The Price of Security: When Critical Minerals Become Too Expensive

written by Jack Lifton | September 15, 2026

There is a contradiction at the heart of Western critical minerals policy that I think we are going to have to face sooner rather than later. Governments, promoters, mining companies, processors, investment bankers, and increasingly the popular press tell us that the prices of critical minerals and metals are too low. They may well be right. At today's prices, many proposed mines, separation plants, refineries, metal plants, and other processing ventures outside China cannot earn enough money to justify the capital required to build them. Therefore, the argument goes, prices must rise. Governments must support higher prices through price floors, tariffs, subsidies, guaranteed purchases, stockpiles, loans, grants, or some combination of all of these.

There is only one problem with this reasoning: the customer has to pay those higher prices, and the customer is ultimately us.

A mineral deposit is not an economic asset merely because it contains something that a government has declared to be "critical." Nor does a processing technology become commercially viable simply because its product is strategically important. An industrial operation must produce something that a customer needs, in the required form, purity, quantity, and consistency, at a price the customer can afford. This is where much of today's discussion goes wrong. We are attempting to solve the problem of inadequate Western production by increasing the prospective revenues of producers. But every dollar of additional revenue received by the producer must ultimately

appear somewhere in the cost structure of the consumer. There is no magic involved.

If neodymium and praseodymium become more expensive, permanent magnets become more expensive. If permanent magnets become more expensive, motors, generators, automobiles, appliances, industrial equipment, and defense systems incorporating them become more expensive. The same applies to copper, lithium, nickel, cobalt, graphite, gallium, germanium, tungsten, antimony, and every other material whose strategic importance has suddenly been rediscovered by Washington, Brussels, Ottawa, Canberra, and Tokyo. A higher raw material price may rescue the producer. It does not necessarily rescue the economy.

We are told that Western countries must pay more for secure supply. That is certainly true to some degree. Security has a cost. But economists and politicians rarely finish the sentence. The question is not whether we are willing to pay more for security. The question is how much more we can pay before the cost of security begins to reduce the standard of living that the security was supposed to protect.

Suppose that a Western rare earth mine requires a substantially higher NdPr price to earn an adequate return on capital, and that a Western separation plant requires still higher prices because its capital, energy, environmental, labor, and regulatory costs are greater than those of its Chinese competitors. Then add Western metal production, alloy production, and magnet manufacturing. At every stage, we have added “secure” Western costs. Eventually somebody manufactures a motor, and then we discover that the secure Western motor is substantially more expensive than the motor manufactured through the existing Asian supply chain. We have solved the supply chain problem by creating a competitiveness problem.

This brings us back to something I have emphasized throughout my career: industrial supply chains must be constructed backward from the requirements of the OEM. The OEM does not begin with a mineral deposit. It begins with a product that somebody is willing and able to buy. An automobile manufacturer needs a motor meeting specified performance, reliability, and cost requirements. The motor manufacturer needs a qualified magnet. The magnet manufacturer needs qualified alloy. The alloy producer needs qualified metal. The metal producer needs purified compounds. Only then do we finally arrive at the mine.

Wall Street and government policy planners too often construct this chain in precisely the opposite direction. They begin with a deposit, calculate what commodity price is necessary to make the deposit financially attractive, and then construct an economic model based upon that price. But the price that makes the mine economic may make the customer’s product uneconomic. This is the part of the calculation that seems increasingly to be missing.

We should also understand what happens when governments attempt to force this adjustment throughout an economy. If the cost of copper rises, electrical infrastructure becomes more expensive. If the cost of lithium, graphite, nickel, and other battery materials rises, batteries become more expensive. If rare earth magnets become more expensive, the thousands of devices incorporating permanent magnet motors become more expensive. If electricity becomes more expensive because the materials and equipment required to generate and distribute it are more expensive, that increased energy cost migrates through almost every manufactured product and service in the economy. Each increase may look tolerable when considered separately. Together they become inflation.

Inflation in the prices of necessities is ultimately a reduction

in the standard of living. Consumers have only so much disposable income. Money spent paying higher prices for automobiles, electricity, appliances, transportation, housing, and manufactured goods cannot simultaneously be spent on food, healthcare, entertainment, education, travel, or savings. Wealth has not been created merely because the price of a mineral has increased. In many cases wealth has simply been transferred.

This is the question I think policymakers should now be asking: Have we reached the point where further increases in the prices necessary to support domestic critical minerals production will do more economic damage than the supply security they create is worth? I do not know the answer. I am increasingly convinced, however, that almost nobody in government is even asking the question.

There is an understandable political appeal to declaring that America, Europe, Canada, Australia, or Japan must become independent of Chinese critical minerals supply chains. But independence is not an economic calculation. It is a political objective. Economic policy requires us to ask what that independence costs. There is a price at which almost anything can be produced domestically. We could manufacture nearly every component of an automobile in the United States if we were willing to tolerate sufficiently high automobile prices. That does not mean we should. The objective of an industrial economy is not simply to produce things. It is to produce useful things economically.

This is one reason the Chinese critical materials system has been so difficult for the West to reproduce. China did not simply seek high prices for its mineral producers. It built enormous downstream manufacturing capacity that consumed those materials. Mining supported separation, separation supported metals and alloys, metals and alloys supported magnets,

batteries, electronics, motors, and other components, and those components supported finished manufactured goods. The objective was not to maximize the price of the mineral. The objective was to maximize the value added as the material moved through the supply chain. Those are very different economic strategies.

Western financial markets naturally focus on increasing the value of an asset. A junior miner wants the market to value its deposit more highly. A producer wants higher commodity prices. A processor wants higher margins. But a national economy should not have the same objective as a mining promoter. The nation should want the lowest sustainable cost throughout the supply chain consistent with security of supply. That means producers must make enough money to remain in business. It does not mean that commodity prices should be pushed as high as necessary to make every proposed project profitable. Some projects simply should not be built.

This is the uncomfortable part of the discussion. When a proposed mine cannot make money at the long term price that consumers are willing to pay for its product, perhaps the problem is not the price. Perhaps the problem is the mine. When a separation plant requires permanent government support because its operating costs cannot compete with alternative suppliers, perhaps the problem is not unfair competition. Perhaps the plant is simply too expensive.

And when an integrated mine-to-magnet proposal requires subsidies at the mine, grants at the separation plant, government financing at the metal plant, a guaranteed price for the magnet, and tariffs against the finished foreign product, we should at least ask whether we have created an industry or merely constructed an elaborate mechanism for transferring money from taxpayers and consumers to investors. There are legitimate strategic reasons for maintaining some uneconomic capacity.

Defense is the obvious example. Insurance always costs money. But insurance and economic development are not the same thing.

Critical minerals are not valuable because they are critical. They are critical because they enable technologies and products that have value. That distinction is fundamental. If the price of securing the raw material makes the resulting technology unaffordable, we have defeated the economic purpose for which we wanted the material in the first place.

The Western world therefore faces a much more difficult problem than simply opening more mines. We must create supply chains that are simultaneously secure, technically competent, scalable, qualified, and economically competitive. That last requirement cannot simply be legislated away. Governments can subsidize prices, but they cannot abolish costs. They can transfer those costs from the manufacturer to the taxpayer, but they cannot make them disappear. They can protect domestic producers from foreign competition, but they cannot protect an entire economy from the consequences of becoming progressively more expensive.

The real contest in critical minerals is therefore not a contest to see who can produce them at the highest politically acceptable price. It is a contest to see who can reliably transform natural resources into useful manufactured products at the lowest sustainable total cost. That is where value is added, and that is where economic security ultimately resides.

Follow where value is added.