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Representative Barney Frank
Chairman, Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Frank:

I am writing you at this time to urge your leadership in removing from the impending economic-stimulus legislation any sort of Buy American provisions.

In recent years you have been a voice of reason and vision in attempting to craft a “grand bargain” among different U.S. stakeholders to create a new U.S. policy mix that would allow the country to both reap the aggregate gains of global engagement while also distributing these gains more widely and fairly. Your leadership has been very welcome here, and I have enjoyed the opportunity to assist you in this effort.

Yet today our country faces a critical choice: whether to add meaningful Buy American rules and requirements to coming fiscal stimulus. You yourself have recently pointed out how appealing such rules can be to American families and voters: “People need to understand their chances of talking the American public out of this kind of attitude are zero.” That said, in at least three important ways these Buy American provisions would greatly damage a visionary “grand bargain” for future U.S. economic policy.

First, Buy American provisions could hurt America today, by dulling the stimulus. For the many critical infrastructure investments envisioned in the stimulus—for roads, schools, and so forth—these provisions could raise costs, lower quality, and lengthen completion times. All of this would serve to reduce, not increase, the number of American jobs created or saved.

Second, Buy American provisions could hurt America tomorrow, by triggering retaliation among our trading partners that would shut us out of foreign markets. This is critical because America needs stronger export demand to achieve a sustainable economic recovery less dependent on consumption spending. For four years running since 2005, growth in total real U.S. exports has exceeded that of total real U.S. imports and has thereby been a key pillar of overall U.S. economic growth. But today the deepening recession in many of our key trading partners has triggered a precipitous drop in U.S. export—at a stunning annualized rate of 19.7% in the fourth quarter of 2008.

The leaders of many global economic powerhouses—including strong allies such as Australia and Japan—have condemned the Buy American provisions and have warned of the likely response of higher trade and investment barriers abroad. New barriers abroad would curtail our exports and thereby prolong the hardship facing American workers and families.

Third, Buy American provisions could hurt America both today and tomorrow, by pushing our country away from leadership in global trade and investment policy. The current global economic recession has only deepened U.S. links to the global economy, in ways that further blur the lines of “us” vs. “them” and that make isolationist policies both less feasible and more costly. At a time when countries desperately need leadership to avoid mutually destructive policies, Buy American provisions would erode our country’s ability to provide this leadership.

Whatever shape any Buy American provisions might take in the evolving stimulus legislation, I would urge you to see them as a step away from, not towards, a visionary grand bargain for our country. If I can be of any assistance in this matter, please do not hesitate to ask.

Sincerely,

Matthew J. Slaughter