SPECIAL REPORT

No. 252 | JANUARY 20, 2022

Inflation: Policymakers Should Stop Driving It and Start Fighting It

Edited by Daren Bakst and Peter St. Onge

Inflation: Policymakers Should Stop Driving It and Start Fighting It

Edited by Daren Bakst and Peter St. Onge

SPECIAL REPORT

No. 252 | JANUARY 20, 2022

INSTITUTE FOR ECONOMIC FREEDOM

Editors

Daren Bakst is Senior Research Fellow in Regulatory Policy Studies in the Thomas A. Roe Institute for Economic Policy Studies, of the Institute for Economic Freedom, at The Heritage Foundation.

Peter St. Onge is Research Fellow for Economic Policy in the Roe Institute.

Contributors

Rachel Greszler is Research Fellow for Economics, Budget, and Entitlements in the Grover M. Hermann Center for the Federal Budget, of the Institute for Economic Freedom, at The Heritage Foundation.

Joel Griffith is Research Fellow for Financial Regulations in the Thomas A. Roe Institute for Economic Policy Studies, of the Institute for Economic Freedom.

Elizabeth Hanke is Research Fellow for Labor Economics and Policy in the Roe Institute.

Tori Smith is Jay Van Andel Senior Policy Analyst for Trade Policy in the Roe Institute.

Peter St. Onge is Research Fellow for Economic Policy in the Roe Institute.

Katie Tubb is Senior Policy Analyst for Energy and Environment in the Roe Institute.

Ben Rakes, a former member of The Heritage Foundation's Young Leaders Program, provided valuable assistance for this *Special Report*.

This paper, in its entirety, can be found at **http://report.heritage.org/sr252**

The Heritage Foundation | 214 Massachusetts Avenue, NE | Washington, DC 20002 | (202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Inflation: Policymakers Should Stop Driving It and Start Fighting It

Edited by Daren Bakst and Peter St. Onge

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 refinances[22] 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).

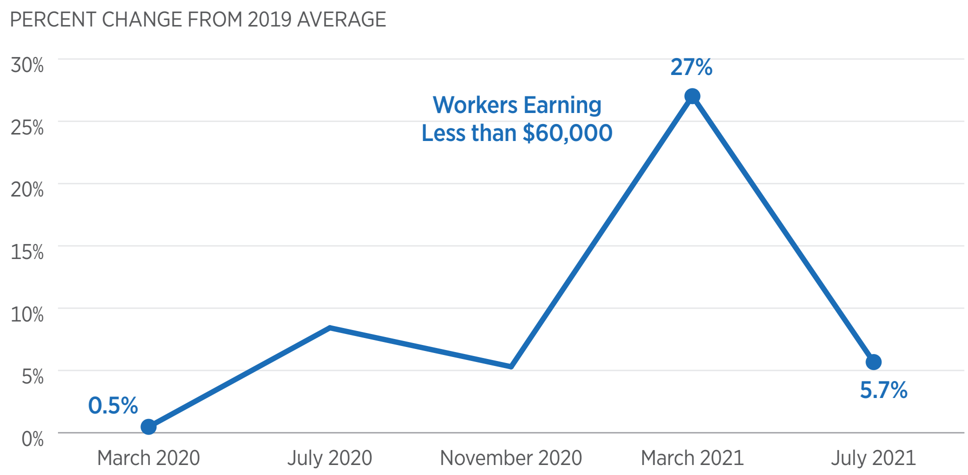
Why Are Labor Costs Rising Faster Than Usual?

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.



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

SR252 heritage.org

between March 2020 and March 2021[36] 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 million[48] 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 accreditation[54] 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' pocketbooks. 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 existed[82] 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 percent[88] 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.

SR252 heritage.org

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 shortage[107] 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 inflation[173] 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.

Endnotes

1. Bureau of Labor Statistics, U.S. Department of Labor, Consumer Price Index Summary, December 2021, https://www.bls.gov/news.release/cpi.nr0.htm (accessed January 12, 2022).
2. Build Back Better Act, H.R. 5376, https://www.congress.gov/bill/117th-congress/house-bill/5376 (accessed December 16, 2021).
3. Meghan Henney, "Fed's Powell Pledges Fast Tapering Timeline Won't 'Disrupt' Markets," FOXBusiness, December 1, 2021, https://www.foxbusiness.com/economy/federal-reserve-powell-faster-tapering-timeline-market-impact (accessed December 10, 2021).
4. Megan Leonhardt, "Why U.S. Officials Say Inflation Is No Longer 'Transitory,'" *Fortune*, December 3, 2021, https://fortune.com/2021/12/03/inflation-no-longer-transitory-higher-prices-fed-chair-powell-treasury-yellen/ (accessed December 10, 2021).
5. Preston Brashers, "Biden's Irresponsible 'Build Back Better' Tax-and-Spend Scheme Risks Higher Inflation," The Daily Signal, October 26, 2021, https://www.heritage.org/budget-and-spending/commentary/bidens-irresponsible-build-back-better-tax-and-spend-scheme-risks.
6. David Ditch, "With Inflation Raging, Congress Must End Spending Spree," The Daily Signal, November 22, 2021, https://www.heritage.org/budget-and-spending/commentary/inflation-raging-congress-must-end-spending-spree.
7. Federal Reserve Bank of St. Louis, "S&P Dow Jones Indices LLC, S&P/Case-Shiller U.S. National Home Price Index [CSUSHPINSA]," https://fred.stlouisfed.org/series/CSUSHPINSA (accessed December 13, 2021). The Case-Shiller Home Price Index tracks home prices given a constant level of quality. See S&P Dow Jones Indices, "Real Estate: S&P CoreLogic Case-Shiller Home Price Indices," https://us.spindices.com/index-family/real-estate/sp-corelogic-case-shiller (accessed January 10, 2022).
8. Federal Reserve Bank of St. Louis, "Real Residential Property Prices for United States Data (QUSR628BIS)," https://fred.stlouisfed.org (accessed December 14, 2021).
9. Longtermtrends, "Home Price to Income Ratio (US & UK)," Home Price to Median Household Income Ratio (US) Data, 1980 to 2005, https://www.longtermtrends.net/home-price-median-annual-income-ratio/ (accessed December 14, 2021).
10. Interest rates for 30-year fixed mortgages fell from 3.5 percent pre-pandemic to just 2.65 percent at the beginning of 2021 and now hover near 3.0 percent. Freddie Mac, "30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US]," retrieved from Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/MORTGAGE30US (accessed December 15, 2021).
11. Federal Reserve Bank of Atlanta, "Metro Area Home Ownership Affordability Monitor Index," September 2021, https://www.atlantafed.org/center-for-housing-and-policy/data-and-tools/home-ownership-affordability-monitor.aspx (accessed December 13, 2021).
12. Author calculations using Bankrate, "Amortization Schedule Calculator," https://www.bankrate.com/calculators/mortgages/amortization-calculator.aspx (accessed December 10, 2021).
13. Chris Salviati et al., "December Apartment List National Rent Report," Apartment List, November 29, 2021, https://www.apartmentlist.com/research/national-rent-data (accessed December 14, 2021).
14. Federal Reserve Bank of St. Louis, "Consumer Price Index for All Urban Consumers: Rent of Primary Residence in U.S. City Average Data (CUSR0000SEHA)," https://fred.stlouisfed.org/series/CUSR0000SEHA (accessed December 13, 2021).
15. Federal Reserve Bank of St. Louis, "Consumer Price Index for All Urban Consumers: Rent of Primary Residence in San Francisco-Oakland-Hayward, CA (CBSA) Data (CUURA422SEHA)," https://fred.stlouisfed.org/series/CUURA422SEHA (accessed December 13, 2021).
16. Ibid.
17. "The unpriced implicit guarantee, which reduced interest rates for mortgage borrowers, helped cause more of the economy's capital to be invested in housing than might otherwise have been the case." Congressional Budget Office, *Transitioning to Alternative Structures for Housing Finance: An Update*, August 2018, p. 7, https://www.cbo.gov/system/files?file=2018-08/54218-GSEupdate.pdf (accessed January 6, 2022).
18. Board of Governors of the Federal Reserve System (US), Assets: Securities Held Outright: Mortgage-Backed Securities: Wednesday Level [WSHOMCB], retrieved from Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/WSHOMCB, December 14, 2021.
19. Norbert J. Michel and John Ligon, "GSE Reform: The Economic Effects of Eliminating a Government Guarantee in Housing Finance," Heritage Foundation *Backgrounder* No. 2877, February 7, 2014, p. 6, https://www.heritage.org/housing/report/gse-reform-the-economic-effects-eliminating-government-guarantee-housing-finance.
20. Paul Emrath and Caitlan Walter, "Regulation: Over 30 Percent of the Cost of a Multifamily Development," National Association of Home Builders and National Multifamily Housing Council, June 2018, https://www.nmhc.org/contentassets/60365effa073432a8a168619e0f30895/nmhc-nahb-cost-of-regulations.pdf (accessed December 15, 2021).
21. Federal Housing Finance Authority, "Fannie Mae and Freddie Mac Conforming Loan Limits for Mortgages Acquired in Calendar Year 2022 and Originated after 10/1/2011 or before 7/1/2007," November 2021, https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2022_HERA-BASED_FINAL_FLAT.pdf (accessed December 15, 2021).

22. To learn more about cash-out refinancing, see, for example, Zach Wichter, "Cash-Out Mortgage Refinancing: How It Works and When It's the Right Option," Bankrate, November 11, 2021, https://www.bankrate.com/mortgages/cash-out-refinancing/ (accessed January 6, 2022).
23. BLS, "Labor Productivity and Costs," Frequently Asked Questions, https://www.bls.gov/lpc/faqs.htm (accessed December 14, 2021).
24. Rachel Greszler, "What Is Happening in This Unprecedented U.S. Labor Market," Heritage Foundation *Backgrounder* No. 3677, December 8, 2021, https://www.heritage.org/jobs-and-labor/report/what-happening-unprecedented-us-labor-market.
25. News release, "Job Openings and Labor Turnover—November 2021," BLS, December 8, 2021, https://www.bls.gov/news.release/archives/jolts_01042022.pdf (accessed January 6, 2022).
26. NFIB, "Labor Market Challenges Breaks 48-Year Record as Biggest Issue Impacting Small Businesses," November survey through November 29, 2021, https://assets.nfib.com/nfibcom/2021-Nov-Jobs-Report-FINAL.pdf (accessed date January 12, 2022).
27. Ibid.
28. BLS, "Economic News Release," Table B-3: Average hourly and weekly earnings of all employees on private nonfarm payrolls by industry sector, seasonally adjusted, https://www.bls.gov/news.release/empsit.t19.htm (accessed December 14, 2021).
29. BLS, "Real Earnings News Release," Table A-1: Current and real (constant 1982-1984 dollars) earnings for all employees on private nonfarm payrolls, seasonally adjusted, December 10, 2021, https://www.bls.gov/news.release/realer.htm (accessed January 13, 2022).
30. BLS, "Job Openings and Labor Turnover Survey," https://www.bls.gov/jlt/ (accessed January 13, 2022). Note that the past four months include August through November 2021.
31. Lynchburg Regional SHRM, "Essential Elements of Employee Retention," October 29, 2017, https://lrshrm.shrm.org/blog/2017/10/essential-elements-employee-retention (accessed January 10, 2022), and Shane McFeely and Ben Wigert, "This Fixable Problem Costs U.S. Businesses $1 Trillion," Gallup, March 13, 2019, https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx (accessed January 10, 2022).
32. BLS, "Work Stoppages," Detailed Monthly Listing, 2021, and Detailed Monthly Listing, 1993–Present, https://www.bls.gov/wsp/ (accessed January 6, 2022).
33. In 2020, there were eight major work stoppages and 281,700 lost days of work. From 2016 to 2020, major work stoppages averaged 15 per year, with 1,444,440 days of lost work.
34. Industrial and Labor Relations School, Cornell University, "Labor Action Tracker," https://striketracker.ilr.cornell.edu/ (accessed December 14, 2021, including data for strikes that started between January 1, 2021, and December 11, 2021).
35. Rachel Greszler, "Excessive Pandemic Unemployment Benefits Are a Warning Against Unemployment Program Expansions," Heritage Foundation *Backgrounder* No. 3637, July 13, 2021, https://www.heritage.org/jobs-and-labor/report/excessive-pandemic-unemployment-benefits-are-warning-against-unemployment.
36. Federal Reserve Bank of New York, "SCE Labor Market Survey," July 2021, https://www.newyorkfed.org/microeconomics/sce/labor#/ (accessed October 31, 2021).
37. During the same period, inflation increased 2.5 percent. Federal Reserve Bank of St. Louis, "Personal Consumption Expenditures: Chain-Type Price Index," https://fred.stlouisfed.org/series/PCEPI (accessed January 6, 2022).
38. Robert Rector and Jamie Bryan Hall, "Government Supports Would Grow to $76,400 per Poor Family," Heritage Foundation *Commentary*, November 19, 2021, https://www.heritage.org/welfare/commentary/government-supports-would-grow-76400-poor-family.
39. *Janus v. American Federation of State, County, and Municipal Employees*, 585 U.S._ (2018).
40. Sean Higgins, "Build Back Better's $1.5 Billion Gift to Unions," Competitive Enterprise Institute, November 10, 2021, https://cei.org/blog/build-back-betters-1-5-billion-gift-to-unions/ (accessed December 14, 2021).
41. *Los Angeles Times*, "L.A. City Employee Salaries Database," Harbor, http://projects.latimes.com/la-city-salaries/department/harbor/ (accessed December 14, 2021).
42. Eric Boehm, "America's Ports Need More Robots, but the $1 Trillion Infrastructure Bill Won't Fund Automation," *Reason*, November 9, 2021, https://reason.com/2021/11/09/americas-ports-need-more-robots-but-the-1-trillion-infrastructure-bill-wont-fund-port-automation/ (accessed December 14, 2021).
43. "The World Bank and IHS Markit Container Port Performance Index 2020 Report," World Bank Group and IHIS Markit, (2021), https://ihsmarkit.com/Info/0521/container-port-performance-index-2020.html (accessed December 16, 2021).
44. Lisa Baertlein, "California Ports, Key to U.S. Supply Chain, Among World's Least Efficient, Ranking Shows," Reuters, October 20, 2021, https://www.reuters.com/world/us/california-ports-key-us-supply-chain-among-worlds-least-efficient-2021-10-20/ (accessed January 10, 2022).
45. Rachel Greszler, "California's 'Pro-Worker' Law Is Killing Jobs Left and Right," The Daily Signal, January 8, 2020, https://www.heritage.org/jobs-and-labor/commentary/californias-pro-worker-law-killing-jobs-left-and-right.
46. Rachel Greszler, "Why Congress Must 'Cancel' the Davis-Bacon Act," *Washington Times*, April 5, 2021, https://www.washingtontimes.com/news/2021/apr/5/why-congress-must-cancel-the-davis-bacon-act/ (accessed January 10, 2022).

47. Rachel Greszler, "Government Childcare Subsidies: Whom Will They Help Most?," Heritage Foundation *Issue Brief* No. 5231, October 20, 2021, https://www.heritage.org/budget-and-spending/report/government-childcare-subsidies-whom-will-they-help-most.
48. E. J. Antoni, Vance Ginn, and Steve Moore, "Reversing the Recovery: How President Biden's 'Build Back Better' Plan Raises Taxes, Kills Jobs, and Punishes the Middle Class," Texas Public Policy Foundation, October 2021, https://www.texaspolicy.com/wp-content/uploads/2021/10/2021-10-RR-Ginn-RTT-Build-Back-Better-updated10-18.pdf (accessed October 22, 2021).
49. Casey B. Mulligan, "Build Back Better's Hidden but Hefty Penalties on Work," Committee to Unleash Prosperity, October 2021, https://committeetounleashprosperity.com/wp-content/uploads/2021/10/CTUP_BuildBackBetterPenalties.pdf (accessed October 22, 2021).
50. Paul J. Larkin and Doug Badger, "The OSHA Vaccine Mandate: Legal, Practical, and Economic Considerations," Heritage Foundation *Legal Memorandum* No. 295, December 17, 2021, https://www.heritage.org/civil-rights/report/the-osha-vaccine-mandate-legal-practical-and-economic-considerations.
51. Rachel Greszler, "Defining 'Contractor' Status Would Provide Some Relief for Struggling Workers and Small Businesses," The Daily Signal, September 23, 2020, https://www.dailysignal.com/2020/09/23/defining-contractor-status-would-provide-some-relief-for-struggling-workers-and-small-businesses/.
52. Rachel Greszler, "How Voluntary Labor Organizations Can Help Employees and Employers," Heritage Foundation *Issue Brief* No. 6011, September 14, 2020, https://www.heritage.org/jobs-and-labor/report/how-voluntary-labor-organizations-can-help-employees-and-employers.
53. Adam N. Michel, "The Tax Cuts and Jobs Act: 12 Myths Debunked," Heritage Foundation *Backgrounder* No. 3600, March 23, 2021, https://www.heritage.org/taxes/report/the-tax-cuts-and-jobs-act-12-myths-debunked.
54. Jamie Bryan Hall and Mary Clare Amselem, "Time to Reform Higher Education Financing and Accreditation," Heritage Foundation *Issue Brief* No. 4668, March 28, 2017, https://www.heritage.org/education/report/time-reform-higher-education-financing-and-accreditation.
55. UpWork, "Freelancing in America, 2019," https://www.upwork.com/i/freelancing-in-america/ (accessed June 11, 2020).
56. Rachel Greszler, "The Value of Flexible Work Is Higher Than You May Think," Heritage Foundation *Backgrounder* No. 3246, September 15, 2017, https://www.heritage.org/sites/default/files/2017-09/BG3246.pdf.
57. Rachel Greszler, "6 Ways a Union-Backed Bill Will Upend the Job Market," The Daily Signal, February 5, 2020, https://www.dailysignal.com/2020/02/05/6-ways-a-union-backed-bill-will-upend-the-jobs-market/.
58. Doug Badger and Paul Larkin, Jr., "Congress Didn't Give OSHA Authority to Impose Vaccine Mandates," The Daily Signal, October 27, 2021, https://www.heritage.org/public-health/commentary/congress-didnt-give-osha-authority-impose-vaccine-mandates.
59. Liz Hamel et al., "KFF COVID-19 Vaccine Monitor: October 2021," Kaiser Family Foundation, October 28, 2021, https://www.kff.org/coronavirus-covid-19/poll-finding/kff-covid-19-vaccine-monitor-october-2021/ (accessed October 31, 2021).
60. See, for example, Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," in Alicia Munnell, ed., *Lessons from the Income Maintenance Experiments*, Proceedings of a Conference Held at Melvin Village, NH, September 1986; Federal Reserve Bank of Boston, *Conference Series* No. 30, September 1987, pp. 26–28; and David J. Price and Jae Song, "The Long-Term Effects of Cash Assistance," Princeton University, Department of Economics, Industrial Relations Section, June 30, 2018, p. 16, https://dataspace.princeton.edu/bitstream/88435/dsp01ng451m210/3/621.pdf (accessed January 6, 2022).
61. Kevin Corinth et al., "The Anti-Poverty, Targeting, and Labor Supply Effects of the Proposed Child Tax Credit Expansion," University of Chicago, Becker Friedman Institute for Economics, October 2021, https://bfi.uchicago.edu/wp-content/uploads/2021/10/BFI_WP_2021-115-1.pdf (accessed October 22, 2021).
62. Greszler, "How Voluntary Labor Organizations Can Help Employees and Employers."
63. Greszler, "Why Congress Must 'Cancel' the Davis-Bacon Act."
64. Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington: The Heritage Foundation, 2021), https://www.heritage.org/index/pdf/2021/book/index_2021.pdf.
65. World Bank, Tariff rate, applied, weighted mean, all products (%), United States, https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?locations=US (accessed December 14, 2021).
66. Department of Homeland Security, U.S. Customs and Border Protection, Trade Statistics, https://www.cbp.gov/newsroom/stats/trade (accessed December 14, 2021).
67. News release, "Consumer Price Index—December 2019," BLS, January 12, 2022, https://www.bls.gov/news.release/pdf/cpi.pdf (accessed January 12, 2022).
68. Chris Isidore, "Automakers' Problems Are Much Worse Than We Thought," CNN Business, September 28, 2021, https://www.cnn.com/2021/09/28/business/auto-industry-supply-chain-problems/index.html (accessed December 10, 2021).
69. Jeanne Whalen, Reed Albergotti, and David J. Lynch, "Biden Can't Fix the Chip Shortage Anytime Soon. Here's Why," *Washington Post*, March 1, 2021, https://www.washingtonpost.com/technology/2021/03/01/semiconductor-shortage-halts-auto-factories/ (accessed December 10, 2021).
70. Robert Channick, "Ongoing Chip Shortage Shakes Up Car Buying with Fewer Choices, Higher Prices and Big Profits for Some Dealers," *Yahoo! Entertainment*, November 26, 2021, https://www.yahoo.com/entertainment/ongoing-chip-shortage-shakes-car-213000815.html (accessed December 21, 2021).

71. U.S. International Trade Commission, "Harmonized Tariff Schedule," ch. 87.

72. U.S. Customs and Border Protection, "Trade Statistics," December 14, 2021, https://www.cbp.gov/newsroom/stats/trade (accessed December 14, 2021), and Tori K. Whiting and Riley Walters, "Fixing America's Broken Trade Laws: Section 232 of the Trade Expansion Act of 1962," Heritage Foundation *Backgrounder* No. 3411, May 22, 2019, p. 7, https://www.heritage.org/trade/report/fixing-americas-broken-trade-laws-section-232-the-trade-expansion-act-1962.

73. Gabriella Beaumont-Smith and Tori K. Smith, "Eliminating Tariffs on Manufactured Goods Is a Pro-Growth Strategy," Heritage Foundation *Backgrounder* No. 3551, November 10, 2020, p. 2, https://www.heritage.org/trade/report/eliminating-tariffs-manufactured-goods-pro-growth-strategy.

74. News release, "Consumer Price Index—December 2019," BLS, January 12, 2022, https://www.bls.gov/news.release/pdf/cpi.pdf (accessed January 12, 2022).

75. Tori K. Smith, "Why Trump's Washing Machine Tariffs Are Cronyism," The Daily Signal, August 7, 2020, https://www.dailysignal.com/2020/08/07/why-trumps-washing-machine-tariffs-are-cronyism/.

76. Aaron Flaaen, Ali Hortaçsu, and Felix Tintelnot, "The Production, Relocation, and Price Effects of US Trade Policy: The Case of Washing Machines," working paper, Becker Friedman Institute, University of Chicago, April 2019, p. 4, https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_201961-1.pdf (accessed December 13, 2021).

77. President Donald Trump, "Proclamation 10133—To Continue Facilitating Positive Adjustment to Competition from Imports of Large Residential Washers," American Presidency Project, January 14, 2021, https://www.presidency.ucsb.edu/documents/proclamation-10133-continue-facilitating-positive-adjustment-competition-from-imports (accessed December 10, 2021).

78. U.S. Customs and Border Protection, "Trade Statistics," https://www.cbp.gov/newsroom/stats/trade (accessed December 10, 2021).

79. Nicolas Loris, Brian Slattery, and Bryan Riley, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation *Backgrounder* No. 2886, May 22, 2014, https://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime.

80. Federal Reserve Bank of New York, "Report on the Competitiveness of Puerto Rico's Economy," June 29, 2012, https://www.newyorkfed.org/medialibrary/media/regional/PuertoRico/report.pdf (accessed December 9, 2021).

81. U.S. Department of Transportation, Maritime Administration, *Comparison of U.S. and Foreign-Flag Operating Costs*, September 2011, https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/3651/comparisonofusandforeignflagoperatingcosts.pdf (accessed January 10, 2022), quoted in John Frittelli, "Shipping Under the Jones Act: Legislative and Regulatory Background," Congressional Research Service *Report for Congress*, updated November 21, 2019, https://crsreports.congress.gov/product/pdf/R/R45725 (accessed December 9, 2021).

82. Ibid.

83. InfoMaritime, "World Merchant Fleet and Top 15 Shipowning Countries (2021*) Data," August, 22, 2021, http://infomaritime.eu/index.php/2021/08/22/top-15-shipowning-countries/ (accessed December 13, 2021).

84. Colin Grabow, "The Progressive Case for Jones Act Reform," Cato Institute, September 7, 2021, https://www.cato.org/study/progressive-case-jones-act-reform#failed-law (accessed December 10, 2021).

85. Author calculations based on U.S. International Trade Commission, dataweb, Imports for Consumption, Harmonized Tariff Schedule codes 8716390090, 8716905060, and 8716905010, 2020, https://dataweb.usitc.gov/ (accessed December 14, 2021).

86. Ibid.

87. U.S. International Trade Commission, "Harmonized Tariff Schedule," codes 8716390090, 8716905060, and 8716905010, https://hts.usitc.gov/current (accessed December 14, 2021).

88. *Federal Register*, Vol. 86, No. 128 (July 8, 2021), pp. 36093–3609, https://www.federalregister.gov/documents/2021/07/08/2021-14561/certain-chassis-and-subassemblies-thereof-from-the-peoples-republic-of-china-antidumping-duty-order (accessed January 10, 2022).

89. *Federal Register*, Vol. 86, No. 88 (May 10, 2021), pp. 24844–24845. https://www.federalregister.gov/documents/2021/05/10/2021-09848/certain-chassis-and-subassemblies-thereof-from-the-peoples-republic-of-china-countervailing-duty (accessed January 10, 2022).

90. U.S. International Trade Commission, "Harmonized Tariff Schedule," code 87163900, https://ustr.gov/issue-areas/enforcement/section-301-investigations/search (accessed January 12, 2022).

91. Gabriella Beaumont-Smith and Tori K. Smith, "Eliminating Tariffs on Manufactured Goods Is a Pro-Growth Strategy," Heritage Foundation *Backgrounder* No. 3551, November 10, 2020, p. 2, https://www.heritage.org/trade/report/eliminating-tariffs-manufactured-goods-pro-growth-strategy.

92. Past waivers have been fairly narrow in scope. See Sean T. Pribyl et al., "Jones Act Waivers Following Natural Disasters," Holland and Knight, September 1, 2021, https://www.hklaw.com/en/insights/publications/2021/09/jones-act-waivers-following-natural-disasters (accessed December 7, 2021).

93. Scott Horsley, "Inflation Is Surging and People Are Hopping Mad," NPR, November 13, 2021, https://www.npr.org/2021/11/13/1055315389/inflation-president-biden-groceries-gas-food-energy-prices (accessed December 7, 2021).

94. The USDA presents the price increases over the 1915–2020 time period. See USDA, Economic Research Service, "Food Price Environment: Interactive Visualization," https://www.ers.usda.gov/data-products/food-price-outlook/food-price-environment-interactive-visualization/ (accessed December 7, 2021).
95. USDA, Economic Research Service, "Food Price Outlook," https://www.ers.usda.gov/data-products/food-price-outlook/ (accessed December 7, 2021). See "Changes in Food Price Indexes, 2019 through 2022" spreadsheet.
96. "Consumer Price Index Archived News Releases," U.S. Bureau of Labor Statistics, https://www.bls.gov/bls/news-release/cpi.htm#current (accessed January 12, 2022).
97. Ibid.
98. Ibid.
99. Ibid.
100. USDA, Economic Research Service, "Food Price Outlook," https://www.ers.usda.gov/data-products/food-price-outlook/ (accessed January 6, 2022). See "Changes in Food Price Indexes, 2019 through 2022" spreadsheet. The USDA's latest forecasts used in this paper do not include the December CPI data.
101. Ibid.
102. USDA, Economic Research Service, "Food Price Outlook." See "Annual percent changes in select Consumer Price Indexes, 1974 through 2020" spreadsheet.
103. Brian Deese, Sameera Fazili, and Bharat Ramamurti, "Addressing Concentration in the Meat-Processing Industry to Lower Food Prices for American Families," the White House, September 8, 2021, https://www.whitehouse.gov/briefing-room/blog/2021/09/08/addressing-concentration-in-the-meat-processing-industry-to-lower-food-prices-for-american-families/ (accessed December 9, 2021).
104. Daren Bakst and Gabriella Beaumont-Smith, "Rising Meat Prices Are Result of Stew of Market Forces," Heritage Foundation *Commentary*, September 16, 2021, https://www.heritage.org/agriculture/commentary/rising-meat-prices-are-result-stew-market-forces .
105. John D. Schulz, "Trucking Industry Suing over Biden's Vaccine Mandates, Warning One-Third of Drivers May Quit," Logistics Management, November 10, 2021, https://www.logisticsmgmt.com/article/trucking_industry_suing_over_bidens_vaccine_mandates_warning_one_third_of_d (accessed December 7, 2021).
106. FMI, The Food Industry Association, "FMI Joins National Organizations in Lawsuit Challenging ETS," November 10, 2021, https://www.fmi.org/newsroom/news-archive/view/2021/11/10/fmi-joins-national-organizations-in-lawsuit-challenging-ets (accessed December 7, 2021).
107. Ian Thomas, "How McDonald's, Wendy's and Other Fast Food Brands Are Dealing with Labor Shortages," CNBC, November 11, 2021, https://www.cnbc.com/2021/11/11/how-mcdonalds-and-wendys-are-dealing-with-fast-food-labor-shortages.html (accessed December 6, 2021).
108. Amelia Lucas, "These Restaurant Chains Have Raised Hourly Wages or Offered Bonuses to Attract Workers," CNBC, July 11, 2021, https://www.cnbc.com/2021/07/11/these-restaurant-chains-have-raised-wages-or-offered-bonuses-.html (accessed December 6, 2021).
109. Department of Labor, "Increasing the Minimum Wage for Federal Contractors," *Federal Register*, Final Rule, Vol. 86, No. 224 (November 24, 2021), pp. 67126–67236, https://www.federalregister.gov/documents/2021/11/24/2021-25317/increasing-the-minimum-wage-for-federal-contractors (accessed December 7, 2021).
110. Amara Omeokwe, "Biden Administration Moves to Tilt Pay and Power Toward Workers," *Wall Street Journal*, July 27, 2021, https://www.wsj.com/articles/biden-administration-moves-to-tilt-pay-and-power-toward-workers-11627378380 (accessed December 6, 2021).
111. Daren Bakst and Gabriella Beaumont-Smith, "No, We Don't Need to Transform the American Food System," Heritage Foundation *Commentary*, February 26, 2021, https://www.heritage.org/agriculture/commentary/no-we-dont-need-transform-the-american-food-system.
112. USDA, "Pathways to More Sustainable, Resilient, and Inclusive U.S. Food Systems," https://www.usda.gov/sites/default/files/documents/US-Food-Systems-Pathways.pdf (accessed December 7, 2021).
113. Christopher D. Cook, "What the New Green Deal Means for the Food on Your Plate," Civil Eats, February 7, 2019, https://civileats.com/2019/02/07/what-the-green-new-deal-has-to-say-about-sustainable-agriculture/ (accessed December 7, 2021).
114. Commodity Credit Corporation, "Climate-Smart Agriculture and Forestry Partnership Program," *Federal Register*, Vol. 86, No. 187 (September 30, 2021), pp. 54149–54152, https://www.federalregister.gov/documents/2021/09/30/2021-21368/climate-smart-agriculture-and-forestry-partnership-program (accessed December 7, 2021).
115. Bakst and Beaumont-Smith, "No, We Don't Need to Transform the American Food System."
116. Environmental Protection Agency, "Waters of the United States," https://www.epa.gov/wotus/revising-definition-waters-united-states (accessed December 9, 2021).
117. Department of the Army, Corps of Engineers, U.S. Department of Defense, and U.S. Environmental Protection Agency, "The Navigable Waters Protection Rule: Definition of 'Waters of the United States,'" *Federal Register*, Final Rule, Vol. 85, No. 77 (April 21, 2020), https://www.federalregister.gov/documents/2020/04/21/2020-02500/the-navigable-waters-protection-rule-definition-of-waters-of-the-united-states (accessed December 9, 2021).

118. Mark A. McMinimy, "U.S. Sugar Program Fundamentals," Congressional Research Service *Report for Congress*, updated April 13, 2016, https://crsreports.congress.gov/product/pdf/R/R43998 (accessed December 9, 2021).
119. Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill and Policy Implications for the 2013 Farm Bill," June 3, 2013, p. 1, https://fairsugarpolicy.org/wordpress/wp-content/uploads/2018/03/AgralyticaEconomicEffectsPaperJune2013.pdf (accessed December 7, 2021), and John C. Beghin and Amani Elobeid, "The Impact of the U.S. Sugar Program Redux," Center for Agricultural and Rural Development, Iowa State University, May 2013, p. 22, https://www.card.iastate.edu/products/publications/synopsis/?p=1183 (accessed December 7, 2021).
120. Editorial, "A Jones Act Fish Story, Chapter 2," *Wall Street Journal*, October 3, 2021, https://www.wsj.com/articles/a-jones-act-fish-story-chapter-two-alaska-shipping-bayside-canada-11633030744 (accessed December 7, 2021).
121. The Department of Commerce and International Trade Commission, which made findings earlier this year that led to this "fertilizer tax," were responding to the petitions of one company that was allegedly hurt by the imports. However, this alleged harm is questionable. See Daren Bakst and Gabriella Beaumont-Smith, "'Fertilizer Taxes' Will Hurt Farmers and Likely Drive Up Food Prices," Heritage Foundation *Commentary*, April 5, 2021, https://www.heritage.org/agriculture/commentary/fertilizer-taxes-will-hurt-farmers-and-likely-drive-food-prices.
122. Ibid.
123. U.S. Energy Information Administration (EIA), "Monthly Energy Review," Table 1.3, November 23, 2021, https://www.eia.gov/totalenergy/data/monthly/pdf/sec1_7.pdf (accessed December 9, 2021).
124. EIA, "U.S. Energy Consumption by Source and Sector, 2019," https://www.eia.gov/totalenergy/data/monthly/pdf/flow/css_2019_energy.pdf (accessed December 10, 2021).
125. "After record-high U.S. energy production and consumption in 2018, energy production grew by nearly 6% in 2019 while energy consumption decreased by about 1%, with production exceeding consumption on an annual basis for the first time since 1957. Total energy production declined by about 5% in 2020 but was still about 3% greater than consumption: production equaled 95.75 quads and consumption equaled 92.94 quads." EIA, "U.S. Energy Facts Explained: Consumption and Production," May 14, 2021, https://www.eia.gov/energyexplained/us-energy-facts/ (accessed December 10, 2021).
126. EIA, "In 2019, U.S. Inflation-Adjusted Energy Expenditures Fell 5%," September 9, 2021, https://www.eia.gov/todayinenergy/detail.php?id=49476 (accessed December 10, 2021).
127. EIA, "Winter Fuels Outlook," October 2021, https://www.eia.gov/outlooks/steo/special/winter/2021_Winter_Fuels.pdf (accessed December 13, 2021).
128. EIA, "Monthly Europe Brent Spot Price FOB Data Set," https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RBRTE&f=M (accessed December 13, 2021).
129. EIA, "Weekly U.S. Regular All Formulations Retail Gasoline Prices Data," https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPMR_PTE_NUS_DPG&f=W (accessed December 13, 2021).
130. EIA, "Monthly Henry Hub Natural Gas Spot Price Data," https://www.eia.gov/dnav/ng/hist/rngwhhdM.htm (accessed December 13, 2021), and EIA, "Winter Fuels Outlook."
131. EIA, "Winter Fuels Outlook," and EIA, "Natural Gas Weekly Update," October 21, 2021, https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2021/10_21/#tabs-prices-2 (accessed December 14, 2021).
132. EIA, "Short-Term Energy Outlook," November 2021, https://www.eia.gov/outlooks/steo/archives/Nov21.pdf (accessed December 13, 2021), and EIA, "Coal Markets," December 13, 2021, https://www.eia.gov/coal/markets/ (accessed December 14, 2021).
133. EIA, "Winter Fuels Outlook."
134. EIA, "Annual Energy Review," Table 1.2, https://www.eia.gov/totalenergy/data/annual/ (accessed December 13, 2021).
135. EIA, "Monthly Energy Review," Table 1.7, and EIA, "U.S. Energy Consumption Fell by a Record 7% in 2020," April 5, 2021, https://www.eia.gov/todayinenergy/detail.php?id=47397 (accessed December 13, 2021).
136. EIA, "Monthly Energy Review," Table 1.3.
137. EIA, "EIA Expects Crude Oil Prices to Rise Through April Because of Lower OPEC Production," March 17, 2021, https://www.eia.gov/todayinenergy/detail.php?id=47176 (accessed December 13, 2021).
138. EIA, "U.S. Energy Consumption Fell by a Record 7% in 2020."
139. EIA, "U.S. Distillate Demand Returned to 2019 Levels Earlier Than Gasoline and Jet Fuel Demand," June 29, 2021, https://www.eia.gov/todayinenergy/detail.php?id=48556 (accessed December 13, 2021).
140. EIA, "Annual Energy Review," Table 1.2.
141. Ibid.
142. EIA, "Monthly Energy Review," Table 5.1, https://www.eia.gov/totalenergy/data/monthly/pdf/sec5_3.pdf (accessed December 2021), and Riley Moore, Treasurer, State of West Virginia, letter to U.S. banking industry, November 22, 2021, https://www.wvtreasury.com/Portals/wvtreasury/Fossil%20Fuel%20Banking%20Letter%20Nov%2022.pdf (accessed, December 13, 2021).

143. EIA, "Short-Term Energy Outlook."
144. Ibid. See also Stephen Nalley, testimony before the Committee on Energy and Natural Resources, U.S. Senate, November 16, 2021, https://www.energy.senate.gov/services/files/9E0CF3E9-FD05-4010-BDF5-30E2D04D3ECC (accessed December 14, 2021).
145. Katie Tubb, "Biden's Many Anti-Energy Policies Are Hurting Producers, Consumers Alike," The Daily Signal, December 17, 2021, https://www.dailysignal.com/2021/12/17/bidens-many-anti-energy-policies-are-hurting-producers-consumers-alike.
146. Daren Bakst, ed., "37 Biden Administration Regulations in the Pipeline That Americans Should Know About," Heritage Foundation *Special Report* No. 250, December 8, 2021, pp. 10–12, https://www.heritage.org/government-regulation/report/37-biden-administration-regulations-the-pipeline-americans-should-know .
147. News release, "Interior Department Report Finds Significant Shortcomings in Oil and Gas Leasing Programs," U.S. Department of the Interior, November 26, 2021, https://www.doi.gov/pressreleases/interior-department-report-finds-significant-shortcomings-oil-and-gas-leasing-programs (accessed December 13, 2021).
148. Cody Kallen, "Who Gets Hit by the Book Minimum Tax?," Tax Foundation, November 18, 2021, https://taxfoundation.org/book-minimum-tax-analysis/ (accessed January 6, 2022), and Preston Brashers, "Why Congress Shouldn't Rush to Enact Poorly Conceived New Taxes to Fund Spending Spree," The Daily Signal, October 18, 2021, https://www.dailysignal.com/2021/10/28/why-congress-shouldnt-rush-to-enact-poorly-conceived-new-taxes-to-fund-spending-spree/.
149. News release, "COVID-19 Job Toll: Top O&G Employer China Resilient, US Takes Larger Hit Than European Peers," Rystad Energy, March 9, 2021, https://www.rystadenergy.com/newsevents/news/press-releases/covid-19-job-toll-top-og-employer-china-resilient-us-takes-larger-hit-than-european-peers/ (accessed December 13, 2021).
150. EIA, "Refinery Closures Decreased U.S. Refinery Capacity During 2020," July 8, 2021, https://www.eia.gov/todayinenergy/detail.php?id=48636 (accessed December 13, 2021).
151. Environmental Protection Agency, "RIN Trades and Price Information," https://www.epa.gov/fuels-registration-reporting-and-compliance-help/rin-trades-and-price-information (accessed December 14, 2021).
152. Max Pyziur, "Chart of the Week #26: California Retail Gasoline Prices vs. the U.S.," Energy Policy Research Foundation, September 15, 2021, https://eprinc.org/wp-content/uploads/2021/09/EPRINC-ChartOfTheWeek-CaliforniaGasolinePrices-PremiumToUS-2.pdf (accessed December 14, 2021).
153. See, for example, Dave Callahan, Charlie Burd, and Matt Hammond, letter to Senator Elizabeth Warren, November 30, 2021, https://marcelluscoalition.org/wp-content/uploads/2021/11/MSC-GOWV-OOGA_Letter_11.30.21.pdf (accessed December 14, 2021), and Nicolas D. Loris, "More Than Six Years Later, Keystone XL Is Still a Good Idea," Heritage Foundation *Issue Brief* No. 4327, January 8, 2015, https://www.heritage.org/environment/report/more-six-years-later-keystone-xl-still-good-idea.
154. EIA, "New Infrastructure Connects West Texas Natural Gas–Producing Areas to Demand Markets," June 8, 2021, https://www.eia.gov/todayinenergy/detail.php?id=48276 (accessed December 13, 2021); and EIA, "Shale Natural Gas Production in the Appalachian Basin Sets Records in First Half of 2021," September 1, 2021, https://www.eia.gov/todayinenergy/detail.php?id=49377 (accessed December 13, 2021).
155. Nicolas D. Loris, "The Many Problems of the EPA's Clean Power Plan and Climate Regulations: A Primer," Heritage Foundation *Backgrounder* No. 3025, July 7, 2015, https://www.heritage.org/environment/report/the-many-problems-the-epas-clean-power-plan-and-climate-regulations-primer.
156. "The lower price responsiveness of coal for electricity generation, which is likely the result of constraints on coal supply and low coal stocks, is contributing to upward pressure on natural gas prices." EIA, "Short-Term Energy Outlook."
157. Katie Tubb, "Diablo Canyon Shutdown Last Chapter for Clean Nuclear Power in California," Heritage Foundation *Commentary*, January 29, 2018, https://www.heritage.org/energy-economics/commentary/diablo-canyon-shutdown-last-chapter-clean-nuclear-power-california.
158. EIA, "Short-Term Energy Outlook."
159. Shivani Singh and David Stanway, "Explainer: What Is Behind China's Power Crunch?," Reuters, September 29, 2021, https://www.reuters.com/world/china/what-is-behind-chinas-power-crunch-2021-09-29/ (accessed December 13, 2021).
160. EIA, "U.S. Liquefied Natural Gas Exports Grew to Record Highs in the First Half of 2021," July 27, 2021, https://www.eia.gov/todayinenergy/detail.php?id=48876 (accessed December 13, 2021).
161. Senator Jack Reed et al., letter to President Joseph R. Biden, November 8, 2021, https://www.reed.senate.gov/imo/media/doc/11.8.21_Gas%20Prices%20to%20Biden_Final.pdf (accessed January 6, 2022); Katie Tubb, "Biden's Strategic Petroleum Reserve Sale Is Shoddy Shortcut, Not Needed Course Correction," The Daily Signal, November 29, 2021, https://www.dailysignal.com/2021/11/23/bidens-strategic-petroleum-reserve-sale-is-shoddy-shortcut-not-the-needed-course-correction; President Joseph R. Biden, "Executive Order on Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability," Executive Order No. 14057, December 8, 2021, https://www.whitehouse.gov/briefing-room/presidential-actions/2021/12/08/executive-order-on-catalyzing-clean-energy-industries-and-jobs-through-federal-sustainability/ (accessed January 6, 2022).
162. Tubb, "Biden's Many Anti-Energy Policies Are Hurting Producers, Consumers Alike."
163. Kevin D. Dayaratna and Nicolas D. Loris, "Turning America's Energy Abundance into Energy Dominance," Heritage Foundation *Backgrounder* No. 3258, November 3, 2017, https://www.heritage.org/energy-economics/report/turning-americas-energy-abundance-energy-dominance.

164. EIA, "U.S. Ethan Production to Grow, Along with Expanding Domestic Consumption and Exports," May 21, 2021, https://www.eia.gov/todayinenergy/detail.php?id=48056 (accessed December 13, 2021), and EIA, "Oil Petroleum Products Explained: Oil Imports and Exports," April 13, 2021, https://www.eia.gov/energyexplained/oil-and-petroleum-products/imports-and-exports.php (accessed December 13, 2021).
165. Nicolas D. Loris, "Hydraulic Fracturing: Critical for Energy Production, Jobs, and Economic Growth," Heritage Foundation *Backgrounder* No. 2714, August 28, 2012, https://www.heritage.org/environment/report/hydraulic-fracturing-critical-energy-production-jobs-and-economic-growth; Katie Tubb and Andrew Willford, "Lifting the Crude Oil Ban Shows America Is Open for Business," The Daily Signal, February 1, 2016, https://www.dailysignal.com/2016/02/01/lifting-the-crude-oil-ban-shows-america-is-open-for-business/; and EIA, "U.S. Crude Oil Exports Reached Record Levels in 2020 and Remain High in 2021," July 20, 2021, https://www.eia.gov/todayinenergy/detail.php?id=48776 (accessed December 13, 2021).
166. Dayaratna and Loris, "Turning America's Energy Abundance into Energy Dominance."
167. Bakst, "37 Biden Administration Regulations in the Pipeline that Americans Should Know About," pp. 9–10.
168. Diane Katz, "Curbing Abuses of a Politicized NEPA," Heritage Foundation *Backgrounder* No. 3524, August 25, 2020, p. 11, https://www.heritage.org/government-regulation/report/curbing-abuses-politicized-nepa.
169. Nicolas D. Loris, "How to Improve America's Ports," Heritage Foundation *Backgrounder* No. 3503, June 24, 2020, https://www.heritage.org/transportation/report/how-improve-americas-ports.
170. Adam N. Michel, "Tax Extenders Are Bad Tax Policy," Heritage Foundation *Issue Brief* No. 4980, July 19, 2019, https://www.heritage.org/taxes/report/tax-extenders-are-bad-tax-policy.
171. Katie Tubb, "Pennsylvania Nuclear Subsidy Proposal Erodes Choice," Heritage Foundation *Backgrounder* No. 3401, March 28, 2019, p. 4, https://www.heritage.org/energy-economics/report/pennsylvania-nuclear-subsidy-proposal-erodes-choice.
172. Katie Tubb and Nicolas D. Loris, "The Federal Lands Freedom Act: Empowering States to Control Their Own Energy Futures," Heritage Foundation *Backgrounder* No. 2992, February 18, 2015, p. 1, https://www.heritage.org/environment/report/the-federal-lands-freedom-act-empowering-states-control-their-own-energy-futures.
173. Peter St. Onge, "Blame Government, Not COVID-19, for Supply Chain Collapse," The Daily Signal, October 15, 2021, https://www.dailysignal.com/2021/10/15/blame-government-not-covid-19-for-supply-chain-collapse.
174. Peter St. Onge, "America Tried the Biden Recovery Plan in the 1970s—It Was a Disaster," Heritage Foundation *Commentary*, October 7, 2021, https://www.heritage.org/transportation/commentary/blame-government-not-covid-19-supply-chain-collapse .

The Heritage Foundation
214 Massachusetts Ave., NE | Washington, DC 20002
(202) 546-4400 | heritage.org