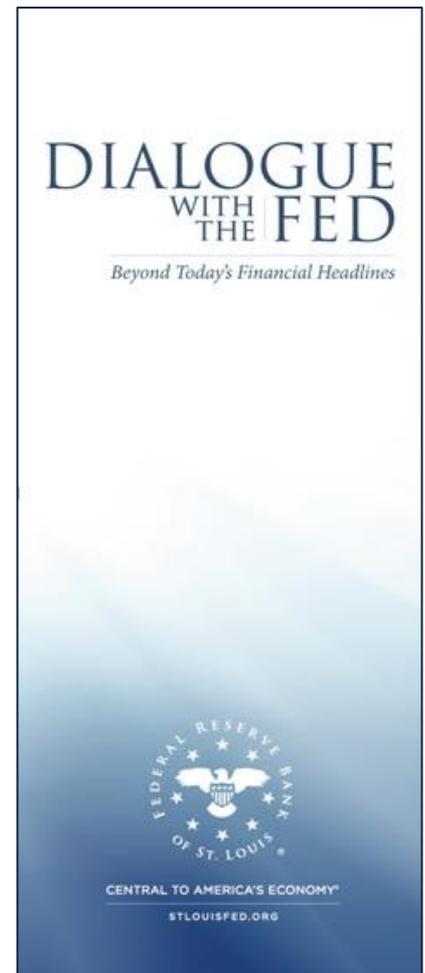


Fall 2011 Sessions

- Lessons Learned From the Financial Crisis
 - Julie L. Stackhouse, Senior Vice President
 - Sept. 12, 2011
- Bringing the Federal Deficit Under Control
 - William R. Emmons, Assistant Vice President
 - Oct. 18, 2011
- Understanding the Unemployment Picture
 - Christopher Waller, Senior Vice President
 - Nov. 21, 2011



Oct. 18: Bringing the Federal Deficit Under Control

Part 1: The long-term federal budget outlook

Part 2: Bringing future deficits under control

Part 3: Audience questions and comments

Look for a video recording of the session on our web site in the “Multimedia” section—coming soon.

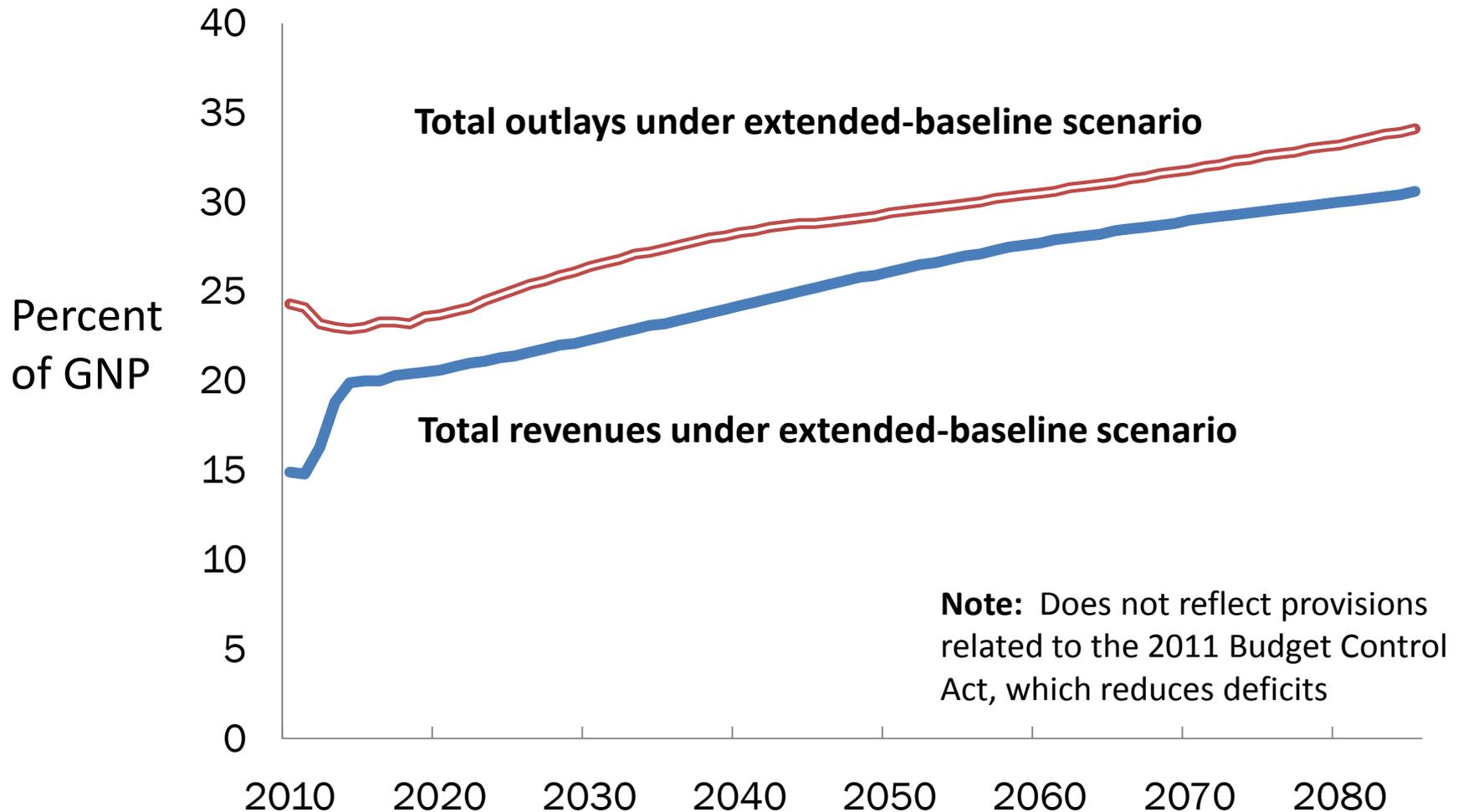


The Long-term Federal Budget Outlook

- The good news: Current laws could stabilize our long-term fiscal situation within a few years.
- The bad news: This would occur by raising taxes sharply and by cutting spending on popular programs like Medicare.
- The Congressional Budget Office (CBO) believes Congress is unlikely to carry out these provisions.



Projected Federal Outlays and Revenues Under CBO's Extended Baseline



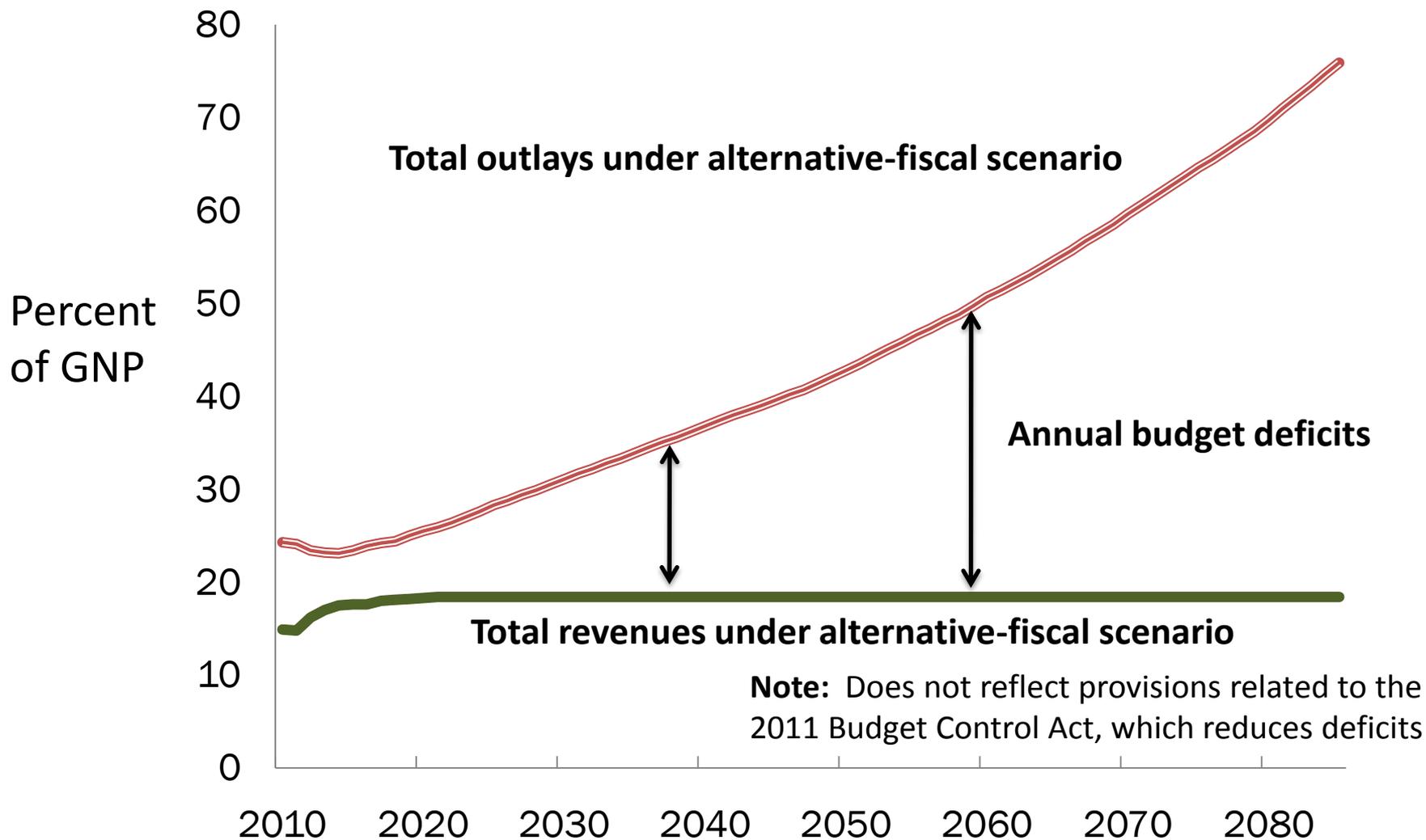
Source: Congressional Budget Office (CBO)

The Long-term Federal Budget Outlook (continued)

- More bad news: If policymakers continue to defer most tough budgetary choices, as during the last decade, future budget deficits and government debt will rise rapidly to levels never before experienced in the United States.
- Main factors expected to drive up deficits are:
 - The aging population
 - Rising healthcare expenditures
 - An inadequate revenue base
 - Eventually, interest payments on the rising debt
- Some good news: There still is time to stabilize our long-run budget position.



Projected Federal Outlays and Revenues Under CBO's Alternative-fiscal Scenario



Source: Congressional Budget Office (CBO)

Bringing Future Deficits Under Control

- We know how to do this: Many detailed plans are available.
- For example: There are recommendations of the Bowles-Simpson Deficit Commission (Dec. 2010).
 - Cut mandatory spending
 - Cut discretionary spending
 - Control health-care costs
 - Reform the tax code to enhance efficiency and revenues
 - Enhance progressivity of taxes and benefits taken together



Bringing Future Deficits Under Control (continued)

- Public support for shared sacrifice is strong.
- A recent public-opinion poll found that 71% of Americans think federal taxes should go up and federal spending should be cut.
 - This includes clear majorities among Republicans (57%), Democrats (82%), and independents (70%).
- What is lacking: Congress and the President have not been able or willing to translate this support into action.



Dialogue With the Fed Sessions

- To view past Dialogue sessions or to register for an upcoming session:

<http://stlouisfed.org/dialogue>