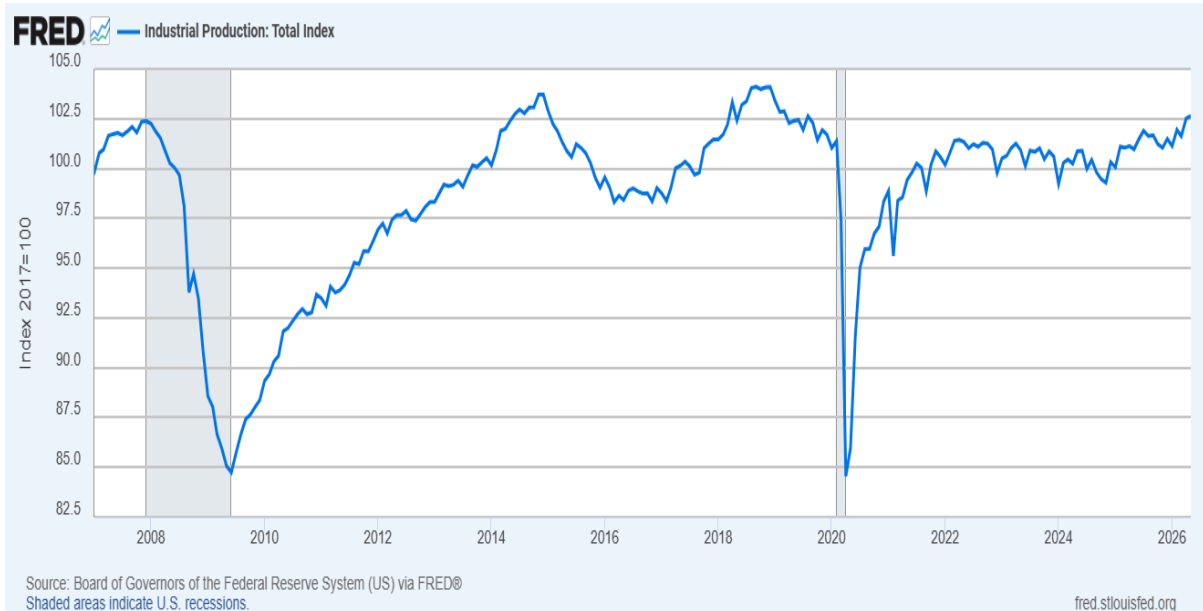


WHY THE US HAD TO END THE STRAITS OF HORMUZ BLOCKADE?

I have produced a series of self-explanatory graphs showing an economy which has been stagnant for decades and remains so despite the AI infrastructure boom and increased defence spending. It has merely diverted resources from the rest of the economy. This aligns with Michael Roberts view. To add, the latest data from China shows it is in the same sinking boat.

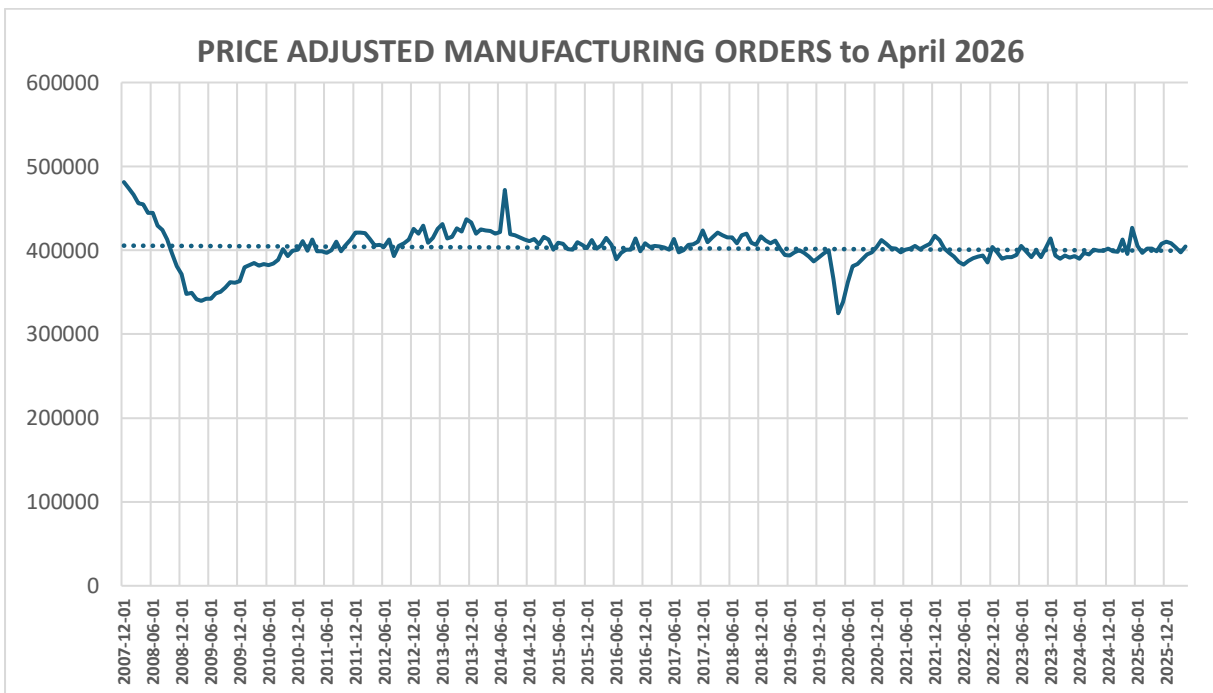
Industrial production still remains below pre-pandemic levels.

Graph 1.



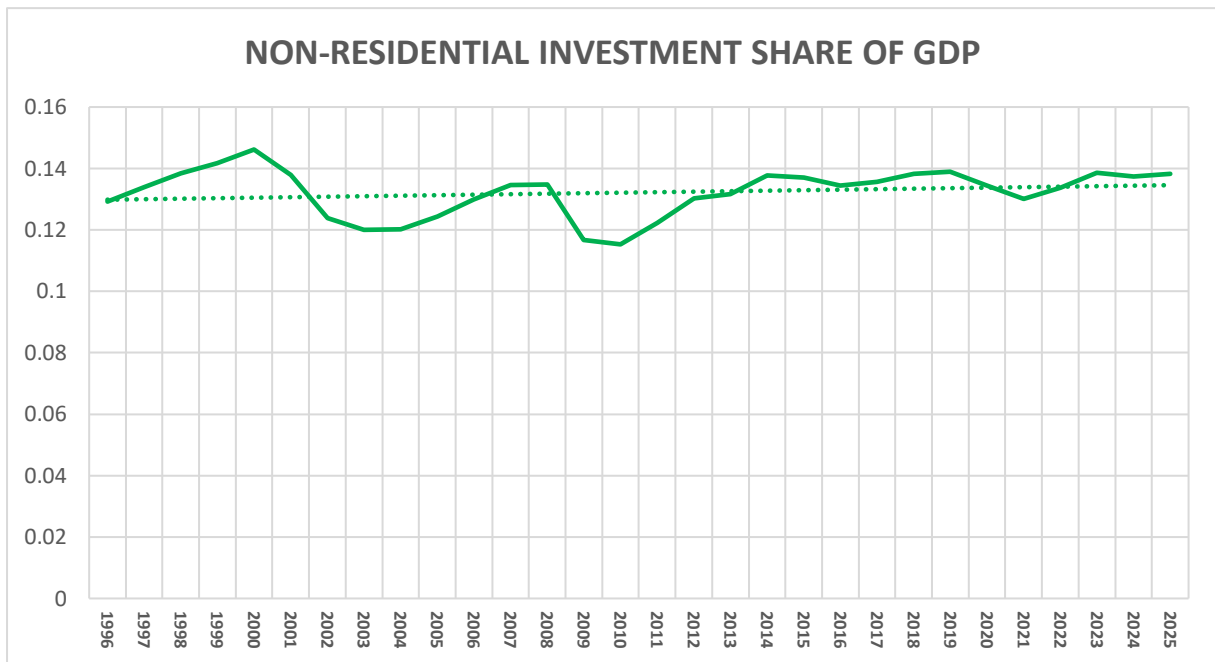
And given flatlining manufacturing orders, the largest industrial sector, the outlook remains negative.

Graph 2.



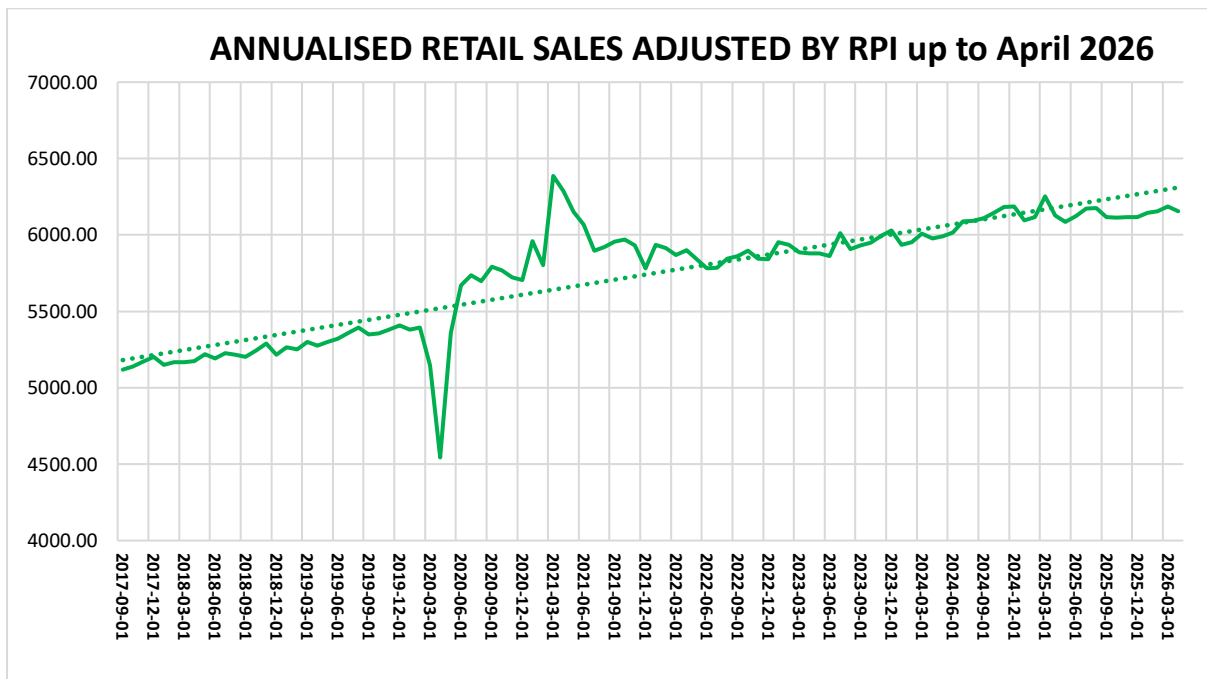
The parent of industrial production is gross fixed investment. It too has been flatlining at between 13 and 14% of GDP.

Graph 3.



Things are just as bad in the realm of consumption. Despite spending by the 10% of income earners, boosted by capital gains, particularly in the stock market, the volume of retail sales has grown by only 3.8% over the last 5 years.

Graph 4.



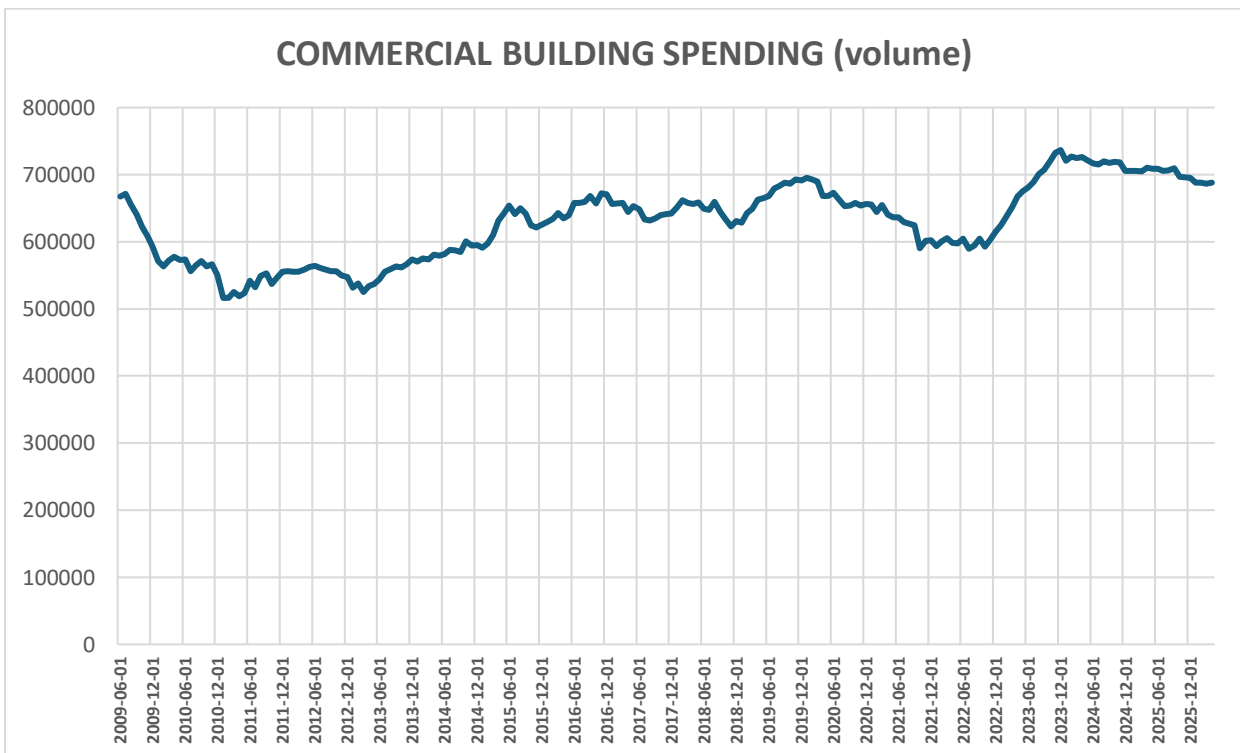
The housing market is also subsiding falling to levels below pre-pandemic even before factoring for comparatively smaller homes being built currently. This is the worst report since the dark days of 2020.

Graph 5.



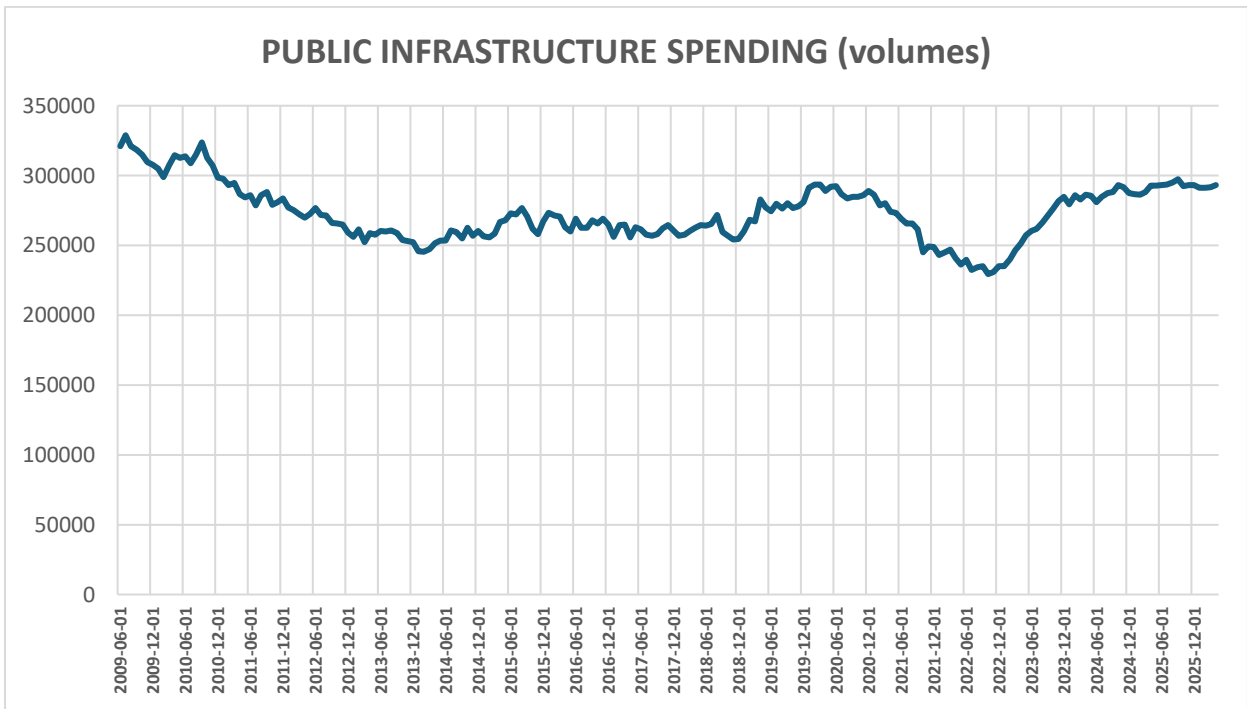
Commercial construction which rose during the pandemic has now subsided to levels last seen in 2019.

Graph 6.



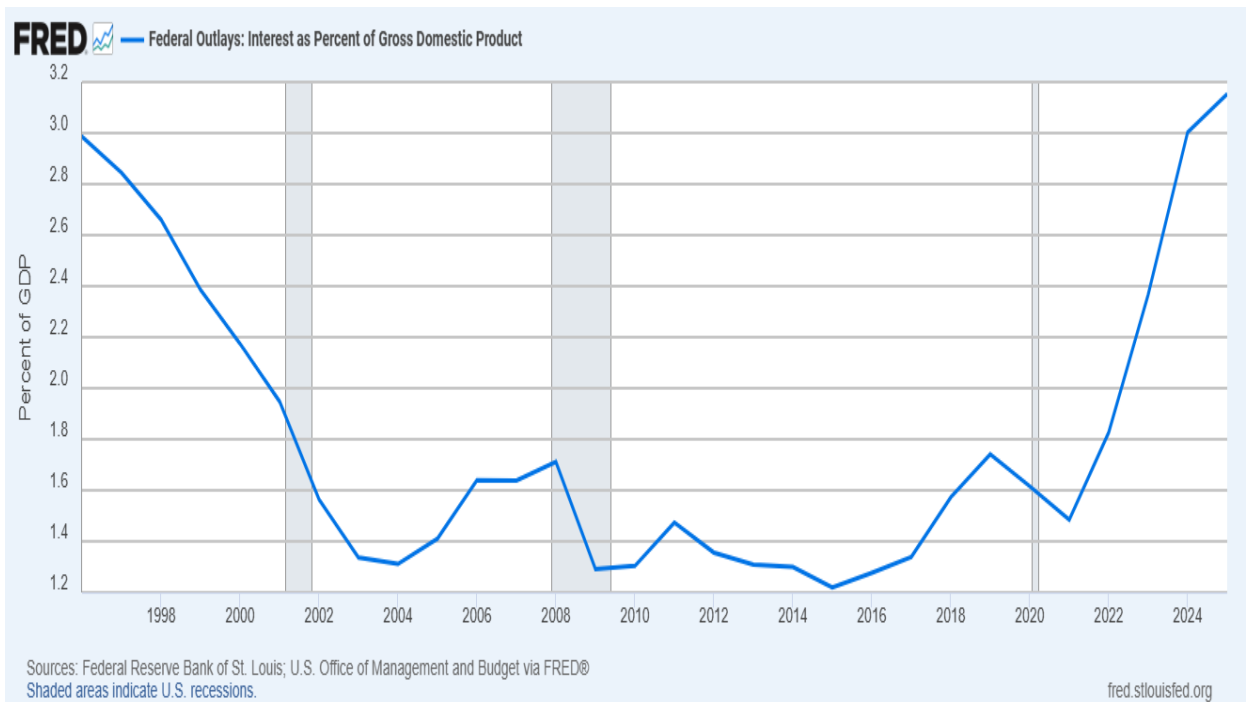
So too infrastructure. Despite the urgent need to repair and upgrade the US's decaying infrastructure spending is no higher than pre-Pandemic.

Graph 8.



On the downside, the growth in interest payments on the burgeoning public debt has begun to squeeze other outlays including infrastructure spending. Interest payments at 3% of GDP and rising is equal to the entire budget deficit. And it will grow as older bonds with lower interest rates are replaced with newer bonds with higher interest rates. No room for MMT.

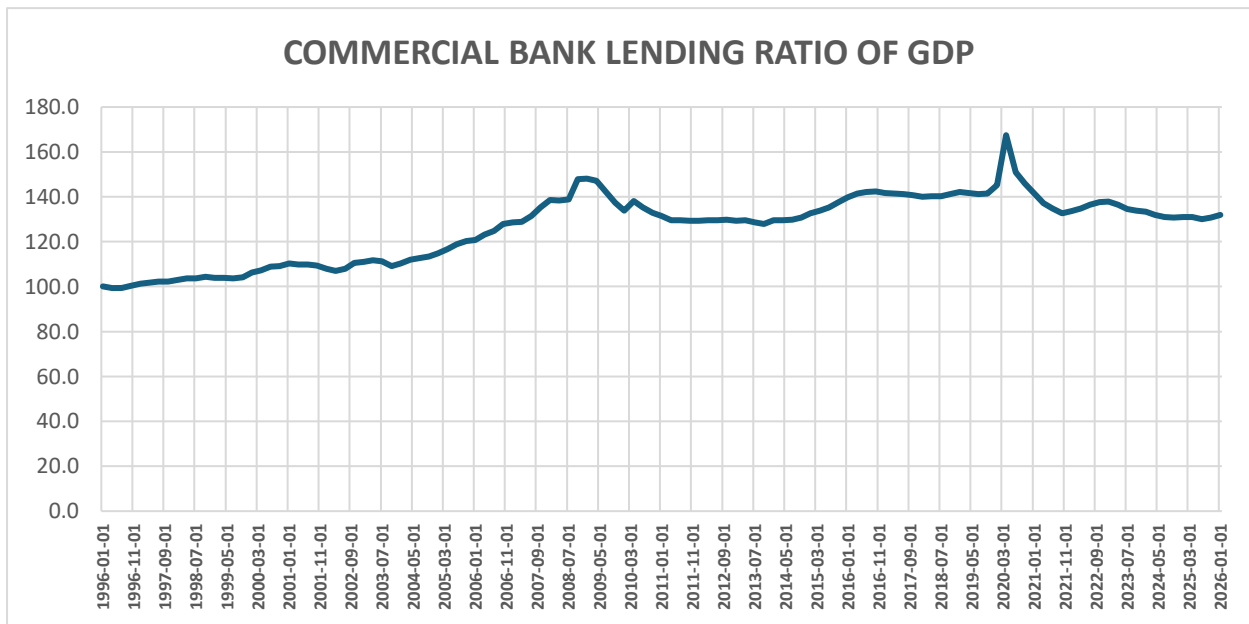
Graph 9.



Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget via FRED®
Shaded areas indicate U.S. recessions.

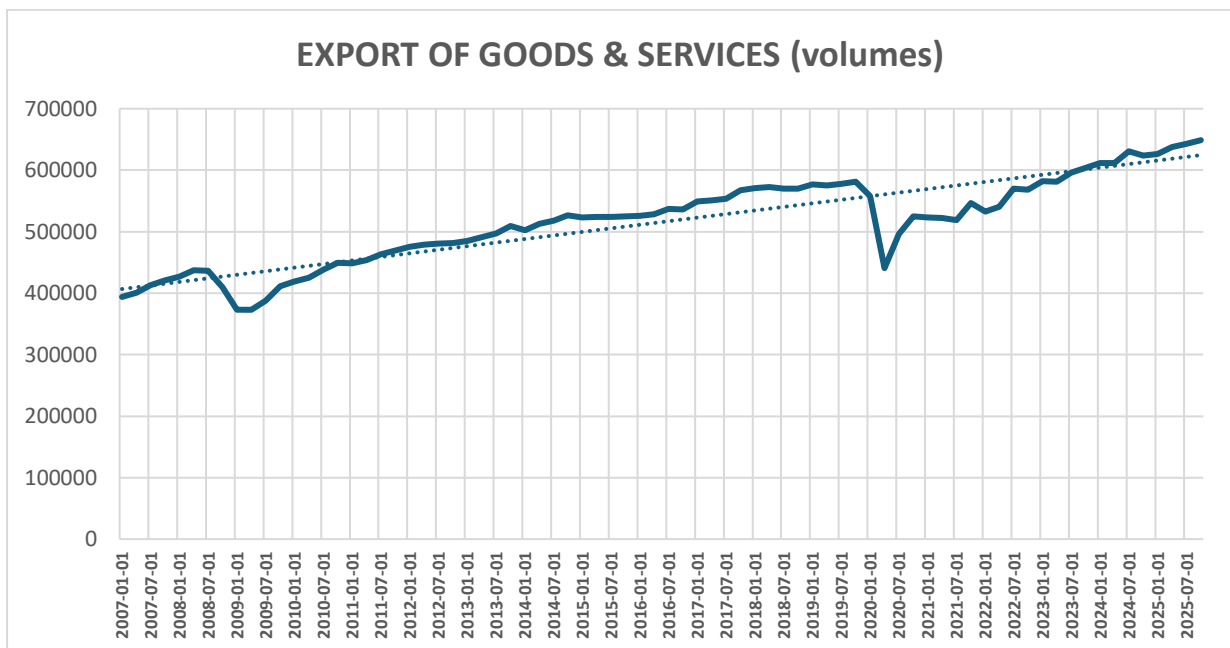
Commercial bank lending has been flat since the Financial Crash of 2008. However, at the same time private credit has grown.

Graph 9.



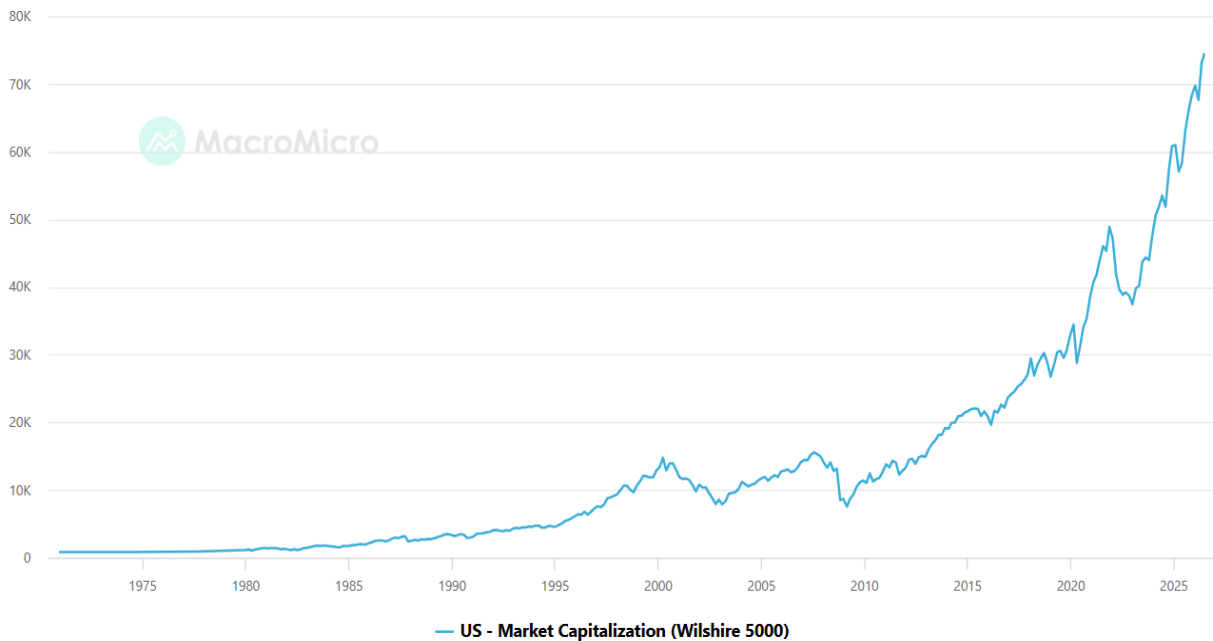
There are two positives one real one fictitious. Exports of goods and services has grown in terms of volumes making the US economy more dependent on the world market.

Graph 10.



And then there is the fabulous growth in share prices. The total market capitalisation of all listed shares on US bourses is \$74.4 trillion or two and a half times larger than the annual output of the US economy, or three times as much, when we deflate it and remove duplications. My god, since the end of the pandemic the trajectory of the index looks like the plume of a SpaceX rocket. But unlike rockets which reach orbit, shares have the annoying habit of falling back to earth.

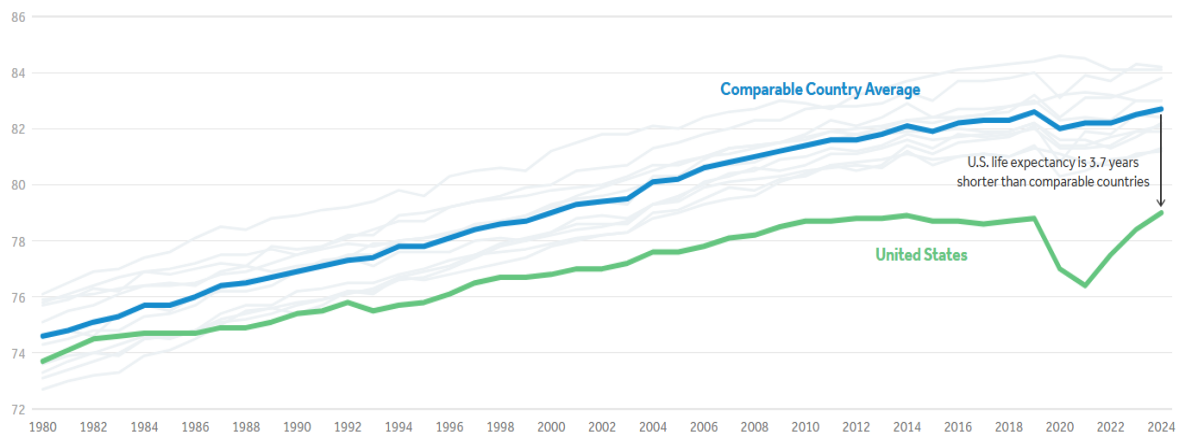
Graph 11.



In the end it's not about money but life itself measured by health and longevity. Despite the US GDP being 20% of the global total in spite of its population being only four and a quarter percent of the global total, and despite the US monopolising 40% of total wealth, it has [one of the worst life expectancy](#) rates compared to the rest of the world.

Graph 12.

Life expectancy at birth, in years, 1980-2024



Notes: Comparable countries include Australia, Austria, Belgium, Canada, France, Germany, Japan, the Netherlands, Sweden, Switzerland, and the U.K. See Methods section of "How does U.S. life expectancy compare to other countries?"

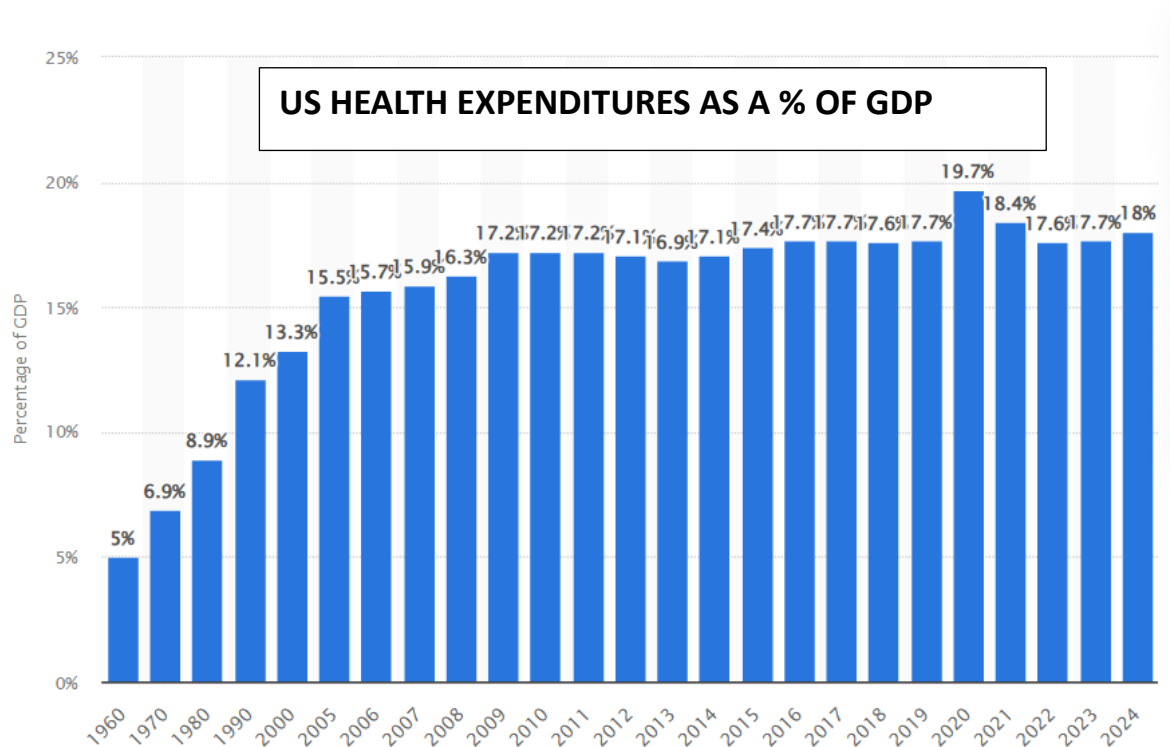
Source: KFF analysis of life expectancy data from the OECD and official health and statistics department websites. • [Get the data](#) • PNG

Peterson-KFF
Health System Tracker

And this has occurred despite US health care spending being double that found in other advanced capitalist economies. According to the OECD, amongst its members, health spending averaged 9.3% (elevated somewhat by the US spending) as detailed in its [Health at a Glance 2025 Report](#). Health care spending in the USA is out of control due to financialisation as this graph prepared by [Statista](#) shows.

Each decade it rose, from 5% in 1960, to 7% in 1970, to 9% in 1980, to 12% in 1990 to 13% in 2000 to 17% in 2010 and 18% currently and is projected to hit [over 20% by 2033](#). The same financialisation pattern is occurring in the UK due to privatisation, the internal market and PFI, driving the NHS budget to over 11% of GDP compared to 7% at the turn of the century.

Graph 13.



On a final point, [the metropolitan areas of the USA](#), generally coastal and integrated into the world economy, do much better than the forgotten hinterland where Trump's base used to be. Thus, when discussing the USA, we need to bear in mind two distinct forms of inequality, the first based on income, and the second based on geography. The figures provided above are of an economy moving sideways since 2008 and the petering out of the Chinese investment wave in 2012.

Far from this economy being resilient it is fragile. It is riven by inequality and neglect amplifying taut political tensions. Its engines of growth are unhealthy and unsustainable. The first is speculation feeding into spending and secondly a growing fiscal deficit adding to the fly-tipping of debt.

These are the reasons why Trump capitulated by signing the 14-point *Memorandum of Understanding* handing the initiative to Iran. It was not only the absence of advanced missiles and interceptors that stayed his hand, but it was also the fear that the economy itself could not sustain the war while supporting share prices at the same time. That is why Trump declared at the G7 that he once again single-handedly saved the world economy from ruin by agreeing to open the Straits of Hormuz. To which we may add, he also saved his personal fortune.

Trump swerving all over the place personifies the sun setting on the US empire. The defeat in Iran, although not consolidated yet until the 60-day negotiations turn the Memorandum into a legally binding Treaty endorsed by the UN, represents a defeat on the scale of Vietnam. But it occurs in a different, epoch, the epoch of a rising China.