Geoeconomics and the Investor's Rutter

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Josh Lipsky's *Geoeconomics, Rediscovered* provides a useful starting point for considering how the Investor's Rutter can interpret a changing global environment. Lipsky argues that "the line between economic policy and national security is disappearing." Trade, finance, technology, sanctions and capital flows are increasingly being used as instruments of national policy.[1]

This matters for country risk. Traditional analysis has tended to separate economics, politics and geopolitics. The Rutter does not. Geoeconomics belongs principally under Context, but its effects run across Endowments, Enablers and Outcomes. Energy dependence can become a strategic vulnerability. Critical minerals can become more valuable. Trade relationships can become political liabilities. Institutions determine how well governments respond. The consequences eventually appear in growth, inflation, fiscal accounts, exchange rates and investment performance.

The article also supports the Rutter's emphasis on trajectory rather than condition. As Lipsky notes, a number of emerging markets have spent the past decade accumulating reserves, diversifying suppliers and establishing regional currency swap arrangements to strengthen their resilience to external shocks. Traditional analysis records the resulting reserve ratios and liquidity buffers. The Rutter asks a different question: why are these indicators changing, and what does the change tell us?

There is a deeper structural point. US–China competition, industrial policy, sanctions and export controls may represent more than another series of shocks. They may be changing the environment in which countries operate. Lipsky notes that China now produces roughly 30 per cent of global manufacturing output, compared with about 16 per cent for the United States, and argues that existing models have yet fully to incorporate the implications of great-power rivalry for risk premia and capital flows. In Rutter terminology, this looks increasingly like a change in the current, not merely the weather.

Lipsky also uses the freezing of more than $300 billion of Russian central-bank assets to illustrate how the rules have changed. For the Rutter, the implication goes beyond Russia. Reserves cannot necessarily be assessed simply by their size. Their currency, location, accessibility and the political relationships behind them may also matter. The subsequent increase in cross-border payment initiatives outside the dollar and euro systems suggests that governments have recognised this risk.

But geoeconomics is not automatically good policy. Lipsky makes an important counterpoint. Once national security becomes the justification for economic intervention, the boundary can become dangerously elastic. Protectionism, weaker predictability and crony capitalism can follow. This brings the analysis back to Enablers. Industrial policy undertaken by a capable, disciplined state is quite different from intervention undertaken by a weak or captured one.

The implication for the Investor's Rutter is straightforward. Geoeconomics does not require a fifth category. It reinforces the reason for the Rutter in the first place. Context changes the value of Endowments, tests the quality of Enablers and ultimately affects Outcomes. The investor needs to identify those changes early enough to judge what they may mean for investment performance.

[1] Lipsky, J. (2026) 'Geoeconomics, rediscovered', *Finance & Development*, June. International Monetary Fund. Available at: https://www.imf.org/en/publications/fandd/issues/2026/06/geoeconomics-rediscovered-josh-lipsky (Accessed: 26 August 2026).