

Geopolitical Uncertainty and Economic Policy

Warfare without Weapons:

Hoover Conference, May 9, 2025

Harold James, Princeton University



Joseph Schumpeter 1919

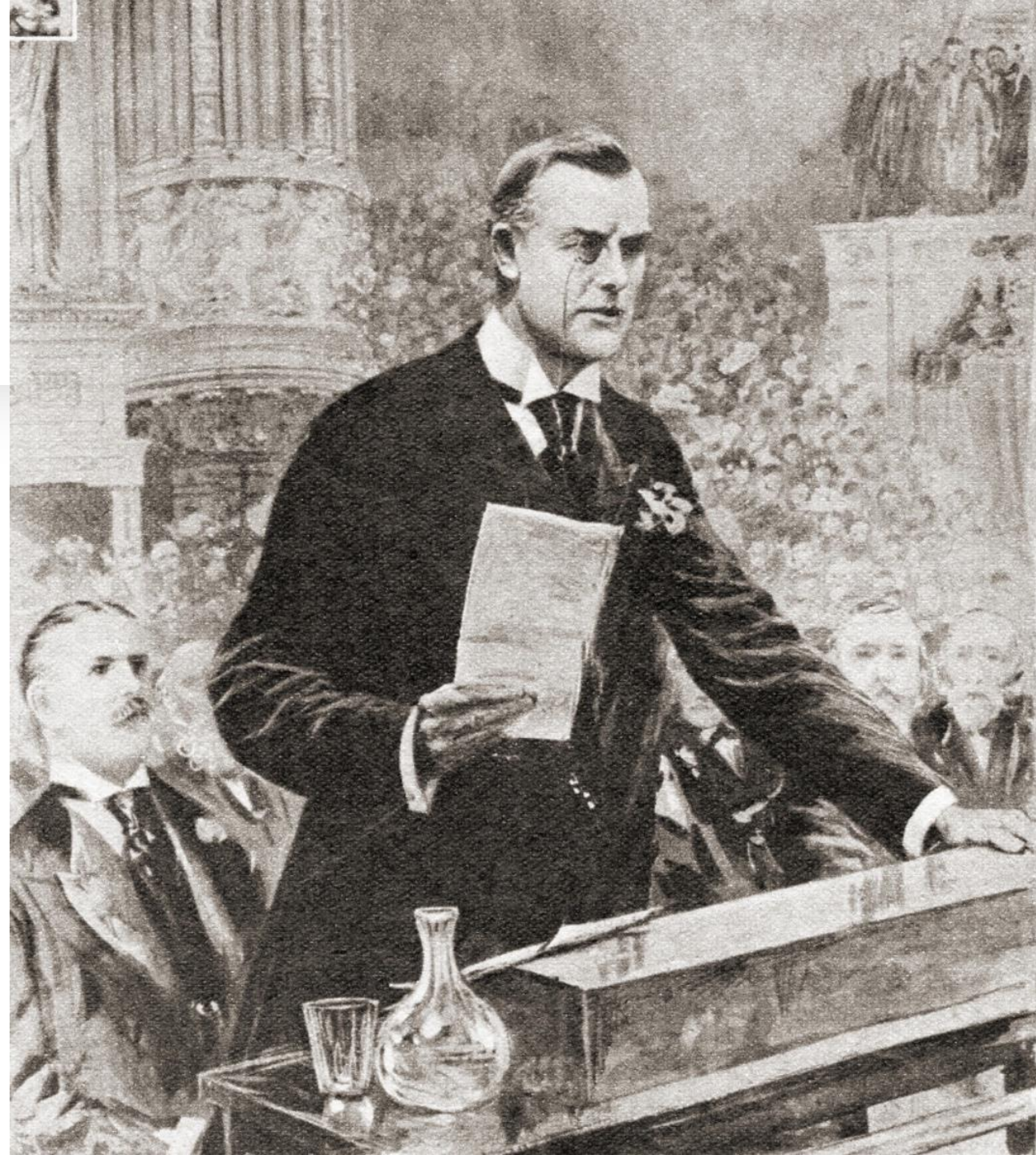
“Nationalism and militarism, not creatures of capitalism, are ‘capitalized’ and end by sucking the best strength out of capitalism.”

Joseph Chamberlain

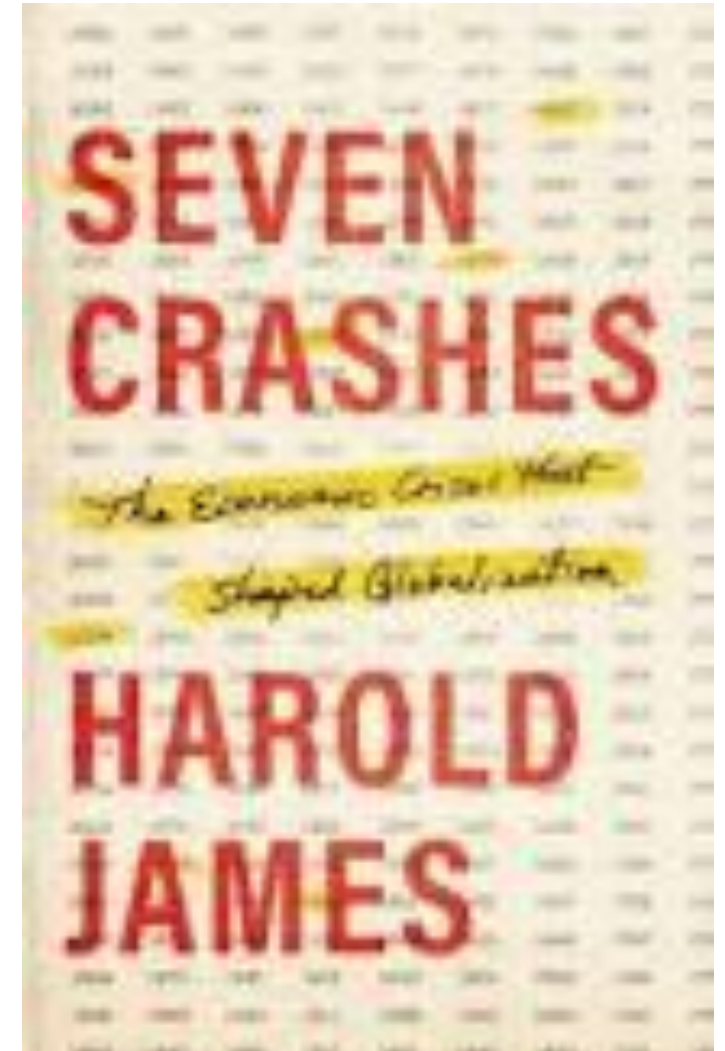
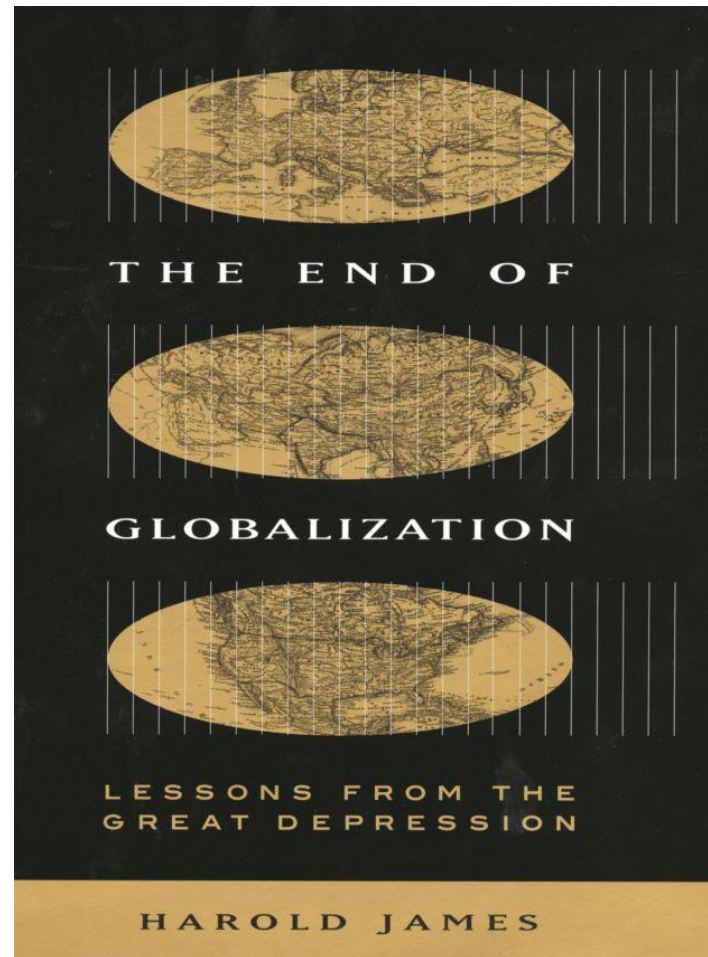
(quoted by Schumpeter in English):

“learn to think imperially”

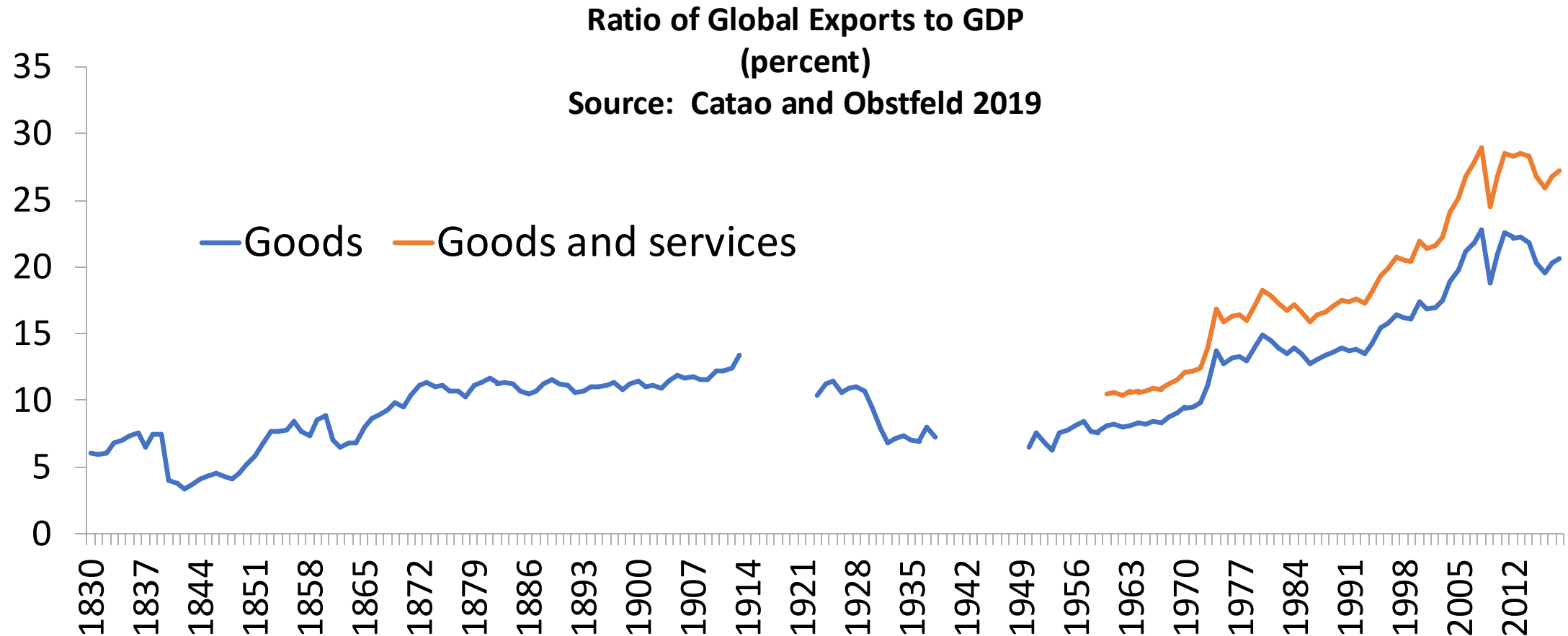
“tariff reform means work for all”



An End of Globalization? Deglobalization? Slowbalization?



Trade and World Output 1830-2014



Typology of Crises

- Supply Shocks: Prices and Production move in opposite direction
- Demand Shocks: Prices and Production move in same direction

Crash	Drivers	Globalization in the aftermath	Impact on economics
1840-48: Great Famine & Great Revolts	Weather/Harvest SUPPLY	[++] Surge of global connectedness (steam engine: railroad/transoceanic shipping)	Marx ascendant
1873: Financial crisis/ Krach	Railroad overexpansion DEMAND	[-] Pushback against trade and migration	Marginalists (Jevons/Walras/Menger) ascendant
1914-24: WW1 and (Hyper)inflations	Great power competition SUPPLY and DEMAND	[--] Broken by the war and the peace	Helfferich ascendant
1929-38: Great Depression	Financial crisis DEMAND	[--] Destructive deglobalization and then Bretton Woods managed deglobalization	Keynes ascendant
1970-82: Great Inflation of the 1970s	Oil shock SUPPLY	[++] Monetary independence/inflation targeting, market-based reforms remove BW guardrails, China's entry	Friedman/Hayek/Chicago ascendant
2008-2012: Great Recession	Financial crisis DEMAND	[-] Nationalism and great power competition	Bernanke/MIT ascendant
2020-22: Great Lockdown and Ukraine	SUPPLY	- /+	Summers vs. Chetty

Globalization Supply and Demand Shocks

- Supply Shocks: Prices and Production move in opposite direction
- Demand Shocks: Prices and Production move in same direction

Transition Report 2023-24

**Transitions
big and
small**



European Bank
for Reconstruction and Development

TABLE 2.1.1. Coverage of critical raw materials

	Listed by		Data available				Listed by		Data available		
Critical raw material	IEA	EU	S&P	USGS	WMD	Critical raw material	IEA	EU	S&P	USGS	WMD
Aluminium		✓	✓	✓	✓	Rare earth elements (REEs)	✓	✓	✓	✓	✓
Antimony		✓	✓	✓	✓	Light REEs		✓			
Arsenic	✓	✓		✓	✓	Cerium (Ce)		✓			
Baryte		✓		✓	✓	Lanthanum (La)		✓			
Beryllium		✓		✓	✓	Praseodymium (Pr)	✓	✓			
Bismuth		✓		✓	✓	Neodymium (Nd)	✓	✓			
Boron	✓	✓		✓	✓	Promethium (Pm)		✓			
Cadmium	✓			✓	✓	Europium (Eu)		✓			
Chromium	✓		✓	✓	✓	Gadolinium (Gd)		✓			
Cobalt	✓	✓	✓	✓	✓	Samarium (Sm)		✓			
Coking coal		✓			✓	Heavy REEs		✓			
Copper	✓	✓	✓	✓	✓	Dysprosium (Dy)	✓	✓			
Feldspar		✓		✓	✓	Terbium (Tb)	✓	✓			
Fluorspar		✓		✓	✓	Yttrium (Y)	✓	✓			
Gallium	✓	✓		✓	✓	Holmium (Ho)		✓			
Germanium	✓	✓		✓	✓	Erbium (Er)		✓			
Graphite	✓	✓ ^b	✓	✓	✓	Thulium (Tm)		✓			
Hafnium	✓	✓		✓		Ytterbium (Yb)		✓			
Helium		✓		✓		Lutetium (Lu)		✓			
Indium	✓			✓	✓	Scandium (Sc)		✓	✓	✓	
Lead	✓		✓	✓	✓	Selenium	✓			✓	✓
Lithium	✓	✓	✓	✓	✓	Silicon	✓	✓ ^a		✓	✓
Magnesium	✓	✓		✓	✓	Silver	✓		✓	✓	✓
Manganese	✓	✓	✓	✓	✓	Strontium		✓		✓	
Molybdenum	✓		✓	✓	✓	Tantalum	✓	✓	✓	✓	✓
Nickel	✓	✓ ^a	✓	✓	✓	Tellurium	✓			✓	✓
Niobium	✓	✓	✓	✓	✓	Tin	✓		✓	✓	✓
Phosphorus		✓	✓	✓	✓	Titanium		✓ ^a	✓	✓	✓
Platinum group metals		✓	✓	✓	✓	Tungsten	✓	✓	✓	✓	✓
Platinum (Pt)	✓	✓				Vanadium	✓	✓	✓	✓	✓
Iridium (Ir)	✓	✓				Zinc	✓		✓	✓	✓
Palladium (Pd)		✓				Zirconium	✓		✓	✓	✓
Rhodium (Rh)		✓									
Ruthenium (Ru)		✓									
Osmium (Os)		✓									

Source: IEA (2021), European Commission (2023), S&P, US Geological Survey (2023) and World Mining Data dataset.
Note: ^a – battery grade, ^b – natural graphite, * – metal.

dioxide, for instance, is also used as a cathode in the production of lithium-ion batteries.) For the analysis of mines, minerals were, in turn, mapped to the subset of HS6 codes that is closest to mined ores (for example, 260200 in the case of manganese and 250410 and 250490 in the case of graphite).

Chokepoints?

- Neon gas
- Gallium and germanium
- Dysprosium

US Tariffs

- US supply shock
- ROW demand shock

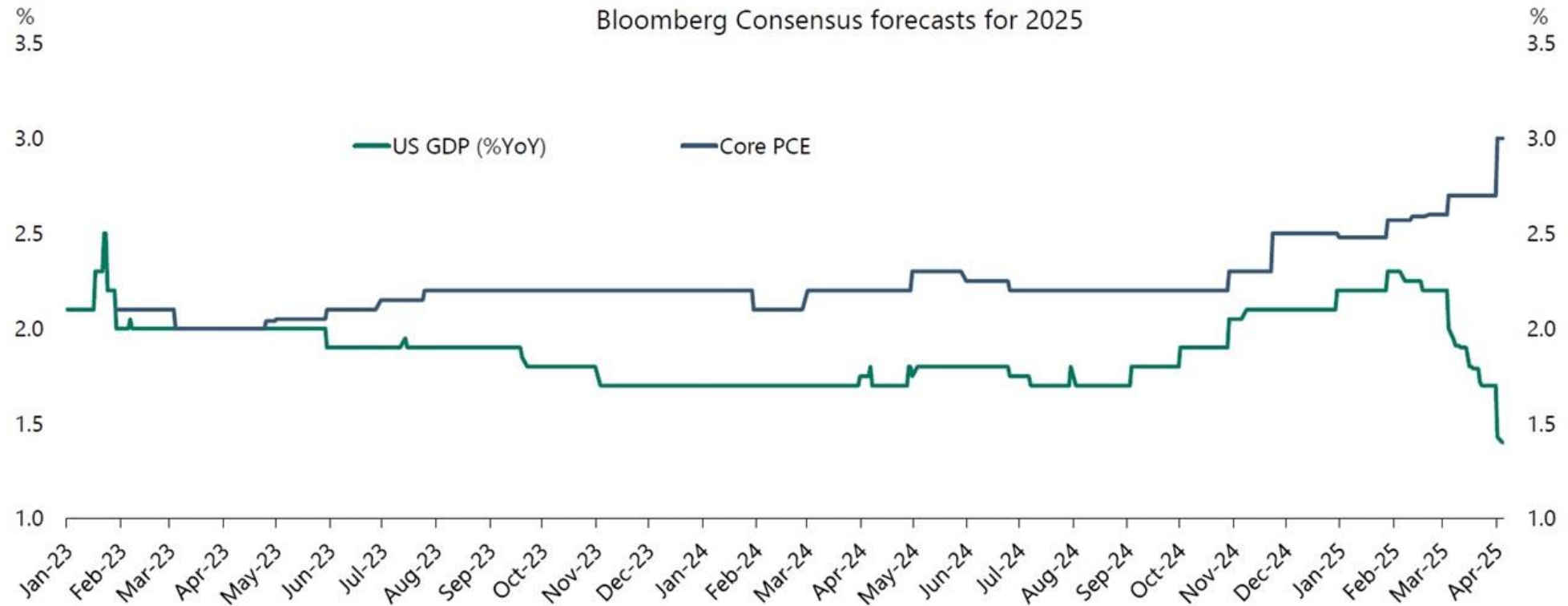


Donald Trump is shown holding a large sign titled "Reciprocal Tariffs". The sign features a table comparing "Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers" with "U.S.A. Discounted Reciprocal Tariffs" for various countries. The sign also includes the Presidential Seal.

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
	67%	34%
China	39%	20%
European Union	90%	46%
Vietnam	64%	32%
Taiwan	46%	24%
Japan	52%	26%
India	50%	25%
South Korea	72%	36%
Thailand	61%	31%
Switzerland	64%	32%
Indonesia	47%	24%
Malaysia	97%	49%
	10%	10%
	60%	30%
	10%	10%
	74%	37%

Consensus forecasting stagflation

Torsten Slok May 2025



Lessons from the 1840s? 1970s?

- Inflation surges – not transitory, but also not permanent
- Drivers of technical innovation
- Produce more great power conflict

Schumpeter

“Because the prince needed a larger gold horde in his country, the bourgeois of today still clings on to bullionist prejudices”

Gold Price and Gold Reserves 1960-2022

