

**Socially Responsible Supply Management:  
Thinking Global in Local Government Purchasing during a Fiscal Crisis**

Thomas J. Catlaw  
Arizona State University

Tough economic times are often the well-spring of innovation—indeed many of the selective purchasing practices now taken for granted emerged during the Great Depression. Despite financial hardship, these practices aimed beyond the bottom line to advance broader social and political goals. Today’s economic downturn offers comparable opportunities.

Selective purchasing has long history in the United States. Many localities have in-state preference statutes or “buy American” laws, a practice that dates back to the Civil War era. Governments have required that set percentages of awards go to small or local businesses since at least the 1940s. Since the 1960s civil rights movements, governments routinely have limited competition in contracting to women-, disabled-, or other minority-owned businesses. During Apartheid in South Africa, many local communities refused to invest in that country to protest its policies. Today, new goals are being advanced through purchasing. For example, growing concern for the environment and sustainability has spurred wide interest in and action towards what is called “environmentally preferable” or sustainable purchasing to create a cleaner environment and save the public money (e.g. savings from energy efficiency). Some municipalities are advancing a “living wage” policy through their purchasing.

As the notion of environmentally preferable/sustainable purchasing suggests, there is a need to consider government purchasing decisions in a *global* context and to see purchasing as *embedded in a global supply chain*. Four factors compel thinking globally in public procurement today. First, local governments are acutely aware they operate in a global economy, the dynamics of which they are increasingly exposed through the use of complex financial instruments and alternative forms of debt issuance. This reality has been brought home by the current financial crisis. Second, government purchasing in the United States accounts for upwards of 20% of gross domestic product and the General Accountability Office reports that this figure will continue to grow as government expends greater percentage of its discretionary funds in contractual or outsourcing relationships. In other words, whatever the rhetoric of downsizing, governments possess and will possess in the future ever greater influence in regulating the marketplace through its growing participation *in* the marketplace.

Third, it is well-known that the growth in contracting and third-party provision raises concerns about accountability. Active involvement in the management of the supply chain is a critical way for local governments to resume greater accountability for the way it spends public funds. Fourth, in light of these trends, the practice of public procurement itself has changed from a concern with more narrow “tactical” concerns (e.g. issuing purchase orders, order tracking) to a broader more strategic matters, including global supply alliances and sourcing.

Notwithstanding the growing push to “go green,” citizens, too, are becoming smarter and now demonstrate considerable sensitivity to the origins of the goods that they buy and consume, as evidenced by the explosion in the organic food industry and the recent public outcry over defective toys and baby food from China. Procurement problems have also appeared in the mainstream press. In June 2007, for example, the *New York Times* ran a front page story about how ConEd, the major New York public utility, had been purchasing its manhole covers from a foundry in India the working conditions of which can only be described as horrific. One wonders what other, similar stories lay behind local government purchases.

While private corporations routinely and successfully seek to influence and change supplier practices through their global supply chains, public procurement also can play an active role in assuring not only the quality of the outputs or products it buys but also in the quality of the processes that produce them. Local governments are especially well positioned to play a leadership role in this area since these entities generally are not subject to the same restrictions imposed on national level governments under World Trade Organization and NAFTA conventions (the Central American Free Trade Agreement or CAFTA can be an exception). And local governments are acting. For example, in the last few years at least 36 U.S. localities have adopted various kinds of “sweatshop free” purchasing guidelines ([www.sweatfree.org](http://www.sweatfree.org)).

One could say that tight fiscal times call for tight fiscal measures and that socially responsible supply management doesn’t make the cut. However, though history

governments have often viewed periods of financial distress as opportunities to advance important social and political goals. Pursuit of these goals, moreover, need not be seen inherently more costly when considered in terms of long-term social costs.

#### Reference List

Cogburn, J. D., & Rahm, D. (2005). Environmentally preferable purchasing: Who's doing it in the United States? *Journal of Public Procurement*, 5(1), 23-53.

Cummings, G., Lloyd, R. E., Qiao, Y., & Thai, K. V. (2006). *State and local procurement preferences: A survey*. Herndon, VA: National Institute of Government Purchasing.

Lynn Jr., L. E. (2006). *Public management: Old and new*. New York: Routledge.

Matthews, D. (2005). Strategic public procurement in the public sector: A mask for financial and administrative policy. *Journal of Public Procurement*, 5(3), 388-399.

McCrudden, C. (2007). *Buying social justice: Equality, government procurement, and legal change*. New York: Oxford University Press.