

Big Tech and Big Government

CONNECTIVES
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What happens when the US government moves from subsidizing industries to buying into them as equity partners? That question has become increasingly relevant for investors since the CHIPS and Science Act was passed in 2022, marking a significant shift in US national economic policy. Since WWII, the US government has actively supported research and development, especially in defense and aerospace. The CHIPS Act dramatically expanded the scope and scale of government support for key segments of the private sector by providing substantial tax breaks, loans, and incentives to technology, energy, and rare earth companies to develop the full AI ecosystem in the United States.

The CHIPS Act, nominally set at around \$52.7 billion dollars in Federal funding, has brought significant physical investment back to the US. According to some estimates, technology and energy companies are investing as much as \$2 trillion dollars in the US over the coming years.¹ By some estimates, the current investment in the AI ecosystem - including advanced Graphics Processing Unit production, server farms, energy production, and mining of critical rare earth minerals - now accounts for approximately 92% of the growth in US GDP.²

¹ Source: Bridgewater, "The AI Boom Looks Far From Its Financial Limits," October 3, 2025.

² Source: Financial Times, R. Armstrong, "Does GDP Growth Minus AI CAPEX Equal Zero?" September 30, 2025.

The Trump administration has started to leverage the CHIPS Act as an opportunity for the US government to take equity stakes in key technology and energy companies.³ Investors have long been comfortable with the importance of government contracts and subsidies; but sharing equity ownership with the US government is new territory which may present complicated investment implications.⁴

In August, Intel announced its funding deal with the US government under the CHIPS Act had been amended. The US Commerce Department that oversees the CHIPS Act revised the November 2024 deal struck under the Biden administration, with the US government taking a ten percent equity stake in Intel in exchange for the expedited release of \$5.7 billion in funding.

In September, NVIDIA and Intel announced a multi-year deal to develop AI infrastructure and personal computing products.⁵ The Trump administration backed the \$5 billion deal as part of Intel's turnaround plan.⁶ Intel, once a major rival of Taiwan Semiconductor Company (TSMC) and NVIDIA, has fallen behind its peers due to its traditional focus on central processing units while its competitors focused on graphic processing units which turned out to be far better at executing the complex math needed for training large language models and AI computing.⁷ Intel's share price had fallen as much as fifty percent from its peak, but it has rebounded 23% on the combined announcements.⁸ In addition, Intel's new CEO, Lip-Bu Tan, has been in talks with the likes of Apple, TSMC, and Japan's SoftBank to invest in US semiconductor capacity.⁹

The federal government is not stopping with shares in Intel. The Trump administration is looking to use \$2 billion in CHIPS Act funding to leverage more equity stakes in strategic rare earth miners in Canada and the US.¹⁰ In July, the US government invested in MP Materials, a US-based mining company for the mining, refining and production of rare earth magnets.¹¹

In the deal, the US Department of Defense guarantees a price floor of \$110 per kilogram, more than double the current price.¹² MP Materials agreed to increase output to 10,000 metric tons a year and complete a new magnet factory for electric vehicles and military equipment by 2028.¹³ The US Department of Defense will take a 15% equity stake in MP Materials as well as receive warrants and preferred stock.¹⁴

The US government has also taken a controlling share of Canadian Trilogy Metals with a \$35.6 million investment in the company while also approving the controversial Ambler Road project that will permit the company access to resources in Alaska.¹⁵ Trilogy's share price rose over 200% on the announcement.¹⁶ Building on this strategy, earlier this month the US government took a 5% stake in Lithium America, which controls the largest known lithium resources in the US.¹⁷ The deal amended a \$2.3 billion loan made to Lithium America last year.

As the US seeks to shore up strategic interests in technology, energy, and rare earths, investors may have to get used to holding equity stakes alongside the US government. This new form of public-private partnership may spark fears of government interference or meddling. But for now, the markets are embracing the strategic vision for a technology-focused industrial policy in the US.

³ Source: Reuters, E. Scheyder, "Trump Weighs Using \$2 Billion in CHIPS Act Funding for Critical Minerals, Source Say," August 21, 2025.

⁴ Source: Financial Times, R. Sharma, "America Is Now One Big Bet on AI," October 5, 2025.

⁵ Source: NVIDIA press release, "NVIDIA and Intel to Develop AI Infrastructure and Personal Computing Products," September 18, 2025.

⁶ Source: Wall Street Journal, L. Thomas et al., "Intel Seeks Help from Apple and Others as US Backs Comeback Bid," September 25, 2025.

⁷ Source: Wall Street Journal, J. De Avila, "Nvidia to Invest \$5 Billion in Intel, Furthering Trump's Turnaround Plan," September 18, 2025.

⁸ Source: Financial Times, "Nvidia \$5 B Intel Stake Turns Bad Finance into Good Money," September 19, 2025. Intel share price rose 23% on day of announcement.

⁹ Source: Wall Street Journal, L. Thomas et al., "Intel Seeks Help from Apple and Others as US Backs Comeback Bid," September 25, 2025.

¹⁰ Source: Reuters, E. Scheyder, "Trump Weighs Using \$2 Billion in CHIPS Act Funding for Critical Minerals, Source Say," August 21, 2025.

¹¹ Source: Reuters, K. Kali et al., "MP Materials Seals Mega Rare-Earth Deal with US to Break China's Grip," July 10, 2025.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Source: Financial Times, J. Smyth et al., "US Government to Take 10% Stake in Canada's Trilogy Metals," October 6, 2025.

¹⁶ Ibid.

¹⁷ Source: Reuters, Scheyder, Ernest, "US government takes 5% stakes in Lithium Americas and joint venture with GM," October 1, 2025.

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