

## National Conservatives Can't Wish Away Political Realities

Ryan Bourne

April 17, 2023

EARLIER this month, *New York Times* columnist Ezra Klein criticized “everything-bagel liberalism.” Progressives, he argued, often sabotage their housing, decarbonization, and semiconductor policy aims by piling on regulations, mandates, and requirements designed to achieve other social and economic goals. The result? In using industrial-policy legislation to try to achieve *everything* they desire, they drive up costs, undermining the main goal of boosting production in those sectors.

Just look at the semiconductor industry’s CHIPS Act funding, which is buckling under progressive wish-list items such as child-care mandates and equity strategies. Applying for funds requires firms to jump through many hoops, including making promises not to engage in stock buybacks, to draft “facility workforce plans,” and to detail how they’ll use costly union labor for construction. Naturally, delays and higher expenses ensue.

National conservatives are furious. Oren Cass of American Compass, a leading industrial-policy champion, complains that everything-bagel liberalism is damaging because it “co-opts bipartisan action on national priorities for unpopular progressive ends, at which point conservatives will rightly refuse to create programs at all.” In other words, by using legislation for ulterior political goals, progressives sully the reputation of worthy industrial policy that should be enduringly bipartisan.

This reaction exposes national conservatism’s naïveté. Those versed in public-choice analysis have long warned of the pitfalls of introducing state activism into new areas of economic life. Such projects almost always bring pork-barrel politics, executive overreach, and the abuse of broad language in legislation. Yet these very concerns were downplayed by Cass and company as libertarians letting the perfect be the enemy of the good — of a reflexive opposition to the righteous use of state power for a manufacturing renaissance.

The initial rollout of this bipartisan support for industrial policy is under way, and it’s clear that the dangers of Cass’s ambitions are larger than he envisaged. First, the idea of permanent, bipartisan support for any “national priority” is a pipe dream. That’s because the national conservatives and progressives have different “national priorities.” National

conservatives think that pro-manufacturing policies, Big Tech regulation, and trade union-friendly laws are very important. Progressives? Well, they value some of that, but clearly prioritize an expanded social state — as evidenced by their push for child-care subsidies and expanded child tax credits in the early Build Back Better plan.

So it should come as no surprise that progressives are willing to co-opt national conservative policy priorities to serve their own agenda. Yet Cass and industrial-policy champions such as Robert Atkinson of the Information Technology and Innovation Foundation have evidently been caught off guard. The latter tweeted last Thursday that much of what we'd seen was “not industrial policy” but “left-wing green equity industrial policy.” Much like socialism, real industrial policy may never be tried.

Second, textbook industrial-policy plans often fail precisely because political considerations win out when formulating legislation and allocating funding. Every time there's an infrastructure bill, do our governments calculate the benefit-cost ratios of projects and choose those with the most bang-for-buck? No. Political connections win out, and partisan obsessions get layered on, as the California high-speed rail story shows.

Authorized in 2008 to connect Los Angeles and San Francisco — and expected to be complete by 2020 — the train has since been redirected to a more inefficient route, connected to “affordable housing” communities in order to deliver “needed jobs.” At its current pace, the project won't be completed in this century. So why are national conservatives surprised that industrial policy, steeped in politics, is going the same way?

It's not just the legislative process itself either, of course — although in a Congress with slim majorities and high partisanship, passing anything requires legislation broad enough to give “wins” to diverse coalitions. No, even after legislation is passed, fuzzy language still enables discretion over rules and regulations that bureaucrats and lobbyists can and will exploit. That's how using industrial policy to “create” manufacturing jobs begets social-policy add-ons from Democrats, in precisely the same way that Big Tech regulation to avoid “censorship” risks crackdowns on “hate speech” by a Federal Trade Commission chair like Lina Khan.

National conservatives can't say they weren't warned about this. Last October, economist Bryan Caplan reminded them: Democrats will oversee the federal government half the time and progressive federal employees will work the programs all the time. Add to this the lobbyist meddling and bureaucratic shenanigans, and the reality of creating new government functions was always far riskier than the national conservatives would admit.

It's a cop-out to denounce progressives for being underhanded. Even Jason Furman, former chair of President Obama's Council of Economic Advisers, said last year that many progressives simply don't recognize real trade-offs. They believe good things must go together: Thus, minimum-wage hikes benefit everyone, decarbonization delivers green

jobs *and* low carbon emissions, etc. Some administration officials earnestly believe that child-care mandates will solve semiconductor labor shortages and boost production, in addition to helping families.

But if progressives suffer from motivated reasoning, national conservatives are afflicted by amnesia. They've forgotten what conservatives once understood: When you stray from limiting the state's role to clear and unambiguous necessities, you create the tools for your opponents' mischief.

Cass has waved this away in the past by saying that public-choice problems are ever-present, as if enlarging government wouldn't exacerbate them. But finally he is acknowledging that the industrial policy that he champions will produce wide opportunities for progressive mandates that traditional conservatives despise. Indeed, the rose-tinted vision for a government-sparked bipartisan industrial revival relies on the notion of Democrats surrendering their agenda while an ongoing consensus endures.

In short, national conservatives' policy agenda is premised on a world that doesn't exist. Now, as Democrats are serving up "everything-bagel liberalism," we are all having to swallow industrial policy's not-so-hidden ingredients.

*Ryan Bourne occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato and is the author of the recent book Economics In One Virus.*