

Will the world economy fall apart with millions dying a...

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Steve Keen, the noted heterodox economist who is, with me, one of the two economists in the world who propose that our economic thinking should always take double-entry bookkeeping into account to ensure that we always consider the consequences of our actions when appraising economic ideas, policies and events, has posted [an article on Substack](#) concerning the economic consequences of the war in the Middle East.

Entitled 'Things Fall Apart', his core argument is not really about the war now happening. It is about the fragility of the economic system that war has exposed.

First, he suggests that what appears to be a geopolitical crisis is, in fact, a systemic economic shock. The potential closure of the Strait of Hormuz is not just a regional disruption but is instead the severing of a critical artery in a tightly interconnected global production system. Energy, fertiliser, and key industrial inputs all flow through it. Interrupt that flow, Steve argues, and the consequences propagate everywhere.

Second, he argues that mainstream economics has left us intellectually unprepared for this reality. The neoclassical assumption of “competitive markets” with endless substitutability is, he says, a dangerous fiction. Real-world production is concentrated, specialised, and time-dependent. You cannot simply “replace” lost supply, nor can output adjust instantly to price. The models used by economists no longer describe how production and markets actually work.

Third, and most importantly, Steve highlights the centrality of energy and material inputs. Production is not an abstract function of labour and capital; it is physically grounded. Cut the energy supply, and Steve suggests, based on economic modelling using his Ravel model, that output falls more or less proportionately. In that case, cut fertiliser supply and food production collapses. And because fertiliser is time-critical, missed planting cycles cannot be recovered later.

Fourth, this leads to his most alarming claim: the greatest risk from this war is not battlefield casualties but famine. Modern agriculture is heavily dependent on fossil fuels and chemically produced fertilisers. If these inputs are disrupted, global food output

could fall below subsistence requirements. In that case, the crisis becomes one of mass starvation, potentially affecting even high-income countries that have allowed their strategic reserves to be depleted.

Finally, Steve's wider point is that the global economy is not resilient but brittle. It resembles a tightly stretched web: strong under normal conditions, but liable to collapse when key nodes fail. War, in this context, does not just destroy assets; it unravels the system itself. And because our economic thinking has ignored these physical dependencies, we risk discovering this fragility only when it is too late.

The implication is clear. What is currently being presented as a political or military crisis is, in reality, a profound failure of economic understanding, leaving societies dangerously exposed to a cascading, system-wide breakdown.

That claim is a big one, but it is based on macroeconomic forecasting generated by his Ravel model, which, unlike most macroeconomic models, is grounded in reality rather than the economic fiction that almost all professional macroeconomists subscribe to.

Is Steve right that this war might create a death toll higher than that of World War II, where the estimated loss of life arising as a result of that conflict has been estimated at maybe 80 million? Quite clearly, I do not know. I do not have the capacity to forecast these things the way Steve does, nor have I seen all his workings to satisfy myself that everything he is claiming is right.

However, what I can say with certainty is that the second-order effects of this war are going to massively outstrip the number of first-order deaths to be suffered either by the armed forces engaged in combat or the immediate civilian populations of the countries directly impacted by the hostilities.

Unless the consequences of failing global supply chains for oil, gas, fertiliser, helium, other raw materials, and consequent second-order products such as food, medical supplies, technology and other items are managed effectively by international agreement to ensure that hardship is limited to the greatest possible degree, and that rationing is not imposed by price alone, then the risk that there will be very large numbers of casualties, particularly from famine, is incredibly high, and Steve is entirely right to draw attention to this.