

Economists say a recession is 'on the horizon' - what can be done now to prevent it?

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WASHINGTON (TND) — As many Americans struggle to make ends meet with rising inflation and sky-high gas prices, and the Federal Reserve tries to raise interest rates, one bank is sounding the alarm, warning of a recession.

“We no longer see the Fed achieving a soft landing instead, we anticipate that a more aggressive tightening of monetary policy will push the economy into a recession,” said Deutsche Bank in a recent report.

Scott Lincicome, director of General Economics and Trade at the Cato Institute, says a recession could be “on the horizon” — but the U.S. is not there yet.

“We're looking at something that's still 50/50,” said Lincicome to The National Desk’s Jan Jeffcoat. “The latest step with Russia and Ukraine may be just the straw that broke the camel's back. Between the extra inflation, the sanctions, the private actions, that's all going to decrease economic growth. You put the bigger interest rate increases coming as well from the Fed and man, that's going to be a really tough needle to thread.”

What President Joe Biden can do to prevent a recession is “on the supply side,” said Lincicome.

“There are some things the president can do and some things you can do without even getting Congress involved. The biggest one is to eliminate the tariffs that President Trump put in place years ago. Those are increasing costs,” said Lincicome.

Lincicome said other measures the president could take include pausing new regulations, waiving the Jones Act, and processing immigrant visas faster to alleviate the worker shortage.

U.S. Treasury Secretary Janet Yellen warned of an economic shock due to the war in Ukraine, explaining that “Russia's actions represent an unacceptable affront to the rules-based global order and will have enormous economic repercussions in Ukraine and beyond.”

“Russia is a relatively small player in the global economy, but it's a big player in a few markets,” said Lincicome. “The fact is that Russia is a major oil and gas exporter. Removing those barrels from the market is going to raise prices and there's not much you can really do about it.”