

Warnings of Economic Depression

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Global Research, March 31, 2020

Region: [USA](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

Over three million US workers filed claims for unemployment benefits last week, millions more likely coming in the weeks ahead.

Never before in US history did this happen so swiftly in such large numbers as now.

A new Reuters/Ipsos poll found that around one-fourth of US adults were either laid off or furloughed because of COVID-19 outbreaks.

For weeks, Trump remained in denial about the potential human and business cost of growing virus numbers — as late as February saying it'll disappear “like a miracle.”

Now he believes if 100,000 Americans die from COVID-19, it'll show he did a “good job.”

What's ongoing today is the greatest challenge to business and workers since the Great Depression, along with a threat to human health.

According to a March 20 - 26 online survey of over 250 companies of varying sizes and business sectors, outplacement firm Challenger, Gray & Christmas reported that nearly half the number surveyed are likely to lay off workers over the next three months.

Over one-third (37%) of companies instituted a hiring freeze. The St. Louis Fed projects unemployment potentially reaching 32% of the US workforce, a loss of 47 million jobs if things get this bad.

Trump regime social distancing guidelines were extended through April 30. It's highly unlikely that conditions will ease by then.

Virginia Governor Northam issued a statewide shelter in place order through June 10, unless amended or rescinded ahead.

If current COVID-19 outbreaks abate, there's no assurance that a second wave won't follow or that new widespread outbreaks won't happen during the 2020/21 flu season.

Is what's beginning to unfold “a greater depression,” as economist Nouriel Roubini believes?

He anticipates “a far worse outcome” than most economists see unfolding, adding:

“Even mainstream financial firms such as Goldman Sachs, JP Morgan and Morgan Stanley expect US GDP to fall by an annualized rate of 6% in the first quarter, and by 24% to 30% in the second.”

“(E)very component of aggregate demand – consumption, capital spending, exports – is in unprecedented free fall.”

“While most self-serving commentators have been anticipating a V-shaped downturn – with output falling sharply for one quarter and then rapidly recovering the next – it should now be clear that the COVID-19 crisis is something else entirely.”

“Not even during the Great Depression...did the bulk of economic activity literally shut down” so fast.

Economist David Rosenberg said

“(i)t’s time for investors to start saying the D-word. This economic damage could be double 2008,” adding:

“(B)ears will help you preserve your capital. Bulls will...destroy” it by advising investors to stay the course at a time when extreme caution is necessary.

Rosenberg projects a global GDP contraction of 5% this year, what hasn’t happened throughout the post-WW II period.

A deep recession like 2008-09 would likely cause financial markets to decline at least 50%, he said, stressing:

“We have a big problem on our hands. There is no economic visibility so everything’s a crapshoot.”

“This turbocharged debt cycle will end miserably. It’s just a matter of when” and how severe.

Even a one-month US national lockdown will see a “wave of defaults and bankruptcies with no jobs for people to go back to.”

“If nothing is done to make people whole, call (congressional action) ‘transfer payments,’ (not) ‘stimulus,’ because the amounts (for ordinary Americans) will put food on the table and a roof over heads” for a few months at most, “but that is about it.”

Rosenberg believes Republicans and Dems don’t realize the seriousness of what’s going on.

Workers need jobs and normality to their lives. There’s only fear, duress, stress, and uncertainty ahead.

While recession has been priced into markets, it’s not enough, said Rosenberg, adding:

“Households and businesses will be coping with how their lives have permanently changed once the crisis ends.”

“(N)othing is going back to the way it was. There will be a new normal, but it won’t be the old normal.”

“But for the here and now, we are dealing with a health shock, a self-imposed economic shock, and a financial shock all at once” — an unprecedented situation with no clarity on when or how it will end.

Markets usually bottom about three months before a GDP trough, Rosenberg explained.

He doesn't see one until at least September, meaning “another three months of pain” most likely, maybe more.

Will the “new normal” Rosenberg envisions when economic and public health conditions end include loss of what remains of the US middle class?

Its privileged class seeks a ruler/serf society, a longstanding aim for greater wealth and power.

Along with an unprecedented wealth transfer from ordinary Americans to monied interests and likely increased loss of human and civil rights, perhaps destruction of the US middle class entirely is a key objective of the current crisis.

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