

Critical Minerals and Deficit Financing (aka, subsidies)

written by Jack Lifton | September 6, 2024

Access to natural resources and the capability and capacity to process them to produce energy and to fabricate useful products is the basis of an industrial economy. The growing contemporary creditor oligarchy, even if it is aware of this, is uninterested in its implications as debt now inhibits productivity growth and thus dooms today's leading manufacturing economies to social failure.

The location of accessible deposits of minerals critical to our industrial and technological societies has never been under the control of any one national entity. Minerals' criticality may be realized many years after the physical conquest and subsequent liberation of the political entities into the territories of which they fall. No territorial conquest in history has depended upon the future realization of a processing technique for recovering valuable minerals.

Some minerals have become critical because of deglobalization, and deglobalization is being driven by a China that perceives the allocation of capital in the West to be increasingly wasted on "subsidizing" attempts to sustain "capitalist" enterprises that, like contemporary Western governments themselves, can only survive, can only continue to exist, by deficit financing. China, of course, is the master of deficit financing through subsidization of favored industries, but China, at least sees this policy as a long-term "investment" in the future of a stable, if not growing, China. In contrast, Western subsidizers see their actions as noble band-aids to maintain their welfare states by their ideas of where to allocate unlimited

(nonexistent, “borrowed”) capital. The Western neoliberal democracies are mired in a fantasy world of no national borders and depend on the endless support of “developing” countries for the natural resources and workers that their own domestic economies can no longer afford to produce because of their choice of using borrowing to support government rather than to support the economy.

The so-called rare earth boomlets of the last dozen years are a classic example of the misallocation of capital to the financial gamblers who preyed upon the suckers whom they relieved of their money without any rational or economically feasible plan to produce the “critically needed” minerals at a price that the economy could afford. The sole purpose of the vast majority of “junior” mining ventures was and is to make money for the founders, not at all to produce any minerals.

The current pricing for lithium, cobalt, and rare earths reflects an exhaustion of market hubris by mining financiers who believed that they could just forecast indefinite asset price increases due to a permanently growing demand and the inability of the mining industry to balance that with supply.

This fleecing of the fools might have continued were it not for the fact that the path from “dot coms” to shadow banking for private equity buying and selling companies” to “climate change” to “artificial intelligence” has now exhausted the “slack” in the real economy of producing goods and services for mass consumption.

Economically illiterate politicians campaign on increased spending of non-existent revenues and promise “subsidies” for the barren hulks left by the private equity rapists.

To survive economically, we need to focus on the lowest-cost providers of goods and services. Subsidies are political band-

aids, not reinforcements of national security. The only time subsidies work is for providing the military with goods/services that an efficient economy cannot afford to make in peacetime.