

THE FISCAL CLIFF: ECONOMIC IMPACT

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Fiscal Contraction is Scheduled to occur in 2013

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Upcoming Current Law Changes:

	FY 13	CY 13
• Bush Tax Cuts + AMT	\$221 b	\$295 b
• Payroll Tax Cut	\$95 b	\$127 b
• Unemployment Insurance	\$26 b	\$35 b
• Tax Extenders & Business Depreciation	\$65 b	\$85 b
• The Sequester	\$65 b	\$87 b
• Affordable Care Act Taxes	\$18 b	\$24 b
• Medicare Payment Rates	\$11 b	\$15 b
SUB TOTAL POLICY:	\$501 b	\$668 b
• Revenue & Spending Not Linked to Policy	\$105 b	\$140 b
TOTAL CHANGE W/O ECONOMIC FEEDBACK:	\$606 b	\$808 b

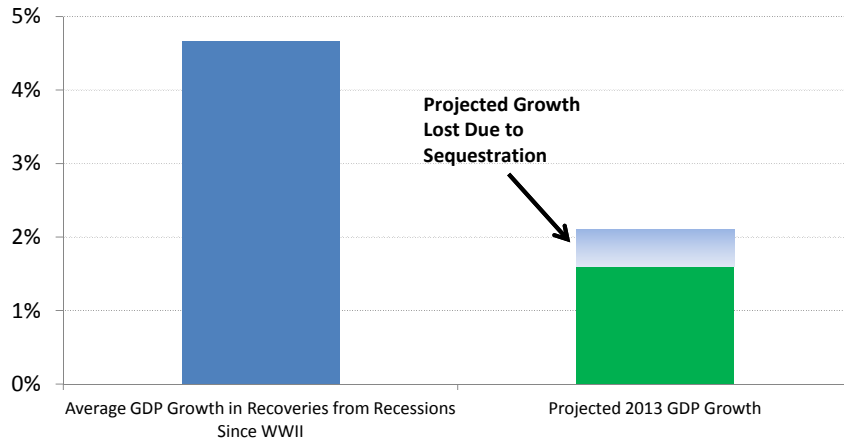
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	Forecast 2012	Forecast 2013
Real GDP Growth		
– Administration	+2.3%	+2.7%
– CBO	+2.1%	-0.3%
– Blue Chip	+2.1%	+2.3%
Inflation (CPI)		
– Administration	+2.1%	+1.9%
– CBO	+1.8%	+1.4%
– Blue Chip	+2.0%	+1.9%
Unemployment Rate		
– Administration	8.0%	7.7%
– CBO	8.2%	8.8%
– Blue Chip	8.2%	7.8%
10 Year Note		
– Administration	2.0%	2.7%
– CBO	1.8%	1.8%
– Blue Chip	1.9%	2.4%



Sources: Congressional Budget Office, August 2012; Office of Management and Budget, Mid-Session FY 2013 Budget of the U.S. Government, July 2012; Blue Chips July 2012.

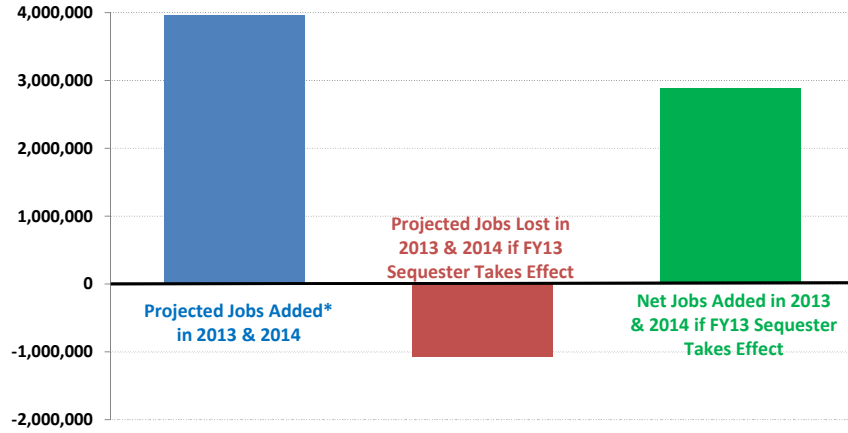
FY 2013 SEQUESTER CUTS WILL DAMAGE ECONOMIC GROWTH



Note: Historic recovery growth was calculated by averaging growth from the four years following each recession since WWII (up to 2001), excluding years in which the country quickly experienced another recession. This selection of years is meant to represent what a modest to strong recovery has looked like in the past.

Source: BPC calculations based on St. Louis Federal Reserve data (FRED II) and Congressional Budget Office projections and economic multipliers

THE SEQUESTER WOULD COST THE ECONOMY OVER 1 MILLION JOBS IN 2013 & 2014 5



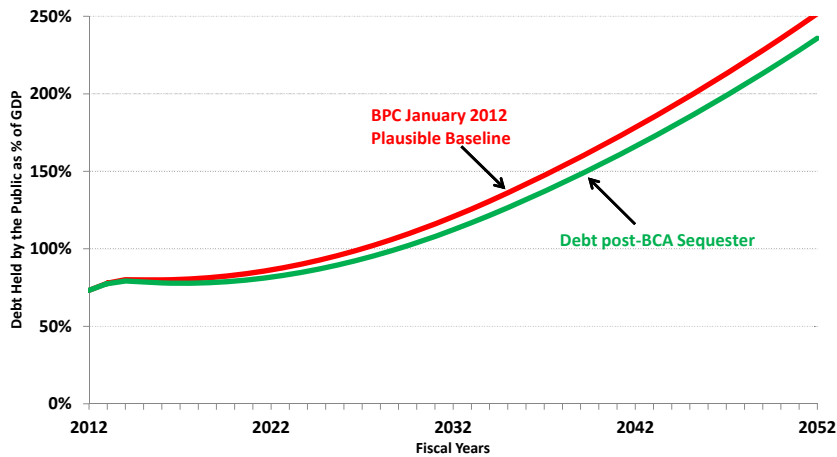
*The projection for jobs added averages the first five months of job growth in 2012 – 165,000 jobs/month – and assumes that level of growth continues through the end of 2014.

Sources: BPC calculations based on Bureau of Labor Statistics data and Congressional Budget Office projections and economic multipliers.

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SEQUESTER DELAYS FEDERAL DEBT REACHING 100% OF GDP BY ONLY 2 YEARS 6



Note: The Bipartisan Policy Center's (BPC) January 2012 Plausible Baseline assumes that the 2001, 2003, and 2010 tax cuts are extended permanently, Medicare physician payments are frozen (the "doc fix"), the AMT is indexed to inflation, and overseas combat operations wind down.

Sources: Congressional Budget Office; Bipartisan Policy Center projections

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