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Economist fears that US political ‘mayhem’ could cause a recession

By Jim Puzzanghera

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Following yet another indictment of Trump, economist **Bernard Baumohl** is worried that the increasing political turmoil will tip the US economy into a recession.

”There is a growing sense of unease that the economy will need to navigate through a particularly toxic backdrop: one of intense national political tribalism that may erupt into violence, a new fiscal year that could be devoid of a budget, and/or a 2024 Presidential race that makes a mockery of American exceptionalism,” **Baumohl**, chief global economist at the Economic Outlook Group in Princeton, N.J., wrote in an unusual politically focused memo to his clients Tuesday morning.

He noted his firm does non-partisan analysis and is “determined stay on the 50-yard line politically.” He didn’t mention Trump, but **Baumohl** said he fears that an economy that has continued to grow despite the Federal Reserve’s battle against inflation could fall victim to “a uniquely bizarre” presidential campaign.

”We can’t rule out anything, not massive social unrest, nor a crippling cyberattack against the U.S. to sway the election, or even political operatives using artificial intelligence to create disinformation and distort reality on an unprecedented scale,” **Baumohl** wrote. “Can the US economy, which we project will average close to 2% growth rate thru 2024, withstand such mayhem?”

The first economic threat in this hyper-partisan environment comes this fall, when a brewing congressional fight over the expiring federal budget could lead to a government shutdown on Oct. 1. He highlighted the tensions within the Republican Party, where a conservative faction is “totally consumed with impeaching President Biden.” He put the odds of a shutdown at 50 percent.

”The question from an economist’s point of view is how ugly will domestic politics get and how severely can it impact the macroeconomy?” **Baumohl**.
“The U.S. has already been pounded by multiple once-in-a lifetime series of shocks the last three years, and one has to be impressed by the economy’s resilience so far. Nevertheless, the economic and political risks ahead must not be discounted. They are real and should be taken seriously.”

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