The Daily Dish

No CHIPS, Please

DOUGLAS HOLTZ-EAKIN | MARCH 29, 2023

In implementing the CHIPS Act, the Biden Administration has attached yet another round of strings that have made the law untenably bad. Industry should simply walk away from the subsidies and the web of industrial policy, unionization, and social engineering that has been attached to them. As Bloomberg reports: "The Biden administration unveiled tight restrictions on new operations in China by chipmakers that get federal funds to build in the US, potentially hampering efforts to expand in the world's largest semiconductor arena. The $50 billion CHIPS and Science Act will now bar firms that win grants from expanding output by 5% for advanced chips and 10% for older technology. The Commerce Department also outlined other measures including a $100,000 spending cap on investments in advanced capacity in China."

Eakinomics should not be surprised (and was not a fan to begin with). The anti-growth "guardrails" come on the heels of an array of unanticipated rules intended to promote unions, advantage favored demographics, empower the administration's "community partners," and other political objectives. Firms also have to shell out for community investment (whatever that means), wraparound services (ditto), provide access to "affordable, accessible, reliable and high-quality child care," and be prepared to engage in sharing their profits with the Department of Congress. With the stroke of its regulatory pen, the administration transformed bipartisan (albeit flawed) legislation into a shipwreck of crippling, expensive mandates to advance its political and social agenda.

Then again, there is a pattern here. The American Rescue Plan was advertised as stimulus but a large number of the elements of the law can only be understood as long-standing and permanent political objectives that were inappropriately advertised as a response to COVID-19. Take, for example, the grotesque bailout of the multiemployer pension system, as well as the expanded and advanceable child tax credit, the child care tax credit, the expanded earned income tax credit, and the expanded and larger premium tax credits. The administration took a basic objective – stimulus – and warped it beyond recognition and

effectiveness with its political overreach.

Ditto the Inflation Reduction Act (IRA), which was driven by the political imperative to "get something done." But there is little in the IRA substance to commend. It was never going to reduce inflation, the health provisions are incoherent, and the "historic" investment in combatting climate change is part of a larger strategy that never made sense, is chump change compared to the cost of the problem, and has been badly warped by the administration's fealty to unionization efforts.

The administration simply lacks discipline and focus. The CHIPS fiasco is merely the latest reminder.