

The Post and Courier

Editorial: Semiconductor bill driven by politics, not economics

July 22nd, 2022

We already had concerns about the wasteful spending contained in the federal semiconductor subsidy bill. That was before this week, when U.S. Sen. Chuck Schumer larded on 1,000 new pages of amendments that pushed the price tag on the proposal from \$76 billion to a whopping \$250 billion. We urge lawmakers to consider what spending is absolutely necessary and whether the long-term impacts of the bill are worth it.

As it wended its way through Congress, the original Creating Helpful Incentives to Produce Semiconductors for America Act slowly morphed into the much larger America Creating Opportunities for Manufacturing, Pre-Eminence in Technology, and Economic Strength Act of 2022 (among other subsidy packages). There is no doubt that the effects of the global semiconductor shortage, and China's aggressiveness on developing and appropriating cutting-edge technology, made it easy for many lawmakers to get behind this soup of impressive-sounding jingoism. But after enough lawmakers came to their senses, and balked at the addition of hundreds of billions of dollars in unneeded spending and poor policy, the bill was scaled back.

That changed again after a positive procedural vote that emboldened supporters of the spending to plow more taxpayer money back into the bill for various agencies and programs.

The semiconductor bill is an unfortunate example of what happens when politics, not economics, becomes the driver of industrial policy proposals, even after the supposed justifications have faded. There are reports that the global semiconductor shortage is starting to wane, and construction has begun at four major U.S. chip-making facilities. That work would continue even without the boatload of taxpayer subsidies, including at Intel, which had delayed the groundbreaking at its Ohio plant to protest congressional inaction on the legislation.

Sen. Schumer's "continued advocacy to make Upstate N.Y. a global semiconductor manufacturing hub," according to his website, included a personal call to the CEO of Tower Semiconductor to pitch the Empire State as the right place for the company's new \$5 billion plant. Lawmakers are expected to advocate for their home region, but not by spending huge, unnecessary sums of U.S. taxpayer dollars.

The libertarian Cato Institute also pointed out this week that passage of the bloated bill would provide a political win for the Democrats in battleground states such as Arizona and Ohio ahead of November's midterm elections. Several congressional Republicans supporting the bill — fewer in number but essential for its passage — live in states with semiconductor companies or large businesses that rely on them, according to Cato's Scott Lincicome.

Make no mistake: The United States must stay ahead of China in the high-stakes competition for technology, including its advanced applications, and it makes sense to source these vital components within our country. But we have the proven industrial wealth, brainpower and ingenuity to make this happen. There is no reason to plunge ourselves into more debt with needless spending that will hurt our competitiveness in the long run.

Congress apparently failed to learn its lesson from the poorly targeted and overly generous pandemic bills that flooded the economy with money and pushed up inflation. The impact of those unwise spending decisions is being felt everywhere from the grocery store to mortgage rates.

The semiconductor industry is profitable on its own, and companies obviously are willing to make the necessary investments themselves. Congress could help the industry by expanding the number of highly skilled immigrants allowed into the country and taking other smart, market-oriented steps that don't include showering private companies with taxpayer subsidies. Those sensible actions don't come with the same political benefits, but they make a lot more economic sense.