

Richard Wolff: Iran War Destroys Global Economy & U.S. Empire

Prof. Richard Wolff discusses how the global consequences of the US war against Iran, which is destroying the Trump presidency, the US Empire and the global economy. Follow Prof. Glenn Diesen: Substack: <https://glennDiesen.substack.com/> X/Twitter: https://x.com/Glenn_Diesen Patreon: <https://www.patreon.com/glennDiesen> Support the research by Prof. Glenn Diesen: PayPal: <https://www.paypal.com/paypalme/glennDiesen> Buy me a Coffee: buymeacoffee.com/gdiesen Go Fund Me: <https://gofund.me/09ea012f> Books by Prof. Glenn Diesen: <https://www.amazon.com/stores/author/B09FPQ4MDL>

#Glenn

Welcome back. We're joined today by Professor Richard Wolff to discuss the economic consequences of the war against Iran. Thank you very much for coming back on the program.

#Richard Wolff

My pleasure, Glenn. Glad to speak with you.

#Glenn

So this war against Iran—it's obviously not this quick weekend war that Trump had envisioned. I had the feeling the goal was to go in on Saturday and have the Iranians capitulate before the stock markets opened on Monday morning. But instead, we now see there's really no way out for the United States. The global economy has already suffered, and even if the war ended today, it would probably have massive ramifications lasting for many years. In the worst case, it could pull down the entire U.S. empire. Indeed, that seems to be what the Iranians are going for. So what's your take on this? I mean, if we take a step back, what are the wider ramifications in terms of the impact on the global economy and the sustainability of the U.S. empire?

#Richard Wolff

Well, you know, I hesitate, in the middle of the war, to speak as though I know what it's going to do. We're all tempted to do that—I understand that. The people I talk with want to know what's going to happen, for all the usual reasons. I don't think we can know that. Let me tell you why, and then I'll answer your question. It seems to me that everything at this point depends on how much bombing, missileing, and all the rest the Iranian people can tolerate. I mean, everything hangs on that.

If the support for the government's resistance is solid and cannot be shaken, no matter how many bombs they drop on that country—which is certainly a possibility—then I agree with you. I think all that's left for us to consider is how far the desperation of the United States will take it, because it can't tolerate defeat. And in this way, I think it's quite similar to the almost absurd hysteria of the Europeans toward Russia—not because they have any chance of defeating Russia; they don't—but because the thought of Europe being defeated by Russia frightens them so much. And by “them,” I mean the leaders of those countries.

Their careers would be over. Their political life history would be kind of erased. The whole world would see the kind of slavish subordination Europe accepted after World War II. Perhaps it had no choice, but in any case, it accepted it—and this is the end of that process: the United States throwing them under the bus because it has its own problems. So then the question becomes, how far will the United States go? And that becomes the question: how far will the American people, on the one hand, and the American employer class—and I choose my language carefully—how far will it let Mr. Trump go? And that will depend not very much on what happens in Iran or even in the Gulf.

That is going to be determined by the domestic consequences inside the United States of a prolonged war. And if I were Mr. Trump, I would be extraordinarily worried that this time may be his last. The reason for that is, to quote a leading business commentator, this war may take us over a fiscal cliff. That's a quotation. Let me do the arithmetic behind that, because I believe it's correct. Mr. Trump inherited, in his second term, a United States that was the largest debtor country in the world—which it has been for some time. That's not all Mr. Trump's fault; that's why I use the word “inherited.” I mean, he contributed in his first presidency to that situation, but he's not alone.

The Democrats did it. Earlier Republicans did it. The United States decided long ago, politically, that it could never fund the many wars it kept fighting by taxing the population—that would produce a revolt here. So it had to be borrowed. You had to borrow the money for the wars, and you could do it. You had a world that put its money in the United States, happy to lend to the U.S. government, considered the safest possible way to hold wealth—and it paid interest. And if the dollar appreciated, well, then you made even more money, which it often did. All of that is now over.

Mr. Trump inherited deficits exceeding a trillion dollars a year. He also inherited the recent decline in the credit rating of the United States from AAA to AA by all three major credit agencies—Moody's, Standard & Poor's, and Fitch. All of them, not at the same time but within a short period, dropped the credit rating because the United States is too deep in debt. And Mr. Trump promised, as he ran, that he would fix it. One of the reasons he adopted his tariff program was that it might generate big money for the government so that at least the deficits would be reduced. Okay, all of that has been blown apart. Number one, in order to counter the declining-empire problem, you've got all this noise about retaking the Panama Canal, taking Greenland, converting Canada into the 51st state, and so forth.

And with all that grandiosity, and with the quite determined resistance of all those entities—"we don't want this, we're not for sale," and all the rest—he went to Congress about a month, maybe a month and a half ago, first quietly, then publicly, demanding an increase in the defense—although it's now called the War Department—budget from the current \$900 billion to \$1.5 trillion. Excuse me for the arithmetic, but it's needed for the argument to be made. That's an increase in one year's budget of \$600 billion on a base of \$900 billion. In other words, a two-thirds increase in one year of the Defense Department budget, when we already spend more on that than the next eight countries combined—and that includes Russia and China.

So this is a wild announcement of increased spending, but we're not done. Then he goes to war against Iran and has now asked for an additional \$200 billion to fight the war. Okay, so now we're increasing by \$800 billion. The only increase in revenue to deal with that was the tariffs, and the Supreme Court has ruled that those were illegal and unconstitutional. The companies that paid them—importing companies—have now gone to court and are demanding a refund of that money. And I don't see how that can be refused. If you're taxed and the tax is illegal, it has to be returned to you. So there's no increase in revenue, and an \$800 billion increase in military outlays.

This is impossible. What this means is that the government will go into the credit markets and try to borrow an additional \$800 billion on top of what it was already facing as a deficit. And it will do that at a time when its credit rating is lower than it has been for most of the last century. Here's what I expect: it will not be easy to borrow. And for sure, it will be necessary—unless something new happens—to pay higher interest rates if you're going to be able to borrow. So how interesting, with this logic, that yesterday Axios and other major business news outlets announced that the people who track these things went, in the last two days, from a zero probability that interest rates would be raised by the Federal Reserve to about 26–27% odds that we will have increases this year, not the decreases that the stock market had priced in over the previous six months.

If you remember, Mr. Trump has been trying to get rid of his own appointee, Mr. Powell at the Federal Reserve, in order to get lower interest rates sooner. At this point, no one is thinking you could possibly lower interest rates now. Everyone in this country is worried that what's going on in the Middle East will mean oil and gas prices stay elevated, and that will work its way through the economy and give us another inflationary bout. Therefore, interest rates cannot be lowered. That puts the United States in an impossible situation.

We have a renewed debate on Wall Street about the likelihood of stagflation—a recession and inflation at the same time—which we call stagflation, something we've had before and could have again. And there's an election in November in which, at this point, Mr. Trump and his people have only two options: interfere in the election or lose. Those are their options. And given who these people are and how they behave, you're going to see a lot of interference in the election—as much as they can get away with—starting with the so-called Save Act. The newspapers yesterday were full of two ironies that speak to this.

Number one, in the Florida state election for the state legislature, which was held yesterday, Mr. Trump, who was in Florida during the day, chose to use a mail-in ballot to cast his vote. He has pushed a bill in Congress that would end mail-in ballots, arguing that they are somehow illegitimate. Even more important, in the election for the state assembly in the district that includes Mar-a-Lago—where Mr. Trump voted—for the first time in many years, voters chose a Democrat instead of the Republican candidate endorsed by Mr. Trump. So he was defeated right in his own neighborhood. These are all terrible signs of his lack of popularity and the desperate situation they are in.

Meanwhile, last point—the two issues that were supposed to be pushed off the headlines by this war in Iran, namely Epstein and that scandal, which is far from over, and the economic problems of a vast majority of the American people—those remain unresolved, unsolved, worsening literally by the day. And how long he can distract from that with the war, I don't know. But I think he sees this as his only hope, that he got a little bit of a boost by snatching Mr. Maduro out of his bed at night in Venezuela and hoped somehow Iran, as you put it, could be a parallel piece of political theater. Bottom line, it's not working at this point at all. But again, everything depends on the solidarity of the Iranian people behind their government, and I can't speak to that. It's not anything I know in any direct way.

#Glenn

Well, I think that's an excellent point to make, because a lot of the predictions being made are premised on the idea that we know how this war is going to end. But even if we look at the trajectories now, they're still based on a lot of assumptions we can't be certain about. So, as you mentioned, for example, it's possible that the Iranians are exaggerating the missile stockpile they've built up through these tunnels. It's possible they don't have the industrial capacity to keep replenishing the stocks as assumed. It's possible that the resilience of the political system after killing all these leaders is not as strong as one would think, especially within the institutions. And, as you said, it's also possible that this societal cohesion is not as durable.

I mean, at the moment they're pouring into the streets in support of their government, but this could change. So I agree that if the U.S. is able to defeat the Iranians, it would be a massive victory for Trump, because every American president for the past 30 years, I think, has considered attacking Iran but never done so because it was too risky. So, of course, this could revive the U.S. empire. It could strengthen Trump's position. However, if it doesn't play out—this is why it's such a dangerous gamble, which appears to be going the wrong way—then it's going to be devastating for Trump. His support will plummet. And it also seems that the position of the U.S. empire could be dramatically affected, because I was thinking the U.S. was already overstretched.

That is, last week it hit \$39 trillion in debt, which is an ungodly amount of money. And we already knew the U.S. wasn't doing that well. In the economic war—the tech war—against China, it's struggling with competitiveness. The tariffs from Trump, as you and I have talked about before,

haven't worked as hoped. And it just seems like the petrodollar itself could come under a lot of stress now if the Iranians succeed in essentially compelling the Gulf states to, for example, stop trading in dollars if they want to use the Strait or move oil differently. So there's a lot of gambling at stake here. But how do you see it affecting the wider global economy? Because you can't really double energy prices and put such massive limitations on fertilizers without the rest of the world feeling the pain. Yeah.

#Richard Wolff

Oh, the rest of the world is feeling it—and not only feeling it, but taking steps that aren't reversible. People don't understand that when you're faced with a sudden spike in the price of oil and gas, for example, and in derivative prices like fertilizer, plastics, and other things, you're going to have adjustments that don't get readjusted back to where they were before when prices come down again. In other words, there are people who are switching to solar energy, hydro energy, or other kinds of energy, and they're never going to go back to buying oil—especially when they're being squeezed like they are now.

I mean, I don't know of anyone who's done a study on how much damage has been done in the Gulf states—whether they'll now use their accumulated dollar holdings of U.S. Treasuries, liquidate them in order to repair and replace the facilities the Iranians have knocked out. I don't know how much that is, but my guess is the Gulf states are going to be much less of a buyer of American debt than they have been in the past as a result. How does that figure in? And here's an even bigger one: if I have this right, the most extreme problems are going to come in Asia, which relied on Middle Eastern oil. You know, Europe and Asia both relied on Middle Eastern oil. The Europeans are feeling the squeeze already.

The Asians are feeling it already. I believe it's the Philippines that has now put limits on how much gasoline you can get into your vehicle each time you stop at a gas station. In other words, they're beginning to control the supply. Other countries are forbidding the export of certain kinds of oil or oil derivatives. So, if you have a closing up of the fossil fuel business, you might end up with the best ecological outcome for reasons that have nothing to do with ecology—because everybody is either unable to get the oil or doesn't want to stay in a vulnerable position, waiting to see how wars thousands of miles away work themselves out.

And then, when you remember that the United States, as you rightly say, has been antagonistic toward Iran and may now become so toward some of the Gulf states, depending on how they respond in this situation, it's very, very dangerous. Let me add a couple more points. Iran has an immensely long border with Russia. On one level, I don't want to overstate this, but it would be naive not to think about it. It doesn't matter what their own capacity is to produce missiles and drones, because Russia can supply them with all the missiles and drones they could possibly need or want, indefinitely.

And one of the reasons Russia can do it is because China has a long border with Russia. So moving these things from the manufacturing powerhouse that is China, through Russia to Iran—the mechanisms for that are already in place. Trade like that has already happened. So the United States has to wonder not just about the capacity of Iran, but about the willingness of Russia and China to support Iran. It's a little bit like when Russia had to calculate the power it was facing in Ukraine once it became clear that the United States and Western Europe were going to help Ukraine with missiles, drones, and everything else.

In order to answer that question, you have to wonder what's going through the minds of Russian and Chinese leaders as they confront this situation. My fear is that what Russian Foreign Minister Lavrov said yesterday—he was quoted as saying something to the effect that this is the beginning of World War III—should make us pause. Okay, put aside for a moment the shock value. There are others who have been saying that too, but here is one of the people closest to Mr. Putin for many, many years saying that, in the minds of the planners and thinkers there, we're not dealing with a localized event. We're dealing with a global event.

And if it's global, if it's even vaguely World War III, then Russia and China can't logically step back and say that Iran will have to rely on its own capacity to produce weapons. That's not going to happen. The stakes are much too high to make that assumption. And if you don't make that assumption, then where are you? The Iranians, using their own missiles and drones—or the limitless supply that will be available to them, if it isn't already—can keep the Strait of Hormuz closed forever. They can keep lobbing drones and missiles onto the Gulf states, not just the American bases there, but the desalination plants, the electric plants, the energy facilities, and so on. Who's going to stop them?

The Iron Dome hasn't saved Israel from all the damage done by missiles from Iran. The United States can't either. That's why you get these crazy proposals from the likes of Lindsey Graham and other marginal characters here in the United States. They're advising Mr. Trump to use nuclear weapons—either to literally destroy Iran or, the best one I heard last night, to widen the Strait of Hormuz by dropping nuclear weapons into that area. I understand this is all crazy stuff, but it's crazy stuff that's becoming part of the discourse. Because if John Mearsheimer is correct—and I know you've had him as a guest and you know him well—then he's said from the beginning that Mr. Trump has no way out.

The implication of what Mearsheimer has said all along is: don't do this, because you won't have a way out. And Mr. Trump did it anyway. So now we're living with what it means if he has no way out. But I'm telling you again—and I would stress this—he will disappear, politically anyway, when the internal fiscal disaster hits here. If he can't prevent the election, if he can't control the election, and if he's defeated, which he will be if he doesn't prevent it—at this point, no question—then the question becomes whether he will go or not. And that's where we are. Then the issue becomes the American military establishment: where will they go?

Because you'll have reached a point where the country is split 60–40, and the only conceivable control mechanism becomes the military. And then, who knows—because he's busily creating his own military. To give you an example: the refusal of Congress to fund ICE, the private army they created to deport immigrants—they've now brought them into all the airports here in the United States, because the budgeting meant that the people who process you at the airport are effectively on strike. They're not working because they haven't been paid, because they can't resolve it. The Democrats won't let it go through. So Trump has decided to use ICE at all the airports. Okay, that's an expansion.

The private army is now committed to deporting all the "bad criminal immigrants," and now they're also in charge of security at all airports. You understand—they're becoming an alternative military police apparatus. They will be called in, and you can be very sure the rest of the military are watching this with great concern, because they're not reliable for Mr. Trump, and he has to deal with that, which he's doing. But the very fact that I'm speaking to you this way about this society already tells you something: the global understanding of the United States as a place where you can safely keep your money is finished. That's done.

This is a country in turmoil, with illegal activity all over the place, and a military whose loyalty is now in question. This is what wealthy people around the world want to hide their money from—they don't want to go to a place like that. And I think you're going to see, as the instability deepens and becomes more visible in daily life, the pressure on Mr. Trump. I don't see how he survives this—that's how grim it is. And by the way, I'm talking to you from New York City. You can feel it in the population here. There's a level of—well, it's not quite psychological depression, but there is anxiety. There's enormous disaffection from the institutions, almost all of them—a turning inward of the population.

And when you talk to people, you ask, "Is that happening to you?" They nod, because someone has finally put it into words. I've never been in the United States—where I was born, lived, and worked all my life—and felt what I feel now. Just out on the street, among people, over a cup of coffee at a café and so on, you pick up a deep sense that something is terribly wrong and that we have to change dramatically. And that's why I think it's extremely important that here in New York City—the largest, most cosmopolitan city in the country, with the largest percentage of Jewish residents—people voted for a Muslim socialist for mayor. I mean, that's an index of change.

We want somebody completely unlike our traditional politicians. And that's what it was—and he won for that reason. He could have been a communist instead of a socialist and still would have won. That's the amazing thing—people who don't like socialism, don't like communism, don't even know very well what it is anyway because of the country's attitude—but it didn't make any difference. He was a nice young man with a beard, a socialist, and a Muslim. Fine, vote for him. And the man said that if Benjamin Netanyahu visited New York, he, as mayor, would have him arrested. He said that as part of his campaign, and the Jewish vote here went for him. I think people should understand that's extraordinary. It's really extraordinary.

#Glenn

I agree with your assessment of that. As the U.S. reaches a breaking point in terms of its economic standing and political cohesion—its hegemony falling apart—there's desperation and pessimism in there. But of course, you see similar things in Europe. If you listen to the political class across Europe, they only speak now in the language of war. Nobody speaks of peace anymore; no one talks about the value of diplomacy. It's been replaced with a very moralistic language where, you know, it's because our values are so virtuous that our enemies—because they're enemies—must be so evil that we can't even talk to them. So you see this weird combination of talk and values, and this translates.

Whenever they talk about values, it's supposed to translate into peace. When they talk about empathy for Ukrainians, it only translates into sending more young Ukrainians to die. When they say, "We condemn Russian crimes," it sounds like a moral argument, but all it really means is there's no way we can have peace—we have to fight them. So it's a very ugly, ugly discourse we have here. And I don't dismiss what Lavrov was saying, that we might already be heading into World War III. But I was wondering, as a last question, is it possible that we could go in the other direction?

Because now that things are going so badly in the Middle East, it seems like there's some rethinking among certain European politicians—especially the Belgian prime minister. We're seeing some signals from the Italians that perhaps we have to find an end to this war with the Russians. Even Merz, who's been one of the biggest war hawks in Europe—the one who said the Israelis were doing our dirty work—is now starting to question, "What's the off-ramp plan here, Mr. Trump? How are we going to go down? What's actually happening?" And he had positioned himself as the number one stooge in Europe who would obey Trump. So do you see any off-ramp here, any way out from both of these wars?

#Richard Wolff

Again, the only way I see it is if you have a groundswell of opposition. And I must tell you, I'm beginning to see it here. I don't know enough about Europe to say I see it there. I don't know, for example, how to interpret the municipal elections in France over the weekend, when Paris, Lyon, and Marseille voted for socialists to be in power. And I understand what the socialists in Europe mostly are. But here in the United States, let me give you some signs. The Democratic Party is a party with a conventional centrist leadership and an active base that's much more progressive than that leadership. That's an enormous tension inside the party, and it usually immobilizes it.

If they continue the way they have, they may even lose the election this November because they can't overcome the tensions inside. But they might overcome it either way. They might hold on so that Hakeem Jeffries, Schumer, and the Clintons—that horrific, in my judgment, horrific compromise center of the Democratic Party—may hold on. In that case, there's a good chance they'll lose, and an

even better chance they'll win and change very little. They'll bring us another Biden who will preside while things get worse, and the next Trump will emerge four or eight years later. But there is a possibility—I didn't think it was there until the Mamdani election—that the progressive wing of the Democratic Party will become much stronger, much faster. They have the young people.

They have the energy. They have huge numbers now. Think of it this way: in popular opinion polls, the most popular politician is Bernie Sanders. He represents that wing of the Democratic Party. There are serious efforts—I know they're there—to put forward Alexandria Ocasio-Cortez as a presidential candidate. She's a young, vibrant Hispanic American, and she would be very successful, I think—maybe more than others think. She has that mixture of sharpness and likability that we need in this country for our politicians. And there may be a long-delayed explosion of the young, and here's why: job prospects for new entrants into the labor market. We keep statistics in this country about that—how many people are graduating from high school or college and entering, looking for a job.

How many jobs are there? That situation now is horrible. I can tell you from my own students' stories, and I can also tell you from the official statistics. For the past five, maybe ten years, young people have been unable to get decent jobs—in huge numbers, just huge numbers. People with college degrees are making coffee at Starbucks and are grateful to have the job, but bitter at the same time that their degree in, I don't know, biology or whatever they studied is useless to them. There are no jobs coming for them. If I can believe the tech people I talk to, we're seeing the implantation—the installation—of artificial intelligence in a whole range of jobs that college and high school graduates had always prepared to enter.

Those jobs are disappearing, and that's going to get worse because we're just at the early stages of this. Now, there's a debate about whether this will really happen or not—I understand that—but if it does, it's going to make a bad job situation very, very bad. And traditionally, those have been the people leading the progressive challenges to power. That's how it was with Occupy Wall Street, which was the last upsurge, you know, around 2010 or 2011. That was fueled by young people in lousy jobs, busy jobs, trying to change the world because the world hadn't given them the job and the life they'd been told they would get.

Well, we're doing exactly the same thing now, only the numbers are larger. And I wouldn't be surprised if some strange event that I didn't pay attention to, you didn't pay attention to—you know, like that group of scraggly people—suddenly became something big. I'm speaking to you a short walk from Zuccotti Park, where Occupy Wall Street began. I could walk there in about twelve minutes from where I'm sitting now. The idea that a group of young people who put up a tent in a city park would start a national movement would have struck everybody as ridiculous, humorous, and fantastical. I wouldn't be surprised at all if it happened tomorrow, or something comparable. So yes, the United States is following Mr. Trump at this point, but the majority don't do it willingly. The majority don't like him at all.

The majority are voting against him in almost every election we're having—major, minor, and in between. So all the signs are there of a tremendous disconnect. And I think Mr. Trump is going to have a harder and harder time. Take the whole world of business, for example. Having gone through a year of agonizing adjustments, trying to figure out how you're going to evade the tariffs, how you're going to cope long-term or short-term—and then the tariffs are all undone. This is a level of instability that makes the whole world recoil. It's anathema to running a business; it's hard enough to do that even when there's some stability. But the United States was the rock of stability. That's over. I don't see that returning at all. It's all fantasy at this point.

Even the attack on Iran is an attempt to hold on. You know, I've said this to you before—it's an attempt to hold on to an empire, undertaken by people who themselves know the wind is blowing in the other direction. That's why Trump will say, "Other presidents tried and they couldn't do it, and I'm going to..." It's an admission, you know—it's been a failure. "I'm going to offset it. I'm going to make Canada behave correctly." Not working. "I'm going to make the Danes accept the loss of Greenland." Doesn't look like it. You know, and on and on and on. Maduro was, for him, a wonderful respite from difficulty and failure. And I think, in a way that historians will have to check, that may have been the single most important objective—to do another "Maduro," sort of, in Iran.

You know, if you can't extract the Ayatollah, well then, use the Israeli approach—get rid of him, get rid of two or three of them. Doesn't matter. If you watched Mr. Trump's news conference yesterday, he virtually said that we killed one. I'm told we killed another. We can go in and kill the next one like a cowboy—like a crude cowboy. And that's losing its allure, especially as people begin to understand that they're paying more for their car, they're paying more for their home, interest rates may go up, the job situation is so grim, and all he gives you is war. And remember, he ran as the anti-war candidate, and it's becoming so easy to mock him, and he has no answer. He just has nothing to say.

#Glenn

I guess the big lesson from the Iran war is that it's impossible to control all these unknown variables, and that should also apply to the world economy now. There's just no way to control it.

#Richard Wolff

No way to control it. And they can't—you know, I don't know how Mr., you know, obviously I have no knowledge of Mr. Putin or Mr. Xi Jinping—but Iran has two incredible power allies. And if they think this might be the beginning of a global conflict, then they're going to line up behind Iran. They're not going to sell Iran down the river; it would make no sense at all. And the joke that must pass among them is how ironic it is that what you, the West—America—did to us in Ukraine, we can now do to you in Iran. I mean, how could they resist?

#Glenn

I think that's predictable as well. Anyway, thank you so much for taking the time. I know you have a class to teach, so I really appreciate it. Thank you.

#Richard Wolff

All right, thank you very much, Glenn.