Today’s America: An Economy of Shortages

By Robert Genetski, Appeared in The Epoch Times, July 7, 2022

https://www.theepochtimes.com/todays-america-an-economy-of-shortages_4579029.html

For the first time in over 40 years, the U.S. economy is dealing with widespread shortages. Parts are unavailable for manufacturers when they need them. Airlines abruptly cancel flights. Railroads and trucks are cutting shipments. Food shelves in some areas are depleted with some areas reporting a lack of meat supplies, milk, or other essential food items.

What’s going on?

Shortages and empty shelves are characteristic of economies where governments control and allocate resources. They are not characteristic of America’s free-market economy. The only other times America has faced shortages were during World Wars or during the 1970s.

Government-imposed price controls were directly responsible for shortages in the early 1970s. When businesses were unable to raise prices to sell their goods at a profit, they stopped producing, which created the shortages. Once the price controls were removed, the shortages ended.

Also in the 1970s, government price controls on oil and gas led to severe shortages on both. By the end of the decade, there were long lines of cars waiting at gas stations and purchases were rationed to ten gallons of gas. As soon as President Reagan removed price controls, the shortages of oil and gasoline ended and prices declined.

Free-market economies seldom experience shortages. This isn't because everything is always plentiful. Bad weather can destroy crops. Disease can kill herds creating a shortfall in meat. Labor disputes or international shocks also disrupt markets. While shortfalls in some items are inevitable, a free-market economy adjusts and corrects for such events.

In free-market economies, shortages are rare because the market is remarkably efficient at raising prices of items that are in short supply. Sharply higher prices for scarce items, limit their use to the most efficient uses of the items and encourages the use of substitute items. Doing so enables the economy to adjust to potential shortages and shocks in the most efficient way possible.

In the current situation, the wide range of shortages highlights a serious problem. As with prior shortages, this one is due to government policies. While the federal government has not placed direct price controls on the economy, it has distorted markets in a number of indirect ways.

Energy production is one of the most obvious areas the Biden administration has redirected resources. Using theoretical environmental policies to limit fossil fuels, the government has redirected resources from the most efficient production of energy. The administration's war on fossil fuels has been every bit as effective in limiting supplies as price controls have been.

In February of 2020, with oil prices at $45, U.S. oil production reached 13.1 million barrels a day. Today, with oil two and a half times that price, production should be at least 15 million barrels a day or higher. Instead, it's 12 million. While the United States can't control the world supply of oil, the failure to allow maximum domestic production reduces a resource critical to the efficient movement of all products and services.

In addition to restricting energy production, the administration's climate policies have forced industries to redirect resources into bio-degradable fuels, leading to shortages in specific types of fuels. Laws providing rebates for solar power and windmills further reallocate resources to where the government wants them, rather than where markets would send them.

Almost every business currently complains about a severe shortage of workers. Businesses say they are unable to receive, produce, or ship products due to a lack of workers. Other than during wartime, there has never been a labor shortage in U.S. history.

Why Now?

Despite a surge in employment in recent months, May employment data show the economy has fewer workers today than before the lockdown.

Some claim generous government benefits associated with the lockdown created the problem. Enjoying what amounted to an extended vacation, many workers became used to not working. Returning to work can be difficult after months of leisure. It is even more difficult when the government offers incentives for not working.

Few want to talk about another possible reason for the labor shortage.

The growing number of reports of abnormal and even deadly reactions to the COVID-19 vaccines has made some workers reluctant to accept jobs that force them to take the jab. Most notably, thousands of airline pilots and 20 percent of health care workers have quit rather than risk the jab. These and other workers are concerned the vaccines have created the type of adverse reactions reported in the vaccine trials and also in the military where soldiers have been forced to take the vaccine.

The hesitancy of some to take the vaccine may be warranted. Insurance companies have reported a 40 percent increase in deaths among the working-age population in the latter half of 2021. Half of these were listed as COVID-19 and the other half non-COVID-19 deaths. In that period, the death toll among the working-age population amounted to a loss of at least 350,000 workers. This alone would account for a significant part of the labor shortage.

Since more than half the population had been fully vaccinated by the last half of 2021, the insurance company data point to problems with the vaccine in effectively dealing with COVID-19 or as a possible factor in the surge in deaths among the working-age population.

In addition to deaths, the Bureau of Labor Statistics reports a surge in disability among the population 16 years and over. A country doctor, with a career in dealing with disability cases believes the COVID-19 vaccines are responsible.

Misallocation of Resources

Widespread shortages are a characteristic of a problem with the economy. The root cause of shortages in a market economy always has been related to government interference with markets or people. The current period is no exception.

The forced lockdown of the economy, federal actions to limit energy production, generous government subsidies and payments, and government mandates regarding COVID-19 and vaccines all have played a role in the widespread shortages plaguing the economy.

The solution to shortages is for government to cease attempting to redirect resources away from market pressures. Government isn't very good at running itself, and worse at running the economy. Federal officials should recognize the market system is the best way to allocate resources. Government misallocation of resources is the main reason America is suffering from widespread shortages in almost everything except inept leadership.

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