Las Vegas on the Potomac – Why Washington Must Place Its Wagers on Capabilities, Not Companies

written by Jack Lifton | July 31, 2026

For more than sixty years, I have watched governments around the world attempt to influence the development of strategic industries. Sometimes they have succeeded brilliantly. More often, they have confused industrial policy with investment management. The distinction matters.

Today, Washington is investing directly in selected critical minerals companies, extending loan guarantees, offering grants, and providing other forms of financial support in the name of national security. The objective is understandable. The United States has become dangerously dependent upon foreign suppliers—particularly China—for many of the minerals, metals, and engineered materials that underpin modern industry and national defense.

That dependence must be reduced. The question is not whether government should act. The question is whether it knows **how** to act. At times, I cannot avoid asking whether some of these decisions resemble **Las Vegas on the Potomac**—placing large wagers with taxpayers' money on individual companies whose commercial success remains uncertain. There is a profound difference between investing in productive national assets and investing in individual corporations.

Governments have historically achieved remarkable success when they invest in infrastructure, scientific research, military technology, transportation systems, and other public goods that private markets either cannot or will not finance. The Interstate Highway System, the Tennessee Valley Authority, DARPA, and the Apollo program all created capabilities that benefited the entire American economy. Those were investments in national capacity. Selecting one private company over another is something entirely different.

The moment the government chooses one company over another, it assumes responsibilities normally borne by venture capitalists, investment banks, industrial conglomerates, and private equity firms. It is no longer simply making policy. It is allocating risk capital. That requires commercial judgment. It requires evaluating management quality, engineering competence, metallurgy, operating costs, financing requirements, customer demand, execution capability, competitive positioning, and market timing. These are not political disciplines. They are commercial ones. This inevitably raises an uncomfortable question.

Does the federal government possess sufficient industrial and commercial expertise to perform due diligence on investments in private enterprise?

There are certainly agencies filled with outstanding scientists, engineers, and military planners.

But technical excellence is not commercial excellence. Designing a rare earth separation plant that operates chemically is an engineering achievement. Operating that plant profitably for decades while producing material that customers repeatedly qualify and purchase is an industrial achievement. The rare earth industry has demonstrated repeatedly that technical success and commercial success are not the same thing. This is where I believe government has been asking the wrong question.

Instead of performing **corporate due diligence**, it should first perform what I would call **capability due diligence**. Capability due diligence asks an entirely different set of questions. It does not begin with the company. It begins with the nation. What industrial capability is actually missing? What capability represents a strategic vulnerability? Which capability cannot presently be obtained from reliable domestic or allied sources? Can the proposed investment realistically create that capability? Can it sustain that capability without perpetual government support? Can American industry qualify and use the products generated by that capability?

These are fundamentally different questions from the one of whether a particular company deserves financing. A company is not, in itself, a strategic asset. A capability is.

This distinction becomes even more important when national security enters the discussion. Strategic industries cannot always be evaluated by conventional financial metrics alone. A domestic heavy rare earth separation plant may not generate extraordinary, or any, financial returns during periods of normal international trade. Yet should geopolitical conflict interrupt imports, that same facility could become indispensable to the production of precision-guided weapons, military aircraft, advanced electronics, and countless civilian technologies. ts value would extend far beyond quarterly earnings. It would possess strategic insurance value. Americans understand insurance. We maintain aircraft carriers that we hope will never be used in combat. We maintain strategic petroleum reserves that we hope never to use, and I think that their recent political use was a policy failure. We maintain military forces whose greatest accomplishment is preventing war rather than fighting one. Industrial capability deserves to be viewed through precisely the same lens.

The challenge is determining which capabilities are genuinely worth preserving. Traditional financial analysis provides only part of the answer. Net present value, discounted cash flow, internal rate of return, and return on invested capital remain useful analytical tools. But national resilience requires additional measures. If imports stopped tomorrow, how long could

America continue manufacturing advanced defense systems? How many qualified domestic suppliers exist? How quickly could production expand? Which allied suppliers could realistically replace Chinese production? How many American manufacturers have actually qualified domestic materials?

Those questions describe capability. Not companies. There is another danger associated with direct government investment. Once companies discover that government capital is available, their attention naturally shifts. Instead of concentrating exclusively on customers, technology, manufacturing, and operational excellence, management increasingly devotes time to government relations and political advocacy. Anne Krueger warned decades ago about rent-seeking behavior. When political access becomes as valuable as technological innovation, resources migrate from engineering toward lobbying.

Industrial policy gradually becomes political policy. That serves neither taxpayers nor national security. Throughout my career, I have argued that successful critical mineral supply chains are designed backward from the original equipment manufacturer—not forward from the mine. The mine is simply the beginning. The objective is not producing concentrate. The objective is to produce high-quality materials that customers purchase repeatedly because they meet demanding commercial specifications. That is where value is created. It is also where capability must ultimately be measured. This is why I believe Washington should fundamentally change its investment philosophy.

The government should stop asking, *“Which company should we finance?”* Instead, it should ask: *“Which industrial capability must America possess?”* Only after that question has been answered should government consider whether private industry is capable of supplying that capability competitively. If multiple companies can provide it, let them compete. If none can, then government should ask why. Perhaps the technology is immature. Perhaps customer qualification has not been achieved. Perhaps the economics remain unsatisfactory. Perhaps entirely different technologies deserve greater attention.

Capability due diligence forces those questions to be asked before taxpayer capital is committed. That is exactly how industrial policy should function. History suggests governments rarely become successful stock pickers. History also shows they can become highly successful builders of national capability when they define their objectives correctly. America does not need Washington to become another Wall Street.

It certainly does not need Las Vegas on the Potomac.

It needs a disciplined industrial policy based on engineering, economics, procurement, manufacturing, and commercial realities. Above all, it needs to remember a lesson that has guided much of my own work for more than six decades. Do not follow the mine. **Follow where value is added.** Capability—not corporate identity—is the true measure of national security. And capability due diligence—not corporate speculation—is where government investment should begin.