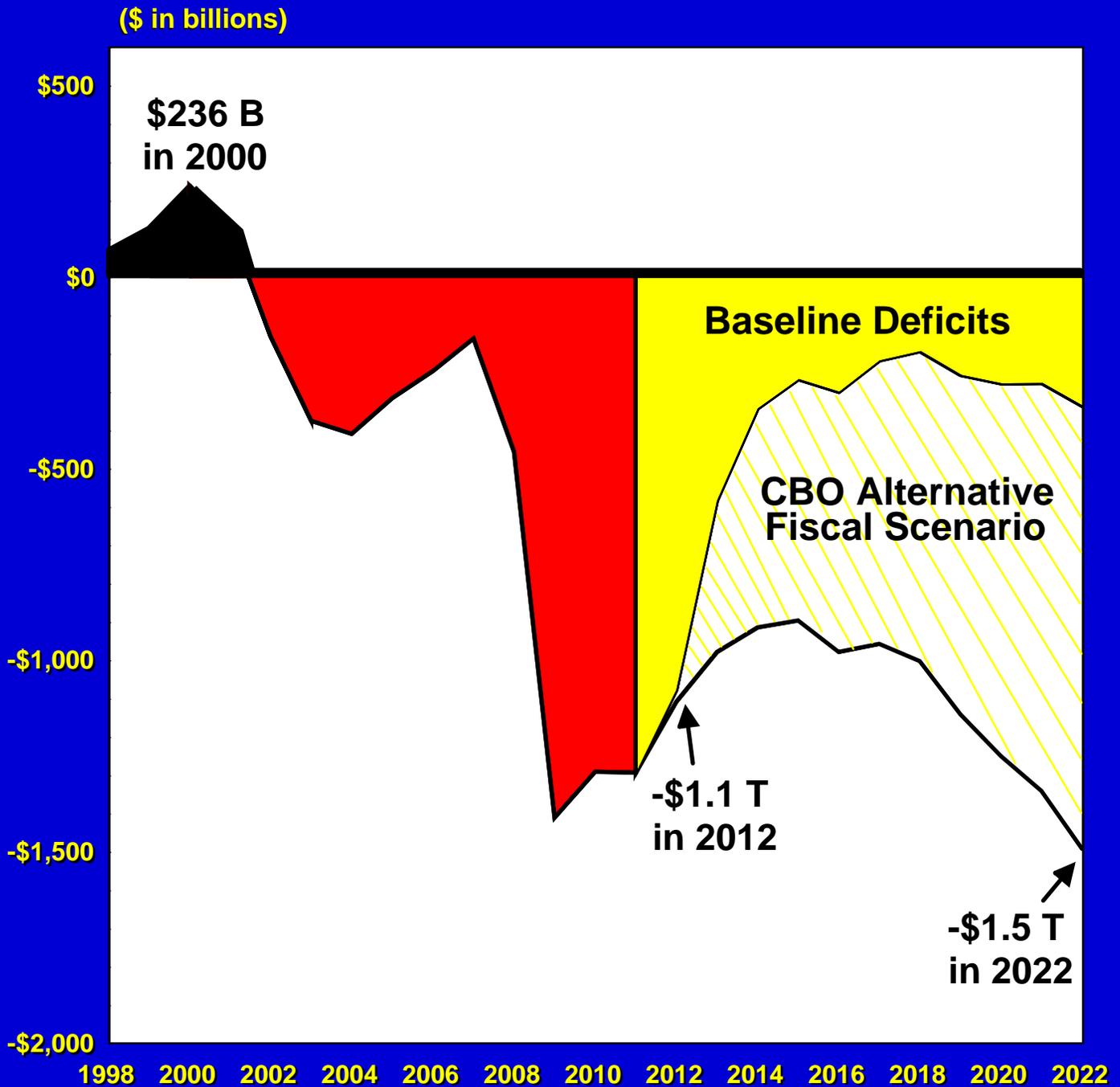


# Ten-Year Budget Outlook



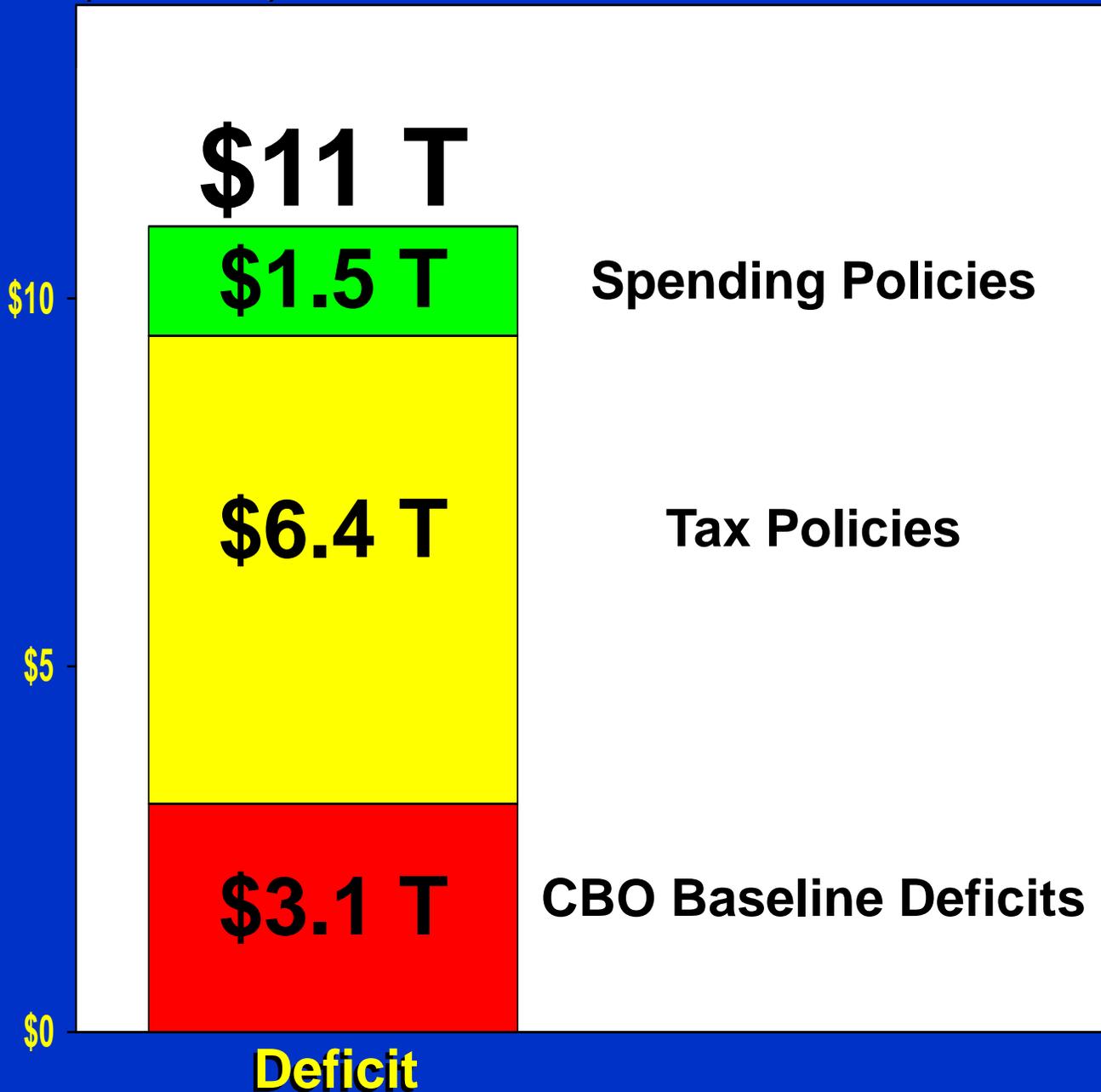
Sources: CBO and SBC

Note: CBO's January 2012 baseline, adjusted to reflect its alternative fiscal scenario: extension of 2001 and 2003 tax cuts, tax extenders, AMT reform, SGR reform, and reversal of automatic spending reductions required by Budget Control Act.

# Impact of Alternative Policies on Deficit

2013 - 2022

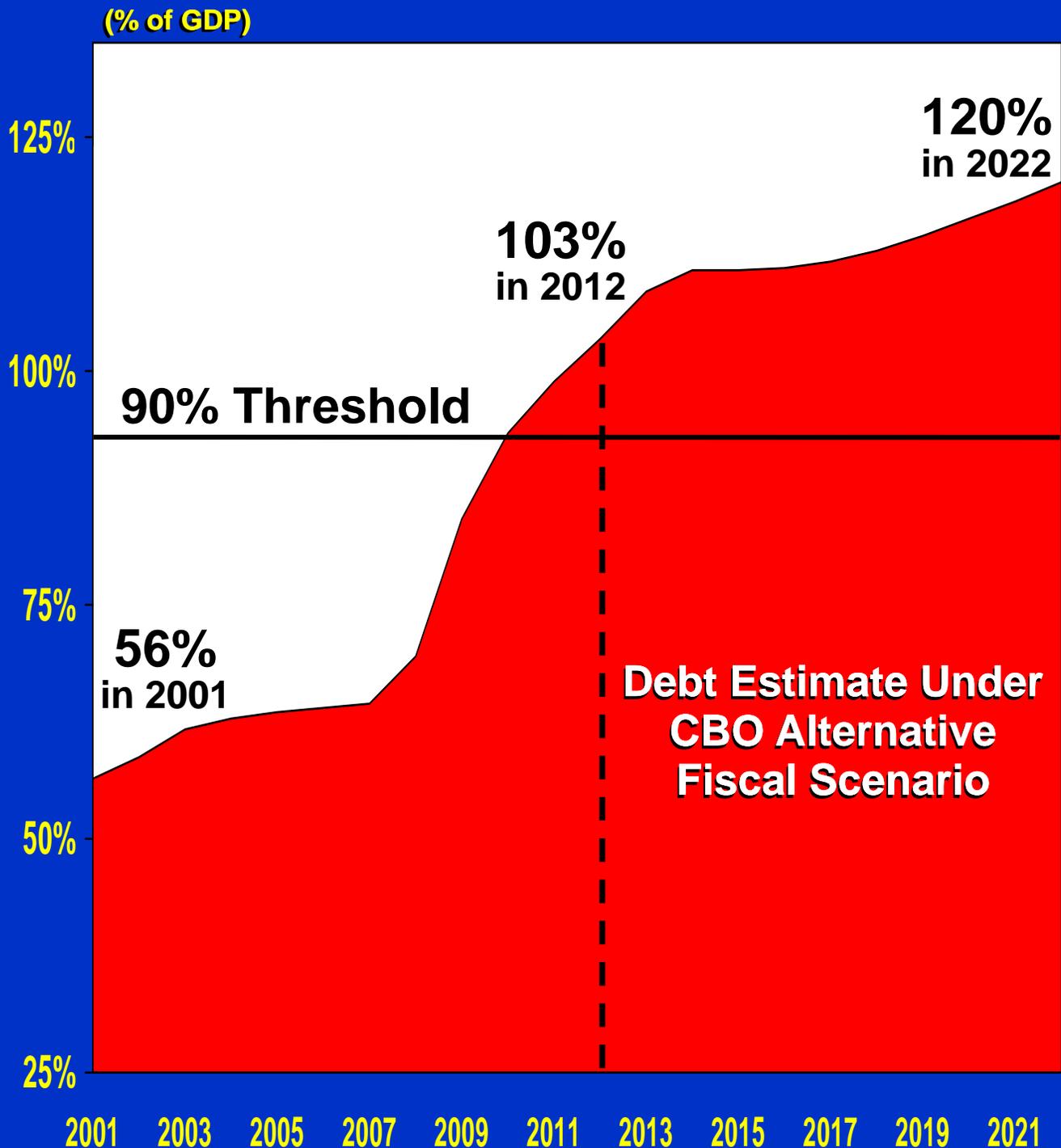
(\$ in trillions)



Sources: CBO and SBC

Note: Starts with CBO's January 2012 baseline, and adds the costs of following alternative fiscal policies: 1) extending expiring tax policies (2001/2003 tax cuts, AMT relief, other extenders, and related debt service) and 2) modifying current spending policies (extending SGR relief, reversing automatic spending reductions required by the Budget Control Act, and related debt service.)

# Gross Debt as Percent of GDP



Sources: CBO and SBC

Note: CBO's January 2012 baseline, adjusted to reflect its alternative fiscal scenario: extension of 2001 and 2003 tax cuts, tax extenders, AMT reform, SGR reform, and reversal of automatic spending reductions required by Budget Control Act.

# Positive Signs for Economy

- 22 consecutive months of private-sector job growth
- Unemployment rate has come down
- 10 consecutive quarters of real GDP growth
- Housing starts up 25% since December 2010
- Consumer confidence showing signs of improvement
- 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**

# **Fed Chairman Bernanke on Addressing Long-Term Budget and Near-Term Economy**

**“One crucial objective is to achieve long-run fiscal sustainability. The federal budget is clearly not on a sustainable path at present.... A second important objective is to avoid fiscal actions that could impede the ongoing economic recovery.**

**“These first two objectives are certainly not incompatible, as putting in place a credible plan for reducing future deficits over the longer term does not preclude attending to the implications of fiscal choices for the recovery in the near term.”**

**– Federal Reserve Chairman Ben S. Bernanke  
Testimony before Joint Economic Committee  
October 4, 2011**