

The Trump Recession Exposes the Deep Fissures, Endemic Imbalances, and Structural Weaknesses of the U.S. Economy

John Komlos, Professor Emeritus, University of Munich

Acknowledgements: Comments from Kevin Albertson, Charles L. Allen, William Galose, Justin Holt, Paolo Ramazzotti, Gian Cesare Romagnoli, Domenic Scalera, and André Pedersen Ystehede are greatly appreciated. All remaining possible errors or omissions are, of course, the author's alone.

Abstract

For years President Donald Trump touted how strong the U.S. economy became under his leadership and a chorus of pundits and economists echoed that narrative. It did seem to be true at least superficially on the surface. After all, the official unemployment rate was at a record low, the stock market was at a record high, and average incomes were growing. However, seeming is not the same as being. The economy appeared to be strong only if one was willing to overlook the deep fissures and structural weaknesses that were indicative of an economy so off-balance that it was vulnerable to large unforeseen shocks. Thus, the coronavirus pandemic struck a fragile economy that magnified its impact and revealed the need for fundamental reforms that would create a fairer and more robust socio-economic system.

JEL: A10, E02, E39, G10, H10

Keywords: Coronavirus pandemic, Trump recession, black-swan robust society

Introduction

The pandemic of 2020 is the sort of large-impact improbable event that is often referred to using the metaphor of a “black swan” (Taleb, 2007).¹ Yet, in the U.S. such unforeseen disasters have been appearing at the national level at 5-year intervals so far in the 21st century: the Dot-Com bubble, 9/11, the Meltdown of 2008, and now the coronavirus pandemic.² In other words, such unforeseen events occur with sufficient regularity that we should take the threats they pose much more seriously than we have in the past and seek ways to create a black-swan robust socio-economic system in which we would be less vulnerable to their devastating impact (Taleb, 2009).

The Trump recession has not been formally recognized, but the 40 million newly unemployed during the first month of the pandemic, in addition to the 12 million that was already unemployed, nonetheless reveals the fragility of the neoliberal economic system as well as the inconsistency of its ideology of rugged individualism.³ The markets work until they don't and desperately need government bailouts by the trillions of dollars in order to fend off collapse. The system provides "socialism for the rich" and leaves the rest of us to fend for ourselves (Stiglitz, 2009). How long can a system work that is being propped up by trillions of dollars created by the Federal Reserve (Figure 1)? Just between March 11 and April 15th the Fed purchased an unprecedented \$2 trillion worth of financial assets, thereby increasing its holdings by 50% practically overnight. How long can such a bailout capitalism work? It is hard to imagine that unconditional liquidity can become the foundation of a sustainable and inclusive capitalism (Mazzucato, 2020). It is time for a paradigm switch away from the heartless economics of hypercapitalism and toward to a less fragile form of capitalism. The thesis of this essay is that only a fairer humanistic economy on the Nordic model will provide the stability we need (Komlos, 2019a Svendsen and Svendsen, 2016).

Figure 1 about here

An important first step in doing so would be to examine our vulnerabilities in an extremely uncertain world and to acknowledge that other potentially catastrophic events are lurking around the corner. These include global environmental degradation, hostile artificial intelligence, and the rising U.S. national debt, not to speak of the possibility of untoward acts of adversaries around the globe.⁴ It is an absolute necessity of our time to start thinking about the fundamental weaknesses of our ideology and how to make our civilization more robust.

[Evidence that the economy was not at all roaring prior to the recession](#)

In 2019 President Trump boasted about "an unprecedented economic boom." adding that we have "the hottest economy anywhere" and that "our economy is the envy of the world" because "an economic miracle is taking place in the United States" (Trump 2019). He reaffirmed as much in his subsequent State of the Union Speech: "our economy is the best it has ever been", we have a "roaring economy", emphasizing that the "stock markets have soared" (Trump 2020). He was by no means alone in propagating such impressions. These assessments were echoed in the media and the website of the White House reposted some of the news clips: "America's

Economy is Roaring” (White House, 2018). Shortly before the pandemic Jerome Powell, Chair of the Federal Reserve, said that the “economy was in a very good place” (Long, 2020). Such views were echoed by academic economists as well. Even before his presidency, at the meeting of the American Economic Association, Martin Feldstein of Harvard University, a doyen of the National Bureau of Economic Research, declared confidently that “fortunately, U.S. economy is now in very good shape. We are essentially at full employment” (Feldstein, 2016).

These observers mistook a Potemkin village for reality. They were mesmerized by the low *official* unemployment rate, the record high stock prices and the growth in GDP and failed to recognize the dual nature of the economy, its deep structural weaknesses, its fundamentally unbalanced nature, as well as its fragility (Temin, 2017). In fact, there is no quality-of-life indicator for which the U.S.’s rank is comparable to those of other rich countries: not in life expectancy, not in life satisfaction, not in educational attainment, not in children’s welfare, not in equality, not in mass murder rate, not in equality, and not in opioid overdoses. Only using average income per capita is U.S. ranked high, but this is an indication of how misleading averages are if the distribution is extremely skewed and the super-rich have an extraordinary impact on the average. However, there are those who realize that the economy was not working for far too many Americans and that the middle class was being hollowed out (Bernard and Russell, 2019; Hacker, 2019; Komlos, 2018;). In short, the headlines were woefully misleading. “This nation was ailing long before the coronavirus reached its shores” (Editors, 2020). Here is why:

- 1) Although the pundits could assert correctly that wages were rising, it was misleading because they failed to add that the **median income** of men without a college education is still below those attained in 1973 (Figure 2). Moreover, 4.6 million part-time workers, who are unable to find a full-time job, were earning \$283 per week, just \$14 (fourteen dollars in 2019 prices) more than they earned in July 2002 (Figure 3).⁵

Figures 2 and 3 about here

- 2) It is also true that the economy was growing and that incomes were increasing but median household income has risen merely by \$87 per annum since 1999 (Figure 4) and in many Rustbelt states they are still below their level of 2000. However, the situation is substantially worse than this implies because of questionable statistical adjustments to the price deflator. If one considers instead how much income it would take to thrive like a middle-class family, one

finds that the cost of thriving index (COTI) rose much faster than incomes. “The COTI shows a declining capacity of a male full-time worker to meet the major costs of a typical middle-class household.... The widening gulf... between what American life costs and what American jobs pay is a central fact of American political economy that the public appears to have understood long before economists” (Cass, 2020).

Figure 4 about here

- 3) Admittedly, the *official* unemployment rate stood at 3.5% but only because the true rate was woefully underestimated. Actually, the real unemployment rate in 2019 was more than twice as high (7.8%), far from full employment (Komlos, 2019a, p. 190). The real unemployment rate counts a third of those who are working part time involuntarily as unemployed and also those who want to work regardless of how long ago they stopped searching for work. After all, searching for work should not be a prerequisite of being considered unemployed. Rather, those who are not working but want to work should be counted as unemployed. The U6 rate, published by the Bureau of Labor Statistics comes much closer to the true unemployment rate (Komlos, 2020). It stood at 7.0% in February of 2020 (Fed series U6RATE).
- 4) Although the media celebrated the hundreds of thousands of jobs allegedly created monthly, they failed to consider that many of the jobs created were not providing security or were part time.⁶ In short, many were precarious jobs with lower and more insecure incomes than regular workers. Workers in the gig economy, such as “independent contractors”, “on-call workers”, “temporary help”, worked mostly without unemployment or health insurance benefits or pension plans (Friedman, 2014; Standing, 2014). By one count there were 6 million such “contingent workers” in 2017 (Kosanovich, 2018). The prevalence of the gig economy is hardly a sign of a thriving and robust labor force capable of living a dignified life. As the Nobelist Amartya Sen put it, “there is a critical need for paying special attention to the underdogs of society...” (Sen, 2009).
- 5) Government debt is reaching an ominous level with a projected \$1.1 trillion deficit in 2020 even before the pandemic and a cumulative debt of \$23.2 trillion or 105% of GDP (CBO, “Budget”; Fed series, GFDEBTN, GFDEGDQ188S). Note that federal debt was 31% of GDP in 1981 (Hilsenrath, 2020). Endemic government deficits is not a sign of a good economy, but an economy living well beyond its means and digging itself deeper into debt. The consensus view even before the pandemic was that \$1 trillion deficits are not unsustainable because of the interest rate burden (Rogoff, 2019).⁷ The 2020 deficit will be upwards of \$4 trillion. This is in

addition to the \$2 trillions the Fed injected into the financial sector in order to keep it afloat. To say that we are in uncharted territory would be an understatement.

- 6) Burgeoning private debt—particularly credit card debt—is also worrying. People are living paycheck to paycheck without any savings to rely on in downturns (Board of Governors, 2019). Individuals in a recession without adequate savings find it difficult to meet commitments leading to bankruptcies, foreclosures, or evictions. There is “widespread fragility across the entire population – more than one-third of Americans are financially fragile.... Financial fragility is not only pervasive, but many middle-income households also suffer from the inability to deal with shocks” (Hasler, Lusardi and Oggero, 2017). Indebtedness and fragility are not the qualities one would expect from a strong economy capable of withstanding large unanticipated fluctuations. Instead, it is a sign of an unbalanced economy in which “only 29% of Americans are financially healthy” and, even more worrisome, only half of households with income above \$100,000 were healthy financially (Financial Health Network, 2019).⁸
- 7) The current level of inequality is unsustainable and has been exacerbated by the 2017 tax cuts. The average U.S. household in the top 1% of the wealth distribution has accumulated a net wealth of an astronomical \$35 million. Yet, 39% of adults do not have \$400 cushion on hand to meet an unexpected expense (Board of Governors, 2019, p. 21). Similarly, with income: between 1979 and 2013 the top 1% of households increased their income by \$600,000 annually whereas the middle class gained \$11,000 (Komlos, 2018). Even former Chairman of the Federal Reserve, Alan Greenspan acknowledged that the increase in inequality might “spark... an economically destructive backlash” (Greenspan, 2007b, pp. 365, 408). It is not only inequality that is a problem but the perception that the economy allocates rewards unfairly, extremely unfairly (Case and Deaton, 2020, p. 213).⁹ Moreover, wealth inequality is far worse than income inequality.
- 8) A good economy would not have 150,000 deaths of despair a year with life expectancy declining (Figure 5) (Case and Deaton, 2020). When traditional social structures of support dissolved for working class whites there was nothing to take their place and despair accumulated. The family was gone, the unions were gone, neighborly love was gone, the churches were no longer relevant, the government looked the other way, and the gig economy did not offer enough income to succeed in the marriage market. For these folks there was nothing to grasp onto except a bottle, the trigger of a gun, or a hypodermic needle.

Figure 5 about here

- 9) The booming the stock market was also interpreted as a sign of a “roaring” economy, but much of it during the last few years was due to irrational exuberance or “overspeculation that, as Adam Smith argued, tends to grip many human beings in their breathless search for profits” (Sen, 2009). Price/Earnings ratio of the S&P 500 reached an unusually high index value of thirty-one in February 2020 (Shiller, 2020). Historically, only twice before has it been at such levels: in 1929 and again during the Dot-Com bubble at the turn of the 21st century. To be sure, during the latter bubble it did stay above 30 for four years. Nonetheless, once the ratio reached 30 in August 2017, it should have been a clear warning sign that the market was overheating and such prices were not sustainable for long.

The above dismal record should have given economists and policy makers pause that such imbalances were not the sign of a healthy and stable economy, but they were overlooked or were concealed under a shiny veneer of positive spin. So, the pandemic struck an economy that was hardly robust to black-swan events. The ensuing human toll and the bailouts amounting by mid-April of \$3 trillion from Congress and another \$2 trillion rescue infusion from the Federal Reserve—25% of GDP, so far—is indication of the immensity of the dislocation and the degree to which the pandemic hit an economy that was already offbalance. What needs to be done? We need more than patching things up while hope of returning to the pre-crisis “normal” which was not at all normal in the sense of being sustainable. A good economy is stable, and one in which all thrive and for that, we need to shift the economy on a new track, as outlined in the next section. Only then would we be able to overcome the nine challenges enumerated above and put the economy on a sturdy footing.

Fourteen Goals for a Stable Economy and a Good Society

- 1) We should redefine what a **good economy** is. According to the orthodox canon, a good economy is one with a high and growing GDP (Feldstein, 2017). This is a Panglossian view (Stiglitz, Sen, and Fitoussi, 2010; Sachs, 2019; Temin, 2017). We should recognize that fixation on materialism does not satisfy our psychological needs for fulfilment, self-respect, and human contact (Fromm, 1956a). It does not quench our thirst for spiritual balance (Fromm, 1956b). Instead, it leaves us empty craving for more (Scitovsky, 1976).

We have arrived at a stage of economic development with which we should be content. Striving for more growth is a fool’s errand. Rather, we should strive for a good economy, one in

which people are satisfied with their lives and enables them to meet their basic needs with a minimum of stress and anxiety, and one which enhances human dignity and self-worth while minimizing frustration and pain. It is one in which people are able to enjoy more autonomy in personal development and are rich in spirit, creative, and wise enough not to have to depend on Hollywood stars to tell them how to arrange their lives (Maslow, 1943). A psychologically balanced population will be able to exercise enough self-control not to yield to a culture of instant gratification and will be able to enjoy life without succumbing to the barrage of advertisements touting the temptations of materialism. This is the vision of humanistic economics (Brockway, 1991; Komlos, 2019; Lutz and Lux, 1988; Schumacher, 1973).

We should acknowledge that a meaningful life goes well beyond consumption and production (Smith, 1759). Rich countries do not need a growing GDP in order to enjoy a good life. Instead, we need to grow psychologically in order to live less harried and less precarious lives protected by social safety nets from the vagaries of the business cycle and respected by the community (Whybrow, 2005, 2016). A good economy should also enable people to achieve a satisfactory work-life balance. Only a progressive capitalism built on the Nordic model will create such an economy (Stiglitz, 2019). The goal for the U.S. should be to catch up to Denmark or Norway in life satisfaction (Kristof, 2020).

- 2) We have to abandon not only **GDP fetishism** but also our focus on short-run efficiency and instead acknowledge that efficiency in the long run requires more careful planning for unknowns than is the case with short-run efficiency. That means we need to build a comfortable level of slack into the system so that we can confront unknown developments in the future. This is the case for firms, households as well as government. Complex systems are very sensitive to small perturbations unless there is sufficient shock absorbers to absorb the shock waves that are propagated through the system. During the Great Depression we introduced a number of these shock absorbers such as social security, the minimum wage, and supported the unions. They might have been seen by some as inefficient in an ideal economy. But in the real-existing economy they became efficient in the long run. They no longer suffice. We need new institutional innovation in order to deemphasize growth and provide for a comfortable slack in the economy.
- 3) A good economy is one which distributes its fruits **equitably** (Atkinson, 2015; Boushey, 2019; Piketty, 2014). The market mechanism is not good at that, because several magnification

mechanisms are an integral part of market processes. These include first-mover advantages to few firms through the winner-take-all design of markets which have an exaggerated effect on the distribution of income and wealth (Frank and Cook, 1995). In addition, those who are born into disadvantaged circumstances are excluded from a good life and would need their opportunity set expanded by having access to good educational system (Georgescu-Roegen, 1971; Raworth, 2017; Stiglitz, Fitoussi, and Durand, 2019).

A skewed distribution of income also produces negative externalities because of the psychological effects of relative deprivation those who are not able to maintain the social norms feel resentful. Furthermore, too many people decrease these tensions by going into debt in order to keep up with the Joneses. Hence, a society that has a narrower distribution of income is not only fairer and has more social cohesion, but it is less burdened with debt and therefore more resilient to unforeseen shocks. The goal of the U.S. should be to catch up to the Scandinavian countries in an equitable distribution of income. “There is a critical need for paying special attention to the underdogs of society” (Sen, 2009).

- 4) **Education** is the key to success in the knowledge economy which rewards educational attainment much more than in prior epochs. We have to improve the educational system which still treats college education as a luxury, although it should be clear that high school education no longer suffices to meet the needs of the economy. For this reason, mediocre elementary and high schools need to be brought up to par with the best in the country. Those who attend mediocre schools are trapped and are at a disadvantage for the rest of their lives. In other words, we have to provide the opportunity for everyone to acquire a post-secondary education free of charge. College education is today what high school education was in the previous century. It is a necessity for success in the labor market. As a consequence, everyone should have the opportunity to attend college without becoming indebted. Doing anything else would be inefficient, a continued waste of human resources. A better educated labor force is not only more productive but earns more and saves more and has more financial literacy so that it is more able to withstand shocks associated with unforeseen events. The goal of the U.S. should be to catch up to Canada in math scores, for example.¹⁰
- 5) We have to be realistic about human nature and recognize and come to terms with the many **biases** of the human brain (Kahneman, 2011). Only then can we create a fail-safe environment, and plan collectively for a well-functioning socio-economic framework instead of disregarding

these biases as we have up to now. They include the difficulty in dealing with uncertainty and our innate present biasedness. In combination they are powerful inhibitors of a robust socio-economic system. This implies that planning for the future cannot be left to individual decision makers or to market processes. This is particularly the case in the U.S. because instant gratification is so deeply engrained in its culture, an exaggerated version of present biasedness. We need collective action: individuals have not and will not be able to plan satisfactorily. Only a government can provide oversight and plan adequately for the future. To be sure, any government will not do. It has to be administered by enlightened functionaries who have the common weal in mind.

- 6) That also means that we have to **deemphasize consumption** as the primary goal of our civilization (Schor, 2005). We need collectively to counteract excessive consumption stressed by the business community including centers of power such as Wall Street, Silicon Valley, Hollywood, and Madison Avenue. The greedy form of materialism they advocate is insatiable and therefore cannot satisfy, because it creates a rat-race environment that always tempts us to want more. Instead, we need to rein in our appetite, our greed, and have a mindset that is less concerned with success measured in monetary terms and more concerned about the spiritual and social aspects of life. Instead of growing the economy, we need to focus on psychological, spiritual, and moral growth. That would enable us to develop self-control and overcome our present biasedness thereby enabling us to save more to be able to withstand downturns of the business cycle.
- 7) As a consequence, **consumer protection** is desperately needed as a countervailing force to offset corporate power and in order to avoid scams by unscrupulous businesses taking advantage of asymmetric information and engaging in opportunistic behavior (Warren, 2007). Only the government can protect the consumers from predatory advertisements so that they are emancipated from living beyond their means and decrease their debt burden (Sunstein, 2016; Thaler and Sunstein, 2008; Warner 2010). Consumer protection should include children, so they do not become addicted to consumption (Schor, 2005). The road to a balanced economy goes through consumer protection.
- 8) We have to make sure that the basic needs of the population are met and keeping in mind that health care is both a basic need and a human right, we must reform the **health-care** system and provide a Marshall Plan for it that offers universal coverage. The patchwork system we have now

is the most inefficient among the rich countries. The savings gained will be in the trillions of dollars and the health benefits will serve the society and economy well. The neoliberal health-care system and the American Medical Association as its standard bearer exposed its weaknesses during the pandemic, but it has been known for a long time. In fact, it should have been obvious decades ago that a medical system organized on a business model is flawed and cannot possibly provide optimal results (Arrow 1963). The U.S. needs not only more hospitals but hundreds of thousands of additional doctors (Komlos, 2019a, p. 166). In turn, this requires an increase in the number of students admitted to medical school. Such a chaotic situation as prevailed during the pandemic should not be allowed to happen again. We should at least learn from our mistakes even if we vested interests prevented us from acting proactively.

- 9) The **public finances** must be put on a solid footing if we do not want to dare fate by going deeper in debt. Moreover, government must be adequately funded in order to provide for public goods and make plans for unforeseen events.¹¹ Safety is costly. Only government can provide institutions and oversight that will ensure that the economy and society is resilient to unanticipated shocks. The market will not create a black-swan robust society. Only with an efficient and well-funded public sector can we achieve our goal of a Capitalism with a Human Face.
- 10) In order to eliminate the endemic budget deficit in the U.S. we must start **taxing** the superrich like they were before Reagan inaugurated a system of perpetual windfalls (Komlos, 2019b). “If the aim of government policy is to reduce inequality, the only sustainable long-term solution involves raising taxes on high earners” (Rogoff 2020). There is no other way to balance the budget and avoid spiraling into perpetual indebtedness. That will also mitigate the political power of the plutocrats (Page and Gilens, 2017). A government with more funds can also plan better for unforeseen shocks.
- 11) The budget will not be balanced without decreasing **military expenditures**. Sixty years ago, President Eisenhower warned us that “We must guard against the acquisition of unwarranted influence . . . by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.”¹² We can no longer afford to be the self-proclaimed policeman of the world.
- 12) Defective **ideology** of neoliberalism characterized “by a huge overestimation of the wisdom of market processes,” has to change if we want a good economy (Sen, 2009). We have to leave to

markets what they can do best and leave to the government what it can do best. The best government is not one that governs least (Stiglitz, 2020). Government must be large enough to proactively provide a robust shield to face potential crisis and not the kind of inefficient patchwork bailouts that it scrambled to inaugurate in response to crisis.

- 13) The **stock market** should be stabilized so that investors cannot make too many “errors of undue optimism or undue pessimism” (Pigou, 1929, p. 73). Then the market would not be so prone to bubbles during which prices trend far above fundamental values. Bubbles are not in the public interest, because they mislead people into thinking that they have more wealth in the near term than they actually do. This misinformation incentivizes them to consume more than would be prudent. Moreover, when the bubble bursts the declining stock process create panic sending shock waves throughout the economy. That makes adjustment precarious as people see their paper wealth evaporate. In short, stable stock markets would serve the public interest. In order to avert bubbles, we should experiment by taxing high frequency traders and by prohibiting magnification mechanisms such as buying stocks on margin. We should bring back the prohibition on banks purchasing stock on their own account which served us well for sixty-five years. Wall Street should not be allowed to accumulate excessive risk. In addition, we should recognize that the stock market is not an accurate bellwether for the economy and should not be equated with it. Hence, we should not create an atmosphere in which policy makers and pundits promote the indexes and revel in their increases that could actually be harbingers of problems ahead.
- 14) We have to focus on the **environment** by making plans to transition to green energy if we do not want to leave a desolate earth to generations yet unborn. Unless we plan proactively, global warming will create as much instability as the coronavirus pandemic has, albeit it will be much more difficult to reverse.

Discussion

Markets are a necessary condition but not sufficient for a “decent economic world” (Sen, 2009). They are incapable of providing many of the prerequisites of a good economy including public goods. Stability is one such public good. Only the government can provide the institutions necessary to maintain it. A volatile economy is not in the public interest, because in the wake of large unforeseen disasters too many people are hurt on the downswing and too many unrealized

hopes generated on the upswing are shredded. An economy that is out of balance is especially prone to unanticipated shocks. In contrast, an economy in which people have adequate savings have some cushion to serve as a shock absorber. A government that collects sufficient revenue to have enough slack in the budget to prepare for unforeseen events by stockpiling resources for possible catastrophics will be more resilient. However, a society in which the rich refuse to pay their fair share of taxes will be doomed for failure.

The link between fairness and robustness is established through the elimination of a desperate low-wage underclass in the gig economy, barely eking out an existence even in good times. They will not have savings to fall back on if they are furloughed in case of a recession. They will not have health insurance if they are laid off. Moreover, a government that has an endemic budget deficit—even in good times for most of four decades will not have the resources to plan and invest in inventory in preparation for a black-swan event. Such a government that has pampered the superrich by giving them trillion-dollar tax holidays for decades will not have the money to stockpile respirators and face masks. Such a government will not be able to provide adequate educational opportunities for its youth. Such a society that has a large segment of the population living precarious lives, living from paycheck to paycheck will be fragile, will have difficulties meeting basic needs during a downturn and will be easier to manipulate by unscrupulous politicians. Hence the connection between frailty and fairness.

The inadequate performance of governmental institutions during the current pandemic should be a warning sign that underfunding government is not a defensible strategy for the long-run survival of a nation (Packer, 2020). The minimalist governmental vision of Ronald Reagan was a dead end that led to precarity capitalism (Azmanova, 2020; Komlos, 2019b; Sandel, 2018). The government is a vital part of the socio-economic system. However, with endemic budget deficits, its performance is likely to be subpar. Incompetent leadership obviously exacerbates the problem.

We should reform the socio-economic system and set the goal of creating a “Black-Swan robust” economy. This would be a society that can withstand difficult-to-predict adverse developments such as a recession or a crisis, financial or otherwise. We should not simply return to the system that prevailed prior to the pandemic. Only the adoption of the 13-point reform proposal above will decrease the inherent fragility of the economy as currently constituted with its structural weaknesses.

No doubt other improbable events are lurking around the corner. Unless we design a resilient economy and society that can better withstand shocks of magnitude eight on a Richter scale which have been occurring at five-year intervals recently, such as the coronavirus pandemic, we will continue to face radical uncertainty unprepared for the next unanticipated crisis (Aldred, 2020). The impact of global warming is likely to be an order of magnitude larger than the current pandemic, because it will be permanent whereas the current pandemic is supposedly temporary. A doom loop is avoidable but only if we think intensely, creatively, and flexibly about our fundamental structural weaknesses and ideological inconsistencies and not plan to get back to business as usual as soon as possible. There are too many risks involved with such a strategy. We found out that the emperor has no clothes. Now is the time to stop pretending otherwise.

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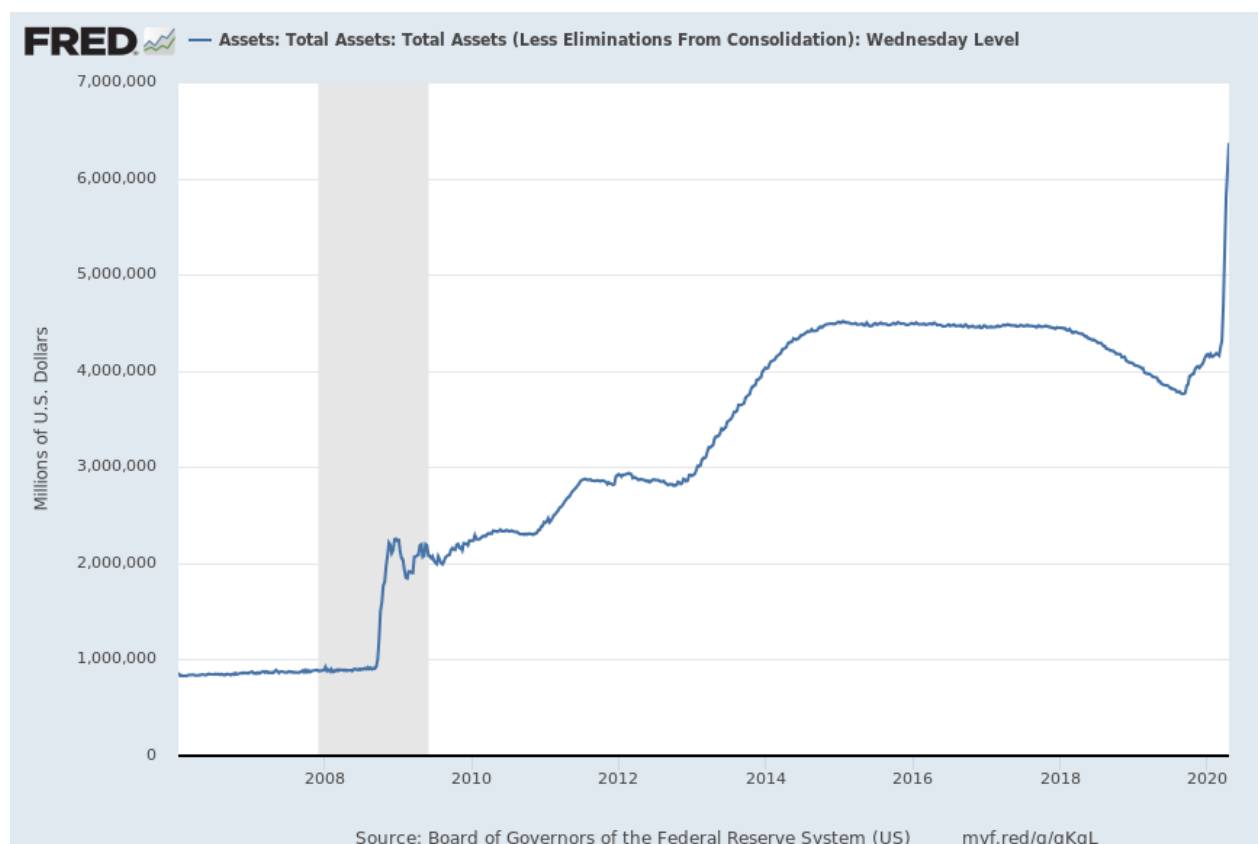
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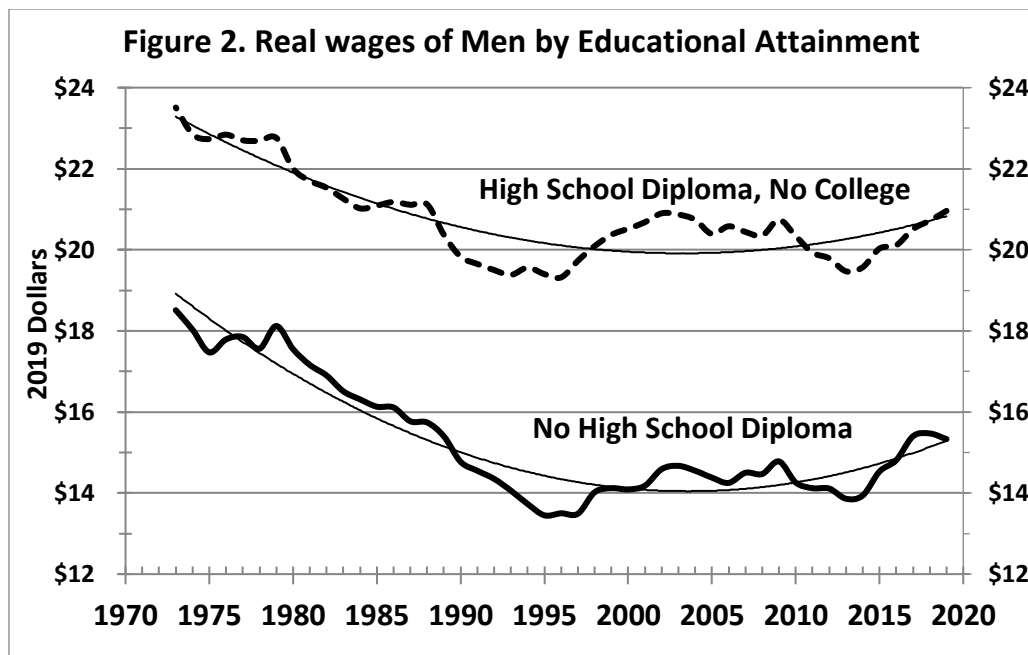
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Figures

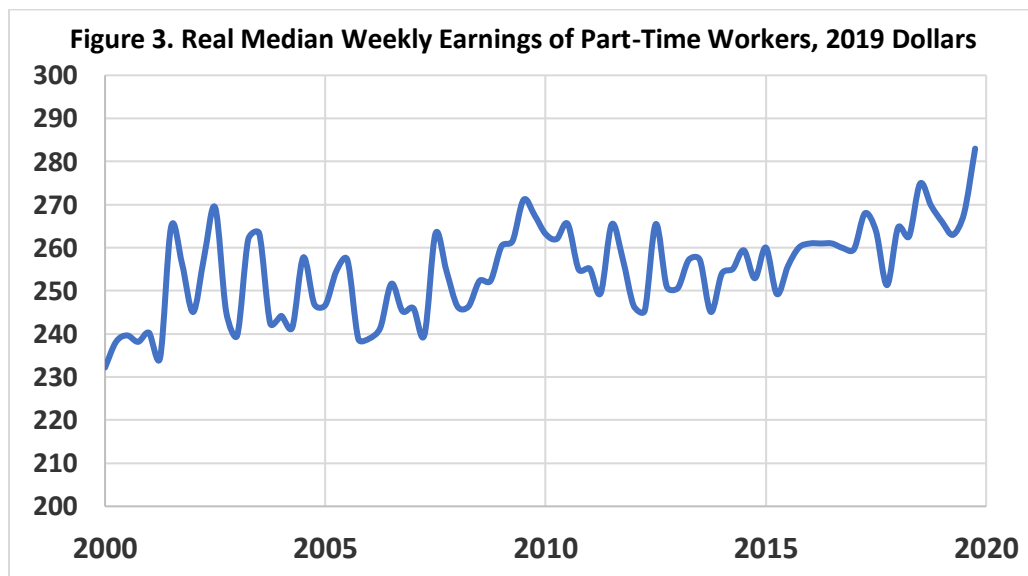
Figure 1. Asset purchases of the Federal Reserve



Source: Federal Reserve Bank of St. Louis, FRED series WALCL.

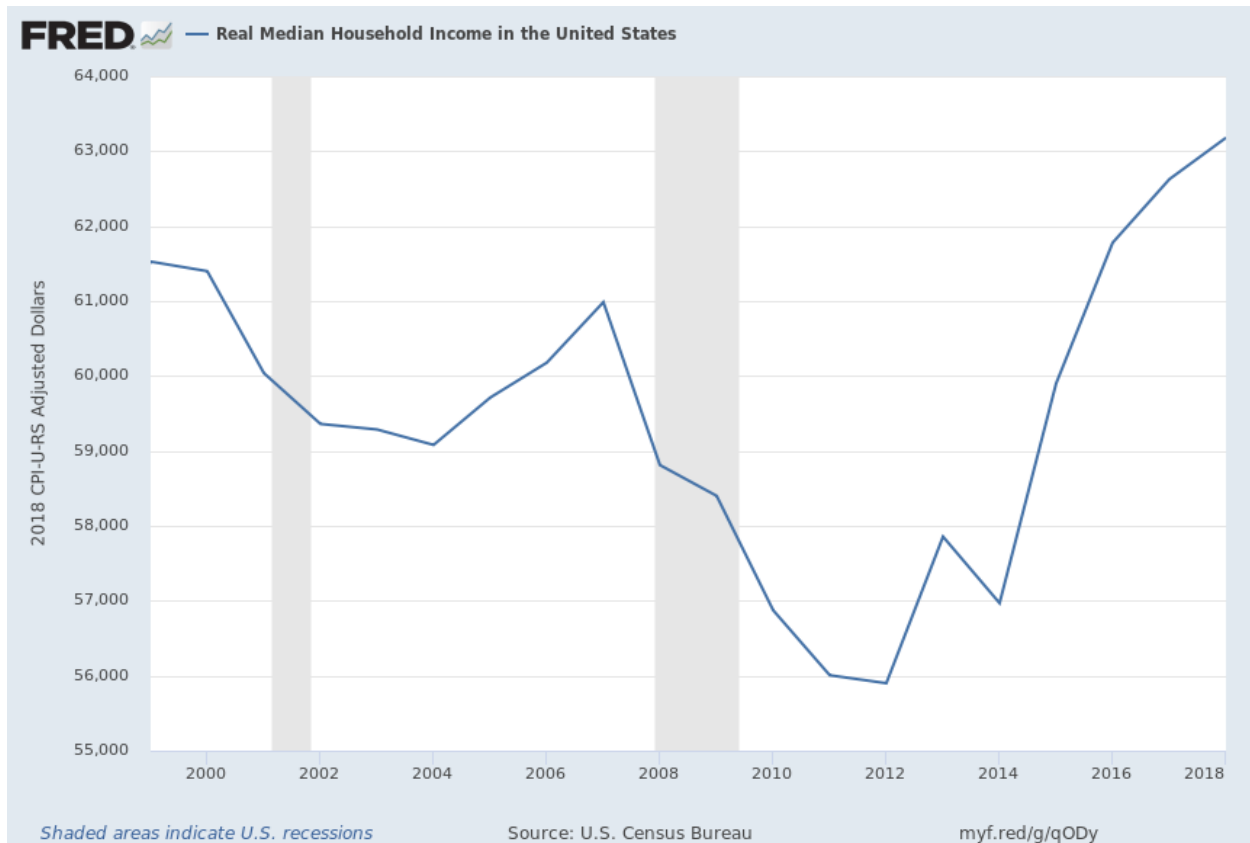


Source: Economic Policy Institute, *State of Working America Data Library* 2019.
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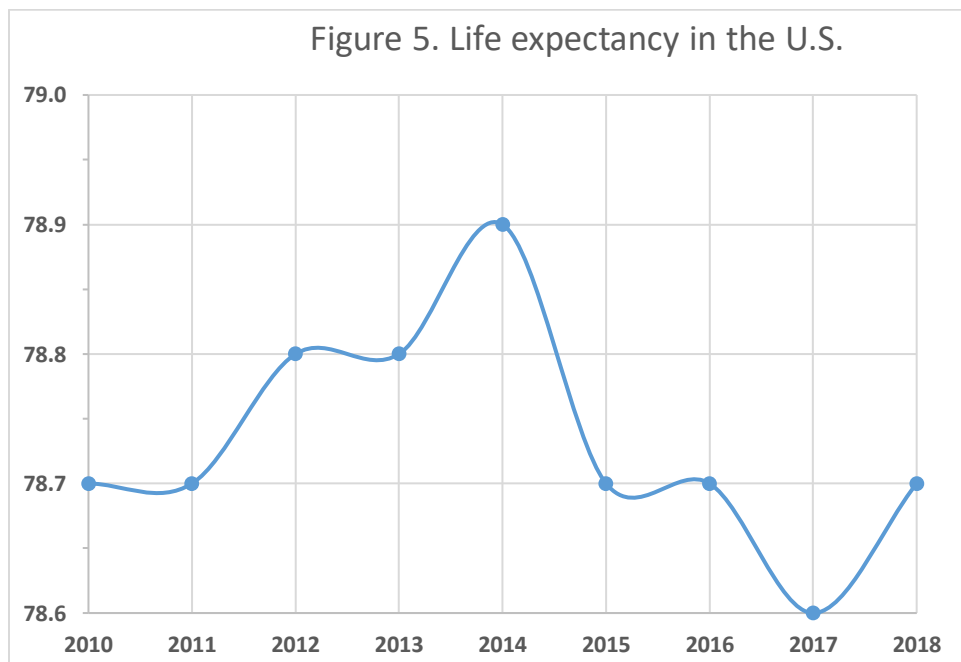
Source: Fed series LEU0262881800Q and CPIAUCSL.

Figure 4. Real Median Household Income in the U.S.



Source: Federal Reserve Bank of St. Louis, FRED series MEHOINUSA672N

10)



Source: (Arias and Xu, 2019; Xu et al, 2020).

Endnotes

¹ Because black swans were unknown in Europe before the discovery of Australia.

² In addition, there were numerous devastating events of regional significance, including Hurricanes Maria, Katrina, Harvey, and Sandy, tornadoes, and wildfires. In the last two decades these regional catastrophes claimed upwards of 6,000 lives and caused damage of \$600 billion. Wikipedia contributors, “List of disasters in the United States by death toll.”

³ The editors of the New York Times put it this way: “The coronavirus pandemic has laid bare once again the incomplete nature of the American project — the great distance between the realities of life and death in the United States and the values enunciated in its founding documents” (Editors, 2020).

⁴ To be sure, it is debatable if these are truly black-swan-type threats since we are able to anticipate them. They would not be coming out of nowhere.

⁵ The nominal series was deflated by the CPI (Fed series CPIAUCSL).

⁶ Pertaining to the February jobs report CNBC, wrote that “Job growth smashes expectations” as payrolls rose by 273,000 (Cox, 2020). However, it failed to note that the rosy picture was not so rosy after all if one looked a but further. The same “Employment Situation News Release” of the Bureau of Labor Statistics that included the 273,000 figure, also reported another survey according to which the number employed increased by merely 45,000 in February. https://www.bls.gov/news.release/archives/empisit_03062020.htm Moreover, another count stated that the number of full-time workers increased by merely 10,000 and the number of part-time workers remained unchanged (Fed series LNS12500000 and LNS12600000). So, there was much less reason for jubilation than the report suggested.

⁷ Jerome Powell, pleaded to reduce the federal budget deficit: “Putting the federal budget on a sustainable path when the economy is strong would help ensure that policymakers have the space to use fiscal policy to assist in stabilizing the economy during a downturn.” (Long, 2020). The economy remained strong for another week after this testimony.

⁸ In addition, “54% are financially coping.... struggling with some, but not necessarily all, aspects of their financial lives.... And 17% are financially vulnerable.” “Women are overwhelmingly bearing the increase in financial vulnerability, relative to men.”

⁹ Greenspan, not a progressive, recognized that “you cannot have the benefits of capitalist market growth without the support of a significant proportion, and indeed, virtually all of the people; and if you have an increasing sense that the rewards of capitalism are being distributed unjustly the system will not stand” (Greenspan, 2007a). In print he put it this way: if we do not reverse “a quarter century of increases in income inequality, the cultural ties that bind our society could become undone. Disaffection, breakdowns of authority, even large-scale violence could ensue, jeopardizing the civility on which growing economies depend” (Greenspan, 2007b, p. 468).

¹⁰ Canada placed 12th in the world, while the U.S. placed 37th. Programme for International Student Assessment, 2018: *Insights and Interpretations* (OECD, December 3, 2019.)

¹¹ “the market economy can be particularly bad in delivering public goods” (Sen, 2009).

¹² “Eisenhower Warns Us of the Military Industrial Complex.” YouTube video, 2:31, posted by “RobUniv.” August 4, 2006.