

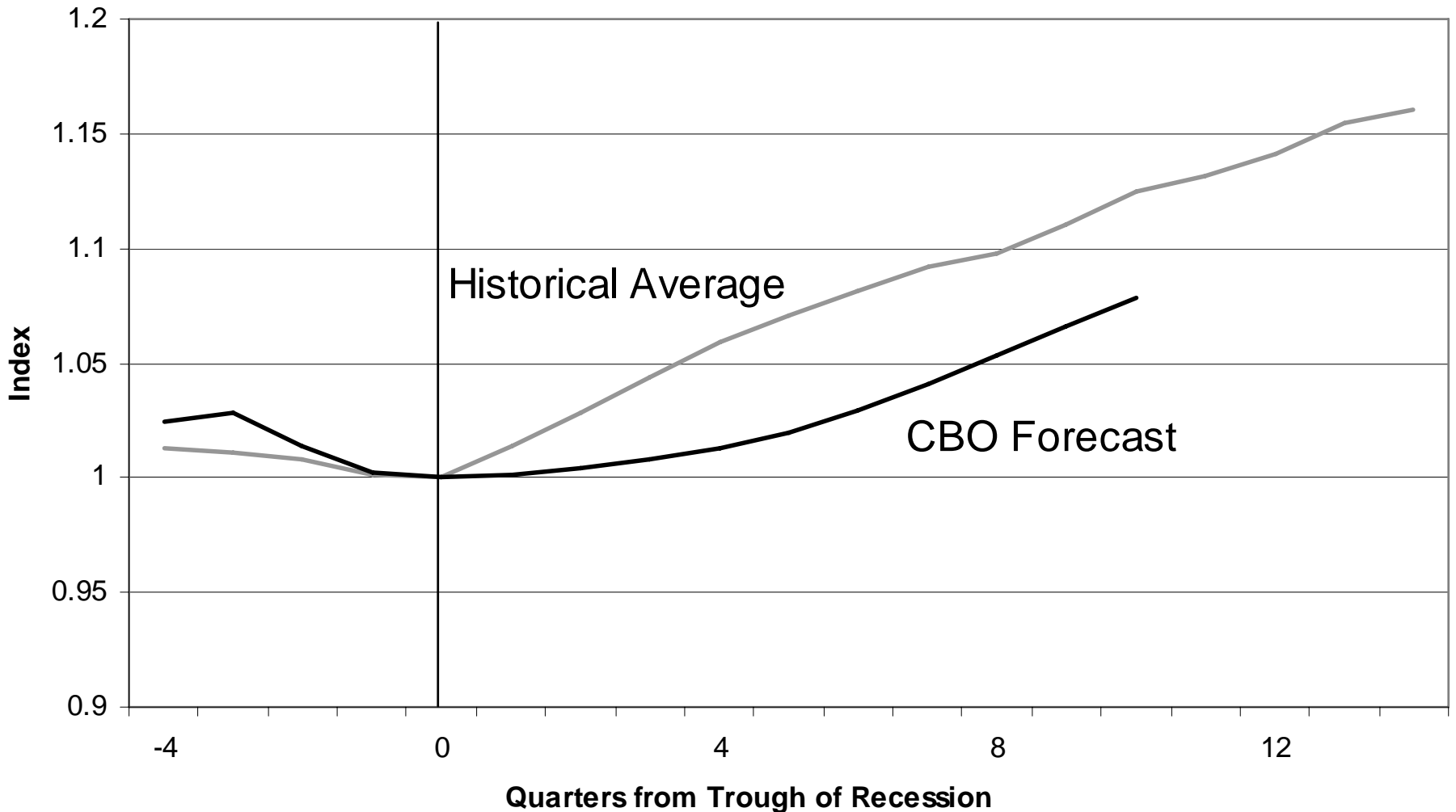
Economic Recovery and the Stimulus Program

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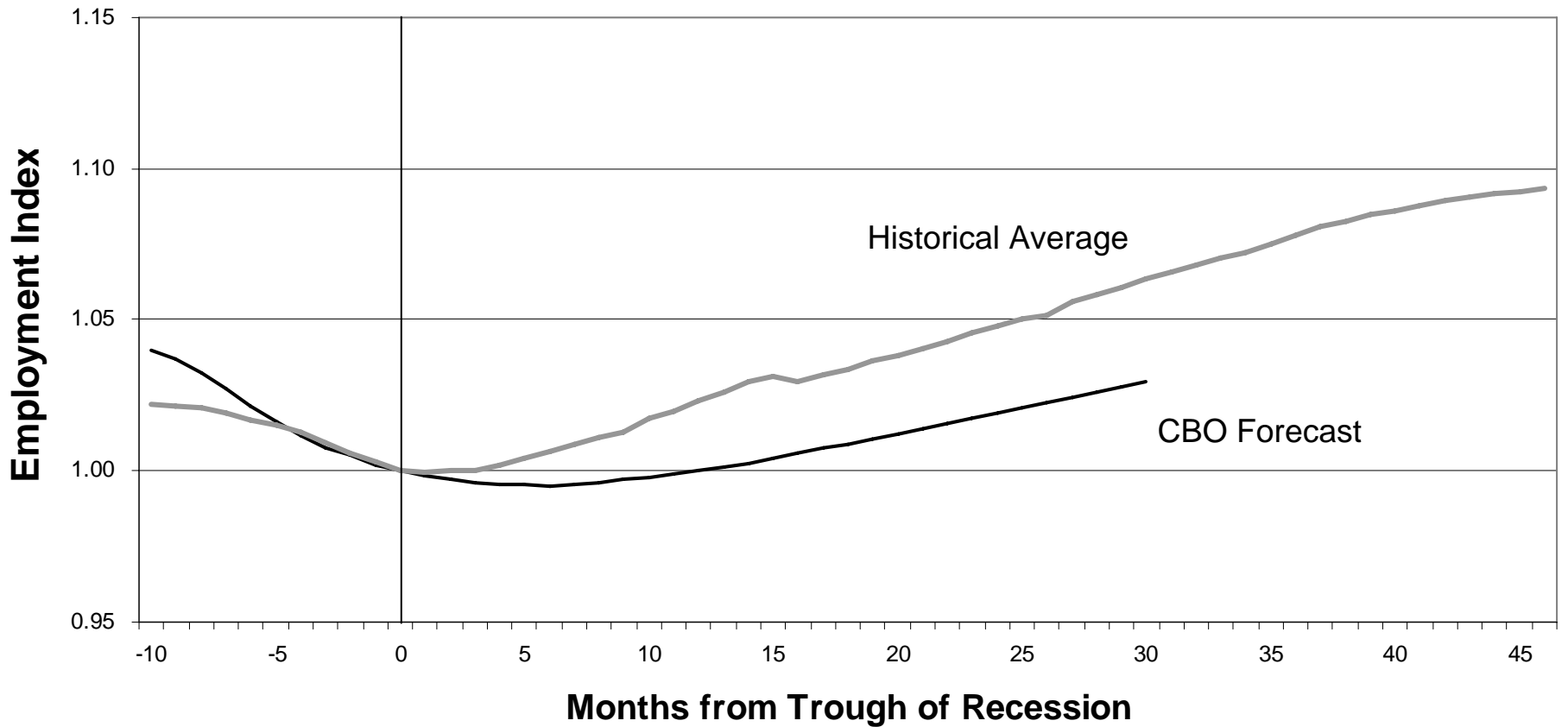
Economic Recovery

- Recession phase is ending
- Positive sources of future expansion
 - Low inventory position
 - Automobile demand below replacement
 - Stimulus spending
 - Monetary stabilization
- Negatives
 - Consumer wealth losses may lead to long-term decline in consumption share of about 3% of GDP.
 - Deleveraging of financial system
- Recovery likely to be slower than historical norm. Already factored into CBO projections.

Average GDP Recovery Past Recessions



Average Employment Recovery



Three-Part Policy Response

- Monetary Policy
 - Liquidity injection plus direct purchase of public and private securities
 - Successfully stabilized markets
- Fiscal Policy
 - Stimulus program of \$700-800 billion
 - Slow enactment and spread out over several years
- Financial Restructuring
 - Stalled after \$750 billion TARP program

Schedule & Composition of U.S. Fiscal Stimulus

In billions USD, Calendar years

	2009	2010	2011	2012 & beyond	Total
Total	283	259	121	56	719
As % of GDP	2.0	1.8	0.8	0.4	5.0
Revenue Measures	99	116	37	-33	219
Individual Income	37	80	32		
Corporate Income	57	32	-2		
Other	5	4	7		
Expenditure Measures	184	143	84	89	500
Infrastructure & other	32	47	47	78	204
Safety nets	77	14	5	7	103
State aid & education	75	82	32	3	192

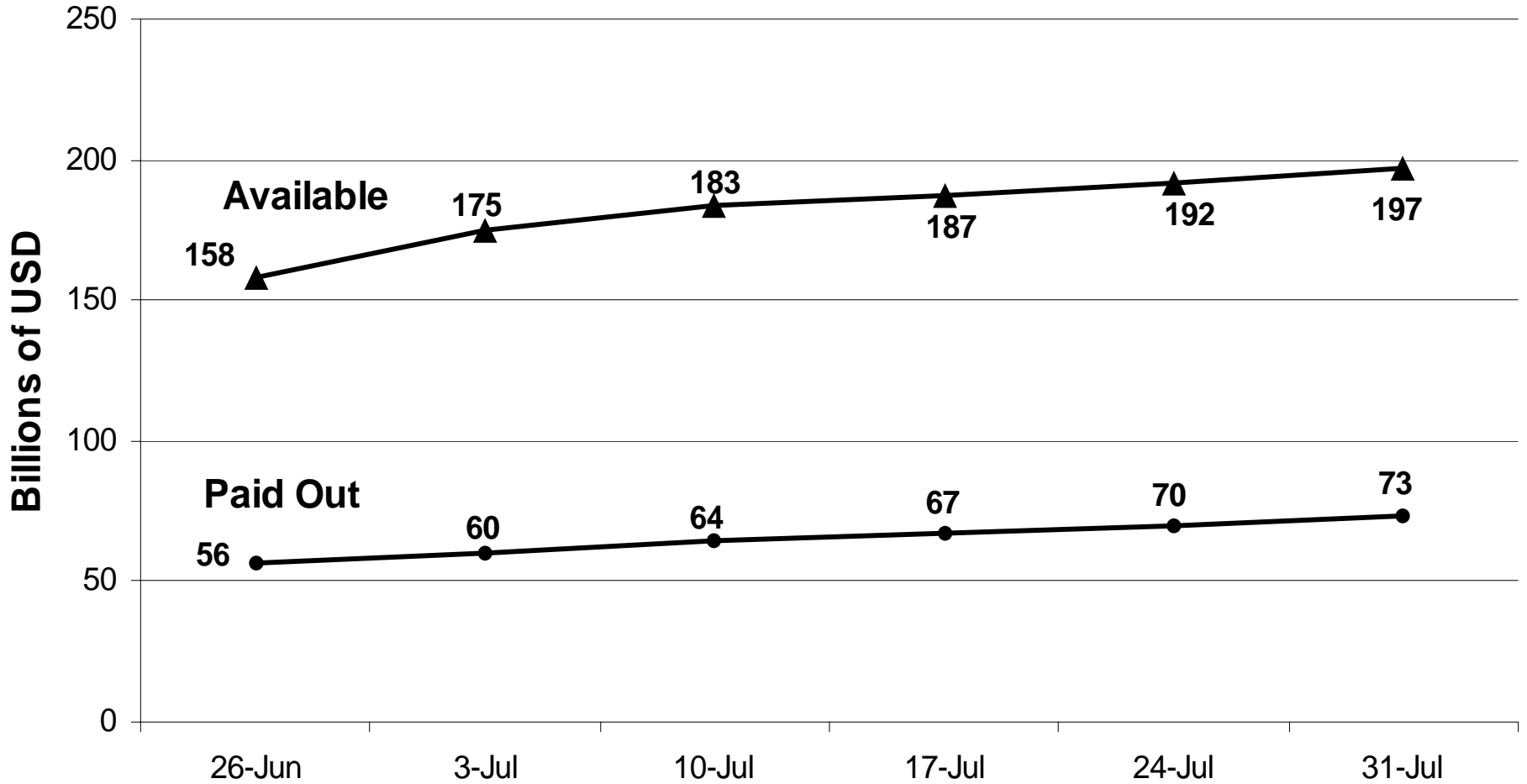
Source: IMF staff estimates, Congressional Budget Office

Effects of Stimulus Measures on Disposable Income August 2008 – June 2009

Pre-Policy Income Loss	-507.9
Tax Reductions	+340.4
Transfers	+229.1
Net Change	+61.6

*Amounts in Billions of USD

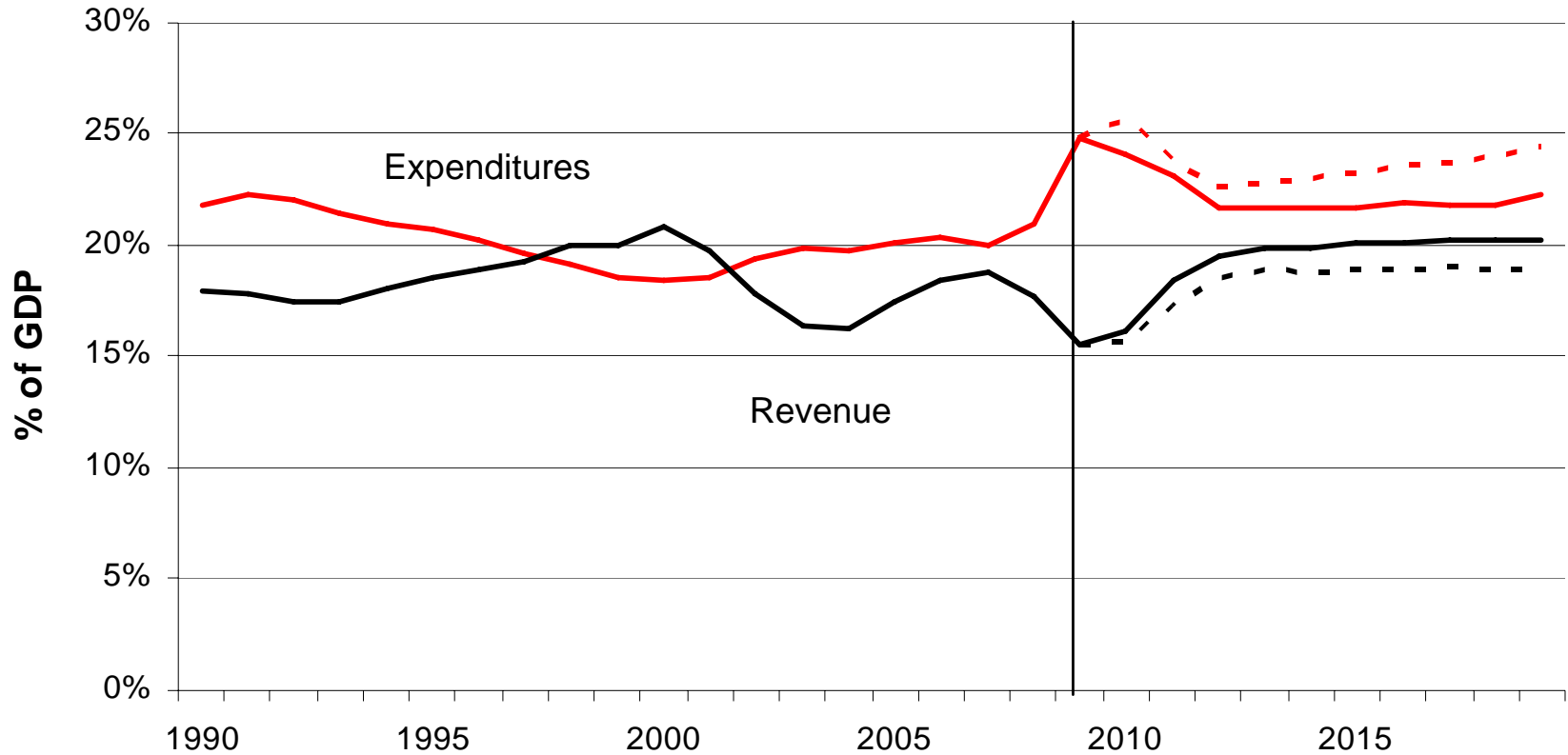
Stimulus Progress



Second Stimulus?

- Too early to decide
- Severe underlying budget trends
- First Stimulus designed to have temporary effect on budget
- Obama Administration budget is equivalent to a second stimulus

Federal Expenditures and Revenue



-- -- President's Budget

— CBO Baseline