

MARKERS OF THE ECONOMIC CRISIS



Markers of the economic crisis

How to recognize the signs of an approaching perfect storm, what are the causes and threats of a perfect storm in the global economy and financial system? How to prepare and how to act?

Economic crises are inevitable, and they are not a sudden phenomenon - it is important to realize this. The next new economic crisis is near; it is objectively planned, as a result of many fundamental mistakes made methodically by most governments, think tanks, the IMF, WEF, and other organizations over the decades. This is a natural phenomenon. But are there clear markers, signals that show us that the world is slipping into an economic crisis? Yes, there are. Let's take a look at the main signs of economic crisis in Ukraine and the world and explain how to recognize them in time to develop your own action plan for the onset of a recession.

Humanity does not learn history well, especially economic history, so it has accumulated a huge number of economic mistakes, miscalculations, and, in fact, intellectually toxic assets. An analysis of the state of the stock and financial markets in general, the debt of states, corporations, households, and the structure of the economy itself, unmistakably indicates that the government's flawed economic policy is preparing the ground for a new crisis. It is impossible to predict the exact date or year when this mine will explode or what exactly will trigger it, but scientists of the Austrian School of Economics (ASE) clearly see the formation of objective prerequisites:

- ◆ state rather than entrepreneurial capital structure,
- ◆ ousting entrepreneurs from investment and innovation activities;
- ◆ consumption volumes: size and functionality of the state, etc.

According to IMF and OECD data, the share of government expenditures in GDP at the beginning of the 1990s was approximately 35–40 percent of GDP for developed countries and 20–25 percent for developing countries. Over the years, the situation has worsened — in developed countries, this indicator now stands at 45–50 percent and higher. Additionally, external debt levels in many countries have reached 100 percent of GDP or more.

This is an absolutely unsustainable and threatening situation when, for example, 15% of the US federal budget is spent on servicing the external debt. This is understood by President Trump and ordinary Americans. In other words, the main markers of a crisis are the country's external debt, the state of public finances, budget deficits, and monetary policy. All these indicators demonstrate the prerequisites for either default or bankruptcy of financial organizations, and as a result, we will either have a process of debt reset or a new economic crisis.

At the same time, we can see its approach through markers, but we cannot predict exactly in which country it will begin, how long it will last, how deep it will be, or how it will affect technological and production processes. We can't make clear predictions because we don't know how the government, financial institutions, leading banks, technology, and manufacturing giants will react to the upcoming crisis.

Some experts and those who have been working in financial markets for decades point to a serious accumulation of sovereign debt in many countries. According to [CEPR](#), almost 80 middle- and low-income countries are in or at risk of a debt crisis.

At the same time, according to the [Global Sovereign Debt Monitor 2024](#), 130 out of 152 countries analyzed have at least critical debt levels. The UN/IMF reports emphasize that more than half of low-income countries (as well as ~20% of emerging market countries) are in a state of or on the verge of sovereign default.

Also, one of the markers is the impact of voluntary **commitments to green energy** made by countries. The theory that green energy will bring cheap electricity and reduce the negative impact on the environment has not been confirmed. The absence of global climate agreements turns voluntary commitments into additional burdens. The cost of electricity in countries that are actively fulfilling such obligations (e.g., the EU and the UK) is quite high and is not offset by strategic advantages, especially in production and competitiveness. Therefore, Trump's actions to withdraw from these agreements are well justified.

Source: Energy: global trends. ILI 2025 research.
<https://www.libertyinstitute.org/articles/energetika-svitovi-tendencziyi-2025>

The capital structure has changed radically since 2000 as a result of financial support from central banks, which have become key players in investment, technology, and innovation, introducing the concept of the "entrepreneurial state" to stimulate "big breakthroughs." However, these breakthroughs have not yet occurred - instead, the world is witnessing only social conflicts and local wars.

One of the most likely indicators of a crisis could be a **high level of public debt**. For example, the US debt reaches approximately \$37 trillion, and the debts of the Eurozone countries amount to 85-90% of GDP. This creates significant economic instability and does not give room for spending expansion. Without fundamental changes in the capital structure, a shift away from outdated industries (mechanical engineering, automotive, agriculture) and public administration tools (protectionism), the situation threatens to escalate into a long-term crisis.

The rosy, optimistic expectations about **artificial intelligence**, which is supposed to be a game-changer, look like the next bubble. Investments in artificial intelligence are often perceived as a magical boost for productivity — AI is expected to transform markets and increase work efficiency. This optimism is reinforced by the seven leading tech giants, known as the Magnificent Seven, whose capitalization exceeds trillions of dollars: Apple, Microsoft, Nvidia, Amazon, Alphabet (Google), Meta Platforms (formerly Facebook), and Tesla. Together, they have invested more than half a trillion dollars in AI for 2024-2025, but the expected return on investment in artificial intelligence is only about 35 billion dollars, evoking associations with the infamous dot-com bubble. In terms of labor productivity, the numbers also do not speak in favor of the much-hyped artificial intelligence. According to the analytical center OECP, labor productivity growth in developed countries has declined from about 2% annually in the 1990s to 0.8% over the past decade.

If the new reality is recognized and adapted quickly - with appropriate restructuring - the effects of the crisis can be limited to short-term phenomena (2-3 years, stagnation or regional recession). If officials continue to intervene (providing cheap loans, further debt growth, protectionist measures, etc.), this could prolong the economic decline for decades and turn into **the deepest economic depression of the 21st century.**

COUNTRIES THAT WILL BE AFFECTED THE MOST AND THOSE THAT ARE NOT THREATENED BY THE CRISIS.

There will be a crisis, and it is an inevitable process. The question is what the future crisis will be like, which countries are most at risk, and which will be able to go through this stage relatively calmly.

Among developed and transition economies, countries with debt and deficits that exceed safe limits are considered weak. For example, **France** in 2023 had a budget deficit of 5.5% of GDP, and public debt has reached 110.6% of GDP. This growth means that fiscal efforts have already been undermined by declining tax revenues due to inflation. Paris aims to reduce the deficit to 4.4% in 2024 and below 3% by 2027.

The situation is even more complicated in **Italy**, where the risks are more significant than in France, and the gap between Italian and French government bond yields has begun to narrow, but France remains under pressure due to high social spending and political instability.

Source: Transcript: Italian and French bonds meet in the middle,
<https://www.ft.com/content/fd4df0d0-5cfc-42ba-9d89-3676c98d4e75>

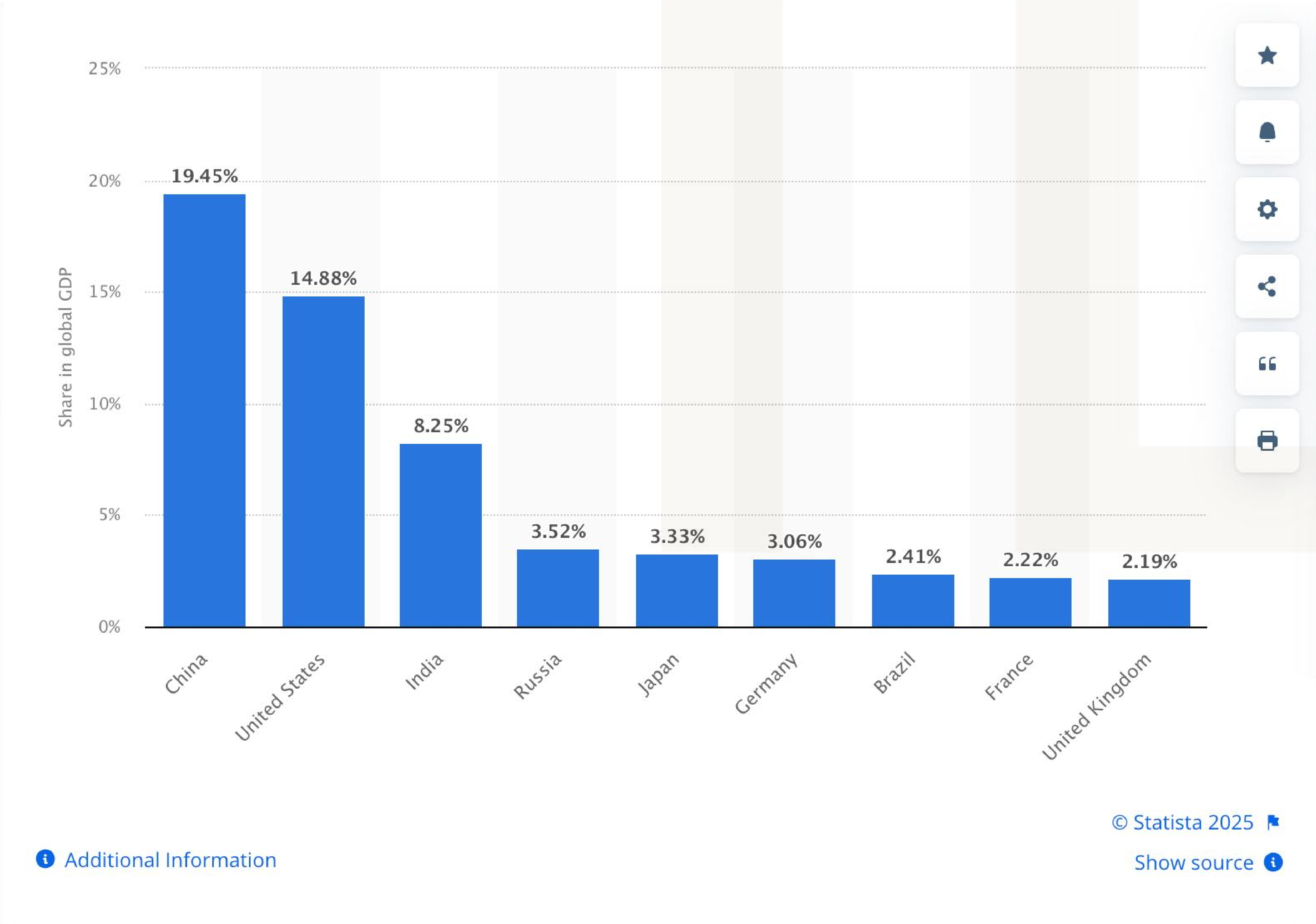
In the **United States**, the budget deficit is accelerating again - in July it rose by almost 20% to \$291 billion, but S&P's rating remains "AA+", as **revenues from tariffs** (up by 21 billion in July) help mitigate the deficit.

As for **Japan**, its debt is a traditional stumbling block. In 2022, **public debt** amounted to 245% of GDP, and in 2024-2025, it is projected to decline only slightly to 242-243%.

Finally, **China**, often considered the engine of the global economy, is gradually losing ground. China's share of global GDP was about 19% in 2023 and 19.45% in 2024.

These countries already have all the main markers of crises: high debts, deficits, falling growth, and sensitivity to structural shocks.

SHARE OF MAJOR INDUSTRIALIZED AND DEVELOPING COUNTRIES IN GLOBAL GROSS DOMESTIC PRODUCT (ADJUSTED FOR PURCHASING POWER) IN 2024



Source: <https://www.statista.com/statistics/256381/share-of-global-regions-in-the-gross-domestic-product/>

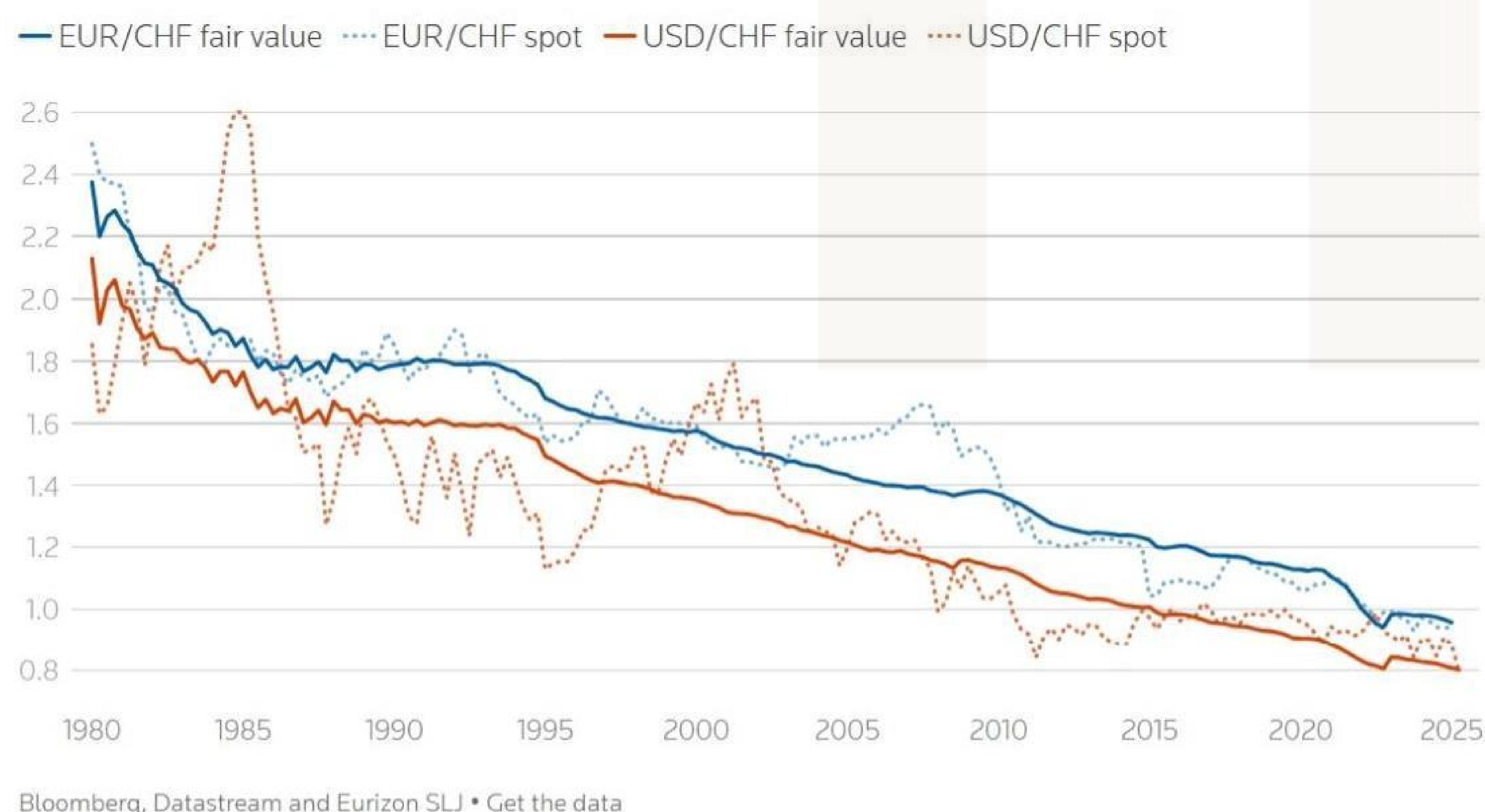
Despite the overall vulnerability of the global economy, some countries remain resilient to crises due to adequate fiscal policy, diversified economic structure, and a strong “safety cushion”.

Australia has relatively low debt levels and a healthy budget. In the next financial year, 2025-26, its gross public debt is expected to reach 35.5% of GDP, and the net fiscal deficit is expected to be about 21.5% of GDP, which is significantly lower than in many developed economies. Although, to be fair, it should be mentioned that the country is facing increasing pressure on the budget due to social spending and structural problems, the country shows the preservation of its AAA credit rating.

It is worth noting the success of **New Zealand**. In September 2024, its public debt amounted to 44.3% of GDP, a historical high for the country, but not a critically high figure. The government has a strategy to reduce this figure - the structural deficit is projected to decline to 1.3% of GDP in 2025/26, with a gradual return to a financial surplus in the following years.

Speaking of crisis-resistant national economies, one cannot help but mention **Switzerland** as a country that embodies fiscal discipline. In 2025, the debt ratio remains at around **36% of GDP**, even lower than in the vast majority of EU countries. In fact, Switzerland has a unique "threefold surplus" - fiscal, trade, and capital - that allows it to remain an economic "island of stability" on the European continent. The Scandinavian countries are also disciplined in terms of fiscal policy and external debt.

FAIR VALUE OF THE SWISS FRANC (CHF) VS. SPOT VALUE



Source: What the rest of the world can learn from 'Swiss Exceptionalism': Jen
<https://www.reuters.com/markets/europe/what-rest-world-can-learn-swiss-exceptionalism-2025-07-15/>

In general, such resilience allows avoiding crisis traps even in the event of shocks in the global economy, and the likelihood of a reduction in economic freedom for businesses due to high dependence on exports or debt service is minimal. This is a clear demonstration of how fiscal institutions and budget balance become markers of stability. With such an economic policy, the global financial crisis will not be felt by citizens and businesses.

WILL THE ECONOMIC CRISIS HELP IN THE WAR WITH RUSSIA?

The available evidence shows that our enemy has powerful macroeconomic tools. In the context of the Ukrainian-Russian war, Russia is using finance, restrictions on the free market, and control over the economy as another type of weapon. The state apparatus (Ministry of Finance, Central Bank, military-industrial complex) works in concert to stimulate the "war economy". For example, according to official data, [Russia's GDP](#) grew by 4.1% in 2024. However, this growth was driven by wartime spending and government intervention, not by productivity gains or structural reforms. The problems of our enemy are manifested in the growing budget deficit, soaring inflation, labor shortages, and deterioration of basic public services. In particular, in the first quarter of 2025, the growth rate slowed to 1.4%, and in the second quarter, to 1.1%, indicating an economic slowdown.

Source: Why Russia's economic model no longer delivers,
<https://www.piie.com/blogs/realtime-economics/2025/why-russias-economic-model-no-longer-delivers>

[Budget deficit](#) already in the first half of 2025 amounted to about 1.7% of GDP (3.69 trillion rubles), compared to the expected 0.5% per year, in addition [oil and gas revenues fell](#): in January-May 2025, they decreased by 14% year-on-year, and in July - by as much as 27%, which is a significant blow to the state budget, as these revenues provide about 30% of the Russian economy's revenues.

Despite this, [defense spending](#) remains extremely high: in 2025, defense spending reserves will amount to about 6-8% of GDP, the highest level since the Cold War. So, unfortunately, the above indicators are not catastrophic for the aggressor's economy.

The good news for Ukraine is that Russia's "war economy" is supported by massive **fiscal support**, but it has long been under structural stress: inflation is rising, some industries are slowing down production, and resource constraints, labor shortages, and the effects of sanctions are calling into question the long-term sustainability of this state. All of these indicators remind us that even a strong autocratic regime on "macro-autopilot" has a chance to collapse under the pressure of complex market and financial shocks. These processes can be accelerated by lobbying for real, not fake, sanctions, as well as by successful actions on the battlefield and by undermining the enemy's power with strikes in the rear.

WHAT UKRAINIANS SHOULD DO DURING WAR AND ECONOMIC CRISIS: RECOMMENDATIONS

Overall, the global economy is entering a slowdown. While in 2024 the US economy grew by 2.8% of GDP, in 2025, leading organizations, including the OECD, forecast growth of only about 1.5%. This means a decrease in demand for energy, steel, metals, and other goods, which directly affects exporting countries, including Ukraine.

At the same time, Ukraine's internal situation is significantly complicated by the war, as 40-50 billion dollars are needed annually to provide the Armed Forces with stable supplies, much of which is covered by foreign aid. Non-military expenditures in 2024 in US dollars (total government spending excluding defense) amounted to \$78.67 billion, or 41.3% of GDP. Reducing non-military spending would pave the way for increased funding for the army. Public spending reaches almost 73-75% of GDP, and the budget deficit exceeds 20% of GDP. Public debt is approaching 82% of GDP. Inflation remains critically high: in May 2025, according to the National Bank, it reached 15.9%, in June it dropped to 14.3%, but still exceeds the permissible limits. This is effectively becoming a tangible inflation tax for the poorest Ukrainians.

Source: NBU commentary on the inflation rate. <https://bank.gov.ua/ua/news/all/komentar-natsionalnogo-banku-schodo-rivnya-inflyatsiyi-v-travni-2025-roku>

A separate burden is the regulatory burden on the economy, which is estimated at 16-17% of GDP, or about \$30-32 billion annually. In the current environment, these funds do not create benefits for either business or citizens, but rather are a manifestation of the inefficiency of the old economic model, which has been slightly modified since Soviet times - the state of general interventionism, but has not changed in essence. In other words, the main role in the distribution of money earned in the country (GDP) belongs to the state bureaucracy, which also imposes the rules of the game, while entrepreneurs continue to be squeezed in the grip of regulations and excessive tax burden. This "pseudo-market", when instead of economic freedom we get only slogans, is a key danger factor in the growing crisis, as business is able to quickly adapt to changing market conditions, while the bureaucracy is not.

The only way out of this trap is through decisive steps.

- 1 The first stage is to reduce non-military spending and reform the public finance system. This includes **reducing social and administrative costs, limiting excessive regulation and tax burden**, which hinders entrepreneurship. Liberalization of the economy should include **labor relations** as soon as possible: modern, flexible market rules are needed, not a cumbersome labor code.

- 2 The second step should be **to stabilize the financial system**. The introduction of multicurrency with the legalization of the use of the dollar and the euro could be one way to curb inflation and restore confidence in the hryvnia. At the same time, it is necessary to maintain strict fiscal discipline, as is done by countries that have successfully overcome crises (Argentina, Ireland, Georgia, Taiwan).
- 3 Finally, a crucial strategic step in Ukraine's postwar recovery is **to attract international capital**, and opening the market to American, European, and Scandinavian corporations, especially in the military-industrial complex, will send an important signal to global investors. This will not only strengthen defense capabilities but also confirm that the country is capable of pursuing a radically new economic policy.

“ The biggest risk for Ukraine is not so much the global economic crisis as the elites' own unwillingness to change the outdated and dysfunctional model of economic management. The true marker of overcoming the crisis will be the transition to a liberal market system, a free market economy capable of ensuring both financial stability and economic growth even during a war. This is not only a possible scenario, but also a necessary condition for victory and post-war recovery.

PAST CRISES AND FORECASTS OF THE AUSTRIAN SCHOOL OF ECONOMICS

If we compare the current slowdown to previous shocks - the Great Depression of 1929-1933, and the stagflation of the 1970s, the dot-com bubble of 2000, and the global financial crisis of 2007-2009 - the common denominator is obvious: the distortion of the capital structure due to cheap money and government interventionism. This is the core of the Austrian explanation of business cycles: when central banks artificially lower interest rates, investors mistakenly overvalue long projects, and the economy accumulates "toxic" assets, **a correction** will eventually come.

The historical data is extremely telling.

- In the United States, at the height of the [Great Depression](#), real GDP declined by about 30%, and unemployment exceeded 20%.
- In the 1970s, [inflation](#) spiraled and reached almost 14% per year; in 1980, the classic "stagflation" trap was broken only by tight monetary policy.
- In 2000, the Nasdaq index fell by ~77% from its peak on March 10, 2000, to its bottom in the fall of 2002.
- The Asian crisis of 1997-1998 revealed another channel of distortion - fixed exchange rates and external short-term debt; when "the anchors" are released, the debt pyramid collapses.

- The 2007-2009 crisis once again highlighted the role of "cheap money" and mortgage stimulus policies: after a series of Fed rate cuts in the early 2000s, credit became too affordable, homeownership was encouraged by "ownership society" programs, and risky mortgages were packaged into securities. When housing prices stalled and began to fall, the securitization chain broke down, and "toxic" assets became a systemic problem.

BUT IT IS IMPORTANT TO REALIZE THE FACT THAT THIS IS NOT DUE TO AN "IMPERFECT MARKET" BUT TO DISTORTED SIGNALS - EXACTLY WHAT MISES AND HAYEK, THE KEY FIGURES OF THE AUSTRIAN SCHOOL OF ECONOMICS, WARNED ABOUT.

Today, we have a different version of the old story: against the backdrop of recent high US growth in 2024 (e.g., in the third quarter, real GDP grew by 3.1 percent), leading institutions are already predicting a sharp decline to 1.6% in 2025 and 1.5% in 2026.

THE AUSTRIAN SCHOOL OF ECONOMICS CAREFULLY STUDIES EPISODES OF 'EXCESSIVELY CHEAP' MONEY AND INFLATED EXPECTATIONS IN SELECTED SECTORS, AND THE CONCLUSION IS UNEQUIVOCAL: THIS TRIGGERS A WAVE OF MISGUIDED INVESTMENTS.

AI BUBBLE - REASSESSMENT OF EXPECTATIONS FROM ARTIFICIAL INTELLIGENCE

Today, the hyper-popular segment of the IT industry - AI - may be a candidate for a trigger. Injecting hundreds of billions under the promise of a productivity explosion, while empirically, productivity gains in developed countries remain weak, looks like another bubble. If returns are lower than expected, there will be disappointment, withdrawals, and painful capital reformatting - the classic "cleansing" phase of the cycle.

The Austrians' conclusion is simple and unpleasant for mainstream economists: it is not the market that "creates crises," but monetary and regulatory experiments that distort price signals. Every attempt to "twist" the cycle - from rate cuts to exchange rate regulation - ultimately creates a bigger problem than the one they wanted to solve.

Therefore, a realistic expectation for the coming years is not a "controlled, painless landing," but another test of strength: detoxification of balance sheets, revaluation of assets, and a return to price signals that are not falsified by politics. This is how Mises and Hayek read past crises - and this is what, judging by the experience of the XX-XXI centuries, we should expect during the next "financial collapse".

WHY DO POLITICIANS IGNORE THE WARNINGS OF THE AUSTRIAN SCHOOL OF ECONOMICS?

One of the reasons for the recurrence of global economic crises is that politicians and experts ignore scientifically based forecasts.

In recent decades, the dominant trend has been toward the mathematization of economic science, reducing it to complex models, forecasts, and futuristic simulations. This has given rise to a kind of "fashion for economic godlessness" - a belief in abstract formulas and statistical constructs instead of in-depth analysis of human behavior and market mechanisms. As a result, the Austrian school of economics, which emphasizes the role of time, capital structure, and entrepreneurial expectations, was deliberately marginalized by representatives of other economic schools. Its representatives were often branded as "not real scientists" because they did not fit into the mathematized paradigms that have prevailed in the universities of the United States and Europe for the past hundred years.

The problem is complicated by the fact that the modern expert community and economists in the service of governments - the so-called "priests of Leviathan" - have created a pseudo-scientific basis for justifying the need for officials to actually become managers of other people's resources, i.e., taxpayers' money.

Huge amounts of investment - at the level of several **trillion dollars annually**, e.g., [IEA](#) predicts the need for **\$4-5 trillion/year** for clean energy, and by 2024 investments already exceed **\$2 trillion** - largely determined by political decisions and academic lobbying, not the market.

In fact, this is used by a narrow group of experts and consultants - about 3% of the community - who benefit from programs, grants, and participation in international conferences. Their interests largely determine the agenda of governments, which explains why, even after the crisis, politicians continue to rely on Keynesian or Marxist recipes instead of searching for an alternative model of economic restructuring.

Thus, the global economy is facing not only a crisis of capital or finance, but also a crisis of economic science.

└ *«The implementation of the recommendations of mainstream economics, various theories, and theoretical schools of the welfare state has led most countries of the world to the state of systemic hybrid crisis that we are currently witnessing».*┐

Source: The Austrian School of Economics — A Panacea for the Hybrid Crises of the 21st Century, Ya. Romanchuk,
<https://www.ilibertyinstitute.org/articles/aesh-panatseya-vld-glbridnih-kriz-XXI-stolltitya>

When Austrians remind us that true economics is the science of man, of his choices and time preferences (as Mises and Hayek wrote), the political and academic mainstream dismisses it as an "unscientific doctrine." However, each new crisis brings us back to the realization that we need to reboot not only political institutions, but also the intellectual foundations of economic policy. Without this, economic decisions will remain in the hands of bureaucrats and academic pressure groups that are more likely to protect their own interests than financial stability and the free development of society.

CONCLUSION: HOW TO GET READY FOR AN ECONOMIC CRISIS. THE HIDDEN BENEFITS OF CRISES

For Ukrainians, the upcoming economic crisis can be not only a challenge but also an opportunity. The key task is **to create a culture of savings**: even 10-15% of each income, saved regularly, creates a "safety cushion". Savings should be kept in liquid and stable currencies, primarily in the Swiss franc (traditionally the most stable currency in the world), but also in the British pound, US dollar, and euro.

According to the NBU, the total amount of deposits of Ukrainians reaches more than UAH 1.2-1.3 trillion (2024), while only about **35%** of these savings are kept in foreign currency - dollars and euros. As for the Swiss franc, it has repeatedly confirmed its status as a **"safe haven currency"** due to political and economic stability, low inflation (2%), and conservative monetary policy - demand for it increases in times of crisis. The exchange rate of this currency is more stable than the dollar or the euro. Unfortunately, the banking system in Ukraine, given the inflationary risks and weak protection of property rights, cannot be a reliable tool for saving. Therefore, savings should be made independently, in accessible and understandable forms.

However, the crisis is not only about finance, but also about human capital. **Investing in education, health, professional skills, and social capital** is no less important than buying hard currency. In the 21st century, a person's flexibility and competence are becoming a real asset: the ability to quickly retrain, adapt to new market conditions, and use digital tools and social media to build a professional reputation. Employers will increasingly value not only diplomas but also personal brand, public expertise, and proven practical skills. Those who invest in intangible assets are less likely to face unemployment.

Thus, the response to a crisis does not lie in government 'money handout' programs, which only fuel inflation, but in fostering financial literacy, cultivating a sound economic mindset, and strengthening citizens' internal resources. Those who combine savings in stable assets with systematic investment in their knowledge and health can not only navigate the crisis with minimal losses but also seize it as an opportunity for growth.



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