



Economics. Explained.

Points to Remember

Gathering Momentum

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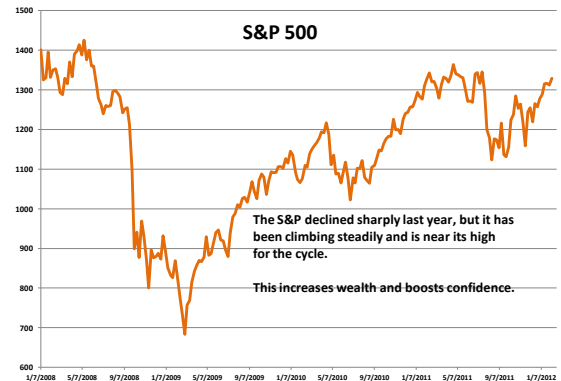
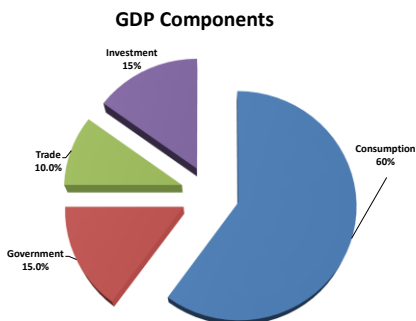
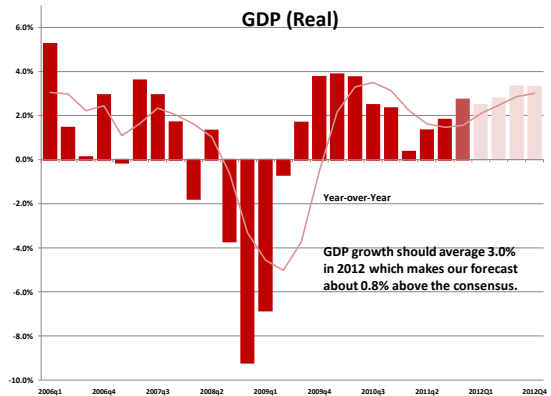
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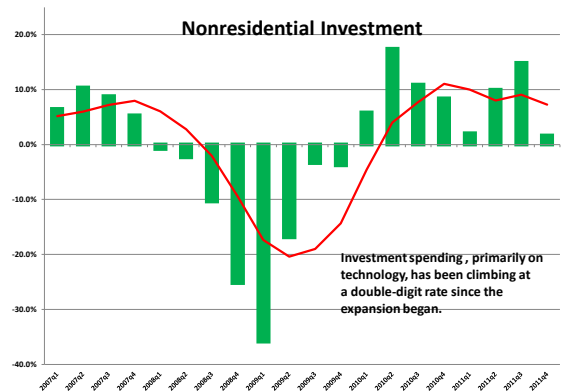
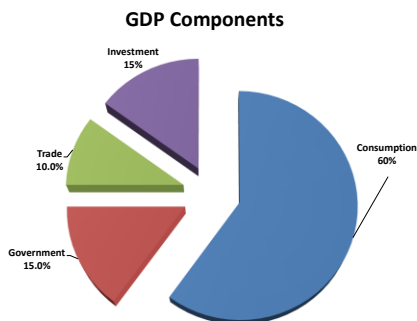
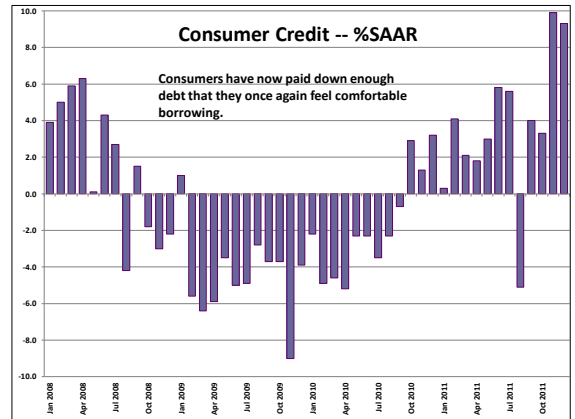
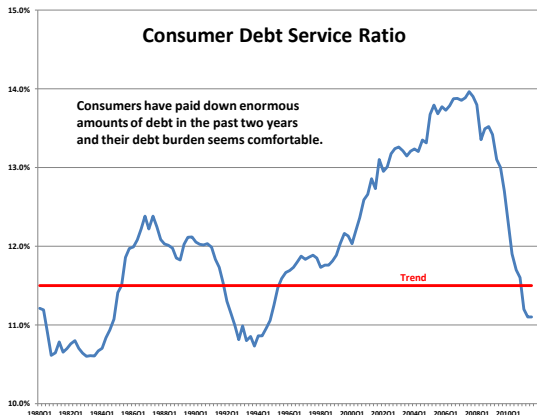
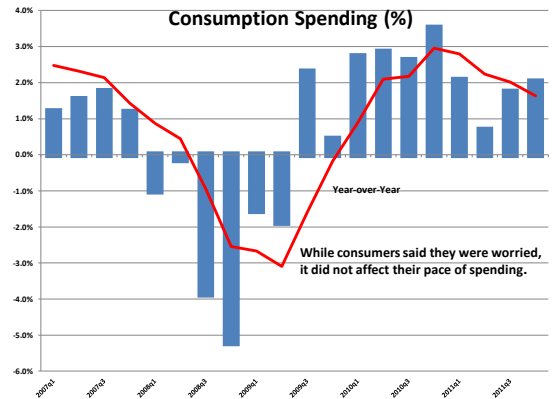
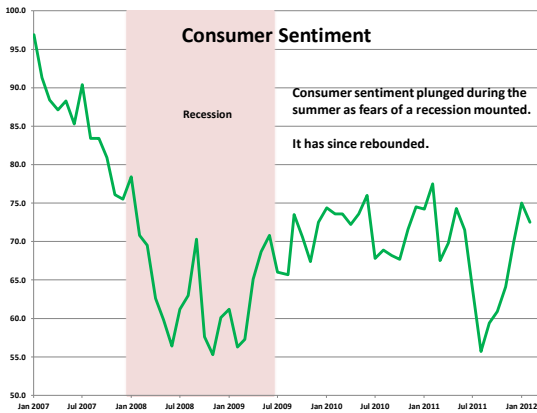
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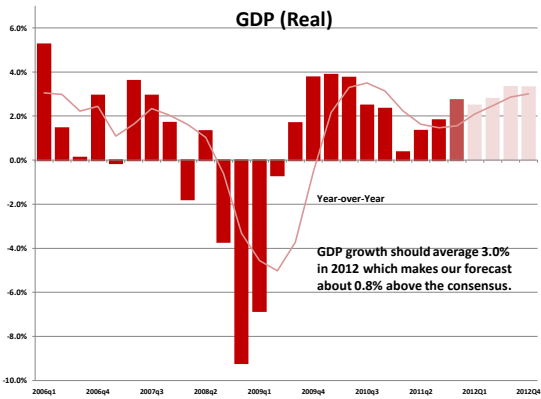
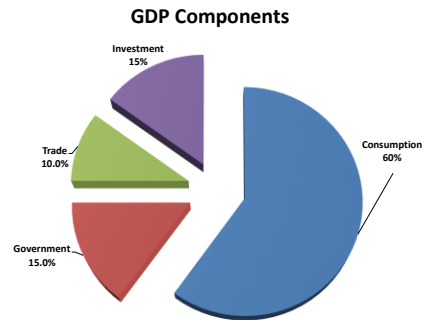
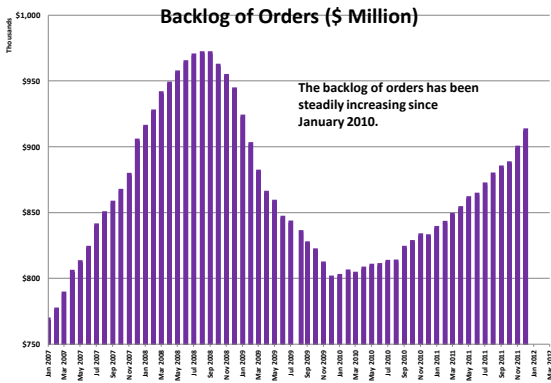
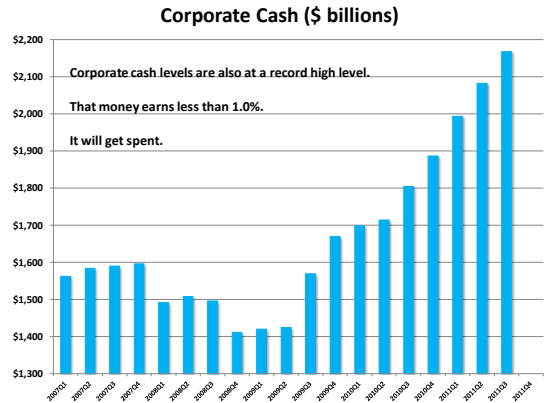
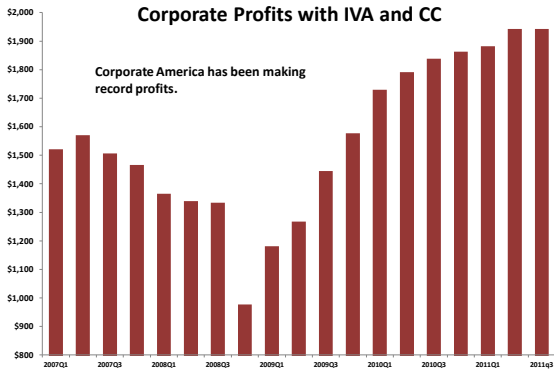
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6. Europe will probably not derail the expansion.
7. The budget deficit & debt remain long-run obstacles.

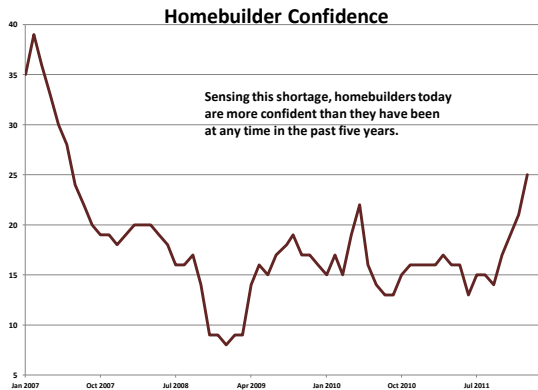
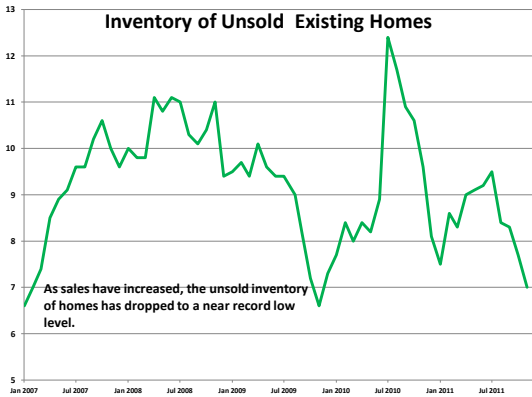
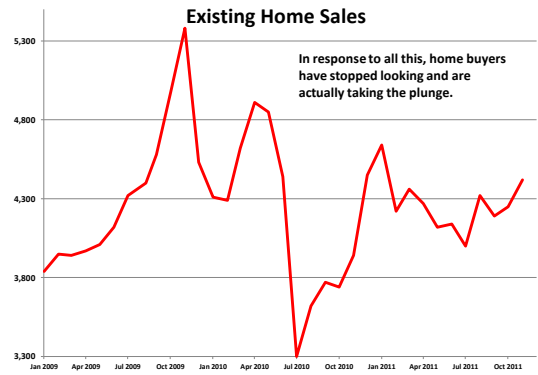
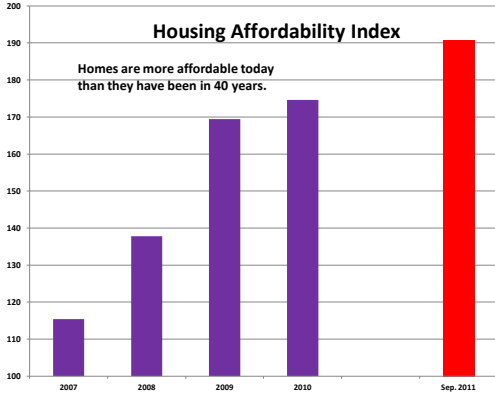
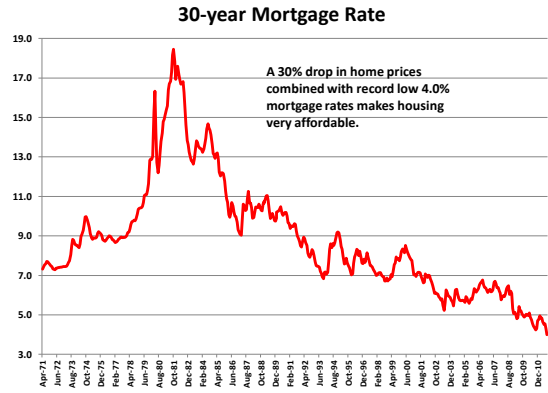
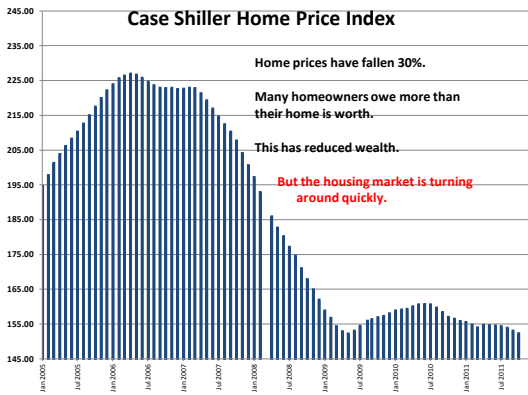


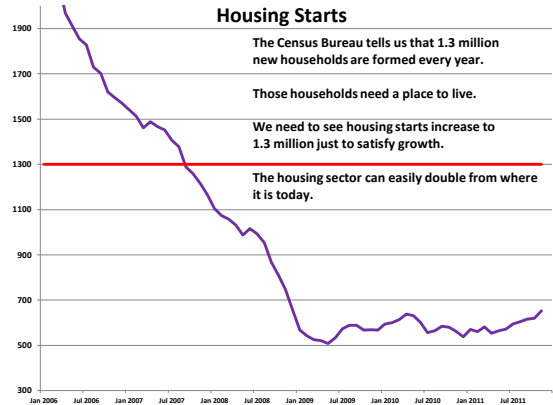
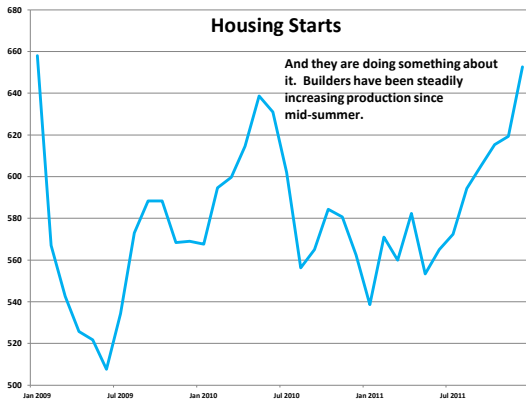




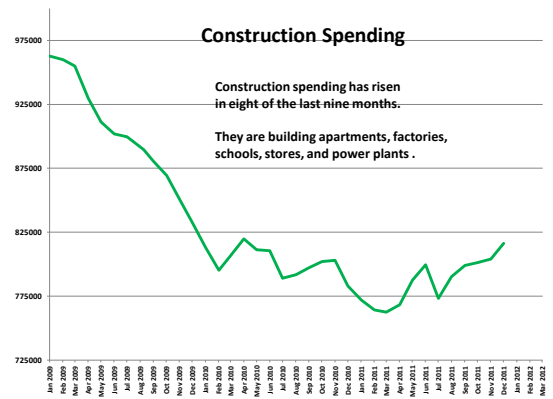
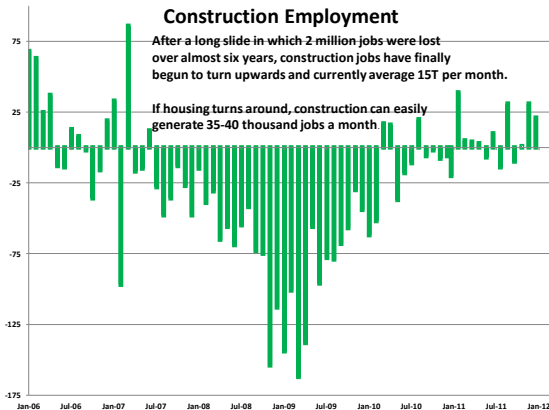
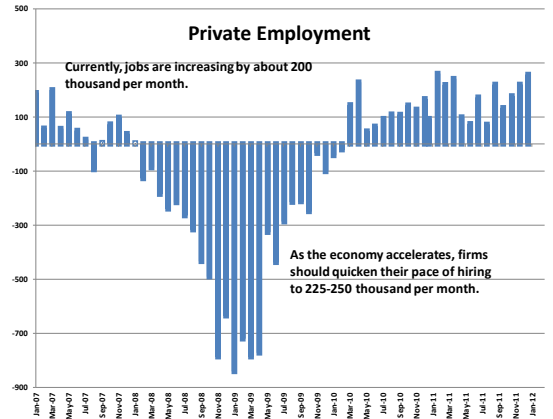
For this forecast to be correct two things must happen:

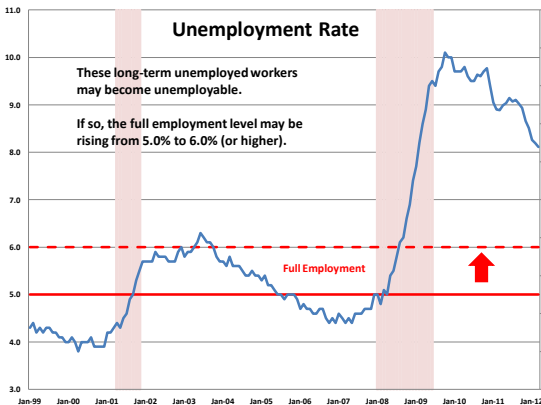
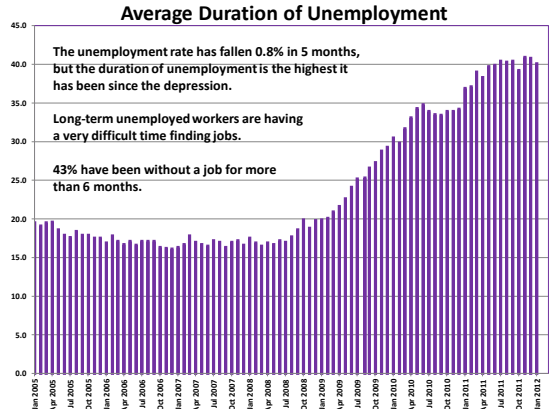
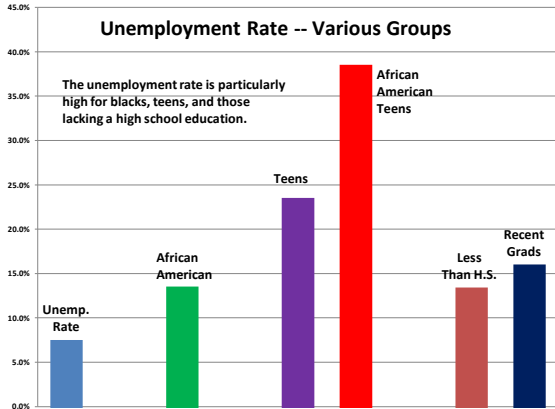
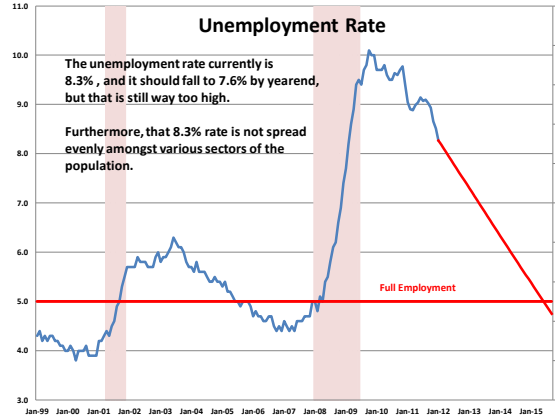
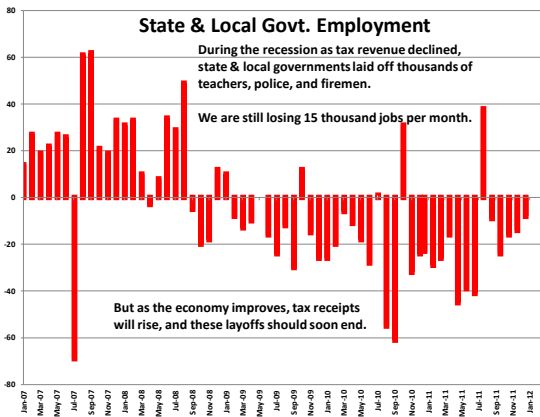
1. The **housing** sector must turn upwards.
2. We need to create many more **jobs**.





What about Jobs??





By Yearend 2012

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2. Housing Sector Begins to Turn Upwards
3. Monthly Job Gains Increase to 225-250 Thousand.
4. Unemployment Rate Falls to 7.6%.



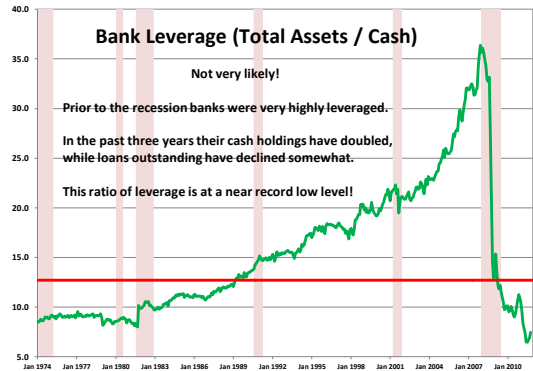
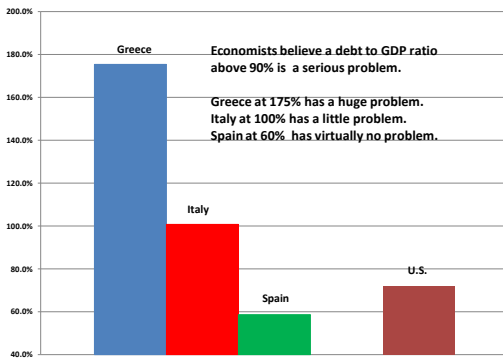
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All-in-all, not a bad year!

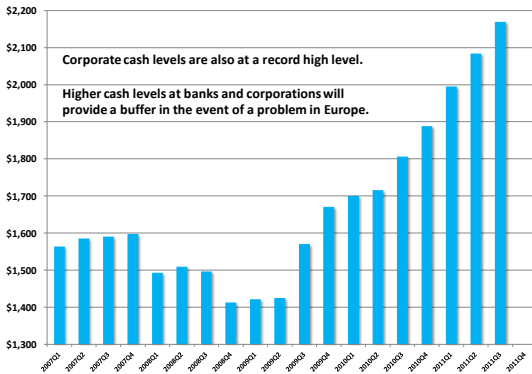
What about Europe?
Can it derail the U.S. economy?

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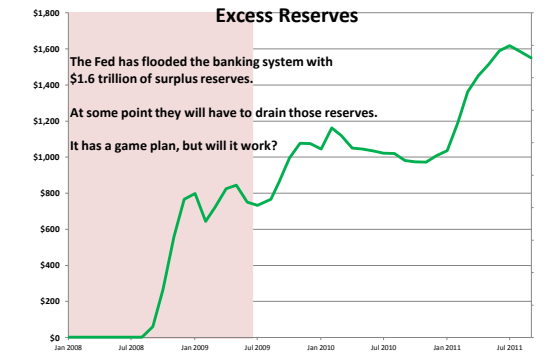
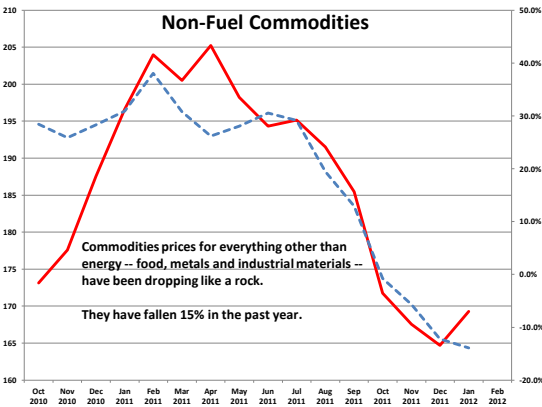
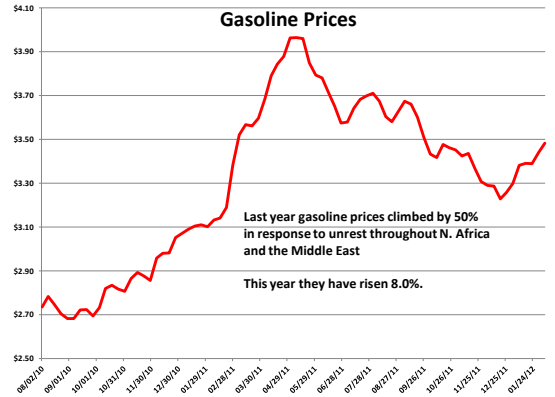
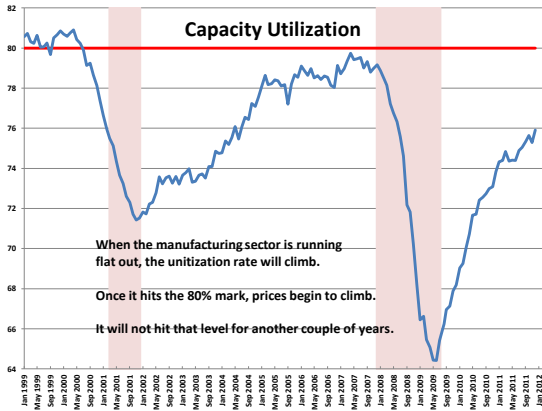
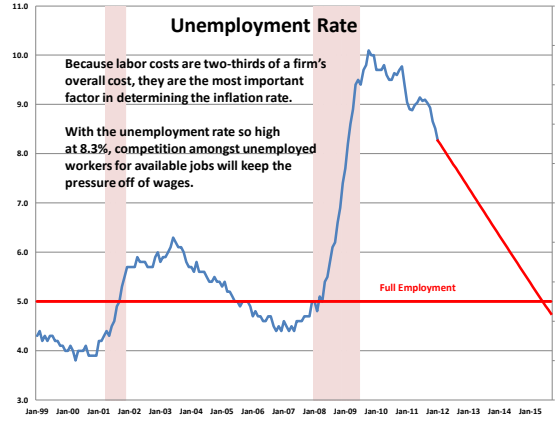
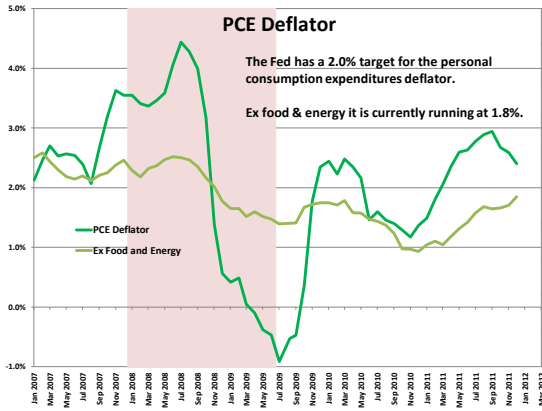
Debt/GDP (%)



Corporate Cash (\$ billions)

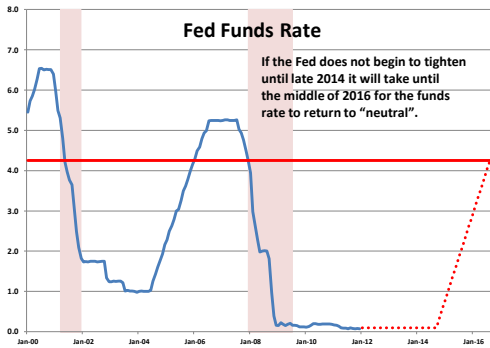


What About Inflation?



If 2012 GDP Growth Is Stronger Than Expected

Might the Fed Begin to Tighten?



Federal Reserve's Forecast

	2012	2013	2014	Longer Run
GDP				
Federal Reserve	2.5%	3.0%	3.7%	2.5%
Unemployment Rate				
Federal Reserve	8.4%	7.8%	7.2%	5.6%
PCE Inflation				
Federal Reserve	1.7%	1.7%	1.8%	2.0%

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How Bad is the Budget Deficit?

Debt Outstanding?

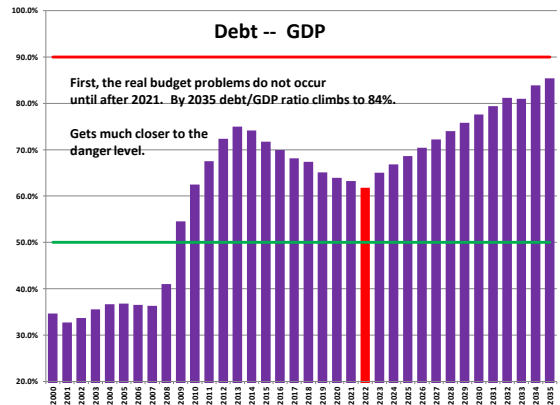
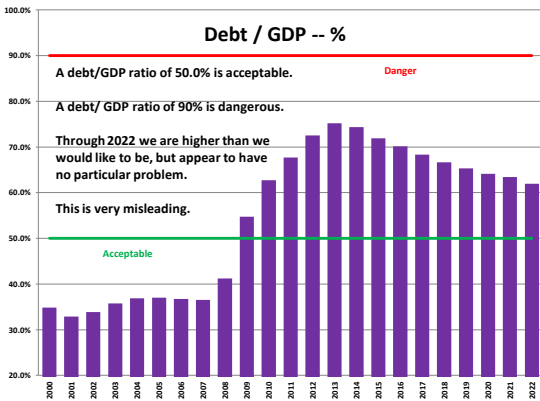
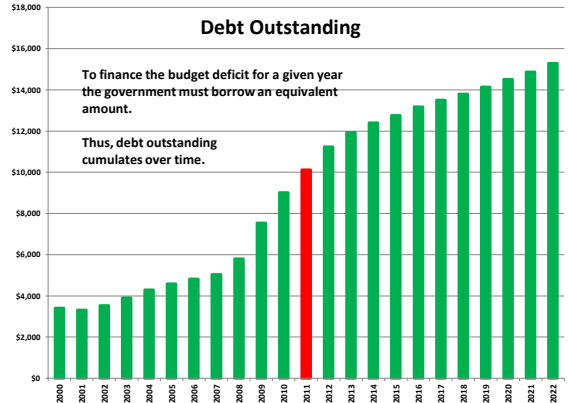
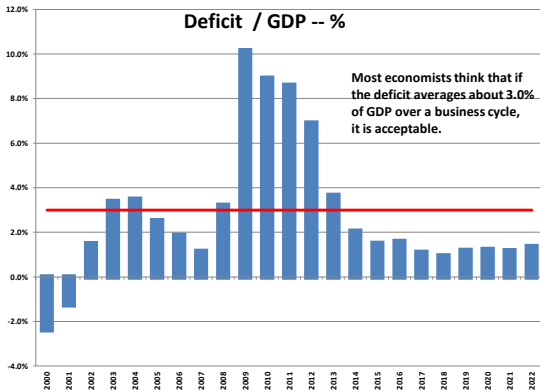
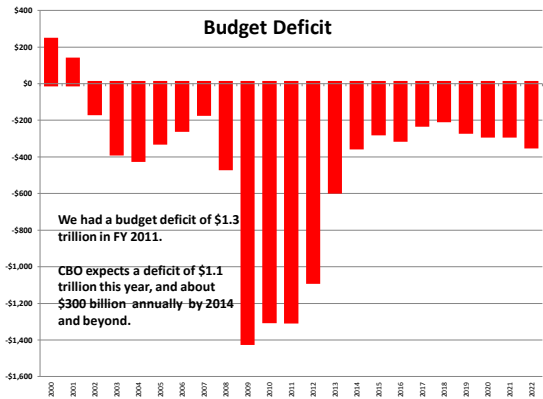
Things to Talk About

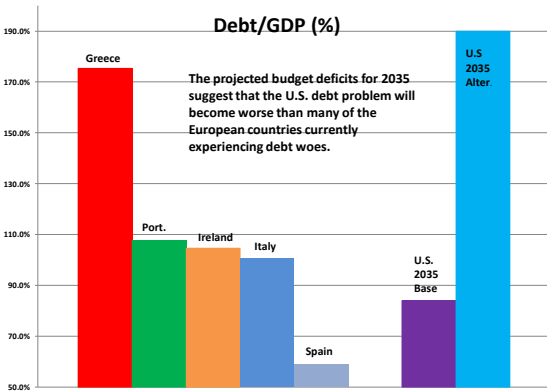
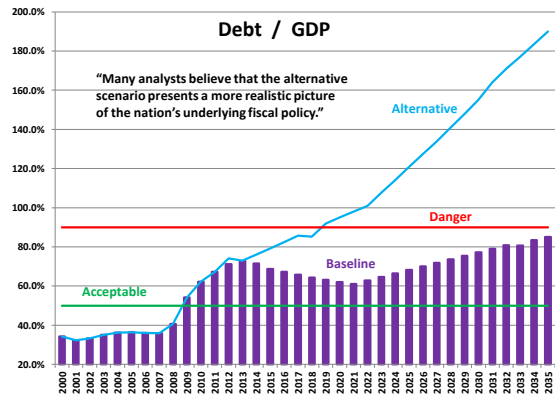
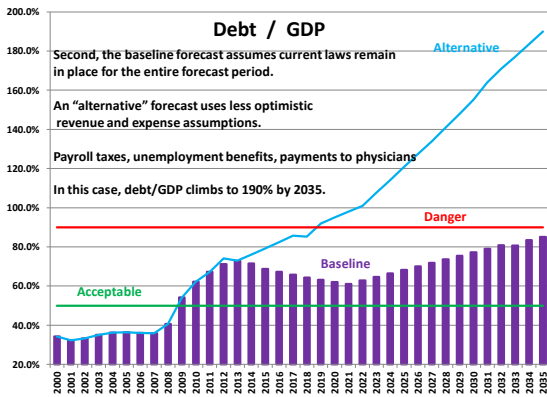
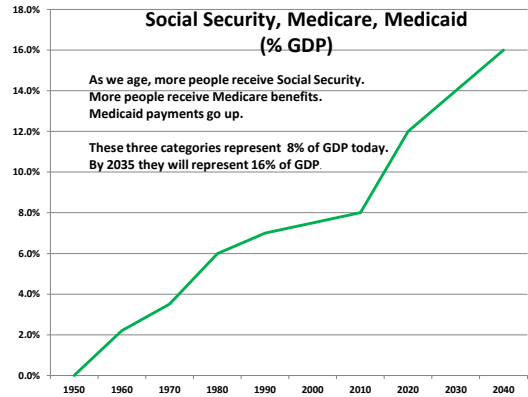
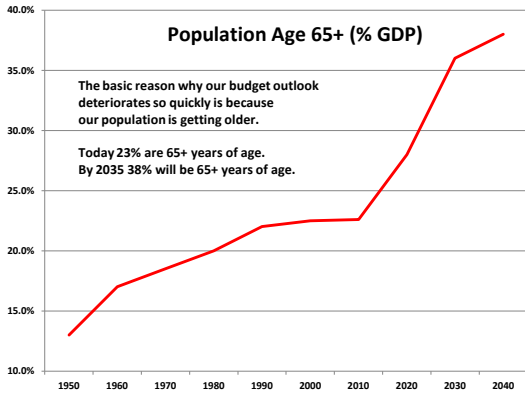
1. What are budget deficits?
2. How are budget deficits and debt related?
3. Is our debt really a problem?
4. How might we solve this problem?

Budget Surplus / Deficit

	FY 2011
Revenue	\$2.3 trillion
Less: Expenses	\$3.6 trillion
Budget Deficit	\$1.3 trillion

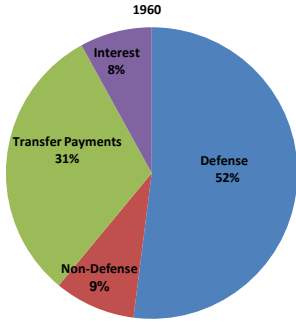
(\$1.0 trillion = A stack of \$1,000 bills 66 miles high)



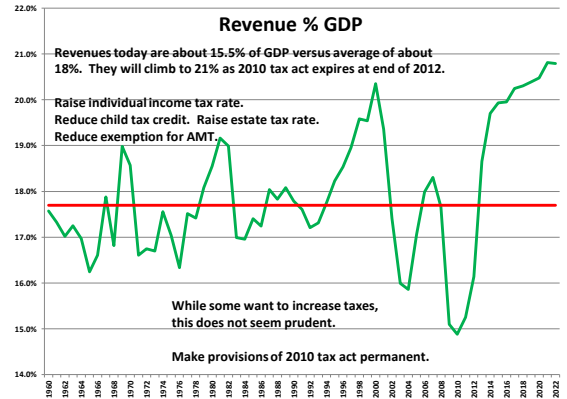
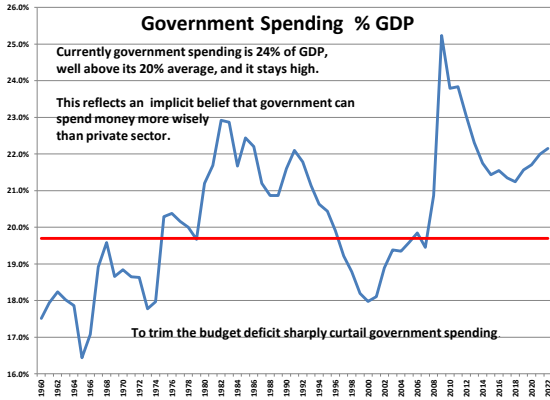
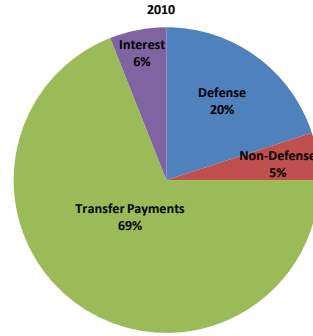


What Might We Do To Solve the Problem?

Major Components of Government Spending



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5. Keep revenues in line with their long term average.



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Do We Have the Courage to Do It?

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