



Written by [Bob Adelman](#) on March 22, 2020

Goldman Sachs Predicts 24% GDP Drop; It's Not All Bad News

Goldman Sachs, the international banking behemoth, [said Friday](#) that it was revising downward its best estimate of the impact the COVID-19/coronavirus shutdown was likely to have on the U.S. economy: from a negative five percent in the second quarter (April-May-June) to a breathtaking 24-percent decline. This would be the largest contraction the economy has seen since the first quarter of 1958, when the GDP declined by 10 percent.



The investment banking firm also estimated that filings for unemployment insurance benefits would soar to a record 2.25 million this week, more than triple the prior record of 695,000 claims in 1982. This would push the unemployment rate from the middle three-percent range to nine percent, or even higher. That would reflect more than 10 million people being forced to file for benefits after being laid off.

Goldman's economists wrote: "Why such an extreme forecast ... in Q2? The sudden stop in U.S. economic activity in response to the virus is unprecedented, and the early data points over the last week strengthen our confidence that a dramatic slowdown is indeed already underway."

Some commentators are predicting a recession, usually considered to be two back-to-back quarters of negative growth (shrinking). But the National Bureau of Economic Research (NBER), the private non-profit research organization tasked with determining when recessions begin and end, defines a recession differently:

A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.

A recession begins just after the economy reaches a peak of activity and ends as the economy reaches its trough. Between trough and peak, the economy is in an expansion. Expansion is the normal state of the economy; most recessions are brief and they have been rare in recent decades.

Accordingly, the shutdown, if it is short, isn't likely to result in a full-blown recession. Instead history is likely to record not only that it was short in duration but that the economy's reaction to it was overblown.

And its end is likely to have many remarkable ameliorative and positive effects, some of which are already occurring.

Consider, for example, the change in the question, "Is there a reason to do this online?" to "Is there any good reason to do this in person?" A simple question, but with enormous hidden positive ramifications. If working from home — telecommuting — makes sense, then people, and the economy, will enjoy many benefits: less time on the road, less money spent for gas and upkeep, more time to accomplish their



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daily tasks and consequently more time to enjoy the pleasures of life.

And those pleasures are being expanded as families find themselves knitting themselves together more tightly. They are discovering ways of enjoying each other's company, including learning games their parents used to play. Their communication skills will improve and their relationships will be made stronger.

Consider that the "joy of cooking" may be rediscovered by many who will be cooking at home for themselves and their families. That joy may include more intimate family times as members get together for meals in the absence of the need to catch the bus or the subway to get to school or to work. Or perhaps, as Paul Freedman, a history prof at Yale laughingly expressed it, "Perhaps delivery will triumph over everything!"

There will be a revival of interest in parks. Instead of people using them mostly for picnics and volleyball games, many will learn that daily walks (to get their Vitamin D) will also provide salve for their souls. In California, for example, there's a movement afoot asking Golden Gate Park to close the roads so that there's more space for people.

There's already a 50-percent increase in biking in New York City in response to the crisis.

Consider exterior benefits as well. It is reported that in response to what Mas Ayoob describes as "reasonable fear" (as opposed to blind, unreasoning fear), more people are becoming gun owners. According to the FBI, background checks through the National Instant Criminal Background Check (NICS) System have experienced a 300-percent increase compared to this same time period a year ago. This bodes well for continued decreases in violent crime, not just in gun violence but in all areas of criminal activity.

There are international benefits already flowing from the present so-called crisis, including the exposure of the falsity of assumptions behind the establishment of the European Union. As Judith Bergman, a political analyst and distinguished senior fellow at Gatestone Institute, said, "Every state considers its own national interest first ... [raising] questions about the point of an organization that pledges solidarity as a founding principle, but abandons that principle the moment it is most called for."

There is likely to be an improvement in national unity in the face of the threat. Professor Peter Coleman of Columbia University reminded his readers of how the people of London responded to the Nazi blitz during World War II: "During the blitz, a 56-day Nazi bombing campaign against Britain, [Prime Minister] Winston Churchill's cabinet was amazed and heartened to witness the ascendance of human goodness — altruism, compassion and generosity of spirit and action."

On the national scene, people will learn that many meetings, including doctors' appointments and college classes, are more effectively carried out via e-mail, Skype, and Facetime. In that regard, the growth of telemedicine/telehealth — the sharing of patients' medical histories by many different practitioners — will further improve the delivery of health and medical services at much lower costs.

There will be much stronger and more efficient domestic supply chains built as business owners learn how fragile and subject to manipulation the present ones are, especially those recently built in China. As author and economist Dambisa Moyo wrote, "Switching to a more robust domestic supply chain would reduce dependence on an increasingly fractured global supply system."

As the stock market rebounds, people with 401(k)s and IRAs will find their contributions buying more shares thanks to greatly reduced prices. With OPEC's emasculation, energy prices will remain low, no



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longer forced higher than market rates by that cartel for its own purposes. This will not only enhance the economy's recovery from the shutdown, but accelerate the move from coal-fired power plants to natural gas, further improving the environment and reducing pollution.

Interest rates are likely to stay low, strengthening further the boom in housing. Pent-up consumer demand will likely resuscitate the temporarily moribund economy just in time for the November elections.

Perhaps most importantly, there could be another great revival. Christians are fond of saying, "We are an Easter people," and with the closing of churches for the duration, most of them are going online, hearing messages of hope and life to offset the messages of gloom and despair delivered by the news media in its constant negative reporting on the progress of the virus.

It is helpful to remember that America's First Great Awakening took place in the 1730s, laying the groundwork and the foundation stones of the creation of the Republic. Many consider George Washington as the "Father of His Country," but Loraine Boettner, author of *The Reformed Doctrine of Predestination*, disagrees:

About two-thirds of the colonial population had been trained in the school of [John] Calvin....

So intense, universal, and aggressive were the Presbyterians in their zeal for liberty that the war [for independence] was spoken of in England as "The Presbyterian Rebellion"....

History is eloquent in declaring that American democracy was born of Christianity and that that Christianity was Calvinism. The great Revolutionary conflict that resulted in the formation of the American nation was carried out mainly by Calvinists, many of whom had been trained in the rigidly Presbyterian College at Princeton, and this nation is their gift to all liberty loving people.

During this time of stress and duress, people will be looking for answers. Some of them will look to the faiths of the Founding Fathers. Historians may record that this moment in time was the start of another Great Awakening as God continues to bless this nation for His purposes.

In sum, when all is said and done, and the virus has been contained, the nation is likely to be stronger, safer, healthier, and better.

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