

GLOBAL SYSTEMIC STRESSES: UNDERSTANDING THE DRIVERS OF POLYCRISIS

SEPTEMBER 2025



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EXECUTIVE SUMMARY

The global financial community increasingly relies on risk reports to inform strategy and decision-making. Yet many of these reports fall short: they conflate risks and crises, mix discrete events with long-term processes, and fail to map causal interconnections. Such shortfalls limit the reports' practical utility for anticipating systemic disruptions. They are also particularly concerning in the context of a polycrisis, a situation where multiple global crises interact in ways that amplify their individual impacts and create unpredictable systemic consequences.

For financial executives and regulators, understanding polycrisis dynamics is essential: they affect macroeconomic stability, portfolio risk, regulatory oversight, and the resilience of financial institutions. The ability to anticipate and mitigate cascading failures across interconnected systems is now a strategic imperative.

The Global Risk Institute (GRI) has partnered with the Cascade Institute to support actionable research that benefits our members in navigating an environment where polycrises are becoming increasingly likely. The Cascade Institute's Stress-Trigger-Crisis (STC) model offers a rigorous framework for understanding polycrises and managing systemic risks. Crucial to the STC model is the distinction

between stresses (slow-moving, long-term pressures that erode system resilience) and triggers (fast-moving, often random events that activate vulnerabilities and push systems into crisis).

By focusing on stresses, rather than just triggers, the STC model enables better foresight and strategic planning. The accompanying report identifies fourteen global systemic stresses across nine critical systems: climate, ecology, economy, infrastructure, governance, world order, health, food, and energy.

Key Insights

- Stresses are trackable: Unlike unpredictable triggers, stresses unfold over years or decades and can be monitored using indicators.
- Stresses weaken resilience: They erode a system's ability to recover from shocks, increasing the likelihood of cascading failures.
- Crises are becoming systemic: When triggers interact with accumulated stresses, systems shift into disequilibrium (volatile, unpredictable, and potentially harmful states).
- Stresses come in three types: These include pressures (e.g., resource depletion), contradictions (e.g., market externalities), and vulnerabilities (e.g., financial interconnectedness).

Takeaways for Financial Executives and Regulators

For Financial Professionals and Risk Leaders

- Shift your focus from triggers to stress monitoring: Build risk models that incorporate long-term systemic stresses, not just event-based scenarios.
- Enhance resilience metrics: Evaluate how stresses affect system recovery capacity, especially in portfolios exposed to global infrastructure, health, and energy systems.
- Improve crisis anticipation: Use stress indicators to identify when systems are nearing critical thresholds, enabling earlier interventions.

For Regulators and Policymakers

- Support stress-based reporting: Encourage frameworks that track systemic pressures across sectors and geographies.
- Design policy for resilience: Focus on reducing systemic stresses (e.g., inequality, ecological degradation) to lower the probability and severity of future crises.
- Coordinate across systems: Recognize that stresses in one domain (e.g., food security) can cascade into others (e.g., social unrest), requiring integrated governance responses.

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