

Can the global economy survive another shock?

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The Financial Times asked whether the global economy can survive another shock. I think it's the question of our time. Debt, war and climate change are pushing us to breaking point and yet our governments still pretend that markets will save us.

In this video, I explain why that's a dangerous illusion, how neoliberal policy has made us fragile, and why only courageous governments, ready to act in the public interest, can prevent systemic collapse.

<https://www.youtube.com/watch?v=a8qtW9by3Wk&si=3wxNIMTCQEM26Ltw>

This is the audio version:

https://www.podbean.com/player-v2/?i=rn5q3-198eae5-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Can the global economy survive another shock? That's a question [I saw asked in the Financial Times](#). They were going to have a discussion on it, and I thought, if ever there was a question that required a video, then that was probably it, and so this is my take on the issue.

Let's be clear. The global economy is, as we all know, incredibly fragile at the moment,

maybe more than ever. Debt, war and climate change are all pushing us towards a breaking point. So what happens when the next shock hits us? Can we withstand it? That is obviously the question that the FT are asking, and which I am asking. Or are we heading for systemic collapse?

Let's just put this in context. For decades, we've been told that markets are self-correcting and resilience is built into them, and therefore, if only we trust markets, we will always be alright. But we know that this resilience does not really exist. In 2008, we saw banks collapse. Since then, we've had the COVID crisis. We've had a war in Ukraine, and the consequent problems that gave rise to with regard to global inflation. And now we have Gaza and always climate change; each and every one of them testing the idea that we have a resilient economy and world to the limit.

At the same time, interest rates, inequality, and debt are all making economic systems exceptionally brittle. We definitely face potential crises.

There are structural weaknesses. Global debt is thought to be running at around \$315 trillion now, which is something like three times world total income.

Wealth inequality has created a fragile consumption base for many.

And private finance dominates everything, but is proving itself to be completely unable to manage risk as it always flees for safety.

And meanwhile, governments pretend they've run out of money even though that private sector finance facility actually wants to give them all the money it can because they know that governments are the only safe haven for their money.

There is an illusion of control going on. In particular, central banks are saying that inflation is under control, but energy costs, housing costs, and food costs remain unstable. And those are the things that really matter to households, because those are the things that have to be paid before any luxuries in life can be bought. And luxuries might just include going out for a cup of tea.

What is more, every fix that appears to be brought to address these issues of supposed excess cost just result in higher interest rates, more austerity, more deregulation, and all of them add to fragility. People know that they're living in a situation of confused stability that might just be stagnation.

The systemic shocks are at the same time waiting to happen.

There could be a bigger conflict in the Middle East because nobody knows where that tinderbox might burst next.

Taiwan could be a tipping point for a crisis between China and the USA.

Energy costs could be spiked by almost anything.

Trump's tariffs could crash trade and trigger retaliation.

The dollar could cease to be the world reserve currency if Trump lets it slide, and slide, and slide, as he might do.

We are facing the possibility of civil war in the USA right now, as Trump is sending troops into domestic cities where there is no justification for him doing so.

And debt crises are building in the Global South because the dollar is out of control.

Meanwhile, climate breakdown is real, and it is hitting food production, migration, and insurance systems. Banking could follow.

All of this is happening when we have an economic system, the neoliberal system, that assumes everything in our society should be in a state of equilibrium - of perfect balance, as if the markets are self-correcting and everything returns to normal after a minor disruption. That's the assumption. That's what the people in charge of the world's markets, and in particular, those in charge of the central banks, who are probably the most powerful people in those markets, presume when they create policy. But they're wrong.

Economies, as we know, are complex, chaotic human systems, and they are deeply and profoundly uncertain as to what might happen next.

We discovered that in 2008. Events that were not meant to happen more than once in 25,000 years happened four times in a week in the run-up to the 2008 financial crisis. The impossible became real, but we don't plan for it.

Crashes are an absolute possibility inside the system that we have, and they might not just be financial, of course; they could be social and political as well. If that's the case, confidence in democracy could erode as inequality deepens and as authoritarian movements thrive, the belief of people in government might fail. The next shock could bring reform, but it could also bring repression.

So, can we survive that repression, which, at the moment, appears the more likely of those options, given the way in which governments are reacting around the world to what is going on around them?

Well, of course, we could survive repression. We have done before. In the history of humankind, and a lot of us will have learned some of that history throughout our lives, we have seen that people have got through terrible periods in history, and humanity has come out the other side. But, and I made the point very clearly, they weren't handling climate change at the same time. That does now have the capacity to wipe us out. That, plus nuclear waste, most certainly are real threats to us all.

And the issue, therefore, is really one of timing.

How long would it take us to get over repression if it was to happen again?

And how long would it take to restore shattered balance sheets if those were to be torn apart as they were in 2008?

And how could that be done equitably?

How can all of this be done without the will to deliver these outcomes? That is the other key question to ask. We can only survive repression - because that is what the likely reaction to economic failure at the moment will be -if we have leaders who emerge who want to take us to a different place.

Will we have people who are strong enough to deliver that outcome?

Will they be able to fight off both the opposition of those who will have lost their financial wealth and who demand it back, and simultaneously find the resources to tackle climate change as will be needed?

My argument is that this will only be possible if we have a courageous state. We've just made a video about my ideas about a courageous state - a state that exists to serve us and not to serve the interests of capital and markets. We do need such governments now.

We need them before the crisis, if at all possible, because if we have courageous governments - those who are willing to answer the questions and who understand their responsibility is to us and not to everybody in financial markets, and to the wealthy - we might just get through this without having ever had to hit the worst of the downtime.

They would understand that public investment is essential now in food, in energy, in housing, in health, and in social infrastructure, and all the things that support democracy and maintain us in broad harmony with each other.

They would understand that we need strong public banks to fund the green transition with resilience built in so that if a bank were at threat, the whole of the payment system didn't collapse, and therefore our ability to literally buy the food on which we are dependent would not collapse.

They would understand that we need local jobs just as much as we need global coordination.

They would know that we need confidence in public-created money, and that it was their duty to create this money just as much as it was their duty to create tax justice, to rebalance wealth and rebuild trust, and to control inflation within our economies.

The question is not if there will be another shock. The question is only when it will happen, and the question is, how well prepared will we be for it when it comes? Will we have put in place some of those courageous systems that I've already referred to? Or will we see cowardly politicians, the sort I describe in my book, 'The Courageous State', who run away from every problem and say the market should solve it, letting the markets actually collapse?

We don't know, but I promise you we cannot build resilience to withstand shocks by cutting, privatising and pretending that markets know best. They don't. Forty-five years of neoliberalism has now proved that. Let's not pretend that we've got another lesson that we might find at long last out of what has been created by this disastrous political theology - I was going to say - and I think it's the right word that came to my mind at that moment. This is a faith system that has failed us.

We need instead a courageous state; one that will act. Something that we have not known in government for years, and politicians who know what they're about, who will build a resilient economy to serve people and not finance. The time to do that is now. If we do that, we can survive another crisis. If we build a courageous state, we have the opportunity to go forward with confidence.

If we don't, things will be pretty grim for a while and let's not pretend otherwise. This is the choice that all our politicians have to face. We either can go forward and address our problems, or we can pretend they don't exist, and they're going to be really horrible when they hit us.

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