

Economists disagree about risk of another recession

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Many economists are warning that the U.S. could dip back into recession if Congress doesn't roll out more stimulus. However, others think the economy will continue to recover even if no new stimulus measures are introduced. Still others warn that the very efforts designed to pull the economy out of a recession could spark another financial crisis.

What's clear from the wide range of projected outcomes is that it's anyone's guess what will happen next, with or without more stimulus.

Another financial crisis?

Deutsche Bank economist Peter Hooper said in a recent report that the global recovery from the COVID-19 pandemic has been going much faster than he had expected "in the gloomy days of early May." His team projected that the global economy had recovered about half of the GDP it lost during the pandemic and that it wouldn't reach pre-pandemic levels until the middle of next year.

Despite that long projection, that's still two quarters earlier than the timeframe his team was previously forecasting. However, he also said the price of seeking stability in the short term could be steep over the long term

He warned that the massive amounts of monetary and fiscal stimulus rolled out by the world's central banks have caused debt to skyrocket. Stocks may have gotten overvalued as well in the process. As a result, he sees a "serious risk of a looming global financial crisis as central banks begin to shift away from easy (monetary) policy at some point in the years to come."

Is more stimulus needed?

In the U.S., some economists are actually calling for more stimulus with no concern for how high the federal deficit has gotten, while others are sounding the alarm for rising debt levels.

By some measures, the pandemic-driven recession is over in the U.S. (although some disagree), but economists from Moody's Analytics say that without more stimulus, the nation could tip back into a recession in the fourth quarter or during the first quarter of next year. Mark Zandi of Moody's sees "better than even" odds that the economy backslides if lawmakers don't work together to pass another round of stimulus. On the other hand,

Cato Institute economist Chris Edwards told USA Today that the U.S. economy will continue to strengthen without more stimulus. Like Deutsche Bank, he's concerned about soaring levels of debt. He warned that more stimulus funded by the federal deficit "comes at the expense of higher debt and thus higher taxes and a lower standard of living down the road."