

## Why are the rich still partying?

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Oil prices are under threat. Food supplies are becoming more fragile. Critical raw materials are under strain. The risk of a major economic shock is growing by the day.

Yet stock markets remain close to record highs.

Why?

In this video, I explore the strange disconnect between financial markets and economic reality. The FTSE 100 and S&P 500 continue to rise despite mounting geopolitical risks, growing pressure on energy supplies, concerns about fertiliser production, and warnings that supply chains could be seriously disrupted.

I suggest there are three reasons why this is happening.

First, pension funds and life assurance companies continue to pour money into stock markets because that is what they have been trained to do. Institutional habits create a constant flow of money into shares, regardless of whether those shares are realistically valued. There will be a heavy price to pay for this.

Second, markets are behaving irrationally. We have seen this before. The dotcom bubble and the financial crisis of 2008 both followed periods when investors convinced themselves that prices could only ever rise. Today, AI speculation appears to be creating a similar mood of market exuberance.

Third, the ultra-wealthy live in a world detached from everyday experience. Rising food prices, energy bills and housing costs do not affect them in the same way that they affect most people. As long as asset prices keep rising, they have little reason to question what is happening.

I also discuss the growing risks hidden within the shadow banking system, the lessons we should have learned from 2008, and why governments should already be preparing for the possibility of another financial crisis.

Most importantly, I ask what should happen if another bailout becomes necessary. Should taxpayers once again rescue private institutions with nothing in return? Or should public support come with public ownership?

The wealthy may still be celebrating, but every financial party eventually ends. The real question is who controls what happens when it does.

<https://www.youtube.com/watch?v=9IPunYyjnN8?si=7VSB108mD2G9nY8>

This is the audio version:

[https://www.podbean.com/player-v2/?i=vwjfr-1acf762-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=vwjfr-1acf762-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

The Debate Ammunition for this video is available here.

This is the transcript:

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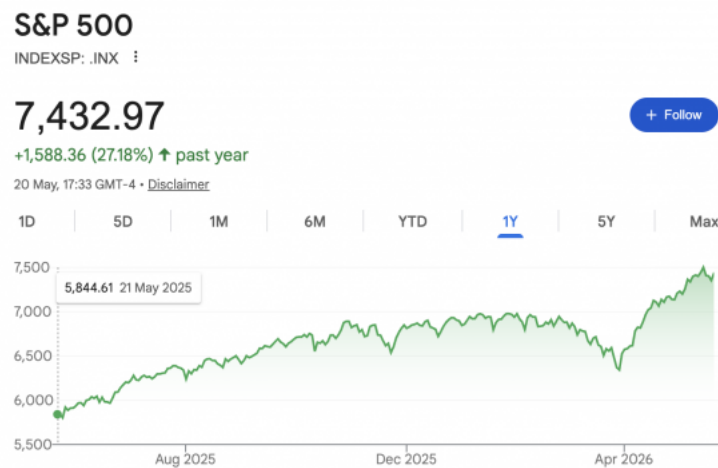
The wealthy are still partying while the world heads for economic crisis, and that is worrying me.

Oil, gas, fertiliser, and food shortages are all pointing towards an economic meltdown, and critical raw material supplies are under severe strain, yet stock markets are still close to their record highs. The rich seem unconcerned. So what do they know that we don't? That is what this video is all about.

Stock markets are telling us a striking story that deserves closer examination. The FTSE 100 is up by almost 20% over the last year.



That is an extraordinary gain until you compare it with the S&P 500 in the USA, which has risen by around 25% over the same period, and since most of the shares on those indices are not AI companies, there is no rational explanation for these increases.



Something else is driving what is happening, and that's something is not good news.

The war on Iran is already transmitting into the real economy. Oil and gas supplies are under direct threat from the conflict. Fertiliser production depends on energy as well as raw material supplies, so food supply is also at risk. And critical raw material supply chains run through or near the affected region, and that is going to have a consequence for many listed companies. Their future profitability must be impaired at this moment, and their customer's lives and their ability to pay their debts are increasingly fragile. Markets are pricing in none of this, and that is what makes them dangerous at this moment.

Distinct reasons why the wealthy are still partying though.

The first is institutional habit; pension funds and life assurers are still, as a result of their inbuilt habits, buying shares.

The second is irrational market exuberance, as seen before every major crash, and I've seen a few in my lifetime.

And the third is that the ultra-wealthy are simply detached from everyday reality.

Each of these reasons operates independently, but together they fuel the bubble we are seeing, and all three have serious consequences for the rest of us.

So let's look at these. Institutional habit is the first of these main drivers of this stock market bubble. Pension fund and life assurance company managers are trained to put their money into stock markets. These managers are taught that the stock market is where value is created. They have no imagination to do anything else. That means that

every month, a wall of money flows in from contributions into these funds and goes straight out again into the purchase of shares, and since there's a fairly fixed supply of shares, the demand from these pension funds and life assurance companies means that the price of shares goes inexorably upwards, until it doesn't, that is.

These managers have no idea how to otherwise deploy savings for the broader social benefit. They are simply not trained to think that way. And we all pay a price for this when institutional blindness does eventually meet reality, as it will in a crash, and we are going to see a collapse in pension values very soon, and that's going to hurt a lot of real people.

Secondly, markets are deeply irrational, and history tells us so repeatedly. The Dotcom Bubble of 1999 and the mortgage securities fever of 2007 both ended in crashes. We are now seeing the same pattern of trading again, with AI hysteria driving valuations. Even the Bank of England has warned about the dangers of this kind of exuberance. AI may eventually transform our economy, although there must be serious doubts about that because of the demands it will make upon electricity, water, and other raw material supplies, which remain unresolved at present because they are all going to create shortages elsewhere. But anyway, AI has not transformed our economy as yet, and because we don't know it will, the exuberance we are seeing now is fairly described as 'deeply irrational', but it's happening nonetheless.

And thirdly, and this is perhaps the most important point I have to make, the ultra-wealthy are detached from reality in a way that compounds all of these problems, and they are major owners of shares. Let's be clear, that is true. They don't invest indirectly through things like pension funds and life insurance funds. They invest through what are called their private offices and through hedge fund managers and the like. But the point is, for them, the cost of food, fuel and heating is simply irrelevant. They do not even experience the cost of living in the way that we do. Other people manage all of that for them. They don't go down to Sainsbury's, Tesco's, Lidl or whoever else it might be that they buy their groceries from. They get people to do it. And as a result, they do not know what is happening in the real world.

In a very real sense, they are entirely detached from it. And as long as share prices keep rising, their world feels secure and unchanged. And so they're carrying on partying. That is my fundamental point. They believe their wealth is large enough that no crash will harm them, and in truth, for some of them, that assessment may be correct.

And in all of this, the shadow banking system, much beloved by the wealthy, is where the hidden risk in this boom is concentrated. It is estimated that at least \$2 trillion is invested through this market. Some of that lending is being used to fund share purchases, and there is borrowing for speculation going on. If the value of the shares that are being bought falls sharply, much of this lending will not be repaid. This is a matter of fact. The bad debt that will then arise will transmit from the shadow banking

system into the mainstream banking system, and the mechanism for that is clear, and we have seen exactly where this leads.

2008 tells us exactly what happens when a financial bubble meets bad debt. The crash came, the banks failed, and the government stepped in to bail them out. The cost of that bailout was then passed to the public through austerity. Wages stagnated, public services were cut, and ordinary people paid the price. The wealthy know the state will underpin them. The rest of us have no such guarantee. This is not a fair system, and it is heading for another test.

There is little that most of us can do about this, but some people will have a few choices available to them. If you do have control over your own pension savings, consider moving them to lower-risk holdings. Prioritise preserving value over chasing returns in the period ahead because that is going to be important, and if you have some savings of your own in your own hands, head for cash. Make sure you can pay your bills and pay down debts if you can. But I know that this will mean nothing to many people. They have few savings. They do not have the ability to control whatever pension fund they have, and I do get that, which is why in other videos I've talked about what I think the government will need to do for people in that situation.

But, this time, the government needs to plan for when the crash comes. That is the point I'm making continually at present. This time, when banks and institutions are bailed out, they should pass into public ownership. The lifeboats should not just rescue the wealthy. They should claim what is rightfully ours.

So why are the wealthy then still partying? That's because the financial system is not designed to serve the interests of most people. Let's be clear about it. But it is designed for the benefit of the wealthy. It channels savings into speculation rather than to productive social investment. It does not create jobs. It does not preserve the environment. It does not do anything for most of us. It protects the wealthy when things go wrong and leaves others to bear the cost.

The question is not whether another crash is coming. It is whether we are ready for it. This time, we must use the crisis that is inevitably heading our way to demand a system that works for everyone.

This party will end. What matters is who controls the morning after. And this time it should be us.

That's what I think. What do you think? There's a poll down below. Please let us have your comments. Please share this video if you like it, and please do like it if you like it. And if you want to support our work, please do buy us a coffee. There's a link to do that down below.

## Poll

[poll id="409"]