

Congress Should “Go Big” Helping Advanced Industries Compete With China, Says ITIF; Time to Banish Fear of “Industrial Policy”

WASHINGTON—With China aggressively asserting its global power and influence as an economic and technological juggernaut, the Biden administration and Congress should tune out hidebound economic thinking that warns against any sort of “industrial policy” and move ahead rapidly with big, bold, sustained actions to spur innovation and competitiveness in America’s most strategically important advanced-technology industries, according to a [new report](#) from the Information Technology and Innovation Foundation (ITIF), the leading think tank for science and technology policy.

“The case for legislation to out-compete China is clear—and there is bipartisan support for it—so now is the time to get past the old economic nostrums that say government shouldn’t actively promote innovation and competitiveness,” said ITIF President Robert D. Atkinson, who authored the report. “The United States urgently needs an advanced industry and technology strategy with targeted policies and programs to support specific, strategically important sectors such as semiconductors, artificial intelligence, robotics, and biopharmaceuticals.”

ITIF’s report explains that developing a national advanced industry and technology strategy does not entail reflexively supporting every industry and technology across the board. Instead, it should be a carefully considered process of tailoring policies and programs to spur innovation and bolster competitiveness in specific industries and technologies, based on four main criteria:

1. The industry or technology must be one that without proactive government policy support would underperform, either in general or because of foreign competition.
2. The United States must have some potential for success in the industry or technology because of existing assets and strengths.
3. Success in the industry or technology must be important to achieving key national goals, such as national defense and security, energy security and climate, a better trade balance, or faster productivity growth.
4. The firms in the industry should want support and be willing to invest at least some of their own resources in the efforts.

“Developing an effective advanced industry and technology strategy will require a sea change in thinking about economic policy,” said Atkinson. “Conventional neoclassical economists have been too influential in policy debates for far too long. They scowl at the

very idea of industrial competitiveness policy and intuitively retreat to the tired notion that government's role should be limited to supporting basic 'factor inputs' like research funding and STEM education. The reality is those things are necessary, but woefully insufficient. That school of thought is a dusty relic of a commodity era that makes little sense in an innovation-driven global economy."

ITIF's report traces the history of U.S. aversion to industrial policy to the 1970s, when the very idea of it invoked the specter of Soviet-style central planning. Policy debates on the subject thus became binary, like the Cold War itself, based on the false premise that countries could have command-and-control economies or free-market economies, with no space in between.

To dispell that perception, ITIF's report provides a conceptual framework for policy thinking about advanced industry and technology strategy. The framework illustrates how the two binary positions—leaving outcomes to the market versus "picking winners"—are both bad policy. The neoclassical recipe of limiting government policy to supporting "factor" conditions is marginally better. Whereas, the optimal approach is to transition to an innovation-oriented model of economics supporting strategically important technologies and industries.

"Industrial strategy is not a binary proposition, as if it's a winner-take-all debate between Adam Smith and Xi Jinping," said Atkinson. "That kind of thinking can go hand-in-hand with hero-worshipping the Jeffersonian anti-federalists who disdained the federal government. We need to remember the wisdom of federalists like Hamilton, who wrote preciently in Federalist 11 that, with a vigorous national government helping to direct the common interest, America could 'baffle' foreign efforts to restrain its growth."

[Read the report.](#)

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