

# **Economic Crisis of 2008-2009**

- **Worst recession since Great Depression**
- **Economy contracts 6.8% in 4th quarter of 2008**
- **800,000 jobs lost in January 2009 alone, unemployment surging**
- **Housing market crisis ripples through economy – homebuilding and sales plummet, record foreclosures**
- **Financial market crisis threatens global economic collapse – lending frozen**

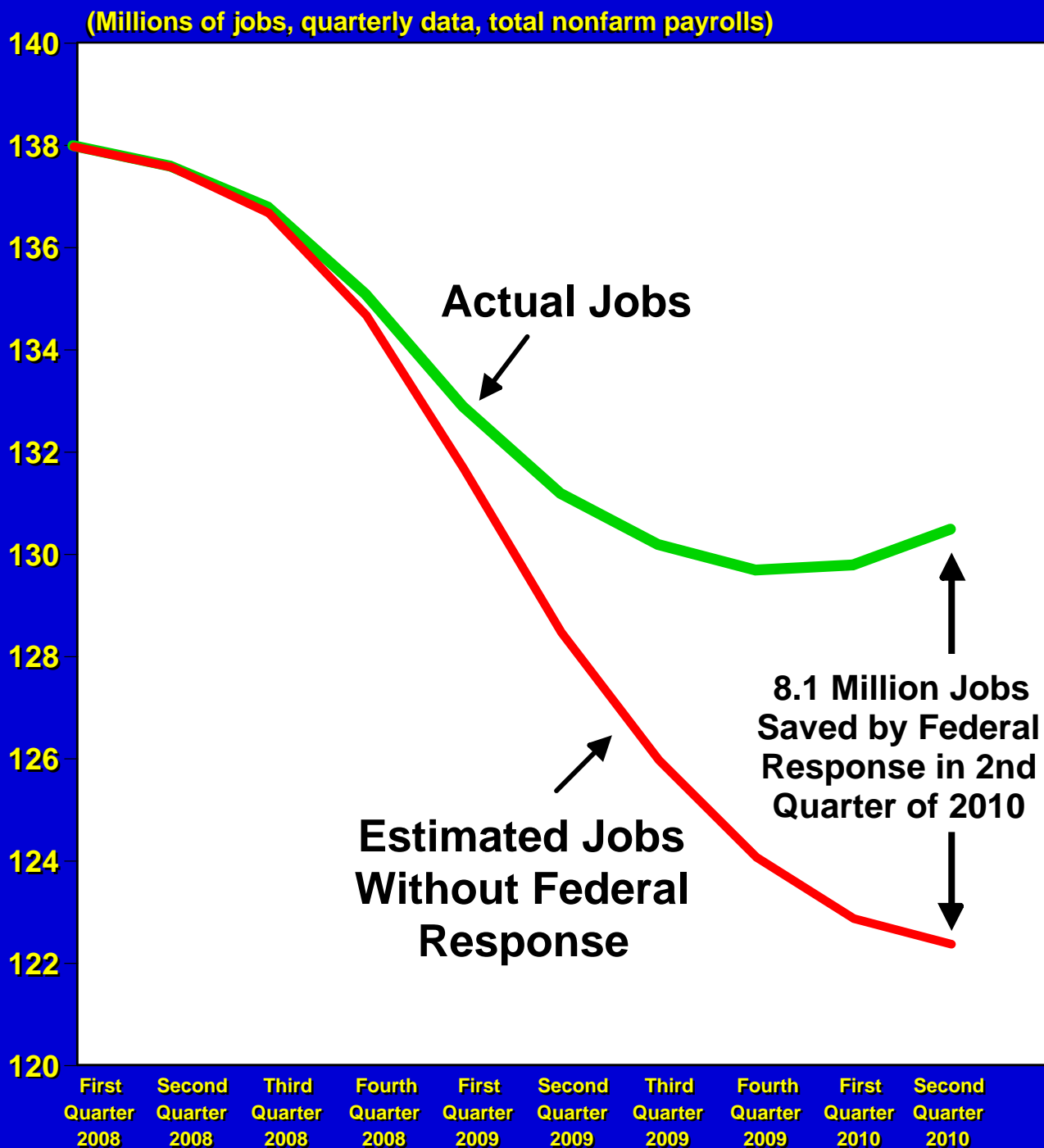
# **Economists Blinder and Zandi on Federal Government Response to Financial Crisis and Recession**

**“We find that its effects on real GDP, jobs, and inflation are huge, and probably averted what could have been called Great Depression 2.0.**

**“...When all is said and done, the financial and fiscal policies will have cost taxpayers a substantial sum, but not nearly as much as most had feared and not nearly as much as if policymakers had not acted at all. If the comprehensive policy responses saved the economy from another depression, as we estimate, they were well worth their cost.”**

**– Alan S. Blinder and Mark Zandi  
*How the Great Recession Was Brought to an End*  
July 27, 2010**

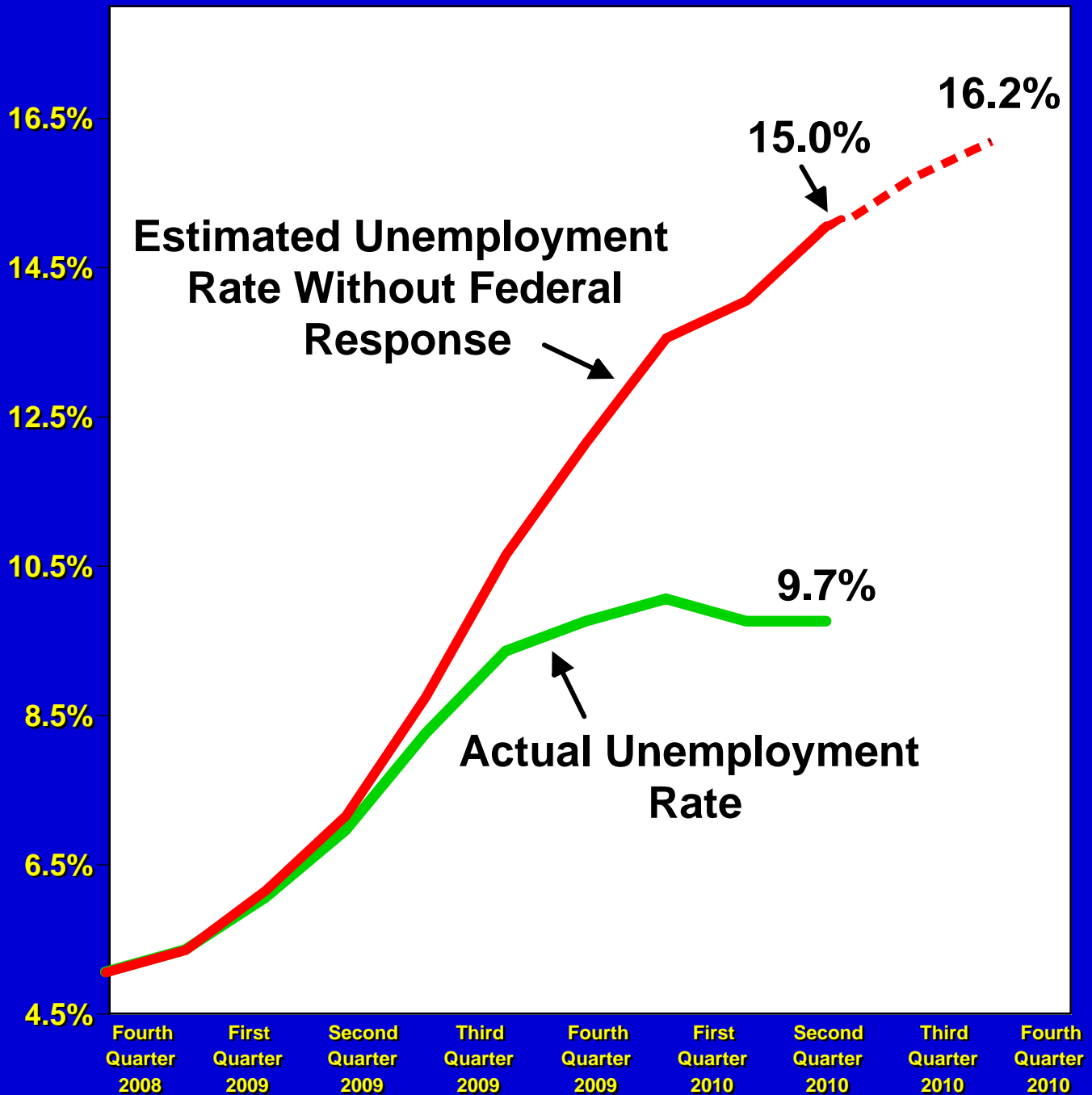
# Jobs Picture: With and Without Federal Response to Financial Crisis and Recession



Sources: U.S. Department of Labor; Alan S. Blinder and Mark Zandi, *How the Great Recession Was Brought to an End*, July 27, 2010

# Unemployment Rate: With and Without Federal Response to Financial Crisis and Recession

(Unemployment rate; quarterly data)



Sources: Bureau of Labor Statistics, U.S. Department of Labor; Alan S. Blinder and Mark Zandi, "How the Great Recession Was Brought to an End," July 27, 2010  
Note: Percent of civilian labor force.

# CBO “Bang for the Buck” Rankings

*Higher Impact  
on GDP*

Unemployment Insurance

Payroll Tax Cut for Firms Hiring

Infrastructure Investments

Aid to States

Business Expensing for  
Investment Costs

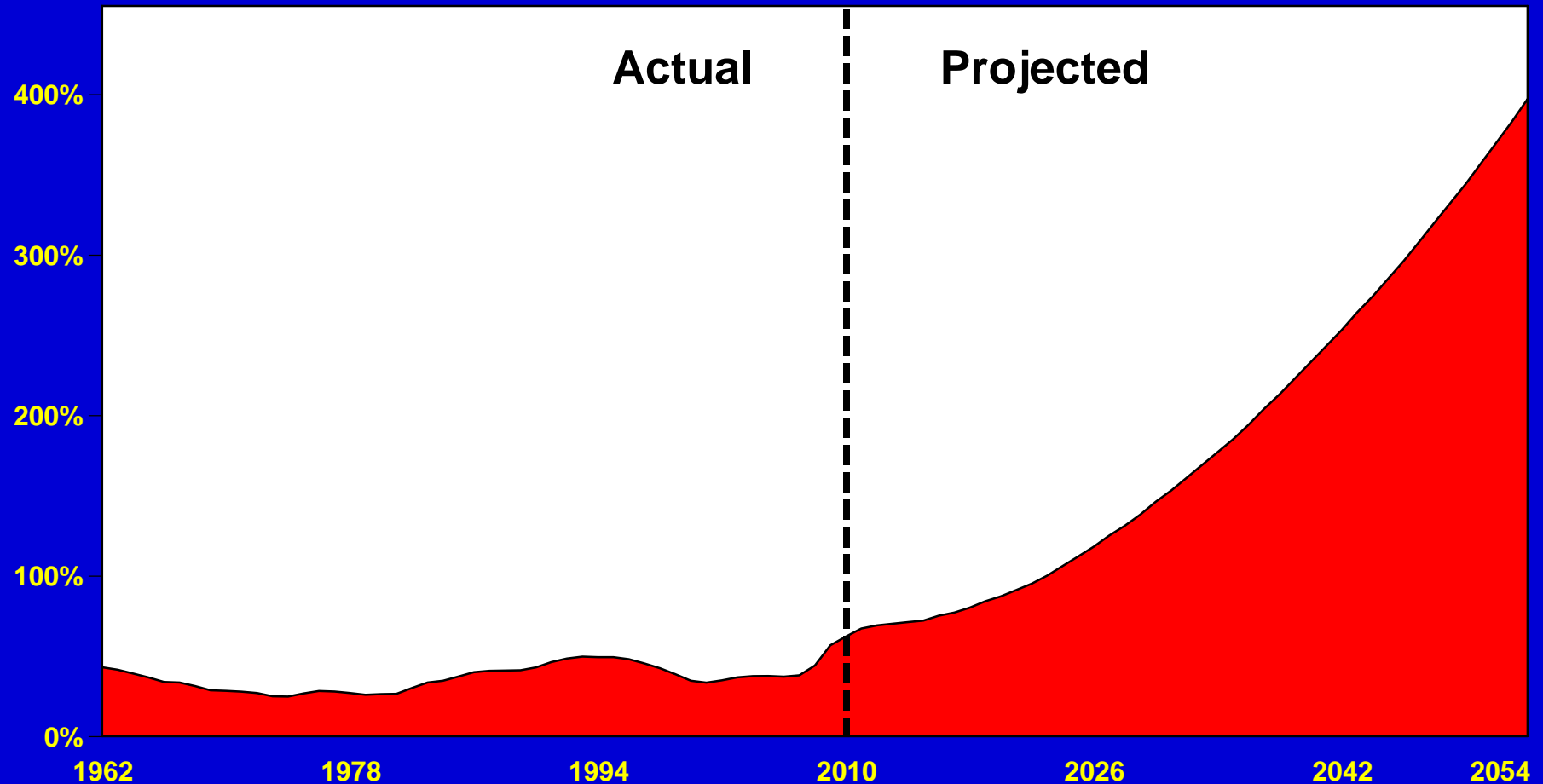
*Lower Impact  
on GDP*

Extending Tax Cuts

Note: Rankings based on cumulative effects on GDP for 2010-2015

# Federal Debt Soars Under CBO Long-Term Budget Scenario

(Debt held by the public as a percent of GDP)



Source: CBO Long-Term Budget Outlook, June 2010

Note: CBO alternative fiscal scenario with tax cuts made permanent (except for rate reductions that apply to high-income taxpayers), AMT indexed for inflation, adjustments to certain health care reform policies, and Medicare physician payments growing with higher MEI rate.

# **Fed Chairman Bernanke on Need for “Credible Plan” to Achieve Long-Term Fiscal Sustainability**

**“... A sharp near-term reduction in our fiscal deficit is probably neither practical nor advisable. However, nothing prevents us from beginning now to develop a credible plan for meeting our long-run fiscal challenges. Indeed, a credible plan that demonstrated a commitment to achieving long-run fiscal sustainability could lead to lower interest rates and more rapid growth in the near term.”**

**– Federal Reserve Chairman Ben Bernanke  
Remarks to Dallas Regional Chamber  
April 7, 2010**