rising Prices: California Ports. The crisis at the California ports demonstrates how labor factors into rising prices. The Ports of Los Angeles and Long Beach handle 40 percent of containers that bring goods and parts into American homes and factories, and the exclusively unionized workers at those ports earn upwards of \$200,000 per year in compensation.⁴¹ With such high labor costs (roughly three times the national average for port workers) and the union’s unwillingness to operate on a 24/7 schedule similar to all other major ports in the world, it would make sense to increase automation, but the union has fought hard against that—including securing a provision in the bipartisan infrastructure package to prevent any funds from going toward automation.⁴² Consequently, in the World Bank efficiency rankings,⁴³ the California ports were among the least efficient on earth—behind even those of Mombasa, Kenya, and Dar es Salaam, Tanzania.⁴⁴

After sitting up to weeks on boats, the containers of goods can wait weeks longer for the select few trucks and truckers that California’s environmental and labor laws allow into the state, only to be transported to California’s border where the remaining 70 percent of trucks in the United States are free to come and transfer the goods across the rest of the country. All this added time and needless hassle adds to the costs of the delivered goods.⁴⁵ Labor costs and bottlenecks could increase further if the Teamsters’ Union President James P. Hoffa convinces the Biden Administration to change the definition of *employee* so that businesses cannot hire independent truckers to transport their goods but must instead rely on a smaller supply of more expensive unionized truckers.

Across nearly every piece of legislation and regulation that progressives have proposed are policies that will make things more expensive. The bipartisan infrastructure package ties most infrastructure projects to Davis–Bacon wages, which are about 22 percent higher than market wages.⁴⁶ (Davis–Bacon is a law that forces contractors and subcontractors for federally funded construction projects to provide their workers with government-determined hourly pay and benefits.) The package further specifies that childcare providers must pay prevailing wages that are two to three times higher than market wages (to provide context, for a single mom living in Boston, this would amount to \$39 per hour), which will make childcare even less affordable for those who want or need it.⁴⁷

The Build Back Better Act’s welfare-without-work policies and command-economy tactics have been estimated to reduce employment by between 5.3 million⁴⁸ and 8.7 million workers.⁴⁹ Vaccine mandates threaten to force employers to fire millions of workers when they can least afford to

do so.⁵⁰ Labor regulations that preclude independent work make it harder and more costly to hire workers,⁵¹ and attempts to force more people into unions against their desires while also prohibiting employers from being able to permanently replace striking workers will further increase labor costs and prices.⁵²

Policy Recommendations to Address Labor Costs

When the quantity demand of something exceeds the supply of it, prices rise. That is true in the current labor market, where demand for workers exceeds the supply of willing workers. To encourage Americans to pursue their productive capabilities and to ease the burden on businesses, policymakers should ensure that it pays to work, that it does not pay to not work, and that businesses do not face unnecessary costs to employ workers. Policymakers should:

- **Limit taxes and reduce regulations.** Lower personal income tax rates result in more take-home pay. Lower business taxes cause employers to increase compensation, which similarly encourages more work. Following the 2017 tax cuts and reduced regulations on businesses, wages rose at above-trend rates, leading to an estimated \$1,406 gain in annualized earnings for the average worker as of March 2020.⁵³
- **Encourage natural wage increases.** Policymakers should make it easier to obtain income-enhancing education and skills, including through less expensive options, such as apprenticeship programs, by reforming federal higher education financing and accreditation⁵⁴ and eliminating double taxes on investments that boost productivity and wages.
- **Clarify the definition of *employee* to enable more flexible contract work.** Across federal law, different tests and rules to determine who is and is not an employee of a company can create liability for the actions of contractors over whom they exercise little or no control, and can require businesses to provide employment-related benefits to workers who are only loosely attached to their operations. In addition, states can create different sets of rules. For example, California's AB5 law is so restrictive that it has taken away many individuals' and families' livelihoods and autonomy while making it harder for employers to

conduct business. Considering that 46 percent of independent workers say they cannot work for a traditional employer, excluding independent work limits the supply of available workers.⁵⁵ Moreover, a study of Uber drivers found that they worked 16 more hours per week as a result of the fully flexible work platform.⁵⁶ Congress should clarify the test for independent contractor status under the Fair Labor Standards Act, the National Labor Relations Act, and the tax code based on the “common law” test that determines how much control an employer exerts over a worker. Congress should also abandon the PRO Act, which is like California’s AB5 law on steroids, and the Administration should drop its plans to impose similar work restrictions through regulation.⁵⁷

- **Abandon OSHA’s unauthorized vaccine mandate.**⁵⁸ The Kaiser Family Foundation reported that 5 percent of unvaccinated adults surveyed said they would leave their jobs if their employers required them to get a vaccine or get tested weekly.⁵⁹ Considering that the unauthorized Occupational Safety and Health Administration (OSHA) mandate would apply to an estimated 84 million workers, this could require employers to fire—and attempt to replace—up to 4.2 million workers.
- **Remove welfare work disincentives.** Economic studies show that lower-income workers’ labor force participation rates are highly responsive to welfare benefits and after-tax wages.⁶⁰ Welfare policies should reduce high marginal tax rates on work and eliminate non-work-based welfare benefits such as monthly child payments, which are estimated to cause 1.5 million parents to drop out of the labor force.⁶¹
- **Do not force workers into unions.** Labor unions’ adversarial tactics and attempts to micromanage employers restrict employment growth. Instead of forcing workers to join unions that may provide no value—or even negative value—to them, policymakers should make it easier for employers and employees to work together voluntarily.⁶²
- **End detrimental COVID-19 policies.** The policies enacted in the name of COVID-19—such as unemployment insurance bonuses, massive increases in SNAP and Obamacare subsidies, and housing assistance—are doing more to hurt the labor market than to help it. Policymakers should eliminate these COVID-19 policies and not embed them into law.

- **Repeal the Davis–Bacon Act.** A relic of the Jim Crow laws meant to artificially boost the wages of white male workers, the Davis–Bacon Act currently functions to drive up federal construction costs by 10 percent. By repealing the act, policymakers could save taxpayers from higher costs and also help avoid federally induced price increases from spilling over into higher construction costs for individuals and businesses.⁶³

3. Tariff Costs

What Is Happening with Tariffs?

The freedom to buy and sell throughout the world, without government intervention, is an essential component of a free society. In fact, The Heritage Foundation’s annual *Index of Economic Freedom* finds year after year that increases in trade freedom around the world correlate strongly with greater levels of prosperity.⁶⁴ Here at home, eliminating tariffs and other barriers to trade help American families and businesses to make decisions based on their individual needs. Access to imported products allows American businesses to specialize in what they do best, thereby better utilizing resources, increasing competition, and encouraging innovation. Americans also achieve greater purchasing power through free trade. The freedom to exports goods around the world helps American businesses to grow and reach new markets.

Tariffs on imports act as a sales tax that ultimately hits Americans’ pocket-books. On average, in 2017 Americans paid an extra 1.66 percent on the value of goods imported. Following new tariffs on imports from China as well as on individual products such as steel and aluminum, the average cost to buy from abroad increased in 2019 to 13.78 percent.⁶⁵ In 2017, Customs and Border Protection collected roughly \$34.6 billion in tariff revenue. Tariff revenue was more than double that in 2019, valued at \$71.9 billion.⁶⁶ The cost to buy from abroad has increased dramatically following the imposition of new tariffs.

Why Are Tariffs Rising Faster Than Usual?

Vehicle, Aluminum, and Steel Tariffs. Prices for both new and used cars and trucks were up year-over-year in December 2021. The rate of inflation for new cars and trucks was 11.8 percent and used cars and trucks increased by 37.3 percent.⁶⁷ A key contributor to these increased prices was automakers misjudging post-pandemic consumer demand.⁶⁸ Additionally, during the pandemic, semiconductor producers that typically make the grade of chips used by automakers switched production to consumer

technologies such as the new Xbox and PlayStation consoles.⁶⁹ When American automakers reopened from government-mandated shutdowns and were in need of chips, the producers did not have capacity to meet the surge in demand, causing a shortage and driving up the price of chips. Some automakers stockpiled chips prior to the pandemic, but it was not enough. Today consumers are ordering cars before they are even on the lot and waiting weeks or months for them to arrive.⁷⁰ The wait for new cars is also driving up demand for used cars and preventing consumers that would typically trade in their old cars for new ones from doing so.

At the same time, automotive inputs face a 2.5 percent tariff when imported from certain countries, and consumers pay tariffs to import cars and trucks from abroad—2.5 percent and 25 percent, respectively.⁷¹ Additional tariffs were placed on steel (25 percent) and aluminum (10 percent) in 2018 under Section 232 of the Trade Expansion Act of 1962. These tariffs affect imports from nearly all countries.⁷² These tariffs act as extra taxes on American automakers and families, making car prices more expensive than they should be. In fact, a 2020 Heritage report found that eliminating tariffs on manufactured goods would increase U.S. exports in all sectors, reduce prices paid by consumers, increase U.S. gross domestic product, and create more and better-paying jobs.⁷³

Tariffs on Appliances. The price of appliances was up 6 percent year-over-year in December 2021, with laundry equipment increasing 12.1 percent.⁷⁴ These numbers are high, but they are not a new phenomenon. Tariff rate quotas ranging from 20 percent to 50 percent were imposed on washers and washer parts in 2017 under Section 201 of the Trade Act of 1974.⁷⁵ A 2019 University of Chicago study found that after roughly one year of higher tariffs, domestic washer prices increased by \$86 per unit and dryers increased by \$92 per unit.⁷⁶ These price hikes were made worse when tariffs were imposed on steel and aluminum in 2018, crucial components for washer production. The tariffs on washers were set to expire in February but were extended for an additional two years.⁷⁷ Americans have paid an additional \$281.6 million to buy washers and washer parts from abroad.⁷⁸

Jones Act. Behind these individual cases of intervention, long-standing government policies that limit how goods can be transported have exacerbated port delays, largely occurring at the adjacent Ports of Los Angeles and Long Beach. In particular, the Merchant Marine Act of 1920, commonly referred to as the Jones Act, is a protectionist measure mandating that any goods shipped by water between two points in the United States must be transported on a U.S.-built, U.S.-flagged vessel with a crew that is at least 75 percent American.⁷⁹

This law drives up shipping costs. For example, according to a Federal Reserve Bank of New York report, the cost of shipping a 20-foot container from the East Coast to Puerto Rico is about double the cost of shipping to nearby islands that are not subject to the Jones Act.⁸⁰ According to the Congressional Research Service, “A 2011 study by the U.S. Maritime Administration (MARAD) found that in 2010, the average operating cost of a U.S.-flag ship was 2.7 times greater than a foreign-flag ship, but MARAD estimates that this cost differential has since increased.”⁸¹

In 2018 only 99 of these Jones Act-compliant ships existed⁸² out of a global shipping fleet of roughly 55,000 ships,⁸³ meaning 99.8 percent of the world’s shipping capacity is excluded from transport between states. The cost of a U.S.-built ship is “four to five times more costly than those constructed abroad,” according to Colin Grabow, policy analyst at the Cato Institute, and “the shipyards that build these vessels are so uncompetitive that few commercial ships are actually built.”⁸⁴ The sheer cost of interstate water transport due to the Jones Act often makes it more affordable to ship goods from Asia than between states.

Tariffs on Chassis. For goods to be transported efficiently on land from U.S. ports, truck drivers need access to competitively priced chassis—the truck trailer that a shipping container sits on. The United States imported about \$1.1 billion in chassis and chassis parts in 2020. Roughly 39 percent of those imports were from China.⁸⁵ Canada and Mexico together represent 52 percent of chassis imports.⁸⁶ The statutory tariff rate for finished chassis is 0 percent, but chassis parts face a 3.1 percent tariff rate.⁸⁷ The cost to buy them from China recently increased due to new antidumping and countervailing duty tariffs of 188.05 percent⁸⁸ and 44.32 percent, respectively.⁸⁹ Some chassis were also affected by the 25 percent tariffs imposed in 2018 on imports from China under Section 301 of the Trade Act of 1974.⁹⁰ Trade with China rightly has come under more scrutiny in recent years as its behavior has become increasingly threatening and it has been proven to violate commitments under the rules-based trading system.

Policy Recommendations to Address Tariff Costs

Policymakers should:

- **Eliminate Section 232 tariffs on steel and aluminum imports.** These tariffs affect the production of nearly all manufactured goods, and the increased cost of these vital inputs make goods manufactured in America more expensive. Eliminating these tariffs could help

relieve the upward price pressures on automobiles and appliances hitting Americans.

- **Eliminate tariffs on manufactured goods imports.** The elimination of these tariffs would include statutory rates on automobile parts, finished cars and trucks, and chassis. A 2020 Heritage report estimated that eliminating tariffs on all manufactured goods would reduce the prices paid by consumers.⁹¹
- **Remove Section 201 tariffs on washers.** Tariffs on washers have increased the cost of both washers and dryers, which is directly impacting consumers. Without these tariffs, washers and dryer prices would be more affordable for American families.
- **Repeal the Jones Act.** The Jones Act increases the cost of interstate shipping. If goods traveling between states were able to be delivered on any ship, interstate transportation would become more competitive and less costly, which could allow domestic production of some goods that are currently imported. Policymakers should repeal this law or, at a minimum, create an indefinite waiver of the law for all shipping destinations and all products until the pandemic is no longer an issue. The Biden Administration also has some power to waive the Jones Act, which has been done by past Administrations.⁹²
- **Eliminate Section 301 tariffs and antidumping and countervailing duties on chassis from China.** Chassis are essential for getting products from ports to warehouses and then to stores. The web of tariffs on chassis from America's top supplier of these products increases the cost of transporting goods. By removing these tariffs, truckers would have access to more affordable chassis, easing one of the main bottlenecks to overland transportation.

4. Food Prices

What Is Happening with Food Prices?

One of the most important drivers of current inflation concerns is increasing food prices.⁹³ When food prices rise, consumers notice it quickly. After all, they are paying more to meet the basic need of feeding themselves and their families.

The data support these concerns over food prices. First, it is useful to get a sense of what is “usual” when it comes to increases in food prices. According to the U.S. Department of Agriculture (USDA), food prices (based on the Consumer Price Index) increased on average 2.9 percent annually between 1915 and 2020.⁹⁴ The 20-year historical average is 2.4 percent.⁹⁵

Year-Over-Year Data. Food prices were 6.3 percent higher in December 2021 compared to December 2020.⁹⁶ In November 2021, the year-over-year increase was 6.1 percent, in October 2021, the year-over-year increase was 5.3 percent, and in September 2021, the year-over-year increase was 4.6 percent.⁹⁷ Prices were 6.5 percent higher for food-at-home purchases (grocery store or supermarket food purchases) and 6.0 percent higher for food-away-from-home purchases (restaurant purchases) in December 2021.⁹⁸

While these general food measures are important, so too is evaluating price increases for high-profile food categories, which can have a major effect on their perception on food prices and inflation in general. One of the categories with the largest year-over-year food price increase was “Meats, poultry, and fish,” which had a 12.6 percent year-over-year increase. This category includes:

- Beef and veal (18.6 percent increase);
- Pork (15.1 percent increase);
- Poultry (9.5 percent increase); and
- Fish and seafood (8.4 percent increase).

Other food categories with substantial year-over-year food price increases include eggs (11.1 percent increase), fresh fruit (7.9 percent increase), and fats and oils (8.8 percent increase).⁹⁹

Annual Data. Measuring prices through a year-over-year comparison does have limitations, though, since prices can change significantly on a monthly basis. Another way to measure food prices is to look at the price increase for a calendar year.

The USDA projects the 2021 percentage increase to be between 3 percent and 4 percent.¹⁰⁰ The food price increase in 2020 (during the height of the pandemic) was a comparable 3.4 percent.¹⁰¹ Over the past 20 years, food prices have met or exceeded 3.0 percent six times, 3.5 percent three times, and 4.0 percent two times, indicating that food price increases of this magnitude are not the norm.¹⁰²


TABLE 1

Projected Food Price Increases (2021) Compared to 20-Year Historic Averages

Food Category	USDA's Projected 2021 Percent Increase	20-Year Historic Average
Beef and Veal	9.0%–10.0%	4.4%
Pork	8.0%–9.0%	2.2%
Poultry	4.5%–5.5%	2.1%
Fish and Seafood	4.5%–5.5%	2.5%
Fats and Oils	4.0%–5.0%	2.2%
Fresh Fruits	4.5%–5.5%	1.4%
Eggs	3.5%–4.5%	3.1%

NOTE: Taking the low end of each projected food price increase for 2021, beef and veal was at or exceeded the forecast number five times over the last 20 years (2001–2020), pork (two times), poultry (six times), fish and seafood (five times), fats and oils (five times), fresh fruits (four times), and eggs (10 times).

SOURCES: See USDA, Economic Research Service, “Food Price Outlook,” <https://www.ers.usda.gov/data-products/food-price-outlook/> (accessed January 6, 2022). On this page, access “Changes in Food Price Indexes, 2019 through 2022” and “Annual Percent Changes in Select Consumer Price Indexes, 1974 through 2020” spreadsheets. The USDA’s latest forecasts used in this paper do not include the December CPI data.

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The food price increases for specific food categories, as projected by the USDA, also show unusually high prices compared to their 20-year historical averages. (See Table 1.)

In general, the current food price increases, measured through either year-over-year data or annual data, are higher than normal and warrant careful monitoring. For year-over-year data, the extremely high increases have occurred over the past four months (September to December), so while it is still a somewhat recent trend, it is also disconcerting. Food price increases are always important to watch, especially when they are of this magnitude.

Why Are Food Prices Rising Faster Than Usual?

Food prices can increase at a higher-than-usual rate for a variety of reasons, from weather conditions to labor costs to simple supply and demand. For example, higher meat prices, which the Biden Administration has tried to blame on the meat-processing industry,¹⁰³ have been caused by high consumer demand, high feed costs for farmers, and high labor costs, among other factors.¹⁰⁴

This attack on the meat industry is just one example of the Biden Administration trying to blame everybody other than itself for high food prices. However, if policymakers want to address concerns over food prices, then they should be looking at how the government and the Biden Administration are contributing to higher prices. The Biden Administration's war on conventional fuels (i.e., coal, oil, and natural gas) and affordable energy, for instance, are driving up energy costs, which impacts the entire economy, including the food sector.

The Biden Administration's employer COVID-19 vaccine mandate will also likely have serious implications for food prices. According to the American Trucking Associations, the mandate could cause the trucking industry to lose up to 37 percent of its drivers.¹⁰⁵ Major trade organizations within the food-supply chain—including FMI, The Food Industry Association—have filed a lawsuit challenging the mandate. In a press release regarding its lawsuit, FMI argued, “Vaccine and testing mandates would further slow delivery times and drive up costs for consumers, retailers and manufacturers alike.”¹⁰⁶

Across the food supply, there is concern over labor costs. Businesses in the fast-food industry are experiencing a labor shortage¹⁰⁷ and offering significant bonuses to attract potential workers.¹⁰⁸ New Biden Administration labor and employment regulations, such as the Department of Labor's final rule raising the minimum wage for federal contractors to \$15 an hour,¹⁰⁹ will only exacerbate higher labor costs, which will likely then get passed on to consumers.¹¹⁰

Policy Recommendations to Address Food Prices

In addition to addressing the Biden Administration's harmful policies regarding energy and labor (along with the numerous recommendations throughout this paper that affect the food sector, such as removing tariffs on aluminum and chassis) policymakers should, among other things:

- **Reject the attack on the American food system.** The Biden Administration has consistently spoken about transforming the nation's food system, as if it is something that needs to be fixed.¹¹¹ The Administration seeks to advance a national food policy, which is another way of saying a central plan to organize the nation's entire food system.

In a document strongly supporting the United Nations' efforts to transform food systems, the Biden Administration wrote the following about its vision for the food sector:

This vision seeks to deliver on the three overarching priorities overviewed above: food security and healthy diets for all, climate change mitigation and adaptation, and inclusive and equitable food systems that address the needs of the most vulnerable by empowering youth, women, and disadvantaged communities.¹¹²

This plan, similar to the Green New Deal,¹¹³ focuses on ancillary objectives to food production and distribution, such as environmental objectives. The USDA is already in the process of trying to push farmers to engage in “climate-smart agriculture.”¹¹⁴ There is little recognition of the costs and trade-offs of their agenda including higher prices, or an appreciation of today’s incredible efficiency of the U.S. food system that helps to keep food prices low.¹¹⁵ If policymakers are concerned about higher food prices, they should reject this central planning and government intervention that would hinder those across the food supply who make our food affordable.

- **Block the Biden Administration’s efforts to expand the definition of *waters of the United States*.** The Environmental Protection Agency and the U.S. Army Corps of Engineers are developing new regulations to redefine *waters of the United States* (WOTUS) under the Clean Water Act.¹¹⁶ This definition informs private property owners, including farmers and ranchers, what waters the federal government can regulate. A broad or vague definition makes it more difficult for farmers and ranchers to engage in even ordinary farming activities.

The Trump Administration finalized the Navigable Waters Protection Rule,¹¹⁷ which, while not perfect, did provide a WOTUS definition that was more in line with the rule of law and the Clean Water Act’s express goal of having states play the primary role in addressing water pollution. It also provided greater clarity for property owners. The Biden Administration has rejected this rule and is developing much broader regulations. Policymakers, at a minimum, should block such efforts to expand the WOTUS definition.

- **Repeal the federal sugar program.** The U.S. federal sugar program is intentionally designed to limit the supply of sugar and thereby drive up sugar prices.¹¹⁸ This policy may benefit the small number of sugar growers and harvesters, but it does so at the expense of sugar-using industries and consumers, which means higher prices for consumers.

Recent studies have found that the program costs consumers as much as \$3.5 billion to \$3.7 billion a year.¹¹⁹

- **Repeal the Jones Act.** The Jones Act drives up shipping costs and makes it more difficult to transport goods that are important to the food sector. For example, in October, millions of pounds of Alaskan seafood were being blocked from coming into the United States via Canada due to the Jones Act.¹²⁰ Policymakers should repeal the Jones Act or at a minimum pass a broad-based waiver until the pandemic is no longer an issue.
- **Eliminate the “fertilizer tax.”** The United States is imposing countervailing duties—taxes on imports that have been subsidized by the governments of the origin countries—on Moroccan and Russian phosphate fertilizer imports.¹²¹ A tax on this critical input for farming (fertilizer) will almost certainly increase costs for farmers.¹²² Policymakers should eliminate this tax and thus reduce costs for farmers, which will likely mean lower food prices for consumers.

5. Energy Prices

What Is Happening with Energy Prices?

Amid enormous shifts in energy supply and demand since the pandemic, government policies have consistently pushed prices yet higher. Energy is essential to nearly every good and service—schools, hospitals, grocery stores, manufacturing, small businesses—that Americans engage in. It is critical to Americans’ economic opportunity and ability to live healthier, safer, and more productive lives. When energy prices increase, therefore, it directly hurts Americans.

Conventional fuels—coal, oil, and natural gas—met 80 percent of Americans’ total energy needs in 2019.¹²³ Petroleum meets 91 percent of Americans’ transportation fuel needs—energy used by automobiles, trucks, buses, trains, aircraft, and shipping.¹²⁴ At the same time, American energy production actually exceeded consumption in 2019 for the first time since 1957, remaining true in 2020 despite significant market disruption.¹²⁵ The United States produces more oil and natural gas than any other country and is second in coal production.

Pre-pandemic, Americans’ average total energy costs fell 5 percent, according to the U.S. Energy Information Administration (EIA).¹²⁶ However,

the EIA now projects that Americans will pay 22 percent to 90 percent more for heating fuels this winter, with retail energy prices at or near multiyear highs.¹²⁷

Crude Oil. Crude oil is refined into petroleum products such as gasoline, jet fuel, and petrochemicals. Crude oil prices steadily increased 126 percent since bottoming out in April 2020 to reach over \$81 per barrel by November 2021.¹²⁸ By November 2021, gasoline and diesel prices were higher than they have been since September 2014.¹²⁹ Weekly nationwide prices for regular gasoline have not fallen below \$3.00 per gallon since May 2021, with some regions suffering even higher prices because of state and local government policies.

Natural Gas. Natural gas is used for both heat and electricity and is a critical raw material for thousands of industrial products such as fertilizer, plastics, and pharmaceuticals. By November 2021, prices were the highest they have been since February 2014.¹³⁰ Because the United States is a major natural gas producer, Americans are relatively insulated from price increases compared to customers in Europe and Asia, where spot prices increased twenty-fold and thirty-fold, respectively, by October 2021.¹³¹

Coal. Coal is used for heat and electricity as well as in industrial applications such as steel production, and it is an exceptionally affordable energy source. Production, consumption, and prices in the United States have fallen steadily since the late 2000s in the wake of competitive natural gas prices and aggressive federal regulatory policies under the Obama Administration to shut down the use of coal-powered electricity. Prices have slightly increased since 2019, and the EIA projects coal prices to slightly increase again in 2022 as high prices of other fuels increase demand for coal.¹³²

Overall, the EIA projects that American households will spend more on energy this winter because of high fuel prices and higher demand from an expected cold winter.¹³³ Specifically, the EIA projects that energy costs for homes that are heated using:

- Natural gas (nearly half of households) will increase 30 percent compared to last year;
- Heating oil (4 percent) will increase 43 percent;
- Propane (5 percent) will increase 54 percent; and
- Electricity (41 percent) will increase 6 percent.

These cost hikes imply more hardship for some regions than for others. For example, heating oil is used almost entirely by homes in the Northeast, whereas propane and natural gas are more commonly used in the Midwest.

Why Are Energy Prices Rising Faster Than Usual?

The COVID-19 pandemic and policy responses triggered dramatic changes in both supply and demand worldwide. Demand for energy plunged, forcing producers to drastically cut back output almost overnight. In the United States, total energy consumption fell 7 percent in 2020 compared to 2019, the largest annual decrease since at least 1949.¹³⁴ In fact, total U.S. energy consumption per capita in 2020 was the lowest it has been since 1965, falling across all customer categories (residential, transportation, industrial, and commercial).¹³⁵ As of August 2021, total energy consumer demand remains 3 percent below the same period in 2019.¹³⁶

The uneven recovery has introduced “important uncertainty”¹³⁷ across energy markets. For example, demand for jet fuel remained depressed as fewer people flew.¹³⁸ On the other hand, gasoline demand recovered more quickly, and diesel demand has even exceeded 2019 levels.¹³⁹

Initial drops in energy production were driven by plunging customer demand as, for example, U.S. crude oil production fell 8 percent in 2020,¹⁴⁰ but demand is now rising faster than production is, which, as of August 2021, remains nearly 8 percent below pre-pandemic numbers.¹⁴¹ Amid plunging rig counts and efforts by financial institutions and governments to restrict access to capital,¹⁴² oil suppliers have responded by drawing down storage inventories,¹⁴³ a stopgap measure at best. As with crude oil, demand for petroleum products, natural gas, and coal is rising faster than production is.¹⁴⁴

Policy Proposals to Severely Restrict Access to Conventional Energy Resources. The Biden Administration has proposed or finalized regulations restricting nearly every aspect of conventional energy: financing and private sector investment, exploration and production, pipeline construction and operation, and consumer use.¹⁴⁵ Further, it has effectively banned leasing for coal, oil, and natural gas exploration and production on federal lands and the Outer Continental Shelf in defiance of the law.¹⁴⁶ The Department of Interior also recently proposed sweeping policy changes to federal land management that would severely minimize if not effectively ban production of coal, oil, and natural gas on these lands and waters.¹⁴⁷

Finally, the Administration continues to promote the Build Back Better Act, which would increase energy prices by adding new fees, royalty rates,

and regulations on conventional energy producers and cut access to production off American coasts. A proposal in the bill setting a 15 percent minimum tax on businesses' book income would also have outsized negative impact on coal companies, cars and trucks, and utilities and could increase prices or skew future investment away from these industries.¹⁴⁸ Additionally, with pandemic policies keeping workers home, the U.S. oil industry has seen an 11.1 percent drop in its workforce since 2020—the largest decrease of all major energy producing countries but Australia.¹⁴⁹

Existing Bad Energy Policies Inhibiting Energy Markets. Years of bad policy have created rigidity in energy markets and made energy producers and their customers less able to respond to energy market disruptions. This exacerbates and prolongs high energy prices and supply challenges. Notable culprits are:

- **Limits on refineries.** Refinery capacity at the start of 2021 was the lowest it has been in the United States since 2015. Refineries in California, Louisiana, New Mexico, North Dakota, Pennsylvania, and Wyoming closed, downsized, or converted to renewables in 2020.¹⁵⁰ Renewable Identification Number credit prices remained at historically high prices through 2021, increasing costs for refineries to comply with the Renewable Fuel Standard, which mandates that refineries blend quotas of ethanol and other alternative fuels into gasoline.¹⁵¹
- **The Jones Act.** This law increases costs and reduces options for American energy producers and providers to deliver energy domestically. This is particularly noticeable in states such as California, where very limited pipeline infrastructure means California's gasoline must be transported from refineries to demand centers by way of expensive and artificially scarce ships and crews.¹⁵²
- **Cancellation of pipelines as symbolic climate policy.** Pipelines are often the cheapest and safest way to transport natural gas and oil products. The Keystone XL pipeline, which would have brought inexpensive Canadian oil to U.S. consumers, was delayed over a decade before the Biden Administration cancelled it, and pipeline projects around the country have faced similar fates.¹⁵³ While natural gas pipeline capacity in the northeast has not kept pace with production, new pipeline capacity in Texas and Appalachia has increased energy production, relieved congestion, and connected customers to more affordable energy.¹⁵⁴

- **Policies limiting the ability of energy providers to choose more affordable fuels.** State mandates and federal regulations have restricted or removed coal as an energy choice despite the lack of affordable, comparable alternatives. Particularly problematic was the Environmental Protection Agency’s Mercury Air Toxics Rule and its ongoing efforts to regulate greenhouse gases.¹⁵⁵ This has discouraged energy providers from switching from currently costly natural gas to more affordable coal, which has kept demand for natural gas artificially high.¹⁵⁶
- **State renewable energy mandates and subsidies through the tax code.** These mandates and subsidies have forced out not only coal-powered generation but also existing nuclear-power reactors.¹⁵⁷ These policies seek to alter energy outcomes according to political preferences rather than grid reliability, affordability, and customer demand.
- **Policy failures in Europe and Asia restricting energy options.** U.S. natural gas export terminals are operating above capacity to help meet higher demand in Europe and Asia.¹⁵⁸ While due in part to recovering economic activities, climate policies in Europe and Great Britain have restricted use of coal, prohibited hydraulic fracturing technology, politicized the use of nuclear power, and increased vulnerability by depending on intermittent renewable energy technologies that have drastically underperformed. They have also increased energy prices with costly renewable energy subsidies. In Asia, a shortage of coal in China due to poor central planning,¹⁵⁹ decreased production from South Korea’s and Japan’s politically disfavored nuclear fleets, and unplanned outages of liquefied natural gas export facilities contributed to very high natural gas demand.¹⁶⁰

Policy Recommendations to Address Energy Prices

Politicians have tried for decades to increase energy supply or reduce energy prices. In the 1970s, the oil crisis was used to justify disastrous government price controls. In the mid-2000s, a projected looming energy-supply crisis was used to justify crony energy subsidies and failed central planning policies such as the Renewable Fuel Standard. Instead, Congress, the Administration, and states should eliminate regulatory roadblocks that create inefficiencies, reduce access to affordable energy, discourage innovation, and ultimately put upward pressure on energy prices. Policymakers should:

- **Reject symbolic non-solutions.** President Biden and allies in Congress have tried to appear to be “doing something” to reduce energy prices, but their solutions likely do the opposite. These include sales from the Strategic Petroleum Reserve, prohibiting oil and natural gas exports, and forcibly increasing the use of renewable energy.¹⁶¹
- **Restore oversight on energy regulations.** Congress should restore oversight over agencies that are proposing regulations on oil, natural gas, and coal producers and consumers intended to curtail use of these resources in service to activists’ climate agenda.¹⁶² Coal, natural gas, and oil exploration and production are legal activities in the United States and necessary for our well-being. These agencies are increasingly setting economic policy under the name of environmental policy, even when these regulations will achieve little to zero environmental benefits at great cost to American families and businesses.¹⁶³
- **Hold more lease sales on federal lands and waters.** The hydraulic fracturing boom increased access to vast amounts of affordable oil and natural gas, reduced prices, and attracted billions of dollars in investment and economic activity.¹⁶⁴ Critical to its success were private property rights, regulatory reform at the state level, and Congress’s 2015 removal of the export ban.¹⁶⁵ The EIA anticipates increased production of oil and gas from the Permian Basin, Appalachia, and the Gulf of Mexico—that is, private lands and the one offshore region the Biden Administration allowed a lease sale in 2021. The Biden Administration should alter its course and restore Americans’ access to energy resources, especially those on federal lands.¹⁶⁶
- **Streamline permitting and eliminate policies that inhibit energy delivery.** In particular, Congress should prohibit the use of the “social cost of carbon” and greenhouse gas emissions assessments in permitting approvals and cost–benefit analyses.¹⁶⁷ It should repeal the redundant and inefficient National Environmental Policy Act (NEPA) or codify reforms made by the Trump Administration to streamline federal permitting processes.¹⁶⁸ Finally, Congress should repeal the Jones Act—or at a minimum create a broad-based waiver until the pandemic is no longer an issue—to allow competition in shipping services from allied nations, repeal or amend the Foreign Dredge Act to improve American port capacity, and repeal the Renewable Fuel Standard.¹⁶⁹

- **Eliminate energy tax credits and subsidies.** Congress should permanently eliminate preferential tax treatments for all energy resources and technologies. Energy subsidies in the form of tax credits and direct payments implicitly raise barriers for other energy suppliers to compete, inject political boom-and-bust cycles into energy markets, and in the long run harm the industries they are intended to help.¹⁷⁰
- **Expand competitive electricity markets in states and regions.** Structured properly, competitive electricity markets put the bulk of risk on generators rather than customers captive to a regional regulated monopoly. This helps insulate customers from high energy prices and encourages innovation in the generation and use of electricity.¹⁷¹
- **Delegate management of federal lands to states.** Different Administrations have implemented the same laws guiding federal land management in drastically different ways to either encourage access to energy resources on federal lands or heavily restrict their use. Congress should allow states to control energy permitting and development on federal lands within their states in lieu of federal control. States already share the cost of the maintenance of federal lands, have proven records of managing resources, and already have the regulatory structures in place to manage federal lands within their boundaries.¹⁷²

Conclusion

This *Special Report* outlines dozens of concrete policy reforms (see the following list of the recommendations) in housing, labor, trade, food, and energy that can ease the record inflation now hitting American families and businesses. They do so without artificially distorting markets through misguided government intervention that can exacerbate supply-and-demand issues, drive up prices, and prevent markets from efficiently responding to existing challenges. Sadly, instead of fighting inflation, Washington in particular sits idly by or even pushes misguided legislation, such as Biden's Build Back Better Act, that would actually make inflation worse. This legislation fixes none of the regulatory, union, and labor factors driving inflation¹⁷³ yet massively expands government spending, the burden on producers, and welfare-without-work policies that could pull millions more able-bodied workers out of the labor force, worsening shortages and raising prices further.

Policy negligence leaves inflation to an increasingly overwhelmed Federal Reserve, a playbook that turned to disaster in the 1970s.¹⁷⁴ As this leadership void continues, Americans stand alone to suffer the crushing effects of inflation. However, by adopting the policy reforms outlined above, policymakers would ease inflationary concerns and enable Americans to get more from their hard-earned money.

Summary of Recommendations

Housing

- Sever the special status given to the GSEs (Fannie Mae and Freddie Mac).
- Raise the GSEs' mortgage guarantee fees immediately while they remain in conservatorship.
- Eliminate the geographic price differentials for conforming loan limits for loans purchased by the GSEs.
- Narrow the GSEs' focus to the financing of the purchase of primary homes.
- Avoid eviction moratoria at the federal, state, and local levels.
- Consider the impact of local regulations on housing affordability, in particular land-use laws and rent control.
- Forbid the GSEs from offering amortization options beyond the traditional 30-year repayment term.
- Terminate the Federal Reserve's monthly purchases of MBSs and begin diminishing the size of its MBS portfolio.

Labor

- Limit taxes and reduce regulations on businesses.
- Enable wage increases via skills and education using apprenticeship programs, reforms to higher education financing and accreditation,

and elimination of double taxation of productivity-boosting investment.

- Enable more flexible contract work by using a common law basis for independent contractor status.
- Abandon legislation and regulations that restrict work such as California's AB5 law and the similar federal PRO Act.
- Do not implement OSHA's unauthorized vaccine mandate.
- Remove welfare work disincentives such as monthly child payments detached from work.
- Do not force workers into unions.
- End detrimental COVID-19 benefits policies.
- Repeal the Davis–Bacon Act.

Tariffs

- Eliminate Section 232 tariffs on steel and aluminum imports.
- Eliminate tariffs on manufactured goods imports including cars, trucks, and parts.
- Remove Section 201 tariffs on washers to help families.
- Repeal the Jones Act or at least develop a broad-based waiver until the end of the pandemic.
- Eliminate Section 301 tariffs and antidumping and countervailing duties on chassis from China.

Food

- Recognize and address the policies that are hurting sectors across the economy, including the food sector, such as the attack on affordable energy, harmful labor and employment regulation, and numerous tariffs.

- Reject attempts to attack America’s food system and centrally plan it, such as efforts to plan the food system around ideological goals such as climate change. Instead, get out of the way and allow the nation’s farmers, ranchers, truckers, and individuals throughout the food supply to do what they do best: produce and distribute food at low cost for Americans.
- Block the Biden Administration’s efforts to expand the definition of *waters of the United States* under the Clean Water Act or, at a minimum, ensure that these efforts do not go beyond the definition within the Trump Administration’s Navigable Waters Protection Rule.
- Repeal the federal sugar program.
- Repeal or at least develop a broad-based waiver of the Jones Act until the end of the pandemic.
- Eliminate the “fertilizer tax.”

Energy

- Reject symbolic non-solutions such as sales from the Strategic Petroleum Reserve, prohibiting energy exports, renewable energy mandates, and the multi-agency regulatory war on conventional energy.
- Restore oversight on energy regulations and federal management plans.
- Improve access to energy resources via fracking, strengthened private property rights, and improved access to energy on federal lands.
- Streamline permitting and eliminate policies that inhibit energy delivery such as NEPA and “social cost” or climate mandates.
- Repeal or amend the Foreign Dredge Act to improve American port capacity.
- Repeal the Renewable Fuel Standard.

- Eliminate energy subsidies in federal and state tax codes.
- Expand competitive electricity markets in states and regions.
- Delegate management of federal lands to states.

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