

Economic Crisis of 2008-2009

- **Worst recession since Great Depression**
- **Economy contracts 8.9% 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**

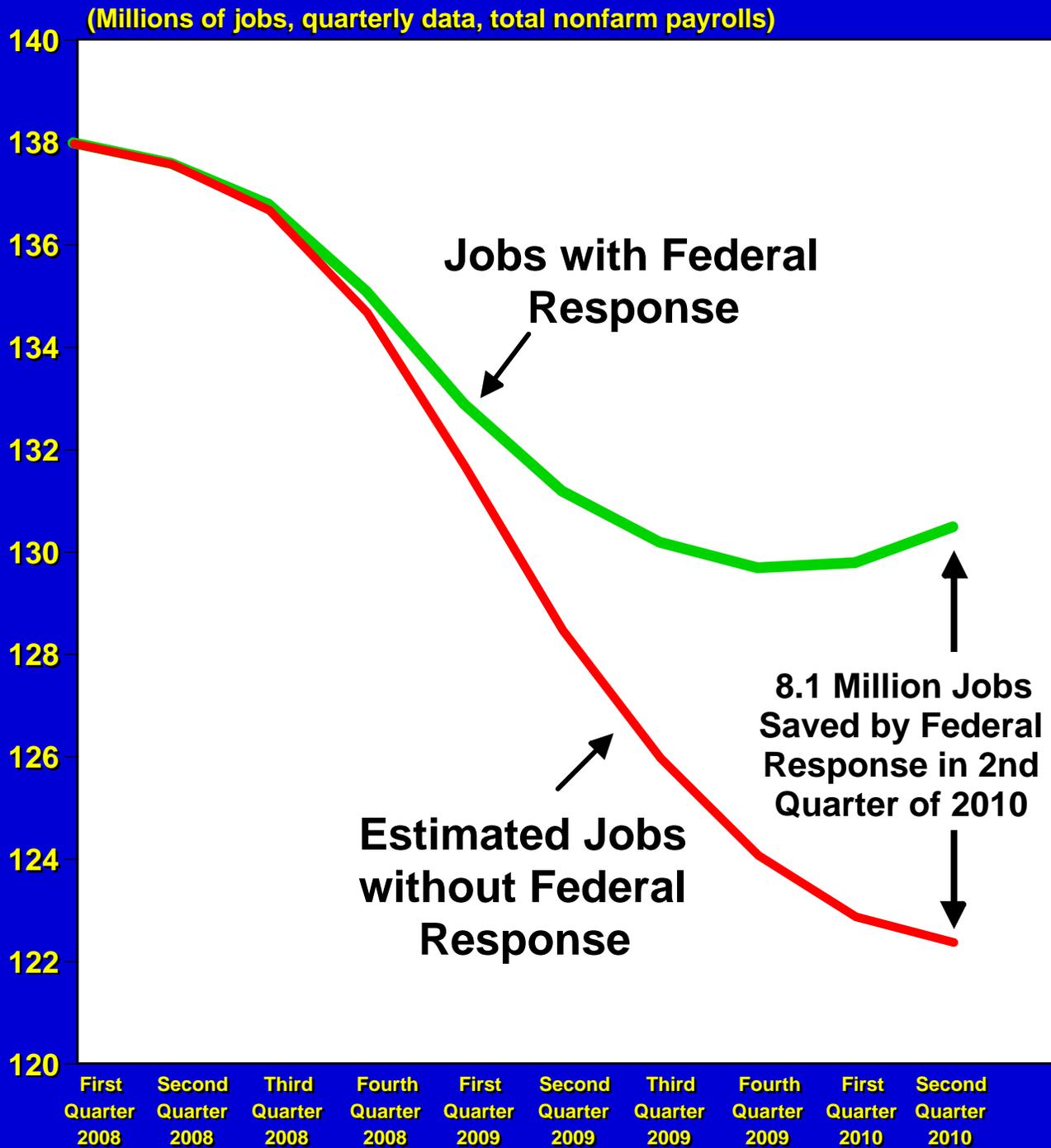
Economists Blinder and Zandi on Federal Government Response to Financial Crisis and Recession

“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

Following Severe Financial Crises, Economic Recoveries Are Shallower and Take Much Longer

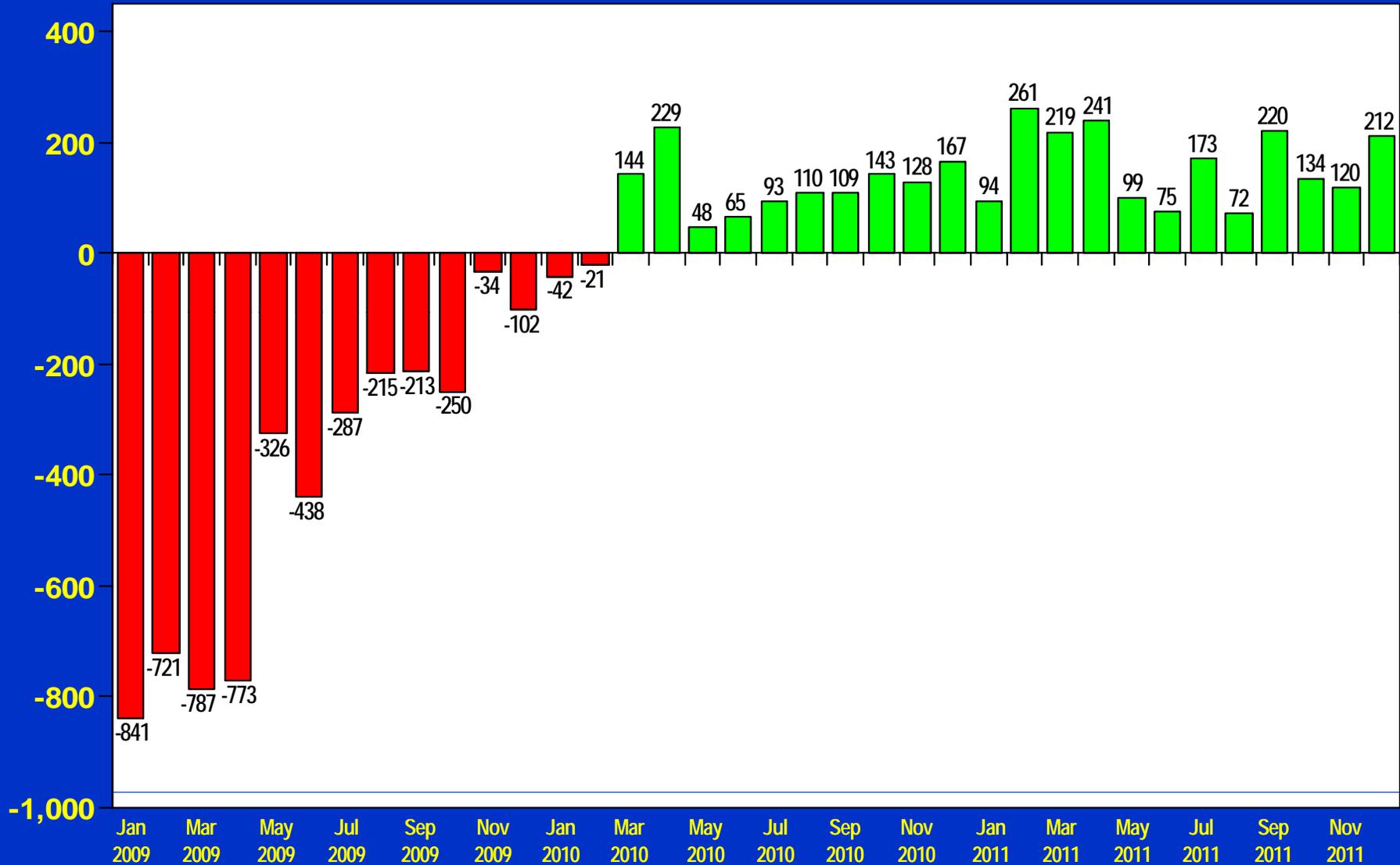
“Real per capita GDP growth rates are significantly lower during the decade following severe financial crises.... In the ten-year window following severe financial crises, unemployment rates are significantly higher than in the decade that preceded the crisis....

“[T]he decade of relative prosperity prior to the fall was importantly fueled by an expansion in credit and rising leverage that spans about 10 years; it is followed by a lengthy period of retrenchment that most often only begins after the crisis and lasts almost as long as the credit surge.”

– Dr. Carmen M. Reinhart, Peter G. Peterson Institute for International Economics, and Dr. Vincent R. Reinhart, American Enterprise Institute (AEI) National Bureau of Economic Research (NBER) Working Paper, *After the Fall* September 2010

Private-Sector Jobs Picture

(Monthly change, in thousands of jobs, through December 2011)



Sources: Bureau of Labor Statistics, U.S. Department of Labor

Positive Signs for Economy

- 22 consecutive months of private-sector job growth
- Unemployment claims fall to lowest level since April 2008
- 9 consecutive quarters of real GDP growth
 - 3.1% GDP growth now forecast for 2011 Q4
- Housing starts up 25% since December 2010
- Consumer confidence up sharply in last two months of 2011
- U.S. auto manufacturers returning to profitability
- State revenues showing signs of improvement

Risks to Economy

- **Unemployment remains too high**
 - threatens to undermine consumer confidence
- **Housing continues to pose threat**
 - too many homes still in foreclosure or “underwater”
- **Political deadlock in Washington could block key measures**
 - such as extension of payroll tax cut and UI
- **Federal, state, and local budget cuts could add too much near-term fiscal drag**
- **European debt / fiscal crisis creates uncertainty and threatens exports**