Are We Facing Another Recession or the Next Great Depression?

As America slowly but surely shuts down from coast to coast, everyone is acknowledging the fact that we are heading into a very serious economic downturn. Originally, many experts were warning that this coronavirus pandemic could spark a recession, but now some are actually starting to use the “d” word. Yesterday, I wrote about the government planning document that envisions an 18-month pandemic, multiple “waves” of infections and “critical shortages” of important supplies. If that scenario actually plays out, what we will experience will be far, far worse than the “Great Recession” of 2008 and 2009. So let us hope that a way can be found to slow down the spread of this virus.

At this point, many of our top minds are fearing the worst. On Thursday, former White House economist Kevin Hassett warned CNN that we could actually see a repeat of the Great Depression:

> *The widespread shutdown of the American economy because of the coronavirus could spark a repeat of the Great Depression, former Trump economist Kevin Hassett told CNN on Thursday.*
>
> *The startling warning from a former White House adviser comes as Wall Street banks say the United States faces an historic collapse in GDP and mounting job losses.*

Just a few weeks ago, the mainstream media was full of talk about how bright the future looked for the U.S. economy.

But now Hassett is telling us that we could be about to witness the “worst jobs number you ever saw”:

> *Hassett, who left the White House last year and is now a CNN commentator, predicted that when the April jobs report comes out it will be the "worst jobs number you ever saw," with perhaps two million jobs lost.*
>
> *That would easily surpass the worst jobs report of the Great Recession, when payrolls plunged by 800,000 during March 2009.*

Could you imagine the panic that would cause on Wall Street if we actually do see a job loss of that magnitude?

Of course, Hassett is not the only one using such strong language. A former economic adviser to Barack Obama says that this pandemic "could do more damage to the economy than the financial crisis did":

> *Jason Furman was a top economic adviser to President Barack Obama, serving as deputy director of the National Economics Council from 2009 to 2013, and as chair of the Council of Economic Advisers from 2013 to 2017. He played a key role in designing the administration's response to the financial crisis and Great Recession. He's now a professor at Harvard's Kennedy School of Government.*
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> *I've spoken with Furman often over the years, and to put it bluntly, I've never heard him as alarmed as on Thursday. He believes the coronavirus could do more damage to the economy than the financial crisis did, and that policymakers aren't even close to designing a large enough response.*

Sadly, he is likely to be entirely correct.

In fact, if this pandemic stretches on for many more months, it will make what happened in 2008 look like a Sunday picnic.

For a long time, I have been warning that a recession is coming, but I don't have to warn about that any longer. On

Thursday, Bank of America boldly declared that the next recession is already here:

> *Bank of America warned investors on Thursday that a coronavirus-induced recession is no longer avoidable — it's already here.*
>
> *"We are officially declaring that the economy has fallen into a recession … joining the rest of the world, and it is a deep plunge," Bank of America U.S. economist Michelle Meyer wrote in a note. "Jobs will be lost, wealth will be destroyed and confidence depressed."*

If you can believe it, Bank of America is actually projecting that the U.S. economy will shrink by 12% on an annualized basis in the second quarter, and they are warning that more than 3 million jobs will be lost during this crisis:

> *Bank of America looked at the labor market as a way to understand the "magnitude of the economic shock." The firm expects the unemployment rate to nearly double, with roughly 1 million jobs lost each month of the second quarter for a total of 3.5 million.*

Actually, if we only lose 3.5 million jobs during the course of this pandemic, that should be considered to be a rip-roaring success.

Never before in U.S. history have we witnessed such a widespread economic shutdown. On Thursday, the governor of Pennsylvania actually ordered almost every business in the entire state to close up shop:

> *Governor Tom Wolf ordered all non-life-sustaining businesses in Pennsylvania to close their physical locations by 8 p.m. Thursday in an effort to slow the spread of COVID-19.*
>
> *Enforcement actions against businesses that do not close*

> *their physical locations will begin at 12:01 a.m. Saturday, the Wolf administration said in a press release.*

That means that almost everyone is going to be staying home and virtually all economic activity in the state is going to come to a grinding halt.

There is a good chance that this will slow down the spread of the virus in Pennsylvania temporarily, but unless every other state does the same thing simultaneously, people from other states are just going to keep bringing the virus back in.

In Texas, Governor Greg Abbott just instituted a whole host of restrictions, but most businesses will continue operating normally:

> *Gov. Greg Abbott issued an executive order limiting public gatherings to 10 people, shutting schools, prohibiting visitors to nursing homes and retirement communities and limiting bars and restaurants to take-out through April 3 in an effort to slow the spread of COVID-19. He also recommended that non-essential state employees telework.*

In California, about one-third of the state is currently locked down, but the COVID-19 has just continued to spread.

In fact, Governor Gavin Newsom just told the press that he expects more than 25 million people to eventually become infected in his state alone:

> *California estimates that more than half of the state – 25.5 million people – will get the new coronavirus over the next eight weeks, according to a letter sent by Gov. Gavin Newsom to U.S. President Donald Trump.*
>
> *"In the last 24 hours, we had 126 new COVID-19 cases, a 21 percent increase. In some parts of our state, our case rate is doubling every four days," Newsom wrote in a letter dated*

> *Wednesday. Newsom asked Trump to dispatch the USNS Mercy Hospital Ship to the Port of Los Angeles through Sept. 1 to help with the influx of expected cases.*

Overall, the number of confirmed cases in the United States has dramatically escalated over the last 48 hours.

As long as the number of confirmed cases continues to explode, the lockdowns will persist and the restrictions on our freedoms will become more severe.

And if this pandemic does end up lasting for 18 months as the government is now projecting, it will paralyze our society to an extent that we have never seen before.

The U.S. economy has fallen off a cliff, and I have a feeling that it has a long, long way to go before it hits bottom. {eoa}

This article originally appeared at The Economic Collapse Blog.