

We may be near 'Peak stuff'™ and that will ...

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The challenges within our economy and society can only grow as far as I can see. At the most basic level at some time soon we are going to face the problem of 'peak stuff'. That is, the amount of physical consumption by people is going to start declining, at least in aggregate.

This has to happen. I would love to say that is because of a growing green awareness. That, though, is not true. The mountain of debt we now face will be what achieves this.

Nine out of ten new cars are debt financed. Indeed, new cars exist now to keep the finance industry going and not because we desperately need so many.

Household debt is around its peak again.

Last year UK households dis-saved for the first time since records began: that is, they borrowed more than they saved, overall.

And today we learned of the crisis of £19bn of unpaid household bills that are overdue for settlement.

I know debt is, for many, the cause for deep, gnawing anxiety. I also know many try to hide from that in more consumption, and alcohol, or worse. The personal consequences of what is happening are dire. But I will focus on the macro, if you will forgive me.

At a macro level this debt will implode. It has to. Some of it is unplayable. I have little doubt that those who are owed have yet to realistically appraise how much their debts will amount to because over the last decade accountancy has forgotten how to appropriately debt provision because the rules have not required them to do so. That's a contributory cause of this crisis that will have market repercussions.

More generally, there will also be a downturn. When the domestic credit line is finally maxed out (and this analogy works perfectly in this context) the spending has to stop. And it will. And that has ripple effects. Multipliers exist in the private as well as the public sector. Add this onto any one of a range of other potential tipping points, from

Brexit onwards, and the risk of a recession, or worse, is high.

Peak stuff will have happened.

But don't heave a sigh of relief. Need will not have gone away.

Not all the households facing debt crises will formally restructure their debts. They will just struggle. And real needs will go unmet. That is, unless real action is taken.

I make the simple point that after peak stuff there will be enough for everyone in this country. As a whole we do not face a crisis. We are able to live to excess, if we ignore global warming that is. So no one need suffer if we hit a downturn. That they will is by choice.

That choice will be morally sanctified: it will be claimed no one had to take debt on and people must live with the consequences of their actions. I can hear the libertarians rolling out the excuses for their contempt already. But they are wrong. For many there was no choice. And those libertarians ignore the enormous effort put by the debt creators into distorting choice, from car manufacturer promotions to daytime television debt advertising onwards. So the libertarian claim is nonsense.

What can be done then? The answer is obvious. We need to prepare for redistribution. The savers will need to be the saviours. The simple fact is that we have massively skewed wealth distribution in the UK, and we have a tax system that massively favours those who earn income from wealth as opposed to those who earn income from working. Of course the two comments are not unrelated: under taxed income from wealth does, of course, get saved, in the main, so increasing wealth inequality exponentially.

In that case peak stuff has to be marked by two things. The first is increased taxes on income from wealth. [I explain how, here.](#)

And the second is wealth taxation. That could be by taxing property more effectively, both during life and on death. It could be by making inheritance tax work, which might well mean reducing many of the exemptions that mean that the very wealthy simply avoid the tax. And it could mean a new wealth tax to replace inheritance tax altogether.

But what we do not have is the option of leaving large parts of the country behind because they have been crippled by debt.

And nor am I making a special pleading for the goodwill of those with some wealth. The reality is that there is a risk, which I acknowledge, that they will be the largest gainers from such a programme. The reality is that if, collectively, those who owe (and there are many) are provided with the means to pay then those who are owed (and there are fewer of them) stand to gain.

Call it enlightened self-interest if you like, but the wealthy need to stump up to make the system work if they wish for it to act in their interests. The alternatives all look to be worse for them.