

## From Drill, Baby, Drill to Toll, Baby, Toll

*di Paul Krugman*



Politics

### When will traffic at the Strait of Hormuz return to normal?



The U.S. attack on Iran will end badly. It's still not clear, however, exactly what that bad end will look like. The loudly announced cease-fire is on the edge, with Trump and the Iranian regime making very different claims about what was agreed to and the Strait of Hormuz still closed. As you can see in the chart above, prediction markets, after an initial bout of optimism, have turned highly skeptical about the prospects for a quick resolution.

And yesterday the spot price of oil — the cost of a barrel for immediate delivery, as opposed to the prices for delivery a month or two from now, which are what are usually quoted — hit a record high of almost \$147 a barrel:

## North Sea oil prices surge

Forties Blend (\$ per barrel)



Source: LSEG

Source: [Financial Times](#)

There remain three plausible ways this could turn out:

1. *U.S. strategic defeat*: The Strait is reopened, but with Iran in control of the chokepoint and charging tolls on ships passing through
2. *Quagmire*: Having failed to impose its will with bombs, the U.S. sends in ground troops
3. *Nightmare*: Trump follows through on threats to annihilate Iran's civilian infrastructure

One might have thought that (2) and (3) were off the table. After all, the past six weeks have delivered an object lesson in the limits of "lethality." But MAGA doesn't learn lessons. Pete Hegseth — who [appears to be lying](#) about why Iranian attacks on U.S. personnel succeeded — still has a job. Trump is still threatening everyone with ALL CAPS. And nothing should be taken for granted. That said, at this point (1) — with Iran the clear winner while America slinks away — is both the least bad and most likely outcome.

It's a bitterly ironic result, and not only because a war that was meant to demonstrate U.S. power has instead demonstrated our impotence. Also, Trump has always been obsessed with the idea that fossil fuels are the key to U.S. power and prosperity. Now oil has made us weak while empowering and enriching our adversaries.

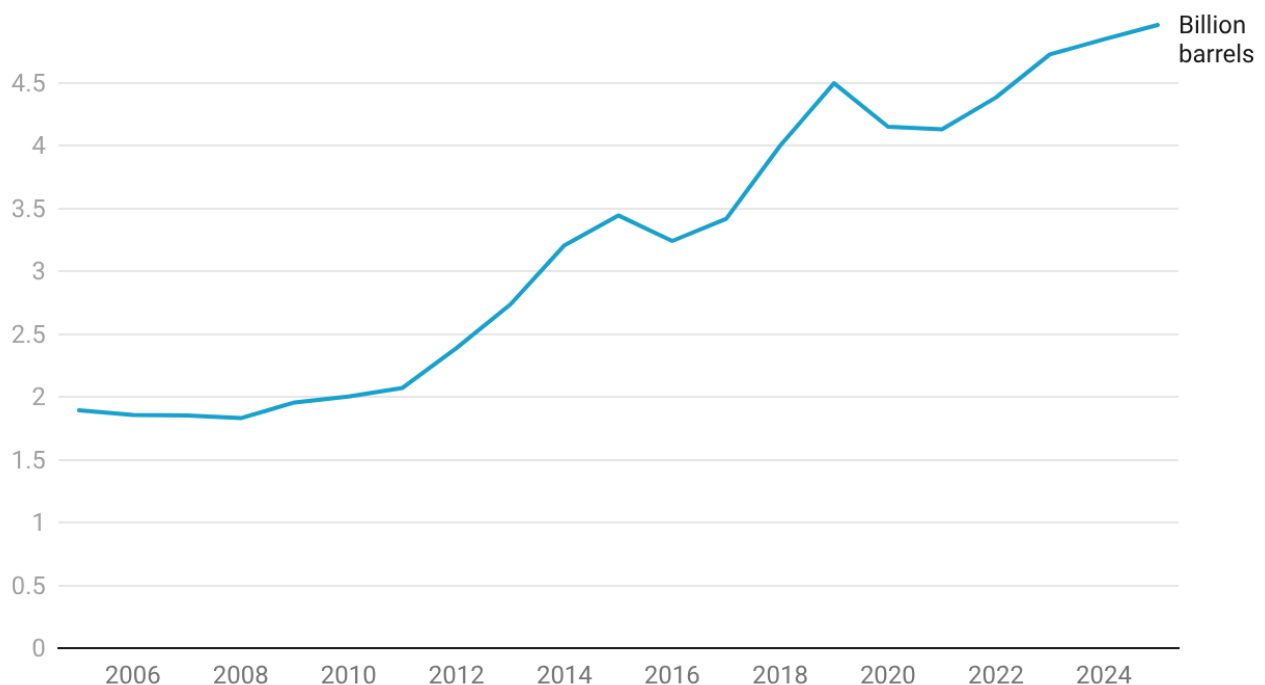
But how much will Hormuz-as-Iranian-tollbooth shift the global balance of power?

In Trump's mind, control over fossil fuels is the essence of national greatness. In his [inaugural address](#), Trump declared that

We will drill, baby, drill ... We will be a rich nation again, and it is that liquid gold under our feet that will help to do it.

But this was obvious nonsense. For one thing, the narrative that woke environmentalists had hobbled U.S. fossil fuel production was at odds with the reality that fracking had in fact caused a boom in oil and gas production that began under Obama and continued under Republican and Democratic administrations alike:

## U.S. oil production




Source: Energy Information Administration • Created with Datawrapper

It was also nonsense to claim that oil production can be the engine of prosperity for a nation like America, with its huge, diverse economy. The fracking boom, although huge in absolute terms, was relatively marginal in its economic impact. In 2025 the U.S. produced about 3 billion more barrels of oil than it did before the fracking surge. At 2025 prices, that was about \$200 billion worth of oil. That's a lot of money! But it's less than 1 percent of U.S. GDP.

Meanwhile, Trump has been doing all he can to block development of wind and solar power, in the apparent belief that this will empower America. But what it actually does is empower regimes that are in a position to disrupt world oil supply, while having little to lose from chaos in the world economy. Which means, above all, Iran. Yesterday Trump issued a pathetic warning:



Donald J. Trump    
@realDonaldTrump

There are reports that Iran is charging fees to tankers going through the Hormuz Strait — They better not be and, if they are, they better stop now! President DONALD J. TRUMP

**2.43k** ReTruths **10.7k** Likes

Apr 09, 2026, 5:08 PM

They better stop now! Or what? We'll bomb them?

In his second inaugural address Trump promised that "our country will flourish and be respected again all over the world." Does anyone believe that starting an unnecessary war, then threatening to commit massive war crimes because we're losing to a fourth-rate power, and finally, *in the best case*, essentially running away, has made America more respected?

Think about Gulf states that relied on America to protect them and preserve their access to world markets. Now they know that we can't and won't, while Iran holds a knife at their throats. They're now looking to themselves for security — and starting

to buy equipment and technology from [Ukraine](#), which has learned the hard way [how to fight a modern war](#).

Think about Asian and European nations that have swallowed Trump's many insults, and mostly avoided retaliating against his tariffs, because they feared both U.S. power and the loss of U.S. support. Now America's weakness and unreliability have been laid bare.

And yes, ships transiting the Gulf of Hormuz will probably end up paying large tolls to vicious theocrats. Are you tired of winning yet?