

# Supply Chain Economics: A fresh lens for holistic analysis

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# Scaffold of various definitions...

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**Economics** is social science concerned with description, analysis, and theories of production, distribution, and consumption of goods and services.

**Supply chain** is the network of internal and external organizations with which your organization pursues its goals & objectives.

*An organization's supply chain is not independent from labor, but inclusive of it.*

**Operations management** is organizational adherence to processes to accomplish goals & objectives.

*Unless stakeholders make it a strategic goal, organizations are agnostic on labor vs. tech.  
In shock or recession, until expectations warrant, organizations are hesitant to (re)hire, so instead invest in labor-saving tech.*

*This will be especially so today, given current challenges to sufficiently staff organizations.*



# On supply chains...

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“Delivery times...can be six months to a year out...” (WSJ)

“Before the pandemic, reserving a container...cost \$2,500. Now it costs \$25,000.” (The Atlantic)

“...like the canned-food section of a grocery store one hour before a hurricane...” (The Atlantic)

“More than 60 ships were lined up to dock, with waiting times stretching to 3 weeks.” (Fox5NY)

“...nearly 80,000 shipping containers are stacked in various configurations...” (NYT)

“...moving strategically to bring in as much inventory as possible during 2Q.” (Retail Dive)

“Containers, which carry more than 90 percent of the world’s traded goods, are overwhelmingly manufactured in China...” (The Atlantic)



# Labor Economics & Industrial Organization

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The **'silver tsunami' of Baby Boomers** suggests that the United States will increasingly face a **declining number of heirs for entrepreneurs** seeking to retire.

Unmet, this challenge **risks acquisition or outright closure of firms**, potentially disrupting **continuity of production, supply, and local community employment**.

This demographic shift is multifactor, as **falling family sizes** compound retirement of Baby Boomers.

Retiring owners closing their business or **selling to outside interests risks workforce reductions, outright relocation, loss of local goods and services, and jeopardizes tax revenue**.

Thoughtful **immigration reform, trade schools, and ESOP financing** all present public policy solutions.



# Additional terms of reference...

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**Organizations** are various entities which conduct operations, employ labor, and manage supply chains.

*These organizations include the full spectrum of for-profit, not-for-profit, and governmental institutions and as such...*

*Organizational goals and objectives are set by empowered stakeholders and delegates and will include a range of pecuniary and non-pecuniary strategic priorities.*

**Processes** are sequential tasks & activities which organizations execute to pursue goals & objectives.

*Labor is merely an option to execute processes (and another link in the supply chain...)*

**Labor** is the workforce employed by internal and external organizations with which your organization pursues its goals & objectives (which is in turn your supply chain...).

*Collectively, I will be reframing focus from labor to processes, and reframing labor as resource in supply chain, with no inherent primacy over data, finance, land, natural resources, etc.*



# What went wrong, how did we get here?

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## On Money:

- ✓ US spent in deficit to fight Covid-19
- ✓ We've pursued expansive social spending
- ✓ We face sharply rising inflation (and war)

## On Supply Chains:

- ✓ Insufficient risk assurance on supply
- ✓ Lack of geo-diversity in sourcing
- ✓ Lack of visibility into supply chains

## On Labor:

- ✓ US faces rapidly aging workforce
- ✓ Our population will be declining
- ✓ We continue to idolize 4-year degrees
- ✓ We have stigmatized immigration

***Neither the decision science of Supply Chain Management or the social science of Economics alone were sufficient to explain...***

# Framing supply chain economics...

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**Supply chain economics** is the systematic study of the production, distribution, and consumption of goods, services, and capital by networks of organizations, internal and external, with which any given organization pursues its goals and objectives.

*Thus defined, process focus is integral to supply chain economics. Therefore, supply chain economics is agnostic on how processes are executed and by whom, with the primary (if not only) decision factor being pursuit of the organization's agreed goals and objectives.*

*Whether self-performed internally, outsourced to third-parties, in whatever combination of labor, capital, technology, and other resources, labor has no primacy beyond that endowed by the organization's controlling stakeholders.*

*Labor is therefore merely another resource, equal in consideration to land, raw materials, technology, tooling, and capital.*



# Thank you for your time...

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