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The coronavirus pandemic and its ripple effects have snarled supply chains around the world, contributing to shipping backlogs, product shortages and the fastest inflation in decades.

But in a recently released report, White House economists argue that while the pandemic exposed vulnerabilities in the supply chain, it did not create them as they warned that the problems won't go away when the pandemic ends.

"Though modern supply chains have driven down consumer prices for many goods, they can also easily break," the Council of Economic Advisers wrote. Climate change, and the increasing frequency of natural disasters that comes with it, will make future disruptions inevitable, they added.

White House economists analyzed the supply chain as part of the Economic Report of the President. The annual document, which this year runs more than 400 pages, typically offers few new policy proposals, but outlines the administration's thinking on key economic issues facing the country, and on how the president hopes to address them.

This year's report focuses on the role of government in the economy and calls for the government to do more to combat slowing productivity growth, declining labor force participation, rising inequality and other trends that long predated the pandemic.

"The U.S. is among and remains one of the strongest economies in the world, but if we look at trends over the last several decades, some of those trends threaten to undermine that standing," the head of the Council said and added that the problem is in part that "the public sector has retreated from its role."

The report dedicates one of its chapters to supply chains, noting that the once-esoteric subject "entered dinner-table conversations" in 2021. In recent decades, U.S. manufacturers have increasingly relied on parts produced in low-cost countries, especially China, a practice known as offshoring. At the same time, companies have adopted just-in-time production strategies that minimize the parts and materials they keep in inventory, in an attempt to maximize returns to shareholders.

The result, the authors argue, are supply chains that are efficient but brittle, in other words they are vulnerable to breaking down in the face of a pandemic, a war or a natural disaster.

“Because of outsourcing, offshoring and insufficient investment in resilience, many supply chains have become complex and fragile,” they write, adding: “This evolution has also been driven by shortsighted assumptions about cost reduction that have ignored important costs that are hard to turn into financial measures, or that spilled over to affect others.”

In the report, the administration cited its efforts to identify weaknesses in supply chains for key products like semiconductors, electric-vehicle batteries, certain minerals and pharmaceutical products, and to bolster American manufacturing through expanded federal purchasing and other investment.

“The public sector can be a partner of the private sector, rather than a rival,” the report said.

On the other hand, some economists have noted that making supply chains more resilient could carry its own costs, which could make products more expensive when inflation is already a major concern.

As an example of this, the pandemic and Russia’s invasion of Ukraine might lead companies to locate at least some of their supply chains in places that were more politically stable and less strategically vulnerable. But pushing companies to duplicate production could waste taxpayer dollars and introduce inefficiencies, raising prices for consumers and lowering growth.

The reasoning here goes something like at best you are paying an insurance premium and at worst you are doing something for completely political reasons that is also very economically inefficient.

Some economists have emphasized that global supply chains are not always a source of fragility and can actually be a source of resilience also.

The director general of the World Trade Organization said in an interview that the world had been seeing a trend toward the decentralization of manufacturing and production, in which supply chains were moving out of China into Vietnam, Laos, Cambodia, Bangladesh, Ethiopia and other countries. That is an opportunity to diversify supply chains and bring poorer countries into the global trading system which would allow them to reap the benefits of globalization as well.

Rather than reeling in supply chains to concentrate them in developed countries, businesses are doing more “nearshoring” which means shifting to low-cost but less distant countries as well as pursuing risk-mitigation strategies like building up inventory.

The White House economic team said that while it could make sense to promote increased domestic production of some critical components such as computer chips, the Biden administration was not advocating to reverse offshoring entirely. Their argument is that we do not need to make everything here because that would be excessively costly and unnecessary.

But despite their emphasis on the public sector’s role in the economy, White House economists recommended only modest steps that the federal government could take to strengthen supply chains. They suggested that the government help aggregate and disseminate data that could make it easier for companies to understand their supply chains and identify weaknesses. And they said the government could encourage domestic production of products that were vital for national security or other core interests. Independent experts said those steps could be useful but were unlikely to solve the problems outlined in the report.

The answer is that there are no easy solutions to the supply chain issue which means that investors should have some basic understanding as to what is involved and what the companies that they own stocks in due to deal with this issue. This could help them understand what is involved when supply-chain disruptions occur and how they could potentially affect a company’s bottom line.

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