

Is the global economy tottering on the brink?

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I recently sat down with [Steve Keen](#) to explore a deeply uncomfortable truth: the global economic system is far more fragile than mainstream economics admits.

In the resulting conversation, we explained why supply chains are not resilient, why energy underpins everything, and why even small disruptions can trigger systemic collapse, which we think might be coming our way, soon.

This is not a temporary shock. It is a structural failure, and the policies we rely on may be making things worse.

As a result, the question we addressed was, "What can we do now?"

<https://www.youtube.com/watch?v=KQYbNk2BmsI?si=c9yHtm2qpCyxAv93>

This is the audio version:

https://www.podbean.com/player-v2/?i=vvue7-1a96311-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

There is no transcript for this podcast; it would be too long. The following is, instead, a summary of what we discussed:

I recently recorded a podcast with Steve Keen, and the core message we explored is

both simple and deeply unsettling: the global economic system is far more fragile than most economists are willing to admit, and the assumptions that underpin mainstream thinking are not just wrong, but are now dangerous.

We began from what might sound like a technical issue, but which is anything but: the importance of double-entry bookkeeping in understanding the economy. Steve and I share the view that if you do not think in terms of balance sheets, flows, and the consequences of every transaction, you cannot properly understand economic reality. Economics, at its core, should respect the principle that every action has a consequence. That idea has been lost in much of modern theory.

From there, the discussion moved quickly to the current global crisis, particularly the disruption in the Strait of Hormuz. What Steve emphasised, and I strongly agree with, is that what we are witnessing is not a single catastrophic event, but something more insidious: a “death by a thousand cuts”. Each disruption, whether to oil, gas, fertiliser, helium and more, might seem manageable in isolation. But taken together, they create systemic breakdown.

This is where the critique of conventional economics becomes crucial. The dominant model assumes perfect competition, infinite substitutability, and resilience within markets. Remove one supplier, and it is assumed that others step in. That is the theory. But the real world does not work like that. Supply chains are complex, interdependent, and often highly time-sensitive. If fertiliser does not arrive at the right moment in the planting cycle, it is useless. If helium supplies are disrupted, semiconductor production falters. And if energy supply is constrained, everything else follows.

What is most striking is that these interdependencies were once better understood. As Steve pointed out, earlier economic modelling using input-output analysis at least attempted to map how sectors depended on one another. Today’s dominant models, obsessed with equilibrium, have largely abandoned that realism. The result is a profession that has, in many ways, become less capable of understanding the real economy over time.

I added to this by pointing out how these same flawed assumptions have infected not just economic policy but military planning. The United States, for example, appears to have run its war capacity on a just-in-time basis, with minimal redundancy or resilience. That might work in a world of stable supply chains, but it is wholly unsuited to conflict, where disruption is inevitable. The idea that capacity can simply be switched back on when needed has proven false. Production capability has been lost, skills have disappeared, and stockpiles have been depleted.

The deeper issue, which we returned to repeatedly, is that time matters. Markets do not adjust instantly. Infrastructure takes years to build. Lost capacity cannot be replaced overnight. Yet much of modern economics behaves as if time does not exist, or as if it

has no meaningful consequences.

Steve then introduced what I think is one of the most important insights of the conversation: the relationship between energy and economic output. Drawing on both empirical data and thermodynamic reasoning, he argued that global GDP and energy consumption are tightly linked. The correlation is extraordinarily strong. In simple terms, economic output is fundamentally about transforming energy into useful work.

This has profound implications. It means that a reduction in energy supply, even by a relatively modest percentage, is likely to produce a comparable reduction in economic output. That is not a marginal adjustment; it is a systemic shock. And it is one that cannot be wished away by market mechanisms.

From this follows an unavoidable conclusion: we are heading into a major global economic disruption. The question is not whether this will happen, but how we respond.

At present, the default response is to rely on the price mechanism. But that simply means rationing by income. The rich continue to consume; the poor go without. In a crisis of this magnitude, that is not just unjust, it is socially and politically destabilising. As Steve put it, you cannot allow a situation where people are starving on the streets while others carry on as normal. That is a recipe for societal breakdown.

The alternative, which we both endorsed, is deliberate intervention: rationing, planning, and redistribution. This is not a radical idea. It is precisely what was done in the UK during the Second World War. Keynes himself recognised that if resources are constrained, consumption must be managed to ensure fairness and survival. Taxation, in that context, is not about raising revenue, but about reducing excess consumption and preventing the accumulation of power and privilege during a crisis.

What makes this particularly challenging today is the ideological environment. Neoliberalism has conditioned policymakers to reject precisely the kinds of interventions that are now required. The belief that markets will solve all problems is deeply embedded, even when the evidence clearly shows otherwise.

We also discussed the failure of institutions. The global bodies that might once have coordinated a response, including the United Nations, the World Trade Organisation, the IMF and the World Bank, are all either weakened or discredited. At the same time, the number of actors in the global system has increased, making coordination more complex. The result is a world that is less capable of managing systemic crises than it was in the past.

Despite all this, there are still possibilities. As I pointed out, there is enough food in the world to feed everyone. The problem is distribution and waste. Around 30% of food is lost or discarded. With proper planning, redistribution, and intervention, it would be possible to mitigate the worst effects of supply disruption. But that requires a

willingness to challenge market outcomes and to prioritise human need over profit.

Steve added another critical dimension: the need for self-sufficiency, particularly in energy. The idea of comparative advantage assumes stable and reliable trade. That assumption is now in question. Renewable energy, by contrast, offers a degree of resilience that fossil fuels do not. Sun and wind cannot be blockaded in the same way as oil shipments.

The conversation concluded on a sombre but honest note. We are not dealing with a temporary disruption that will quickly resolve itself. We are confronting a systemic crisis rooted in flawed economic thinking, fragile supply chains, and environmental limits, as well as war. The danger is not just the crisis itself, but the possibility that ideological commitment to a failed paradigm will prevent us from responding effectively.

If there is one message I would emphasise, it is this: the system that got us into this situation cannot get us out of it. We need a different approach; one that recognises constraints, values resilience, and prioritises survival and wellbeing over abstract notions of market efficiency.

That is the reality we now face.