The Daily Dish

Buy American Executive Order

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Eakinomics: Buy American Executive Order

On Monday, the president signed an executive order (EO) that, ultimately, expands the existing provisions of the Buy American Act of 1933. AAF's Tom Lee has the details, but the basic intent is to "increase federal demand for goods and services to boost domestic U.S. manufacturing." In addition, the EO will:

- Increase the amount of U.S.-made inputs used in a product for it to be deemed as made in the United States;
- Increase the number of U.S.-made goods federal agencies must purchase; and
- Remove some of the exemptions and waivers that agencies use to purchase foreign made goods.

All of that is pretty standard stuff. It is commonplace for presidents to use such EOs to assert they are supporting good-paying domestic jobs. (Notice that the EO builds on the Buy American Act of 1933; this is not a new tactic!) Now, however, the story gets a little more interesting as Lee documents that in 2019 the fraction of goods bought outside the United States ranges from a high of nearly 16 percent at the State Department (which makes sense), to a low of nothing – 0 percent at Housing and Urban Development (which also makes sense). For the government as a whole, only 3.5 percent of spending was for non-U.S. goods.

The implication is that the government is already buying American, and the EO won't make much of a difference one way or the other. Then, I thought to myself, "Self, why is the government already buying American?" After all, President Trump had his emphasis on buying American and hiring American. Maybe that is why it is so low? Mr. Lee did a little more digging and the following pattern emerged.

Year	Percent Foreign
FY 2007:	9.24%
FY 2008:	10.26%
FY 2009:	10.32%
FY 2010:	9.41%
FY 2011:	7.10%
FY 2012:	6.78%
FY 2013:	8.11%

FY 2014: 4.82%

FY 2015: 3.98%

FY 2016: 3.39%

FY 2017: 4.05%

FY 2018: 3.25%

FY 2019: 3.50%

At the end of the Bush Administration, foreign purchases exceeded 10 percent, but they began to decline under President Obama (who campaigned on "Buy American" and included a provision in the American Recovery and Reinvestment Act. In short, the government has been buying American for quite a while; the Biden provision ratifies the status quo.

And what is the problem with that? If the government is shopping based on where the good is manufactured, it is not shopping on either the price or the quality of the good or service. This raises the possibility that the taxpayers are not getting good value for their money – paying too much and getting too little for it. This also means that companies/products that otherwise would not be competitive are not forced to raise their game because they are shielded from competition. As a matter of first principles, one should be frugal with the taxpayers' hard-earned dollars and support competitive conditions in product markets. Buy American does neither.