Debate Ammunition: Will Stock Markets Crash?

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THE RICHARD J MURPHY YOUTUBE CHANNEL

DEBATE AMMUNITION

Will Stock Markets Crash?

The Risk Andy Burnham Must Face

Funding the Future | July 2026

Topic

Why stock markets in the UK and USA are heading for a crash, and why Andy Burnham's government must prepare for it now.

The video that this Debate Ammunition supports is available here.

The Core Argument

Three converging forces - growing public alienation from politics and media, the unravelling of the AI boom, and extreme share valuations - are creating the conditions for a major stock market crash.

The Shiller CAPE ratio now stands at 42, just below the dot-com peak of 44 and more than two and a half times the long-term average of 16. Every previous peak at these levels has ended in a crash of up to 50%.

A crash will not be contained within financial markets: shadow banking exposure to inflated share prices means contagion will spread to mainstream banks, making this the defining economic and political crisis of Andy Burnham's premiership, and the government is not prepared.

Key Statistics

Statistic	Figure
Current US Shiller CAPE ratio	~42
Long-term average CAPE ratio	~16
CAPE ratio at dot-com peak (2000)	44
Share of US stock market held by 7 AI companies	~40%
Potential fall in share values based on historical precedent	Up to 50%

The Argument Structure

Step 1 — Confidence is collapsing:

Public alienation from politics, media and public life is accelerating. People are switching off news, abandoning social media and withdrawing from civic engagement. Markets depend on confident, informed participants and both conditions are disappearing simultaneously in the same people. The result is a reduced willingness to spend, which drags down the real economy.

Step 2 — The AI boom is unravelling:

Seven AI companies account for roughly 40% of US stock market valuations, but AI is not delivering on its commercial promises. Adoption is far slower than forecast, bugs are widespread in AI-generated software, customer backlash against AI-powered services is growing, and companies including Facebook are telling staff to use AI less because it is too expensive. The dot-com parallel is precise: implementation always takes far longer than investors expect.

Step 3 — Share valuations are at historic extremes:

The Shiller CAPE ratio of 42 means investors are buying US shares at more than 42 times average real earnings, or two and a half times the long-term norm. This level has only been exceeded once in recorded history, at the dot-com peak of 44 in 2000. Both previous peaks at comparable levels - in1929 and 2000 - ended in crashes of up to 50% of market value. Markets always say this time is different. History says it never is.

Step 4 — A crash will not stay in stock markets:

Banks and the shadow banking sector have lent heavily against inflated share prices. The Bank of England believes trillions of dollars of shadow banking exposure could translate into mainstream banking contagion if markets fall. That means a stock market correction becomes an economy-wide crisis, hitting government revenues, social security and many other costs and fiscal stability, well before the 2029 general election.

Their Argument → Your Rebuttal

They Say

Your Response

This time really is different — AI is a genuine productivity revolution that justifies higher valuations.

The dot-com optimists said exactly the same thing in 1999, and they were not entirely wrong: the internet did transform the economy. But implementation took far longer than anyone forecast, and valuations collapsed by around 80% before reality was priced in.

Ask which specific revenues - not projections, but actual revenues - justify a CAPE ratio of 42. When the numbers are put on the table, the case for 'different this time' tends to evaporate.

Markets are rational. If shares were truly overvalued, informed investors would already be selling.

Markets were 'rational' in 1928, and again in 1999. Rationality does not prevent bubbles; it just means everyone is rational about riding them up and panicking on the way down.

The CAPE ratio is not a prediction of timing; it is a measure of the distance the market must fall to return to historical norms. At 42, that distance is very large.

You have been predicting a crash for years and it still hasn't happened.

That is fair, and I say so openly in the video. But the argument is not about timing, it is about the growing weight of evidence.

The Financial Times is now saying the same thing. The Bank of England is now saying the same thing. The number of independent voices raising this alarm has risen sharply in the past twelve months. At some point, the question stops being 'if' and becomes 'how prepared are we?'

Even if stock markets fall, it won't affect ordinary people or the real economy.

That was also said in 2008. It turned out to be catastrophically wrong.

The Bank of England's own analysis shows that shadow banking exposure to inflated share prices creates systemic risk that can migrate rapidly into mainstream banking. Once it reaches banks, it reaches businesses, mortgages, pensions and government revenues. Stock market crashes do not stay in stock markets.

The One-Liners

“A CAPE ratio of 42 has only been exceeded once in history — at the dot-com peak in 2000. We all remember what happened next.”

“Seven companies account for 40% of a market priced at 42 times earnings. That is not investment; it is a bet on hype.”

“AI is the new dot.com: the internet really did change everything, but not before valuations collapsed by 80%.”

“History has never once allowed CAPE ratios this high to persist. There is no reason to believe history has changed its mind.”

“A crash that starts in financial markets never stays there. It becomes everyone's crisis, including the government's.”

Questions to Ask

The CAPE ratio stood at 42 before this crash and at 44 before the dot-com crash. What specifically is different this time, and can you quantify it?

If AI companies justify 40% of US market valuations, what are the actual revenues, not forecasts, that support those prices today?

The Bank of England is formally warning of systemic risk from shadow banking exposure to inflated asset prices. At what point does the government treat that as a policy emergency rather than a market opinion?

Given that the 1929 and dot-com crashes both followed CAPE ratios at today's levels, what contingency plan does Andy Burnham's government have to protect ordinary depositors and pension holders?

Further Reading

Post	Date	What it covers

[Will markets crash?]

18 Jul 2026

Direct companion piece to this video: walks through the Shiller CAPE ratio argument in full and asks whether the correction is now imminent.

[There is a stock market crash coming]

31 Jul 2025

The original detailed case for why S&P 500 and Nasdaq valuations are unsustainably high on traditional measures.

[There's a £1 trillion crash waiting to happen]

2 Nov 2025

Quantifies the UK exposure and explains the shadow banking contagion mechanism — why a market fall becomes a banking crisis.

[The Bank of England is warning a financial crash is coming]

6 Dec 2025

Shows that crash risk is now a mainstream, officially-endorsed concern — not fringe commentary.

[Is AI mania going to mean history repeating itself?]

20 Aug 2025

Draws the precise parallel between today's AI valuations and the dot.com bubble, and asks whether the outcome will also repeat.

A financial crash is coming

25 Apr 2026

Updated and consolidated case for why a crash is now near-certain, covering the triggers most likely to tip the market over the edge.