Debate Ammunition: Are We Still on for a Crash?

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The Richard J Murphy YouTube Channel

DEBATE AMMUNITION

Are We Still on for a Crash?

The Real Risk Is in US Equity Markets

Funding the Future | July 2026

TOPIC

Are We Still on for a Crash? The Real Risk Is in US Equity Markets

The video that this Debate Ammunition supports **is available here.**

THE CORE ARGUMENT

The systemic risk in the global economy does not lie in government debt: it lies in the $22 trillion of US equities now held by non-US investors, a position built on AI-driven speculation that is already showing signs of cracking.

A crash of 2008 proportions in US stock markets would inflict approximately $35 trillion of losses on the rest of the world, hitting UK pension funds, life insurance companies, and household savings directly and immediately.

The UK government, which can always repay its sterling-denominated debt, is watching the wrong risk; the real threat will arrive through private financial markets, not public borrowing.

KEY STATISTICS

Statistic	Figure	Source (in video)
Non-US investor holdings in US equity markets	$22 trillion	Richard Murphy / Financial Times (cited in video)
Share of non-US portfolios allocated to US shares (up from approx. 25% a decade ago)	38%	Richard Murphy / Financial Times (cited in video)
Profits made by non-US investors in US shares since 2015	Approx. $13 trillion	Financial Times (cited in video)
Estimated non-US share of losses in a 2008-scale US market crash	$35 trillion of a $50 trillion total	Richard Murphy (in video)

THE ARGUMENT STRUCTURE

Step 1 — The media is watching the wrong risk

Commentators and politicians are obsessing about government debt and gilt yields, treating UK public borrowing as the imminent danger. In fact, a currency-issuing government that borrows in its own currency cannot be forced to default; the UK can always create the pounds required to repay its debts.

Step 2 — The real fault line is non-US ownership of US equities

Non-US investors now hold $22 trillion of US shares, a figure that has tripled since 2015 and is still growing.

65 per cent of all new shares issued globally are in the USA, and countries outside the US and China hold 38 per cent of their portfolios there, up from roughly 25 per cent a decade ago.

The SpaceX IPO, which attracted buyers from the UK, South Korea, Japan, Australia, and the Gulf, and which has already lost significant value, illustrates how speculative and globally distributed this exposure has become.

Step 3 — The AI bubble is the transmission mechanism

The AI boom has driven this concentration, pushing US equity issuance above $600 billion this year alone. Yet even companies such as Meta are now telling their own staff to reduce AI use because the cost of the tokens that run it is eroding profitability. Once the introductory pricing disappears and businesses have to pay the true cost of AI, the earnings projections that justify current valuations will unravel, and a rout becomes plausible.

Step 4 — America is now weaponising its technology, breaking the logic of financial globalisation

The US is restricting access to new AI versions until its government approves them and may limit the market for satellites and other products to serve its own defence interests. Owning shares in an American company no longer guarantees access to what that company produces.

This fracture, combined with retaliatory capital repatriation already under way in Japan, Germany, and Canada, means the assumed neutrality of cross-border investment has collapsed, and the risk embedded in non-US holdings of US assets is far greater than markets have yet priced.

THEIR ARGUMENT → YOUR REBUTTAL

They Say Your Response

The UK government bond market is the real vulnerability; gilt yields rising proves investors have lost confidence in UK public debt. This misreads monetary sovereignty. The UK government borrows in its own currency. The body with the legal right to create pounds is the very government that owes the money. UK public debt carries no default risk. The crisis, if it comes, will arrive through private financial markets, not public borrowing.

Markets are efficient; if there were a real crash risk, prices would already reflect it. The system is self-correcting. The same argument was made in 2007. Efficient market theory does not survive contact with reality. The scale of non-US money piled into US equities, driven by momentum and AI hype rather than fundamentals, is precisely the kind of structural distortion that markets price in only after the crash.

Pension funds are professionally managed and diversified; they can absorb volatility without threatening retirement incomes. Diversification is not the same as safety when 38 per cent of international share portfolios are in a single market. A 2008-scale correction in US equities would remove approximately $35 trillion of value from the rest of the world. UK pension funds and life insurance companies are directly in the line of fire.

The AI boom reflects genuine productivity gains; current valuations are justified by the long-term earnings potential of the sector. Meta, one of the world's largest technology companies, is already telling its own staff to stop using AI because the cost of the tokens that run it is making the business less profitable, not more. When the companies building and deploying AI cannot justify the cost to themselves, the earnings projections underpinning current share prices collapse.

THE ONE-LINER

“The UK government can always repay its debts; the same cannot be said for pension funds facing a $35 trillion wipeout from a US equity crash that every serious commentator now says is coming.”

FURTHER READING

Post Title	**Date**	**Relevance**
There is a stock market crash coming	31 Jul 2025	Sets out the case, with reader commentary, that US equity markets are structurally overvalued and a crash is inevitable, drawing comparisons with historical bubble episodes.
Is AI mania going to mean history repeating itself?	20 Aug 2025	Compares the current AI stock bubble directly with the dot-com crash of 2000, noting that the Financial Times and New York Times were by then reaching the same conclusion.
The Bank of England is warning a financial crash is coming	6 Dec 2025	Analyses the Bank of England's Financial Stability Report. Notes that AI company share prices in the US are near dot-com-era valuations, with UK shares at their highest since 2008.
Is 2026 going to be brutal for financial markets?	22 Jan 2026	Argues that political shock is now the tipping point for an equity sell-off, with AI investment exposed as the most speculative asset class; UK pension funds and banks face direct contagion.
Fix your finances now	30 Apr 2026	Practical companion piece that advises pension holders to review their exposure to US equities and, where possible, shift to defensive allocations ahead of a potential correction.

ABOUT RICHARD MURPHY

Richard Murphy is a political economist, emeritus professor of accounting practice at Sheffield University Management School, a former professor of international political economy and, for 42 years, a practising chartered accountant. As a tax justice campaigner, he created country-by-country reporting which is now legally required for multinational corporations' tax reporting in more than 70 countries around the world to tackle tax haven abuse. He is one of the UK's most widely read heterodox economics bloggers. He is the author of the Funding the Future blog and runs the Richard J Murphy YouTube channel, which has more than 380,000 subscribers. He co-founded both the Tax Justice Network and the Green New Deal.

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