



# PlatteChat

AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,  
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.

Platte  
INSTITUTE  
for economic research



## Buying American Hurts Nebraskans by Jordan Cash

The slogan of "Buy American" encourages consumers to purchase products made by their fellow citizens to help out American industries. Yet, making purchasing decisions based upon patriotic impulses instead of what is economically best helps few and hurts many.

LB923, introduced by Sen. Heath Mello of Omaha, would restrict Nebraska state agencies to using only American-made manufactured goods in the construction of public works projects like buildings, highways, bridges, or railroads;[\[1\]](#) although it would allow an exception if the inclusion of American-only materials results in the price of an overall project contract increasing by more than ten percent.[\[2\]](#)

This bill demonstrates a misunderstanding of how free trade is beneficial to an economy. With free trade, consumers have many options from which to seek out the highest quality product at the lowest price. The money saved can then be used on other things like buying, saving, or investing.

The principles of free trade also apply in government. If Nebraska gives American-based companies preferential treatment simply because of their location, and not because of price or quality, the state will be engaging in corporate welfare at the expense of the taxpayer. Overpaying for products that could be purchased at a lower price for the same quality is an inefficient use of taxpayer funds.

The fiscal statement accompanying LB923 makes clear that passing this bill would increase government spending. The Department of Roads estimated that LB923 would increase their material costs by \$2 million. The University of Nebraska system also estimated that project and personnel costs would increase between \$6.5-8.5 million if their choice for building and manufacturing materials were restricted. Furthermore, Administrative Services would see their costs increase anywhere between \$910,000-1.76 million per year.[\[3\]](#) The state would have to compensate for that the additional spending in one of two ways: raising Nebraska's already excessive taxes or cutting government services.

There is also the possibility of retaliation from countries who currently buy Nebraskan agricultural products. In 2010, Nebraska exported products to 180 countries, bringing in \$5.8 billion in export sales, and in 2011 alone, exports increased in value by 30

percent.<sup>[4]</sup> Yet by cutting our trading partners out of our manufacturing imports could create hostility in future dealings with them, to the point where they may choose not to buy Nebraska exports. This retaliatory attitude in response to "Buy American" is well-documented in American history, as the Buy American Act of 1933 worsened the Great Depression, and more recently Canada and the European Union both threatened economic retaliation to the "Buy American" provision contained in President Obama's stimulus.<sup>[5]</sup> If Nebraska were to enact a "Buy American" provision on a smaller scale, it may threaten current trade agreements and Nebraska exports could be hurt, damaging the state economy as a whole.

While well-intentioned, forcing the state to "Buy American" would do nothing more than reduce competition, restrict choice, force taxpayers to pay for higher priced manufacturing goods, and possibly offend trade partners who could retaliate by boycotting Nebraskan products. LB 923 is bad public policy and bad for Nebraska.

---

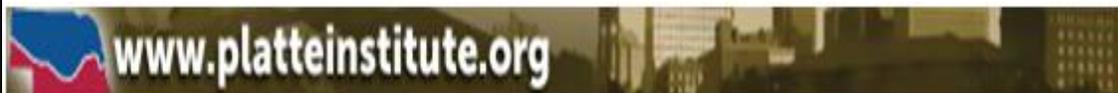
<sup>[1]</sup> Nebraska Legislative Bill 923, Introduced Copy, January 10, 2012. Accessed January 30, 2012: <http://nebraskalegislature.gov/FloorDocs/Current/PDF/Intro/LB923.pdf>.

<sup>[2]</sup> Nebraska Legislative Bill 923, Introduced Copy, January 10, 2012. Accessed January 30, 2012: <http://nebraskalegislature.gov/FloorDocs/Current/PDF/Intro/LB923.pdf>.

<sup>[3]</sup> Scott Danigole, LB923 Fiscal Note, January 25, 2012. Accessed January 30, 2012: <http://nebraskalegislature.gov/FloorDocs/Current/PDF/FN/LB923.pdf>.

<sup>[4]</sup> Dave Heineman, "Expanding Nebraska Exports," March 2, 2012. Accessed March 7, 2012: [http://www.governor.nebraska.gov/columns/2012/03/02\\_exports.html](http://www.governor.nebraska.gov/columns/2012/03/02_exports.html); Richard Piersol, "Nebraska's 2011 exports gained 30 percent in value," *Lincoln Journal Star*, March 3, 2012. Accessed March 7, 2012: [http://journalstar.com/business/local/nebraska-s-exports-gained-percent-in-value/article\\_d6b6bb98-1979-5957-8fb9-97a75307b537.html](http://journalstar.com/business/local/nebraska-s-exports-gained-percent-in-value/article_d6b6bb98-1979-5957-8fb9-97a75307b537.html).

<sup>[5]</sup> Allan Dowd, "Canadians angered over "Buy American" rule," *Reuters*, June 6, 2009. Accessed March 7, 2012: <http://www.reuters.com/article/2009/06/06/us-usa-trade-idUSTRE5551NE20090606>; Alex Spillius, "US-EU trade war looms as Barack Obama bill urges 'Buy American,'" *The Telegraph*, January 29, 2009. Accessed March 7, 2012: <http://www.telegraph.co.uk/news/worldnews/barackobama/4389597/US-EU-trade-war-looms-as-Barack-Obama-bill-urges-Buy-American.html>.



If you do not wish to receive this newsletter or if you wish to be removed from all future newsletters, please [click here](#) to manage your subscriptions.