

The Crisis of Materials Supply Chains and Competitiveness

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Executive Summary

The current supply chain crisis is largely due to faltering transport and port services. These temporary disruptions are caused by various market forces and government missteps. But while this crisis will pass, it is a wake-up call for a much greater and dangerous crisis emerging that touches upon both the supply chain of raw materials and the supply chain of innovation over the long run. The more profoundly menacing specter of this crisis results from deep distortions, many of which are strategically threatening and some of which are intentionally encouraged by U.S. adversaries as part of an organized attempt to weaken America.

Unless the United States, as a nation, urgently and resolutely addresses its supply chain frailties and dependencies resulting from these distortions, the American way of life and wealth will not survive. Moreover, the supply chain crisis is not an isolated failure: It reflects a far deeper crisis in the cultural fiber of the nation, the identification and repair of which is necessary as a first step.

The Problem

A reliable supply of critical raw materials for U.S. industry, civilian as well as defense, has been largely neglected since the end of the Cold War. There has been no overarching government strategy document or structure that mobilizes governmental resources to properly husband the production and supply of critical raw materials. The absence of such a document has allowed the U.S. government to stumble into swelling the mass of regulations that suffocates innovation and offshores production and supply chains. The result has been greater reliance on foreign sources of raw materials—not only for the high-tech sector but even for such basic sectors as food supply—in ways that carry significant political risk and transfer wealth to inimical powers.

Along with dependence and wealth transfer comes the surrender of basic industrial knowledge to mine and produce these materials. This latter failure guarantees that even when the West wakes from its strategic slumber in this regard, it may lack the human capital

and skills necessary to restore its own industrial supply line. This should concern both sides of the political spectrum, as both green technologies and defense industries rely extensively on a growing list of materials that are mined and produced in undependable or hostile areas.

Underneath the many proximate causes may lie the pessimism held by elites in the values and philosophical foundations of America's founding. That pessimism has crept silently even into the boardroom and now infuses industry, which increasingly does not see its interests tied umbilically to the national interest. And it has led these elites to attempt to reshape what they believe is the "flawed" national soul rather than confirm the traditional national spirit and leverage it to elevated goals.

So too with supply chains of raw materials, which are increasingly subject to serve and express these top-down ideological dictates rather than elevate deeply held, culturally generated national aspirations. Thus, elites now do as much to douse national energy and creativity in an attempt to redirect it rather than invigorate it. As such, how the nation responds to the raw materials supply chain crisis (which is distinct from the port and transport supply chain crisis seizing current headlines) suggests that the malaise will deepen even further.

How the United States Traditionally Addressed this Issue

In 1946, Ambassador George Kennan sent a document originated in a philosophical discourse from the U.S. embassy in Moscow (republished without authorization as "The Sources of Soviet Conduct" in Foreign Affairs in 1947 under the pseudonym "X") to the U.S. State Department. Kennan's analysis of

Soviet hostility clarified for the political leadership in Washington that further attempts to accommodate the Soviet Union were futile and that a strategy was needed to answer the Soviet challenge. In other words, it clearly defined the threat against which an industrial policy would need to be defined.

Secretary of State Dean Acheson and President Truman entrusted to Paul Nitze the task of crafting such a strategy. He interpreted Kennan's analysis and the subsequent behavior of the Soviets in eastern and central Europe to suggest that the United States and Soviet Union were locked in a twilight struggle from which only one would eventually emerge. As a result, Nitze believed the United States had to mobilize its power fully—essentially as a continuation of its vast mobilization during World War II.

Nitze had been one of the primary authors of the US Strategic Bombing Survey, which analyzed the United States' strategic bombing of German and Japanese industry during World War II. The authors concluded that the bombing campaign was a more modest contribution to victory than assumed, which led Nitze to believe that there was no "silver bullet" attack that would so paralyze Russia that it would cease to exist. As such, Nitze concluded the United States had to mobilize its industrial, human, and moral power to win the prolonged conventional war he expected with the Soviet Union. Nitze's analysis came to be known as the NSC-68 document. A few years later President Eisenhower convened a reexamination, called Project Solarium, which produced NSC-162/2 (1953). NSC-162/2 basically updated and expanded NSC-68.

As part of this effort, these documents defined:

- The critical values of the nation that need to serve as a foundation for military and industrial policy.

- The vital industries necessary for U.S. supremacy and also to maintain the American way of life; the resources (including capital, labor, and raw materials) necessary to supply those industries; the geographic locations of those critical materials and industrial activity; and the attending military structures needed to protect the supply chains from soil to product.
- The sorts of industries, talent and labor, raw materials, and logistical lines necessary to maintain the required military structure and deployment.

The United States thus entered the Cold War not only aware of its national character and vital interests but with a plan to leverage its power to coordinate between the U.S. government and private industry.

Since 1989, however, the United States has lacked a similar, new strategic plan, although many of the agencies and activities that resulted from these documents continue to exist.

Cultural Influences Propelled American Self-Reliance and Logistical Security

Culturally, Americans reject the view that some force of history or the logic of over-extension guarantees the decline of America—ideas made popular in the 1980s by Paul Kennedy in his seminal work, *The Rise and Fall of Great Powers*. Kennedy's title was a play on the great 18th century work of Sir Edward Gibbon, *The Decline and Fall of the Roman Empire*, but his conclusion was diametrically opposed to Gibbon's. Building on Suetonius, Livy, and Machiavelli, Gibbon described how Rome's residually immense power had obscured its moral decay for several centuries. Gibbon rejected the idea that inherent limits on power led to Roman decline. Every educated young American

read Gibbon's work with the purpose of comparing America to Rome to avoid a similar demise. Until the latter 20th century, Americans saw greatness as a function of choice and the preservation of civic virtue and thus viewed national weakness as a key measure—really an early indicator—of its moral solidity.

At the heart of this concept was the early Roman leader Cincinnatus, who repeatedly relinquished power to return to his humble origins at the farm. Cincinnatus embodied agrarian virtue, including self-reliance and humility. While America was one of the earliest to industrialize, Americans culturally translated the agrarian virtues embodied by Cincinnatus into industrial policy.

In this context, Americans saw two aspects of Rome as indicators of decline. First, Christianity—and with it a new concept of civic virtue—failed to define the residual elites of western Rome and thus set the stage for its collapse in the fifth century (as opposed to eastern Rome, which survived another millennium). Second, Rome's geographically specialized but diffused industries allowed for great efficiency in production. And yet its critical supply chains were exposed to the point that its industrial structure was threatened with a potentially precipitous collapse if compromised. It was a symbol of how far Rome had come in 500 years since Cincinnatus by the first century: It had arrogantly assumed the permanence of its power and ignored the agrarian principle of localized self-reliance, reflecting the decline in civic virtue.

The lesson was clear and had been baked into the American cultural DNA for three centuries: The agrarian virtue of self-reliance—which in the American imagination applied to industry as well as agriculture—had been compromised by Rome. Were America to do the same, then it too would go the way

of Rome.

A New Rome?

Today, moving goods, specializing production, and outsourcing talent is easy, cheap, and efficient—perhaps more so than any time in history. But absent a strategic framework and vision to guide and temper it, crude cost calculations crowd out long-term important strategic considerations, akin to what happened to Rome in its last century.

The Trump Administration—aware that many U.S. supply chains pass through China—initiated a far-reaching examination to examine American supply chain vulnerabilities. The resulting report was called *Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States*.¹ The new Biden Administration ordered an update of the study and issued its findings in a June 2021 report *Fostering Broad-Based Growth: 100 Day Reviews* under Executive Order 14017:

Our private sector and public policy approach to domestic production, which for years, prioritized efficiency and low costs over security, sustainability and resilience, has resulted in the supply chain risks identified in this report.

These reports are important and well done, and credit goes to both Administrations, but both reports are insufficient:

- They focus almost exclusively on high-tech and defense industrial activity. A broad-based strategic policy should also look at less glamorous things such as security of the food supply.
- Their analyses are based on existing supply chains and technologies. While they scratch at the idea

of cutting-edge research, they do not extrapolate what situations might arise and then build the necessary mechanisms.

- They do not address the underlying cultural causes that stifled national vitality and lead to the emerging raw material (and innovation) crisis.
- They report on industries and sectors in a stovepipe manner. A comprehensive strategic plan needs to view every sector in one fluid picture.
- They do not outline the foundations of American industrial military strength or survey the geographic ramifications of that. As such, they are only descriptive situation reports, although alarming ones.

In June, the new Administration set up a task force—the Supply Chain Disruption Task Force—with cabinet-level firepower, presumptively as a result of *Fostering Broad-Based Growth: 100 Day Reviews* under Executive Order 14017, but it still lacks an overarching strategy, let alone strategic document. As such, it will likely remain a reactive committee—addressing already acute, politically loaded failures rather than planning far ahead for them.

Such supply chain issues concern America's allies, too. The European Commission issued a report in 2020, *Critical Raw Materials for Strategic Technologies and Sectors in the EU*. While it is an ambitious and also impressive report and does have some elements of strategic mobilization, it is limited to the high-tech sector and focuses greatly on non-defense, “green” technologies, including batteries.

Still, these documents focus on a number of principles that work against the purely cost-cutting and efficiency-based ethos of current business practice against which

Fostering Broad-Based Growth: 100 Day Reviews under Executive Order 14017 warned above.

Practical, Strategic, and Moral Considerations

The world has diminished the value of proximity. There is great utility and protection in keeping segments of the supply chain as close to each other as practical. Currently, Elon Musk is building a new Tesla factory in Germany. Tesla automobiles, using batteries, rely on a robust supply of phosphates and lithium. Musk's current supply of phosphates comes from Morocco or China rather than Norway (which has large phosphate deposits) and is thus vulnerable to all sorts of disturbance. If, on the other hand, the mine and the factory are very close, even co-located in a friendly country, then vulnerability is limited. It is obvious that having the bulk of America's phosphates come from the western Sahara and vanadium (used to reinforce steel) from China and Russia rather than from such a good ally as Norway (in which both elements are present) is a problem.

Ultimately, this is not only about stability of supply. While rare earth and critical raw materials need to be protected from political risks, their supply structure should only be preferred in nations with shared values, even if costs are higher. As *Fostering Broad-Based Growth: 100 Day Reviews* under Executive Order 14017 notes, the strong imperative of cheap production costs has encouraged companies to turn to questionable suppliers of labor and raw materials—such as slave and child labor, organized crime, and conflict spoils. Some on the left have taken the initiative to boycott such companies. The problems with their taking the lead are great, however. Indeed, their highly selective assault on key U.S. allies are part of a larger attempt to strategically weaken the United

States. The Boycott, Divest, and Sanction (BDS) movement against Israel is one such example.

Moreover, so much urgency is currently attached to green energy that it overpowers due diligence. Green products need both materials and energy and will drive demand for lower cost supply chains. While the end use product may easily appear green, the value-added supply chain thus is neither green nor moral. China, for example, is exporting not only raw materials, but it is producing and exporting further up the value-added chain, obscuring the sourcing of the raw material. So strategic policy should ensure thorough due diligence and a truly green and moral policy. As bad as a mine in Norway may be environmentally, it will be done in a far more responsible and environmentally friendly manner than a Chinese mine. Similarly, even a fully electric car still needs electricity from a power plant, the increased demand for which is in part the result of increased electric car energy demands. These shifted and hidden costs need to be factored in honestly but often are not.

The Decline of U.S. Critical Material Stockpiles and Supply Structure

Sadly, the problem is deeper—and far more troubling—than just distasteful supply chains. The United States has been ramping down strategic planning in all matters connected to the supply chain.

For instance, the Defense Logistics Agency Strategic Materials (DLA SM) has published its annual Strategic and Critical Materials Report on Stockpile Requirements, which details the supply and demand market conditions of strategic and critical materials and highlights relevant dependencies and potential choke points under national emergency conditions. Unfortunately, the 2021 report was the final edition

due to the repeal of this reporting requirement this year.²

The Non-Availability of Domestic Supplies Stockpile (NDS) is designed to stockpile materials vital to U.S. national security. The NDS liquidated many of its stockpiles during the post-Cold War sell-off, and it will reduce its NDS Transaction Fund—the fund used to purchase raw materials—to near zero by 2024. For example, the Department of Commerce recently noted that the NDS had liquidated its stocks of titanium sponge, which is used from the defense sector to electric vehicle manufacturers, as well as highly specialized industries such as aerospace.³ While the interagency Titanium Sponge Working Group is figuring out now how to rebuild the titanium supply chain, it is largely recycling it from end-of-life weapon systems.⁴ The United States no longer has a significant titanium mining capability and thus relies on imports almost entirely from China and Russia.⁵

Moreover, the NDS completely disconnects defense from civilian infrastructure on this in the US.⁶ But in the end, the NDS is designed to offset supply chain risks to defense and essential civilian industry, not to guarantee the continued smooth production of American industry.

In contrast, China does have a national strategy, and it has established bureaus that deal with both the civilian and military structures as one whole (which in China is a better way to view its industrial structures anyway). As *Fostering Broad-Based Growth: 100 Day Reviews* under Executive Order 14017 notes, the State Reserve Bureau is an economic stockpile and is more interventionist in markets, actively combatting price volatility or supporting particular industry segments.

A similar story can be told about the Defense Federal Acquisition Regulation Supplement (DFARS), which

allows friendly countries to enter into reciprocal defense procurement agreements with the United States to remove barriers to the purchase of supplies. We have so greatly complicated this activity that it has for all practical purposes been limited to just Japan and Australia—while China has pushed ahead with its program, called GoOut China.⁷

China and Russia hold a near monopoly on the mining of titanium.⁸ The Norge mine in Norway holds large deposits of titanium (along with vanadium and phosphate), but the failure to expand DFARS to strategic allies (along with imposing higher import tariffs on non-DFARS nations) can easily hamper tapping into this resource.⁹

Another similar story could be told about vanadium, which is critical for armor and other uses for greatly hardened metals such as high-speed tools. It may also be a critical element in future battery production. And yet about 98 percent of vanadium comes from Russia, China, and South Africa.¹⁰ Fortunately, the Norge mine holds a lot of that element, too, but unless DFARS is updated to favor America's allies over its adversaries, that too may remain inaccessible to U.S. industries.

Energy Storage as a Critical Raw Material

NSC-68 and NSC-162/2 spent much ink on identifying and securing key industrial areas. Moreover, the fuel that breathed life into these industrial areas—hydrocarbons—was also identified as a critical, and thus considerable similar analysis was done in these reports about the need to secure their geographic locations, particularly in the Middle East (leading to one of the first confrontations of the Cold War in Iran, even before NSC-68).

But there has been great industrial change since 1945. While hydrocarbons will continue to be important long into the future, there has been a revolution in energy storage, namely battery technology, which in turn has revolutionized production, transport, communication, and consumption. These changes drive a great increase in the need for several critical raw materials, such as phosphates and lithium. Currently, the world's phosphates—which are also a vital part of the food chain since they are critical to fertilizers—come almost entirely from the Western Sahara, China, and Russia. Any disruption of phosphate can leave people starving while they sit in powerless electric cars unable to complain to friends on battery-less phones.

The European Union may be ahead of the United States on this. Five years ago, the EU prioritized battery supply chains and established the European Battery Alliance to secure battery manufacturing and access to critical materials across the entire supply chain. The fund had an initial seed of \$3.5 billion to promote research and development of new-generation batteries.¹¹ The EU expects approximately \$5.5 billion in private sector investment in the region shortly, including from major private concerns such as BASF, BMW, Opel, and Varta.

Ideas as a Critical Raw Material

Some of the most strategically important changes may come from beyond existing technologies. Neither *Fostering Broad-Based Growth: 100 Day Reviews* under Executive Order 1401 nor the EU Commission adequately capture this dynamic. Cutting-edge research will lead to new technologies that will radically alter or render obsolete current concepts.

For example, the most advanced research on quantum physics and the emerging quantum revolution touts

neodymium, which is currently mined primarily in China and is already used in powerful magnets found in cell phones and Toyota vehicles.¹² But neither the European Commission report nor *Fostering Broad-Based Growth: 100 Day Reviews* under Executive Order 14017 has thought through the implications and applications of this or other technologies that could be wedded to quantum computing advances, let alone the materials these new advances would demand.

A proper strategic policy would need to monitor key centers of innovation to extrapolate preemptively the sorts of new supply chains they will demand and to proactively secure those raw materials before others do.

In terms of encouraging advanced research, the United States has retained some of its capabilities, although only at the same level since the end of the Cold War. The Defense Advanced Research Projects Agency (DARPA) is a public-private cooperative structure established in 1958 to seed and stitch together the activities of universities, industrial labs, scientists, and others at the forefront of research and innovation into organized efforts to help the U.S. defense structures stay generations ahead technologically of its adversaries. It currently has six offices (biological technology, defense sciences, information innovation, microsystems technology, strategic technology, and tactical technology) and is trying to create a seventh, quantum revolution office. DARPA was often at the forefront of developing technologies that define modern life. Al Gore notwithstanding, DARPA-encouraged projects led to the information revolution and the internet, as well as GPS and stealth technology.

DARPA's 2021 budget was a little over \$3.5 billion¹³—about the amount the EU dedicated to its battery

strategy alone—having slightly declined in real terms from its 2007 budget of \$3.3 billion.¹⁴ China and even the EU, however, are both accelerating their DARPA-like activities.

But there are two limits to DARPA. First, like the NDS, it deals with defense-related technologies only. American competition with China, unlike that with the Soviets, has economic dimensions: China is mobilizing its entire society to compete with us geopolitically in traditional terms as well as in industrial terms. In short, DARPA can only tangentially help U.S. industry compete strategically with China's, but all of China's ostensibly private companies enjoy immense government financial and intelligence support. Chinese industry is inherently never truly "private" but serves as part of the national effort to prove the superiority of its system and eventually defeat the West.

Second, DARPA is not the trigger mechanism for a supply chain stockpile and protection structure. If DARPA suggests that a certain element is going to become critical and in high demand, there is no follow-on mechanism attached to the DNS or DFARS to secure the supply of the element—and even if they were, it would be limited to defense industries. Those linkages would need an overarching national strategic doctrine to encourage.

New Industrial Geography

Moreover, the transition to a high-tech driven economy has also altered the geography of industry since the 1940s. The rapid pace of research into new ideas and products has allowed new players to become vital centers of industrial importance that were marginal or even non-existent in 1950.

In the 1940s, industrial capacity was defined through

vast structures of development, supply, production, and distribution. It was almost impossible for an upstart to suddenly bootstrap itself effectively to compete with General Motors, General Electric, or General Foods. In contrast, the high-tech economy has given new players a chance to compete without an inherently insurmountable disadvantage. As a result, entirely new geographies have now arisen. Nations such as Israel, Finland, and Estonia have become vital to the West. So too Taiwan's microchip production. And yet there is no national strategic policy that considers those centers a vital national security interest. In short, though innovation is now a "critical raw material" of sorts for the West, its global supply chain remains essentially without national-level strategic consideration or protection.

Finance and the Diffusion of Investment Centers

Ideas need funding. Indeed, key investments are handmaidens to innovation and incubation.

In 1950, international finance and cutting-edge industrial innovation was dominated by centers such as New York, London, Zurich in finance, and others. But this has changed in the past several decades, and thus so too must a strategic analysis now consider the new geographic centers as critical raw materials of sorts. Moreover, ideas eventually develop new technologies and a new collection of critical raw materials.

Consider the United Arab Emirates (UAE) and the Abraham Accords. Not only do the accords wed the financial and innovation centers of UAE and Israel together, but geopolitically, they wed the emerging eastern Mediterranean strategic area—anchored to Israel and Greece—with the Indian Ocean and east Asian strategic area anchored to the UAE, India, and

Japan. This should be considered a powerful unity not just culturally and economically but also militarily and geopolitically.

Surrendering Human Capital

Knowledge is not all about innovation. The West has dangerously neglected its current knowledge and skills. As *Fostering Broad-Based Growth: 100 Day Reviews* under Executive Order 14017 notes, Western countries' lowering of value creation and outsourcing, especially in fields such as mining, has led to the atrophying of talent.¹⁵ Other U.S. agencies have noted this as well. The Department of Commerce's Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals reported:

The entire U.S. critical minerals supply chain faces workforce challenges, including aging and retiring personnel and faculty; public perceptions about the nature of mining and mineral processing; and foreign competition for U.S. talent. Unless these challenges are addressed, there may not be enough qualified U.S. workers to meet domestic production needs across the entire critical minerals supply chain.¹⁶

In 1995 the U.S. Bureau of Mines was defunded. It issued educational grants and assisted university programs across the country. Slowly, the human talent in mining and geology is eroding. The skilled mining workforce is aging, and youth have no incentive to enter studies that lack scholarships and are denigrated as environmentally criminal. And universities face the same problems. By way of comparison, China has 39 universities granting mineral processing and metallurgy degrees with thousands of undergraduate

and graduate students.¹⁷

At some point in the future, the United States will need to reopen mines and discover new ones to compensate for the denial of critical and rare materials by its adversaries. But while the money and will may still be there, it may be unable to do so.

And mining is only an example. There are many other fields where the proclivity to outsource has essentially stripped the West of the talent necessary to continue were there global-level disruptions. When Rome fell, the world lost a treasure of knowledge on construction and science. The West is not conquered, but it is unlearning and losing the basic skill sets that allow for any supply chain to even exist.

The Biden Administration's Approach

Following the publication of E.O. 14017, the Biden Administration ordered all agencies to review their supply chain vulnerabilities. While the verdict is still out on this effort, its beginnings raise concerns.

First, vulnerability from what? Is it a vulnerability from a hurricane hitting a coast with refineries, from a factory in France that may suffer labor shortages, or from a mine in Ohio that may face protests? These are temporary distortions that proper contingency plans—which are worthy of organizing—can handle. But temporary disruptions are not the same as long-term distortions, some of which are intentionally encouraged by adversaries to strategically weaken the nation. For example, several years ago, China tried to invest enough in Israel's health sector to distort it into patterns of research and production that were inappropriate for Western demand. This exposed Israel greatly to China's bullying because so much of its health industry suddenly became beholden to China. Absent a definition and analysis of the threat,

it is difficult to organize a response.

Second, ordering separate agencies to conduct such an investigation without coordination inherently stovepipes the problem. While each agency may be able to handle supply disruptions, the taxing of those solutions by several sectors at once may be overwhelming.

Third, the directives given the bureaus are unfocused. Take for example the June 8 government fact sheet on securing the nation's battery supply. It outlined such priorities as "Electrify the nation's school bus fleet," "Accelerate the electrification of the nation's transit bus fleet," "Provide consumer rebates and tax incentives to spur consumer adoption of" electric vehicles, "Invest in the production of high-capacity batteries ... to support good-paying, union jobs," and "Develop strong environmental review permitting practices for the extraction of critical minerals."¹⁸

The first four items listed above have nothing to do with securing supply chains, but they may actually deepen dependence on supply chains running through China. And the last item is likely to deeply retard the domestic mining industry, leaving nations with less regulation as the only remaining suppliers of raw materials—thus deepening the very dependency such an effort should be relieving.

These policy documents suggest that the new Administration cannot resist mixing ideological policy preferences with economic necessities and genuine strategic vulnerabilities. The Biden Administration set a blurry tone to its aims in its first days:

Resilient American supply chains will revitalize and rebuild domestic manufacturing capacity, maintain America's competitive edge in research

and development, and create well-paying jobs. They will also support small businesses, promote prosperity, advance the fight against climate change, and encourage economic growth in communities of color and economically distressed areas. More resilient supply chains are secure and diverse—facilitating greater domestic production, a range of supply, built-in redundancies, adequate stockpiles, safe and secure digital networks, and a world-class American manufacturing base and workforce.¹⁹

This is pablum. Objectives such as better wages, enfranchising communities of color, and advancing the fight against climate change are worthy goals, but they are not related to securing supply chains. Indeed, such aims could lead to greater reliance on questionable sources of supply. The pursuit of robust supply chains will likely, in fact, cut into profits and reduce wages, make goods a bit more expensive, and might even slow growth, which is precisely why a national-level framework is necessary—otherwise, businesses, which are legally bound to provide their investors with value, would do this on their own for their own financial reasons. Such choices involve national values and priorities, the outlines of which are absent at this time. Prioritizing everything prioritizes nothing.

A European-Style Approach

It would, of course, be seductive to simply follow Europe's lead. Yielding to a new international regulatory structure set by European allies would be the easy path, and Americans could convince themselves that it advances common Western values. It would also be tempting to try to overpower the

market and aggressively legislate American industry into compliance with these international regulations. And it would be easy to expose American businesses to international courts upholding those regulations.

The problem is that the European Union does not genuinely share basic American values. Instead, it issues from a fundamentally different philosophical foundation from the United States. America emerged from the evolution of the Italian Renaissance, 17th-century British politics, and 15th-18th-early enlightenment thinkers in the United Kingdom and France. The European Union, in contrast, is largely animated by 18th-century French philosophers, such as Rousseau, and the underlying philosophy of the French Revolution. The latter believes in a population too ignorant to truly understand its self-interest and “social contract”—the support of which defines the possession of citizenship and rights—and thus must be led by an enlightened vanguard leadership. As such, embedded in this outlook traditionally lies interventionist legislation, activist (even “legislating”) laws and courts, government regulations, international organizations, and the intertwining of business with government. Moreover, the EU’s elites possess a distorted concept of morality they believe embodies the “social contract,” and thus such interventions are not driven by purely economic or strategic considerations but by an attempt to guide Europe industrially according to elite values.

Second, an excess of regulations and administrative directives is part of the problem. Those in the technology fields, for example, complain that regulatory and administrative complexities have tied the hands both of government and the citizen rather than encouraging responsibility, initiative, and creativity. Indeed, Phillip K. Howard describes this regulatory and administrative morass in *The Rule of*

Nobody.

Howard argues that the United States needs to return to setting national goals and boundaries that elevate its aspirations and validate its foundational values and philosophy rather than dictate public choices. Or as Michael Barone said of Howard’s argument, his “central insight—that ordinary Americans can be trusted to behave responsibly—is a good starting place in reforming government.”²⁰

Indeed, the EU way of doing things suggests a certain disdain elites hold regarding the virtuousness of the national soul. This assault both causes and confirms the surrender of popularly-held civic virtue, since virtue is not held by citizenry but imposed on them. And if everything is controlled then personal or corporate initiative to take control of the situation, to operate voluntarily according to a code of ethics, or to concern oneself with the public good all withers. Nobody takes responsibility for anything—which is essentially the point Howard is making. This lies at the core of the national crisis affecting everything from supply chains to production to innovation. Nobody is in charge and elites are unintentionally, but still collectively, allowing the nation to flounder suffering under a thousand cuts.

Indeed, this explains the deep chasm between the aristocratic glance toward Europe as a model and the gritty self-confidence that grips America more popularly, especially between the coasts. For a decade now, an anti-establishment sentiment has animated both sides of the political spectrum.²¹ This impulse to disruption is necessary to reinvigorating the national spirit, but without constructive leadership, it can also be simply destructive rather than disruptive.

At any rate, business has embraced a hyper-laissez-faire attitude to increase profit by aggressively

subcontracting to foreign ventures that lack the internal regulatory tethering domestic production entails. Together, these pressures have essentially replaced the very concept of civic virtue and corporate citizenship with an imposed sort of Code Napoleon of corporate responsibility dictated by elites, activists, and a self-anointed international aristocracy—and then rationalizes the dependency on adversaries and the wealth and tech transfer to them they are deepening.

The nation is beginning to wheeze and stifle under the weight of the “rule of nobody” that Howard so well describes. Americans have, since long before their founding, been profoundly suspicious of top-down, elite-driven, virtue-shaping activism, such as the corporate social-justice activism now dominating Fortune 500 business. As a result, populist pressures will eventually sabotage any industrial policy in the United States that does not issue from a public-private partnership that builds on national values rather than a governmental or bureaucratic command to reshape them. Thus, the European approach and model to resolving such questions will remain largely inappropriate to U.S. realities and culture.

The Way Forward

The only way forward must start with a new NSC-68 that:

- identifies the sources of U.S. strength, from the foundations of human and social capital and the reinvigoration of values to the supply of raw materials;
- mercilessly and unsentimentally reexamines the entire regulatory and administrative regime; and
- crisply identifies adversaries, examines reliance on adversarial actors, and signals to the private sector

what is expected of it.

While legislation and regulation are part of the mix—they were with NSC-68 as well—these must be debated and vetted by the public. They cannot be the result of some hidden commitment made by diplomats or corporate executives in Davos decrying the evils of the very system under which they made their fortunes, such as World Economic Forum founder Klaus Schwab.

Finally, even the question of immigration needs to be revisited. The lawlessness and loss of control of the southern border does not create the meticulousness that should govern production from mine to product, the fastidiousness that should define business ethics, and the disruptive economic instability behind innovation. At the same time, the United States had been built on high-quality immigration—essentially drawing the greatest minds of the globe seeking freedom to realize their talents. And yet, current U.S. immigration laws, while allowing an open border, at the same time are highly restrictive. As a result, these haphazard immigration policies encourage low-skilled labor and lawlessness while at the same time discouraging the legal immigration of highly skilled talent. This contributes to America’s loss of its unchallenged primacy in innovation.

Conclusion

Sadly, Washington at the moment seems unable to muster such a nationally engaging bipartisan effort, even to sound the alarm. As a result, eventually there will be cataclysmic moment—as there always has been—that will refocus the attentions of the usually strategically reactive Western nations. Perhaps then, it will jolt elites into finally returning to the nation’s fundamental values and construct a new strategic

vision with a clear understanding of the threat to the nation, develop a new mobilization plan, identify the geography of critical industrial production, and map out prioritized raw materials. The United States has throughout its history reinvented itself—and emerged both “built back better” and “made great again” for it. That both parties employ such slogans hopefully suggests that the American people will yet again reinvent themselves to an even higher level.

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Endnotes

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This report was produced by the Center for Security Policy, a nonprofit, nonpartisan 501(c)(3) institution focusing on national security policy issues.

It was made possible by generous contributions from the Center for Security Policy's supporters. All views, positions, and conclusions expressed in this publication should be understood to be solely those of the author(s).

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