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Why Trump's 'Buy American' initiative is hoey

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The most effective takedown of President Trump's "Buy American" initiative came from campaign adviser [Stephen Moore](#):

Sure, "It could mean higher prices to people, no question about it." As Moore told his host Wolf Blitzer, who called it a "hidden tax": "Who's going to bear the burden of that? The consumers. And you're right. You get an A in economics because that's actually a regressive tax on the lowest income."

The Cato Institute has found:

Cordoning off the estimated \$1.7 trillion U.S. government procurement market to U.S. suppliers would mean higher price tags, fewer projects funded, and fewer people hired. In today's globalized economy, where supply chains are transnational and direct investment crosses borders, finding products that meet the U.S.-made definition is no easy task, as many consist of components made in multiple countries. And by precluding foreign suppliers from bidding, any short-term increases in U.S. economic activity and jobs likely would be offset by lost export sales – and the jobs that go with them – on account of copycat protectionism abroad. ...

When we artificially reduce the pool of qualified suppliers or the variety of eligible supplies that can satisfy procurement requirements, projects cost more, take longer to complete, and suffer from lower quality. Only a basic understanding of supply and demand is required to see that limiting competition for procurement projects ensures one outcome: taxpayers get a smaller bang for their buck.

In other words, this is a rotten idea that will hurt the people Trump ostensibly wants to help. Making American companies less competitive — which means they sell less and hire fewer workers — is going to make the plight of the working class a lot worse.

Trump should know, of course, because so many of his branded products are made outside the United States. Moreover, [ABC News reported](#):

During a December visit to the recently opened Trump International Hotel in Washington, D.C., however, ABC News found several items from at least six foreign countries scattered throughout a fourth-floor king deluxe suite, contrary to the spirit of Trump's latest push toward economic nationalism.

In the marble and gold bathroom, the fixtures were made by Kohler, an American company based in Wisconsin, but there was soap made in Canada, towels made in India and bathrobes made in China. Several additional products in the suite arrived in the United States from Europe — specifically, Italy, France and the United Kingdom.

When reached for comment by phone, Patricia Tang, the director of marketing for the hotel, offered only a brief comment before abruptly hanging up.

“Nothing has changed,” she said. “We have nothing to do with the [Trump] administration.”

Ivanka Trump’s fashion line — shoes, purses and clothing — might be sold in U.S. stores, but almost all of her goods are made overseas.

I don’t blame them. The benefit of a globalized economy is that American businesses can source the best and cheapest items to deliver the best value to customers. So why shouldn’t Trump treat American taxpayers the way he treats tie-buyers? He’s telling the government to be *less* efficient, spend *more* of the taxpayers’ money and possibly buy products (everything from steel to hats to pencils) of *lesser* quality. This sure isn’t running government “like a business.” That sounds as though he wants government procurement officials to make “stupid” deals.

The good news is that Trump’s “Buy American” executive order is essentially meaningless. It simply calls on agency and department heads to assess compliance under existing laws and cut down on the use of waivers that are granted when domestic products aren’t available, cost too much, etc. (“It shall be the policy of the executive branch to maximize, consistent with law, through terms and conditions of Federal financial assistance awards and Federal procurements, the use of goods, products, and materials produced in the United States.”) There are many reports to be generated, but it’s hard to see much coming from this. This is the kind of phony gesture, paper-pushing initiative you’d expect from a lifetime pol, not a business executive.

At any rate, Cato reminds us:

While President Trump seems to be prioritizing U.S. companies and workers, he must know that well over 6 million Americans work for foreign-headquartered companies here in the United States. He must know that over \$1.2 trillion of foreign direct investment is parked in the U.S. manufacturing, undergirding valued added activity, and supporting jobs and the tax base. Tightening Buy American rules will hurt these firms and possibly chase them and their investments offshore.

In the end, economic nationalism doesn’t work to our benefit. It punishes consumers, shrinks our export markets and makes us poorer. You would think Gary Cohn — or Stephen Moore — could set Trump straight.