



By: V. Anantha Nageswaran

The age of abundance is over, the decades ahead will be shaped by a contest for natural resources



From the early 1980s until the COVID-19 pandemic hit in 2020, the world economy enjoyed unusually good conditions.

The Cold War ended, defense budgets shrank, and hundreds of millions of workers joined the global market.

Energy and metals were mostly cheap, and supply chains stretched across borders on the assumption that goods would always move freely.

Inflation was on a downward trend, owing partly to central banks and partly to the strong tide of peace, globalization, and plentiful supply they were swimming in.

That tide has turned. The decades ahead will be shaped by a geopolitical contest for energy supplies, industrial metals, rare earths, critical minerals, and semiconductor chips.

Water and food may eventually join the list. The competition will be fierce and, at times, violent.

To service their debts and support aging populations, advanced economies need growth, and the main drivers—from AI to electrification to rearmament—are heavy in materials.

Data centers' electricity consumption will **more than double by 2030**. Populous developing countries, for their part, need steel, copper, and energy to build infrastructure.

Supply responds slowly

But supply responds slowly: a new mine takes well over a decade to develop, and processing is concentrated in just a few countries.

When demand is urgent, power matters as much as price in determining outcomes.

A supply-constrained world is prone to stagflation, which, unlike weak demand, lacks a straightforward monetary-policy remedy.

Higher interest rates cannot produce a barrel of oil or a ton of copper

Higher **interest rates** cannot produce a barrel of oil or a ton of copper. They cut demand, but they also raise the cost of investment, which is needed to expand supply.

Fiscal policy, if targeted at production and productivity with clear goals and end dates, can be more effective.

The risk is that governments instead offer broad subsidies and transfers that augment demand without improving supply.

Political dimension

This shift has a political dimension. For four decades, unelected central bankers set the limits, and governments were expected to respect them.

But elected officials want to control the policy levers governing energy security, industrial capacity, and debt costs, and rightly so.

In a departure from the past, this may mean monetary policy playing second fiddle to fiscal policy to secure necessary supplies of critical raw materials and resources.

A weaker dollar helps at the margin, but it does not make oil or copper cheaper

Emerging economies may conclude that a **weaker dollar** will ease pressure on their currencies and bring back capital. But much depends on local conditions. Resource-rich economies will gain from better terms of trade, although their currencies may strengthen, a problem they are likely to try addressing with financial repression.

The populous, fast-growing economies without sufficient energy or mineral deposits

will be forced to compete with rich economies for these resources.

A weaker dollar helps at the margin, but it does not make oil or copper cheaper.

Regulation must serve supply

For many countries, energy policy is now macroeconomic policy, because every unit of energy that they can avoid importing lowers the risk of stagflation.

That underscores the need for efficiency, domestic generation from every possible source, diverse suppliers, and strategic reserves.

The speed at which a country can approve a mine, power line, or factory is now a competitive advantage

These governments should provide direct support to poorer households, rather than relying on blanket fuel subsidies, and they should focus fiscal policy on improving and accelerating the supply of power, water, logistics, minerals (through processing and recycling), and skills.

Policymakers must do this while committing to a credible public-debt anchor—fiscal dominance does not have to mean fiscal profligacy—and offering savers inflation-protected instruments that fund domestic investment. Regulation, too, must serve supply.

The speed at which a country can approve a mine, power line, or factory is now a **competitive advantage**.

Narrowing the options of emerging economies

Above all, these economies should double

down on other real resources that may be scarce in the future. Food is one.

Countries with large agriculture sectors can raise output per worker, preserve water and soil health, invest in agro-processing, and become reliable suppliers. That is far less capital-intensive than chasing the technological frontier. Human capital is another.



While investing in advanced manufacturing is necessary to build resilience, the goal should not be self-sufficiency at any cost

Aging societies will need workers for jobs that machines cannot easily perform, such as elder care, nursing, counseling, and hospitality.

Countries that train young people to recognized standards can negotiate the movement of this skilled population as partners rather than supplicants.

At home, labor-intensive manufacturing and services remain the surest route to job creation at scale.

While investing in advanced manufacturing is necessary to build resilience, the goal should not be self-sufficiency at any cost.

A better approach is to recognize the need for imported inputs and mitigate the risks of dependence by diversifying suppliers and maintaining buffer stocks.

The age of abundance now looks more like an aberration than a new reality. The end of this fortunate interval is narrowing the options of emerging economies and forcing them to act quickly.

The governments that understand the stakes early and begin coordinating energy, fiscal, monetary, trade, and skills policy now will fare better than those waiting for abundance to return. It is not coming back.

(The views expressed in this commentary do not represent the official position of the Government of India.)

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