Chokepoints, Debt & Modern Mercantilism

A conflict in the Middle East can raise borrowing costs in the United States, while decisions made in the U.S. can reshape access to resources thousands of miles away. In September 2026, U.S. federal debt surpassed $40 trillion, Treasury yields reached their highest level since 2007, and oil prices climbed above $100 a barrel. Although these developments may seem unrelated, they reflect a broader shift toward modern mercantilism, where governments increasingly use economic resources, trade, and strategic infrastructure to strengthen national power.

The $40 trillion debt

U.S. federal debt surpassed $40 trillion in August, while the 10-year Treasury yield reached 5.04% on September 15. Higher yields mean the government must pay more to borrow, adding pressure to annual interest expenses approaching $1 trillion. This also affects households and businesses through more expensive mortgages and loans. As borrowing costs increase, the United States faces difficult decisions over financing defense, industrial policy, and other priorities.

The Federal Reserve

On September 16, the Federal Reserve raised interest rates by 25 basis points, bringing its target range to 3.75%–4.00%. The decision came as inflation remained above the Fed's 2% target, with annual consumer price inflation at 3.4% in August. Rising energy prices added another challenge, as disruptions to global oil supplies can increase transportation and production costs. Although the Fed cannot control international conflicts, it must respond to their economic consequences.

The double-chokepoint problem

The conflict involving Iran, Israel, and the United States has placed two major maritime routes under pressure: the Strait of Hormuz and Bab el-Mandeb. After disruptions to Hormuz, Saudi Arabia relied more heavily on its East-West pipeline to transport oil toward the Red Sea. However, drone attacks in September damaged the pipeline, while Yemen's Iran-backed Houthis expanded their control toward Bab el-Mandeb. These developments increased uncertainty over global energy supplies, shipping costs, and oil prices.

Washington's return to Latin America

The United States has also expanded its economic and security involvement in Latin America. In Venezuela, Washington secured an interest in an oil venture involving approximately 65 billion barrels of reserves. In Colombia, agreements on critical minerals and energy cooperation strengthened bilateral relations, while Ecuador received additional commitments toward combating organized crime. These developments demonstrate how Washington is combining economic access with security cooperation to strengthen its regional influence.

How it connects

These developments reflect modern mercantilism, where countries increasingly treat energy, capital, natural resources, and trade routes as instruments of national power. Middle Eastern disruptions can influence American inflation and borrowing costs, while Washington seeks greater access to strategic resources closer to home. Ultimately, these connections demonstrate how domestic economic policy and international competition are becoming increasingly intertwined.

What to watch

Oil prices, shipping disruptions near Bab el-Mandeb, U.S. Treasury yields, future Federal Reserve decisions, and the implementation of American security and resource agreements in Latin America.

Sources

1. U.S. Treasury; Congressional Budget Office; Federal Reserve; Bureau of Labor Statistics; Reuters; CNBC; Bloomberg; U.S. Energy Information Administration; Congressional Research Service; Bridgewater Associates.
Covers: United States, Iran, Israel, Yemen, Saudi Arabia, Venezuela, Colombia, Ecuador.