

April 1, 2026 – 12:30 pm PT

Panel on Industrial Policy for National Security

With Steven Davis, the Thomas W. and Susan B. Ford Senior Fellow and Director of Research at the Hoover Institution, Joshua Rauh, the George P. Shultz Senior Fellow in Economics at the Hoover Institution and the Ormond Family Professor of Finance at Stanford's Graduate School of Business, Philip Zelikow, the Botha-Chan Senior Fellow at the Hoover Institution, and Dan Wang, research fellow at the Hoover Institution.

April 1, 2026, from 12:30 to 1:45 pm PT.

Research Team: Economic Policy Working Group

Co-chairs: John Cochrane, Rose-Marie and Jack Anderson Senior Fellow, Hoover Institution
Valerie Ramey, Thomas Sowell Senior Fellow, Hoover Institution

SUMMARY

Steve Davis highlighted the challenges of industrial policy. They are hard for the political process to assess, rife with unintended consequences, hard to fix, and hard to end when obsolete. A basic challenge is that we execute industrial policy with the government we have – not the one policy mavens imagine. Successful industrial policies often involve clear, easy-to-grasp objectives for which success or failure is evident to voters and political leaders. In contrast, industrial policy initiatives in pursuit of vague, open-ended objectives are especially problematic. Davis also explained why import tariffs are poorly suited for most national security objectives. He warned that a heavy reliance on industry policy fosters a rent-seeking outlook among business leaders. Despite these challenges, Davis noted that there is a case for some forms of industrial policy just as there is a case for government provision of national defense.

Josh Rauh noted that free trade is an important foundation for prosperity, but the assumptions underlying it break down when a strategic rival like China can weaponize supply chains, dominate strategic inputs through state-driven distortion, and leave the United States unable to rebuild critical capacity quickly in a crisis. Chinese-linked inputs now run through important U.S. weapons systems, while America faces a near-total lack of rare earth domestic refining and processing capacity. At the same time, policymakers must resist turning every trade issue into a “national security” issue, because doing so dilutes attention and credibility away from truly defense-critical sectors like rare earths, defense-grade semiconductors, and certain specialty minerals. The right response is therefore not the scattershot protectionism or subsidization of certain industries that we have seen in US industrial policy, but rather (1) removal of regulations that get in the way of domestic production in strategic sectors; and (2) a narrower and more disciplined industrial policy centered on supply-chain transparency, targeted DoD procurement commitments, and stricter standards for what qualifies as a national security intervention.

Philip Zelikow distinguished industrial policy to improve national competitiveness from industrial policy for national security. There he defined a narrower goal and focused on the capacity to produce essential goods or technologies at scale. He noted that the ecosystems for innovative production in the US have withered in comparison to the World War II years, although the US may again face challenges on that scale. Calling out contemporary challenges, as in semiconductors, Zelikow used World War II experience to illustrate the policy problems associated with “resilience” and drew out the ingredients of successful industrial policymaking.

Dan Wang spoke about China's long record of using industrial policy to pursue technological ambitions. These efforts have created American dependences on Chinese rare earths, electronics products, and pharmaceuticals. Dan spoke about Beijing's relative tolerance for waste, which it tries to control through anticorruption measures. And he points out that China has developed new technologies based on present foundations.

To read Steve Davis' paper, [click here](#)

To read Steve Davis' slides, [click here](#)

To read Josh Rauh's slides, [click here](#)

To read Philip Zelikow's slides, [click here](#)

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