A recent wave of revivalist industrial policy, such as The Infrastructure Investment and Jobs Act (IIJA) and the CHIPS and Science Act (CHIPS), has brought such policies back into the spotlight for debate. Merits of such policies are still largely indeterminate, but stark inequality of the benefits produced is clear. Therefore, the implementation of such policy necessitates reformation throughout the American economy. Under the Biden administration, the United States has entered an economic period driven by the implementation of industrial policy. The implications of such policies remain subject to debate despite their clear objective: to address market distortions and failures. Two sectors particularly affected by these disparities are technology and renewable energy. In technology, positive externalities have been left unaccounted. One example is in chip manufacturing where it is widely acknowledged that the private benefits are not equal to the social welfare produced. As a result, a large influx in government spending has been diverted towards manufacturing efforts since microchips are a crucial underpinning to modern society. Intel, a leader in semiconductor manufacturing, just received $8.5 billion from the federal government to assist with the development of manufacturing plants. In renewable energy, negative externalities, such as those that stem from the use of oil and gas, cause distortions in the energy market. Investment in renewables, like solar and wind power, aims to correct for unaccounted market externalities and support the deployment of green technology. The Inflation Reduction Act is a notable example of the Biden Administration's efforts to rebalance these sectors, further stimulating industrial policy within the American economy.

Industrial policy remains largely experimental; there is no clear consensus among economists about its long-term effects or overall efficacy. Proponents of Adam Smith's invisible hand and laissez-faire economics advocate for market forces to prevail. They believe that industrial policy inhibits the pricing mechanism and that the most efficient markets are those dictated by supply and demand. Others recognize the potential benefits of protectionist measures, subsidies, and investments in fostering domestic innovation and business growth. Despite this dissension, industrial policy has assumed a prominent role in modern America. Therefore, changes to the implementation and overall function of industrial policy are necessary. It is imperative to ensure that taxpayers not only shoulder the burden of these policies but also reap the rewards when they succeed.

Critics of substantial government subsidies often liken industrial policy to corporate welfare. Tax revenue is utilized to sustain and bail out corporations at risk under normal market conditions. Taxpayers do not recoup their investments when these ventures fail despite the assistance from these financial injections. However, the true inequity of industrial policy arises because successful ventures fail to return equitable capital gains to taxpayers. Although Americans assume the entirety of the risk in these ventures, they often do not share equally in the profits, contributing to widespread discontent with the growing influence of industrial policy in our economy.

If we accept that industrial policy is likely here to stay for the foreseeable future under the Biden Administration, then the path forward needs correcting. Industrial policy initiatives should emulate stock market principles: investors undertake risks with the understanding of potential rewards. Americans should take on the onus of subsidies with a similar opportunity for profit and not merely be subjected to the prospect of incurring losses. If there exists a possibility of risk, there must also be a prospect of reward. An overhaul of policy is needed to eliminate the inequity of corporate benefits and a lack of consumer retribution.

For instance, in 2010, the Department of Energy provided a $465 million loan to Tesla to stimulate growth and innovation in the electric vehicle sector, aligning with the Biden administration's emphasis on green energy. At the time, Tesla's stock price ranged between $1 and $2 per share. Today, it stands at $172.34 (as of April 11, 2024, at 12:12 pm). It is reasonable to assume that federal financial stimulus played a role in facilitating Tesla Motors' research, development, and subsequent success. However, the benefits of this policy decision were not equitably distributed among Americans. Consumers did arguably benefit from the subsidy. We now have improved air quality from a lower proportion of gas-powered vehicles on the road and consumers who purchased Tesla vehicles enjoyed reduced prices. An increase in Tesla's manufacturing also increased the number of jobs available in the market. However, taxpayers did not receive dividends from their investment in Tesla despite assuming the associated risks. They would have paid the ultimate price if Tesla had plummeted, but failed to receive their share of the profits when Tesla succeeded, receiving marginal, indirect benefits despite its tremendous financial growth after receiving the government investment.

Under most policies, Americans do not receive a direct reimbursement from successful ventures made by the federal government. That is to say that some benefits are indirectly redistributed from tax breaks and subsidies back to the public. These benefits generally take the form of lower prices, increased access to goods and services, increased economic activity, and job creation. Additionally, economic models demonstrate how a lower price increases consumer surplus. So, effective implementation of industrial policy in our current systems does reward the average American consumer. The issue lies in the discrepancy between the indirect benefits recouped and the direct losses incurred. Americans deserve a cut of the gains made from successful investments, not only benefits from market corrections or lower prices.

Equitable reimbursement could take many forms, and it should vary on a case-by-case basis for maximized efficiency. One way to funnel funds back to the American people would be through retirement funds because there is a looming retirement crisis. Reports show that only 46% of households had retirement savings accounts in 2022. Funneling profits from government investments into retirement accounts as seed money for young Americans would address the overall insufficient amount of retirement funds. Alternatively, another simpler program could be implemented: cut Americans a check each year with the financial gains realized from government investment. Paying the people what they are due does not have to be complicated, but it has to be done.

The implications of these propositions are substantial. A major one is that the government is not currently receiving the profits from most of its investment policies. This would make paying the American people rather costly since they would be footing a double bill: one for the sectors to which they are channeling funds and one for consumers. Herein lies the fallacy in the term "government investment." Government investments are not investments in true form; they are subsidies and tax breaks. Traditional private investments have a growth potential. Subsidies and tax breaks can only ever be cataloged as an expense. Policy measures therefore need to shift away from uni-directional financing and instead utilize levers of equity. By staking a claim in chosen investment areas, the government can realize the gains made from successful financing measures and work to redistribute those funds back to the original investor: the American taxpayer.

Increasing the stake that consumers have in government investments incentivizes active, passionate participation in government activity and policies. True democracy thrives in the name of a participatory electorate. Moreover, it would enhance policy transparency, mitigating hidden tax incentives and subsidies influenced primarily by shady corporate lobbying efforts. If Americans could more clearly feel the effects of their taxes, it would encourage engagement throughout the population and shine a brighter light on the spending habits and motivations of the government. The government would act as a financial and social fiduciary with our pooled assets. The power of democracy and our vote would then translate to the power of our aggregate dollars as a unified people.

The widespread contention surrounding industrial policy or corporate welfare often stems from the perceived lack of full benefits accruing to taxpayers. If funds allocated to industrial policies operated akin to conventional investment practices, many of the injustices inherent in these policies could be rectified. Rather than solely benefiting from indirect benefits stemming from altered markets, taxpayers would directly profit in proportion to the risks they undertake. This approach would position the government as a fiduciary for Americans, investing in their future and redistributing the gains from successful ventures. It would integrate government demand into the economy while empowering market forces.

Industrial policy may fail. Pure market forces may be a more effective way to operate markets. But, while the outcome of industrial policy is unclear, what is abundantly clear is that its current state is inadequate and inequitable. While supporting and fostering domestic businesses and rectifying distortions in critical markets are legitimate objectives, the industrial policy framework must first be reformed to ensure genuine dividend payouts and equitable redistribution of capital gains to the American populace. Industrial policy does not need to be abolished, but the economic inequity within it must be.