



What's Happening in our Economy?

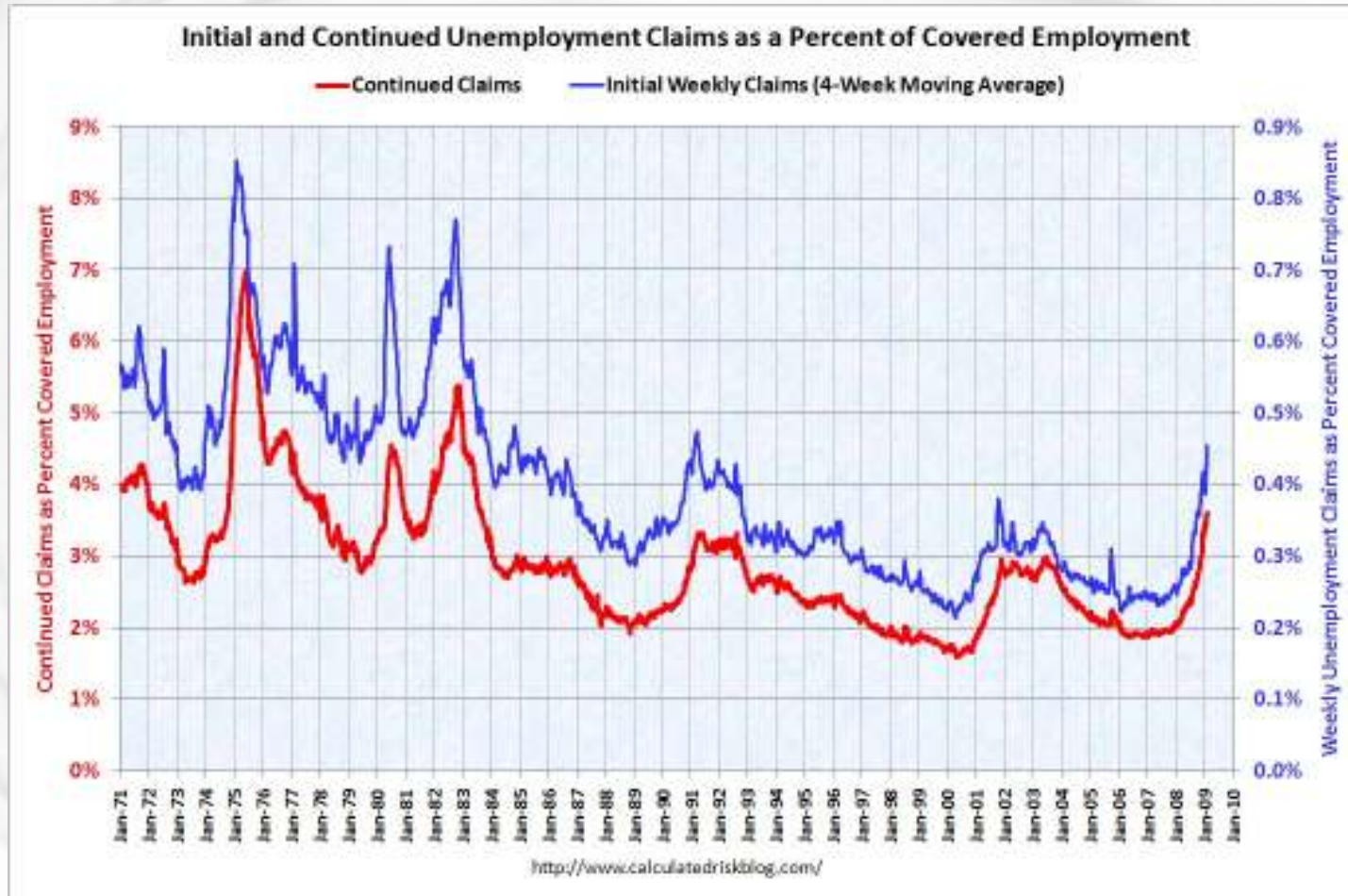
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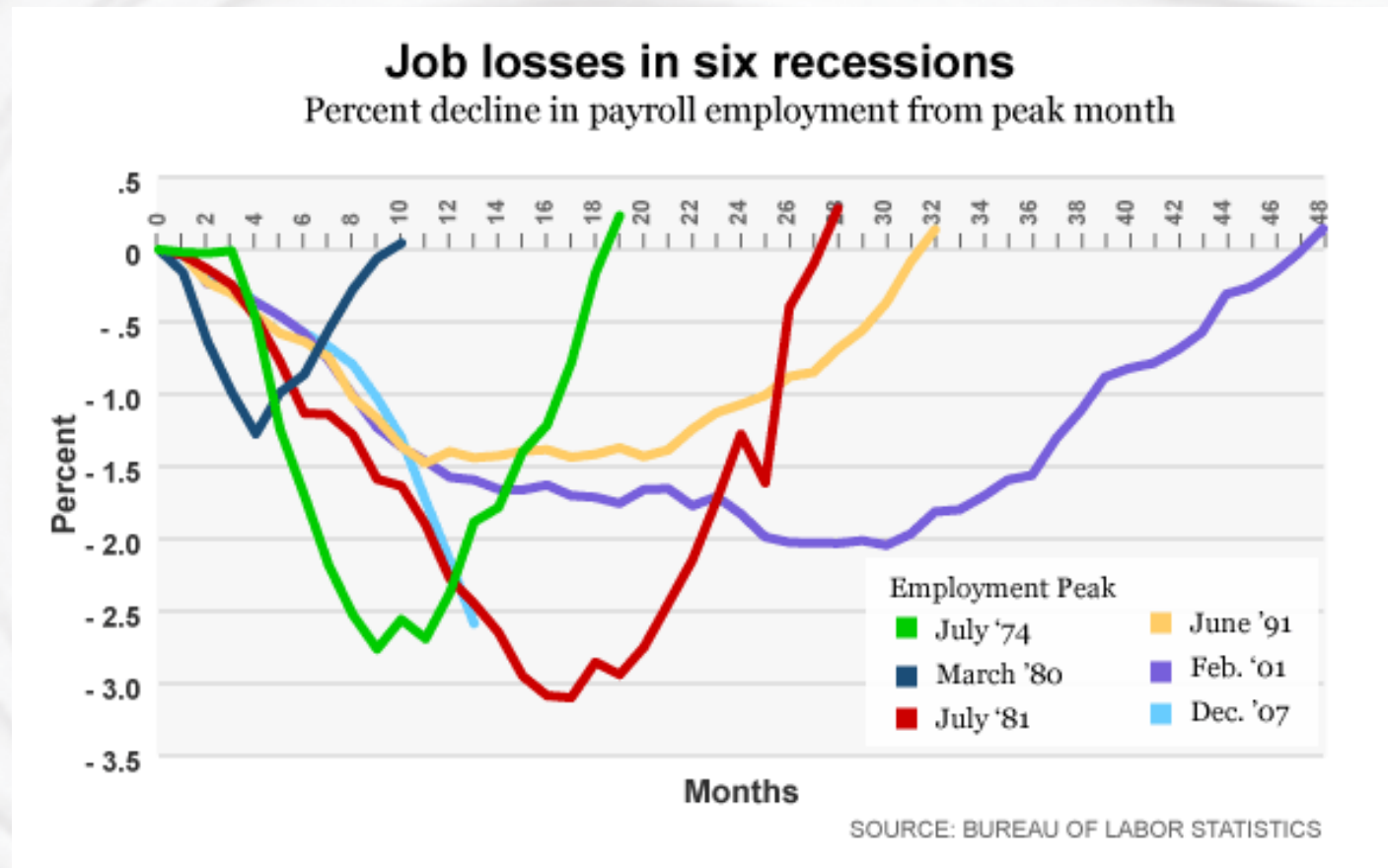


Unemployment Claims



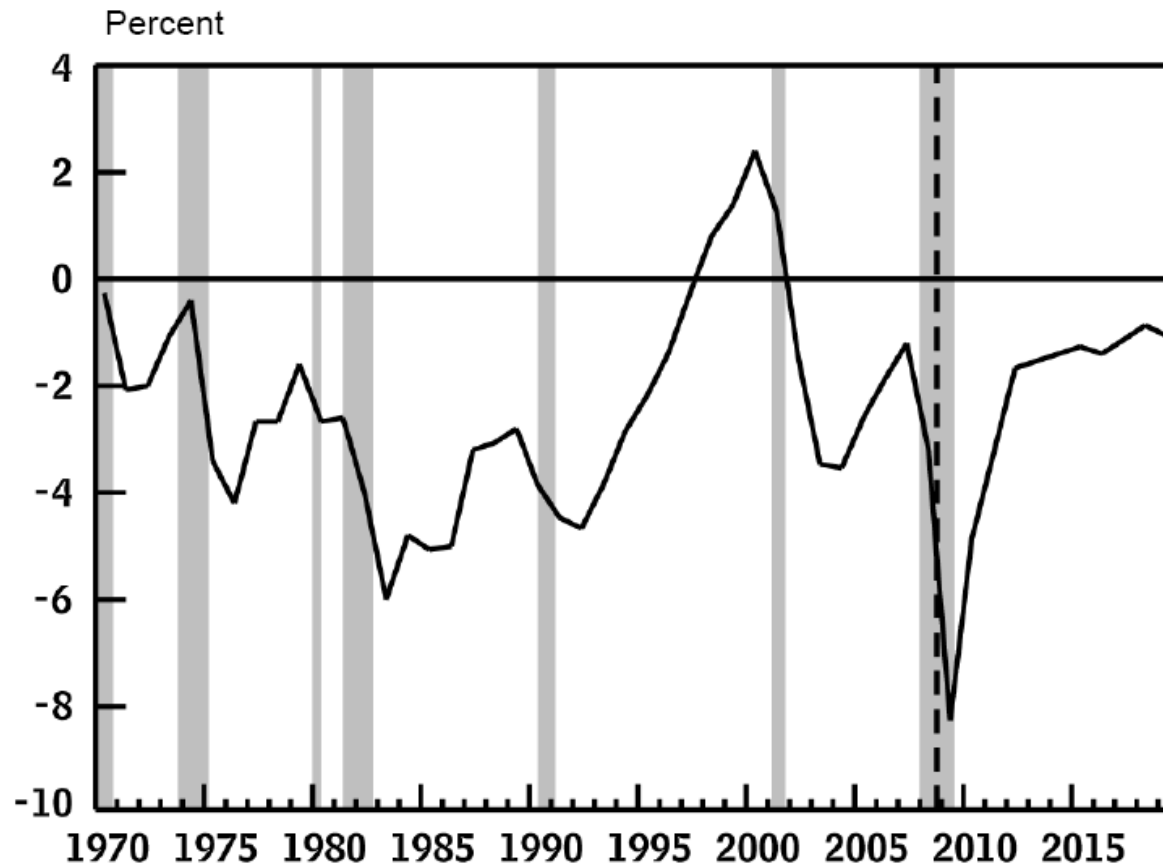


Employment Losses During Recessions



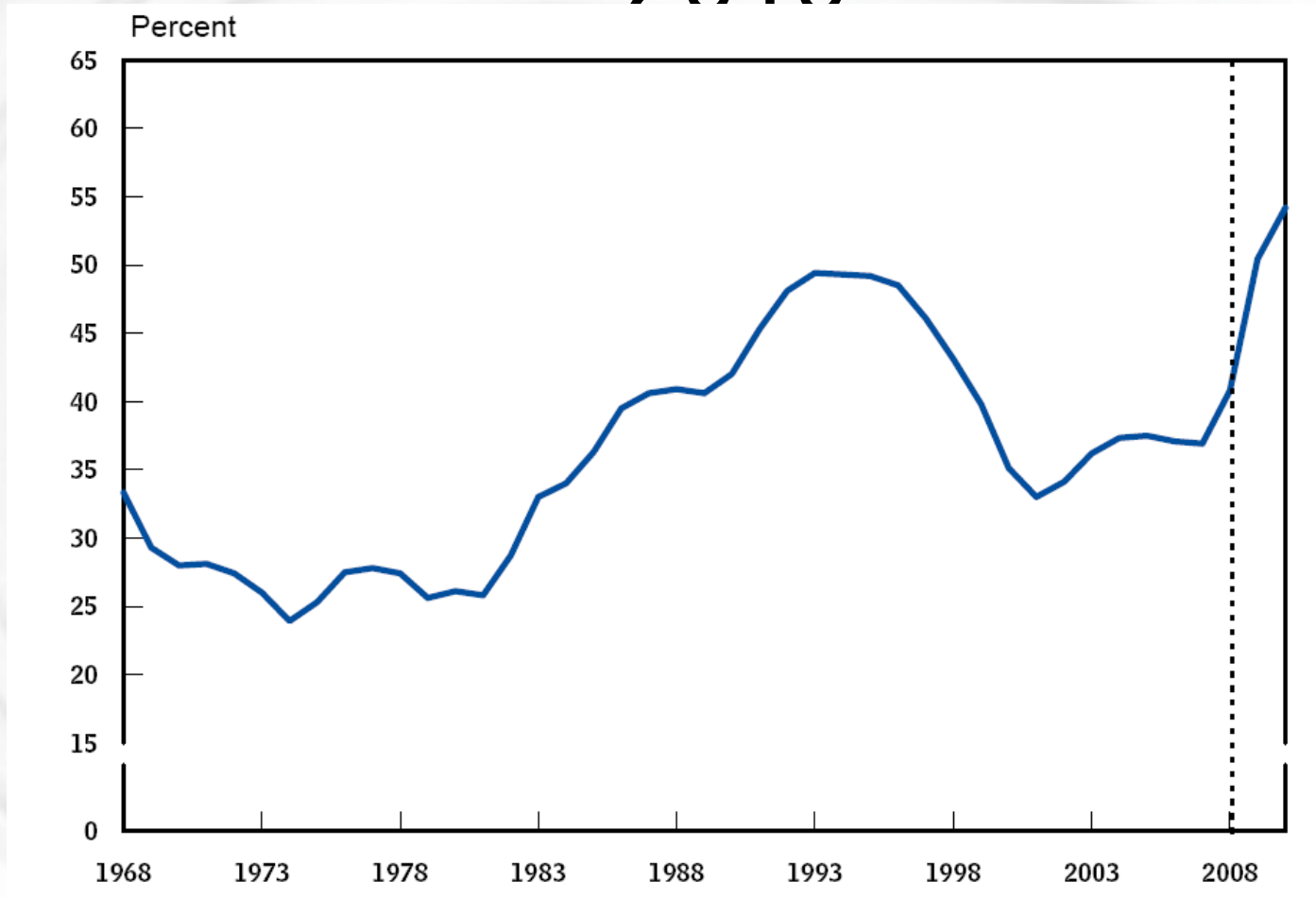


Total Deficit/Surplus as a Percent of GDP, 1970-2019





Federal Debt Held by the Public as a Percent of GDP, 1968- 2010





Stimulus Plan Overview

- ◆ Estimated Outlays in H.R.1, 2009-2019
 - Division A-Appropriations, \$308.3b
 - Division B-Direct Spending, \$267.0b
 - Division B-Revenues, -\$211.8b
 - Total \$787b



Discretionary Spending in Stimulus Plan

- ◆ Division A-Appropriations
- ◆ \$308 billion over 2009-2019
 - Agriculture, Rural development, FDA (\$26.4b)
 - Commerce, Justice, Science (\$15.8b)
 - Department of Defense (\$4.5b)
 - Energy and Water Development (\$50.8b)
 - Financial Services and Gen. Govt. (\$6.7b)
 - Homeland Security (\$2.7b)



Discretionary Spending in Stimulus Plan, continued

- Interior, Environment, etc. (\$10.5b)
- Labor, HHS, Education, etc. (\$71.3b)
- Legislative Branch (\$25m)
- Military Construction and Vets Affairs (\$4.2b)
- State, Foreign Operations, etc. (\$602m)
- Transportation, Housing and Urban Development (\$61.0b)
- State Fiscal Stabilization (\$53.6b)



Direct Spending in Stimulus Plan

- ◆ Division B-Direct Spending
- ◆ \$267b over 2009-2019
 - Tax Provisions—refundable credits (\$69b)
 - Assistance for unemployed workers and struggling families (\$57.3b)
 - Health insurance assistance (\$25b)
 - Health information technology (\$20.8b)
 - State fiscal relief (\$90b)



Revenues in Stimulus Plan

- ◆ Division B-Revenues
- ◆ -\$211.8b over 2009-2019
 - Tax provisions (-\$214.6b)
 - Assistance for unemployed workers and struggling families (-\$879m)
 - Health insurance assistance (+\$392m)
 - Health information technology (+\$3.3b)



Tax Features of the Stimulus Plan

- ◆ Tax relief for individuals and families:
 - Making Work Pay tax credit (\$116b)
 - Credit of 6.2% of earned income, capped at \$400/\$800 with phaseout starting at \$75k/150k of AGI
 - EITC temporary increase (\$4.7b)
 - More generous phaseout of credit
 - Child tax credit (\$14.8b)
 - temporary reduction in earnings threshold



Tax Features of the Stimulus Plan

- American Opportunity tax credit (\$10.3b)
 - Amend HOPE scholarship credit making it available for 4 years (100% of first \$2k of expenses, 25% of next \$2k, phaseout starts at \$80k/\$160k)
- Extension of first-time homebuyer credit (\$6.6b)
 - Increase credit to \$8k
- Exclude up to \$2,400 of unemployment insurance benefits from taxable income in 2009 (\$4.7b)
- Sales tax deduction for motor vehicle purchase in 2009 (\$1.7b)
 - Up to \$47.5k for expense, phaseout \$125k/\$250k
- AMT fix (\$69.8b)



Other Provisions of the Stimulus Plan

- Energy incentives (\$20b)
- Tax incentives for business (\$6.2b)
- Manufacturing recovery provisions (\$1.9b)
- Economic recovery tools (\$6.5b)
- Infrastructure financing tools (\$19.6b)
- Economic recovery payments to certain individuals (SS, SSI, etc.) (\$14.2b)



Nebraska Impacts

- ◆ The State of Nebraska is likely to receive a total of \$1.15b in stimulus funds
- ◆ Top three categories of funding:
 - Medicaid (\$310m)
 - Education (\$366m)
 - Highways and bridges (\$216m)
- ◆ Challenge will be using these funds on a one-time basis without creating permanently higher funding obligations by the state



CBO Baseline Projections



CBO's Baseline Budget Projections

	Actual 2007	Actual 2008	2009	2010
In Billions of Dollars				
Revenues	2,568	2,524	2,357	2,533
Outlays	2,729	2,978	3,543	3,236
Deficit	-161	-455	-1,186	-703
Debt Held by the Public	5,035	5,803	7,193	7,829
Memorandum:				
Gross Domestic Product	13,642	14,224	14,257	14,452
As a Percentage of GDP				
Revenues	18.8	17.7	16.5	17.5
Outlays	20.0	20.9	24.9	22.4
Deficit	-1.2	-3.2	-8.3	-4.9
Debt Held by the Public	36.9	40.8	50.5	54.2



Accounting for Changes in the CBO Deficit Forecast

Billion of Dollars

	2009
Total Deficit Projected in September 2008	438
Changes	
Lower revenues (\$104 billion due to recent legislation)	362
Outlays for the Troubled Asset Relief Program	184
Outlays for recognizing the credit costs of Fannie Mae and Freddie Mac in the budget	218
Other changes in outlays	-16
Total Increase in the Deficit	748
Total Deficit Projected in January 2009	1,186

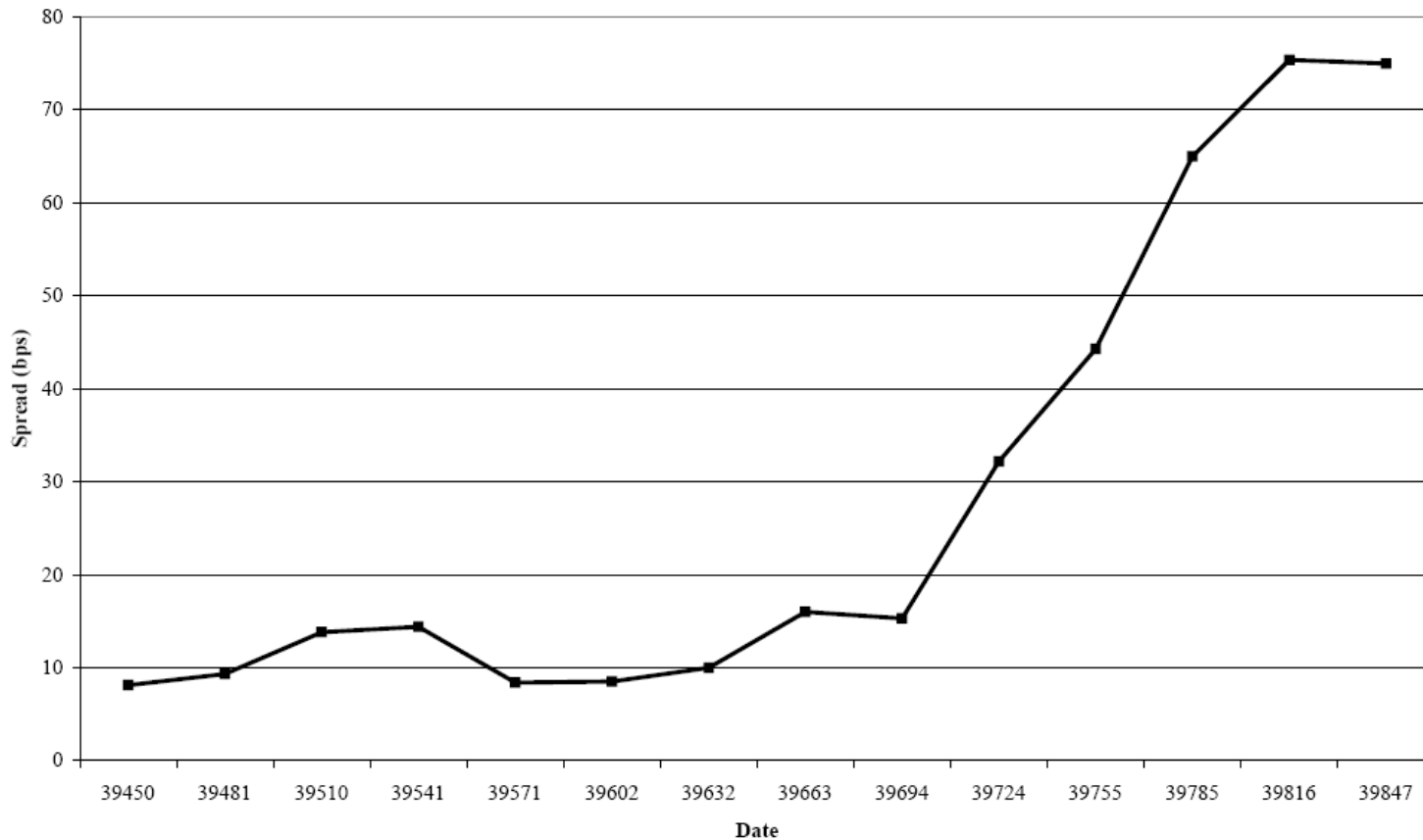


Economic Forecast, CBO

	Estimated	Forecast	
	2008	2009	2010
Year to Year (Percentage change)			
Real GDP	1.2	-2.2	1.5
Consumer Price Index	4.1	0.1	1.7
Calendar Year Average (Percent)			
Unemployment Rate	5.7	8.3	9.0
Three-Month Treasury Bill Rate	1.4	0.2	0.6



Price of Credit Default Swaps on 5-Year Senior U.S. Treasury Debt

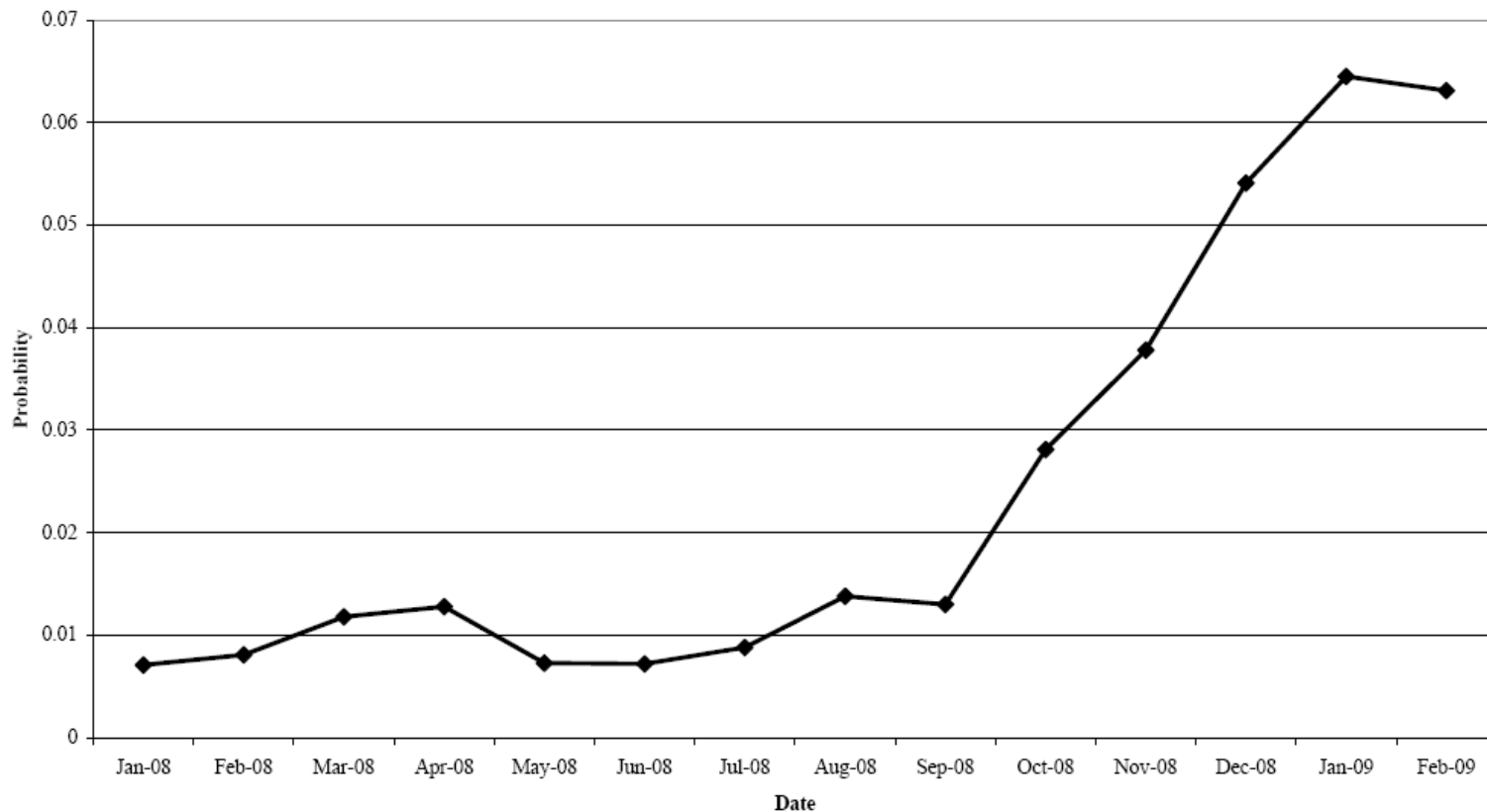


Source: Bloomberg. CDS spreads calculated by Bloomberg using the JP Morgan pricing model. Spread represents the amount paid per year for a given amount of default protection.

Source: Auerbach and Gale (2009)



Implied Probability of Default on 5-Year Senior U.S. Treasury Debt



Source: Bloomberg. Based on Credit Default Swaps. The probability that the United States will default on 5-year treasury bonds at any time within 5 years of the date of initiation of the CDS contracts shown above. Calculated by Bloomberg using the JP Morgan pricing model. Determines the implied probability of default from the par CDS spreads and assumes a recovery rate of 40 percent.

Source: Auerbach and Gale (2009)