

Buying Foreign Goods Saves American Jobs

by Robert Carreira

Roger Simmermaker of Orlando, Florida, is leading a national campaign to encourage Americans to “Buy American.” In 1996 Simmermaker wrote *How Americans Can Buy American*, which recently was published in a second edition.¹ The book, as its title implies, provides guidance on how to identify and buy American products in today’s integrated global marketplace. Simmermaker writes, “By changing just a few simple buying habits, usually at little or no cost or inconvenience to the consumer, we can re-direct literally thousands of dollars out of hands of foreigners and into the hands of Americans.”

While this sort of consumer-led protectionism is preferable to subsidies, tariffs, and import quotas imposed by the government, it is unfortunately born of the same economic illiteracy. In a segment on CNN’s “Lou Dobbs Tonight” last January, Simmermaker claimed that if Americans made a conscious effort to buy American products whenever possible, the impact on the U.S. economy would be enormous. He is correct that indiscriminately purchasing American products would have an enormous impact, but that impact would be enormously grave.

If consumers were unaware of, or unconcerned with, the origins of specific consumer goods, they would seek the highest-quality

products at the best available prices. Thus for those American products that offer the highest quality at the best price, there is no need for crusaders such as Simmermaker to encourage Americans to buy them. What is left, then, is for Simmermaker to encourage American consumers to purchase those other American products that are higher priced and/or of lower quality than competing foreign goods. According to him and others, doing so will preserve American jobs and help the American economy.

In fact, inducing Americans to purchase higher-priced goods harms the American economy in several ways. The most significant, contrary to Simmermaker’s basic presumption, is that indiscriminate buying of American goods costs American jobs.

One of the primary reasons American consumers purchase foreign-made goods is that those goods are often less expensive. Consider a simple basket of American products that cost \$20,000, and includes an automobile for \$18,000, an assortment of electronic items for \$1,500, and clothing for \$500. Now consider a basket of comparable foreign-made goods that cost only \$15,000, including an automobile of similar quality for \$13,500, electronic items for \$1,250 and clothing for \$250. Simmermaker would encourage American consumers to purchase the American goods, although they would cost an additional \$5,000.

Indeed, if Americans follow Simmermaker’s advice and buy the more-expensive

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basket of goods, American jobs would be preserved in the automobile, electronics, and clothing industries. Unfortunately, this is where Simmermaker's economic analysis ends.

Let's take the analysis a step further. If Americans were to purchase the less-expensive basket of foreign goods, in addition to having all their needs met that induced them to purchase the goods in the first place, they would also have an additional \$5,000 with which to purchase other goods and services. Perhaps they would upgrade their computer operating systems, dine out more often, see more movies or plays, attend more concerts, and purchase more books. In this instance, the \$5,000 saved by purchasing the less-expensive foreign goods results in the creation of additional jobs in the software, restaurant, entertainment, publishing, and other industries where the money saved would be spent.

But the benefits to Americans of buying the less-expensive foreign goods do not end there. Consider the \$15,000 spent on the foreign goods. This money is now in the hands of foreign producers. One of two things will happen next. One possibility, a very unlikely one, is that nothing will be done with the money; that is, it will simply sit in some vault or be sewn into some foreign producer's mattress never to be seen again. In this case, the American consumer has received a basket of useful goods, while the foreign producer has received a bunch of useless slips of green paper.

Dollars Spent or Invested

The second and more likely possibility is that the money will be spent on American goods or services, or invested in the U.S. economy, either directly or indirectly. Perhaps the foreign producer will take his family on a trip to Disneyland, purchasing a host of services that will elude U.S. Department of Commerce balance-of-trade sheets, perpetuating the false impression of a trade deficit.² Perhaps the Japanese automaker

will purchase a bottle of French perfume, and the French perfume producer will use the dollars to purchase the latest edition of Windows. In any case, the money, if not left simply to gather dust, will find its way back into the American economy creating jobs in countless American industries in the process.

Those opposed to foreign trade bemoan lost jobs to foreign competition. Yet they fail to account for the fact that as imports of goods and services have increased, the U.S. unemployment rate has declined. In the 15 years from 1988 through 2002, a period in which the United States experienced record levels of imports averaging over \$928 billion per year³ and in which we were deluged with cries that American jobs were moving out of the country in search of cheap labor, the average annual unemployment rate was a healthy 5.5 percent.⁴ However, in the 15 years before that, from 1973 through 1987, when average annual imports of goods and services totaled a mere \$312 billion per year (in 2003 dollars) and there was much less concern about losing jobs to cheap foreign labor markets, the average unemployment rate was significantly higher, 7.2 percent.

In addition to the creation of American jobs associated with increased imports, per capita income has also risen, from \$14,291 per person in 1973 to \$22,851 in 2001—an inflation-adjusted increase of nearly 60 percent.⁵

The best thing Americans can do to save American jobs is to be smart shoppers and purchase goods that offer the highest quality at the lowest price—wherever they are made. Merely acting in one's own self-interest is the best means of advancing the interests of society. □

1. See sample chapters at Simmermaker's website, www.howtobuyamerican.com.

2. For more on the fallacy of trade deficits, see Frédéric Bastiat, *Economic Sophisms* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1996 [1845]).

3. U.S. Department of Commerce, Bureau of Economic Analysis, interactive database at www.bea.gov/.

4. U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov/cps/prev_yrs.htm.

5. Personal income data expressed in 2001 dollars. U.S. Census Bureau, www.census.gov.