

This might be the tipping point

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Some blog posts I write on a Sunday afternoon can wait until Monday morning, and then there are those that cannot. This post falls into the latter category.

I have, for a long time, been suggesting that the moment will arrive when the economy might tip into outright recession, and even potential depression, because of the failure of stock markets in reaction to what is happening in the real world all around us.

So far, the ability of those in stock markets to delude themselves that the consequences of financial engineering, which, through the process of financialisation, is continuing to give the impression of ongoing prosperity amongst major US tech companies, has prevented this. But illusions always shatter, and most serious commentators have agreed that this must be the case since late last year, and I got there somewhat earlier.

Why, then, post this now? That is because it is always an external shock that creates a crisis, and such a shock is developing now.

There is no one who can pretend that the actions that Israel and the USA are taking in attacking Iran can be legally justified.

The Iranians might be toxic, oppressive, and clearly abusive of human rights at many levels within that country, but this has never provided a legal justification for war, and it has not now. The reason for that is quite simple. There has never been an occasion when bombing from afar has created good outcomes in the country being bombed. The evidence from Afghanistan, Libya, Syria, Lebanon, and so many other countries provides proof of that.

Of equal importance, the economic shock from this war is going to be very real. If the Straits of Hormuz are closed, and if there is an impact as a consequence on shipping through the Suez Canal, which is entirely possible, then basic oil flows will be seriously disrupted. So, too, could other supply chains. And what we know is that this will have major consequences. Let us just look at some of those.

If China cannot get its oil from the Middle East, it will buy it from Russia. That might perpetuate war in Ukraine.

Like it or not, Russian oil is already leaking into European markets. This, then, will have an impact here, as will the direct effect.

In the Americas, Trump's efforts against Venezuela are bound to become more aggressive.

Whatever the effect on domestic economies, whether mitigated or exaggerated by central bankers (and who knows what they will do), the consequences will be enormous in the UK and many other countries.

On top of all that, Iran has shown that if the US and its allies attack it, it will defend itself, and the myths of supposed security in Dubai, Bahrain, and other countries collapsed in moments as a consequence.

There has, this weekend, been a massive and toxic shock to the world's rules-based order on which we have all been dependent, but for which neither Netanyahu nor Trump has shown any regard, in both cases because of their fear of being exposed as the people they really are, with all the consequences that might flow from that.

So why does this matter this Sunday afternoon, in particular? That is for a glaringly obvious reason: the fallout from this could well be the shock that sends stock markets tumbling in the morning.

If they do fall, or even crash, the response would be entirely logical.

What is more, precisely because of the massive uncertainties surrounding the events that have happened, and the massive range of uncertainties about what might happen yet, to maintain prices at their current levels would be absurd if anyone is to continue to believe that these markets have any relationship to reality. They will either crash then, or it will become ever more apparent that the prices within them are so absurd that anyone with sense should stay clear of them. The outcome is profoundly negative, and the risk of spillover into the real economy is incredibly high, whichever way this is looked at.

And what I think has to be said this time, which makes it different from previous attacks, is that the likelihood that this situation will resolve in days, with all parties walking away with excuses in place, is remote in the extreme. You cannot take out the Iranian president and expect there to be no continuing reaction. To think that might be possible is just naive, in the extreme.

My suggestion in that case is quite straightforward. Watch what happens tomorrow morning with extreme nervousness. This might be the tipping point. Corruption, corrupt Zionism, and deranged world leaders whose appeal is based on fascism might have

serious consequences.

More than ever, we need a politics of care and an economics of hope.