



## What the Iran War Really Costs the World

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**Richard Wolff (RW):** Welcome, friends, to another edition of Economic Update, a weekly programme devoted to the economic dimensions of our lives and those of our children. I'm your host, Richard Wolff. Before we begin today, I want to remind everyone that recordings of my latest online course Marxian Class Analysis with Professor Shahram Azhar are available for purchase on our website throughout the month of April. Lecture summaries and presentation materials are also included with these recordings. Our goal is to make the information presented in these courses available for those who could not attend the live sessions and to give you the opportunity to go through it all at your leisure, and to sign up for the live online Q&A recap with both Professor Azhar and myself, which will happen a little bit later. For more information, visit our website at [democracyatwork.info/classes](http://democracyatwork.info/classes). And remember to sign up for our weekly newsletter for exact details about this and other events coming this spring. And please remember to like, subscribe, and share this video with others. For those of you who have not yet signed up for our members only Patreon, by doing so you can gain access to members only content while also supporting our work. Go to [patreon.com/democracyatwork](http://patreon.com/democracyatwork), or you can find the link in the description below.

Okay, today's Economic Update wants us to catch up in a way. Catch up with the labour movement because of what's happening to it in the United States, and then catch up to the enormous economic influence and importance of the war of Israel and the United States against Iran. So let me begin with the strike story. 3,800 workers—that's a big plan—are striking the JBS-owned Swift Meat Company plant in Greeley, Colorado. This is the first strike in meatpacking in 40 years. Now right there is an important reality. For 40 years, workers have tolerated, absorbed, and endured, but they're not going to do that much more. It's part of a general reawakening of that sleeping giant known as the American labour movement. As usual, the strike reflects rising tensions and incompatible goals between the employers on the one hand and the employees on the other. The employees, for example, make it crystal clear that they are responding to a fact. And the fact is that meatpacking is an

extremely injury-prone activity. They get hurt a lot and they want better safety equipment. They want it installed. They don't want anymore the little game played by the employers where they sold safety equipment to the workers so that the workers would be safe from the unsafe conditions the employers were responsible for. Basically, what goes on in meatpacking is what goes on everywhere, which is why the decision to strike now tells you something not just about the rising labour militancy in that industry but across all industries that is going to get worse in the months and years ahead. The employers want to make more profits and they can do it by shifting the burden, the costs of business onto the workers by not paying them higher wages, by getting more work out of them, by nickel and dimming them for safety equipment, and all the rest of it. It's an endless—gee, here's a term—class struggle between the employer and the employee. So why do you have a union in the first place? Because it always was a defensive manoeuvre by the employees to at least begin to move towards a level playing field with the employer. They never get there, and that lesson is also being learned again. But it is important when milestones in a renewed labour militancy are passed that we take note of them.

I want to turn now to what so many of you have asked me to do, to talk about the economic costs of the war in Iran. I'm going to do that, but before I do it, I want to make clear, as of the time I'm preparing this, that war is ongoing, which means no one knows how long it will last. The week that began, March 23, began with Mr. Trump trying desperately to revive a stock market that's been hurt by the war by saying: Well, it'll soon be over. I'm having discussions, very productive discussions with the Iranians about ending the war soon. And as has happened so often before, when the press went to the Iranians to ask about their view of whether these conversations were productive, the Iranians answered: What conversations? There are none. You can decide for yourself what's going on. Clearly, I don't know, and basically you don't either, because our government either is not telling the truth or is not telling the whole truth. And that has happened so many times that little and other kinds of interpretation really makes sense. So let's talk about what we do know.

For years, the Iranians said to anyone who would listen: If we get attacked again, we will close the Strait of Hormuz. That is a narrow passageway linking the Arabian Sea to the Persian Gulf. Here's something to know. 20% of the world's oil passes through that strait. A higher percentage of the world's liquefied natural gas goes through there. 70 to 80 % of the food eaten by the people who live in the Gulf monarchies, the seven or eight countries that ring that part of the world, comes through the strait. In other words, fuel, oil, gas, and food depend on that passageway. And Iran dominates that passageway in every way, economically, politically, militarily, geographically, you name it. They're in a position to close the Strait of Hormuz. And when the United States and Israel attacked them, this time they did what they said they would do. They shut it. Immediately, huge amounts of oil and gas, sitting on ships heading towards the Strait of Hormuz, couldn't get through. It was too dangerous. Insurance companies wouldn't write policies to cover the boats in case they got hit by Iranians who said: If you go through there and we don't allow it, we will shoot you down. By the way, is there oil that they do allow going through the strait? Yes. For example, Iranian oil being sold to China, which is where most of it goes, has been passing through the Strait of Hormuz

without a problem. China has paid for it with money that Iran can and does use to fight against the United States and Israel. By the way, when the strait was closed and oil sat on tankers and couldn't be delivered, the world suddenly experienced an oil shortage and the price of oil, as I'm sure you all know, shot up; 10, 20, 30 %. The longer the war lasts, the more the price of oil will go up. It makes countries that export oil, like the United States richer. It also makes the country of Iran, the other side, richer. And above all, the largest exporter of oil in the world, Russia, is making a fortune which enables it to fight the war in Ukraine that much better. Was that taken into account? Who knows? It's just the economics that I'm telling you about.

Also, when you bomb a country and you bomb its oil facilities, which Israel and the United States have done, you create spectacular pollution. Huge quantities of burning oil. You all know what that means, and it's blowing across Asia. It will eventually get everywhere on earth. This is already an ecological disaster, which will have all kinds of economic costs. Here's another thing. It costs billions and billions of dollars to fight a war. Mr. Trump just finished spending billions to take away the leader of Venezuela, and that's a crisis waiting to happen. He's threatening Cuba; that's an expensive armada, half of which frightened Venezuela and Cuba and then was sent to frighten Iran. Maybe it works, maybe it doesn't, kind of hard to tell, but does it cost a ton of money? Oh, yeah. And so they've gone to Congress. And remember, Congress has not declared a war, which the US Constitution says is the responsibility of Congress. But Mr. Trump is going to Congress to get the money to fight the war that the Congress didn't authorise. It's not clear what is going to happen, but he's asking \$200 billion. How does this work? Let's see. A couple of weeks ago, the Supreme Court said the tariffs, which raised 150 billion dollars, were unconstitutional, and there are lots of lawsuits demanding refunds. So the 150, he thought, might come in to deal with what? The fact that the United States is the largest debtor country in the world is not there, will not deal with them; meanwhile he's got an extra 200 for this war. Then he said, for holding on to the empire, doing all those other things he said—take Greenland, make Canada a 51st state, take back the Panama Canal—I could go on, he wants to raise the war budget from \$900 billion, roughly what it is now, to \$1.5 trillion. That's an extra \$600 billion, and then there's the \$200 billion for the war in Iran. And the money not coming in from the tariffs, we're going to be not just the biggest debtor country in the world, we're going to have one of the biggest deficits we've ever had this year. And who's going to pay for all of that? Well, we're gonna borrow it, says the president. But the rest of the world doesn't want to lend to the United States anymore. Let me quote to you the defence minister in Germany, arguably our most important economic ally. "We didn't start this war, we weren't consulted about this war, we're not going to pay for this war and we're not gonna invest in this war." Whoa! That's a NATO alliance fraying and not just at the edges the cost of this war is spectacular. I'm going to return to develop this point further after the break.

Before we jump into the second half of today's show, I wanted to thank you for your very generous response to our fundraising efforts this year, and in particular in the last couple of months. And in part responding to that, we are extending the availability of our limited edition, linen-covered, hardcover version of understanding capitalism. The book I wrote and

that we have been making available now for quite a while. If you are interested, I will be signing copies of that hardcover and they will be available to you, as they have been over the last few weeks. Just simply send an email to us at [info@democracyatwork.info](mailto:info@democracyatwork.info) and put in the subject line: limited edition. We will send you all the information you need to order and receive your signed copy of *Understanding Capitalism* in its hardback. And thank you again for your kind attention to the fundraising dimension of what we do.

Welcome back, friends, to the second half of today's Economic Update. We're exploring the costs of the war in Iran. And again, I want to remind you that this has to be an interim report, because as of the moment I'm making this presentation, it's really not yet 100% clear how long this war will last, whether even if there is a peace, if it will last for a significant length of time, those are uncertainties at this point. So I'm only focusing on what we know about the cost of this war. When the price of oil goes up, all kinds of adjustments are made. And people should understand that those adjustments are not all reversible. In other words, what that means is, after you adjust to something suddenly becoming much more expensive, you can't or don't want to go back to how things were, even when the prices, if they do, come down. Let me give you some examples. China is helping Cuba. Cuba has been suffering from an embargo imposed by the United States for the last 70 years. But more recently, no oil could get into Cuba, and they've suffered blackouts because they can't generate energy since they used to rely on oil. Well, what did the Chinese ship them? Solar panels. To remind you, China is the world's foremost producer of solar energy. They've invested huge amounts of money, huge amounts of scientific research and personnel to develop solar panels to harness the energy of the sun. Cuba, as you know, is an island in the middle of the ocean and is therefore blessed with sunlight an enormous amount of the time. They need, they should have had, solar energy all along. But now, between the embargo of the United States, Mr. Trump wants a victory in Cuba, and the rising price, even if they could get oil, Cuba solves a long-standing problem at the same time that it solves an immediate problem. It becomes energy-independent in relationship to oil and gas. It will use the sun. And China is in a position to do that. And China is doing it. And the United States cannot, at least not yet, intervene and block the Chinese because if you're having trouble winning a war against Iran, please think long and hard about a war against China. Right? You understand that just as much as any general or admiral or anyone else in the military. Cuba will never go back to buying oil the way it once had to. That's the irreversible change.

Let me give you another example. Petroleum is the major source of fertiliser. It's a long complicated story. But if the price of oil goes up, so does the price of fertiliser, and as the price of fertiliser goes up the economics of farming collapse. Much of farming around the world is a low-margin enterprise. You don't make high rates of profit. You kind of barely make it. Well, if you're barely making it on a farm somewhere in the world and suddenly the price of the fertiliser zooms up because it depends on petroleum, you're done. You throw in the towel. You don't plant the corn or the wheat or the soybeans or the vegetables and you take a job in a town nearby, as your forefathers in the farming business have been doing for decades anyway. That's not reversible when the price of oil and maybe even fertiliser comes back down. Will they quit the city job and resume farming? Some will, but many won't. It's

not reversible. And you know what it means? Rising food prices. But we knew that anyway, didn't we? Because since food has to go by truck, from the farm to the wholesaler to the retailer so you can buy it in the store, that truck depends on diesel fuel. Before the war in Iran began, it averaged 3,50 a gallon. It now averages five and a quarter a gallon. You understand? The price of food was going to go up just to help pay for the transport. But now it will have to pay for the rising price of the food because food is going to become scarcer because of the cost of the fertiliser. You understand? We live in a world now where everything is intertwined in this way. Therefore, the cost of the war in Iran is far beyond just the cost of the ships and the planes and the bombs and the missiles of all the people directly involved. Many times that in the ramifications around the world. And I'm going to tell you about some of them. Iran is defending itself against, of course, the much more militarily powerful US and Israel by doing what a weaker power does. It's like in the American Revolution. The British came with their cannons and the Americans had their little muskets and hid behind rocks and plinked at the British. But they defeated the British, and the Iranians are doing much the same. But their tactics are a little different. Much of the oil in the world comes from the Middle East, from Iran, but also from huge producers of oil and gas, like Saudi Arabia, the United Arab Emirates, and so on. So Iran has decided to use its stockpile of missiles and drones, which it has in enormous abundance because it was preparing for this war a long time. Plus Iran has a very long border with Russia, so that if it ever ran out, Russia would become its supplier. And as we have learned in the Ukraine War, Russia supplies lots of drones and missiles. And who is Russia allied with, with an immense long common border? China! And whatever Russia can produce, China can, and they can get it right into Iran over land.

The United States, what can it do about that? Nothing. Unless it wants to go to war with Russia and China. And then the game is over, of course, anyway. So what are you going to do? The Iranians have missiles and drones, endless supplies. So they've been taking out American bases all over the Middle East and gas and oil facilities also around the Middle East. Those countries are all discovering—there's eight of them—they're all discovering something. And you've heard their name, Bahrain, Kuwait, Qatar, and so on. They're all learning that they made a mistake. They thought the United States could and would defend, prevent them from being attacked. But it's not working. They are not able to ship their oil. They're having more and more trouble getting the oil and gas out of the ground. And even if they do, they can't put it on a ship and they don't have enough pipelines to handle it. They're screwed. And having an American base instead of being the protection they were told it would be; it's the opposite. It's a target for Iran, and Iran has very precise missiles and is hitting the targets. Israel thought it had an Iron Dome. Yeah, but the missiles are getting through that too. The costs, astronomical. Bases have to be rebuilt, facilities to get the oil and gas out of the ground have to be rebuilt, shipping to handle it has to be reorganised. The costs here are huge and are projected to take years if we even have that to solve. The war is not to be counted in costs of billions. It's going to be counted like the wars in Afghanistan and Iraq have now already been accounted for in the trillions of dollars. Mr. Trump asked the Europeans to help clear the Strait of Hormuz. You know what the Europeans gave him in return? Nothing; led by Germany. Britain waffles, France, after the elections on Sunday, the 22nd of March, in which the leader there, Mr. Macron, came in last of the three major

political forces, left, right, and centre – by the way, that's how it ended. The left did the best, the right did less well, and Mr. Macron in the centre least well of all. They're not going to help the United States. Spain earlier opted out. Ireland said: No way. The Netherlands isn't going to do anything. The rest of them can't. So the United States is all on its own, carrying the cost, taking the risks, and for what? Even the people gung-ho for this war are increasingly divided over whether the US is fighting for Israel or for itself in this contest. For the Iranians, it probably doesn't matter much. They know who their enemy is, and they have the advantage of having been on the wrong side of American aggression for a long time. All the way back to 1953, three-quarters of a century ago, the United States, the CIA, and MI6 of England overthrew the popularly elected government of Mossadegh. And for the last 75 years, we have been—except maybe if you want to call it during the dictatorship of Shah – we have been on the enemy list of Iran, and vice versa. They've learned their lesson. They have prepared very well. In Europe, it's a joke that the United States uses million-dollar missiles to take out the missile decoys that Iranians planted all over their country because they knew Americans couldn't tell, using electronics, which was a decoy and which was real. So we blow away the decoys and the real ones do the real damage. This war, whatever you think of it, is an economic disaster which alone should have prevented it from ever happening. I hope you found this discussion interesting and valuable. That's why we make them. And as always, I look forward to speaking with you again next week.

**END**

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