



## Buy America means greater expense with few benefits

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February 6, 2019

It's unclear if President Donald Trump has any ideas on how to improve U.S. infrastructure, but he certainly knows how to make it more expensive. At least that's the likely impact of an executive order signed by the president last Thursday. Meant to strengthen so-called "Buy America" rules, the presidential missive directs agency heads to find new ways of encouraging federal grant recipients to use U.S.-made construction materials ranging from steel to cement.

That may bring smiles to the U.S. companies that produce such products, but a terrible deal for the 99 percent of Americans who don't work in such industries.

The entire purpose of such "Buy America" measures is to force people to buy products that they otherwise would not. If someone purchases a good made overseas, it's almost always the case it's because the product is superior in terms of price, quality, availability or some combination thereof. Buy America, however, turns this on its head by forcing the purchase of goods that are worse than their foreign alternatives—otherwise the measure wouldn't be needed.

President Trump doesn't have to travel far to see the increased costs imposed by such rules. According to the American Action Forum, rail cars purchased for the Washington subway system under Buy America provisions may have been up to \$441 million cheaper if they had been imported instead of domestically made. That's hundreds of millions of dollars which could have been spent on other infrastructure needs, used for tax relief, or any other number of uses.

A similar dynamic has no doubt played itself out in infrastructure projects around the country.

This is the opposite of fiscal responsibility. It's also vastly different from Trump's behavior when spending his own money instead of the public's. According to a Newsweek investigation Trump hotel projects in Chicago and Las Vegas likely made use of imported steel from China. That's no criticism of the president—seeking out the most bang for his buck is simply smart business. But shouldn't he take the same approach when spending the taxpayer's money?

Defenders of Buy America rules claim that such measures help promote job creation, but here too the policy's logic is faulty. Not only is there less money left over that can be spent or invested elsewhere in the economy, but it's also a common misconception to think that replacing foreign goods with domestic ones is beneficial. By reducing imports or replacing them with American-made versions, foreigners are deprived of dollars to invest in the United States or spend on U.S. products. Fewer imports means fewer exports.

It's not even clear that Buy America measures do any long-term favors to the industries they are meant to benefit. A [2017 Congressional Research Service report](#), for example, highlighted a study which examined bus procurement for public transportation systems. Beyond noting that the buses purchased were twice as expensive as those in Japan and South Korea, the study found that a further result of Buy America rules was to make the protected industry less innovative.

This makes intuitive sense. Facing less competition from abroad, domestic producers of goods impacted by Buy America provisions don't have to work as hard to earn the federal government's business. This is effectively coddling U.S. firms instead of providing them the tough love that they need. After being fed the economic equivalent of junk food, no one should be surprised when these companies start to show more flab than muscle.

In the case of steel and aluminum companies, these new measures are just the latest economic sweeteners to be doled out by the Trump administration after the imposition of steep tariffs last year. Despite such largesse and a resulting rise in the profitability of such firms, however, their stock valuations have steeply fallen. As others have [pointed out](#), this likely reflects sentiment by investors that the good times will not last and that government aid has only delayed a reckoning with the company's longer-term problems.

Buy America and other protectionist measures aren't promoting American industrial revitalization—they're encouraging a dangerous addiction.

It's time to end such measures and force U.S. companies to compete like everyone else, both for their own good and that of the U.S. taxpayer.

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