



**Congressional Budget Office**

**Milken Institute Global Conference**

**U.S. Overview: When Will Growth Resume?**

*Douglas Elmendorf*

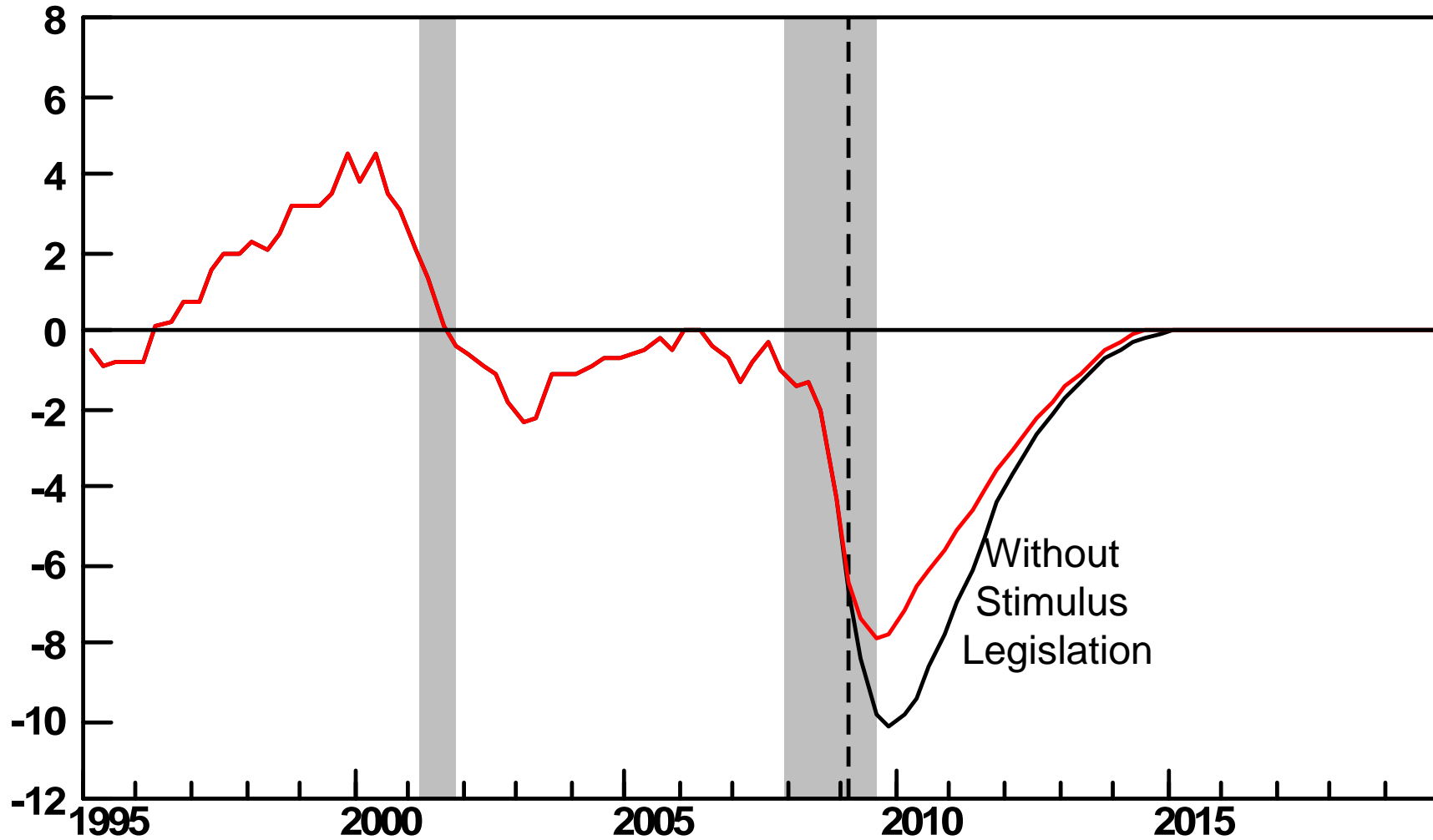
*Director*

*April 27, 2009*



# The Gap Between Actual and Potential Output

Percentage of Potential GDP



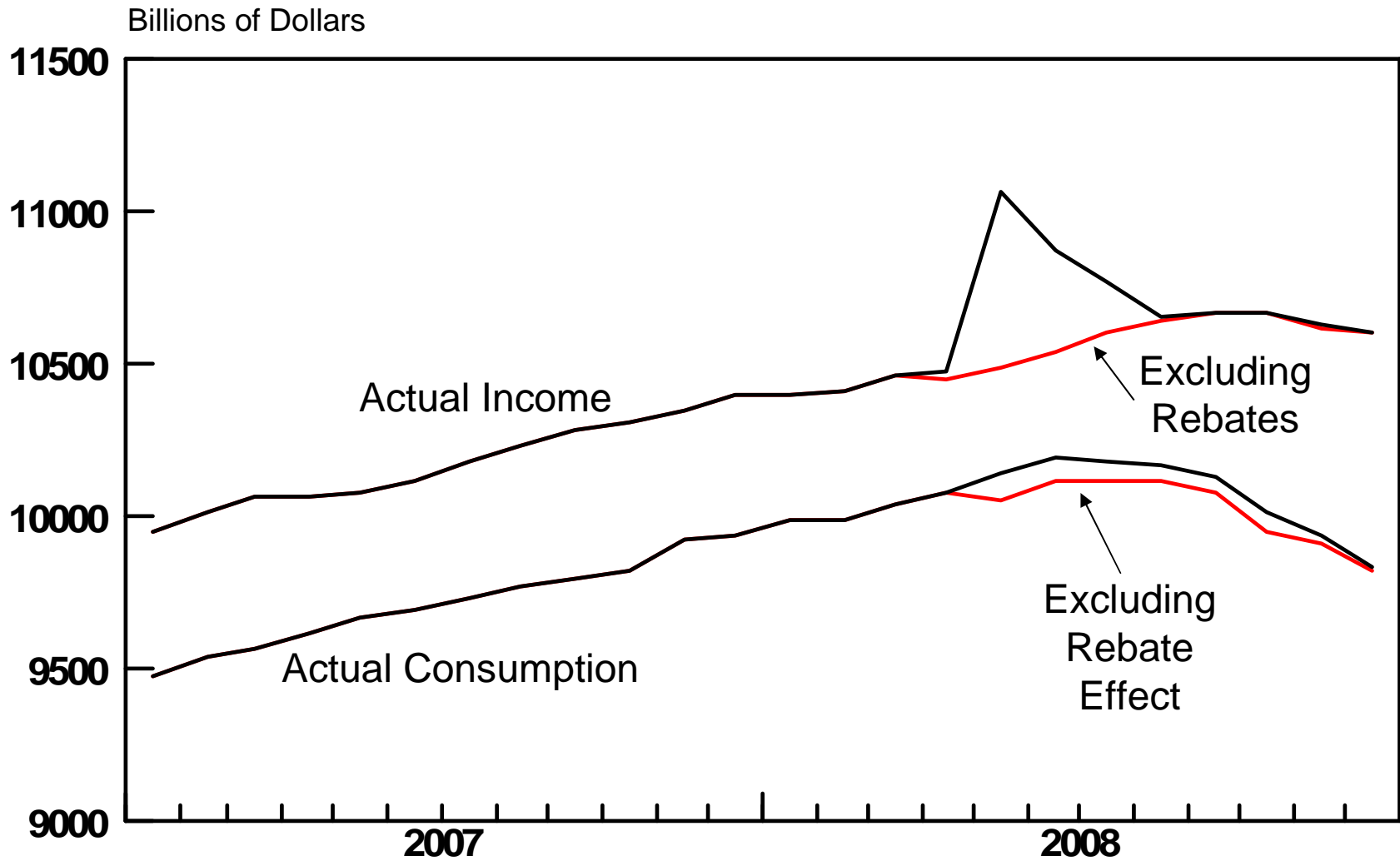


## Estimated Macroeconomic Effects of the ARRA

	Fourth Quarters of Calendar Years				
	2009	2010	2011	...	2019
Real GDP (Percentage change from baseline)					
Low estimate of effect	1.4	1.1	0.4		-0.2
High estimate of effect	3.8	3.4	1.2		0
Unemployment Rate (Percentage-point change from baseline)					
Low estimate of effect	0.5	0.6	0.3		0
High estimate of effect	1.3	1.9	1.0		0



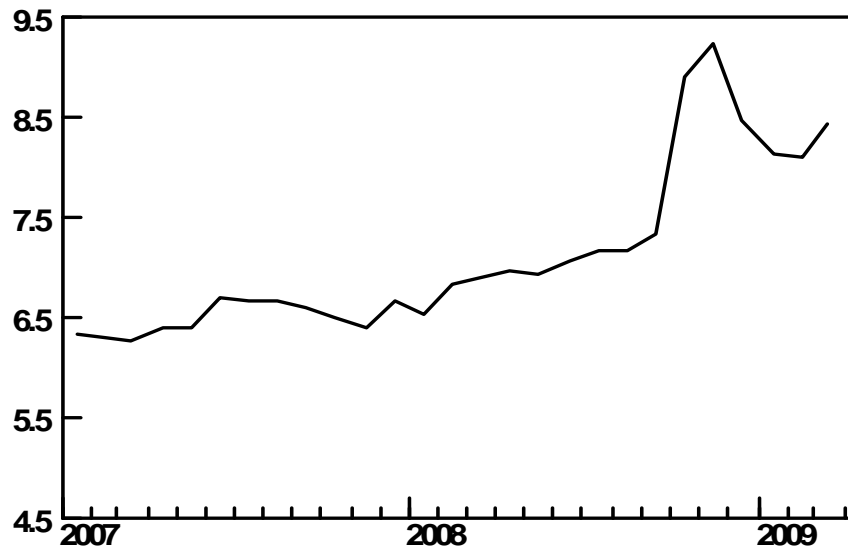
# The Effect of Rebates on Income and Consumption



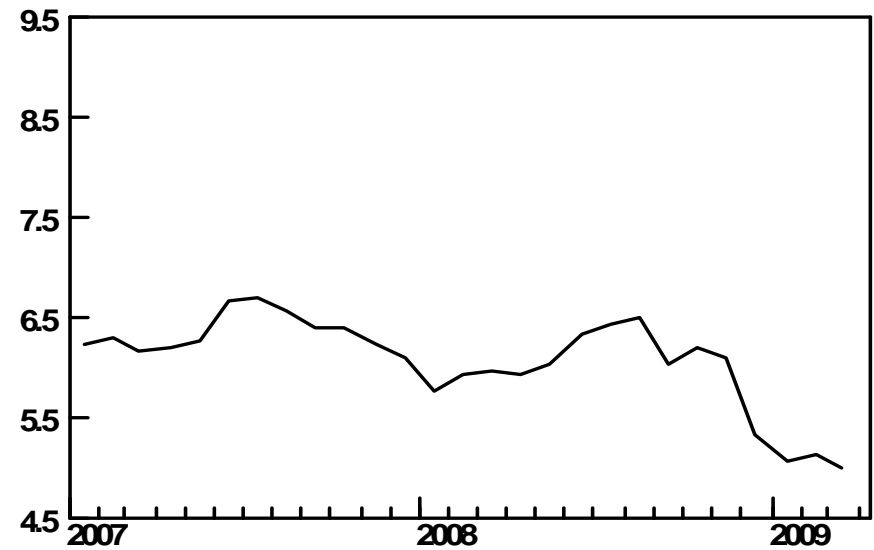


# Key Business and Household Interest Rates

## BAA Corporate Bond Yield

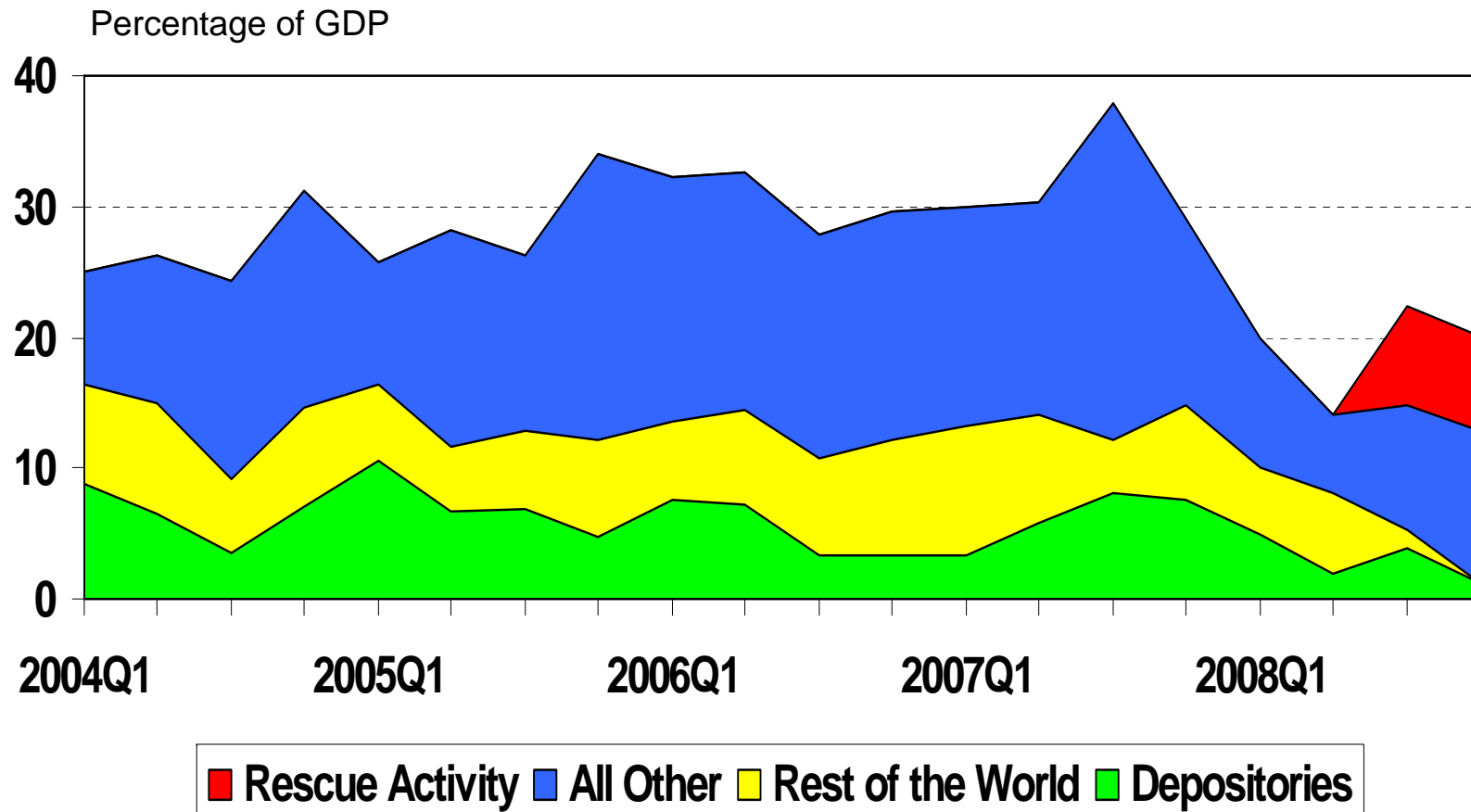


## 30-Year Conventional Mortgage Rates





## Net Lending In Credit Markets





# Budgetary Impact of Actions Taken in Support of the Financial Markets

## **Treasury**

**Troubled Asset Relief Program (TARP):**  
\$356 billion in 2009 and 2010

**Fannie Mae & Freddie Mac:** \$250 billion for existing book of business in early 2009; \$120 billion for new business over 2009-2019 period

**Note:** CBO's baseline for these transactions includes an estimate of the net cost of transactions for the TARP and the housing GSEs (Fannie Mae and Freddie Mac). Broadly speaking, CBO computed the present value of anticipated cash flows using an appropriate discount factor that recognizes the riskiness of the cash flows.

## **Federal Reserve**

**Reductions in Interest Rates**

**Loans to Financial Institutions**

**Takeover of Bear Stearns**

**Support for AIG**

**Support for Short-Term Corporate Borrowing**

**Support for Money Market Funds**

**Support for Primary Dealers**

**Support for the Mortgage Market**

**Support for Consumer/Small Bus. Lending**

**Assistance to Citigroup**

**Currency Swaps**

**Purchases of Long-Term Treasury Securities**

**Note:** The impact on federal budget from these Fed actions is uncertain.

## **FDIC and NCUA**

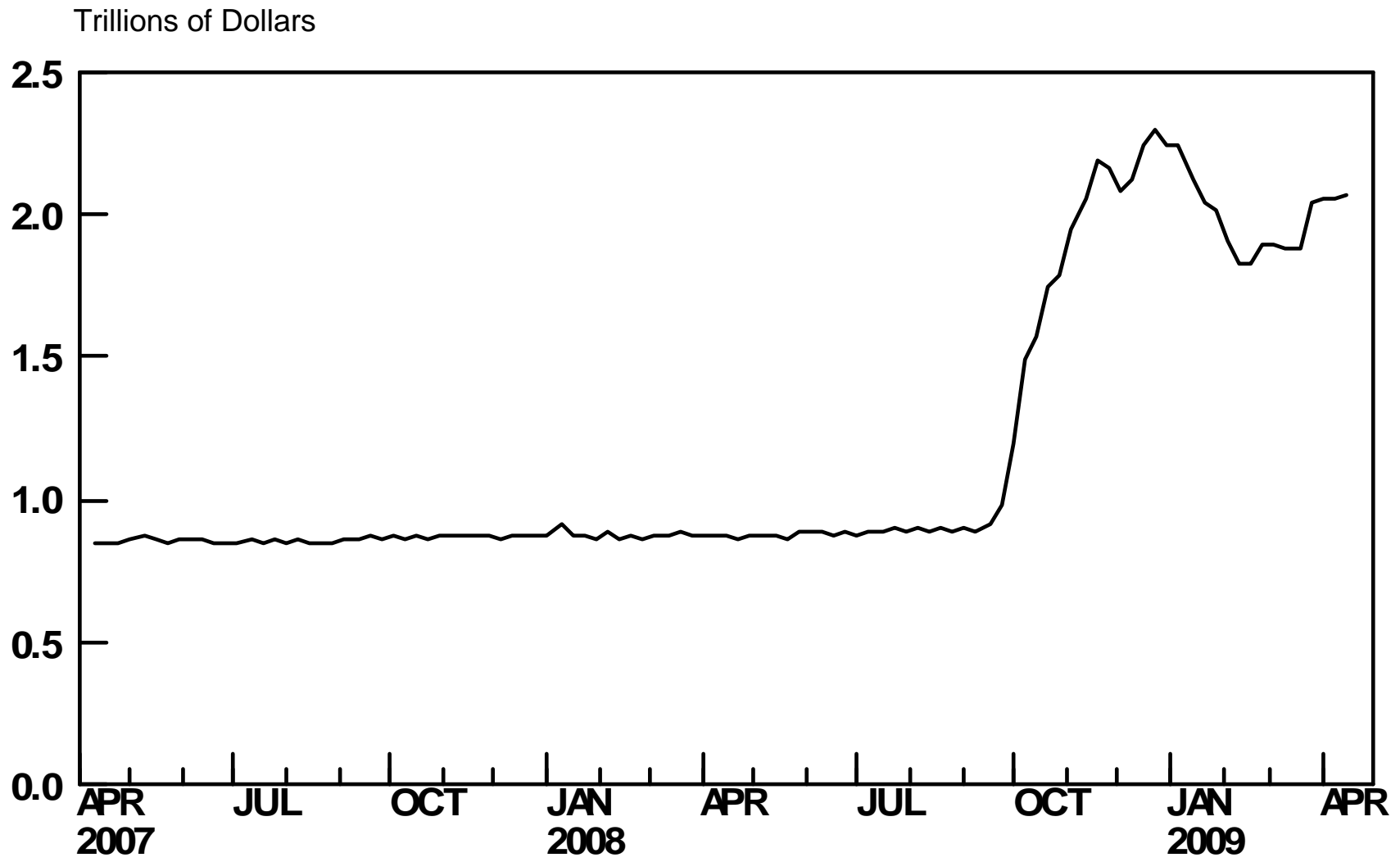
**Deposit Insurance Fund:** net costs totaling \$36 billion 2009-2010; net receipts totaling \$51 billion 2009-2019

**Assistance to Citigroup, Debt and other Guarantees:** no net budget impact over the 2009-2019 period

**Note:** Deposit insurance activities are recorded in budget on cash basis.



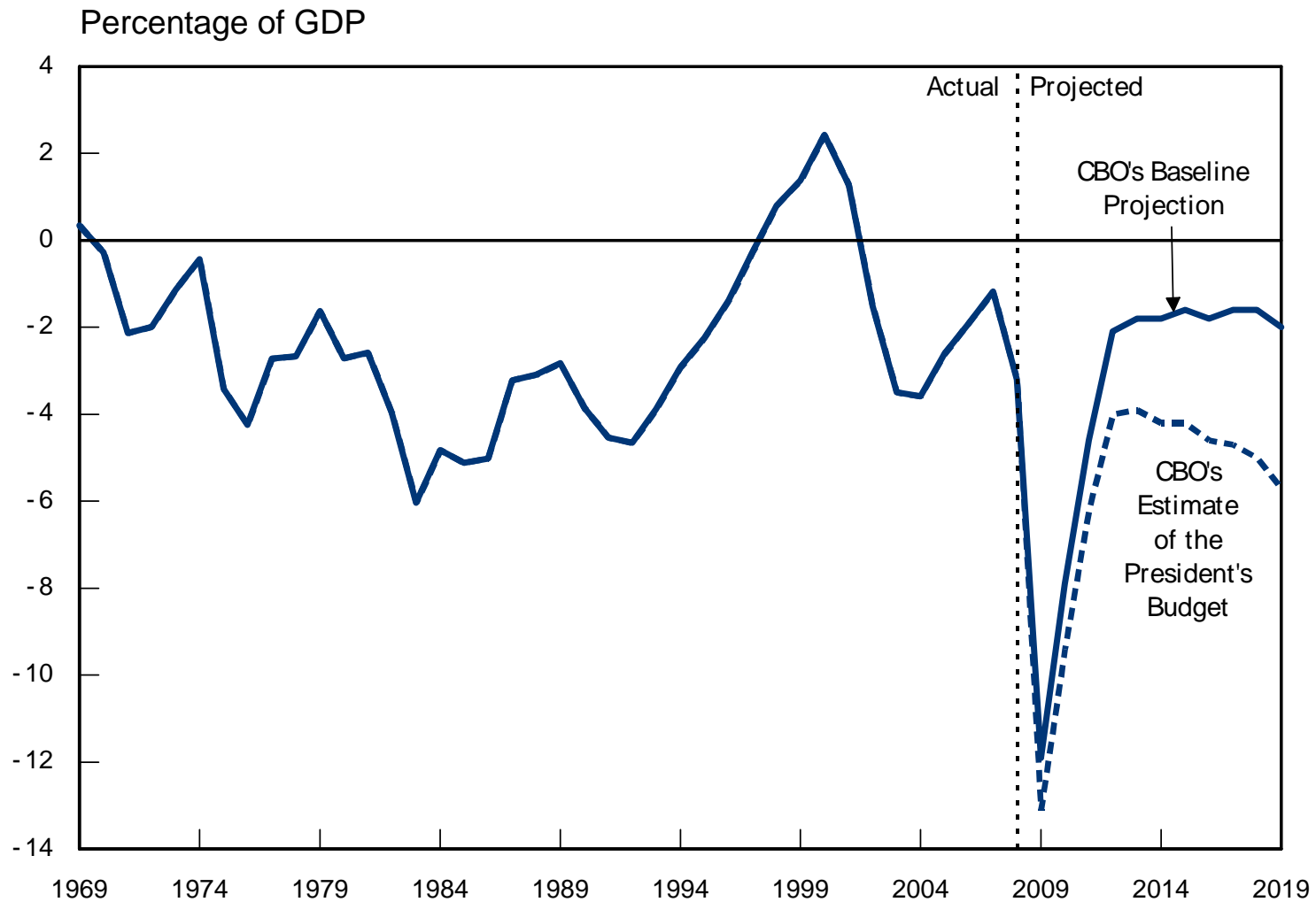
## The Size of the Federal Reserve's Balance Sheet





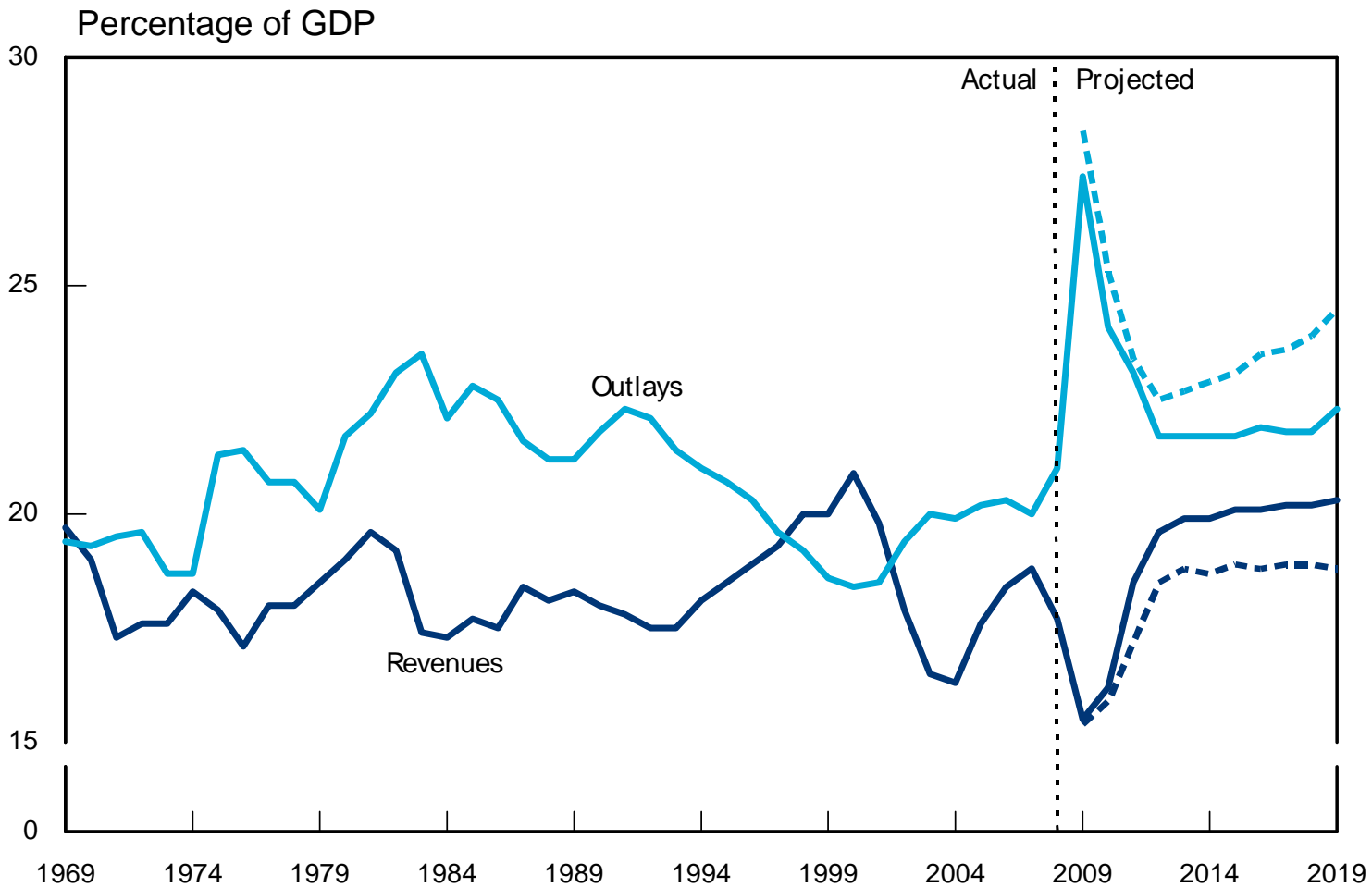


# Total Deficits or Surpluses





# Revenues and Outlays in CBO's Baseline and the President's Budget



Note: Solid lines represent history and CBO's baseline projections of revenues and outlays as a share of gross domestic product; dashed lines represent CBO's projections of the President's budget.



## Medium-Term Projections: Levels of Real GDP

