

# Funding the Future

## Financial speculation is imposing a heavy price in this...

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I note this chart of the oil price over the last year. It comes from the invaluable [Trading Economics website](#).

It is correct to Last Friday afternoon. The tumbling price over the last week or so reflects market belief that, despite all the evidence, Donald Trump and Benjamin Netanyahu were going to honour their ceasefire agreement with Iran and that, as a consequence, oil would flow once more through the Strait of Hormuz.



In contrast, as I have said, time and again over the last week or two, I have no confidence that there is any end to this conflict in sight, and I think that belief to be entirely justified.

On Friday night, Donald Trump claimed that, as a result of the ceasefire agreement, Iran had conceded to all US demands regarding a cessation of hostilities, covering seven major points. Later the same evening, Iran declared that it had done no such thing, contradicting all the points in question. And they made clear that if the US maintained a blockade of Iranian ports, the previously agreed announcement that the Strait of Hormuz would reopen would not occur, because they would be forced to match the US blockade with one of their own.

Last night, the Guardian [reported that](#):

*Iran's Islamic Revolutionary Guard Corps (IRGC) will blockade the strait of Hormuz again as of today, the IRGC warned in a statement published by semi-official news agency Tasnim News.*

*"Approaching the Strait of Hormuz will be considered cooperation with the enemy, and any offending vessel will be targeted," the IRGC statement read. The statement cited the US blockade as a ceasefire violation.*

Whatever one thinks of the Iranian government, it cannot be disputed that, in this context, its position makes sense. They had agreed to a reopening of the Strait in consideration of Israel's agreement to a ceasefire in Lebanon, and then the USA announced that it would continue to blockade Iranian vessels, making a mockery of the agreement and tearing it to shreds. The Iranian response is, as a result, entirely predictable, and we are back to a situation where the Strait is closed again.

The likelihood that this situation will change appears to be remote. Trump appears to have no intention of negotiating in good faith or of abiding by whatever is supposedly agreed.

The likelihood that Netanyahu will maintain a ceasefire in Lebanon is incredibly low. We are aware that he has agreed to it incredibly reluctantly, under pressure from Trump, and that the ceasefire contradicts all his own instincts, which are always inclined to violence.

In that case, the likelihood that Iran will continue to use the one, overwhelmingly powerful, negotiating weapon that it has, which is to block all traffic through the Strait of Hormuz, must be expected to continue, potentially for many months.

Until the time when Netanyahu must face the judgment of the Israeli electorate, which must happen by October this year, and when Trump must indirectly face the verdict of the American public, which should happen in November - if he allows elections to proceed - I can see no good reason for this logjam to be broken. As a result, I cannot see how all the dire consequences of this war that I have previously discussed, from major food shortages to massive economic disruption resulting in recession or even depression, can be avoided.

So why have I put up a chart of the oil price? That is because it is utterly baffling that those supposedly tasked with making rational decisions in speculative markets can be so utterly stupid that they actually appear to believe what Donald Trump says, as if it might either represent the truth or have any bearing on what might actually happen when there is not the slightest evidence that either might be the case.

If markets are meant to appraise available evidence, the fall in the oil price last week records their incompetence. They have one job to do, and they do it very badly. The

fact is that they trade sentiment and not evidence. What is clear is that these markets, in which the world's leading banks are major players, are a major disruptive influence. Far from revealing prices or providing mechanisms for trade, they appear to exist slowly for the purpose of permitting high-stakes gambling at enormous cost to society at large. The volume of trades to actual goods delivered is the clearest indication of that.

What can be done about this? My suggestion is that we need a variation on a financial transaction tax, called [Spahn taxation](#), to deal with this situation. This does, first of all, require that a financial transaction tax at a low rate be charged as a matter of course on all trades in markets such as these, and that an additional tax rate be charged as market volatility, indicated by significant price variations, increases. That would be designed to tax speculation heavily and would provide an incentive for everyone to take a step back, examine the evidence, stop short-term speculative thinking, appreciate what is really going on, and trade only when necessary.

This is not a perfect answer to the madness of these markets and the costs that they create, but it would help. In the meantime, we all suffer as a result of profit gouging, which is ultimately and always intended to extract value from end consumers and make everything worse for society at large.