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“Buy American” Hurts Americans **by Sheldon Richman**

President Bush has a plan to address the so-called trade deficit, which worries people so much. According to the wire services, Bush said, “People can buy more United States products if they’re worried about the trade deficit.”

That will appeal to many Americans in a nationalistic fever. What could make them feel better than passing up inexpensive, high-quality, foreign-made products and buying pricier, American-made counterparts? But it won’t help the economy or the American people in general.

Frankly, I can’t tell whether President Bush is kidding or not. His phrase “if they’re worried about the trade deficit” implies that he doesn’t seriously mean what he said. But either way he has erred big time. If he means it, then he has fallen for one of the silliest fallacies imaginable. And if he doesn’t mean it, then he is deliberately propagating that fallacy. A president should be more careful.

The facts are these: “Buying American” doesn’t help “America,” and buying foreign products doesn’t hurt “America.” It takes the most naive form of collectivism to believe the opposite. To put it another way, the trade deficit is nothing that needs resolving. It’s a deficit only because not everything is being counted. If you only looked at your expenditures and ignored your income, you’d be horrified by your personal deficit. But of course you would be missing the full picture.

The so-called trade deficit refers to the current account, which keeps track of Americans’ exchanges of goods and services with people in other countries. If in the aggregate during a given calendar year, the dollar value of the goods and services we buy from foreigners exceeds the dollar value of what we sell to them, that difference is said to be the trade deficit.

But this is obviously a half-told story, because foreigners can do things with the dollars they earn other than buy American goods and services. They can invest in the United States by purchasing stock in companies or corporate bonds. That’s good for Americans because it helps create new products and job opportunities. Foreigners can also buy government securities.

(There's an easy way to keep foreigners from being creditors for the U.S. government, if that bothers anyone: stop deficit spending.)

The point is that when you count everything — purchases, investments, and dollar holdings — the books must balance. It's an accounting certainty.

But surely “buying American” can't hurt, can it? Yes it can. It can hurt particular groups of Americans. If we buy Toyotas and Hondas, Japanese people will have dollars with which they can buy, say, American lumber. (They can't spend dollars in their supermarkets.) But if a wave of counterfeit patriotism sweeps the country and we buy only American-made cars, those Japanese won't have the currency they need to buy the lumber. The lumber companies will have fewer sales and will lay off workers. Has America been helped by the “Buy American” policy? Not at all. Some Americans will benefit, but others will suffer.

We live in a global marketplace with a vast division of labor — the greatest exercise in worldwide cooperation ever seen. Nations don't trade with each other. Individuals do. Just because two people are Americans, it doesn't mean their interests are identical. If a Japanese auto corporation offers me a vehicle with the features I want at a price I like, I have a harmony of interest with that group of Japanese. “Buying American” would not make me better off. But it would hurt some Americans: remember the lumber workers.

If American automakers get the government to make it harder for me to buy a Japanese car, my interests are hardly served. So how can that policy be said to be in America's interest?

It is time we got over the trade foolishness that is displayed daily in the nation's newspapers and news programs. Voluntary exchange is good for buyers and sellers, or it would not take place. That the parties live in different countries is irrelevant.

To understand economics, you have to look beyond the immediate effects. “Buy American” hurts many Americans. Buying imports maintains and creates American jobs. Lose your guilt. Buy what you like.

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