Editor’s Note: Let’s Have That Recession!

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By Paul Mattick

Every day, for what seems like months, the New York Times economics correspondents have been agonizing about whether or not the U.S. economy, or the world economy, is about to go into recession. Since, despite 250 years of economic science, nobody understands the workings of the economy even to the degree that forecasters understand the weather (and even they apparently need occasional correction from @realDonaldTrump), the guesses—despairing or cheerful—are largely based on the guesses of investors, as manifested in the rise or fall of purchases of government bonds (safe but low-yield investments). By and large, it has to be admitted, things aren’t looking good: the German economy is stalling, Chinese growth has slowed, U.S. manufacturing is down. The world’s central banks are taking the situation seriously enough to pour scads of newly printed dollars, euros, and renminbi into financial circuits in an effort to stimulate lending, investment, and so a resumption of growth.

This is, of course, as much as to admit that the capitalist economy itself cannot be depended on to generate profits to make possible a continued expansion of products and services on a scale sufficient to support social peace. The only alternative to sitting back and allowing the social system to slip into open crisis, with deeper degradation of living and working conditions in the richer countries and accelerated impoverishment of the poorer countries, is the further increase of the state’s role in economic affairs. In this scenario, increasing government debt takes the place of taxation in order to defer the price paid by corporate capitalism for financial support to a hopefully more prosperous future.

How do we find ourselves here, amidst what is constantly described as the longest economic expansion in history, at least in the U.S.? The common explanation blames it on Trump’s abandonment of the idea of “free trade”—in reality, regional and international trade agreements—as a key to American economic supremacy. While Trump’s particular stupidity does not help matters, this is to look at the matter backwards—it is the long-term decline of the capitalist economy, together with the shift in dynamism within it to newly industrializing China, that has exacerbated tensions around trade, making “fighting China” an objective of Bernie Sanders and Donald Trump alike, alongside the hard-to-undo imbrication of the Chinese and American economies.

Despite all the talk about the economic expansion since the Great Recession of 2008, the rate of growth of Gross Domestic Product remains below that of earlier decades, as does that of World GDP, as calculated by World Bank figures. And this is even without going into the peculiarities of the concept of GDP, which embraces any money-making activity under the rubric of growth, including, for instance, the expansion of production paid for by government debt. But more fundamentally, since capitalism is in the business of producing goods and services only to the
extent that their sale yields profits usable for future investment—what Marx called the accumulation of capital—its health is to be measured not by the growth of output but by the growth of capital investment. And this central activity has been falling for the world as a whole, as well as for the U.S. in particular, over the last 40-odd years, something on which all statistical estimates agree.

The declining rate of capital investment is actually far more important than predicting when exactly the continuing decline of the world economy will manifest itself in the kind of sudden collapse economists now call a recession. The chief method of counteracting this sort of decline undertaken by governments in the 1930s—the state financing of war production, along with some subsidizing of civilian welfare—remains in use, though clearly not on a scale sufficient to overcome the basic economic difficulty. The failure of classical post-war Keynesianism signified by the stagflation of the 1970s did not mean an end to government intervention in the economy, which had become indispensable. New forms of intervention developed, centered on the direct transfer of money to corporations and wealthy individuals. The limits of the newly developed mechanism of pouring government-printed money into the financial system are not yet known, although central bankers are as worried by what those limits might be as they are compelled to engage in magical finance. The inability to measure this horizon is the reason why no one can say when the bill will come due in the form of the threatened recession.

One thing we can say, however: the sooner the better. First of all, it has been shown by numerous studies that, in the words of one famous academic paper, "recessions are good for your health." Economist Christopher Ruhm discovered in a study of U.S. data that "a one percentage point rise in the state unemployment rate, relative to its historical average, is associated with a 0.5 to 0.6 percent decrease in total mortality, or a reduction of around 11,000 fatalities annually." In an interview with the Brooklyn Rail, political economist José Tapia explained this counter-intuitive result:

During recessions both workers with jobs and the population at large are exposed to changes that depend on the condition of the economy, and many of these changes are beneficial for health. For instance, in general, overtime and working hours diminish in recessions and that allows for more sleep and more exercise. Tobacco consumption also declines. Less atmospheric pollution due to less industrial activity and transportation (both industrial and recreational driving decline) imply fewer cardiovascular and respiratory deaths and fewer lesions and deaths because of industrial or traffic injuries.

There is some evidence that this effect may be becoming weaker as industrial production plays a smaller part in economic life, but recent experience in the eurozone suggests its continuing relevance: Tapia notes that “death rates in Europe dropped faster during … the Great Recession, than before the crisis hit.” The trend held even in his birth country of Spain, where unemployment topped 20%. “Everyone was expecting a strong increase in mortality. Again, it was the opposite,” he says. Now he calls the link between recessions and lowered death rates “almost as strong as the evidence that cigarette smoking is bad for health.”
No one can question the fact that recessions are certainly good for the health of the planet. To cite Tapia again, fluctuations in atmospheric concentrations of CO2 can be used to date global recessions. As he explained in the November, 2017 Field Notes, just to take the most recent period,

In the United States CO2 emissions rose significantly when the economy was booming, reaching a peak in 2007; then they sank precipitously when the economy tanked during the Great Recession, reaching a trough in 2012; then they increased again when the economy started to gain momentum in a slow recovery. There is no evidence at all that any of these changes in US emissions was the effect of policies. [And] the same story can be told for the global economy.\(^4\)

Despite all the jibber-jabber from those global government officials not devoted to climate change denial, absolutely nothing of any significance is being done to combat the rising trend of greenhouse gas concentration. Ideas like the Green New Deal promoted by one or two would-be American presidents would necessitate for their realization a shift in social power from corporations to the state—but the state is deeply and structurally devoted to corporate interests. In the absence of any mass movements demanding the destruction of corporate power and willing to engage in the civil war that would require, it is hard to imagine that the election of even the most ecology-minded president would make much difference.\(^5\) The most likely, effective, and immediate bet to slow down the coming climate catastrophe is a global recession—as soon and as deep as possible.

There is one more consideration, far more speculative than those just mentioned. In an August 2019 column for the *Times*, Farhad Manjoo noted the musings of Alan Murray, C.E.O. of *Fortune*, in a front page story in that magazine on executives’ anxiety in the face of a looming recession: “More and more C.E.O.s worry that public support for the system in which they’ve operated is in danger of disappearing.” In Manjoo’s words, “They’re worried that when the next recession breaks, revolution might, too.” After all, he reminds us, the “uninterrupted economic expansion” that has been so good to selected stock-and-bondholders has been pretty much a disaster for most people. “And so, when recession comes, we’ll be right to ask: Was that it? Is this the best it gets?”\(^6\)

Manjoo thinks the “revolution” could go as far as electing reformed libertarian Elizabeth Warren (everyone but Cardi B having agreed that Sanders is out of the running). This represents a spectacular failure of imagination as we head towards disappearing drinking water for some of the world’s biggest cities while oceans and rivers flood others, the specter of hundreds of millions of climate refugees, and the continuing inability of global capitalism to employ the earth’s people at wages high enough to feed and house them. But you can’t really blame him: it’s only very recently, after a long hiatus, that words like “revolution,” “socialism,” and even “communism” are beginning to reenter normal conversation. This revival of the idea that the society that currently exists is not the only one possible is itself a product of the ongoing decline of the global economic system, and the obvious inability of its current rulers to manage the havoc produced by capital’s need to accumulate. It’s certainly possible that a further sharp demonstration of the limits of business as usual has the potential to ignite our collective social imagination—yet another reason to welcome the recession.

**Contributor**

**Paul Mattick**

Paul Mattick is the Field Notes Editor.