

Debate Ammunition: The Seven Stages to Economic Meltdown

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THE RICHARD J MURPHY YOUTUBE CHANNEL

DEBATE AMMUNITION

THE SEVEN STAGES TO ECONOMIC MELTDOWN

Funding the Future | June 2026

TODAY'S TOPIC

The Seven Stages to Economic Meltdown.

The video that this Debate Ammunition [supports is available here.](#)

THE CORE ARGUMENT

The closure of the Strait of Hormuz and the simultaneous threat to the Red Sea route are triggering a seven-stage sequence of economic crisis that will unfold across the rest of 2026, and the first three stages are already underway. This is not a financial crisis or a pandemic: it is a crisis of physical scarcity, and the standard tools of monetary policy are entirely the wrong response to it.

Unless governments intervene directly, on a scale comparable to the COVID support programmes, the sequence will reach banking crisis conditions before the end of the year. The window in which action could prevent the worst outcomes is closing with each passing week, and no credible plan is yet in place.

KEY STATISTICS

Statistic Figure

Current oil price level, reflecting anticipatory fear pricing Over \$100 per barrel

Actual physical supply of oil, gas, and fuel as a proportion of normal levels
Approximately 80%

Scale of the private credit or secondary banking system whose potential failure could compound a banking crisis \$2.5 trillion

Anticipated date of real fuel shortages hitting consumers if current supply trajectory continues Mid-June 2026

THE ARGUMENT STRUCTURE

Step 1 — Markets Have Already Priced the Fear, but Not Yet the Reality.

Commodity markets have responded to the closure of the Strait of Hormuz and the threat to the Red Sea route by pushing up oil, gas, fertiliser, and raw material prices. These rises reflect anticipatory fear, not actual shortages, which means the worst of the price impact has not yet arrived.

Step 2 — Raw Material Price Increases Are Already Flowing Through to Consumers.

The pump price of petrol and early food price increases are the visible leading edge of this transmission. Supply chain lags mean that the worst of the consumer impact is still ahead: prices will rise considerably further before the pressure peaks.

Step 3 — Central Banks Will Reach for the Wrong Tool and Make Things Worse.

The Bank of England and other central banks have already signalled that they may raise interest rates in response to rising inflation. This is the wrong diagnosis. The economy is not overheating from excess demand; it is contracting because households are being forced to spend more on essentials and less on everything else. Raising the cost of money in these conditions will suppress the very demand that is keeping non-essential businesses alive, accelerating the economic damage rather than containing it.

Step 4 — Physical Scarcity, Supply Chain Fracture, Business Failure, and Then Banking Crisis.

By mid-June, real fuel shortages are expected to become concrete, forcing either price rationing or physical rationing of petrol, diesel, jet fuel, and gas.

From there, supply chains fracture: food is the most immediate casualty, followed by manufactured goods.

Businesses without financial reserves cannot survive sustained supply disruption, and failures will mount from early autumn.

The resulting wave of business failures and job losses will leave mortgage and loan customers unable to service their debts, placing the banking system itself under stress.

Richard Murphy compares the scale of this risk explicitly to 2008, noting that the \$2.5 trillion private credit sector could compound the damage further.

THEIR ARGUMENT → YOUR REBUTTAL

They Say Your Response

“The crisis will be short-lived. Markets are overreacting and prices will normalise once tensions ease.” Markets are pricing fear, not physical reality. Once actual shortages hit fuel stocks in mid-June, price signals become irrelevant: there will simply be less product available. The political deadlock between Iran, the US, and Israel has no credible resolution mechanism in place, and the damage to supply chains will outlast any eventual ceasefire by months.

“The Bank of England must raise rates to control inflation. That is what independent central banks are for.” Interest rates cannot drill for oil, reopen a shipping strait, or grow a crop. This inflation is caused by a shortage of physical goods, not by excess money chasing too few products. The Bank made exactly this mistake after Putin’s invasion of Ukraine in 2022: rates rose, the supply shock persisted regardless, and ordinary people paid the price twice over, once through prices and once through their mortgage costs.

“The government cannot afford another COVID-style support programme. We do not have the fiscal headroom.” The question is not whether the government can afford to act but whether it can afford not to. During COVID, emergency business support prevented mass unemployment and kept the tax base intact. The alternative here is large-scale business failure, mass unemployment, and a banking crisis, all of which will cost the public finances far more than a planned intervention. “Fiscal headroom” is an accounting convention, not a physical constraint on a government that issues its own currency.

“This is geopolitical uncertainty, not structural crisis. Investors and businesses should price in the risk and adapt.” A business that cannot obtain diesel to run its vehicles, or fertiliser to grow its crops, cannot “adapt” through pricing adjustments. Physical scarcity is categorically different from financial volatility. When a single missing component halts an entire production line, the solution is not a hedging strategy: it is government coordination of supply, as every wartime economy in history has understood perfectly well.

THE ONE-LINER

“You cannot raise interest rates to produce more oil, and you cannot lecture a closed strait into reopening: this is a crisis of physical scarcity, and the only institution with the power and scale to manage it is the government.”

FURTHER READING

Title Source / Date Relevance

[**The seven steps to economic meltdown**](#) taxresearch.org.uk, May 2026 **The original analysis behind this video, setting out the full seven-stage sequence in detail.**

[**The seven stages of meltdown, coming our way**](#) taxresearch.org.uk, May 2026 **Companion post tracking real-world developments against the seven-stage framework, including early market and supply chain responses.**

[**Are we ready for the crash coming our way?**](#) taxresearch.org.uk, May 2026 **Examines why the standard tools of monetary policy are the wrong response to a physical supply crisis and why rationing and direct government intervention may become unavoidable.**

[**Could the Bank of England bring the economy down?**](#) taxresearch.org.uk, May 2026 **Detailed argument for why raising interest rates in response to supply-side inflation caused by war is not merely ineffective but actively harmful.**

[**Central banks failed on inflation**](#) taxresearch.org.uk, May 2026 **Reviews the record of central bank rate decisions since 2021 and argues that high interest rates are now themselves feeding inflationary pressure rather than**

containing it.

[The risk from interest rate increases](#) taxresearch.org.uk, April 2026 Reports on Bank of England and Bank of Japan deliberations on rates during the energy crunch and sets out the risks of moving in the wrong direction.

[Why are we facing a food crisis?](#) taxresearch.org.uk, May 2026 Explains how the Hormuz closure is choking off fertiliser supply chains (urea and ammonia), creating a food production risk that compounds the direct supply shortage.

[The economic consequences of Trump's war](#) taxresearch.org.uk, June 2025 The foundational post explaining how the Hormuz closure works and why approximately 20% of the world's oil and liquid gas flows through that single chokepoint.

[The world's politicians have their heads in the sand as the collapse begins](#) taxresearch.org.uk, May 2026 Documents the spreading real-world impact of the crisis, including India bracing for economic shock, and challenges the political failure to respond.

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