

## The Endless Debate on U.S. Industrial Policy

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Today's debate on the urgent need for the U.S. to institute an industrial policy sounds like this: “To beat China, our new peer adversary, we *must* have an industrial policy that enables us to exploit U.S. resources in a highly coherent manner (just like China), but the U.S. *can't have* such a policy because it violates America's founding democratic principles like self-initiative and reward.”

This scenario appears to be a debate with no end and a *no-win* situation for the United States, but it is not the case.

**History** -- The debate on U.S. industrial policy has endured for decades. At first, our peer adversary was the Soviet Union. The debate has reemerged with a vengeance as America's new peer adversary/competitor, China, overtakes the U.S. with increasing speed in an increasing number of competitive environments: military, economic, social, etc.

The U.S. once had a solution to the ongoing problem of protecting American interests from peer adversaries/competitors. It was a joint White House/U.S. intelligence community initiative during the Reagan administration – the Socrates Project – whose mission was to develop the means to rebuild U.S. economic health that would ensure America's superpower status for generations.

The Socrates Project developed the means that would have enabled the U.S. to execute industrial policy that would have given the U.S. the required *unified approach* to fully counter the Soviet Union and others by effectively aligning U.S. resources while not just staying true to America's founding democratic principles, but leveraging their uniqueness in a manner that the Soviets and others could not hope to duplicate. This would have resulted in a nearly permanent and major competitive advantage for the U.S.

President Reagan used the threat that the U.S. would deploy a Socrates-developed industrial policy to decimate the Soviet economy as one of the bargaining chips in his negotiation with Gorbachev to convince him to dismantle the Soviet Union.

**Core problem** – Work within the Socrates Project determined that the reason the U.S. industrial policy debate appears to be no-win situation is the fact that people *incorrectly* defined “industrial policy” within the debate.

From Congress to academia to the press, debaters incorrectly define “industrial policy” in terms of who executes the policy and what the policy is optimizing.

**Who executes: the federal government** – What people use in the debate as the definition of industrial policy is actually a very small *subset* of industrial policy. When people use the term “industrial policy” in their arguments, they are referring solely to Soviet-style planning in which the central government develops the policies and then maintains strict control over their execution.

Actually, industrial policy is the full range of policies and procedures that various entities within a country develop and execute, either coherently or in a fragmented fashion, whose

function is to increase the domestic and/or international competitiveness of one, more than one, or all the "sectors," and, in some cases, the divisions within a sector, of a country's competitiveness ecosystem.

The definition does not include *where* within the country's competitiveness ecosystem (e.g., government, academia, industry, finance) policies and procedures are developed and who oversees their execution. Upon examining various countries' industrial policies, one can see that a variety of ways exist to develop and oversee execution of these policies and procedures. Only a small percentage of these industrial policies are Soviet-style, government-centric-style planning.

***What the policy optimizes: federal funds*** – In the ongoing debate, one of the foundational premises is that the function of industrial policy is to optimize the distribution of government funds to the various sectors and industries of the country's competitiveness ecosystem to maximize the country's economic health – aka "government picking the winners and the losers."

In turn, measuring the success of the industrial policy will be in terms of how well those who executed the policy optimized government funds relative to a financial measure of the economic health of the country (e.g., unemployment, GNP).

The problem is that a country's economic health, strength, and growth are not the result of the effective optimization of its funds.

As Xi Jinping has openly and correctly stated in numerous speeches and documents, and, as the Socrates Project determined for President Reagan, the basis of a country's economic, military, and political strength and growth is its ability to exploit technology more effectively than its competitors and adversaries – not how effectively a country optimizes the exploitation of its funds.

Exploiting technology more effectively than the U.S. and other adversaries and competitors, not its optimization of funds, is what has enabled China to become a superpower faster than any country in history. Similarly, the U.S. became an industrial giant before WWII by exploiting the technology more effectively than its competitors of the day - not by optimizing funds to maximize profits - as the foundation for decision making.

***U.S. industrial policy*** – The Socrates Project developed the means for the U.S. to generate and execute industrial policy that will enable the U.S. to fully counter the China threat in the full range of competitive environments (economic, military, political, social, etc.) all while abiding by and achieving maximum benefits from America's founding principles – self-initiative and reward, free markets, etc.

A mosaic of interconnected, self-initiated, and self-governing symbiotic relationships among the organizations that comprise the entire U.S. competitiveness ecosystem (e.g., industry, government, academia, finance) can generate and execute the technology exploitation-based industrial policy for the U.S. that we require to fully counter the China threat.

The U.S. organizations who are the "boots on the ground" in the competitiveness fight have the first-hand knowledge, the independence, and incentive to be smart and agile in the fight, while

being interconnected on a such grand scale that they exploit the technology and other resources throughout the U.S. (e.g., funds, manpower, natural resources) in a highly coherent, but nimble and independent manner that China, Russia, or other adversaries or competitors cannot fathom, let alone overcome.

America can continue its 200+ year experiment of citizen self-governing and freedom while ensuring that the U.S. remains an uncontested world superpower for generations. The monolithic and aggressive approach to competition that China, Russia, and others yet to emerge execute will not deter or faze American ingenuity, adaptability, and inherent resourcefulness that has resulted in our ability to innovate almost spontaneously. This method of technological development is foreign to people who live in countries with governments that micromanage existence. Our form of government is conducive to creativity and encourages innovation. Coordinating this uniqueness is how we overcome outside threats. This is the quality of “Americanness” that the patriots used to defeat the British in our war for independence. It remains strong in our culture and is our best weapon. We need to wield it in a different environment (technology exploitation instead of the military battlefield).

The Socrates Project displays the precise means and benefits of cooperation between Americans for the exploitation of technology without shackling innovation and agility to arrive at an insurmountable competitive advantage.