

# The Bonfire of the Capital

written by Jack Lifton | March 9, 2026

**“A trillion here, a trillion here, pretty soon you’re talking about real money.”** I’m paraphrasing the late great U.S Senator, Everett Dirksen, of Illinois, who presciently said, “A billion here, a billion there, pretty soon you’re talking about real money.”

Today’s administrators and bureaucrats in Washington no longer seem to care either about the foreseeable long-term consequences of their financial largesse or about any demonstrated ability of the recipients of that largesse to carry out the tasks for which they are being compensated in advance. This is politics, not economics.

It’s easy to attribute the financial actions of Washington’s power brokers to a lack of understanding of how to craft long-term fixes to immediate economic and social problems. Grand social schemes come out of Washington daily, but the detailed execution of the policies to implement and support such schemes is usually just of the moment, and not crafted after trial and error to see how they actually work in practice. Re-election is the goal of Washington’s aristocrats and their servants, not policy success in the long term.

One current “crisis” being addressed with a flood of borrowed capital is the critical minerals, metals, or materials secure domestic supply chains deficit. That is the subject of this discussion.

About a quarter of a century ago, in ancient history for elected officials, the U.S. government and the financial “industry,” two mistaken policies were adopted in concert. First, they discarded vertical integration in the heavy manufacturing industry as a

standard policy, and second, they encouraged and supported Chinese entry into the World Trade Organization, WTO, as a “developing” country. Both of these “policies” were intended to increase American consumption by lowering the costs of goods for American consumers, thereby increasing the profits of the financiers of the nation’s trade and of the industries then focused on final assembly and distribution rather than on supply chain maintenance and raw material sourcing.

China, never a mercantilist nation, because it was always self-sufficient in resources and domestic markets for what it considered important to the maintenance of its society, quickly saw an opening and took it. It openly adopted a planned and measured industrial policy to secure self-sufficiency in raw materials and process technologies, making it independent of the rest of the world **economically** and allowing the foolishly blinded Western democracies to pay for it.

The Chinese domestic market evolved and Chinese foreign policy as it related to natural resources developed as Thomas Kreumer, the Rare Earth Observer, wrote recently:

**Resource preservation:** During the early 2000s experts began warning the Chinese government that China’s economic growth rates were unsustainable, if industries would base on domestic resources.

Chinese enterprises hastened abroad to secure overseas resources. Owing to lack of experience, the failure rate of subsequent overseas resource investments was absolutely spectacular until about 10 years ago.

Domestically, a host of more or less crude measures were taken. But unfortunately, this fell into the Hu Jin Tao era (2002-2012), arguably the most corrupt period in China since the late Qing Dynasty (1644-1912). Content of regulation would

literally evaporate at Beijing city limits, because provincial bigwigs would view compliance with directives from Beijing being optional. So Beijing started “crack-down” campaigns (also the core reason of the rare earth crisis 2010-2011).

After Xi Jin Ping ascended to the presidency in 2013, the age of obedience and compliance began, also known as rule of law and strict party discipline. After declaring ideological war on western values in his Document No. 9, began removing the old guard, while his devoted lieutenants Wang Qishan and Zhao Leiji hunted down corrupt officials at any level everywhere (tigers and flies). Finishing the job, Xi had his predecessor Hu Jin Tao thrown out of the closing session 20th National People’s Congress....

Also the key performance indicator for provincial officials was toned down. Local GDP growth went from being the No. 1 KPI to one among several KPIs.

Everything was systematically codified, ages-old, scattered regulation was folded into laws (e.g. the Rare Earth Law).

In 2016 the decades-old Resource Tax Law – a small tax applicable to all and any natural resources – was completely revamped. After successful pilots in selected provinces and selected resources it was finally fully implemented in 2020.

The law imposes ad-valorem taxation on domestic resources. **It does not apply to imported resources.** In mining, it has the effect that imported resource are cost-wise more attractive than domestic resources.

Here the resource tax applicable to rare earths:

China Resource Tax																	
West	Light Rare Earths				Heavy Rare Earths												
Element	La	Ce	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Lu	Sc	Y	
Atomic Number	57	58	59	60	62	63	64	65	66	67	68	69	70	71	21	39	
Chinese Character	镧	铈	铈	钕	钐	铕	钆	铽	镝	钬	铒	铥	镱	镱	铪	铪	
China	Light Rare Earths				Medium Rare Earths			Heavy Rare Earths									
Resource tax from 1. September 2020	11.5% (Shandong 7.5%, Sichuan 9.5%)				20%			20%									

While the definition of “light” rare earth and “heavy” rare earth elements is entirely arbitrary, for purposes of the Resource Tax the Chinese definition is the base. Promethium is missing because it is extinct.

Apart from the above, China has Comprehensive Resource Utilisation policy which, among other duties, compels miners to develop also by-products. It is about squeezing the lemon dry. Rules and regulations also apply tight, numerical emission standards. The enforcement is rigid. Overall, it is effective, but it drives up cost.

Anyway, problem solved, China’s imports of ores and concentrates were booming.”

The expansion of primary minerals production without a concomitant and contemporary expansion of downstream processing and end user product manufacturing is economically ignorant and destructive of pricing power. I see no difference between the old Soviet era policy of constantly increasing production goals and American announcements of the building of huge primary product capacities without regard, either then or now, to actual demand. As my colleague, Thomas Kreumer, the Rare Earth Observer, has shown above, the setting of production goals without regard to actual measured or rationally predicted demand is a specialty of academic economics and ideologies, such as

Communism, Socialism, and state Capitalism.

Contemporary American predictions of future demand for rare earth permanent magnets are almost entirely fantasy projections based on the hope that the share prices of the companies whose production is to fill these imaginary demands will just go up and up.

Today's politicians and their bureaucratic servants , whose education in historical capitalism is wanting, and who make judgments based solely on ideology will soon find out that Margaret Thatcher was right about the cause of the failure of socialist economies. They will run out of the ability to borrow other people's money and waste it on fantasy investments in open-ended supply.

The critical minerals complex recently formed by the U.S. Government's permanent bureaucracy in service to its elected elites is simply a waste of money until and unless it reaches out to America's established production industries for information and advice on actual and projected demand and to identify the choke points in the necessary supply chains on an industry by industry basis and solicits further advice on how to ameliorate and remove the choke points.

My opinion on why the above industry advice has not been sought is that such conversations would reveal to the public the serious American financial and educational shortcomings caused by very poor policies in the recent past, promulgated by both political parties