What Are America’s Rare Earth Magnet Billions Buying?

written by Jack Lifton | November 29, 2026

“Money can finance the acquisition and development of industrial knowledge, but it cannot substitute for it.” — Jack Lifton, Co-Founder & Co-Chair, Critical Minerals Institute (CMI)

The identification of a crisis, and certainly the formulation of a response to it, is first and foremost a political act. This does not mean that the crisis is necessarily imaginary. It does mean, however, that the nature, magnitude, and urgency of the crisis, as presented to the public, are initially defined by politicians rather than by those who have the technical and experiential knowledge necessary to determine whether there is, in fact, a crisis and, if so, how it might best be resolved.

Once a contemporary American politician identifies a crisis, they typically turn to the permanent bureaucracy and its associated academic advisors for advice. At this point, Wall Street begins to sniff out opportunity. Spending large amounts of public money, particularly when justified on national security grounds, creates opportunities for private financial gain that might not otherwise exist in a competitive market economy.

What is increasingly absent from this process is the participation, at the decision-making level, of experienced industrialists and manufacturing engineering managers. These are the people who know how things are made, whether they can be made in the required quantities and to the required specifications, how long it will take to establish the capability to make them, and, most importantly, whether they can be made economically.

The financialization of American industry over the last half-century has emasculated the influence of precisely these individuals. The elevation of financial management over industrial management has produced a generation of corporate and political leaders for whom the availability of capital is too often considered synonymous with the availability of industrial capability.

It is not.

A paradigm example of this phenomenon is the almost entirely political and financial response to the assertion that the United States must become self-sufficient in producing rare earth permanent magnets for national security reasons.

I believe two fundamental questions should have been addressed before committing billions of dollars of public and private capital to building an American rare earth permanent magnet industry. First, is there, in fact, a national security crisis? Second, if so, what is the most technically sound, economically rational, and expeditious way to resolve it, whether or not the resolution enriches anyone on Wall Street?

The first question is not as simple as it might appear. China's concentration of the world's capacity to produce rare earth metals, alloys, and permanent magnets is a strategic vulnerability for the United States. But a vulnerability is not necessarily a crisis, and a vulnerability does not, in and of itself, define the appropriate response.

What, specifically, does the American military require for rare earth permanent magnets? What quantities, types, and specifications of magnets are required, and what are the anticipated annual requirements under both peacetime and wartime conditions? How much of this demand could existing American manufacturing capabilities satisfy, assuming those manufacturers

had access to the necessary metals and alloys? How much could Japan and Europe supply? What quantities of finished magnets, metals, and alloys could economically be stockpiled?

I have yet to see a comprehensive, publicly available analysis of these questions that justifies the scale and configuration of the rare earth permanent magnet industry that Washington and Wall Street now seem determined to construct.

There is also a fundamental distinction between ensuring that the American military has an uninterrupted supply of rare earth permanent magnets and ensuring that the entire American civilian economy is self-sufficient in production. These are two very different industrial and economic objectives. Conflating the two greatly expands the amount of capital that can ostensibly be justified by invoking national security.

If the objective is to ensure that the American military can continue to manufacture and maintain its weapons systems during an interruption of Chinese supplies, then the solution might well involve a combination of strategic inventories, procurement from reliable allied nations, and the establishment or expansion of a relatively modest but highly capable domestic manufacturing industry.

If, on the other hand, the objective is to recreate within the geographical boundaries of the United States a globally competitive rare earth permanent magnet industry capable of supplying all American civilian and military demand, then we are discussing an industrial undertaking of an entirely different magnitude, cost, and duration.

Who decided the latter was necessary to achieve the former?

In my more than six decades of involvement in the production and use of technology metals, I have learned that industrial supply

chains are best built backward from the end-user requirements. One begins with the specifications, quantities, delivery schedules, and acceptable prices of the products required by the original equipment manufacturers (OEMs). One then determines the processing and manufacturing capabilities necessary to produce those products and, ultimately, the sources of the raw materials required to sustain those capabilities.

The contemporary American approach to the rare earth permanent magnet supply chain frequently appears to be the reverse. We begin with the ownership of a mineral deposit, the promotion of a separation technology, or the announcement of a magnet manufacturing facility, and then attempt to construct a financial and industrial rationale for integrating these assets into a supply chain.

A single publicly traded company owning the individual components of a supply chain does not constitute industrial integration. Nor does the capitalization of such a company prove its ability to manufacture products acceptable to an OEM.

Industrial integration requires coordinating production specifications, material flows, inventories, quality control, process engineering, and customer qualification. It requires experienced management at every stage of the supply chain and, perhaps most importantly, management that understands the technical and economic interdependence of those stages.

Much of this knowledge was lost to American industry when we outsourced the manufacturing operations that embodied it. We did not simply export manufacturing jobs. We terminated generations of legacy engineering, the accumulated and continuously transmitted knowledge of how to make things on an industrial scale.

Congress, an executive order, an initial public offering, or

even the expenditure of billions of dollars cannot restore that knowledge. Money can finance the acquisition and development of industrial knowledge, but it cannot substitute for it.

Were I charged with resolving the national security vulnerability arising from American dependence on Chinese rare earth permanent magnets, I would first assemble a group of experienced manufacturing and procurement managers drawn from the industries that actually produce and consume such magnets. I would ask them to determine the minimum industrial capability needed to ensure uninterrupted operation of America's defense manufacturing industries under various supply-interruption scenarios.

I would then ask them to identify existing domestic and allied industrial capabilities that could be utilized, expanded, or duplicated to satisfy those requirements. Only after identifying deficiencies in those capabilities would I solicit proposals to construct new facilities or commercialize new processing technologies.

The government's role would be to define the national security requirements and, where necessary, underwrite the cost of maintaining the industrial capabilities required to satisfy them. There is nothing inherently objectionable about the government paying a premium for national security. However, a considerable difference exists between subsidizing the maintenance of a necessary industrial capability and subsidizing the capitalization of a publicly traded company.

Wall Street should provide capital to implement a technically and economically credible industrial plan, not determine the plan's configuration based on its potential to generate financial returns.

The most effective resolution of America's rare earth permanent

magnet vulnerability may require far less capital than is now being committed. It may also involve expanding relatively small, privately owned manufacturing companies, acquiring foreign industrial expertise, establishing strategic inventories, and entering into long-term procurement agreements with allied nations. None of these activities necessarily lends itself to creating multibillion-dollar stock market capitalizations.

But is that not beside the point?

The objective of a national security policy should be national security. The objective of an industrial policy should be to create and maintain industrial capability. Creating wealth for investors, although a perfectly legitimate objective of private enterprise, is neither a measure of national security nor a measure of industrial capability.

America’s political leadership needs to rediscover the distinction between financing manufacturing and manufacturing itself. Until it does, I suspect we will keep seeing announcements of solutions to industrial crises accompanied by spectacular financial valuations, long before any evidence that the crises themselves have been resolved.

Perhaps the most important question we should ask about America’s emerging rare earth permanent magnet industry is not how much money has been raised, but how much national security it has actually purchased.