

## RESEARCH SUMMARY

# Does the United States Need a More Targeted Industrial Policy for High Tech?

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The idea of industrial policy is experiencing a major revival in the United States. From both the Left and the Right, calls can be heard for ambitious new government schemes to boost innovation in semiconductors, 5G wireless networks, artificial intelligence, and other high-tech sectors. In “Does the United States Need a More Targeted Industrial Policy for High Tech?” Adam Thierer and Connor Haaland make the case for a better way.

### **WHY THE INCREASED ADVOCACY FOR EXPANSIVE NATIONAL INDUSTRIAL POLICY?**

Policy advocates insist that America is slipping behind China and the European Union, and that to stay competitive in strategic high-tech sectors of the economy America must craft highly targeted industrial development plans. However, such top-down efforts by governments have a poor track record of success. Simply pouring billions of additional dollars into hardened bureaucracies cannot guarantee innovation outcomes.

### **PITFALLS OF A TARGETED APPROACH**

A targeted approach to economic development and industrial policy favors particular firms and industries. It distributes benefits such as targeted tax relief, cash subsidies, regulatory dispensations, and in-kind donations of land and other valuable goods and services.

- Targeted development efforts typically involve many tradeoffs that often are not taken into consideration by industrial policy advocates. These include tendencies to crowd out private investments and steer public resources into unproductive endeavors, as well as more serious problems, such as cronyism and corruption.
- Targeted forms of industrial policy involve picking winners and losers. But such government bets entail high risk and are therefore incompatible with the government’s fiduciary responsibility to put tax dollars to their most productive use.

### **BENEFITS OF A GENERAL APPROACH**

Governments should therefore focus on a general approach, setting the table for entrepreneurial activity instead of trying to determine what will be on the plate. The most important thing that policymakers can do to boost economic opportunities is to create a legal and regulatory environment that fosters entrepreneurialism, investment, innovation, and free trade.

- A general approach focuses on fostering broad-based prerequisites for economic growth, such as sound money, stable legal institutions, low and simple taxes, streamlined permitting processes, sensible regulations, and clear protection of contracts and property rights.
- Individual entrepreneurs and businesses are better equipped to forecast the future and make productive investments than technocratic planners are. The United States has the most vibrant venture capital market in the world; it operates to support risky ventures without gambling taxpayer dollars.