



Insight

“CHIPS” Feeds Spending Spree

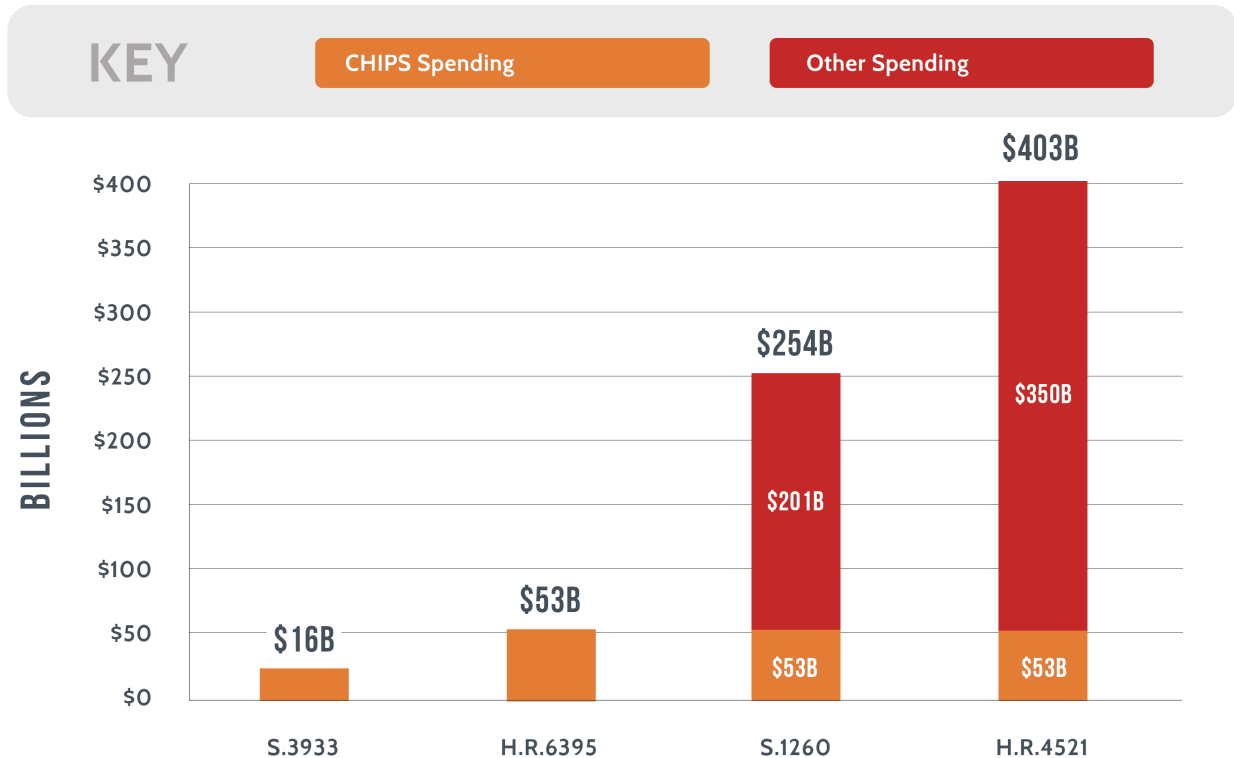
TORI SMITH, TOM LEE | MAY 4, 2022

The COVID-19 pandemic and its fallout created a worldwide shortage of semiconductors, which placed a significant strain on the U.S. economy, and the automotive industry in particular. Early in the pandemic, the shortage was largely due to auto companies canceling semiconductor orders in anticipation of low demand for their products, as well as temporary semiconductor factory shutdowns. Congress sought to address this shortage in June of 2020 with the [CHIPS for America Act](#), legislation that would have provided \$16 billion for research and development in the semiconductor industry.

Later, as semiconductor shortages were exacerbated by port delays and other supply chain issues, Congress proposed several additional CHIPS-inclusive subsidy packages – now pitched as part of a broader effort to compete with China – with each more expensive than the last. As the infographic shows, the latest iterations of such legislation – the [United States Innovation and Competition Act of 2021](#) and the [America COMPETES Act of 2022](#) – have morphed into \$250–\$400 billion catchall bills covering everything from seafood imports to climate funding. In the meantime, the cost of “fixing” the temporary semiconductor shortage has more than *tripled*.

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The cost of “fixing” the temporary semiconductor shortage has more than tripled since the first CHIPS bill was introduced in 2020. Moreover, what started as \$16 billion for semiconductor research and development has morphed into a more than \$400 billion catchall bill for everything from seafood imports to climate funding.



The referenced legislation, while not comprehensive of all bills related to CHIPS, includes: S.3933 CHIPS for America Act, H.R. 6395 William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, S.1260 United States Innovation and Competition Act of 2021, and H.R.4521 America COMPETES Act of 2022.

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Legislation to subsidize the semiconductor industry started as a bad idea and grew worse from there. First, it takes three to five years to bring a semiconductor foundry online, meaning that this crisis will have long passed by the time these new facilities could produce their first chips. Moreover, the private sector is already tackling the issue, committing [nearly \\$200 billion](#) to new semiconductor production without CHIPS funding. Finally, the shortage is slowly resolving itself, as factories have resumed production and responded to the increased demand. Some estimate that the [shortage will ease](#) in late 2022 or early 2023.

In a nutshell, lawmakers’ efforts to bolster the supply of semiconductors are at best simply unnecessary; at worst, they are a wasteful taxpayer handout to the chip industry—and a legislative vehicle to which hundreds of billions of unrelated spending has been added.