

Economic Leadership in times of crisis: Implementing the US stimulus program

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5-6pm, Wednesday 2nd March 2011

The Finkel Lecture Theatre,
John Curtin School of Medical Research Building #131
ANU, Canberra, Australia.

**Presented by the HC Coombs Policy Forum, ANU
and**

Carnegie Mellon University
Australia

America's Economic Recovery Plan: Strategy, Policy and Implications

HC Coombs Policy Forum

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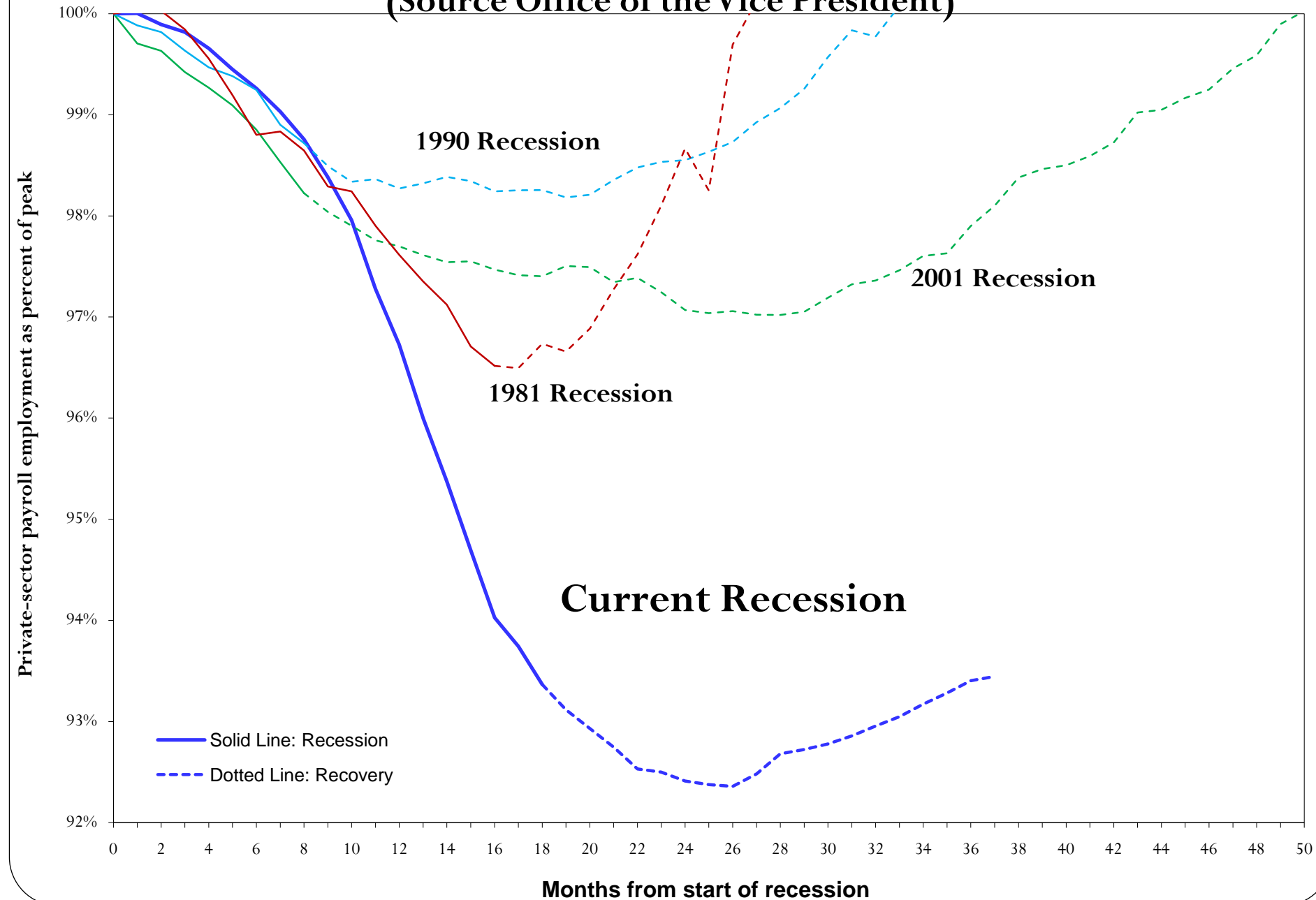
America's Economic Recovery Plan: Strategy, Policy and Implications

“Not since Great Depression have we faced a situation like this. Roosevelt had to save the economy and was committed to balancing the budget. He finally gave up balancing the budget and was bailed out by the World War Two.”

(Taken from a conversation with Paul Volcker)

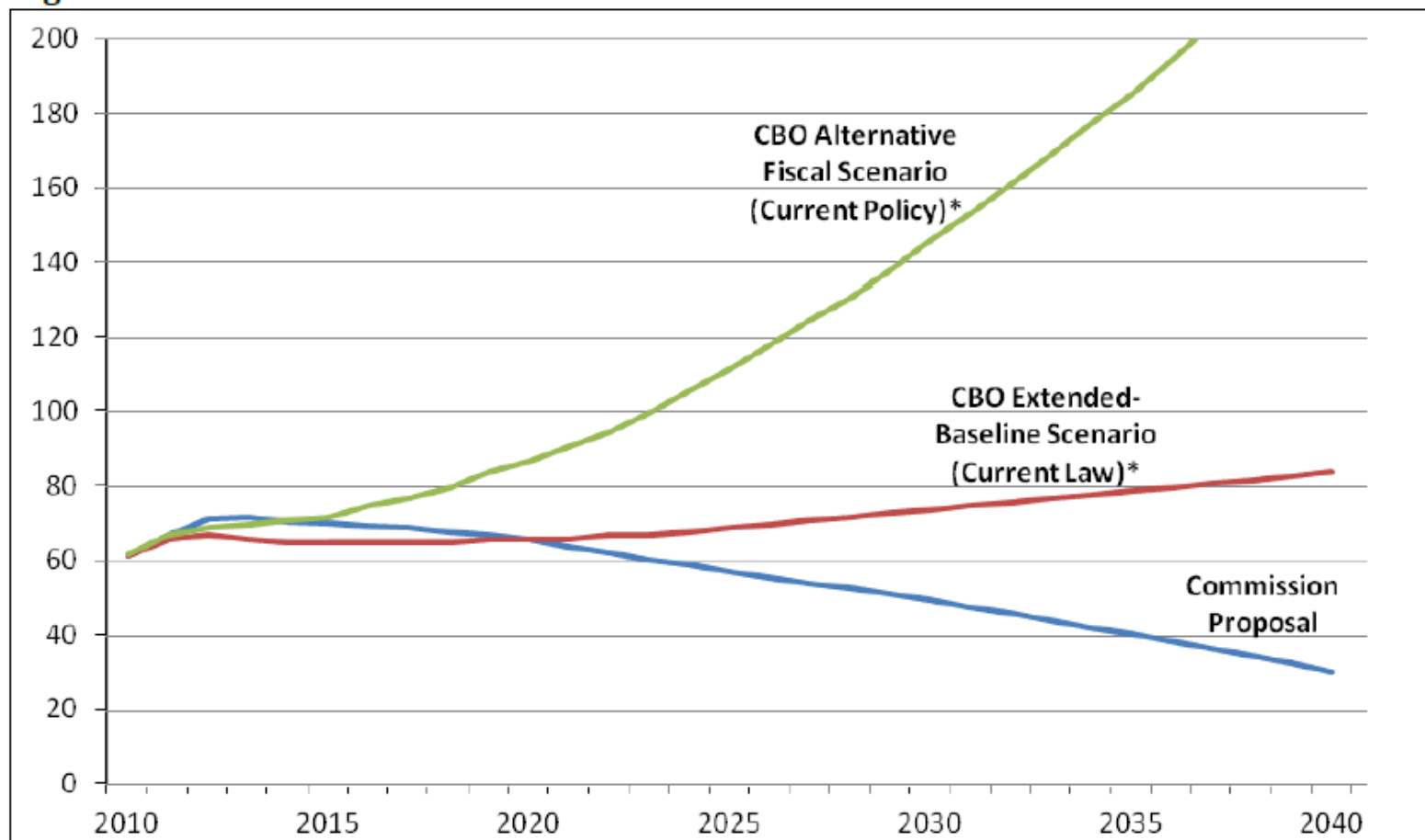
The Deepest Recession Since the Great Depression

(Source Office of the Vice President)



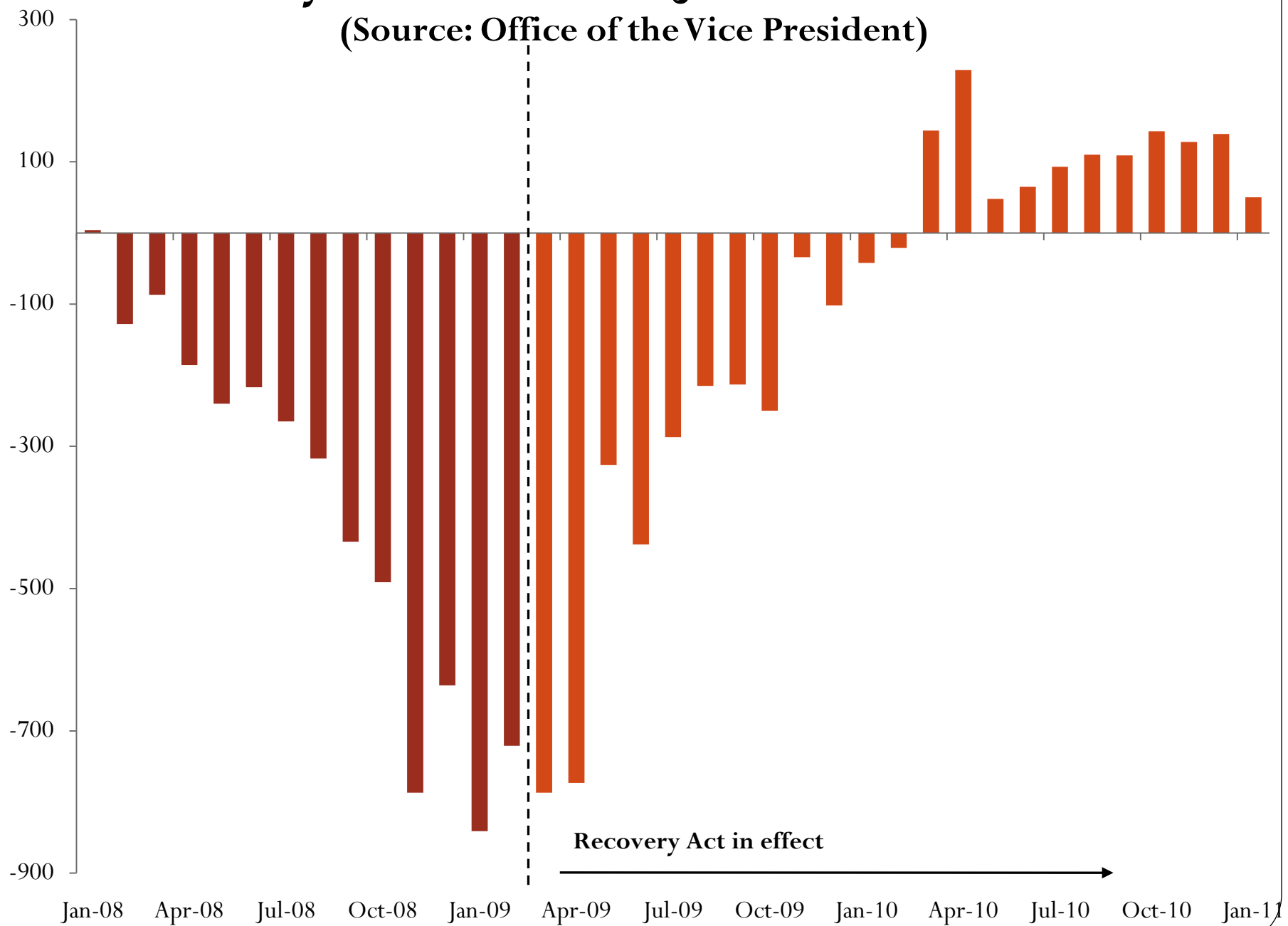
President's Commission

Figure 1: Debt as a Percent of GDP



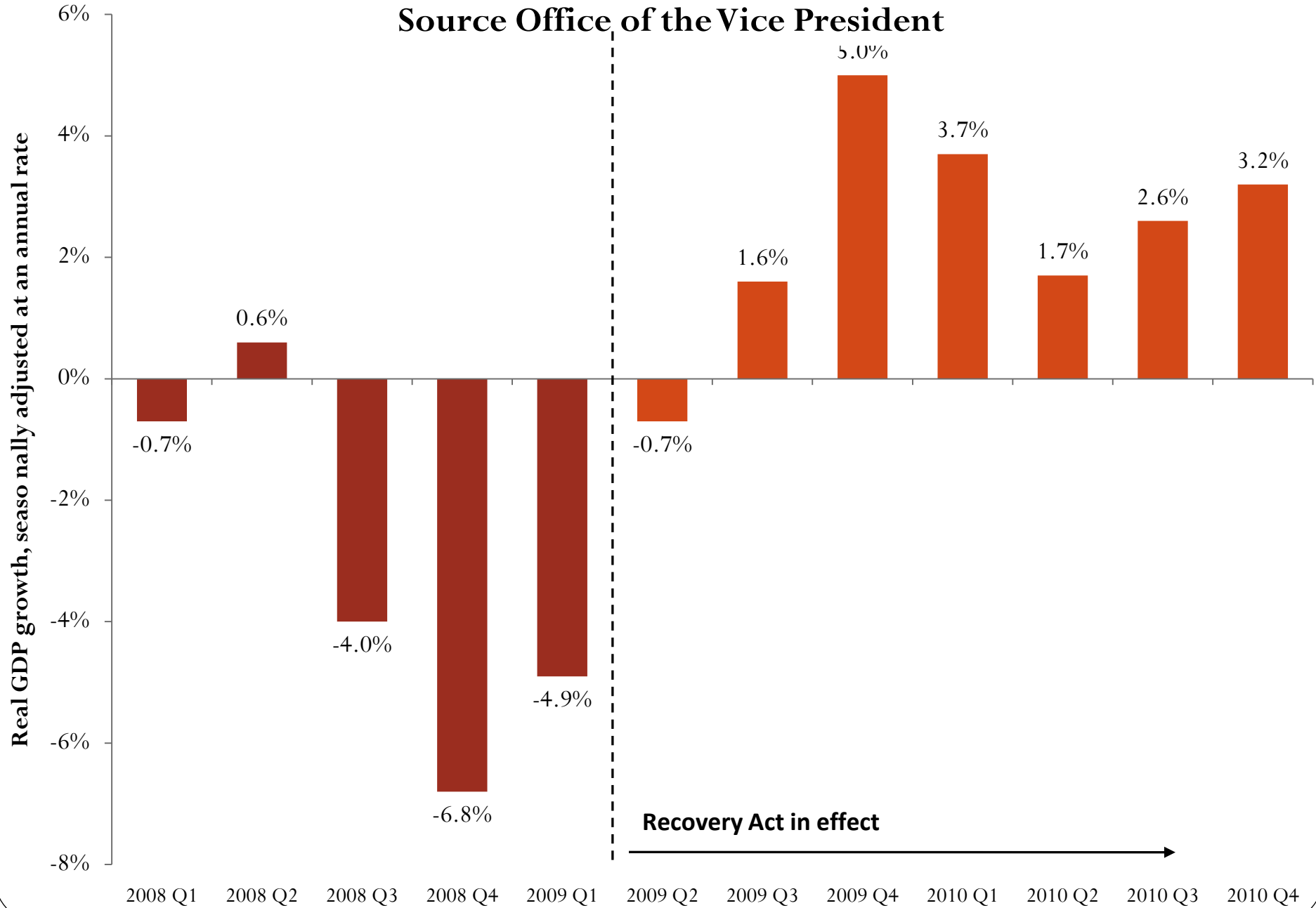
Monthly Private-Sector Job Gains and Losses

(Source: Office of the Vice President)



Real Growth of Gross Domestic Product

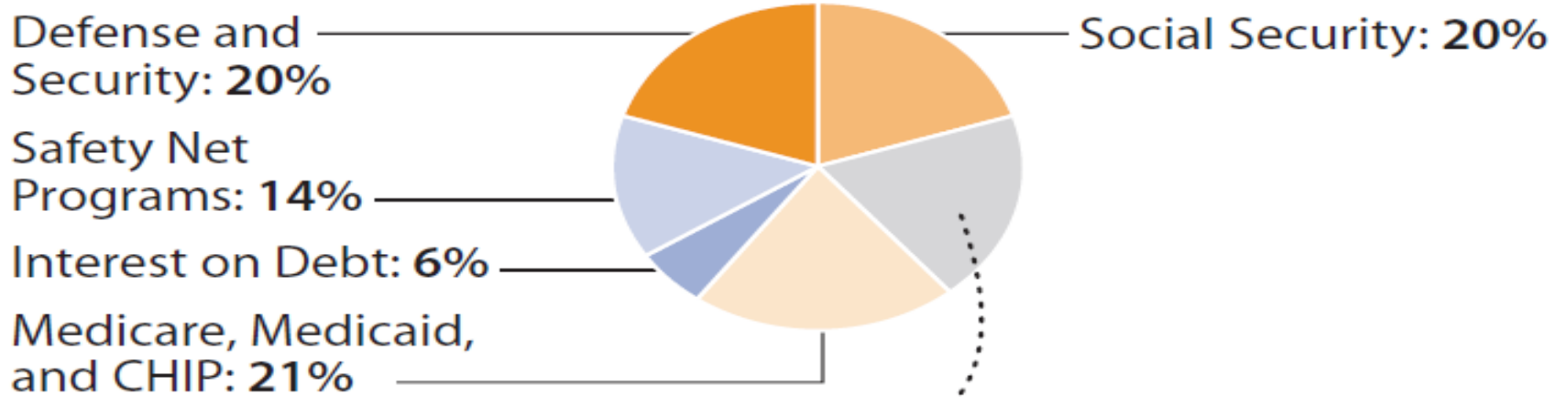
Source Office of the Vice President



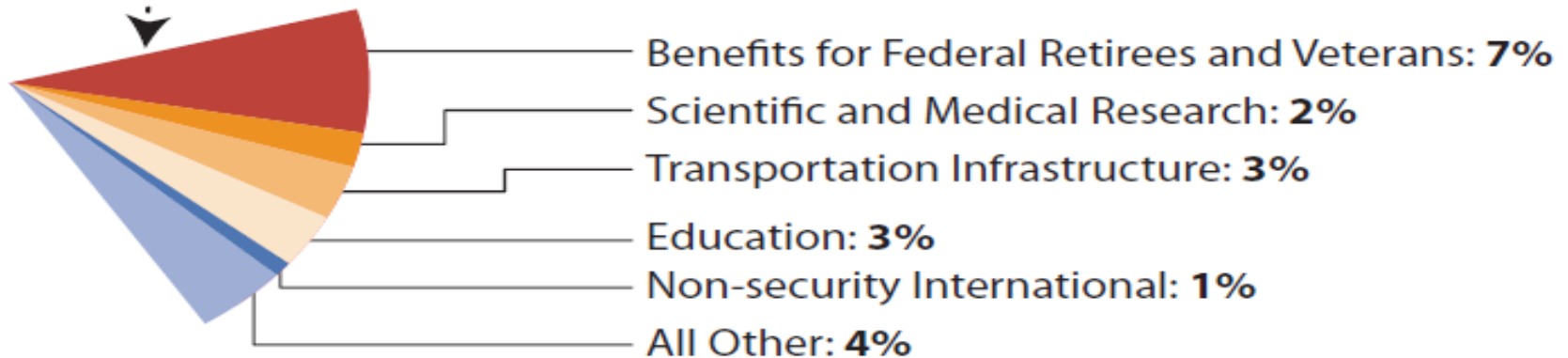
Obama Budget 2012

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Budget Totals in Billions of Dollars:												
Receipts	2,163	2,174	2,627	3,003	3,333	3,583	3,819	4,042	4,257	4,473	4,686	4,923
Outlays	3,456	3,819	3,729	3,771	3,977	4,190	4,468	4,669	4,876	5,154	5,422	5,697
Deficit	1,293	1,645	1,101	768	645	607	649	627	619	681	735	774
Debt held by the public	9,019	10,856	11,881	12,784	13,562	14,301	15,064	15,795	16,513	17,284	18,103	18,967
Debt net of financial assets	7,894	9,505	10,585	11,344	11,988	12,595	13,243	13,869	14,488	15,169	15,903	16,677
Gross domestic product (GDP)	14,508	15,080	15,813	16,752	17,782	18,804	19,791	20,755	21,679	22,624	23,608	24,633
Budget Totals as a Percent of GDP:												
Receipts	14.9%	14.4%	16.6%	17.9%	18.7%	19.1%	19.3%	19.5%	19.6%	19.8%	19.9%	20.0%
Outlays	23.8%	25.3%	23.6%	22.5%	22.4%	22.3%	22.6%	22.5%	22.5%	22.8%	23.0%	23.1%
Deficit	8.9%	10.9%	7.0%	4.6%	3.6%	3.2%	3.3%	3.0%	2.9%	3.0%	3.1%	3.1%
Debt held by the public	62.2%	72.0%	75.1%	76.3%	76.3%	76.1%	76.1%	76.1%	76.2%	76.4%	76.7%	77.0%
Debt net of financial assets	54.4%	63.0%	66.9%	67.7%	67.4%	67.0%	66.9%	66.8%	66.8%	67.0%	67.4%	67.7%

Most of Budget Goes Toward Defense, Social Security, and Major Health Programs



Program Areas in the Remaining Fifth of the Budget



Source: Congressional Budget Office, 2010.
Note: Percentages may not total 100 due to rounding.

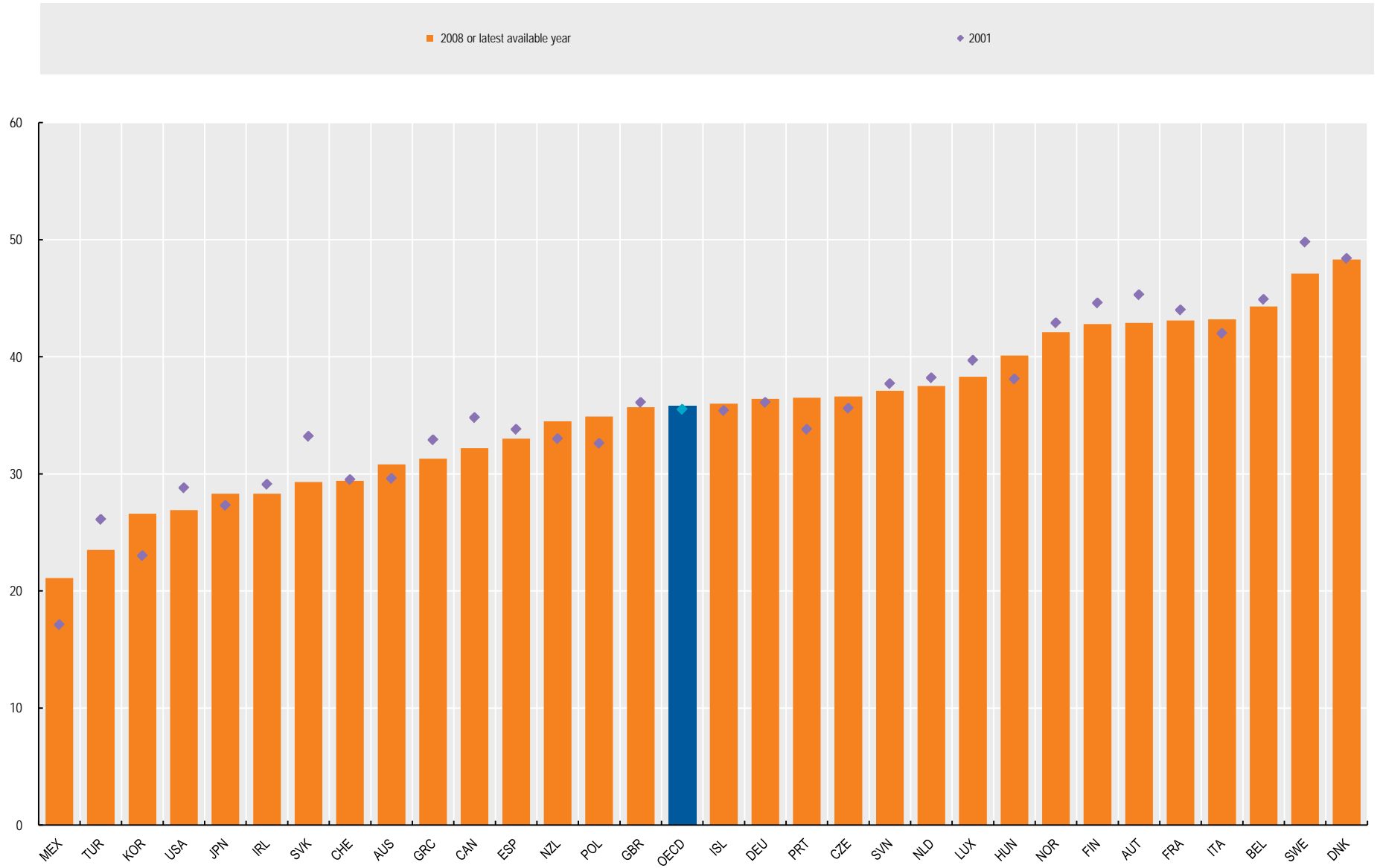
Jobs Impact of Recovery Act

	2009:Q2	2009:Q3	2009:Q4	2010:Q1	2010:Q2	2010:Q3
CEA: Model Approach	+399,000	+1,120,000	+1,747,000	+2,223,000	+2,547,000	+2,673,000
CEA: Projection Approach ^a	+318,000	+1,010,000	+1,844,000	+2,701,000	+3,376,000	+3,668,000
CBO: Low	+300,000	+700,000	+1,000,000	+1,200,000	+1,400,000	+1,400,000
CBO: High	+500,000	+1,300,000	+2,100,000	+2,800,000	+3,400,000	+3,700,000
IHS/Global Insight	+228,000	+689,000	+1,245,000	+1,696,000	+2,107,000	+2,342,000
Macroeconomic Advisers	+248,000	+623,000	+1,057,000	+1,462,000	+1,847,000	+2,119,000
Mark Zandi, Moody's Economy.com	+500,000	+1,008,000	+1,486,000	+1,893,000	+2,249,000	+2,522,000

Sources: See text for details.

Notes: a. Estimates are for the middle month of the quarter.

Taxes as a Percent of GDP 2008: OECD

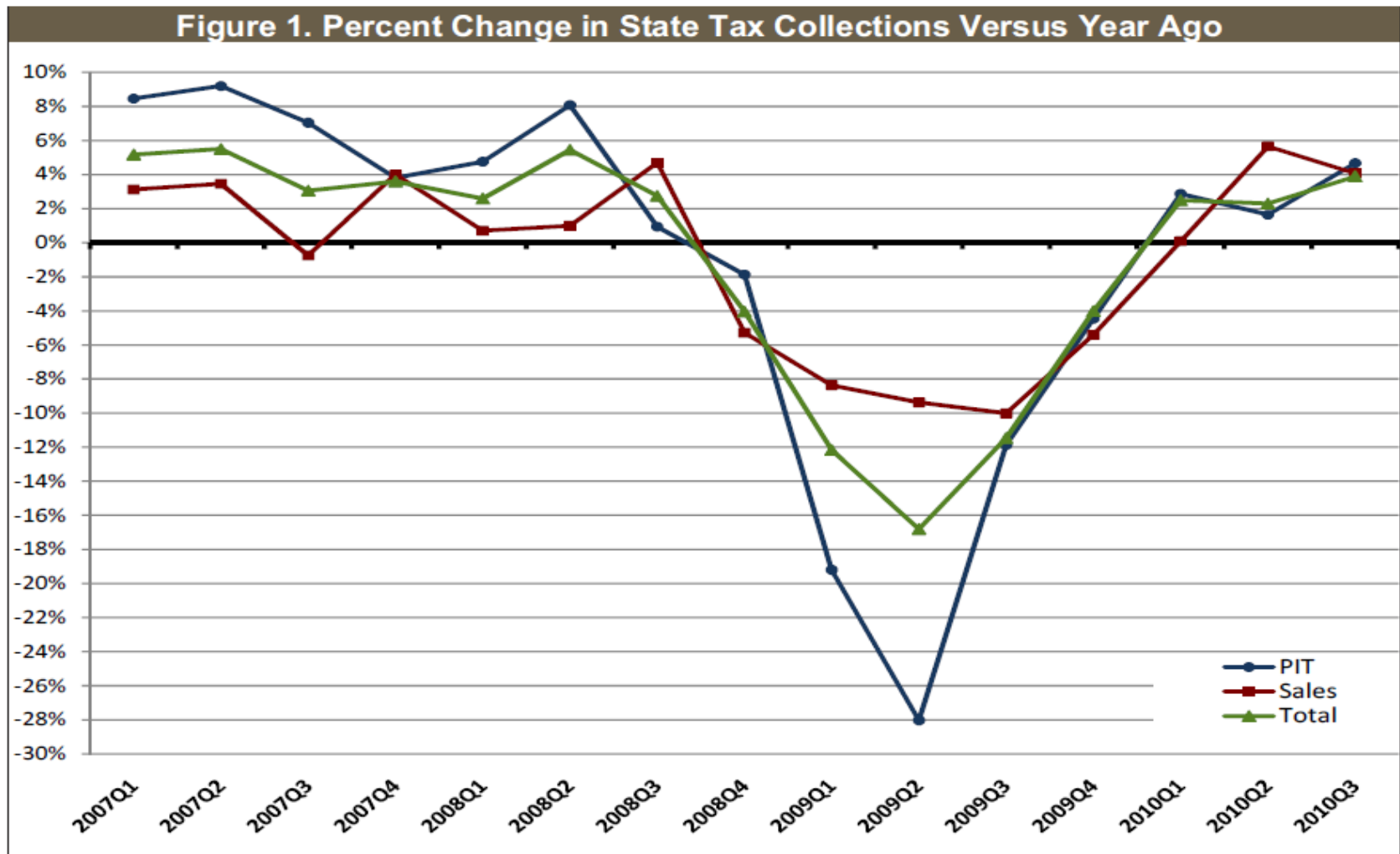


Federal and State Revenue: Economic Policy Institute

Year	Federal	State and local	Total
1969	19.6%	9.2%	28.8%
1979	19.0%	9.4%	28.4%
1989	18.9%	10.7%	29.7%
2000	20.7%	10.8%	31.5%
2007	18.9%	11.0%	29.8%
2009*	15.6%	10.8%	26.4%

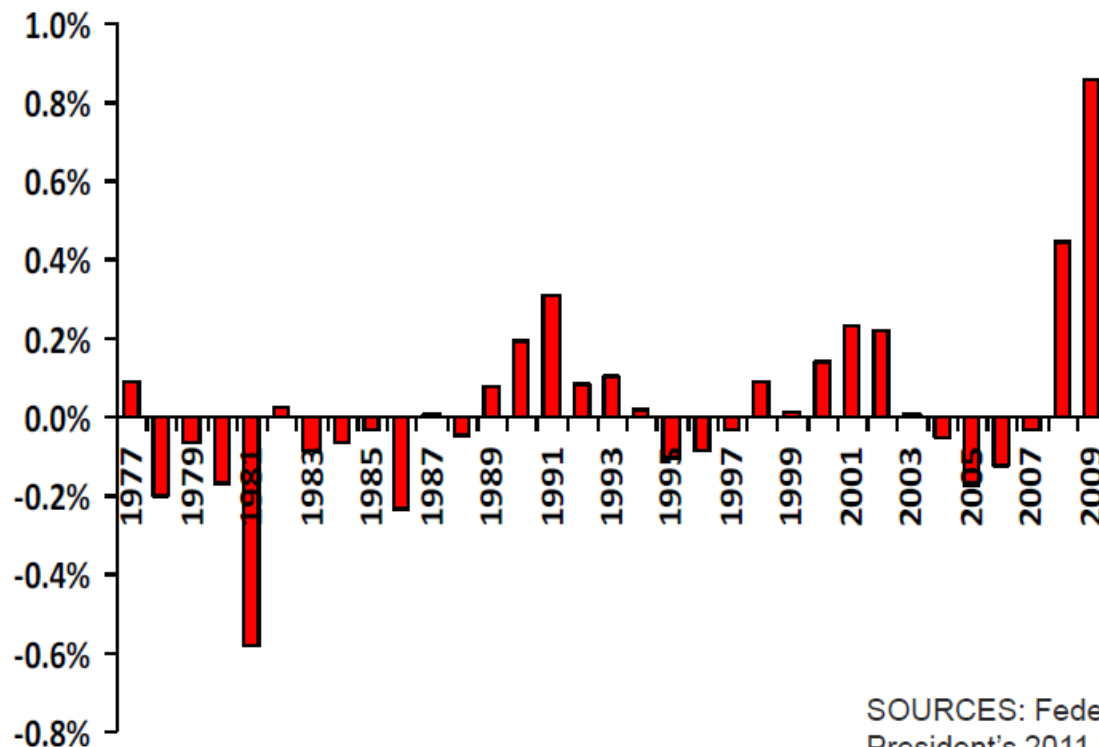
* Decreased revenues in 2009 reflect economic impact of 2007 recession.

Source: EPI analysis of Bureau of Economic Analysis data.



Source: The Rockefeller Institute

Annual Changes in Federal Aid to State and Local Governments (as % of GDP)

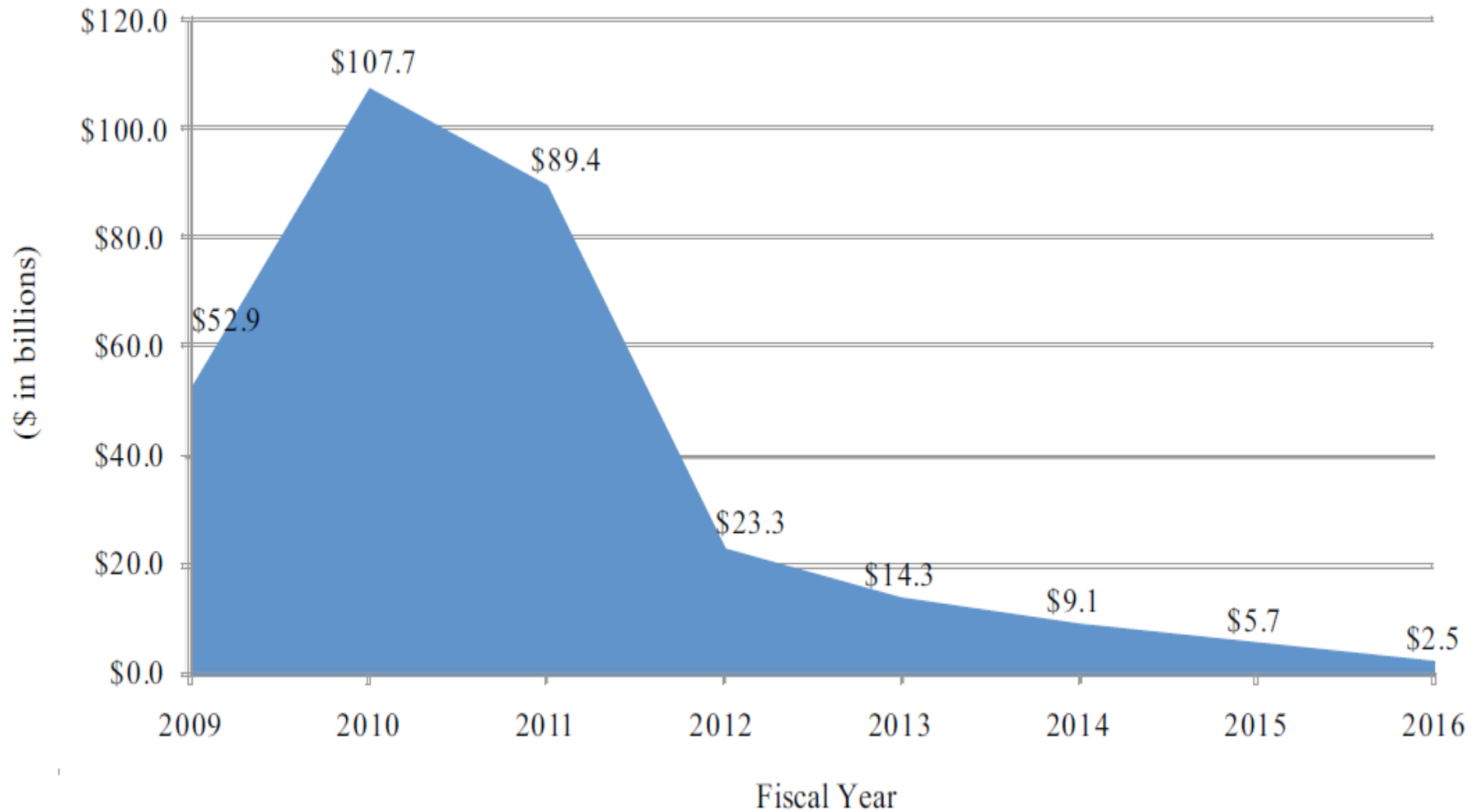


Federal assistance increased from 3.7 pct of GDP in 2008 to 4.6 pct of GDP in 2009, an increase of 0.9 pct (in GDP terms) in one year.

Also note: 4.6 pct of GDP in 2009 was highest value in 1977-2009 data series. See following slide.

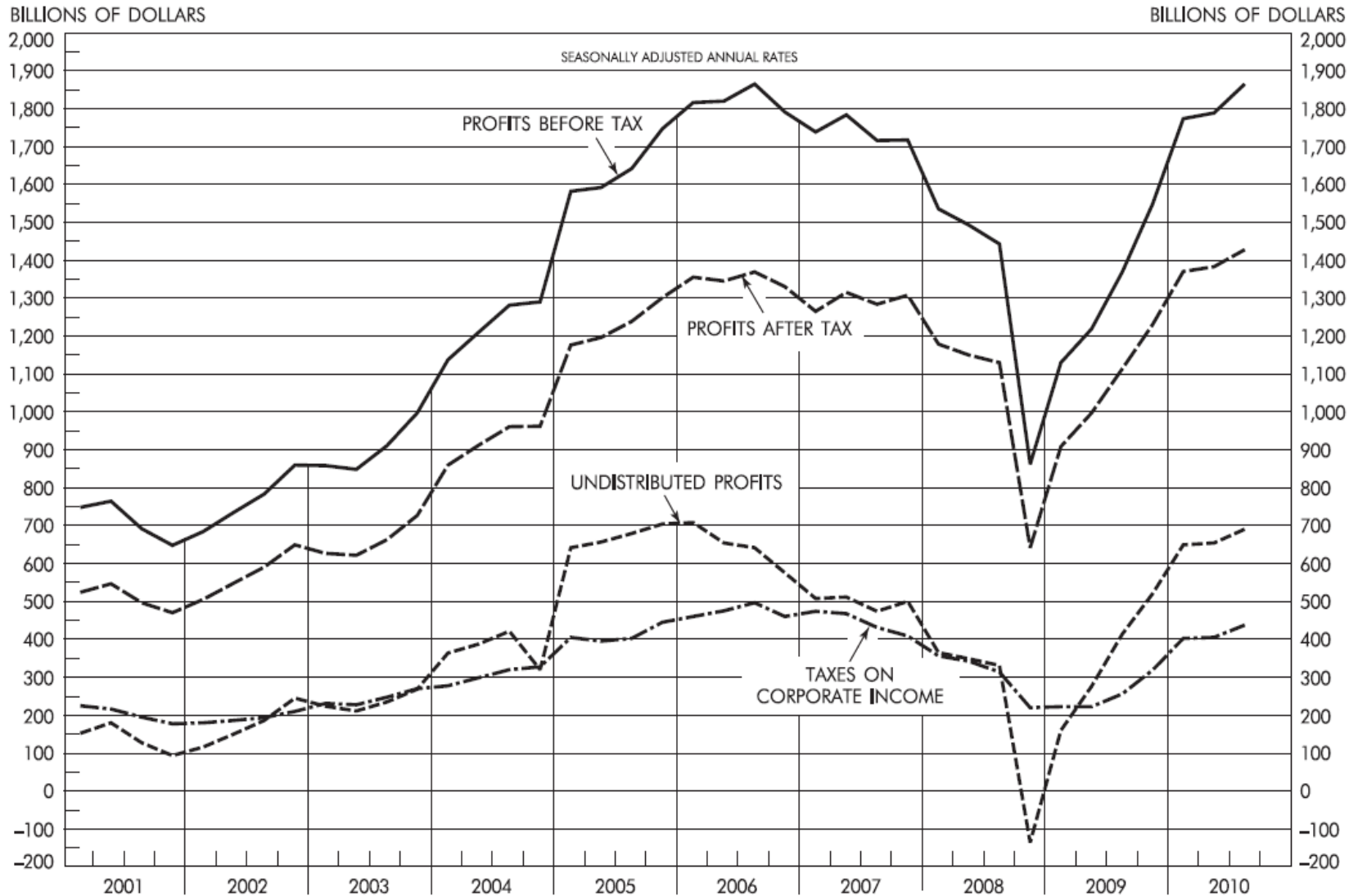
SOURCES: Federal assistance data from President's 2011 Budget; GDP data from Bureau of Economic Analysis

Temporary Federal Aid to States



*Source: Recovery Act data come from GAO Report to Congress, September 2010
FY 2011 totals include both ARRA & Education Jobs Funds*

Corporate Profits

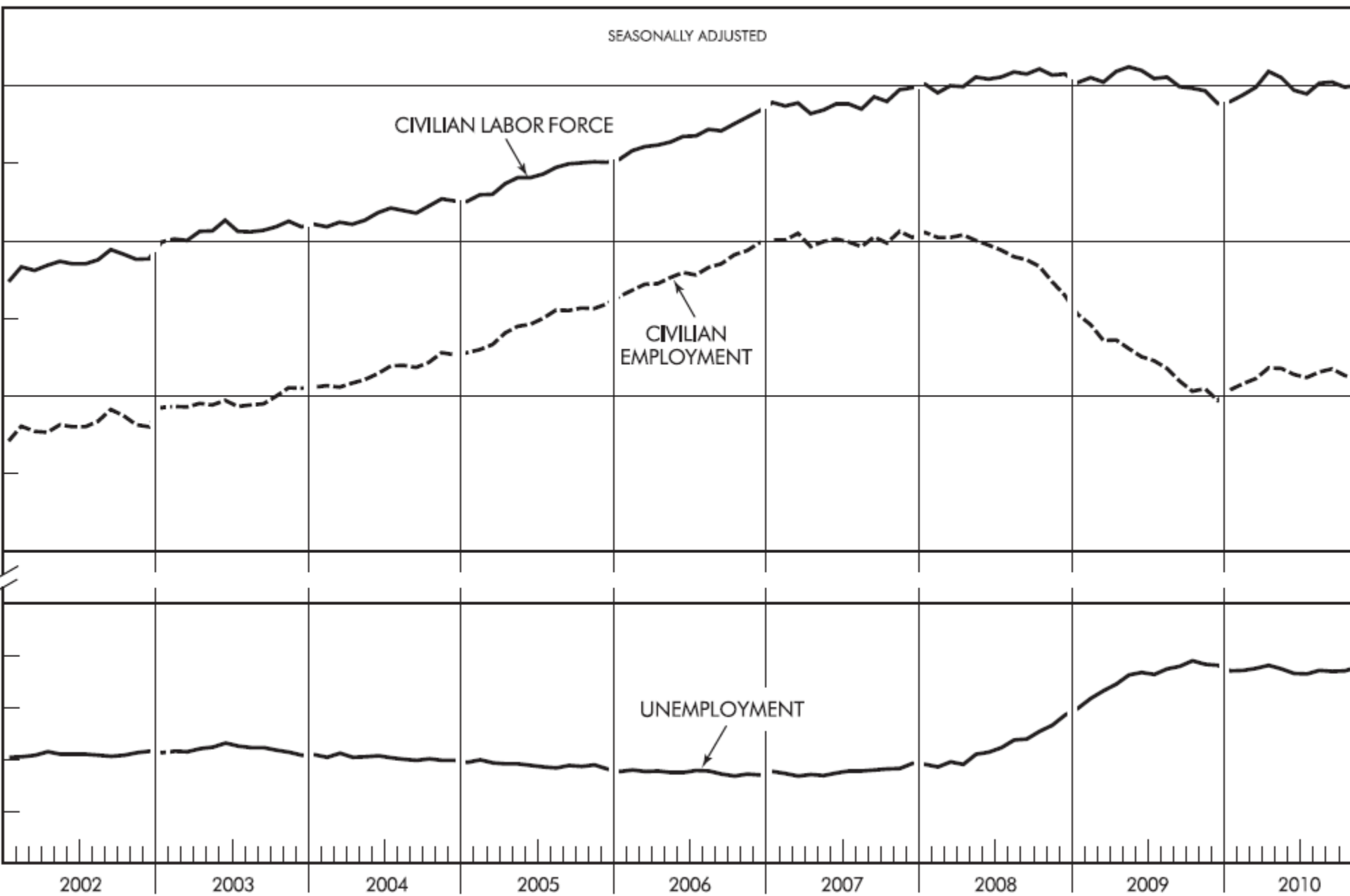


SOURCE: DEPARTMENT OF COMMERCE

COUNCIL OF ECONOMIC ADVISERS

IONS OF PERSONS*

MILLIONS OF PER



*16 YEARS OF AGE AND OVER
SOURCE: DEPARTMENT OF LABOR

COUNCIL OF ECONOMIC ADVIS

Prescriptions

- Festina Lente- “Make haste slowly”
- It's the economy stupid = G20
- It is all relative
- Retirement matters
- Healthcare matters more
- Don't forget the governors and mayors
- Start now
- Stay the course

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