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Trump's State Capitalism:
An Overview of Selected Cases

By

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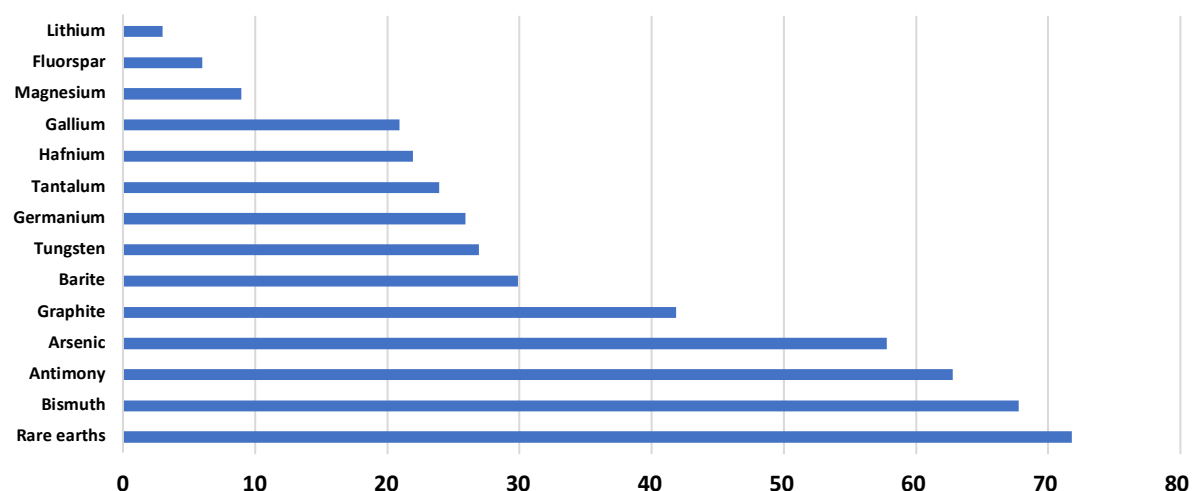
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Executive Summary

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- ✧ Trump's economic agenda marks a departure from free-market orthodoxy toward a form of state capitalism, where the government acts as a broker and enforcer rather than a planner or investor.
- ✧ Unlike Biden's institutional CHIPS/IRA strategies, Trump's industrial policy is ad hoc and personalized, driven by deals, patronage, and short-term political calculations.
- ✧ The administration's interventions—especially in critical minerals and semiconductors—blur the lines between national security goals and corporate interests, with the state directly negotiating and profiting from private deals.
- ✧ The Pentagon's multibillion-dollar partnership with MP Materials represents a landmark industrial policy by contract, combining subsidies, equity stakes, and long-term offtake agreements to rebuild the U.S. rare earth supply chain.
- ✧ The government guarantees a price floor (\$110/kg NdPr) and commits to buying all magnets for 10 years, effectively stabilizing profits and assuming market risk—a rare move in U.S. policy history.
- ✧ Deals with Nvidia, AMD, and Intel introduce state participation in corporate revenues or ownership—e.g., Intel's 10% federal stake—turning subsidies into partial nationalization of key industries.
- ✧ The Pentagon's \$1B stockpiling campaign and \$7.5B allocation under the One Big Beautiful Bill Act demonstrate how industrial and defense priorities are merging, shaping markets via procurement power.
- ✧ Trump's administration uses export licenses and tariff exemptions as leverage, forcing firms like Nvidia and AMD to share 15% of Chinese revenues with the state in exchange for market access.
- ✧ Despite its scale, the agenda is internally contradictory—cutting renewable subsidies and energy funding undermines the very industrial
- ✧ The overall strategy is politically powerful but economically incoherent—performing strength through ownership and tariffs while weakening innovation capacity and alienating allies.

Key Picture: Share of U.S. imports sourced from China



Source: [NY Times](#)

Introduction

Donald Trump's economic agenda marks a decisive break from the free-market orthodoxy that has defined U.S. policy for decades. Behind the populist rhetoric of "America First," his administration has pursued a muscular, interventionist approach, a distinctly American form of state capitalism driven less by long-term strategy than by transactional deals, corporate favoritism, and short-term political gain.

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Unlike traditional conservative economics, which champions limited government and market self-regulation, Trump's model places the state at the center of economic power, not as a planner or investor for public purpose, but as a negotiator, broker, and enforcer. His version of industrial policy is not institutional or technocratic, as under Biden's CHIPS and IRA programs, but personalized and improvisational.

Trump's approach to industrial policy is ad hoc, transactional, and deeply personalized. Rather than building a coherent strategy or institutional framework, it operates through negotiated deals and selective state patronage, where economic instruments are wielded to serve political and fiscal goals.

Several recent cases illustrate this emerging pattern. In sectors tied to critical minerals and advanced semiconductors, the administration has intervened directly in corporate operations — converting subsidies into equity stakes, approving exports in exchange for revenue-sharing, and using tariffs as bargaining chips in broader geopolitical negotiations.

MP Materials: Industrial Policy by Contract

The MP Materials deal epitomizes the fusion of national security and corporate patronage. With China processing 91% of the world's rare earth supply, Beijing's April 2025 export controls on seven key elements—and its October expansion of those controls to include five additional elements and stricter rules for semiconductor users—deepened the standoff following Trump's new tariffs and further disrupted global supply.

Although neodymium and praseodymium (NdPr)—critical for permanent magnets used in electric vehicles, wind turbines, and defense equipment—were spared, Washington viewed the move as a wake-up call. In response, the U.S. Department of Defense (DoD) turned to the nation's only active producer of NdPr, MP Materials, to rebuild domestic capacity.

The DoD's multibillion-dollar partnership with MP Materials represents one of the most ambitious industrial-policy experiments in recent U.S. history, combining supply- and demand-side policy tools—a rare practice in the United States—to scale up domestic NdPr refining and magnet manufacturing.

Under the deal, the Pentagon is investing \$400 million for preferred stock in MP Materials, alongside \$1 billion in private financing from JPMorgan and Goldman Sachs. The funding will finance a tenfold expansion of the company's magnet-manufacturing capacity. A ten-year warrant gives the government the option to raise its ownership stake to 15%, potentially making it MP Materials' largest shareholder. On top of that, the DoD will extend a \$150 million loan to expand the firm's refining operations.

What makes the arrangement truly novel, however, is its use of demand-side tools rarely deployed in U.S. industrial policy. To stabilize prices and guarantee profitability, the Pentagon has promised a decade-long price floor of \$110 per kilogram for NdPr—nearly double the current market rate. When prices fall, the government pays the difference; when they rise, it receives a share of the gains. In parallel, the DoD has committed to buying all magnets produced in the first ten years at cost, guaranteeing MP Materials \$140 million in annual profits and sharing any additional earnings.

The deal is financed through the Defense Production Act's Title III authorities, enabled by Trump's own One Big Beautiful Bill Act, which expanded funding for such initiatives. Yet its scale is so large that it could consume most

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of the DPA Fund's \$750 million cap, leaving limited space for other critical-materials projects unless Congress intervenes.

Nvidia and AMD: Revenue Sharing as Regulation

In August, Nvidia and AMD have struck unusual deals with the Trump administration, agreeing to share 15% of their AI chip sales to China with the U.S. government. In exchange, the administration approved export licenses for Nvidia's H20 and AMD's MI308 chips, sales that could generate billions given strong Chinese demand.

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The Commerce Department began granting the export licenses in late October, ending a months-long halt triggered by escalating U.S.–China trade tensions. The agreements mark a new phase in Trump's industrial policy: state-sanctioned revenue-sharing between Washington and major tech firms. Nvidia CEO Jensen Huang personally met with President Trump before the deal was finalized, the same day the White House announced tariff exemptions for tech companies investing domestically. The arrangement, first reported by the Financial Times, highlights Trump's transactional approach, using market access and export approvals as leverage to extract state revenues from corporate deals.

Intel: From Subsidy to State Ownership

One of the latest developments in Trump's economic strategy is the administration's decision to take a 10% equity stake in Intel. Originally funded under Biden's 2022 CHIPS and Science Act, the \$11.1 billion in government support earmarked for Intel has now been partially converted into public ownership. In August, the Trump administration negotiated an \$8.9 billion purchase of 433 million Intel shares at \$20.47 each, giving the federal government a direct stake in the semiconductor giant.

The equity investment draws on grants and funding streams previously awarded to Intel—including \$2.2 billion already disbursed, \$5.7 billion pending, and another \$3.2 billion from a separate federal program—marking a striking evolution from subsidy-based industrial policy to outright state ownership.

The Pentagon's Stockpiling Spree

The Pentagon has launched a \$1 billion stockpiling campaign for critical minerals, accelerating efforts to secure cobalt, antimony, tantalum, and scandium in response to China's export restrictions. The initiative, funded through Trump's One Big Beautiful Bill Act, allocates \$7.5 billion to rebuild mineral reserves and strengthen defense supply chains.

This effort represents the militarization of industrial policy: the state acting not only as a regulator but as a market participant, shaping global prices and supply routes through bulk procurement. Analysts warn that the scale of these purchases exceeds U.S. production capacity, risking market distortion and further entrenching dependency on allied suppliers. Yet politically, it reinforces Trump's message of self-sufficiency and national strength—an industrial nationalism defined by volume rather than vision.

Price Floors

The Trump administration plans to introduce price floors across key industries to counter China's market manipulation, Treasury Secretary Scott Bessent told CNBC. He said Beijing has used its dominance in rare earth refining to undercut global competitors, forcing the U.S. to adopt industrial policy measures. "When you're facing a nonmarket economy like China, you have to exercise industrial policy," Bessent said, adding that forward-buying and price guarantees would prevent future disruptions.

The administration is also considering a strategic mineral reserve, with JPMorgan Chase reportedly interested in helping establish it. Rare earths are essential for both defense systems and civilian technologies, and the U.S. has already begun rebuilding its supply chain—most notably through a Pentagon partnership with MP Materials that includes an equity stake, price floor, and offtake deal.

After China's latest export restrictions, Trump threatened 100% tariffs and hinted at further equity investments in critical-mineral firms to strengthen self-sufficiency. "We have to be sufficient with our allies," Bessent said, emphasizing that state stakes would be limited to strategic sectors. Shares of rare earth and critical-mineral companies have surged as investors bet on the next targets of Trump's expanding industrial policy.

Contradictions

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Trump's fixation on rare earths and critical minerals masks a policy landscape defined by contradiction and chaos. While the administration touts projects like the MP Materials deal as proof of strategic intent, the broader agenda undermines its own goals.

By shortening subsidy periods for mineral processing, cutting energy-sector spending, and rolling back incentives for renewables and EVs, Trump is eroding the very demand and infrastructure that would sustain alternative supply chains. Simultaneously, his escalating trade conflict with China, the dominant rare earth supplier, and tariff volatility have introduced deep uncertainty for capital-intensive mining projects.

Diplomatically, the administration's approach has alienated allies and weakened U.S. influence in emerging mineral economies by gutting USAID and slashing the federal science and talent pipeline. Combined with attacks on universities and high-skill immigration, these measures jeopardize future innovation capacity.

In essence, Trump's critical minerals policy is a study in performative nationalism, rhetorically assertive but structurally incoherent, driven more by political signaling to the MAGA base than by any coherent industrial or strategic logic.