

Recession, Recovery, Reform What's in Store for California?

California Budget Project
March 25, 2010

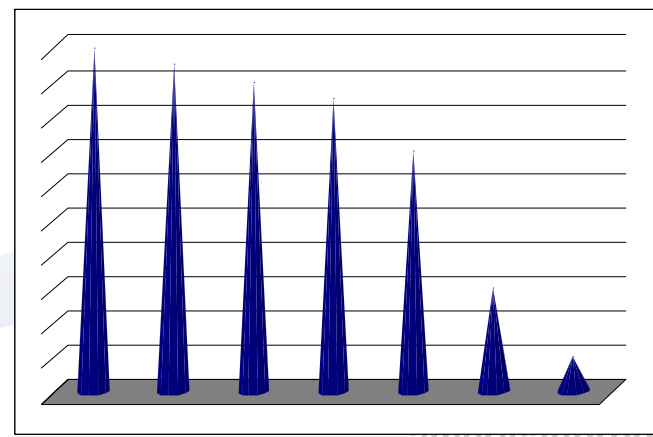
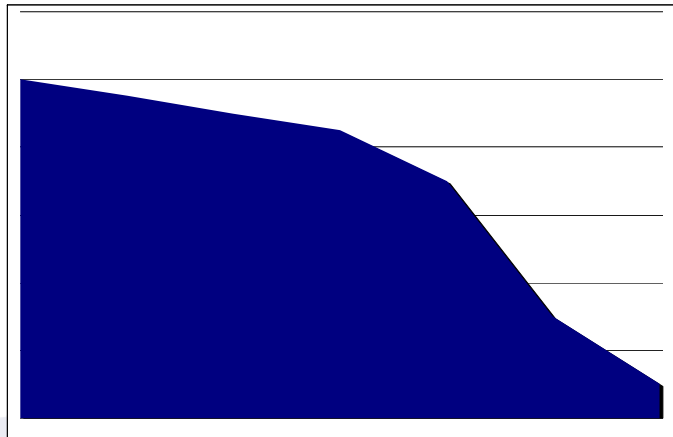
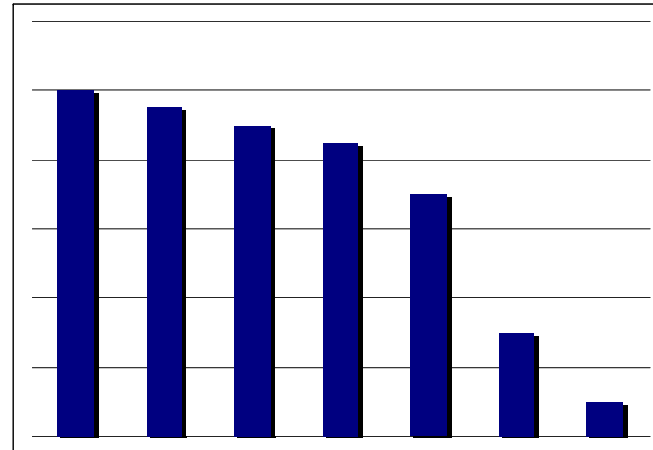
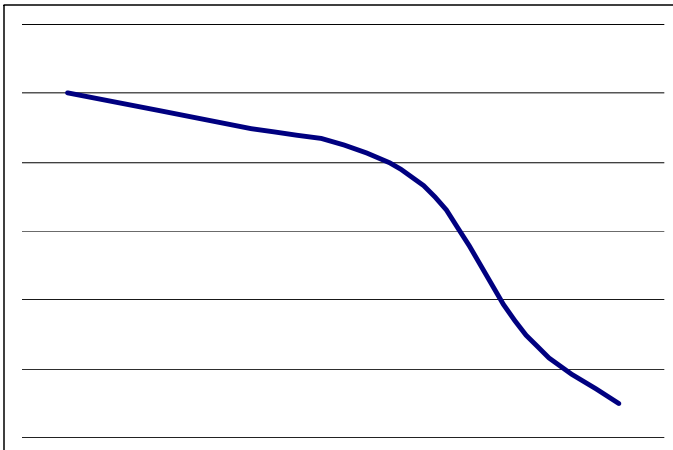
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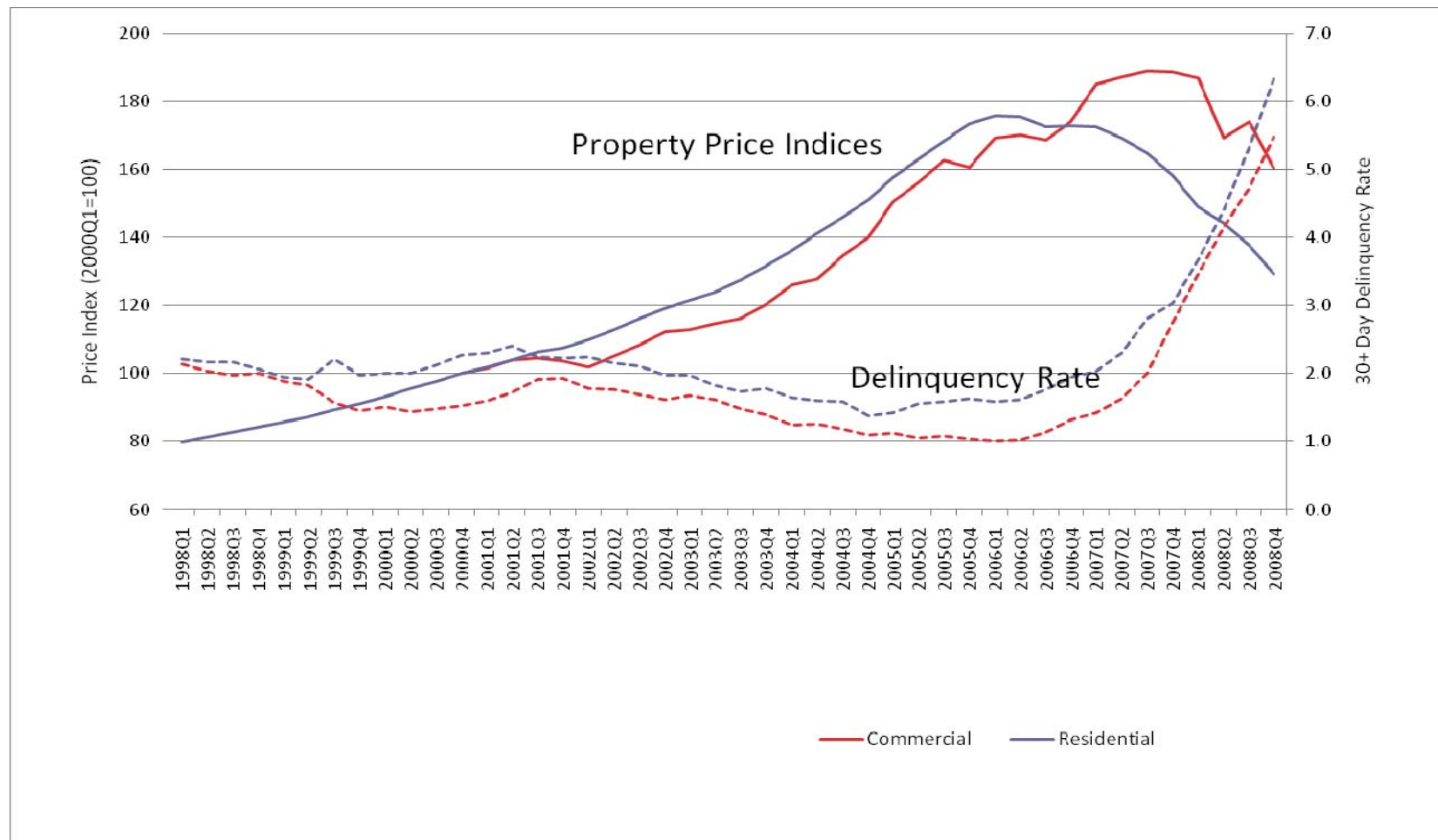
Economy Bad



Economy Bad



Real Estate Bubble

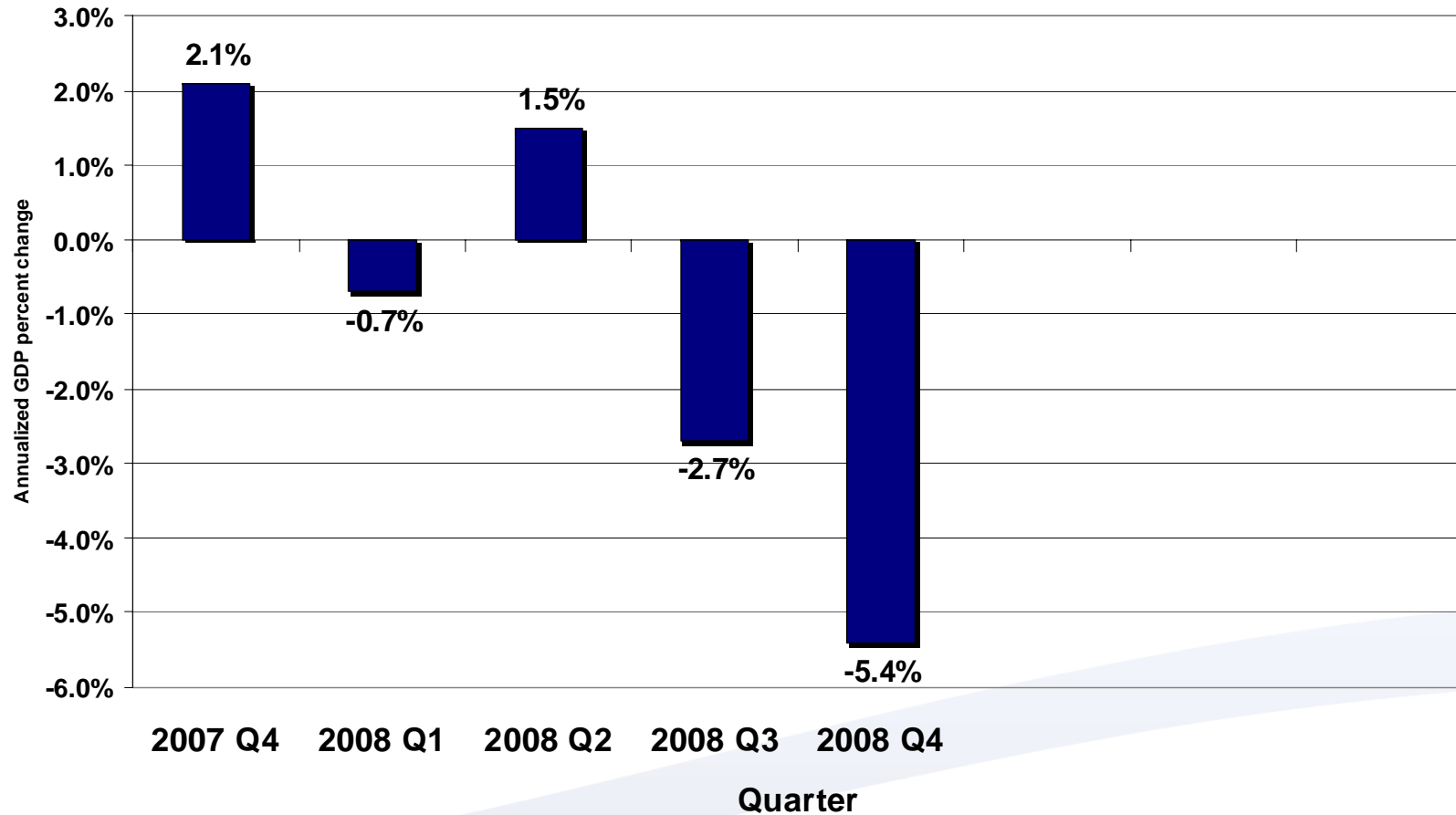


Source: Moody's/REAL Commercial Property Price Index; S&P/Case-Shiller National U.S. Home Price Index; Federal Reserve statistical release

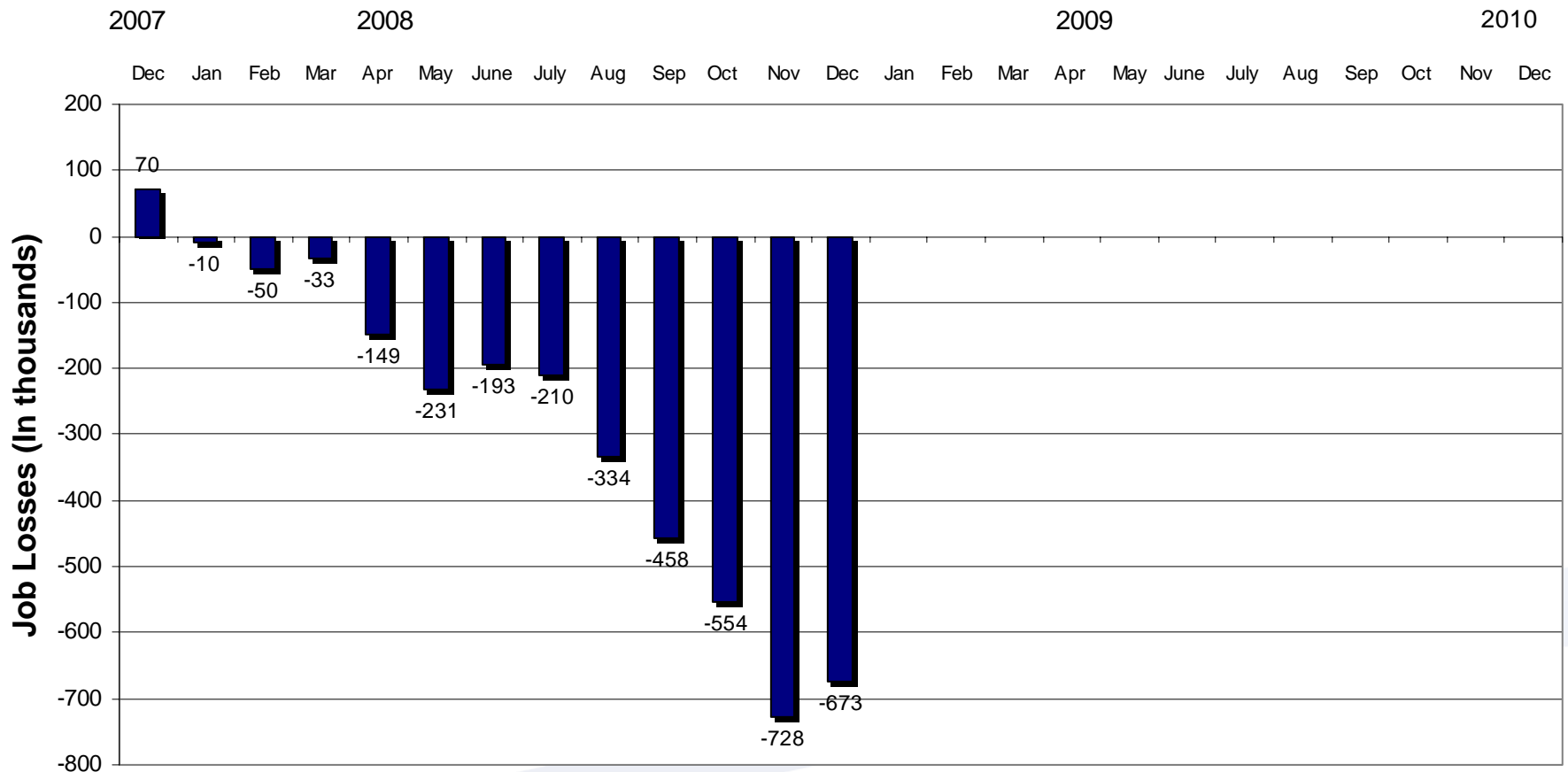
It Wasn't So Hot to Start With

- Prior Peak through 2007 Peak →
 - Median Income Down 0.8%
 - Poverty Rate Up: 11.3% to 12.5%
 - 5.7 Million More in Poverty
- Jobs During Recovery: Need 250 K for three years just to break even this recovery, got an average of 99K per-month last recovery

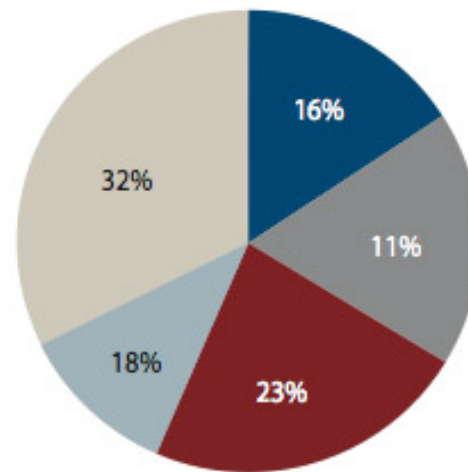
GDP Growth, 2007 Q4 through 2008 Q4



Total Nonfarm Job Losses by Month December 2007 - December 2008



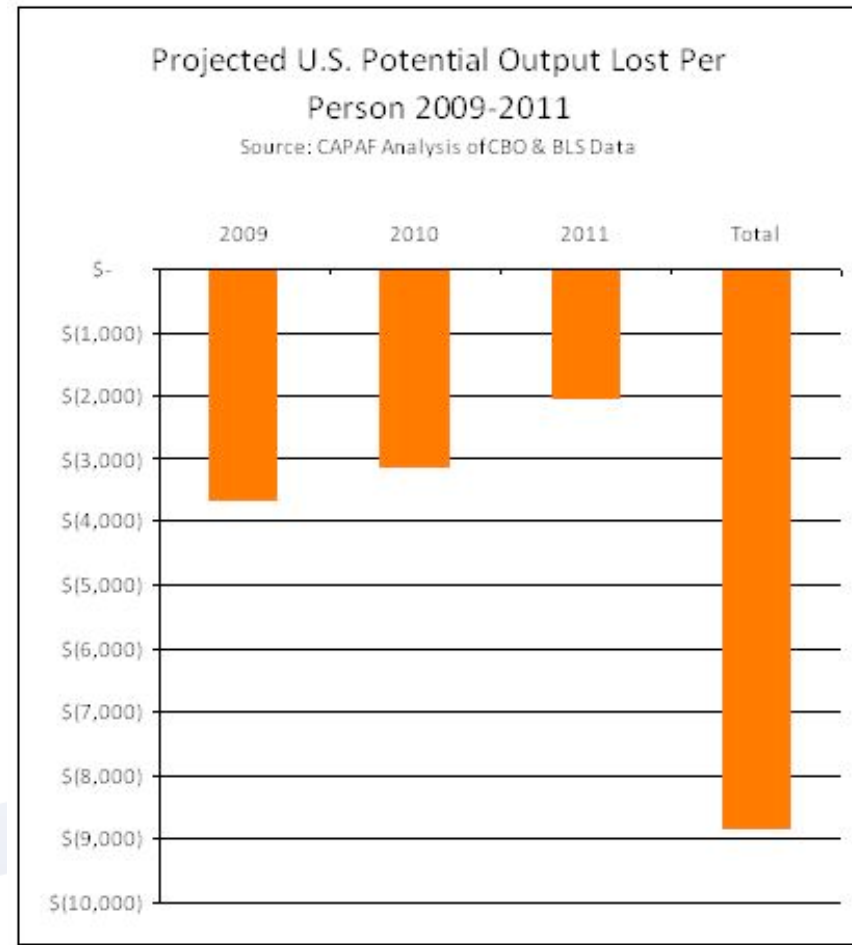
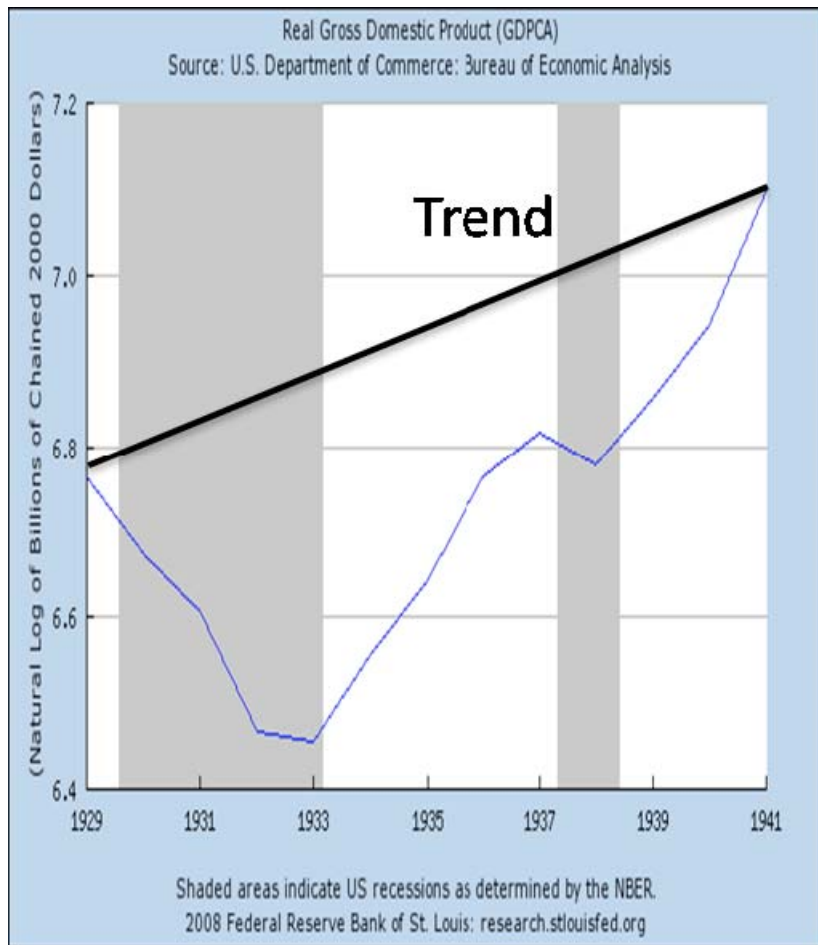
Funding allocations in the American Recovery and Reinvestment Act



- Help for those most in need
- Aid for states and localities
- Investments: Transportation, utility, health care, education, broadband, etc.
- Green investments
- Tax cuts

Source: CAP analysis.

Stimulus- Closing the Output Gap



Multipliers

Fiscal Bang for the Buck

One-year \$ change in real GDP per \$ reduction in federal tax revenue or increase in spending

Tax Cuts

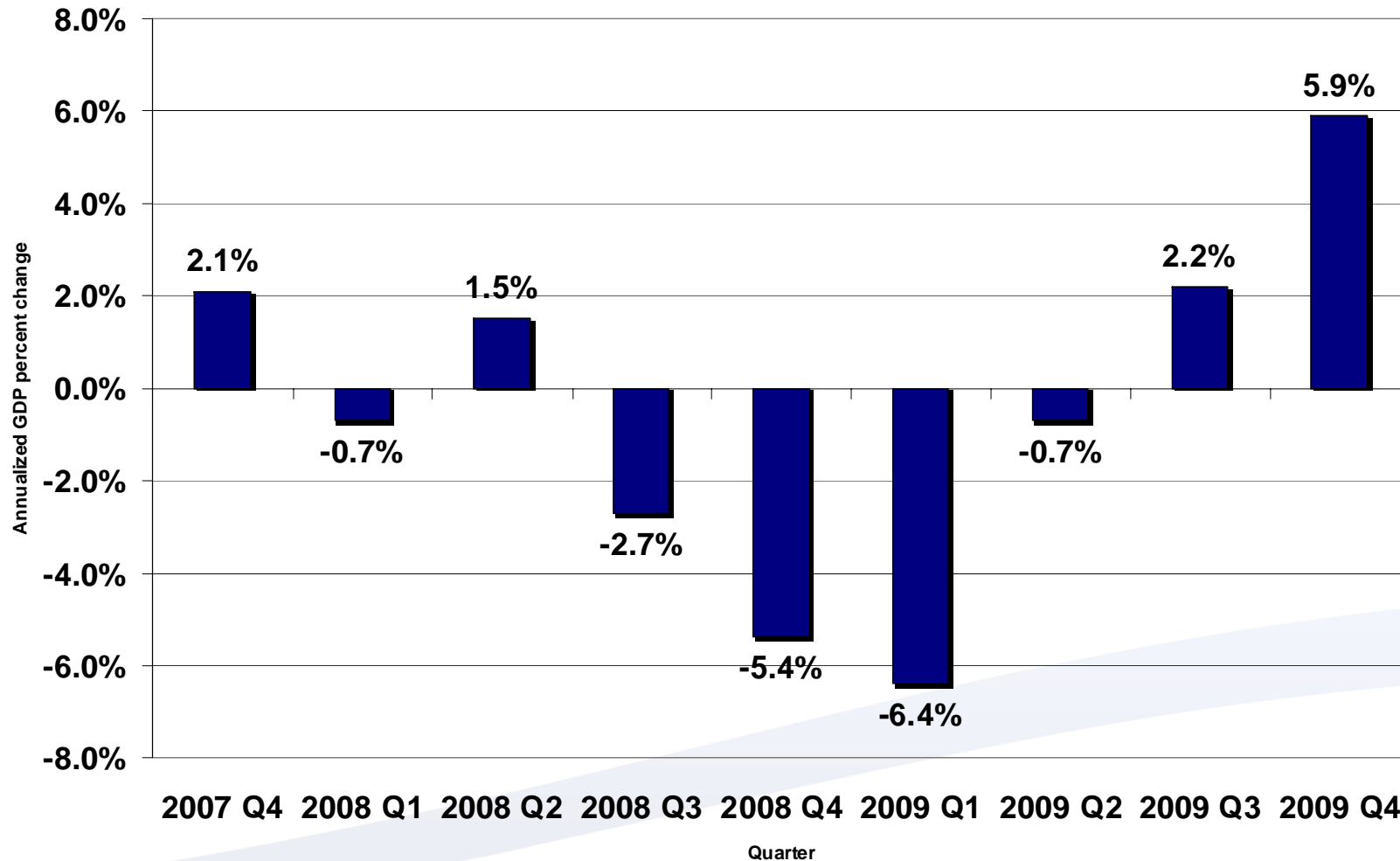
Nonrefundable Lump-Sum Tax Rebate	1.02
Refundable Lump-Sum Tax Rebate	1.26
Temporary Tax Cuts	
Payroll Tax Holiday	1.29
Across the Board Tax Cut	1.03
Accelerated Depreciation	0.27
Permanent Tax Cuts	
Extend Alternative Minimum Tax Patch	0.48
Make Bush Income Tax Cuts Permanent	0.29
Make Dividend and Capital Gains Tax Cuts Permanent	0.37
Cut Corporate Tax Rate	0.30

Spending Increases

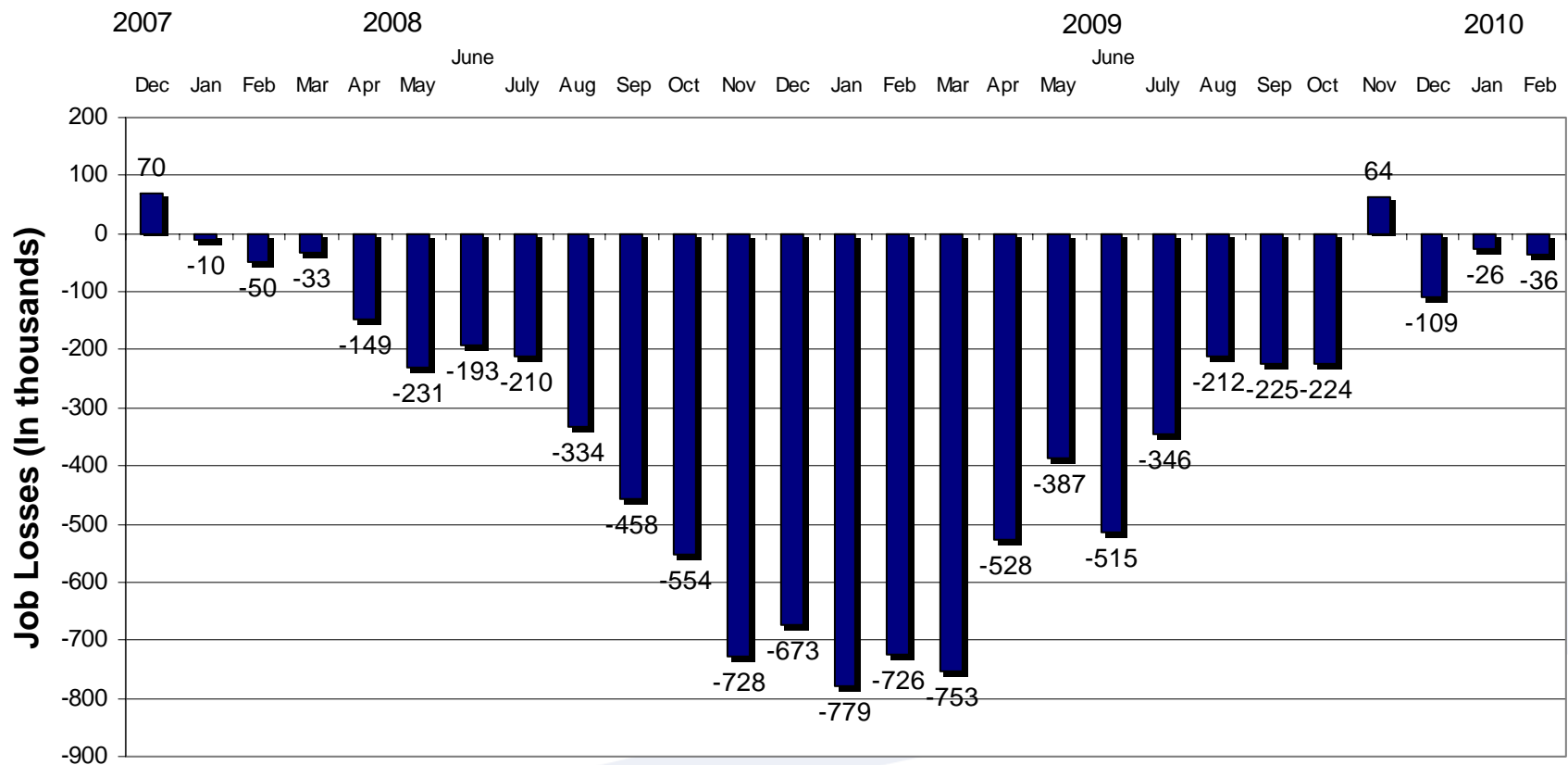
Extend Unemployment Insurance Benefits	1.64
Temporarily Increase Food Stamps	1.73
Issue General Aid to State Governments	1.36
Increase Infrastructure Spending	1.59

Source: Moody's Economy.com

GDP Growth, 2007 Q4 through 2009 Q4

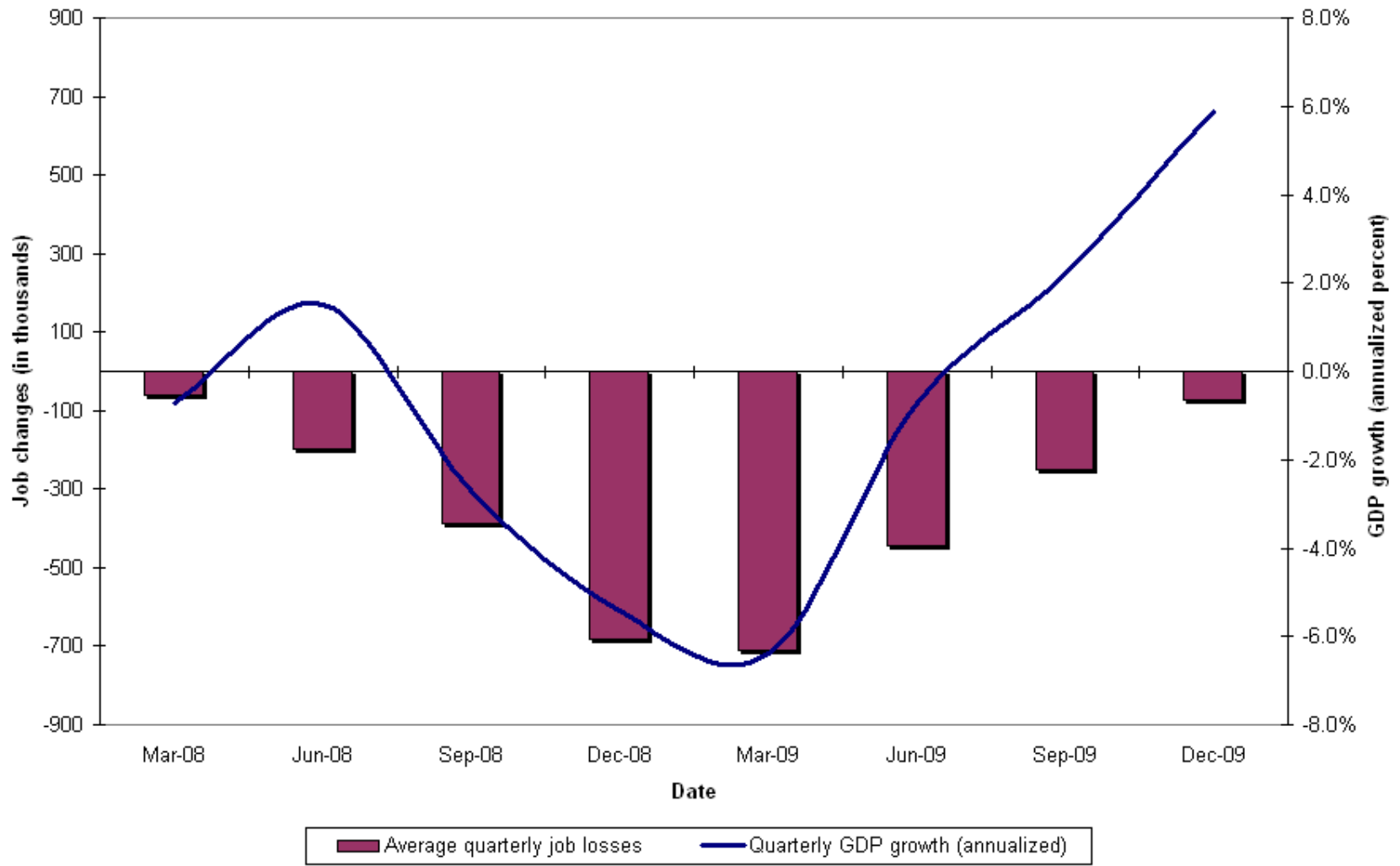


Total Nonfarm Job Losses by Month December 2007 - February 2010



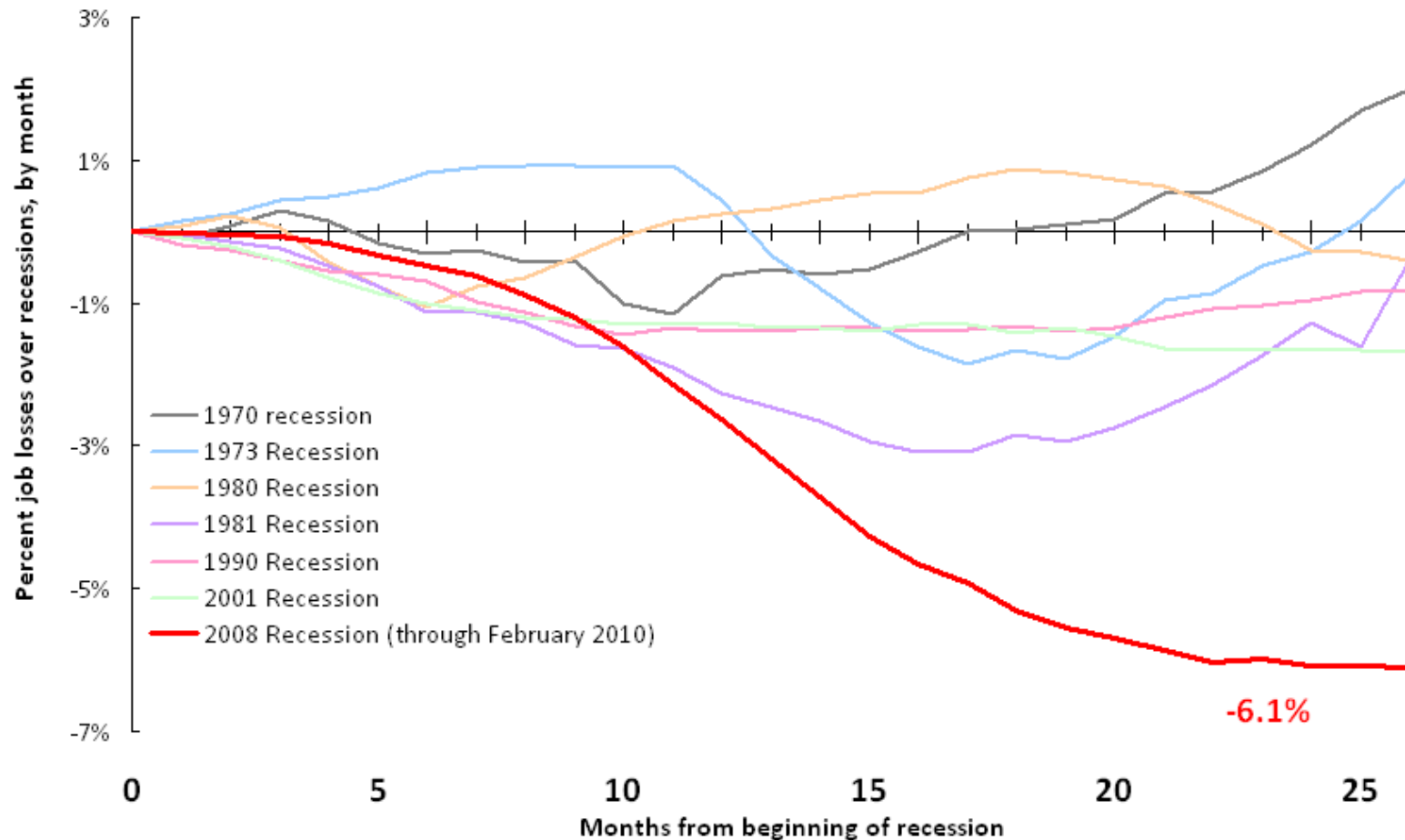
Center for American Progress

Employment and economic growth 2008 and 2009



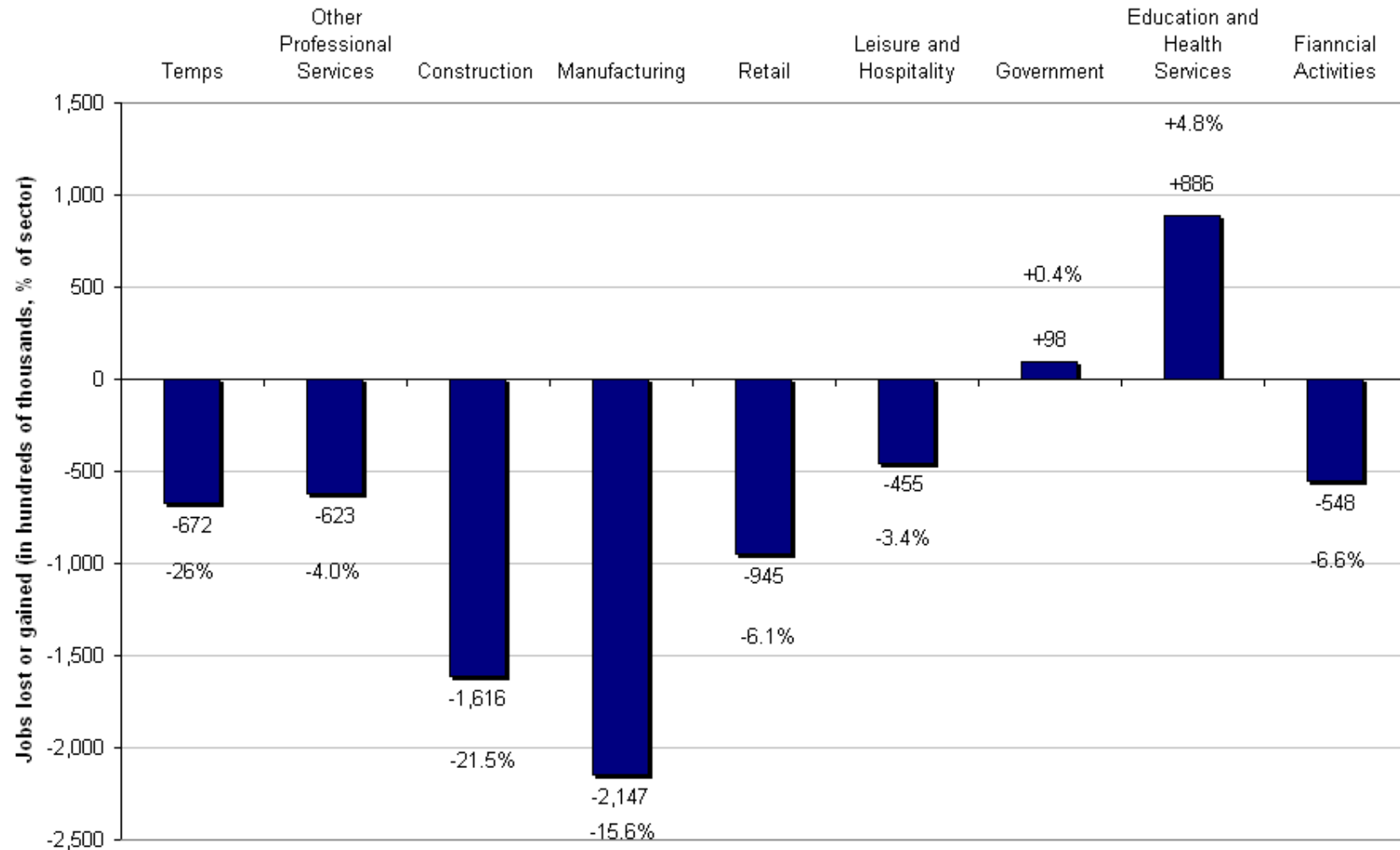
americanprogress.org

Workers Have Lost More Jobs Than in Prior Recessions (As a Share of Total Jobs Pre-Recession)

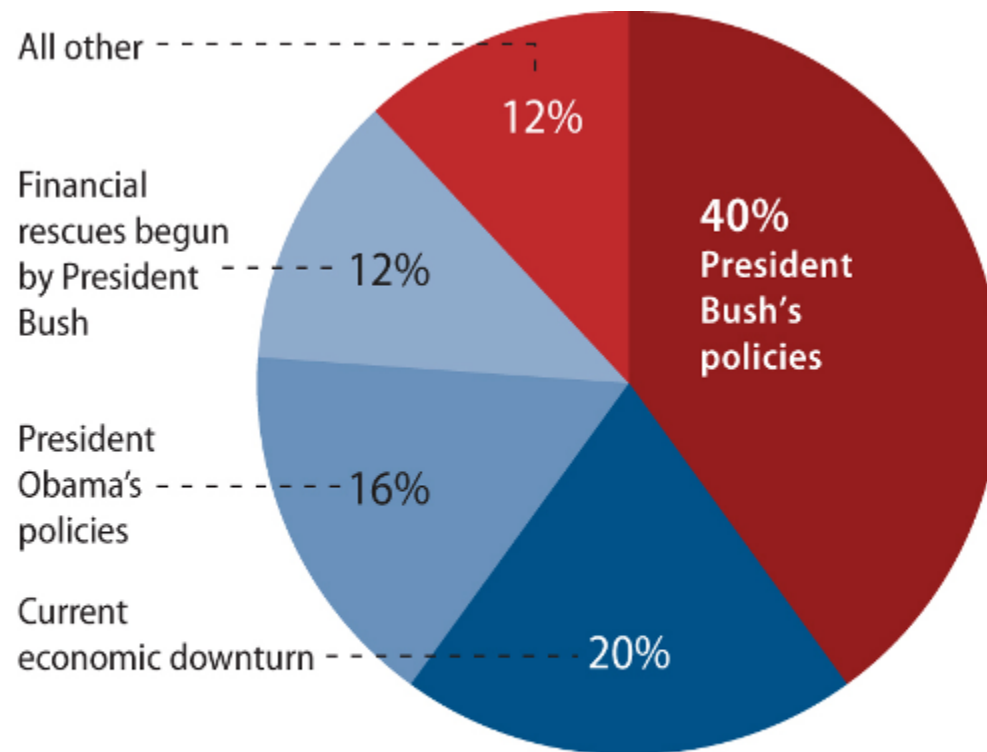


Sources: Bureau of Labor Statistics, Establishment Survey and National Bureau of Economic Research.

Job Loss or Gain For Selected Sectors, Dec 2007 - Feb 2010

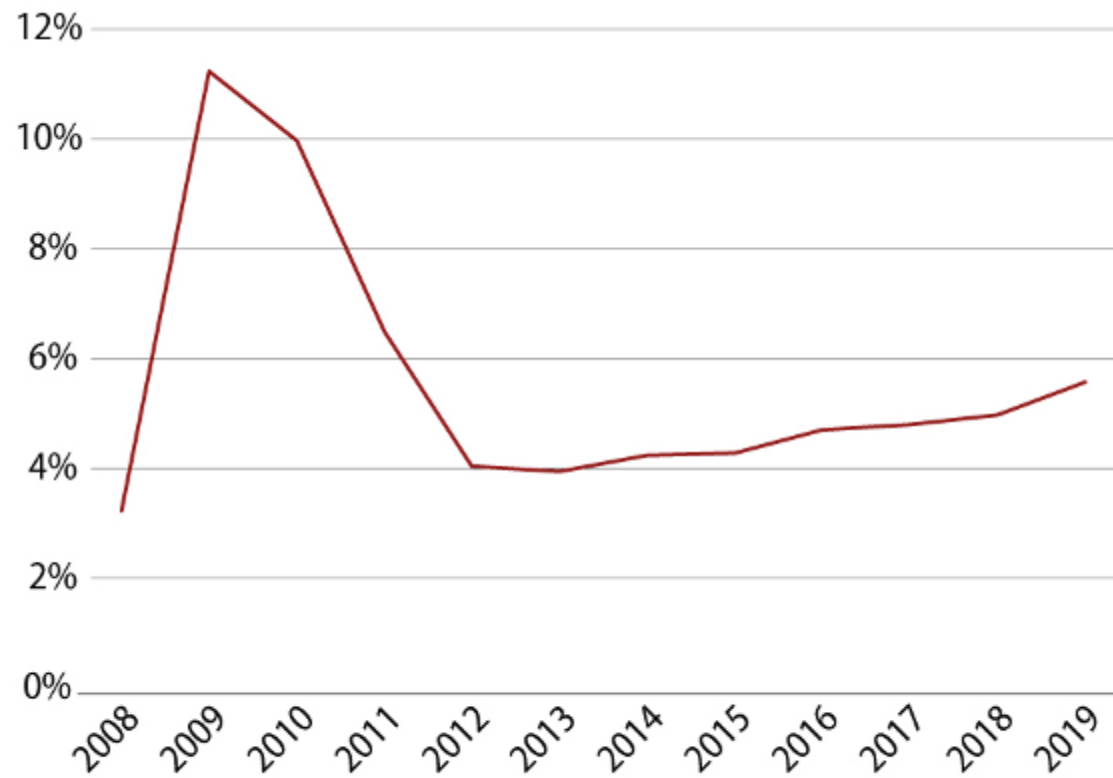


Contributions to Fiscal Deterioration in 2009 and 2010



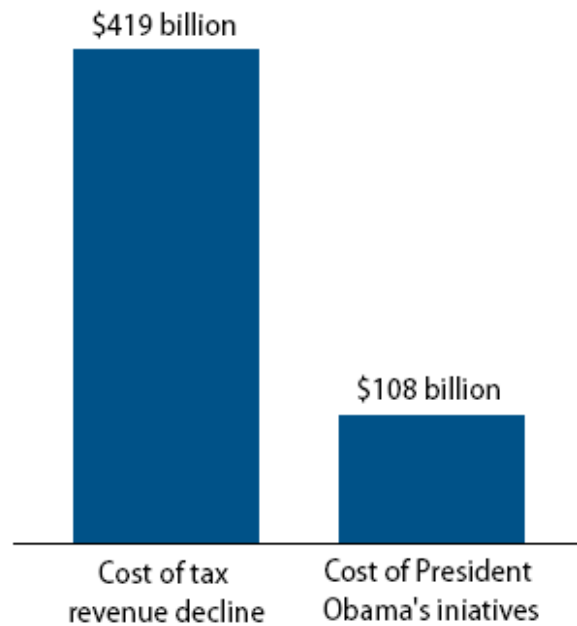
Source: Michael Ettlinger and Michael Linden, "Who's to Blame for the Deficit Numbers" (Washington: Center for American Progress, 2009).

The Deficit Outlook



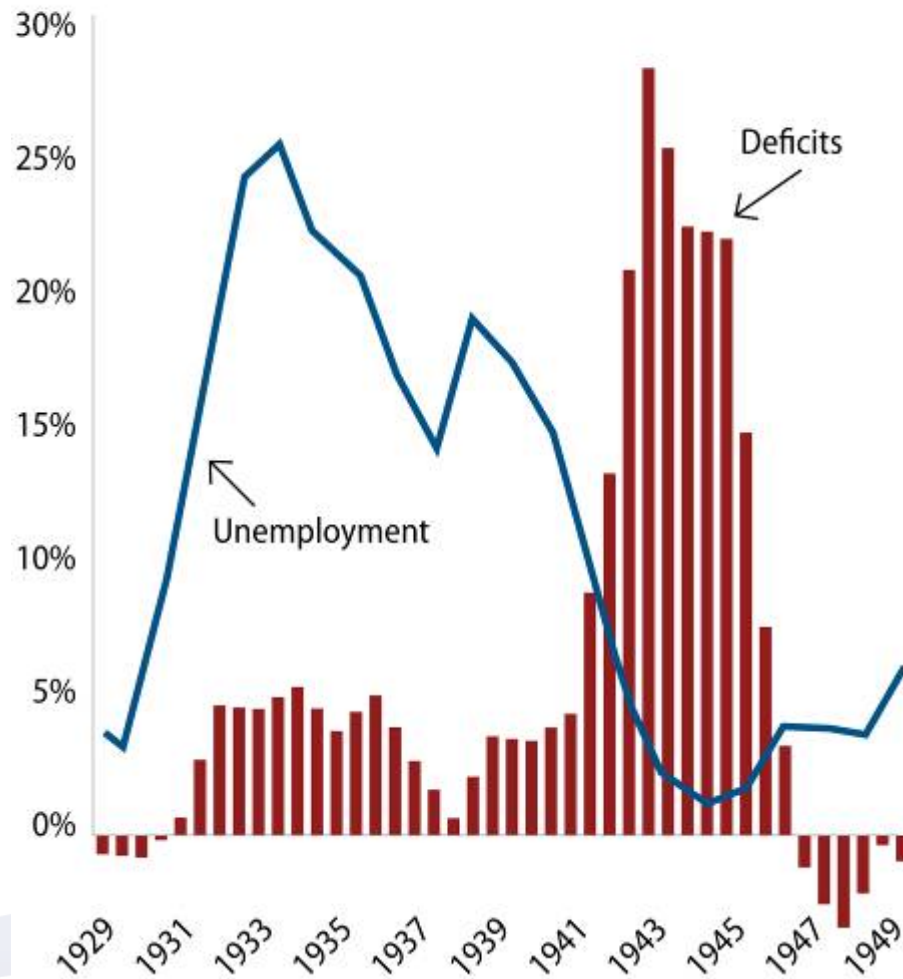
Sources: Congressional Budget Office and the Office of Management and Budget

The drop in tax revenues from 2008 to 2009 was four times larger than all American Recovery and Reinvestment Act spending in 2009



Deficits and unemployment

1929 to 1949 (deficits expressed as percent of GDP)



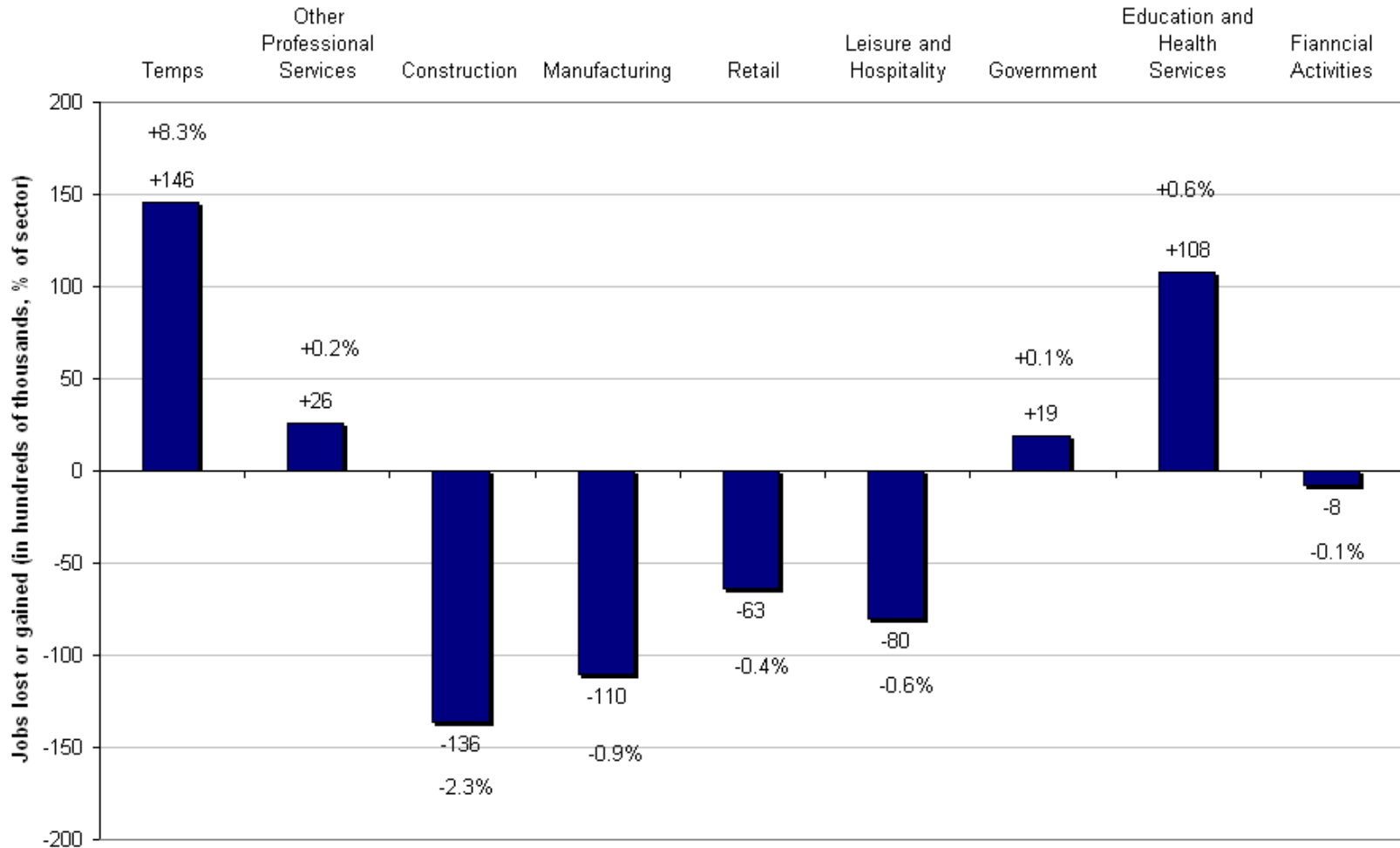
Progress of Stimulus Spending

As of the end of Jan 2010:

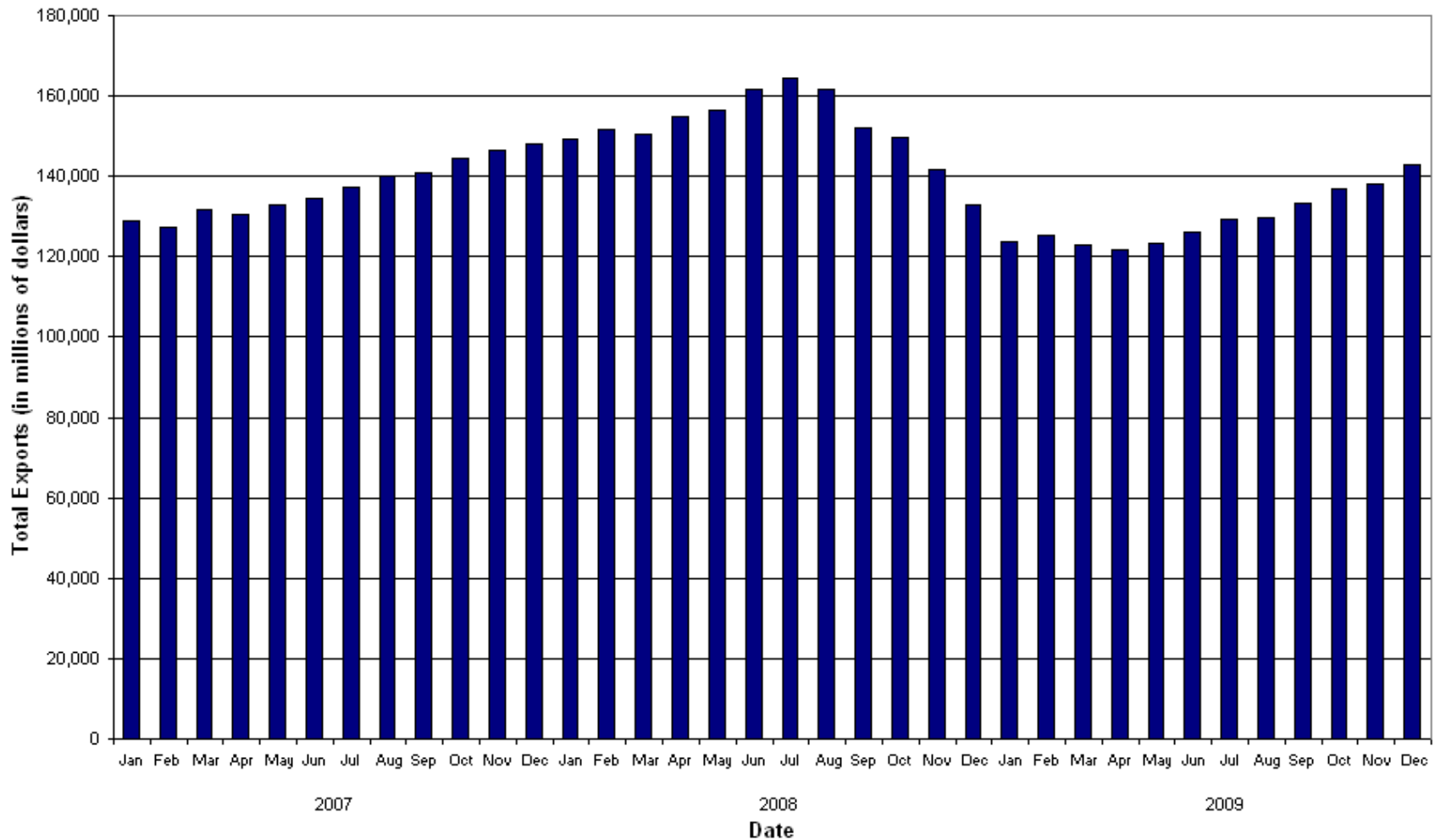
- \$119 billion, or 41% of total available tax benefits (\$288 billion), had been obligated.
- \$190 billion, or 70% of total direct aid to states and individuals (\$273 billion), had been obligated.
- \$143 billion, or 63% of available for infrastructure projects, (\$226 billion), had been obligated.

In total, \$453 billion, or 57 %, of ARRA had been has been obligated

Job Loss or Gain by Sector, Sep 2009 - Feb 2010

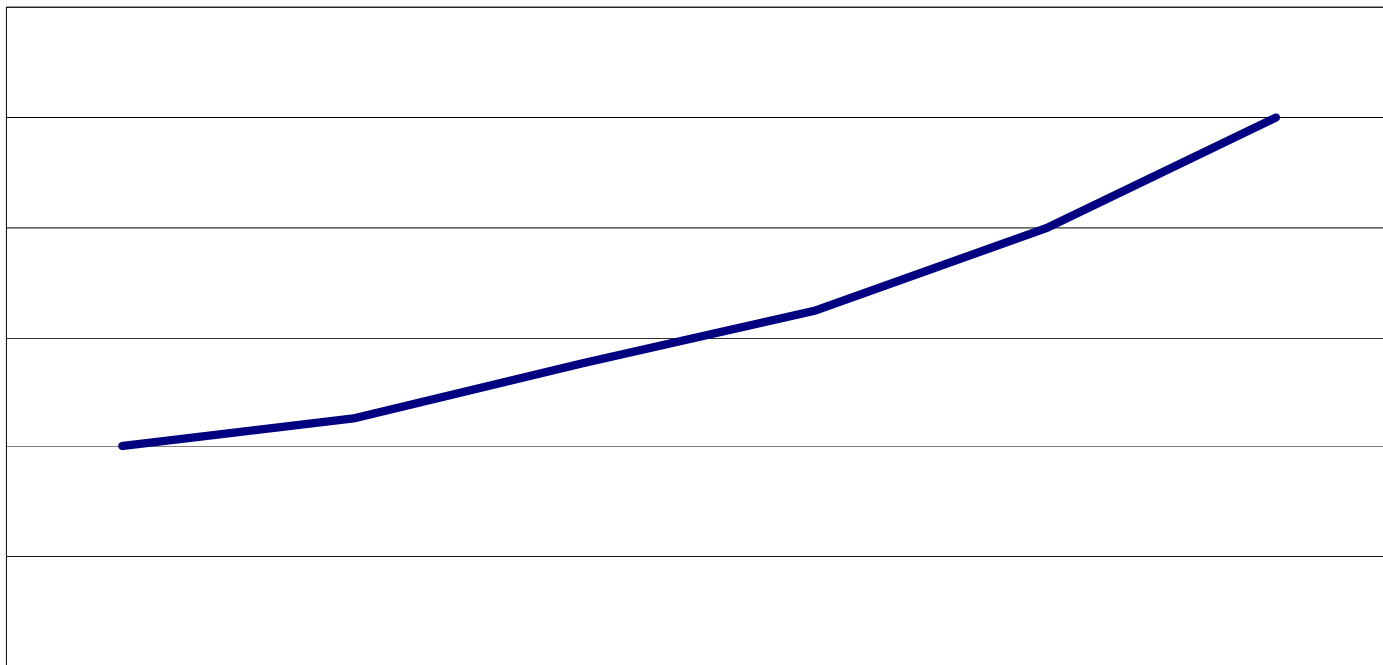


Total Exports, Goods and Services Jan 2007 - Dec 2009



Source: Bureau of Economic Analysis, 2009, National Income and Product Accounts, Washington, DC: BEA.

A Nice Upward Sloping Graph



A Fragile Recovery

- Double Dip in Housing
 - As federal subsidies end, unclear what impacts on housing markets will be
- Looming Losses for Financial System
 - Losses from commercial real estate, credit cards, consumer loans have largely been unrecognized
 - Further housing deterioration also poses a threat
- Political Threat
 - If conservatives gain power, they can reverse or block policies that have been turning the ship around