

Back From the Brink: The Recovery Act One Year Later

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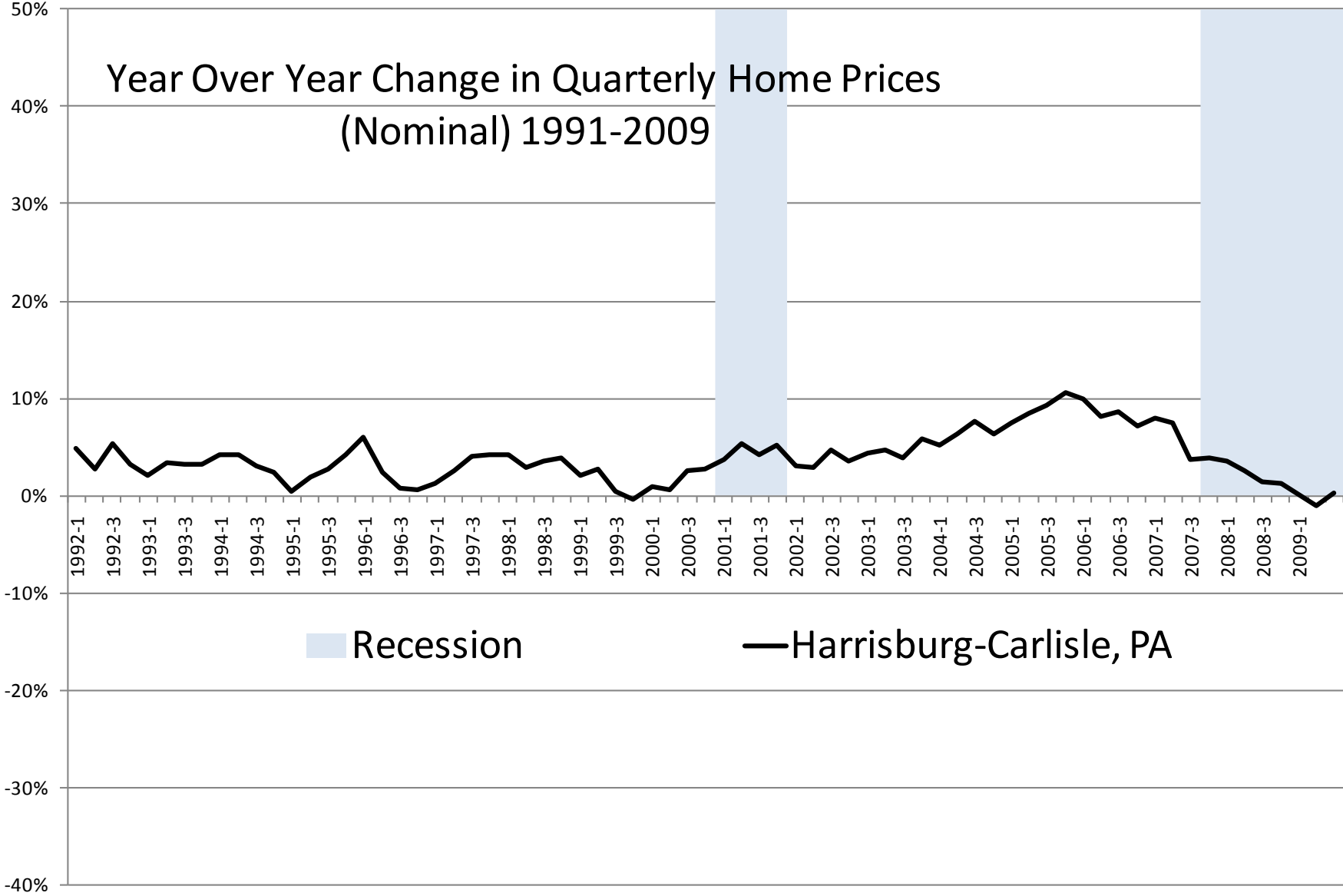
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Year Over Year Change in Quarterly Home Prices (Nominal) 1991-2009

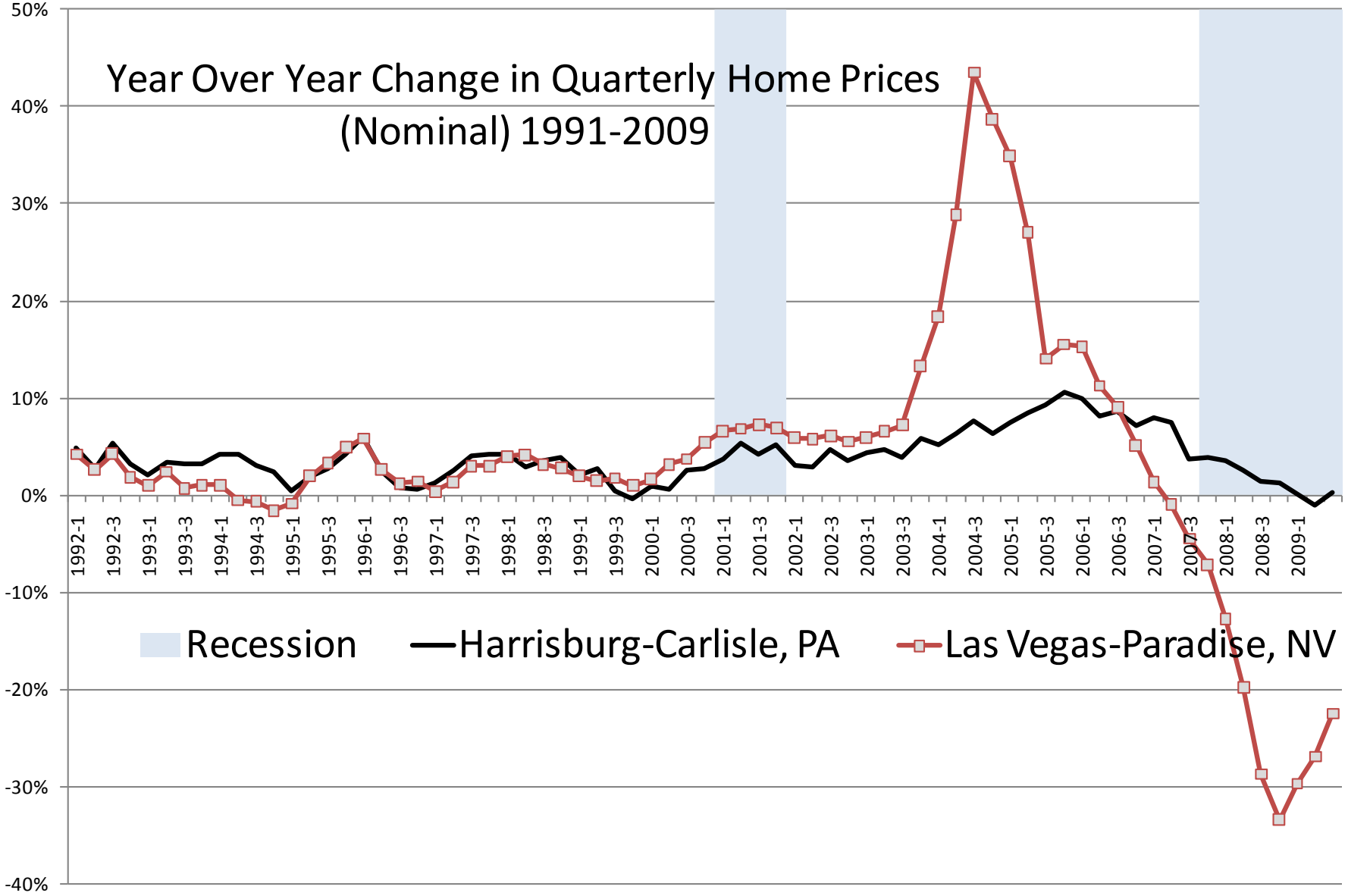


■ Recession

— Harrisburg-Carlisle, PA

Source. Keystone Research Center estimates based on Federal Housing Finance Agency (FHFA) all transaction house price index.

Year Over Year Change in Quarterly Home Prices (Nominal) 1991-2009



Source. Keystone Research Center estimates based on Federal Housing Finance Agency (FHFA) all transaction house price index.

It is difficult to get a man to understand something, when his salary depends upon his not understanding it! - Upton Sinclair

It was difficult to get Wall Street to recognize the housing bubble because there was lots of money to be made

Table 1. Real Annual Income Growth by Groups, 1993-2007

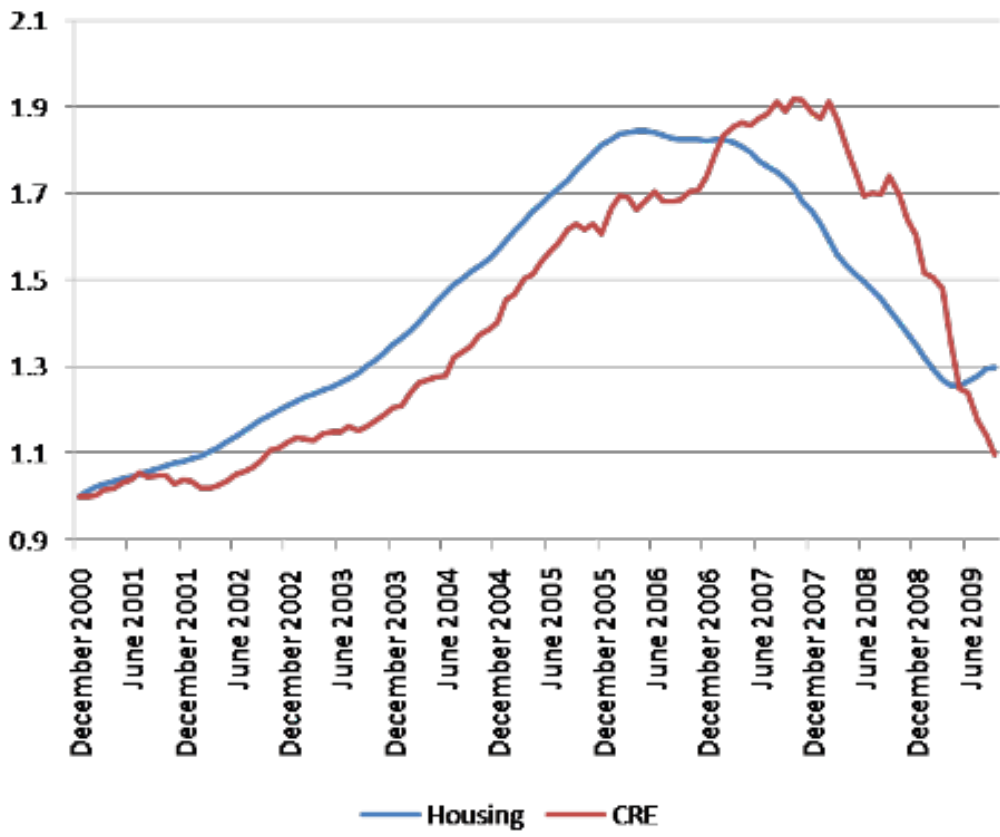
	Average Income Real Annual Growth	Top 1% Incomes Real Annual Growth	Bottom 99% Incomes Real Annual Growth	Fraction of total growth captured by top 1%
	(1)	(2)	(3)	(4)
Full period 1993-2007	2.2%	5.9%	1.3%	50%
Clinton Expansion 1993-2000	4.0%	10.3%	2.7%	45%
Bush Expansion 2002-2007	3.0%	10.1%	1.3%	65%

Source. <http://elsa.berkeley.edu/~saez/TabFig2007.xls>



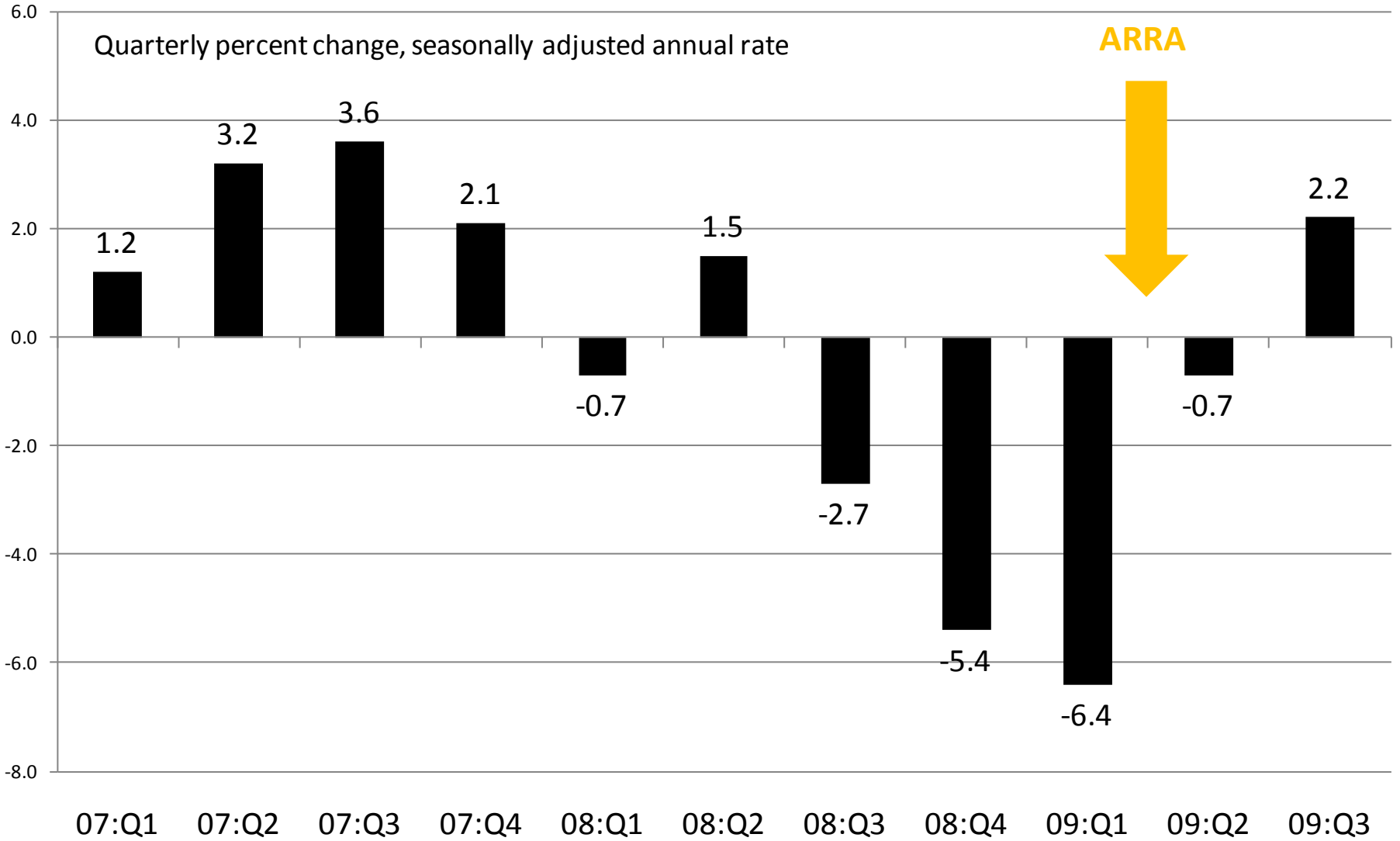
The bubble was not just in housing, below you have housing prices and prices in commercial real estate (CRE).

Prices of housing and commercial real estate, Dec. 2000 = 1



Source: <http://krugman.blogs.nytimes.com/2010/01/07/cre-ative-destruction/> see also <http://www.fcic.gov/hearings/pdfs/2010-0113-Zandi.pdf>

Real GDP Growth

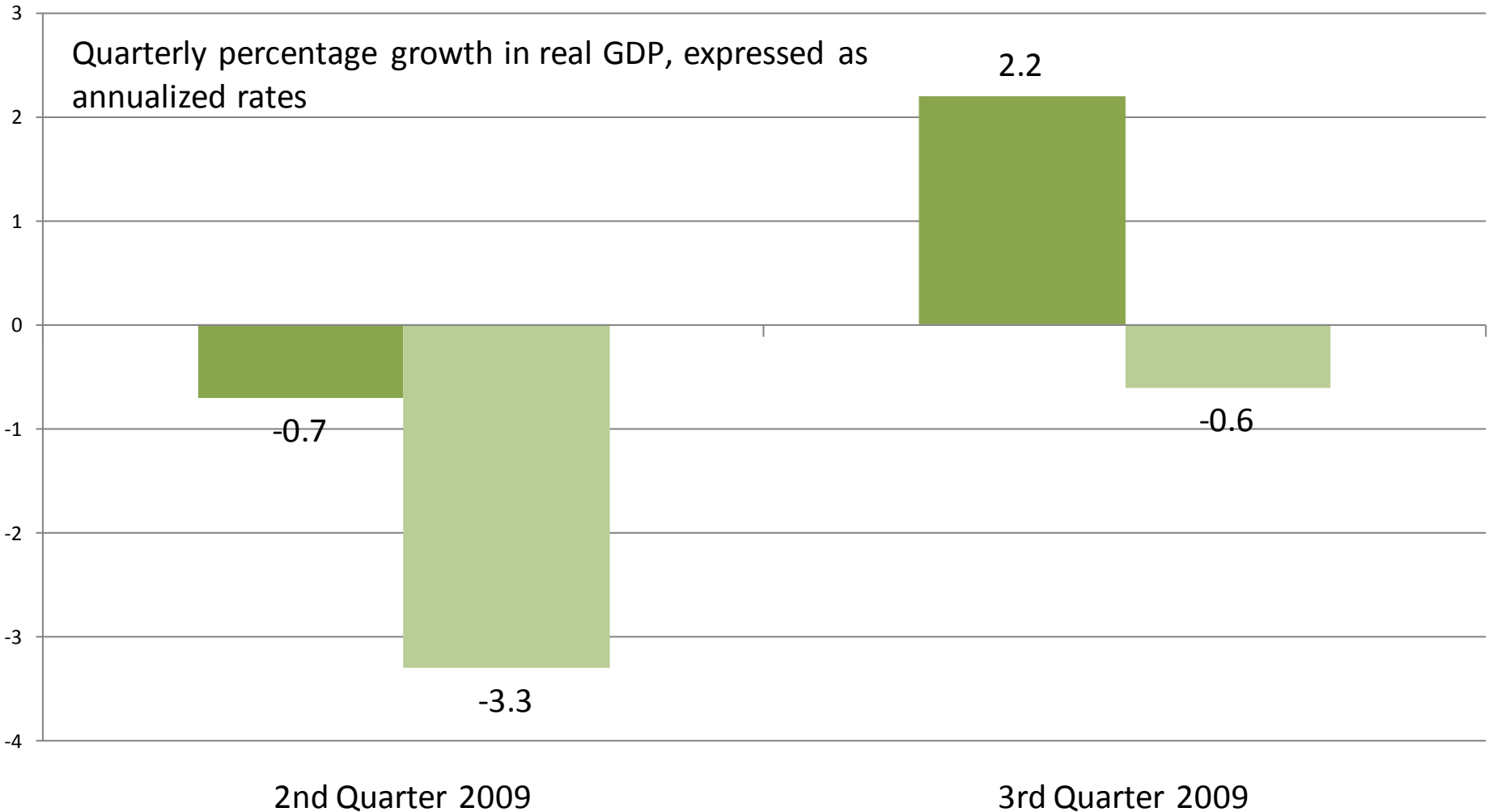


Source: Bureau of Economic Analysis

Government Action Saved the Day

■ actual ■ estimate without stimulus

Quarterly percentage growth in real GDP, expressed as annualized rates



Source. Estimate without stimulus is the median of seven independent forecasts summarized in Table 7 (page 25) of the Council of Economic Advisers, *The Economic Impact of the American Recovery and Reinvestment Act of 2009*

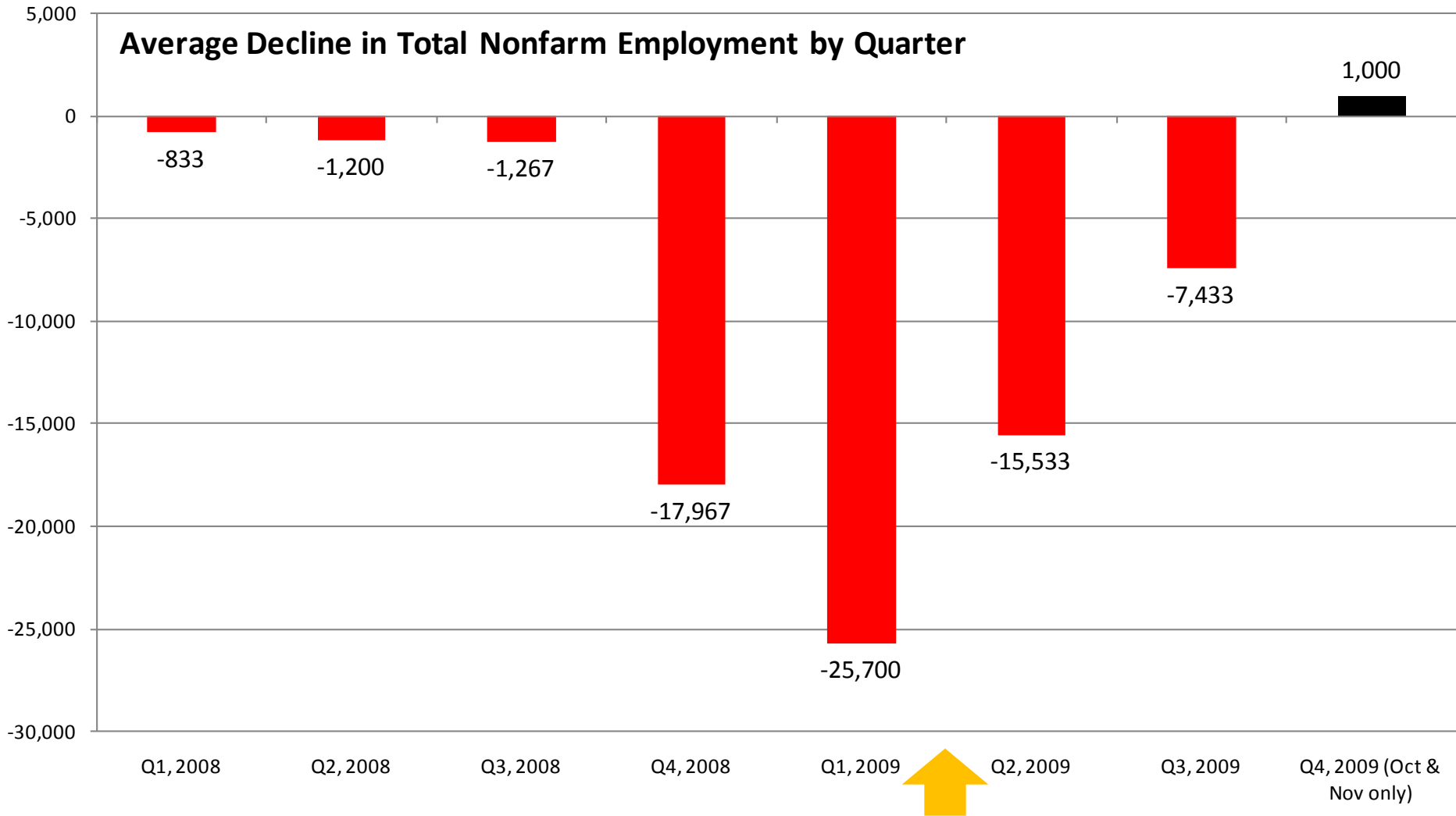
Total nonfarm employment in Pennsylvania in last four recessions

Change in Employment 23 Months After the Start of the Recession

Recession	Change	Percent Change
1981	-231,700	-4.90%
1990	-94,700	-1.80%
2001	-107,400	-1.90%
2007	-207,800	-3.60%

Without stimulus employment would have fallen by 291,800, a decline of 5%.

The Pace of Job Loss Has Also Slowed Dramatically In Pennsylvania

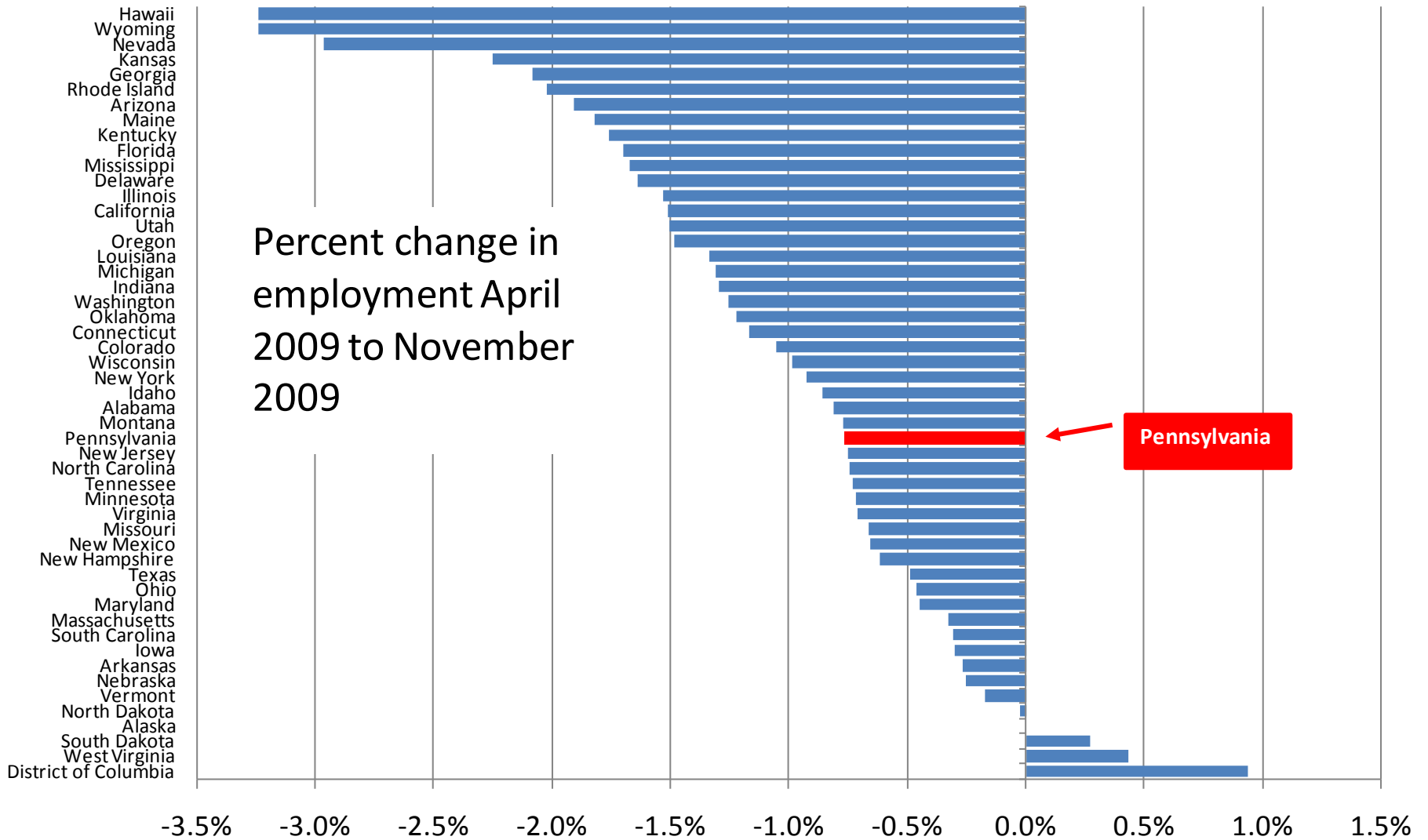


Note. Data for the 4th quarter so far includes only October and November.

Source. Keystone Research Center based on Current Employment Statistics

ARRA

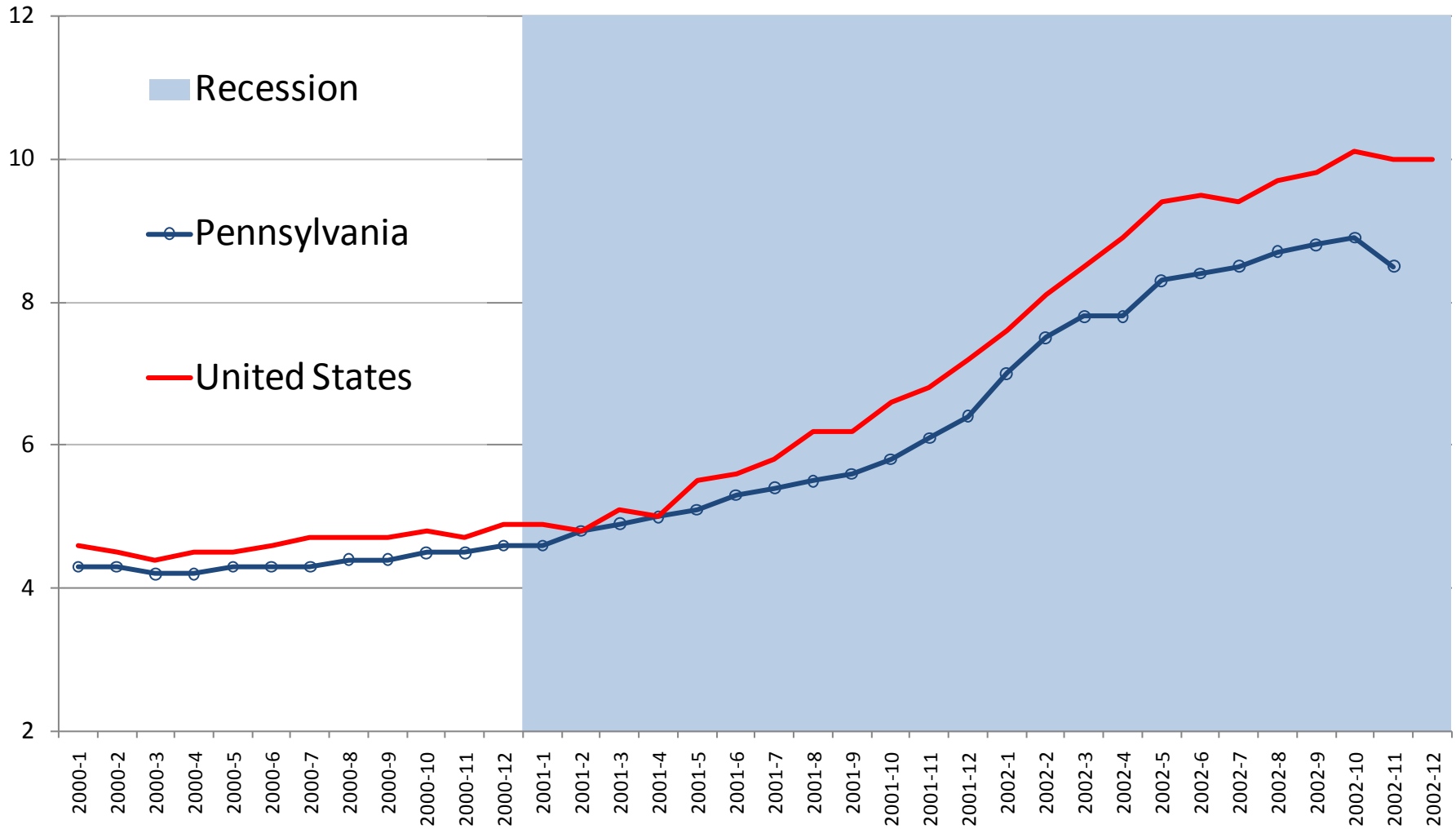
Relative to the Other States Pennsylvania Has Performed Well Since ARRA was Passed



Source. Keystone Research Center based on Current Employment Statistics

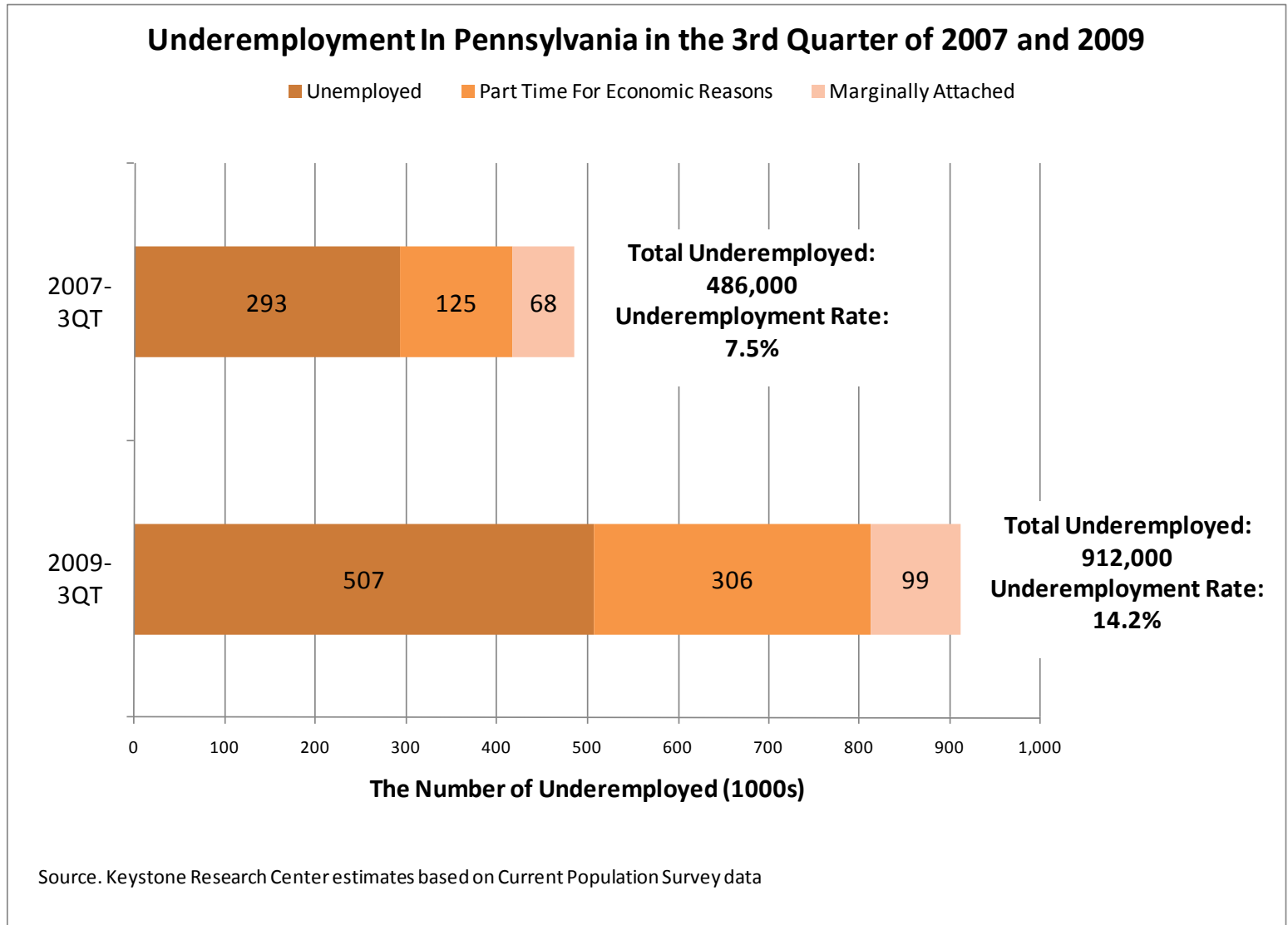
"The Pennsylvania Advantage": Unemployment in Pennsylvania Remains Below the National Unemployment Rate

Monthly unemployment rate (%) 2007-1 to 2009-12



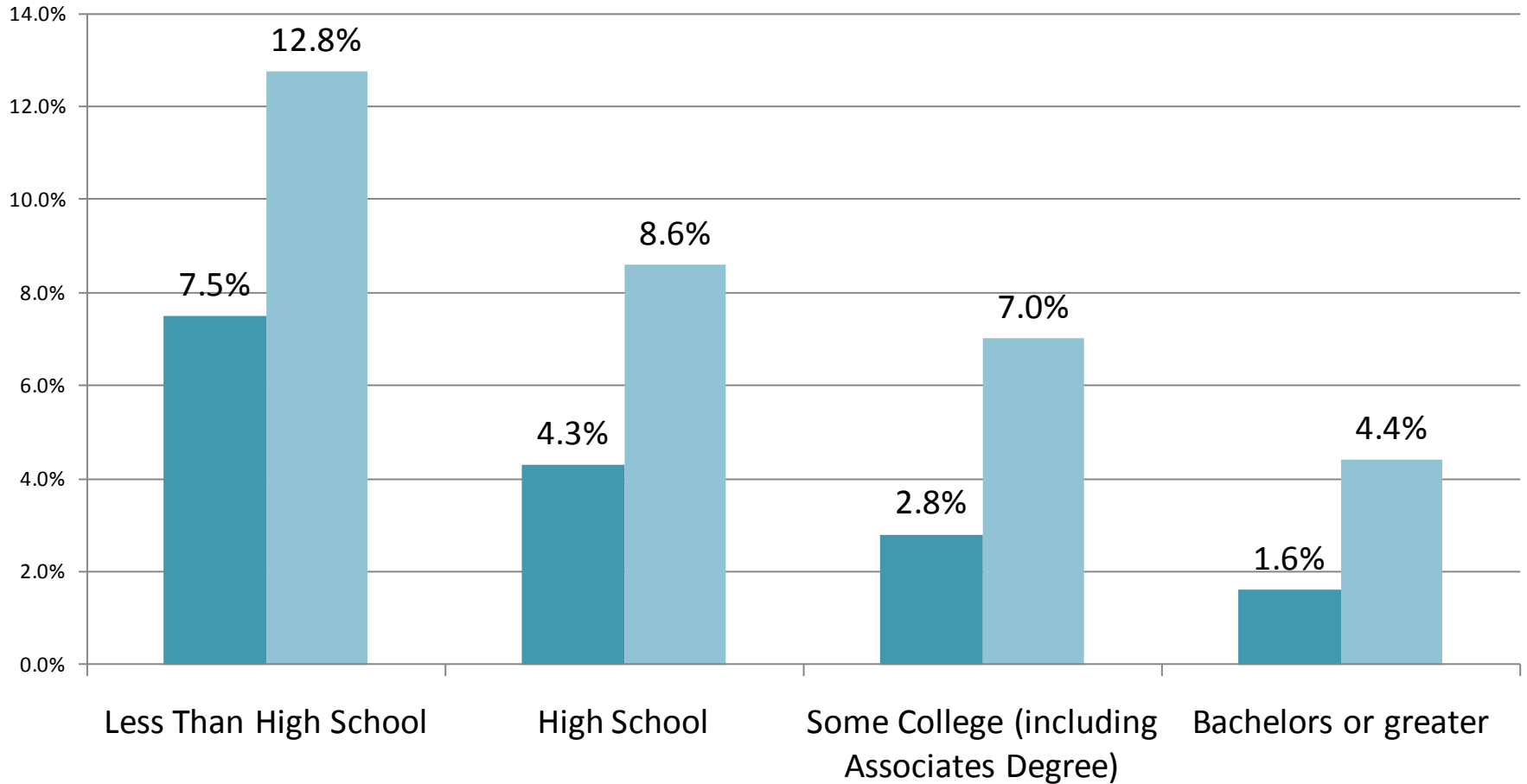
Source. Keystone Research Center analysis of Center for Workforce Information and Analysis data

Although the recovery act was effective at preventing a deeper downturn, the hole we find ourselves in is quite deep.



Unemployment in Pennsylvania Has Increased Dramatically For All Workers Regardless of Educational Attainment

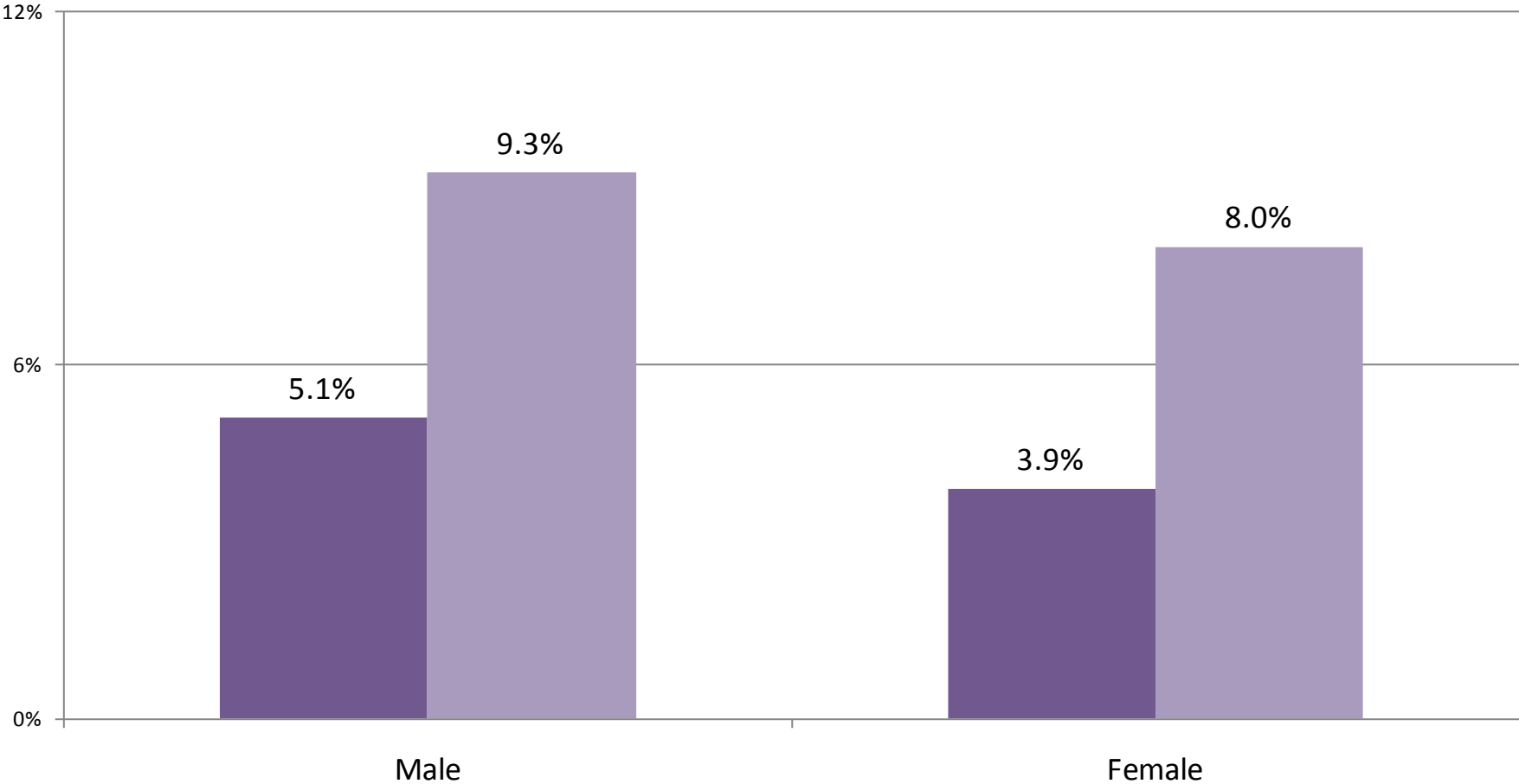
■ 4th Quarter 2007 ■ 3rd Quarter 2009



Source. Keystone Research Center (KRC) estimates using Center for Workforce Information and Analysis (CWIA) Local Area Unemployment Statistics (LAUS)

Unemployment rates for Men and Women

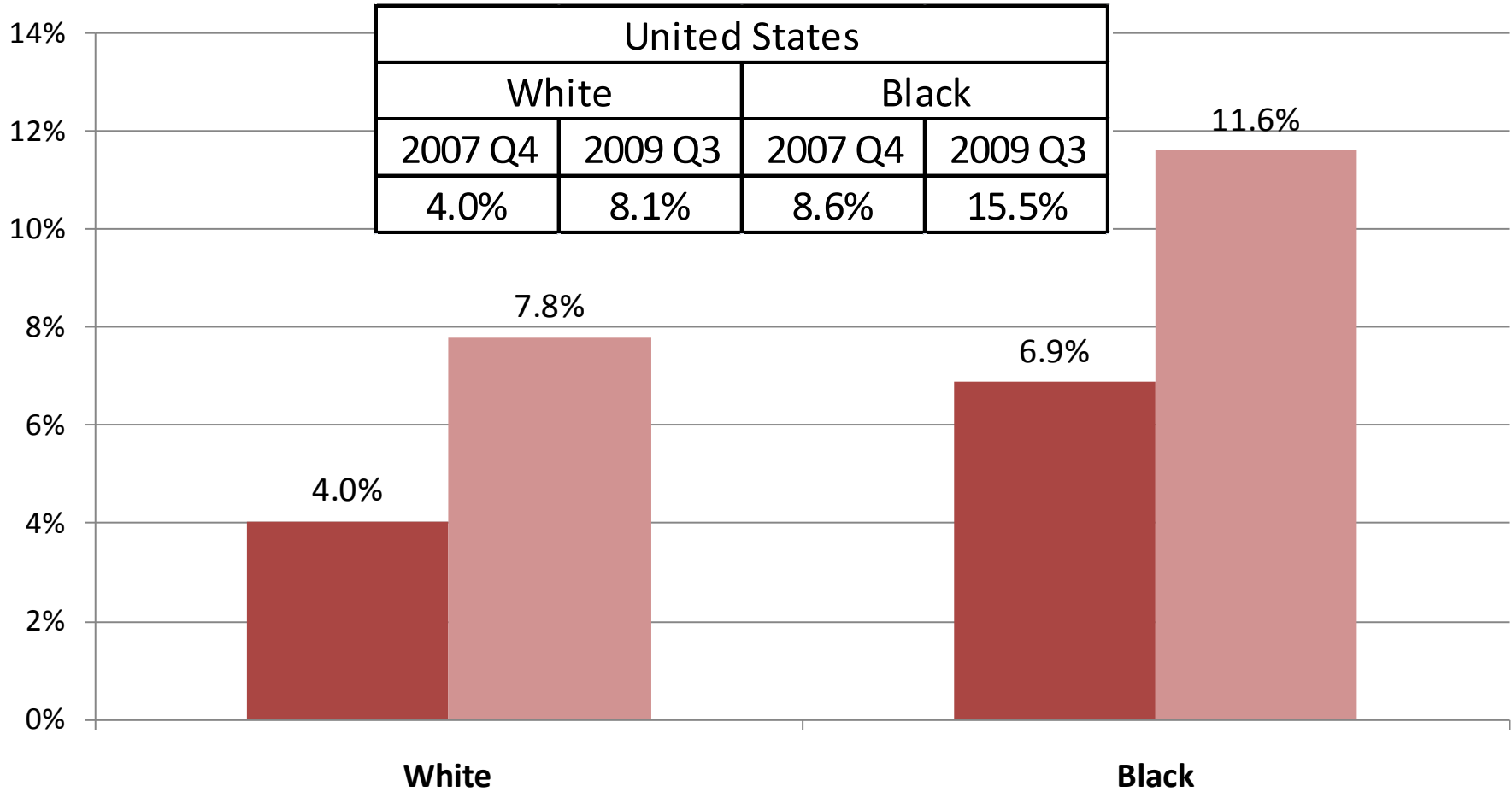
■ 4th Quarter 2007 ■ 3rd Quarter 2009



Source. Keystone Research Center (KRC) estimates using Center for Workforce Information and Analysis (CWIA) Local Area Unemployment Statistics (LAUS)

Unemployment Rates for African Americans are Already in the Double Digits in Pennsylvania

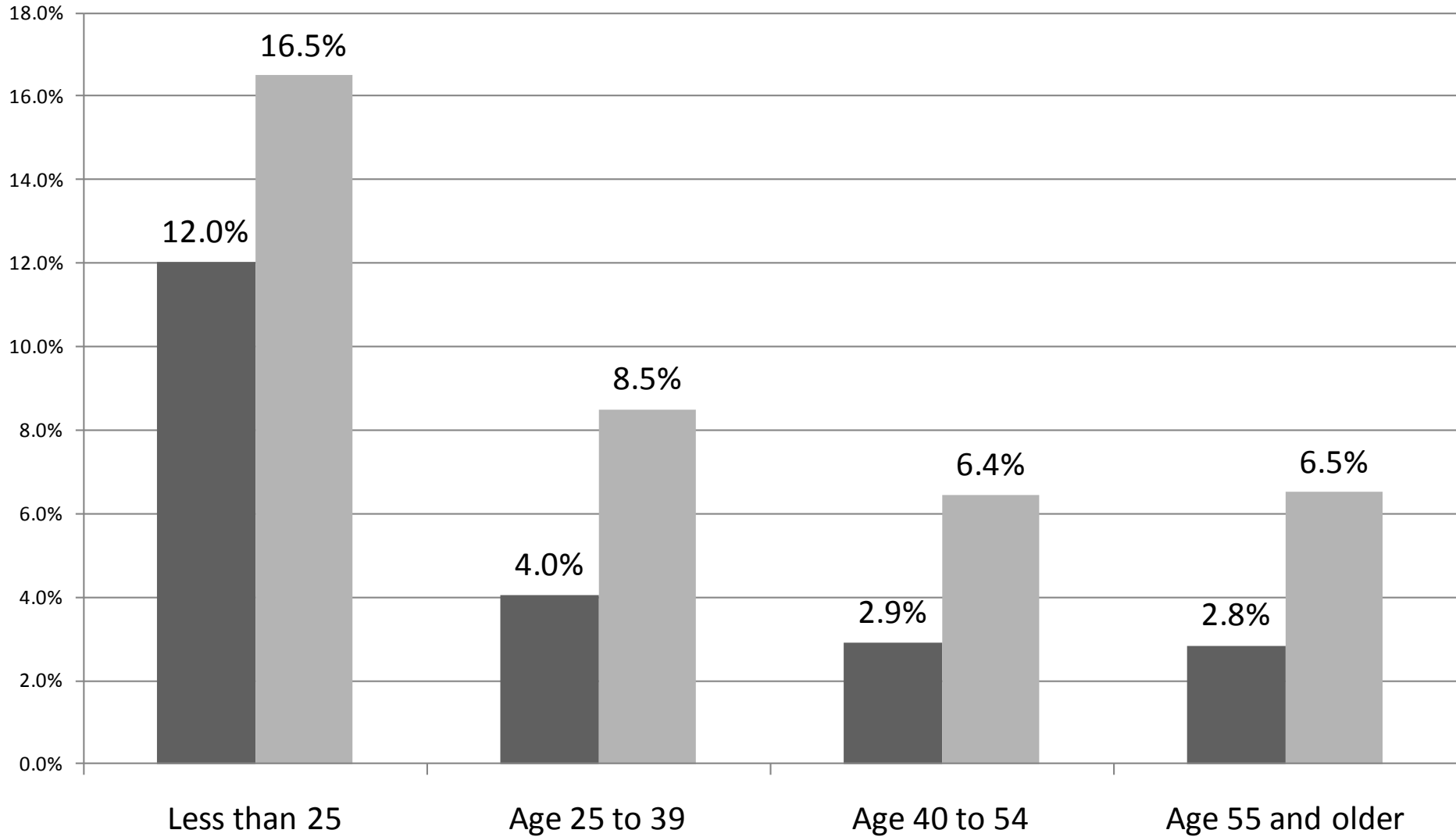
■ 4th Quarter 2007 ■ 3rd Quarter 2009



Source: Keystone Research Center (KRC) estimates using Center for Workforce Information and Analysis (CWIA) Local Area Unemployment Statistics (LAUS)

Unemployment by Age Group in Pennsylvania

■ 4th Quarter 2007 ■ 3rd Quarter 2009



Source: Keystone Research Center (KRC) estimates using Center for Workforce Information and Analysis (CWIA) Local Area Unemployment Statistics (LAUS)

PA Needs More Job Growth

- To get back to full employment today PA needs more than 250,000 jobs.
- To get back to full employment by December 2011 the economy needs to produce more than 12,000 jobs a month.
 - Pace of Job Growth Following
 - 1991 recession – 5,100 jobs a month
 - 2001 recession – 2,300 jobs a month

History Teaches a Clear Lesson About Withdrawing Government Spending Before the Private Sector has Fully Recovered

Real GDP Growth During the Great Depression

