

The challenge is to be ready for the next crash in theo...

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As [the FT reports](#):

The International Monetary Fund has hailed the “broadest synchronised global growth upsurge since 2010” as the global elite arrived at the World Economic Forum in Davos on Monday in ebullient mood.

Consigning the troubles of the past decade to history, the fund’s upgraded forecasts signalled the strongest global economic outlook since the start of 2010.

As they also report, in the same article:

The “overarching risk is complacency”, said Maurice Obstfeld, IMF chief economist. “We might be closer to a recession than you think.”

I linked to his opinion yesterday, [here](#).

And there is more on this in the FT, in their daily column for investors called Author's Note, where [it is said today that](#):

In the very short term, it is easy to see why markets are gaining, and why it would be a bad idea to make an exposed bet on their falling in a hurry. That said, the problem of valuation grows ever more acute. The only encouraging point about the now almost universal belief that stocks are overvalued is that the belief is indeed so universal. It is when opinion is that strong that people can get most surprised.

I'm pleased that the world has come round to my view: it's taken them a while to do so. As that article also puts it:

[E]ven if stocks trade at a higher multiple these days, it does not matter: US stocks still look too expensive.

So, a crash is coming. It's not a matter of if, it's a matter of when. And that's true of the economy and stock markets based on this evidence. We're in that short lull before the

storm breaks. Think of it as 1912 -13.

Then the question is something much more significant. This is what commentator [John D had to say on this blog yesterday](#):

From an emotional perspective there is a huge dilemma with this evolving situation. On the one hand we 'progressives' want to see the demise of neo-liberalism asap in order for it to be replaced with a more egalitarian, democratic and economically efficient governmental model. On the other hand we know that if/when it crashes, as predicted by you and other well-informed cognoscenti, those most likely to suffer the consequences will be those least equipped to do so, as is always the case.

Ideally a new ship would already be afloat and functioning as the old one sinks. But that's rarely, if ever, the case. Hence, it feels as if we're at an historically crucial moment when a small, albeit growing, number of 'revolutionaries' (visionaries) are articulating the need for change but the majority (at least 51%) are relatively comfortable with the status quo and convinced by its rhetoric. Addicted to the material crumbs thrown to them, psychologically they cling to the message that things are getting better, and that to jump ship would be a reckless gamble. Safer to stick with what and who you know, i.e. the Hegelian strategy of 'Problem — Reaction — Solution'.

Therefore, in the current socio-political climate, do you think it possible to achieve the requisite radical 'rÃ©gime change' without real downward, negative pressure on society? And how destabilising would that be? Maybe the only way forward is either via the 'left-field' (action in an unexpected region) or simple revolution via street protests.

Am I being overly pessimistic?

I regret to say that I do not think John is too pessimistic. I think he's wholly appropriately pessimistic. Another chaos could be used by those who want to drive a neo-feudal and even fascist agenda. It is all too easy to see how. It is all too easy to see how Trump has laid the groundwork for that in the US, and that it could be emulated.

The question - and it is vital - is what can be done to prevent this? I have no certain answers. I am working on theory that provides alternative mechanisms for macroeconomic management. And I clearly think practical applications of modern monetary theory are important here. But the answer is beyond as well as within economic thinking. The answer has to be with the majority who want a very different world now, but have no political opportunity to win it.

The challenge then is to be ready in theory and practice. If only that might be the case.