Funding the Future

The global system has failed

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What is next for the world? I think we may already know the answer — and it is deeply troubling.
In this video, I argue that the conflict driven by Donald Trump and Benjamin Netanyahu is pushing the global economy towards a crisis on the scale of World War II. Not in terms of deaths, but in terms of systemic economic breakdown.

This is not a short-term shock. It is a structural rupture.

The warnings are already being issued. The International Monetary Fund, alongside firms such as Deloitte and EY, are signalling rising recession risk, including in the UK. But the impact will be global.

Supply chains are being disrupted across energy, raw materials and manufacturing. These are not marginal effects. They go to the core of how the modern economy works. Even if the conflict ended tomorrow, the consequences would last for years.

That means hardship. It means poverty. It may mean famine in the most exposed regions, and a refugee crisis on a scale we have not recently seen. In the UK and elsewhere, recession is increasingly likely, and if mishandled, it could become depression.

So what is required?

First, honesty about scarcity. Rationing may be necessary to ensure fair access to essential goods.

Second, protection. Stronger social security will be needed to support those most exposed to the shock.

Third, redistribution. Progressive taxation will be required to sustain that support.

And beyond that, something bigger: reform. The institutions created after World War II — from the World Bank to the World Trade Organisation and NATO — were built for a different world. They are failing now.

The deeper issue is this: neoliberalism built a fragile, carbon-dependent global system. That system is now breaking.

If it has failed, what replaces it?

https://www.youtube.com/watch?v=Qy2LhaJoJ6s?si=tRWGG95DwbPBm7-q

This is the audio version:

https://www.podbean.com/player-v2/?i=24p3t-1aa2fa1-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:

What is next for the world? It’s a question I keep asking myself. It’s a question I keep discussing with others.

Trump and Netanyahu’s war is heading us towards a crisis on the scale of World War II. That’s my point in this video. It’s that I wish to discuss and the consequences that are unfolding from it. Those consequences are going to last for years.

The IMF and many others are now saying so. I note that the international firms of accountants, Deloitte and EY, both have reports saying that the UK is heading for recession as a consequence of this war, and on an international scale, the impact is going to be much bigger still, and there is, and let’s be clear about this, no immediate end to this conflict in sight at present.

We know that there are supposedly going to be new talks starting, but the ceasefire that has been put in place is nearly over, and there is no agreement about what the next talks are going to be about, or even on whether Iran will turn up because of US attacks on its shipping.

In that case, the whole point is that we don’t know what is going to happen. Donald Trump is proving to be too unreliable to be dealt with by Iran, and we aren’t dealing with a short-term shock as a result. We are looking at a structural rupture. The response required is correspondingly large and urgent.

After World War II, the world did not patch up its broken systems; it rebuilt them. My argument is that we are now in a similar situation as a result of this conflict. The scale of the disruption that this war is creating, although not the number of deaths so far, is equivalent to the impact of World War II, because what we are seeing is a system that has broken down in its entirety.

But let’s start with some details. The tyrants who caused the conflict were punished after World War II. We must now get our heads around the fact that we will need to do the same. Trump and Netanyahu will need to be tried for their war crimes because they have committed war crimes. Let’s not pretend otherwise.

But then new institutions, new economic frameworks and new systems of international cooperation are going to be required to be built to deal with the consequences of this war, and the fact that at this moment the systems that we’ve had in operation have failed us. We do need to take action to deal with the failings as a result, and that process of planning those actions began during World War II, so we should be planning the required actions to deal with the consequences of this war now.

The fact is that this conflict is already disrupting global supplies of gas, oil, and raw materials. Manufacturing processes that are dependent on key components are already being impacted, and these are not marginal disruptions. They strike at the very core of the whole modern economy. The damage is being compounded month by month. We are not recovering; things are getting worse, and even if the conflict ended today, the impact would last for years.

Hardship and poverty are the most immediate consequences for ordinary people. Potential famine threatens many in the most exposed regions, and quite rightly, the IMF and others are already now saying that these areas will be amongst the poorest nations on earth, and there will, as a consequence, be a major refugee crisis.

Back home and nearer to the UK, business failures and personal bankruptcy will follow sustained disruption of this sort, and recession is a near-certain outcome if current trends continue. That recession, if this war’s impacts are not managed in the way I am suggesting, could indeed turn into depression; something we haven’t seen since the 1930s.

Collapsing government revenues and the potentially desperate consequences of governments trying to cut their spending to match those falling inflows will also undermine our capacity to respond to this crisis unless we react appropriately.

What are the appropriate reactions that are required? Well, one is rationing. Rationing is not a relic of wartime. It’s a rational response to real scarcity, and it is real scarcity that we are going to suffer now. When supplies are genuinely constrained, which is what we’re going to see, markets distribute them inequitably. That is the problem that we are facing. Without rationing, the wealthy will buy up scarce goods, and the poor will go without. Rationing ensures that essential resources are shared fairly across the population. We need to plan that now, and the government needs to say it is planning that rationing now, and the government needs to send out the signal that it is doing so as an indication that it is taking this crisis seriously.

At the same time, we will need enhanced social security payments to protect those who are most vulnerable in our society from the impact of this crisis. They will always suffer the most, and in that case, they will need more support. The argument that this is impossible is nonsense. The alternative is deep poverty. Therefore, we must be planning more transfer payments within our economy, and that means that they must come from somewhere else. That is the definition of a transfer payment. The cost must fall on those who have the capacity to transfer their excess income to those who are in need. The result is we need more progressive taxation at this moment, and it’s not optional.

I’ve explained in my Taxing Wealth Report, to which there will be a link down below, that we have the capacity in the UK to significantly increase the taxes paid by those with wealth and higher incomes, and right now, we must be imagining the need for them to contribute more when we face a crisis of this scale. This is not redistribution as ideology. It is economic stabilisation as necessity, and I make that point very deliberately. Let’s stop all the silly talk about class war when we come to this issue. We’re talking about survival here, and we’re talking about ensuring that people still have the capacity to live. There’s nothing else to this.

At the same time, we have to think on a bigger scale. We have to recognise that our major international institutions have failed during this crisis. They were designed for a different world. They were designed after World War II to deal with the problems that it showed existed in the world’s economic and political structure as it existed at that time, and in 1939. Well, now we know they are not working at present. The fact is, the structural and ideological foundations on which they were established no longer apply in a world where there are many more countries, and where superpowers are not those who necessarily need to make all the decisions, particularly when some of the countries defined as superpowers include the UK, and we aren’t a superpower anymore.

Reform, then must be major and not incremental. Patching failed institutions is not enough now. The new institutions that we need must have resilience built into them as a core design principle. The International Monetary Fund, the World Bank, the General Agreement on Tariffs and Trade, or GATT for short, the World Trade Organisation and the World Health Organisation and as far as we are concerned, NATO, all need to adapt to a new world order, and they might all need to be replaced as a consequence and be relocated. The fact that too many of these are based in the USA is in itself a problem when we have Donald Trump there.

The fact is, to achieve these goals, we must make resilience a core element of defence policy. Resilience is not just an economic concept. It is a national security requirement, and that is what this crisis has shown us. A state that cannot supply its own people in a crisis is always strategically vulnerable. Defence policy has to date focused on military capability while ignoring supply chain fragility. What this war has shown is that economics, and the failure of economic systems are what war is all about. Building resilience means investing in domestic production, storage, and quite crucially, redundancy; something which is completely contrary to the neoliberal spirit, but which nonetheless is essential at this moment if we are to build the infrastructure we need for future survival, including in the face of climate change.

Neoliberalism has built the fragility that we are now suffering: let's be clear about that. It promoted long, complex carbon-dependent global supply chains. These things were optimised for efficiency and profit, supposedly. They were not optimised for resilience or sustainability, and they have now failed. We've become acutely aware of the vulnerabilities to which they have now exposed us. This vulnerability is not an accident of neoliberal design. It is the logical consequence of decades of neoliberal thinking and policy choice. Those choices must now be named, challenged and reversed. Only then can we build supply chains that are not deeply dependent on fossil fuels and are themselves sustainable, which is not the case at present, where many are deeply contrary to the requirements of climate change.

A tortured carbon-intensive global economy was always going to be environmentally unsustainable, and this crisis has just shown how deep that failure is. This is not a clean emergency. Any reconstruction that we now have must reject these old models, and climate sustainability must be embedded in the new economic model from the start.

Our current thinking has demonstrably failed is the point that I am making. It failed to anticipate this crisis. It's failed to manage this crisis. We do need a change to economic thinking as a consequence. There is no point pretending that we can repair what we had. What we have had has failed.

We must talk about the new assumptions that we need. We've been discussing them on this channel. We will be doing so again. We must build resilience, equity, sustainability, and democratic accountability into our economics from now on, and this is not utopian. It is what the scale of this crisis now demands if we are quite literally to survive.

This crisis does then demand that response that I talked about at the beginning of this video. It does require that we respond to a challenge as great as the one that arose after World War II.

We need, in the short term, to get our heads around the ideas of rationing, more progressive taxation, and enhanced social security to ensure that people survive what is coming our way.

Internationally, we are going to need to manage more aid, and we are going to need to manage refugee crises, potentially on a scale we haven't previously imagined.

But after that, we are going to need to think about major institutional reform and new economic models, because they are our imperatives. The old neoliberal model of fragile carbon-dependent supply chains has to be abandoned. We’ve been here before, and we know what acting at sufficient scale can achieve. That is what we now need to do.

That’s what I think. What do you think? There’s a poll down below. Let us have your comments. Share this video if you like it, that is. Let us know that you like it by ticking the box down below. Subscribe to our channel, and if you’re so inclined and would like to make a donation to support this work, we’d be very grateful.

Poll

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