
Buy American Laws: A Costly Policy Mistake that Hurts Americans

Background

- **A Nightmare of Complexity.** U.S. law is filled with a myriad of highly complex and confusing regulations that require domestic content for government procurement. “Buy American” regulates direct federal spending. “Buy America” regulates indirect federal spending, such as federal grant funds to states. Many of the laws or provisions define “produced in America” differently, making it extremely cumbersome and expensive for businesses to bid on government contracts and be competitive in the world economy.
- **Increased Costs for Taxpayers.** The Buy American Act’s preference system allows privileged American firms to charge the U.S. government (and taxpayers) between 6 percent and 50 percent more than market prices, depending on the agency and type of business bidding on the contract. A contract that costs \$50 million in the international market could cost U.S. taxpayers between \$53 million and \$75 million if U.S. government agencies are only allowed to buy from American firms.
- **No Evidence of Job Growth in Target Industries.** There is no positive correlation between Buy American requirements and job growth in the affected industries. As Buy American laws expanded from 1980 to 2016, employment in the steel industry *decreased* from 500,000 to 136,000.

Buy American Laws Hold Back American Manufacturers

- **Family-Owned Texas Pipe-Fitting Manufacturer Shut Out From Government Contracts.** JCM Industries located in Nash, Texas, employs 140 people in a town of 3,000. Because the company does much work in the water and sewer sector, it has to deal with the Buy America regulations put in place by the Clean Water Act. Due to JCM’s complex supply chain, tracking the origin of product components can be so difficult that it can prevent this U.S. company from bidding on projects.
- **Indiana/Pennsylvania Steel Manufacturer Held Back from Creating Jobs.** NLMK USA is a steel manufacturing company with 1,100 employees in Pennsylvania and Indiana. Buy America laws hinder its ability to bid on contracts. According to Trade Partnership Worldwide, “If domestic content rules were removed, NLMK could add 25 new jobs in Indiana alone.” NLMK’s average wage exceeds \$100,000 a year—making these 25 jobs a major boon for residents of Portage, Indiana.

Buy American Laws Reduce Economic Growth

- **300,000 Missing American Jobs—Buy American Laws Are the Cause, Not the Cure.** A new study found that eliminating all existing domestic-content requirements would create an estimated net 306,000 jobs across the country over three years. Positive job growth would be experienced in 429 of 435 congressional districts.
- **GDP Could Increase by \$22 Billion.** The same report concluded that repealing Buy American laws would increase U.S. GDP by \$22 billion over three years. U.S. businesses would spend less time and money on supplies and compliance, increasing efficiency and economic growth.

The Next Step

- **Congress Should Repeal or Amend All Buy American Laws.** There are countless Buy American laws, but Congress can start by repealing the Buy American Act of 1933, the Berry Amendment, and laws imposing domestic-content requirements on the Department of Transportation and the Environmental Protection Agency.
- **The Administration Should Reject Additional Buy American Laws.** Policies like those in the “Buy American and Hire American” executive order are counterproductive to increasing economic growth and creating new jobs. The Administration should reject special interest policies that help a few firms while hurting many more.