

Deep Recession and Contraction of Global Economy: “Second Wave” Covid Economic Impact?

By [Dr. Jack Rasmus](#)

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The reopening of the US economy in June—and some states as early as May—has produced a modest economic ‘rebound’. But rebound is not to be confused with economic recovery.

The current rebound is the natural result of the US economy collapsing 40% between March and June 2020. In the first quarter, January-March 2020, the US economy contracted 5%, virtually all of that in March. While the final data for the 2nd quarter is yet to be announced, the US Federal Reserve Bank’s forecasts of US Gross Domestic Product (GDP) show a much greater collapse, ranging from -30.5% (NY Fed district) to -41.7% (Atlanta Fed district). No economy can continue to collapse at that steep a rate quarter after quarter.

Economies experiencing deep and rapid contractions—which is typical of both great recessions and economic depressions—inevitably experience periods of leveling off for a time, or even a slight bounce back—i.e. a rebound. But that’s not a recovery. ‘Recovery’ means a sustained, quarter to subsequent quarter economic growth that continues more or less unabated until the lost economic ground is ‘recovered’. But a rebound is typically temporary, followed by subsequent economic relapses in the form of stagnant growth or even second or third dip recessions.

Look at the Great Recession 1.0 that began in December 2007. The decline began that month subsequently declined more rapidly in the first quarter 2008, but then bounced back slightly in the 2nd quarter 2008. It then took a deep dive in the second half of 2008 through the first half of 2009, contracting every quarter for an entire year. A short, shallow recovery followed into 2010. But the economy relapsed again in 2011, contracting once more for two quarters in 2011. Another small rebound followed in early 2012 and was followed by stagnation in the second half of 2012.

The reported GDP numbers after 2008 were even weaker, and the relapses more pronounced, before the US Commerce Dept. changed the way it defined US GDP and boosted the totals by \$500 billion a year after 2013, retroactive to 2008 and before.

All Great Recessions with an initial deep economic contraction, are typically followed by brief shallow recoveries, cut short by subsequent double dips or quarters of no growth stagnation.

That was true of the Great Recession of 2008-09, which didn’t really end in June 2009, but bounced along the bottom economically for several more years. A similar trajectory will almost certainly follow today’s 2020 Great Recession 2.0 now concluding its Phase One initial deep collapse.

The Phase One deep collapse is now giving way to its Phase Two and what will prove a brief and quite modest 'rebound'. But that's not a recovery.

Further economic relapses are inevitable after 'short, shallow rebounds' that characterize all Great Recessions. That trajectory—i.e. short, shallow rebounds followed by relapses also brief and moderate can go on for years.

What it means is there will be no V-shape and true recovery in the US economy in the second half of 2020. What there will be is an extended 'W-shape' period, the next two years 2020-2022 at minimum. And it may continue for perhaps even longer.

The 1929-30 Great Recession: Anteroom to 1930s Depression

A similar scenario occurs prior to bona fide economic depressions, like that which occurred in the 1930s. The great depression began initially as a Great Recession. US policy makers failed to contain it and it slipped into the Great Depression of that decade as we know it. What precipitates Great Recessions collapsing into bona fide Depressions is the collapse of the financial and banking system.

The Great Depression of the 1930s did not begin with the stock market crash of October 1929, however. The real economy was already slipping into recession in manufacturing and construction sectors in 1929, well before the October 1929 stock market financial crash. The economy contracted in 1930 by -8.5% and continued to contract every year thereafter through mid-1933 as the US economy experienced a series of four banking crashes, one each year from 1930 through 1933. The banking crashes drove the real, non-financial economy ever deeper every year, in a ratchet like effect.

Rebound and growth followed 1934-36. However, that weakened significantly in late 1937 as a conservative Republican Congress and Supreme Court together began dismantling Roosevelt's 1935-37 New Deal social spending fiscal stimulus programs. As a result, in 1938 the US economy fell back into depression once again. A partial reversing of the dismantling in 1939 produced a return to positive GDP growth that year. But it wasn't really until 1941-42 that the economy really exited the Great Depression, as US GDP rose 17.7% in 1941 and then 18.9% in 1942. Recovery—not rebound—was clearly underway after mid-1940—i.e. the result of government spending on both social programs and defense that amounted to more than 40% of GDP those years. That was fiscal stimulus. That was recovery.

In other words, the lesson of the Great Depression of the 1930s is in order to end a depression, or stop a Great Recession from becoming a Depression, the government must step in and spend at a rate of 40% GDP.

Prior to the onset of the current 2020 Great Recession 2.0, the US government's spending and share of US GDP was about 20%. It needs to double to 40% to engineer a true recovery from the current crisis. 5.5% is no stimulus in fact; just a partial 'mitigation' of the severe collapse that just occurred. That is, a temporary floor under the deep 30%-40% collapse that would have been even greater.

The 2008-09 Great Recession: The 5.5% Failed Stimulus

In January 2009 the incoming Obama administration proposed a fiscal stimulus recovery package amounting to roughly \$787 billion and 5.5% of GDP. Economists advocated double

that. Even Democrat party leaders in the US House proposed another \$120 billion in consumer tax cuts. But Obama's economic advisers, mostly former bankers and pro-banker academics like Larry Summers, argued the US could not spend that much. Obama listened to Summers and reduced the amount to the \$787 billion. It proved grossly insufficient. The real economy continued to lag and job losses continued to mount. Supplemental programs like 'cash for clunkers' and 'first time homebuyers' had to be added.

Even with these post-January program supplemental spending Obama's fiscal stimulus proved insufficient to generate a robust recovery, as the historical record shows. The US recession under Obama 'recovered' at its weakest rate compared to all the prior ten US post-recession recoveries since 1947. The Obama recovery was only 60% of normal for recession recoveries.

The problem with the Obama 5.5% was not only the insufficient magnitude of the stimulus. Its composition was deficient as well. It called for almost \$300 billion of the \$787 billion in mostly business tax cuts, which were then hoarded by business and not invested to expand output, hire more workers, and generate thereby more income for consumption. Nearly \$300 more was in the form of grants given to the states to spend. They too hoarded most of it and failed to rehire the unemployed as was intended. The remainder of the \$787 billion was composed mostly of long term infrastructure investment and spending that had little initial effect on the economy's recovery. As a result of the insufficient magnitude and poor composition of the Obama 2009 stimulus, the US economy fell into a 'stop-go, W-shape economic recovery for the next six years. US jobs lost in 2008-09 were not recovered until as late as 2015, and the average wages paid for the new jobs was significantly less than wages paid for the jobs that were lost.

Another major contributing factor to the weak economic recovery under Obama was the agreement between Obama, US House Democrats and the Republican Senate in August 2011 to reduce spending on education and other programs by \$1.5 trillion. Thus the \$787B stimulus of 2009 was reversed by more than twice, as austerity was introduced in late 2011. More than twice what was injected into the economy in 2009 was taken out again starting in 2012. The inadequate less than \$1trillion fiscal stimulus was over in just two years!

The point is: apart from the matter of austerity in 2011, if 5.5% was insufficient to generate sustained recovery in 2009, today in 2020 the 5.5% fiscal spending produced by the CARES ACT in March 2020 will prove even less successful.

The US economy's economic collapse today is five times deeper than in 2008-09 and has occurred in one-fifth the time of the 2008-09 event. If a second more aggressive government spending program does not follow in the second half of 2020, then the current tepid economic 'rebound' underway due to the reopening of the US economy will certainly fail at generating a sustained recovery. Here's why the CARES ACT—the main and only stimulus program to date—is only 5.5% and will fail to generate a sustained recovery as the economy reopens with a modest 'rebound'.

The March 2020 CARES ACT: Failed Stimulus Déjà vu

As of mid-year 2020 the US government spending to date is summed up in the various provisions of the CARES ACT passed by Congress in March 2020, plus several smaller measures passed before and after it as supplements. Its actual spending as of late June 2020 amounts to only approximately a 5.5% contribution to US GDP.

The CARES ACT on paper called for \$1.45 trillion in loans and grants to small, medium and large businesses. \$500 billion is allocated as loans to large corporations. Another \$600 billion to medium sized plus some other measures. And \$350 billion in loans, convertible to grants, to small businesses called the Payroll Protection Program, or PPP.

Another \$310 billion was added to the PPP small business loan program as banks quickly misdirected hundreds of billions of dollars to many of their ineligible bigger business prime customers which scooped up much of the original \$350 billion for small business.

The three business programs combined thus allocated \$1.76 trillion in loans and grants.

Another \$500 billion was allocated to workers and US households in the form of supplemental income checks of \$1200 per adult plus an extra \$600 in federal unemployment benefits available through July 31, 2020.

A couple hundred billion dollars more went to hospitals and health care providers in emergency reimbursements before and after the March CARES ACT passage.

That brought the total March CARES ACT fiscal stimulus to roughly \$2.3 trillion. However, not discussed much in the media is another \$650 billion CARES ACT provided business and investor tax cuts. The tax cuts include a temporary suspension of business payments to the payroll tax; more generous net operating loss (NOL) corporate tax averaging that allows business to use current losses to get tax refunds on prior year taxes paid; faster depreciation write-offs (de facto tax cut); and more generous business expense deductions. Less than 3% of the \$650 billion tax cuts in the CARES ACT went to families earning less than \$100,000 per year in annual income.

On paper, the roughly \$2.3 trillion CARES ACT amounted to roughly 11% of GDP. But only half of that 11%—or just 5.5—has actually hit the US economy. This contrasts with Germany and other European and Asian countries that boosted fiscal spending stimulus by as much as 15%-20%.

Another 5.5% Stimulus Means Another Failed Sustained Recovery

The 5.5% is not enough to kick start the rebound into a sustained recovery. Much of the 5.5% is already spent to mitigate the 2nd quarter deep contraction and is no longer available as a stimulus in the upcoming 3rd quarter.

All the \$1200 checks have been spent already and most of the \$600 unemployment benefit boost has entered the economy. The latter expires on July 31. Furthermore, the majority of the \$1.7 trillion allocated to businesses large and small has yet to get into the US economy as well.

Of the \$660 billion in the small business PPP program, about \$520 billion has been spent. Less than \$100 billion of the \$500 allocated to large businesses, like airlines and defense companies, has actually been 'borrowed' by big business. And as mid-June 2020, none of the \$600 billion for medium size businesses had yet been 'taken up' by those businesses. The program was only fully launched late June, more than three months after it was first announced in March.

Thus far little interest appears on the part of medium and large businesses in the more than \$1 trillion loans allocated to them. And as far as the \$650 billion in tax cuts is concerned, its effects can be delayed until December 31, 2020, if even then. Given the weak US economy and consumer demand, many businesses will take the tax cuts and hoard them.

In short, more than half the roughly \$3 trillion total of government spending, loans, grants and tax cuts provided by the CARES ACT is yet to be committed to the US economy. The official 11% is really only half that at best.

This fact leads to the interesting question: Why have medium and large businesses not take up more of the \$1.1 trillion business loans allocated to them?

The \$3+ Trillion Uncommitted Business Cash Hoard

The answer is they haven't because they are already bloated with cash and don't need or want it. That cash hoard has resulted from several sources in recent months: Large corporations saw the writing on the wall with regard to the virus as early as January-February 2020. They quickly began loading up on cash by drawing down their generous loan credit lines with their banks. That produced a couple hundred billion dollars in cash by March. Then they issued record levels of new corporate bonds to raise still more cash. From March to end of May more than \$1.3 trillion in new corporate investment grade bonds was raised by the Fortune 500 US businesses—i.e. more than in all 2019. A couple hundred billion dollars more was raised in junk grade corporate bonds.

Still another cash source was raised by businesses suspending dividend payments and stock buybacks to shareholders. In 2019 they distributed \$1.3 trillion in buybacks and dividend payouts

(\$3.4 trillion total under Trump's first three years in office). So buybacks and dividends suspensions saved at least another \$500 billion in cash. Companies also began selling off and cashing in their minority stock interests in other companies. Furloughing workers to work from home also saved still more cash in reduced facilities, benefits and related costs for many corporations. Tech companies especially benefited from this.

Bloated with trillions of dollars of cash, large and medium sized corporations had little interest in borrowing from the CARES ACT, since the latter came with conditions like the provision that 70% of the loans be spent on keeping workers on their payrolls. They preferred to lay off their workers, and borrow from the credit markets, issue new bonds, and otherwise conserve cash.

A good example was Boeing Corporation. Congress allocated more than \$50 billion to Boeing as part of the \$500 billion loan program earmarked for large corporations. Instead of borrowing that, Boeing raised \$25 billion issuing new bonds and announced layoffs of 16,000 of its workers! Less than \$100 billion has been used to date by large corporations under the CARES ACT big corporations' \$500 billion loan allocation. And virtually nothing of the \$600 billion to date allocated under the medium size business loan program called the 'Main St.' lending facility.

7 More Reasons Why 'Rebound' Won't Mean Recovery

Here are some seven other reasons—apart from the US current insufficient fiscal stimulus—why the US economy will not experience a sustained 'recovery' in the next six

months, and why instead the US will follow a W-Shape trajectory of weak un-sustained growth followed by economic relapses through 2020-21 (and perhaps even longer):

1) 2nd Covid-19 Wave Economic Impact:

It is inevitable a number of states will reinstate shutdowns—in significant part if not totally—as the infection, hospitalization, and death rates rise over the summer due to premature reopening of the economy and a growing breakdown of social discipline in adhering to basic precautions like social distancing and mask wearing. The partial shutdowns will, to varying degrees, reduce consumer spending, business investment, and result in re-layoffs of workers. Second wave layoffs in services like leisure & hospitality, bars, restaurants, travel, public entertainment, and even education and health care services will emerge—all negatively impacting household consumption demand. It is estimated that at least half of the states, 40% of the reopened economy, will reinstate some degree of re-closures of business activity in coming weeks and months as a resurgence of Covid 19 impacts the US economy in the second half of 2020 and beyond.

The official US June employment report on July 3, 2020 showed 4.8 million jobs were reinstated. But no less than 3 million of that 4.8 million were recalls in leisure & hospitality, hotels, bars, restaurants, and retail industries. These are the same industries that will be affected most by states reinstituting shutdowns. They are also industries where businesses that have been able to reopen only partially thus far in most cases operate on very thin margins. They are likely to fail in Phase Two of the crisis now beginning, and many closing completely in the second half of 2020 as a result of operating only at half capacity.

The scope of the possible closures is revealed by the recent Yelp survey of 175,000 of its customer business base. During the 2nd quarter, Yelp's survey found that in May-June only 30,000 of its 175,000 had reopened. More important, its survey showed that 40,000 of its 145,000 that hadn't yet opened had already closed permanently. The wave of permanent business closures in the second half of 2020—especially in the leisure & hospitality and retail industries—should not be underestimated. The permanent shutdowns will occur not only due to reduced consumer demand, but to a resurgence of Covid-19 and a second wave of layoffs.

2) *Deeply Entrenched Business & Consumer Negative Expectations*

The US economy has been deeply wounded by the deep contraction of the past four months. Both businesses and consumers have negative expectations as to the direction of the economy in the short to intermediate run. Businesses don't see the conditions for returning to expanding investment, or even returning to prior levels of production and output. With consumer demand clearly in retreat, business expectations of future sales and profits are dampened. Reducing the cost of investing by lowering business taxes or interest rates have little effect on generating more investment, when expectations of profitability—which is what really drives investment—are so low. This is the fundamental reason why business across the board is hoarding its accumulated cash. The same applies to consumers and households. They too are hoarding what cash they have available, spending mostly on necessities only. The evidence is the sharp rise in the household savings rate and bank deposit rates. As much cash is saved and deposited as a precaution that economic conditions may worsen, instead of actually spent. The result is only minimal increase in spending occurs, just as minimal investment. Until negative expectations are somehow

reversed, both business investment and household consumption do not rise to levels that result in sustained 'recovery'.

It will take a major event to again shift business and consumer negative expectations, like a vaccine for the virus or a major fiscal stimulus or a program of mass hiring of the unemployed by government. However, none of the above is on the immediate horizon. Therefore negative expectations will continue to dampen any sustained recovery and limit whatever insufficient government fiscal stimulus to generating a modest 'rebound' at best.

3) Business Cost Cutting & Permanent Layoffs

The deep and rapid rate of contraction of the economy over the past four months, and the business expectation of weak recovery, has convinced many businesses to make many of the cost cutting moves of recent months permanent. An example is how some industries and businesses moved their workforces to work from home. It has saved them significant costs of operation—on facilities, maintenance, and some employee benefits. In recessions businesses always find new ways to cut costs that often result in more layoffs and lower wages. Another phenomenon is rehiring and recalling workers back to work temporarily laid off does not occur en masse and all at once. The typical business practice is to recall only part of their workforce and to recall workers more on a part time basis. Not least, the cost cutting and the part time recalls typically results in businesses leaving part of their furloughed work force behind, whose unemployment then becomes permanent.

This second wave of jobless is already beginning to emerge, as businesses downsize in employment after the initial shock to the economy that has already occurred. Airlines are announcing tens of thousands of layoffs. Several other industries are experiencing growing defaults on debt payments and bankruptcies that will result in mass layoffs as well. For example, the oil & energy sector which was a major source of new job creation during the fracking boom of the past five years. More than 200 defaults of companies are in progress. Layoffs are beginning, of a permanent nature not just temporary furloughs or layoffs.

Cost cutting and layoffs translate into less household income for consumption and therefore for generating a sustained recovery.

4) Deeper Global Recession & Global Trade Crisis

The collapse of the US economy in the first half of 2020 has been accompanied by a synchronized contraction of the global economy. Global economic contraction means US production for export does not recover much in the short run. Offshore demand for US goods & services remains weak. That in turn dampens domestic US investment, employment, and therefore business-consumer spending. Although the US economy is relatively less dependent on exports to stimulate economic growth, exports are not an insignificant contributing factor to US growth and recovery.

More than 90% of the world economy has also experienced deep recession in the first half of 2020. That compares with the first Great Recession of 2008-09 when a fewer 60% of countries were in recession along with the US. Foreign demand for US exports is thus even weaker this time around. Post 2009 China and emerging market economies boomed after 2010 and put a partial floor under US economic contraction by stimulating demand for US product exports; that China-Emerging Market economies stimulus effect on the US economy no longer exists in 2020.

5) *Intensifying US Political Instability*

One should not underestimate the potential growing political instability in the USA in the second half of 2020. This instability will occur on two 'fronts'. One is at the level of political institutions. It is likely the upcoming national elections on November 3, 2020 will be challenged and not accepted by either Trump or the Democratic Party nominee. The growing social instability in the USA and Covid 19 effects on voter turnout, combined with the already widespread voter suppression in various states, makes for ripe conditions for post-electoral crisis should the election be narrowly decided by voters in November. Evidence is growing, moreover, that Trump is prepared to declare voting by mail as fraud and use that as an excuse to throw the election into the Supreme Court—as occurred in the US in 2000. Today Trump, unlike George W. Bush in 2000, enjoys an even firmer majority in the US Supreme Court.

The instability at the level of political institutions in the USA today is accompanied by what appears as growing grass roots civilian conflicts. Street level confrontations between Trump supporters and rising popular movements and demonstrations are not beyond the realm of possibility, perhaps even likelihood.

The political instability has significant potential to negatively impact both consumer and business expectations and therefore dampen both business investment and household consumption even further in addition to causes already noted.

6) *Wild Card #1: Financial Crisis 2021*

Intermediate term, in 2021 likely more than in 2020, is the wild card of a financial system crisis emerging that would exacerbate the real economy's faltering recovery still further. This channel by which a financial crisis might emerge is a growing wave of corporate and state & local government defaults. Massive excess debt has built up over the past decade in business sectors in the US. More than \$10 trillion in corporate bond debt exists at present. At least \$5 trillion in corporate junk bonds and virtual junk like BBB investment grade. Still more for corporate 'junk' leveraged loans. A protracted period of recession and weak recovery will generate a major potential for corporate defaults and bankruptcies. If the magnitude and rate of defaults is too great, or comes too fast, the banking system could very well experience a major credit crash once again.

Industries highly unstable with high cost unaffordable debt, and with insufficient revenues with which to service that debt, include: oil fracking and coal, big box retail, smaller regional airlines, rental car and other travel related companies, hotels and resorts, malls, commercial property in general, and hundreds of thousands of small restaurants and regional restaurant chains. Defaults have already begun rising rapidly in many. Household debt and state and local government debt finds itself in much of a similar situation—highly leveraged with debt amidst collapsing incomes to service the debt as unemployment and wage incomes continue to decline and as tax revenues remain depressed long term due to the weak economic recovery.

The US central bank, the Federal Reserve, is in the midst of an historic experiment to pre-bail out non-bank corporations to forestall the defaults and to flood, at the same time, the US banking system with massive excess liquidity with which to manage the defaults should they come excessively and too rapidly. It remains to be seen whether the Fed's massive liquidity injections thus far (\$3 trillion), and promised (unlimited), will prove sufficient to

manage the defaults. If not, the US banking system will freeze up as financial institutions begin to crash as well with the transfer of defaulted corporate debt on to their own bank balance sheets.

In 2008-09 it was the banking system that collapsed first and in turn precipitated a deeper and faster contraction of the real economy in the US. Today it is quite possible the reverse causation may occur in the Great Recession of 2020. But it matters not in a Great Recession which precipitates which first—i.e. the banking system the real economy or vice-versa. The key point is that both cycles—financial and real—feed back on the other in a Great Recession and amplify the downturn in both.

7) Wild Card #2: Artificial Intelligence Faster Rollout

Another wild card that may emerge with fuller force longer term is the penetration of Artificial Intelligence in business operations. McKinsey Consultants estimated that by 2025 AI would accelerate in its penetration of business practices. By the latter half of the 2020s decade it would have deep and widespread impact on employment and wages, as AI led to deep cost cutting by business. As much as 30% of occupations would be seriously impacted. The essence of AI is to eliminate simple decision making jobs, in services as well as manufacturing.

But it is highly possible that AI will now penetrate even faster, accelerated by business cost cutting and productivity enhancing drives, as a consequence of the current deep economic crisis. The deeper and more protracted the current recession, the more likely business will engage in multiple ways to reduce costs as a means to weather the crisis. AI offers businesses a prime opportunity to do just that. But AI also means a significant reduction in net jobs, especially simple low paid service and retail work. And with the net jobs and wage loss come reduced consumer household demand, consumption, and therefore sustainable economic recovery.

The Case for 40% Government Share of GDP

As previously noted, recoveries from great recessions and depressions require at least a 40% US government spending share of total GDP. Obama's raised the US government share of GDP to barely 25%, not 40%. The economy accordingly struggled after 2009.

The current 2nd Great Recession 2020, the first phase of which has just concluded in June, is following the same rough trajectory and scenario as the 2008-09. There has been only token fiscal stimulus to the economy thus far from the CARES ACT. Indeed, Congress never considered, at least in the House of Representatives, the CARES ACT was a stimulus bill. It was called a 'mitigation' bill, designed to put a partial floor under the collapse of the economy going on at the time in the 2nd quarter 2020. A true stimulus bill was to follow. That's the HEROES ACT now blocked in Congress by Republican Senate and Trump. What the latter want is to end the unemployment benefits and provide no further income supplement payments. They want to exchange further unemployment benefits for direct wage subsidies to businesses. They want even more tax cuts for business—permanent payroll tax cuts, more capital gains tax cuts, and more business expense deductions. And they are reluctant to provide funding support for state and local governments with accelerating deficits as a result of tax revenue collapse. Should support for state and local governments not occur soon, it is likely mass layoffs will emerge in states and local

governments soon.

However, it does not appear so far that anything resembling a real stimulus will get passed with the HEROES Act. The unemployment benefits extension will likely be eliminated. More business tax cuts, should they be added to the \$650 billion provided by the CARES ACT, will be hoarded in large part. As will corporate income that would have been otherwise used to pay wages, as the government pays the wages of their workers instead.

An insufficient fiscal stimulus from an eventual HEROES Act, should it occur, will ensure the current tepid 'rebound' of the US economy will fail to evolve into a sustained recovery of the US economy. The seven other, additional factors noted above will further prevent a sustained recovery—and indeed may precipitate a subsequent further serious economic contraction. The summer of 2020 is thus a critical juncture period for the US economy.

The US is currently experiencing what might be called a 'triple crisis'. A health crisis that shows little sign of abating. A deep economic crisis that is still in its early phases. And a ripening political crisis. Never before in its history have three such major events converged. The one of the three that is potentially most manageable is the economic. Health crisis depends heavily on the development of a vaccine. Not much can be done to prevent a deepening political crisis. It will run its course, whatever that may be. But a government fiscal stimulus equivalent to about 40% of US GDP would very likely stabilize the economy and set it on a path to sustained recovery. However, it is highly unlikely that in the current political climate of instability, deep splits within the US political elites, growing grass roots social confrontations, and failure to mount an effective strategy to address the Covid-19 health crisis that the capitalists and their political representatives will be capable of introducing the necessary 40% war time economic stimulus.

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Dr. Rasmus is author of the recently published book, 'The Scourge of Neoliberalism: US Economic Policy from Reagan to Trump', Clarity Press, January 2020. He hosts the weekly radio show, Alternative Visions, blogs at jackrasmus.com. His twitter handle is @drjackrasmus and his website: <http://kykloproductions.com>.

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