



Insight

How Buy American Could Affect Federal Government Purchases

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Executive Summary

- On January 25th, 2021, President Biden signed an executive order strengthening current rules requiring government purchases of goods made in the United States.
- The rules would increase the domestic content rules, or the number of U.S.-made goods federal agencies must purchase; it also removed some of the exemptions and waivers that allow agencies to purchase foreign-made goods.
- In practice, the new rules may have little impact as in fiscal year 2019 only 3.5 percent of federal purchases were foreign products.

Introduction

On January 25th, 2021, President Biden signed an executive order strengthening current rules on government purchases of goods made in the United States. This executive order comes on the heels of his central campaign promise to “Buy American” which ultimately expands the existing provisions of the Buy American Act of 1933. The goal of “Buy American” is to increase federal demand for goods and services to boost domestic U.S. manufacturing, especially as the Biden Administration plans to spend heavily to defeat the COVID-19 pandemic. “Buy American” will also address concerns that federal agencies often use exemptions and waivers to circumvent current rules and purchase foreign-made goods.

Among other things, the executive order 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.

The Potentially Small Effect of “Buy American”

While these provisions may be well intended, their effects could be muted. According to data reported in the System Award Management Contract Database, in fiscal year 2019, the federal government purchased about \$221.7 billion worth of goods subject to current procurement regulations under the Buy American Act of 1933. As shown in the table below, of that total just 3.5 percent or \$7.8 billion were foreign-made products.

It is difficult to imagine that “Buy American” will have a large impact on U.S. manufacturing since U.S.-made goods already account for 96 percent of purchased goods. The provisions to restrict waivers and exemptions may also have little effect since the foreign products purchased through waivers and exemptions are already counted for in the 3.5 percent of foreign-made products.

Table 1: The Amount of Goods Made Outside the United States Procured by the Federal Government in Fiscal Year 2019 by Selected Agencies/Departments

Buy American Act Place of Manufacture			
Department Name	Total Product	Mfg Outside U.S.	% Mfg Outside U.S.
Total	\$221.7b	\$7.8b	3.51%
COMMERCE, DEPARTMENT OF	\$794.8m	\$43.2b	5.43%
DEPT OF DEFENSE	\$190.8b	\$6.7b	3.52%
EDUCATION, DEPARTMENT OF	\$32.1m	\$370k	1.15%
ENERGY, DEPARTMENT OF	\$226.0m	\$7.3m	3.24%
ENVIRONMENTAL PROTECTION AGENCY	\$65.4m	\$1.6m	2.39%
FEDERAL COMMUNICATIONS COMMISSION	\$28.6m	\$0	0.00%
FEDERAL ELECTION COMMISSION	\$7.2m	\$12.2k	0.17%
FEDERAL TRADE COMMISSION	\$11.2m	\$42.7k	0.38%
GENERAL SERVICES ADMINISTRATION	\$3.1b	\$160.6m	5.17%
HEALTH AND HUMAN SERVICES, DEPARTMENT OF	\$2.8b	\$166.4m	5.88%
HOMELAND SECURITY, DEPARTMENT OF	\$4.1b	\$95.0m	2.30%
HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	\$31.7m	\$0	0.00%
INTERIOR, DEPARTMENT OF THE	\$434.7b	\$28.5m	6.56%
JUSTICE, DEPARTMENT OF	\$1.7b	\$30.5m	1.80%
LABOR, DEPARTMENT OF	\$64.8m	\$2.0m	3.14%
SECURITIES AND EXCHANGE COMMISSION	\$51.2m	\$3.4m	6.59%
SMALL BUSINESS ADMINISTRATION	\$14.0m	\$10k	0.08%
SOCIAL SECURITY ADMINISTRATION	\$515.7m	\$1.3m	0.26%
STATE, DEPARTMENT OF	\$1.2b	\$190.0m	15.55%
TRANSPORTATION, DEPARTMENT OF	\$617.8m	\$15.7m	2.53%
TREASURY, DEPARTMENT OF THE	\$2.0b	\$165.0m	8.36%
VETERANS AFFAIRS, DEPARTMENT OF	\$10.9b	\$51.4m	0.47%

*Note the figures will not add up to the total because not all federal agencies were included for simplicity. Please see more detailed table [here](#).