Despite the accumulated knowledge about our economy, we have not quite learned what needs to be done if and when a recession takes place. Recessions have a strong impact on the existing economic status, but their negative impacts are not articulated and not counteracting them is carefully analyzed and practiced. Recessions are very costly and disruptive; however, instead of developing rational and objective orientation toward counteracting them and indeed even stopping them before they materialize, there have been tendencies to treat them as almost natural phenomena and explaining them with political and financial doctrines. This situation does not contribute to the well-being of the poor, the elderly, and small businesses but does have certain powerful, questionable, but beneficial impact on the 1 percent rather than the remaining 99 percent as the current literature and politicians describe the very alarming current income dichotomy in our society.

In general, this author, who has observed and studied some 14 recessions in a long professional life, maintains that both public as well as the private sectors of our economy must learn to stop recessions before they cause severe economic damage to the whole society. In addition to emphasizing the need for joint effort to counteract recessions this chapter presents a model showing how recessions can be counteracted and how efforts to help resurrect the market economy once again can be successfully performed. The implications of
this present chapter are extremely critical for the economic well-being of the American society as a whole and must be carefully researched and discussed.

Just What Is a Recession?

A major slowing down in the prevailing economic activity is called a “recession.” A typical recession increases the number of unemployed by millions very quickly. It cuts down, if any, the progress in GDP; it causes hundreds of thousands of small businesses to fail. Each failing business has major costs incurred to the economy. Losing investments in businesses combined with individual bankruptcies cause much loss to the economy and to individuals. Furthermore, discouraged investments in the form of business expansions are additional and uncalculated losses. Additionally, in today’s global economy, a recession that begins in the United States or, say, in Europe can easily spread out to many other countries that are trading partners (Krugman 1999; Stiglitz 2002). In such cases, another uncalculated but rather serious economic loss will occur. Thus, the cost and ill effects of recessions, particularly on national and international economic activities, are not properly understood and hence are not counteracted.

It is extremely disheartening that at the dawn of the twenty-first century even though we are advanced enough to have the military might to destroy the world, the capability to travel much faster than the speed of sound, or to eliminate one of the most devastating diseases such as polio, we have not learned how to cope with economic recessions appropriately. The cost of recession to the society as discussed here is excessive enough to warrant much more attention from the government and the business sector than current practices show. It is time to abandon the near-theological reasoning such as lack of balanced budgets or government interferences, which are creating business cycles, and develop an open mind toward countering the extremely ill effects of recessions. It is posited here that the business and government sectors working closely can function...