Detroit’s Lesson for Critical Minerals Investors: Supply Chains Cannot Be Financialized Forever

written by Jack Lifton | June 8, 2026

Governments and financial markets cannot permanently suspend economic reality. Investors who wish to succeed in the critical minerals sector must distinguish between political narratives and commercially viable business models.

Detroit’s automotive industry offers an important lesson for today’s critical minerals investors and commodity market promoters: industrial supply chains are built on operational competence, not financial engineering.

Recent reports indicate that the average American now keeps a newly purchased vehicle for approximately 13 years. This statistic should concern not only automobile manufacturers but also those promoting the idea that simply discovering a mineral deposit guarantees participation in future supply chains.

Automobile production has always been a complex undertaking. It requires forecasting demand years in advance, securing financing for thousands of components, and establishing reliable supply chains capable of delivering parts that meet strict standards for quality, volume, timing, and price.

Historically, automotive original equipment manufacturers (OEMs) delegated much of this responsibility to Tier One suppliers. These suppliers were responsible not only for producing major vehicle systems but also for qualifying their own suppliers and

ensuring that the necessary supply chains functioned efficiently.

For decades, this structure worked reasonably well.

However, during the final decades of the twentieth century, financial markets encouraged automakers to abandon the vertically integrated model that had characterized the industry’s growth. Companies were persuaded that outsourcing, asset-light operations, and just-in-time inventory systems would generate superior financial returns.

The resulting wave of divestitures and supplier specialization enriched investment bankers and financial intermediaries. Yet it also dismantled many of the manufacturing efficiencies and institutional expertise that had been developed through generations of industrial experience.

The consequences are becoming increasingly evident.

The extension of vehicle ownership from eight to twelve years at the beginning of this century to thirteen years today reflects economic reality. Americans are keeping their vehicles longer because replacing them has become increasingly difficult to justify financially.

This trend is not the result of unexpected demographic shifts. Analysts have long recognized that stagnant purchasing power, rising living costs, taxation, and escalating vehicle prices have steadily reduced consumers’ ability to replace automobiles every few years, despite the hopes of automotive executives.

As demand growth slows, manufacturers have increasingly relied upon price increases and increasingly aggressive financing arrangements to maintain revenues. These measures have obscured, but not eliminated, the underlying structural challenges facing

the industry.

Perhaps the clearest indication of growing concern is the decision by some OEMs to move upstream into raw materials and component supply chains—areas that they abandoned decades ago.

General Motors' (NYSE: GM) investments in lithium production illustrate this trend. The company has committed capital to projects intended to supply lithium, a basic raw material in the battery supply chain, despite commodity prices falling substantially below the assumptions that justified many such investments.

Similarly, automakers have begun investing directly in permanent magnet supply chains. Traditionally, electric motor manufacturers—the Tier One suppliers responsible for delivering production-ready motors—would identify, qualify, and procure magnet materials. Today, OEMs are increasingly attempting to influence or directly support these relationships themselves.

This represents a fundamental departure from established industrial practice.

Automakers possess extensive expertise in vehicle assembly, design, and marketing. They generally do not possess decades of experience evaluating mining projects, rare earth separation technologies, metal making, alloy production, or permanent magnet manufacturing. Due diligence at these upstream stages requires specialized knowledge that most OEMs have never needed to develop.

The rationale behind these investments may be understandable. Tier One suppliers often lack the financial capacity to make substantial upstream investments, while OEMs may be reluctant to invest directly in those suppliers. Instead, they have chosen to intervene further upstream, frequently in sectors where they

lack technical expertise.

These investments should be viewed less as evidence of OEM competence in mining and materials processing than as evidence that existing supply chains are no longer providing the security and predictability that manufacturers require.

Whether this approach ultimately strengthens supply chains or introduces new vulnerabilities remains to be seen.

Underlying these developments is another uncomfortable reality: today’s OEM profitability may not be sustainable if governments continue to intervene aggressively in both product selection and commodity pricing. Mandates that direct consumers toward specific vehicle technologies, regardless of market readiness or consumer preferences, distort normal capital allocation decisions within the automotive industry. Equally problematic are policies that effectively establish floor prices for critical raw materials through subsidies, guaranteed purchasing arrangements, or government-backed financing of projects that are uneconomic under prevailing market conditions.

While such interventions may be justified politically as necessary to accelerate technological transitions or secure domestic supply chains, they impose costs that ultimately must be absorbed by manufacturers, consumers, or taxpayers. In many cases, they simply transfer economic inefficiencies from one part of the supply chain to another without resolving the underlying issues of productivity and competitiveness.

The cumulative effect of these policies extends beyond the automotive sector. American manufacturers competing in global markets must absorb higher input costs while simultaneously facing international competitors operating under different economic assumptions. The result is a gradual erosion of export competitiveness precisely at a time when the United States seeks

to reindustrialize and reduce strategic dependence on foreign suppliers.

There is also a broader macroeconomic consequence. Persistent government intervention aimed at sustaining prices above market-clearing levels contributes to inflationary pressures across industrial supply chains. Over time, such practices can weaken confidence in the purchasing power of the dollar itself. A currency's long-term strength ultimately rests upon the productive competitiveness of the economy it represents. Policies that increase structural costs while reducing international competitiveness risk undermining both the value of American manufacturing and the dollar's relative strength in global markets.

None of this argues against securing critical mineral supply chains or rebuilding domestic manufacturing capabilities. Rather, it suggests that industrial policy cannot substitute indefinitely for economic fundamentals. Competitive industries are built upon productivity, innovation, and operational excellence—not upon permanent government intervention designed to override market signals.

For investors, however, an important conclusion emerges.

Many North American mining companies increasingly portray themselves not simply as mineral producers but as future participants in sophisticated manufacturing value chains. Their valuations often reflect assumptions based not on traditional mining economics, but on the substantially higher margins associated with advanced manufacturing.

This distinction matters.

Mining remains a cyclical, capital-intensive business characterized by volatile commodity prices and significant

operational risk. Manufacturing businesses, when successful, can generate more stable margins based upon intellectual property, process control, and customer qualification.

The path from mineral deposit to qualified manufacturing supplier is neither automatic nor guaranteed. Discovering a deposit is only the beginning. Building a competitive business requires technical expertise, operational excellence, customer qualification, and the ability to execute consistently over decades.

Detroit’s experience demonstrates that supply chains evolve over time and require continuous operational discipline. Financial structures may facilitate industrial development, but they cannot substitute for technical expertise, manufacturing capability, and proven execution.

Critical minerals are essential to modern economies. However, investors should distinguish carefully between companies with credible strategies for moving downstream and those relying primarily on promotional narratives that assume manufacturing margins can be achieved simply by owning mineral resources.

Governments may shape markets temporarily. Financial markets may reward narratives for extended periods. But neither can permanently suspend economic reality.

Industrial reality ultimately prevails over financial optimism.

Detroit has already taught us that lesson.