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What a post-pandemic recovery and the Biden White House could mean for the state's manufacturers

By: *Daniel J. Munoz*

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On Jan. 26, President Joe Biden signed the “Buy American” order, aiming to close loopholes in the federal government’s requirement to buy anything it needs from American companies. The move, Biden argued, is meant to bolster the nation’s manufacturing industry at a time when the economy as a whole could use a boost.

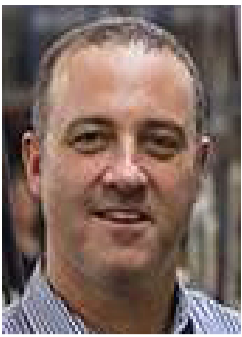
“Under the previous administration, the federal government contracts awarded directly to foreign companies went up 30 percent. That is going to change on our watch,” the president said in his remarks. “Today I’m taking the first steps in my larger ‘build back better’ recovery plan that invests in American workers unions and businesses up and down the supply chain.”

The president went on to announce plans that same week to replace the nation’s cars and trucks with lower-emission electric vehicles manufactured in the U.S.

Biden’s efforts are the latest in decades of attempts by administrations of both parties to reverse the outflow of manufacturing capability overseas. The national and New Jersey business communities and manufacturing sectors have learned a few things in the process.

“Some of the [executive orders] and bills that have passed have made a difference,” said Mitch Cahn, founder and president of Newark-based Unionwear, which manufactures hats, bags, binders and other promotional materials.

“But in general, what hasn’t made a difference is ordering people to buy ‘Made in America.’ Just simply saying ‘we’re going to order you to buy ‘Made in America’ or incentivize you to buy ‘Made in America’ [doesn’t work] because there are systemic problems with the infrastructure of domestic manufacturing.”



Cahn

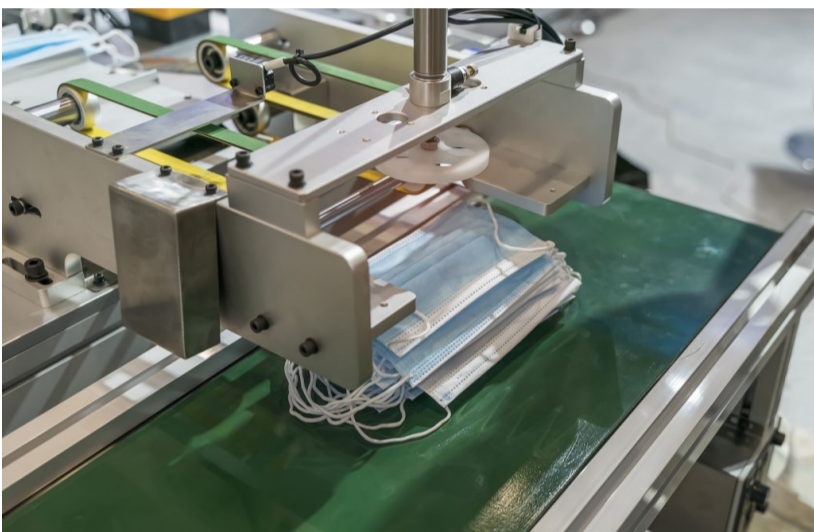
Much of the problem stems from complicated and non-intuitive international monetary policies, according to Rob Scott, an economist with the Economic Policy Institute in Washington, D.C. Scott pointed out that the nation's trade deficit – the value of imported goods exceeding the value of exports – has ballooned since 1975, reaching over \$900 billion as of 2020.

“At the heart of these policies are measures to end the overvaluation of the U.S. dollar and rebuild the competitiveness of U.S. manufacturing industries,” Scott and other EPI economists wrote in an Oct. 20 report.

“Why? Because it will reduce the costs of U.S. exports and build demand for goods made in America. It will also raise the cost of imported products, so it will be less attractive to those federal and state and local purchasing managers to buy imported products and components,” Scott added.

The strained trade relationship with China, Cahn said, would continue to have a significant impact on manufacturing in the years ahead. “At least since 1990, Americans have been able to import goods cheaper than they can make them, and since 1990 there haven't really been too many terrible consequences for doing this, like major shocks to the system,” he continued. “A lot of people have lost their jobs, a lot of manufacturing plants have closed ... the manufacturing jobs that are lost, the type of people who lost those jobs often move to new careers.”

Biden's plans to inject trillions of dollars into the nation's clean energy industries “would create enormous demand for construction and manufactured products made in America,” Scott said.



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Similar efforts in New Jersey by the Murphy administration, like with offshore wind manufacturing centers being built in South Jersey, have also inspired confidence about a clean energy economic boom coming out of the COVID-19 recession. And the \$14 billion New Jersey Economic Recovery Act of 2020 includes incentives to help cut the costs of manufacturing goods in the Garden State.

John Kennedy, who heads the non-profit New Jersey Manufacturing Extension Program, said he supports the order Biden signed, but acknowledges that it leaves something to be desired. “It is a program that needs more teeth, but you need to start somewhere,” he said in an email. “The fact is that the Executive Order from the president is important, but symbolic as well.”

He pointed to a number of other state-led efforts. The proposed “New Jersey Buy American Act” would require

certain highway and bridge construction contracts to include iron and steel products made in the U.S. Under Senate Bill 853, the mandate would apply to state contracts valued at more than \$1 million. The Senate approved the measure on Nov. 5; the Assembly State and Local Government Committee cleared it on Jan. 25.

Assembly Bill 4803, sent to Gov. Phil Murphy on Dec. 17, would use New Jersey manufacturers to build back the state's stockpile of personal protective equipment, such as gloves, gowns, face shields and masks. During the first wave of the COVID-19 pandemic in the spring, New Jersey and neighboring states were left jockeying for limited supplies of PPE. This measure is aimed at preventing a future scenario.



Kennedy

“Immediate action to improve state and national manufacturing of critical supplies and equipment will help increase our preparedness,” the bill's Democratic sponsors said in an Oct. 30 statement. “By creating a certification program for manufacturers to shift production purposes and establishing a sufficient state stockpile, we will ensure New Jersey is better prepared to respond to future threats to public health.”

Cahn, who sits on NJMEP's board of directors, said that this combination of the “PPE crisis, and the pharmaceutical crisis and the ventilator crisis” amid the pandemic demonstrated the vulnerability created when manufacturing shifts overseas.

“We realized that outsourcing certain industries out can have fatal consequences. People died because we did not have enough PPE manufacturing,” Cahn said. “And the difference in costs wasn't enough to explain why we were going to let this happen again.”

Kevin Lyons, an associate professor of supply chain management at the Rutgers Business School, said that local and state level economic efforts bode well for buying domestically, as long as public officials and business executives coordinate their efforts. Lyons is involved with the 2020 “Buy Newark” initiative, under which businesses headquartered in the state's largest city buy directly from Newark businesses.



Lyons

According to Newark Mayor Ras Baraka's office, there are some sizable partners, including Rutgers-Newark, United Airlines, Prudential, Verizon, Horizon Blue Cross Blue Shield of New Jersey, and Panasonic.

In October, the chief executive officers of some of New Jersey's largest companies – Merck, Prudential Financial, Verizon, RWJBarnabas Health, BD, PSEG, Campbell Soup and Johnson & Johnson – pledged to train or hire a combined 70,000 New Jerseyans by 2030 and spend an additional \$500 million on local goods and services by 2025.

In 2020, the New Jersey Chamber of Commerce rolled out a “Buy NJ campaign” with similar goals, and in a January statement touted it “as a way to help New Jersey's recovery from the COVID-19 economic crisis.”

With a mandate to buy local in New Jersey, companies effectively have an entire state's worth of vendors, Lyons said. Biden's order expands this "shopping cart" to businesses in all 50 states. "If it's concentrated and purposeful, and folks really take it seriously, then the answer is yes, it has a tremendous value," he said in an interview.

Multinational and national companies have incentives to seek the best price available, whether it's local or halfway around the world. "But we can make the local competitive," he said.

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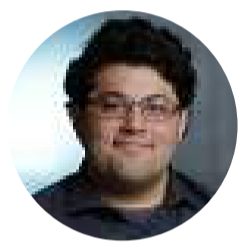
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