

## Only sound argument, good economics, and a politics of ...

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As I expected, [the peace talks between the USA and Iran have failed](#). Israel did not get as far as reaching the table.

Let me be clear: the consequences of this failure could be enormous. That said, the fact that peace talks took place is good news. All wars eventually end in negotiation. I will celebrate the fact that some have started, but, as media reports appear to universally suggest, these took place in an atmosphere of suspicion and mistrust, and they were, as I predicted, always likely to fail as a result.

The fact that the two sides had not talked to each other since 1979 did not help.

The fact that Israel is continuing to attack Lebanon, when Iran had made clear that this was a red line as far as it was concerned, doomed the talks from the start. Netanyahu knew what he was doing. Decades have taught him how to perpetuate violence, conflict and mistrust, and he has succeeded yet again.

So let's be clear, the fact that these talks took place is the only good news coming from Islamabad. Everything thereafter gets worse.

Before the talks started, Iran made clear that its red lines were:

- \* The Strait of Hormuz
- \* War reparations
- \* Blocked Iranian assets
- \* Ceasefire across the region

Notably, nuclear issues were not on that list, suggesting room for negotiation. Even so, agreement was not reached. Both sides have claimed the other made unreasonable demands, which claims need no further interpretation; their belief that this is the case is why the talks failed.

I have no particular insights from inside those negotiations to offer, but I can speculate,

and my suspicion is that the US demanded:

- \* The Strait of Hormuz must be reopened unconditionally, and Iran was not willing to agree.
- \* The USA did not agree to pay reparations, and did not agree to the charging of ships passing through the Strait of Hormuz to fund such reparations.
- \* The US attached conditions to unblocking Iranian assets, although this might have been the easiest area on which agreement could have been reached.
- \* The US refused to negotiate for Israel, thereby excusing its continuing aggression, making any peace deal impossible.

Whether these assumptions are right or wrong is, however, not the most important matter of concern this morning. What really matters now is that hostilities might recommence.

Then what matters is that more people might die. That is most likely in Lebanon, but it could also happen in Iran, in Israel, amongst US troops, in Gulf states and in the world far beyond the Gulf, where, [as I have explained](#), the risk of famine this year is now high, and growing.

There are other concerns as well. Trump might threaten genocide again, and this time, he might deliver it.

Let us also be under no illusion about the consequences of this war for some of the most vulnerable people in countries like the USA and UK. Trump has already said that the US federal government cannot afford Medicare and Medicaid, or childcare for working parents who might need it. Pensioners, the most vulnerable families, the sick and the elderly will, according to Trump, bear the highest relative cost for this war in the USA.

Here in the UK, Kemi Badenoch, speaking on behalf of the Conservatives, has said she would reimpose a two-child cap to pay for defence, although it has to be admitted that whatever she says now is largely irrelevant, as her chance of being in office is so remote. However, the general direction of travel in neoliberal thinking, which she reveals with her comment, is what worries me. Trump's malicious thinking that the poor must pay for his folly is crossing the Atlantic.

This matters because, [as I noted on Friday](#), the pressure arising from the military spending on this war is already enormous. Trump is running out of weapons. The harsh fact that the UK does not appear to have a functioning military has been exposed. As a result, the imposition of austerity, [the consequences of which I discuss in this morning's video](#), is now all too likely, when the exact opposite is required.

And let's be clear, the consequences of this war can now only grow. The price of oil is

going to rise again, with an immediate impact on inflation and, in turn, the poorest households in the UK. The price of food is also going to rise. Rationing imposed by price is already becoming a reality. Economic chaos can only grow as this conflict extends, as seems likely given that Netanyahu appears determined to perpetuate his war.

At some point, Keir Starmer, Rachel Reeves and the entire Labour government are going to have to get off the fence on this issue. They are going to have to acknowledge the mess that is being imposed upon us and their own failures in facilitating Trump's operations, which facilitation should now come to an end, following the Spanish and Italian precedents. They will also have to admit the scale of the crisis we face, which is far greater than most politicians and commentators are willing to acknowledge. At that point, they will need to act.

If they deliver austerity at that moment, recession or even depression will follow, especially if this policy is copied by the EU, which, as I [discuss in this morning's video](#), appears to be a possibility.

If, alternatively, they take a radical and necessary approach to managing a wartime economy, as I have proposed, based upon the thinking of Lord Keynes, we have a chance of getting through this. My concern is that, in the first instance, the likelihood of this necessary approach being adopted would appear to be very small indeed. Arguments around fiscal rules still need to be complied with, and there being limited fiscal space, which actually represents the refusal to tax those with the capacity to pay the tax required to recover the additional funds the government now needs to inject into the economy, will be maintained. The result will be an economic crash that will consign Labour to history forever, if they were not already heading that way.

On Wednesday morning last week, [as I mentioned here](#), I woke up with a sense of relief that genocide had not happened. Just a few days later, that possibility is now back on the cards. I still believe Trump is capable of carrying out his threat.

At the same time, my more general sense of foreboding is very real. The UK economy might, because of this government's incompetence, its belief that everything will return to normal in the short term, and its naive declarations that we are not involved in this war, and therefore it will have no consequence for us, crash in a way that no one now alive has really witnessed. Only sound argument, good economics, and a politics of care can now prevent that outcome. My worry is that Labour is immune to all three.