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19 October 2023

Jessica Herron  
Legislative Clerk  
Subcommittee on Innovation, Data, and Commerce  
House Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515-6115

Re: Chris Griswold's Responses to Additional Questions for the Record

Dear Ms. Herron:

I am grateful for the Subcommittee's invitation to appear before it on September 20, 2023 to testify at its hearing entitled "Mapping America's Supply Chains: Solutions to Unleash Innovation, Boost Economic Resilience, and Beat China."

Pursuant to the rules of the Committee on Energy and Commerce, I am attaching my answers to the Committee Members' additional questions for the record, in the required format.

Thank you for the opportunity to contribute to the Subcommittee's important deliberations. Please let me know if you have any further questions.

Sincerely,

Chris Griswold  
Policy Director  
American Compass

**Attachment—Additional Questions for the Record**

**The Honorable Jeff Duncan**

- 1. In recent times, there have been highly publicized breaches within our mathematical encryption systems. These breaches have impacted well-known encryption methods such as AES, RSA, and even newer NIST Post-Quantum algorithms like SIKE and Crystals-Kiber. Considering these threats against our math-based encryption systems, what measures are we currently pursuing to investigate & adopt alternative approaches that guarantee security like quantum-secure, QuantaMorphic, physical-based data protection?**

It is critical to consider these questions in light of the fact that these technologies rest on a foundation of physical hardware, as do quantum computing and artificial intelligence broadly. One general measure the United States must urgently take is to restrict the flow of American investment in China in these industries. The executive actions undertaken by the current administration ostensibly for that purpose, including the executive order of August 9, 2023, are deeply insufficient to remedy the deep risk we face if we continue to materially assist the CCP's advances in developing and producing the technologies required to threaten our digital security. I would be happy to discuss with your office how Congress can address this risk and ensure that American investment flows are consistent with our national interest.

- 2. Winning the quantum race against Communist China is one of the greatest challenges of our time. Critical to winning this race is having a skilled American quantum workforce. Recently, the U.S. Department of Energy awarded a contract to Clemson University, a top R-1 national university, together with Winston-Salem State University, a respected HBCU to do just that. What can be done to build upon and replicate the Clemson-WSSU quantum workforce training model across the nation?**

Workforce training that meets the needs of American industry cannot be adequately done without the participation of American industry. Higher education has a critical role, but it fills that role without incentives that drive it to better understand what skills employers require. The Texas State Technical College (TSTC) system provides a good example of how policy can address this need. TSTC's funding model conditions its level of state support on simple metrics: whether its graduates get jobs, and how much those jobs pay. This structure sharply focuses TSTC's incentives on building ongoing, real-time relationships with the state's business community, so it can continually modify its curriculum to suit the evolving needs of employers. This example offers policymakers a useful model of how to incentivize higher

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education to deliver graduates with the skills that American industry (or, in the case of quantum computing, one particular industry) requires. You can read more about this model in “Colleges Should Only Succeed When Students Do” by TSTC Chancellor Mike Reeser, available at the American Compass website here: <https://americancompass.org/colleges-should-only-succeed-when-students-do/>.

### **The Honorable Debbie Lesko**

**American competitiveness is supply chain competitiveness. American resiliency is supply chain resiliency. We cannot fix what we don’t understand. And I think that’s why certain members in this room have put forward ideas to map and monitor supply chains, and to understand how supply chains are performing.**

#### **1. Can you explain more about why these types of proposals are important?**

As I argued in my written testimony, to craft policy that strengthens American supply chains, policymakers need to begin with clarity on the fundamentals. Political rhetoric around supply chains often lacks clarity on these fundamentals. Before policymakers can answer the question “what should we do,” they must also answer the questions “where are we now?” and “how did we get here?” That is why proposals in this vein are important. Clarity regarding the actual current landscape of supply chain fragility is the essential starting point of any effort to craft sound supply chain policy.

#### **2. Do you have additional insight about how to map and monitor supply chains?**

Just as clarity regarding the current landscape is critical, so too is clear diagnosis about why our supply chains became so fragile in the first place. Efforts to usefully map and monitor supply chains will require honesty about the policy choices that got us here. Failed trade policies that permitted and incentivized deindustrialization, offshoring, and outsourcing; financial regulation and tax policy that encourages financial engineering and speculation rather than investment in the real economy; the diminishment of a healthy labor movement, whose influence can help keep productive activities domestic; and other policy choices need to be reexamined and reconsidered if supply chain policy is to move in a constructive direction. I would be happy to discuss these topics with your office further. For more on the failed neoliberal policy consensus that resulted in American supply chain fragility, see “Searching for Capitalism in the Wreckage of Globalization” by Oren Cass, available at the American Compass website here: <https://americancompass.org/searching-for-capitalism-in-the-wreckage-of-globalization/>.

**3. What role can government play in facilitating greater understanding and to strengthening U.S. competitiveness?**

The U.S. federal government is not well-structured for developing and implementing a coherent national innovation and industrial strategy; new solutions are required. One such solution would be a national development bank, which not only could use public investment to activate private investment in currently neglected critical sectors, but also could provide a useful mechanism for the coordination of a coherent national strategy to increase competitiveness and strengthen supply chains.

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**One of the most glaring challenges experienced by many private sector and even government stakeholders during the pandemic, and even during more recent supply chain disruptions, was the lack of inter-agency information sharing and cross-sector coordination. According to many private sector companies, this situation quickly became taxing, with the inability of government to coordinate on solutions and the need to keep repeating the same information, but without commensurate action to improve resiliency and competitiveness.**

**4. What ideas might you propose to improve inter-agency and departmental coordination on supply chain issues?**

As mentioned above, a national development bank or finance authority would provide a useful means of coordinating a national industrial and innovation strategy. Congress should also consider other ways federal agency structure can be reformed. Current agency structure, and the siloed planning and policymaking it promotes, presents an obstacle to the strategic thinking and perspective that a coherent strategy will require, which will need to think across industries and sectors. For a useful discussion of the principles that should guide such an effort, including the need to avoid industry capture, see “On Agency Structure” by Ganesh Sitaraman, available on the American Compass website at: <https://americancompass.org/on-agency-structure/>.

**5. How can government be more strategic as it looks to improve competitiveness and resiliency?**

It can be tempting for Congress to consider individual problems, like supply chain fragility, in isolation from other policy questions, and from the larger assumptions Congress makes when crafting economic policy. This must be avoided. It is constructive to start with first principles, like defining what we believe American economy policy is *for*. The answer

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“maximizing market efficiency however possible” has led us to harmful conclusions, like believing it was better policy to allow and encourage the offshoring of manufacturing and production of critical goods. If the answer, however, is that American economic policy is for ensuring that American workers, families, communities, and industries can thrive and flourish, new policy options open on trade, tax policy, financial rules, and many other critical topics. Supply chain resilience will stand or fall in large part on how policymakers approach these other topics. Strategic policymaking must bear that in mind and seek to see the full picture of how American economic policy undercuts or strengthens supply chains.

**6. How can government come alongside the private sectors own efforts, and be additive in this space?**

The deployment of public capital has a unique ability to activate deployment of private capital into investments the private sector may otherwise ignore. The European Investment Bank, to take one example, has facilitated the investment of €15 in private capital for every €1 of public capital invested. Far from crowding out private sector activity, by utilizing direct debt issuance, credit and completion guarantees, equity lending, syndication authority, technical assistance, and other appropriate tools in the service of strengthening our industrial base and critical infrastructure, a national development finance facility will crowd-*in* significant private investment.

**The Honorable Debbie Dingell**

**We must address supply chain vulnerabilities before they become full-blown crises. Ideally, we would have done so before crippling shortages of personal protective equipment impeded our ability to respond to the worst public health crisis in a century. Before the federal government had to invest tens of billions of dollars to rebuild our nation’s capacity to produce semiconductors – critical computer chips instrumental to the production of automobiles, consumer electronics, and defense systems. Before other nations, including some adversarial nations, came to dominate the production of large-capacity electric batteries and threaten our automobile industry’s innovative and manufacturing edge.**

**And while the federal government has a duty to protect supply chains instrumental to our national security and economic vitality, I believe that government intervention should be the option of last resort. The private sector should proactively identify and address supply chain risk, long before government assistance is needed.**

**The Supply CHAINS Act, legislation that I’m proud to co-lead and which enjoys the support of over 160 stakeholders, includes my provision establishing voluntary standards**

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**and practices that the private sector can adopt to better identify and address supply chain risks before government intervention is necessary.**

**1. Mr. Griswold, do you believe that such voluntary standards and practices could help improve our nation's supply chain resilience?**

Providing guidance to private sector actors that may help them identify supply chain risks would no doubt be positive. However, I would caution against over-relying on voluntary measures. Some American businesses have rightly seen the risks to their own viability presented by supply chain fragility and have therefore taken steps like moving investment out of China or avoiding making new investments in China, adjusting away from practices like just-in-time logistical planning, and so forth. Giving such businesses tools to make these changes more effectively may be useful. Many American business, however, are not making such adjustments and evince little desire to do so, still calculating that their profit margins are best served by continuing such behavior. Waiting for the private sector to voluntarily remedy our supply chain fragility is to repeat the same error that created that fragility in the first place. When American business seeks to be profitable in ways that actively undermine the American people's prosperity and security, it is policy's job to respond. To truly remedy our supply chain problems, Congress will need to put appropriate parameters around the market, to ensure that business's best opportunities for profit align with the American national interest.

**The Honorable Lori Trahan**

**Mr. Griswold, your organization has called on Congress to establish a national development bank to finance projects vital to our nation's economy and national security. This is similar to Section 20204, a supply chain financing provision in the America COMPETES Act.**

**1. Could such financing strengthen supply chains for critical goods?**

A national development finance authority would strengthen the American industrial base across the board, by promoting productive investment in critical sectors in which the market currently underinvests. The crucial policy aim is to use public capital not to replace private capital, but to marshal it. A development bank could attract large sums of private capital; dozens of national development banks worldwide have successfully deployed trillions of dollars to support local industries (for example the European Investment Bank achieved a 15:1 ratio of private to public capital deployment and is credited with creating more than 1.7 million jobs). A development bank would also help fill a worrying gap in American capacity to strategically coordinate investment. Current federal programs intended to help finance innovation and industry are often too narrowly structured and too tightly constrained to

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adequately attract private capital to ambitious industrial projects, while being scattered among too many agencies and departments to promote coordinated strategy. A domestic development bank would provide more flexibility in *how* to finance critical projects, while also providing strategic coherence in *which* projects to support. This would most certainly strengthen American supply chains for critical goods. I would be happy to discuss this further with your office. For more on our perspective, please see “A Domestic Development Bank: Financing American Industrial Development,” available on the American Compass website here: <https://americancompass.org/policy-brief-domestic-development-bank/>.