2020 Novel Coronavirus [COVID-19] Pandemic Versus the 2008 Economic Recession

The last global economic crisis was a financial heart attack. This one might be a full-body seizure.

Car Title Loans California Logo

LOS ANGELES, CALIFORNIA, UNITED STATES OF AMERICA, April 13, 2020 /EINPresswire.com/ -- In May 2018, President Donald Trump restructured and downsized the pandemic preparedness unit. Of course, it seems ill-judged in retrospect. But he was not the first president to do so. The National Security Council's (NSC) global health security unit was set up under Bill Clinton in 1998. Years later, first George W. Bush and then Barack Obama would shut it down, only to reestablish it shortly afterward. The fact is that bureaucracies have never known how to treat low-probability, high-stakes biomedical risks like pandemics. They sit awkwardly within the conventional silos of modern government and models of risk assessment.

In 2008, we saw how the financial uncertainty spreading from the downturn in real estate—by way of subprime to funding markets and from there to the balance sheets of major banks—could threaten an economic heart attack. It was this massive financial shock, piled on top of the losses to households from a downturn in the real estate sector, that caused economic activity to contract. In the worst of times, over the winter of 2008-2009, more than 750,000 job losses were recorded every month—a total of 8.7 million throughout the recession.

Major industrial companies like GM and Chrysler stumbled toward bankruptcy. For the global economy, it unleashed the largest contraction in international trade ever seen. Thanks to the massive intervention of both monetary and fiscal policy, it did not become a deep and prolonged recession. After a contraction of 4.2 percent in the gross domestic product, a recovery began in the second half of 2009. Unemployment peaked at 10 percent in October 2009.

It is too early to confidently predict the course of the economic downturn facing us due to the coronavirus. But a recession is inevitable. The global manufacturing industry was already shaky in 2019. Now we are deliberately shutting down the world's major economies for at least several months. Factories are closing, shops, gyms, bars, schools, colleges, and restaurants shuttering. Early indicators suggest job losses in the United States could top 1 million per month between now and June. That would be a sharper downturn than in 2008-2009.

For sectors like the airline industry, the impact will be far worse. In the oil industry, the prospect of market contraction has unleashed a ruthless price war among OPEC, Russia, and shale producers. This will stress the heavily indebted energy sector. If price wars spread, we could face a ruinous cycle of debt-deflation that will jeopardize the world's huge pile of corporate debt, which is twice as large as it was in 2008. International trade will sharply contract.

In 2008, the banks were at the center of the storm. Given the consolidation of their balance sheets, it is less likely that America's big banks will run into difficulty this time. But Europe's banks never truly recovered from the double shock of 2008 and the eurozone crisis. Italy's public finances are in precarious balance. On Wall Street, fund managers of all kinds have been booking large losses and are facing huge demand for cash. A hard-pressed oil-producing country might be forced to offload assets from a sovereign wealth fund, thereby depressing prices for otherwise good assets and unleashing a chain reaction.

Dan Joelson
Car Title Loans California
+1 310-989-1989
email us here
Visit us on social media:
Facebook
Twitter

This press release can be viewed online at: http://www.einpresswire.com

Disclaimer: If you have any questions regarding information in this press release please contact the company listed in the press release. Please do not contact EIN Presswire. We will be unable to assist you with your inquiry. EIN Presswire disclaims any content contained in these releases.
© 1995-2020 IPD Group, Inc. All Right Reserved.