

# **Economic Crisis of 2008-2009**

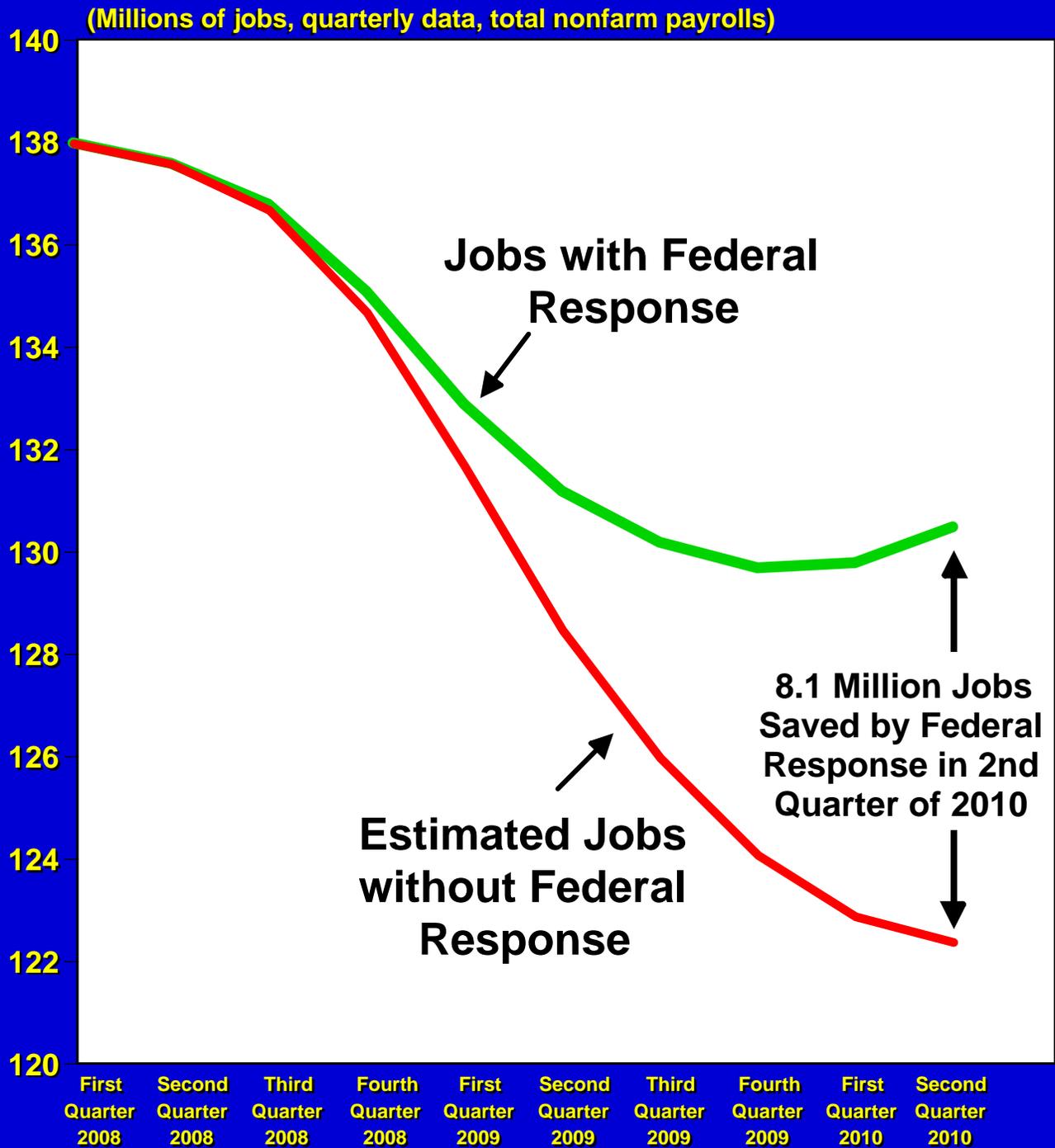
- **Worst recession since Great Depression**
- **Economy contracts 8.9% in 4<sup>th</sup> quarter of 2008**
- **800,000 jobs lost in January 2009 alone, unemployment surging**
- **Housing market crisis ripples through economy – homebuilding and sales plummet, record foreclosures**
- **Financial market crisis threatens global economic collapse – lending frozen**

# 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....”

– Dr. Carmen M. Reinhart and Dr. Vincent R. Reinhart  
National Bureau of Economic Research (NBER)  
*Working Paper, After the Fall*  
September 2010

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

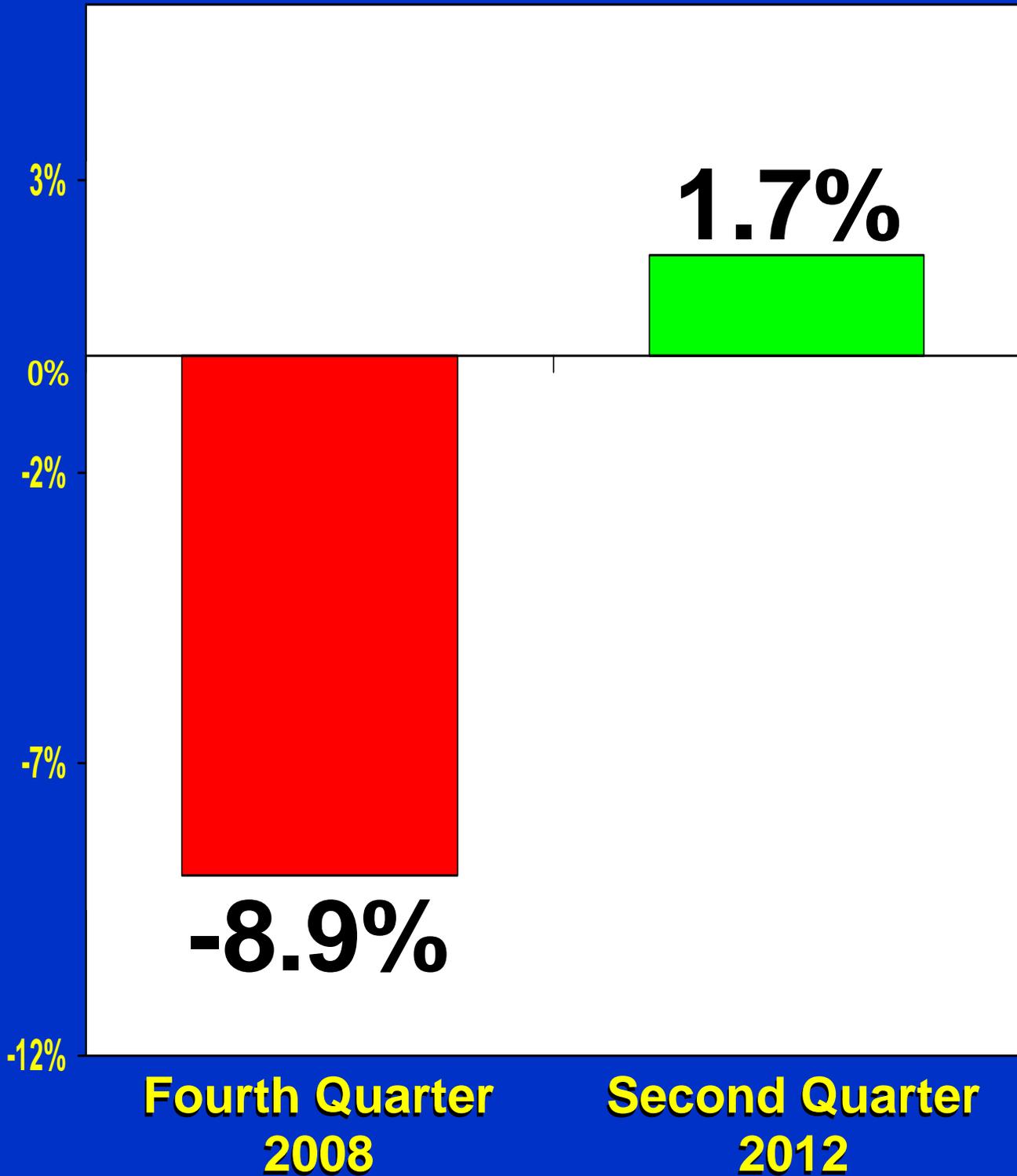


Sources: U.S. Department of Labor; Alan S. Blinder and Mark Zandi, *How the Great Recession Was Brought to an End*, July 27, 2010

**Are we better off  
now than we were  
four years ago?**

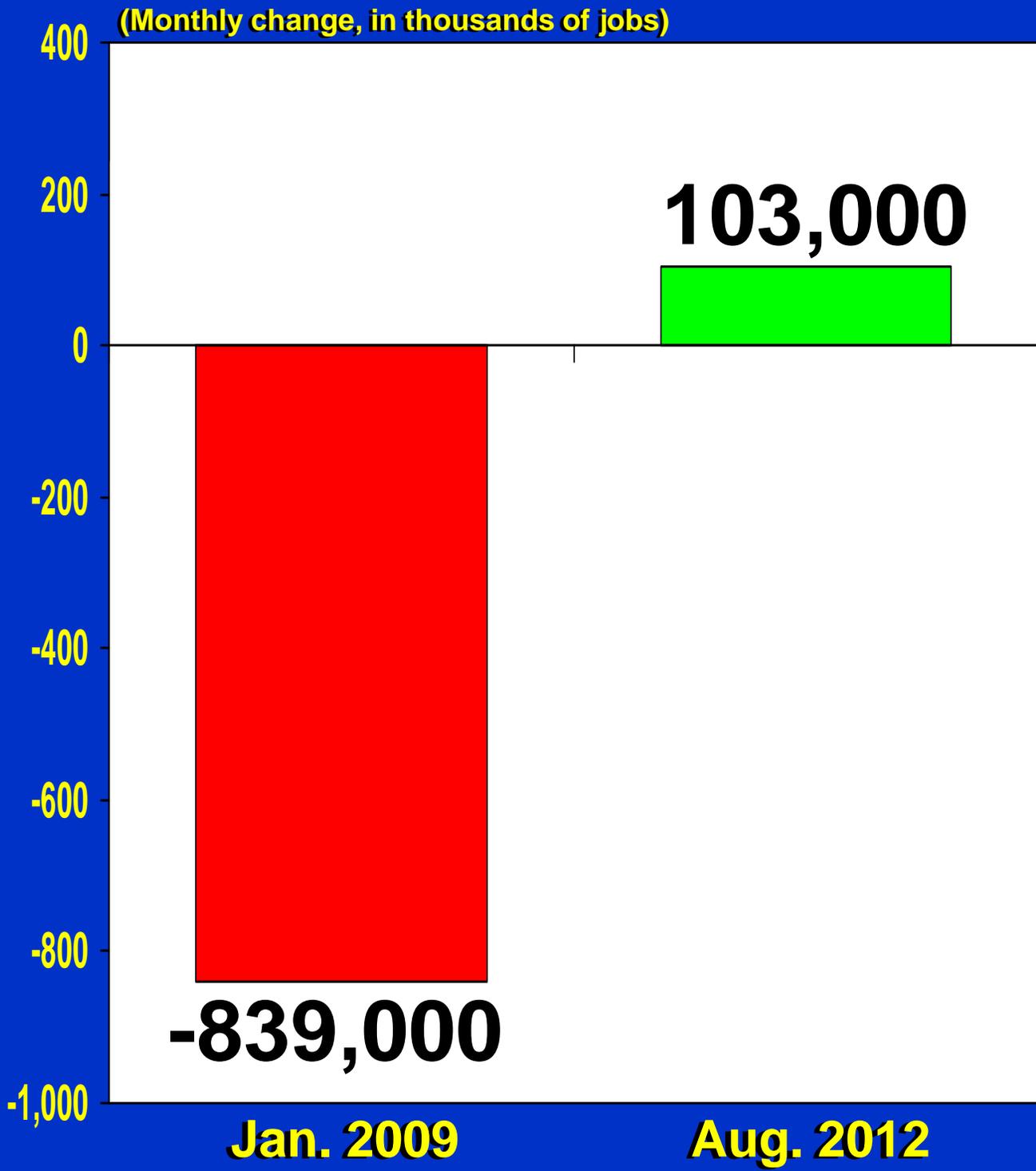
# Economic Performance

(Percent growth of real GDP, annual rate)



Source: Bureau of Economic Analysis, U.S. Department of Commerce

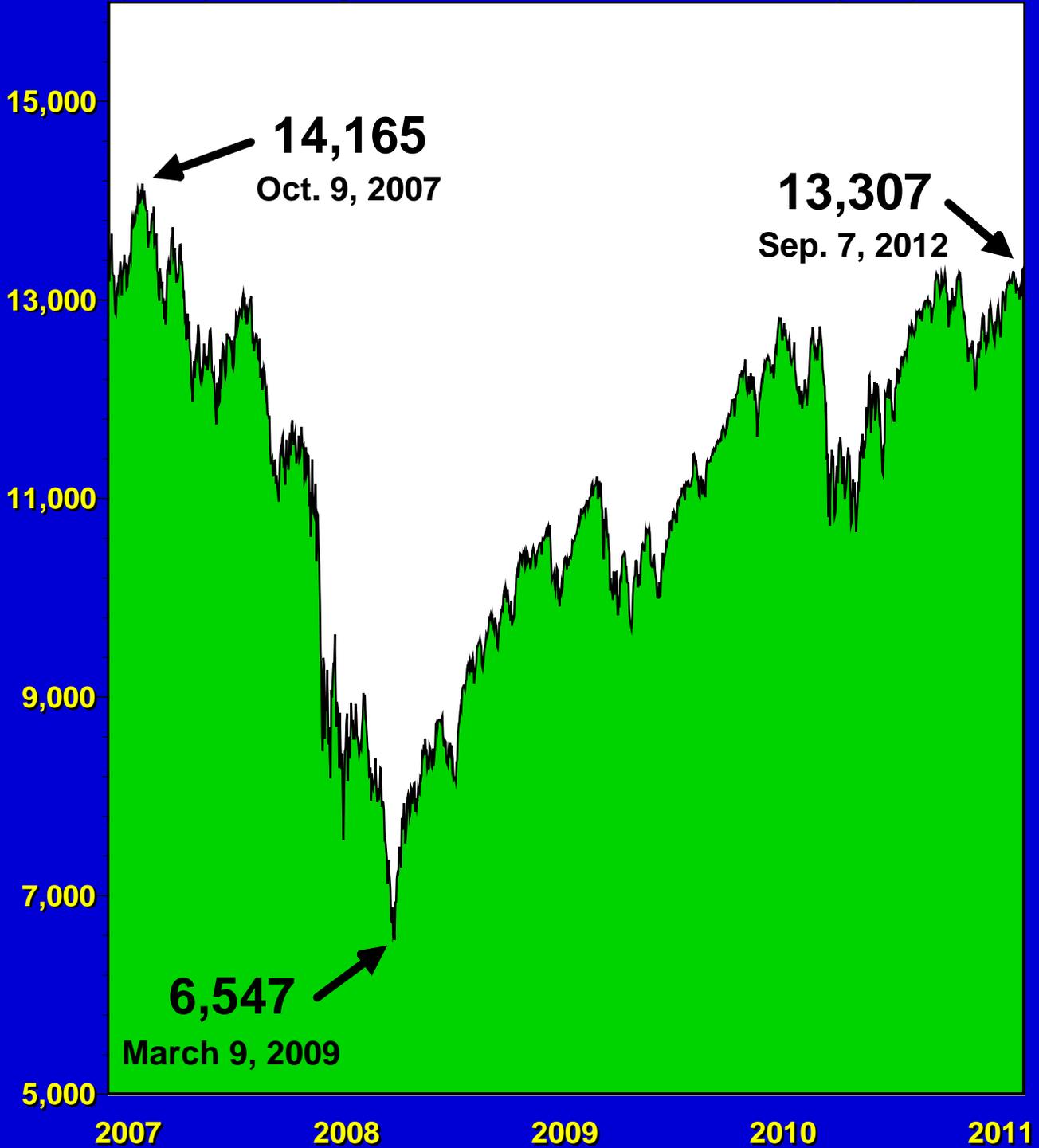
# Private-Sector Jobs



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

# Stock Market Record

(Stock price averages: Dow Jones 30 Industrial, NYSE; Daily data)



Source: Dow Jones

# Budget Control Act Contained Budget for 2012 and 2013

## SEC. 106. SENATE BUDGET ENFORCEMENT.

(a) IN GENERAL.—

(1) For the purpose of enforcing the Congressional Budget Act of 1974 through April 15, 2012, including section 300 of that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(1) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2012 with appropriate budgetary levels for fiscal years 2011 and 2013 through 2021.

(2) For the purpose of enforcing the Congressional Budget Act of 1974 after April 15, 2012, including section 300 of that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(2) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2013 with appropriate budgetary levels for fiscal years 2012 and 2014 through 2022.

PUBLIC LAW 112-25—AUG. 2, 2011

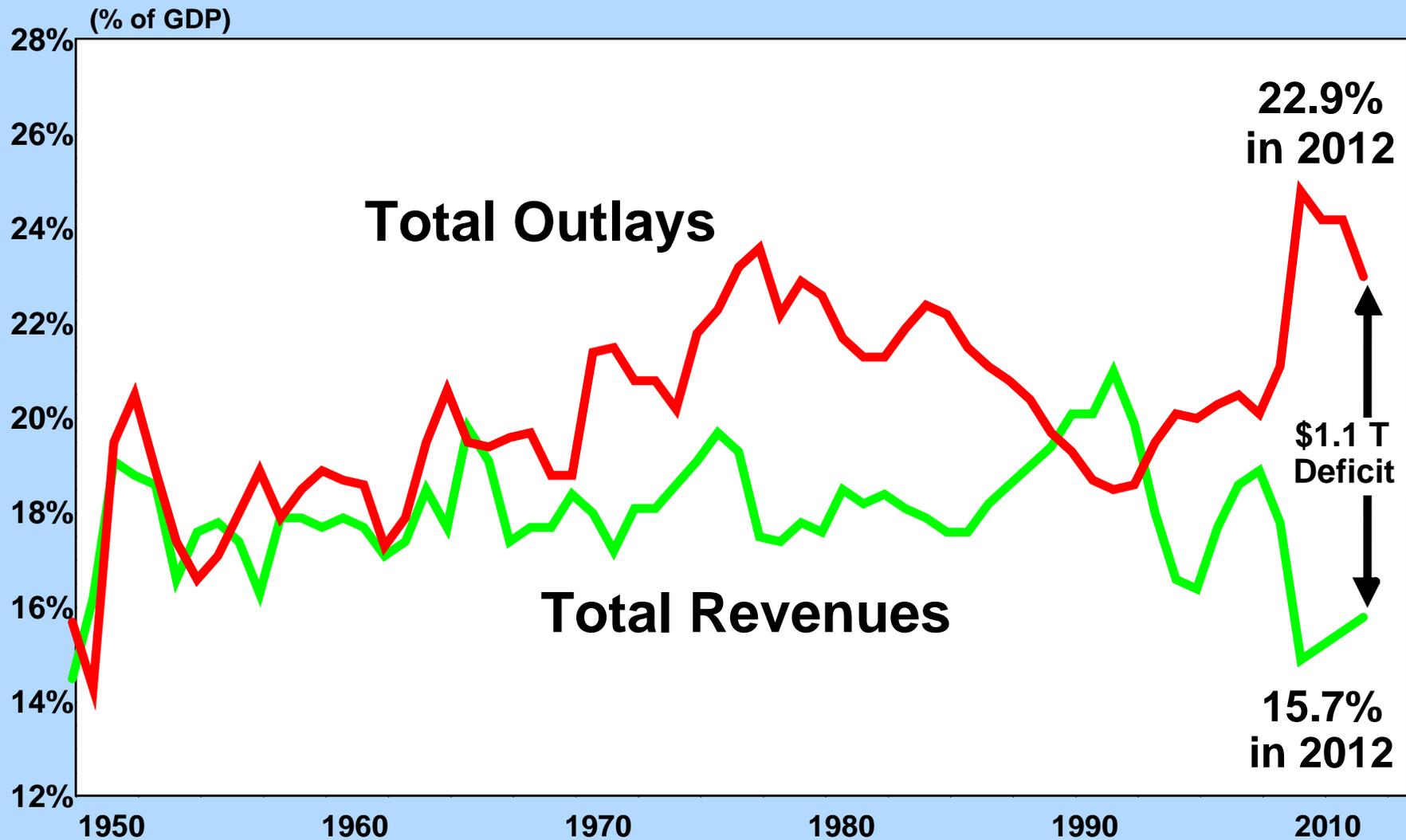
# Budget Control Act Represents Largest Deficit Reduction Package in U.S. History

$$\begin{array}{rcccl} \$900 \text{ B} & & \$1.2 \text{ T} & & \$2.1 \text{ T} \\ \text{Discretionary} & + & \text{Sequester} & = & \text{Total} \\ \text{Savings} & & & & \text{Savings} \end{array}$$

# U.S. Borrowing Almost 40 Cents of Every Dollar It Spends



# Spending and Revenues



Sources: OMB, CBO

Note: 2012 estimate from CBO's August 2012 baseline.

# Ryan Budget Plan

- **An unbalanced plan**
  - all deficit reduction from spending cuts
  - further reduces revenue
- **\$1 T in tax cuts for the wealthiest**
  - gives millionaires average tax cut of \$265,000
- **\$2.9 T in health care cuts**
  - repeals health care reform
  - shifts Medicare to “vouchers”
  - block grants Medicaid
- **Cuts safety net for seniors, children, disabled**
  - increases uninsured by more than 30 million
  - block grants Food Stamp Program (impedes ability to respond to downturn)
- **Large cuts in education, energy, and infrastructure**
  - undermines engines of economic growth

# Ryan Budget Plan on Revenue

- Provides \$1 T in tax cuts for wealthiest
- Gives millionaires average tax cut of more than \$265,000 each year
- Does not contribute one dime of revenue to deficit reduction
- Revenues reach only 18.7% of GDP by 2022

# Ryan's Tax Plan Doesn't Add Up

## Policies (\$ in billions)

Individual tax rates of 10 and 25 percent	-\$2,549 B
Top corporate tax rate of 25 percent	-1,101 B
Repeal AMT	-670 B
Repeal taxes in health care reform	-351 B
Allow ARRA stimulus provisions to expire	<u>210 B</u>
Total Cost	-\$4,461 B

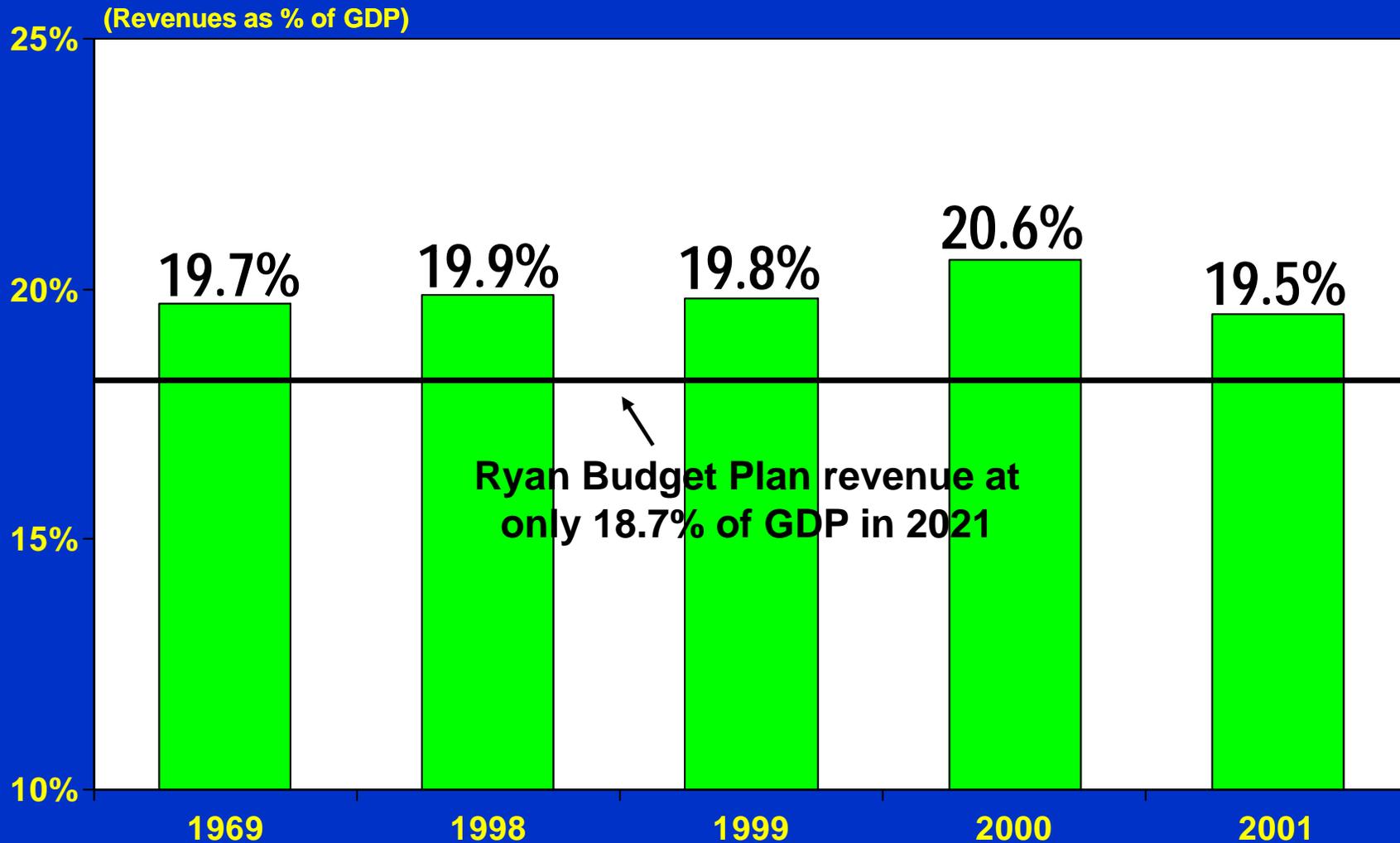
## Offsets

Individual Base Broadening	Unspecified
Corporate Base Broadening	<u>Unspecified</u>
Total Offsets	?

**Result: Increase in Debt or Middle Class Tax Hike**

Source: Tax Policy Center and HBC

# Last Five Times Budget in Surplus, Revenues Near 20% of GDP



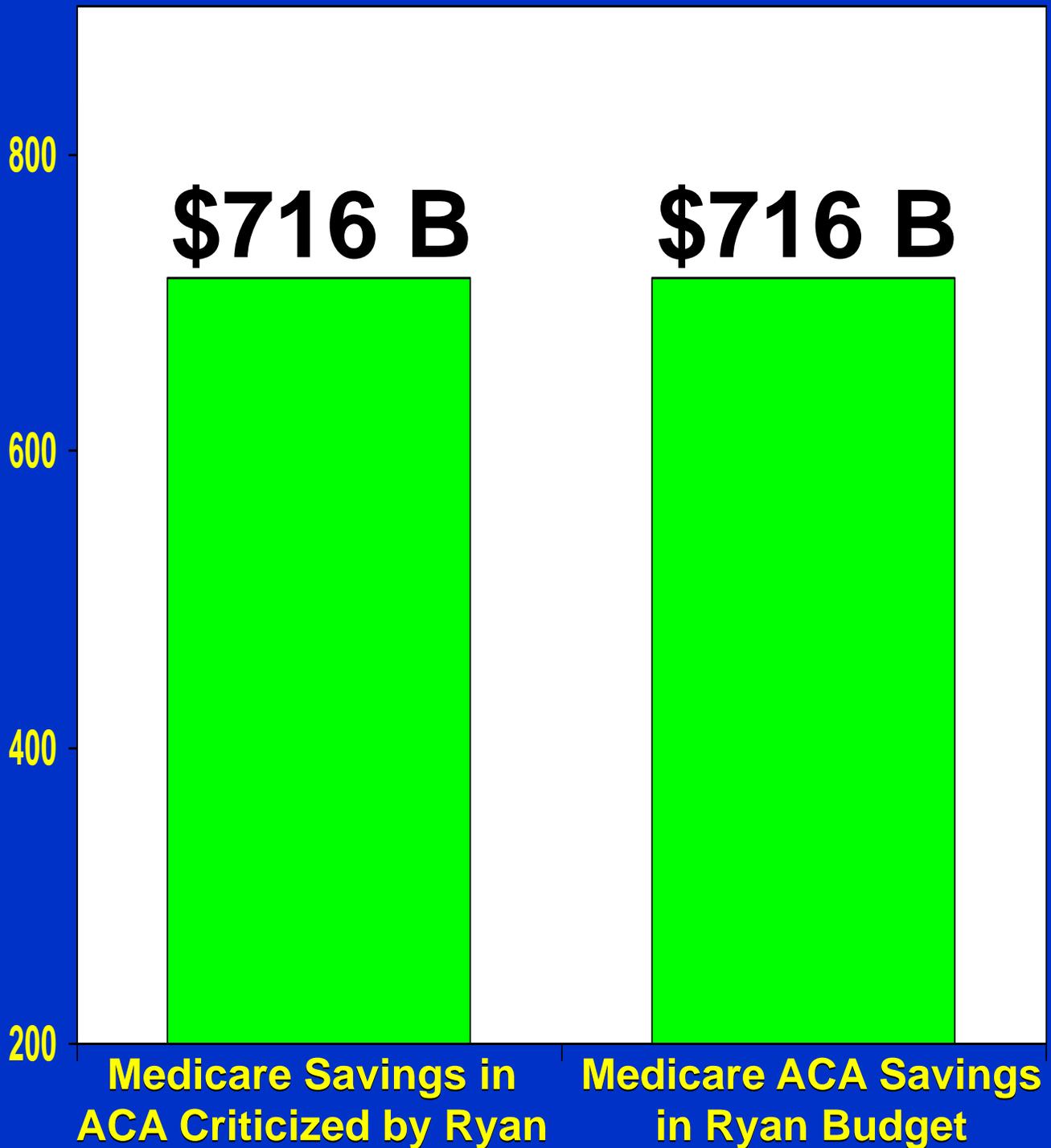
Source: OMB, HBC

# Ryan Budget Health Care Plan

- **\$2.9 T in health care cuts**
- **Repeals health care reform**
  - increases number of uninsured by more than 30 M
  - ends effort to promote quality over quantity of care
  - re-opens prescription drug “donut” hole, raising cost to seniors by \$4,200
  - allows insurance companies to drop coverage
  - ends provision allowing young adults to stay on parents’ plan until age 26
- **Shifts Medicare to “vouchers” in 2023**
  - includes aggressive cap on payments
- **Block grants Medicaid**
  - shifts costs to seniors, children, disabled, states
  - ends counter-cyclical nature of program

# Ryan's Doublespeak on Medicare

(\$ in billions)



Source: ACA, HBC

# The Washington Post

WEDNESDAY, APRIL 18, 2012

## Bishops say Ryan budget fails moral test

BY DAVID GIBSON

A week after House Budget Committee Chairman Paul Ryan said that his Catholic faith inspired the Republicans' cost-cutting budget plan, the nation's Catholic bishops reiterated their demand that the federal budget protect the poor and said the GOP measure "fails to meet these moral criteria."

That and other strongly worded judgments on the Republican budget proposal emerged in a flurry of letters from leading bishops to the chairmen of key congressional committees.

The letters were highlighted in a Tuesday statement from the U.S. Conference of Catholic Bish-

ops issued after Ryan (R-Wis.) told an interviewer that his fiscal views were informed by Catholic social teaching.

Liberal Catholics called on the bishops to resist the Republican budget proposals with the same vigor that they challenged the Obama administration's contraception mandate.

The Republican-passed House budget has almost no chance of passing the Democratic-controlled Senate, but it is serving as a platform for Republicans in the presidential campaign.

On Thursday, the bishops' Ad Hoc Committee on Religious Liberty called for American Catholics to engage in a "Fortnight for Freedom" campaign, starting in

late June, to resist the contraception mandate and other measures that the bishops say impinge on religious liberty.

The next day, Rep. Rosa L. DeLauro (Conn.), the ranking Democrat on the House Appropriations subcommittee on labor, health and education, wrote to the bishops' president, New York Cardinal Timothy Dolan, saying that as a Catholic she felt the bishops should highlight the injustices she and others saw in the Republican plans. "What I am asking for is a campaign for the poor, the hungry, the middle class, the people who are going to be eviscerated by the Ryan budget," DeLauro said.

— Religion News Service

# Former Reagan Economic Advisor Bartlett on Ryan Budget Plan

“Distributionally, the Ryan plan is a monstrosity. The rich would receive huge tax cuts while the social safety net would be shredded to pay for them. Even as an opening bid to begin budget negotiations with the Democrats, the Ryan plan cannot be taken seriously. It is less of a wish list than a fairy tale utterly disconnected from the real world, backed up by make-believe numbers and unreasonable assumptions. Ryan’s plan isn’t even an act of courage; it’s just pandering to the Tea Party. A real act of courage would have been for him to admit, as all serious budget analysts know, that revenues will have to rise well above 19 percent of GDP to stabilize the debt.”

– **Former Reagan Administration Economic Advisor  
Bruce Bartlett**  
**Capital Gains and Games Blog, *Imbalanced  
Budget: Ryan Gives Wealthy a Free Pass***  
**April 11, 2011**

**Republican  
Policies Led U.S.  
to Brink of  
Financial Collapse**