

THE BUY AMERICAN ACT: MODELING POLICY UNDER THE BIDEN ADMINISTRATION

The Agenda



- What is REMI?
- Framing the issue
- Possible economic outcomes
- Assumptions and methodology
- Live PI+ demo

Who We Are



- Regional Economic Models, Inc. (REMI) was founded in 1980 on a transformative idea: ***government decision-makers should test the economic effects of their policies before they're implemented.*** We are the nation's leader in dynamic local, state and national policy modeling.
- Our team of research economists and software developers are dedicated to continued model innovation.

What is the Buy American Act?



- January 25th, 2021
- Restrictions on what goods the federal government can purchase
- Price preference law- not a mandate to buy domestic goods^{1, 2}
 - Waivers and exceptions³
 - Public interest
 - Trade Agreements
 - Unavailability
 - Cost

Key Changes in the 2021 Executive Order⁴



	U.S. Origin Parts or Materials (Supplies)	U.S. Origin Parts or Materials (Construction)	Commercially Available Off The Shelf (COTS) Items
End Products Made Wholly or Predominantly of Iron or Steel (or Both)	Increasing from $\geq 50\%$ to $\geq 95\%$	Increasing from $\geq 50\%$ to $\geq 95\%$	Domestic content requirements not waived for iron and steel end products, except for fasteners
Other End Products	Increasing from $\geq 50\%$ to $\geq 55\%$	Increasing from $\geq 50\%$ to $\geq 55\%$	Domestic content requirements waived for COTS items
Domestic Item Price Preference	Increasing from 6% to 20% (large businesses) and 12% to 30% (small businesses)	Increasing from 6% to 20%	Increasing from 6% to 20% (large businesses) and 12% to 30% (small businesses)

The History Behind Buy American⁵



- 1933: Buy American Act signed by Herbert Hoover
- 1982: Buy America Act targeted road/rail transportation
- 2017, 2019: President Trump executive orders to strengthen "buy and hire American"^{6, 7, 8, 9}
- 2021: President Biden renews through EO

Economic Implications



- A rise in domestic manufacturing as well as a possible reshoring effect within some industries
- An increase in government spending due to higher acceptable preferential rates
- Shifting away from imports and the economic trade-off that accompanies this shift
- Caveat: 97% of government purchases, by cost, are already American-made¹⁰

PI+ MODEL DEMO

Model Methodology



General Equilibrium

Input-Output

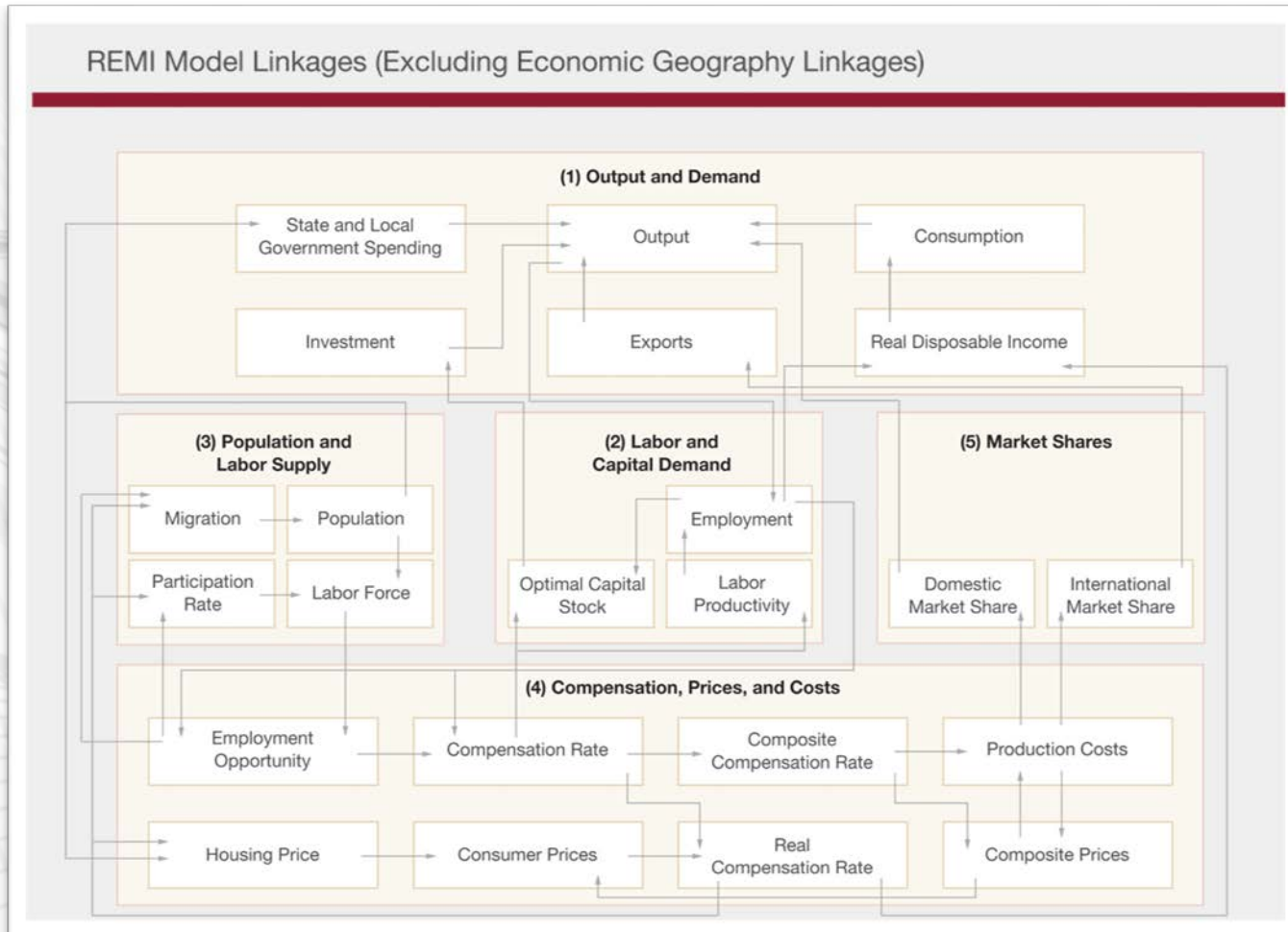
Econometrics

Economic Geography



**Integrated REMI
economic modelling
approach**

Model Structure



what does **REMI** say? sm

Variables and Assumptions



- ❑ National PI+ model with 8 BEA regions and 160 industries
- ❑ Regional Purchase Coefficient (RPC): how much of a region's consumption is self-supplied
- ❑ $(1-RPC) \times$ Government Demand: how much government demand of an industry is met outside the region
- ❑ Optimistic scenario: 100% of government imports shift to domestic sales
- ❑ Pessimistic scenario: 50% of government imports shift to domestic sales (iron and steel are still 100% shift)
- ❑ 2021-2030

Conclusion



- Distinct gains in employment and GDP
 - But with maybe unrealistic scenarios
- Price difference: big or small?
- Increased government spending, administration
- Other costs: diplomatic, retaliatory

Citations



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2. Rapoza, Kenneth. “Reshoring Pharmaceutical Production: Are Buy America Laws Enough?” *CPA*, 3 Sept. 2020, https://www.prosperousamerica.org/reshoring_pharmaceutical_production_are_buy_america_laws_enough
3. Cooper, Jason. “Legislative Analysis: History of Buy American Legislation from 1933 to Today.” *CPA*, 5 Jan. 2017, www.prosperousamerica.org/legislative_analysis_history_of_buy_american_legislation_from_1933_to_today.
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5. Cooper, "Legislative Analysis"
6. “Buy American and Hire American.” *Federal Register*, 21 Apr. 2017, www.federalregister.gov/documents/2017/04/21/2017-08311/buy-american-and-hire-american.
7. “Buy American and Hire American: Putting American Workers First.” *USCIS*, 8 Feb. 2021, www.uscis.gov/archive/buy-american-and-hire-american-putting-american-workers-first.
8. “Maximizing Use of American-Made Goods, Products, and Materials.” *Federal Register*, 18 July 2019, www.federalregister.gov/documents/2019/07/18/2019-15449/maximizing-use-of-american-made-goods-products-and-materials.
9. “Strengthening Buy-American Preferences for Infrastructure Projects.” *Federal Register*, 5 Feb. 2019, www.federalregister.gov/documents/2019/02/05/2019-01426/strengthening-buy-american-preferences-for-infrastructure-projects.
10. Murphy, John. “Q&A On ‘Buy American’ Policies.” *U.S. Chamber of Commerce*, U.S. Chamber of Commerce, 25 Jan. 2021, www.uschamber.com/issue-brief/qa-buy-american-policies.

Q & A



- Questions
- Our next webinar, “Efficiency & Resilience in Economic Models: Resilience Analytics in Post-COVID Societies,” will be held February 11, 2021 at 2pm (EST)
- If you have further questions or interest in a model demonstration, please contact us at julia.wacker@remi.com or carson.poling@remi.com