Figure 9.1 U.S. Real GDP and Recessions

During 1985 to 2009, the United States experience three recessions, as defined by the National Bureau of Economics Research. During these periods, real GDP fell. (Source: BEA quarterly data 1985 to 2nd quarter of 2010, and NBER).

Notes:
GDP for the last quarter of 2010 (at an annual rate)—which is the last point in this graph—was $13,191.5 trillion.
The dates for the three recessions, as given by NBER, are:
  * July 1990 - March 1991
  * March 2001 - November 2001
  * December 2007 - June 2009
Figure 9.2 U.S. Unemployment Rate and Recessions


Note: During the most recent recession, unemployment peaked at 10.1% in October 2009, and was 9.6% in August 2010 (the last point in this graph).
Figure 9.3 U.S. Inflation Rate and Recessions

During the 1990-1991, 2001, and 2007-2009 recessions, inflation fell sharply. While inflation is thought to move counter-cyclically in general, other factors besides the state of the business cycle also affect its behavior. (Source: U.S. Bureau of Labor Statistics CPI database; rate is calculated as a three-month moving average of changes in the CPI; NBER)
The federal deficit—as measured by its borrowing—was reduced as a percent of GDP from the early 1990s until 1998, when the budget went into surplus. From 1998 to 2001, the government actually had a surplus in its budget (so that it retired some of its debt). After 2000, the 2001 recession combined with the Bush administration tax cuts put the budget back into deficit. Military expenditures in Afghanistan and Iraq, along with spending on stimulus policies to counteract the 2007-2009 recession, increased the deficit in the following years. In 2009, the deficit reached 9.9% GDP—the largest budget gap since World War II.

Data through 2009.
Source: Economic Report of the President 2010, Table B79

Note: The largest deficit in U.S. History, in terms of percent of GDP, was 30.3% in 1943. Estimates issued by the CBO in August 2010 indicated an expected 9.1% deficit for 2010.
Figure 11.7 Monetary Policy and Investment, 2000-2010

The grey areas show periods of expansionary monetary policy. The interest rate cuts of 2001-2003 helped spur residential investment. The later slump in housing markets, and the ensuing financial crisis and recession, discouraged investment, and in response the Federal Reserve resumed expansionary action in late 2007. While this may have kept the recession from becoming even worse, even near-zero interest rates were not enough to create an upswing in residential investment.

Note: The Federal Funds Rate in August 2010 (the last point on the top slide) was 0.19%