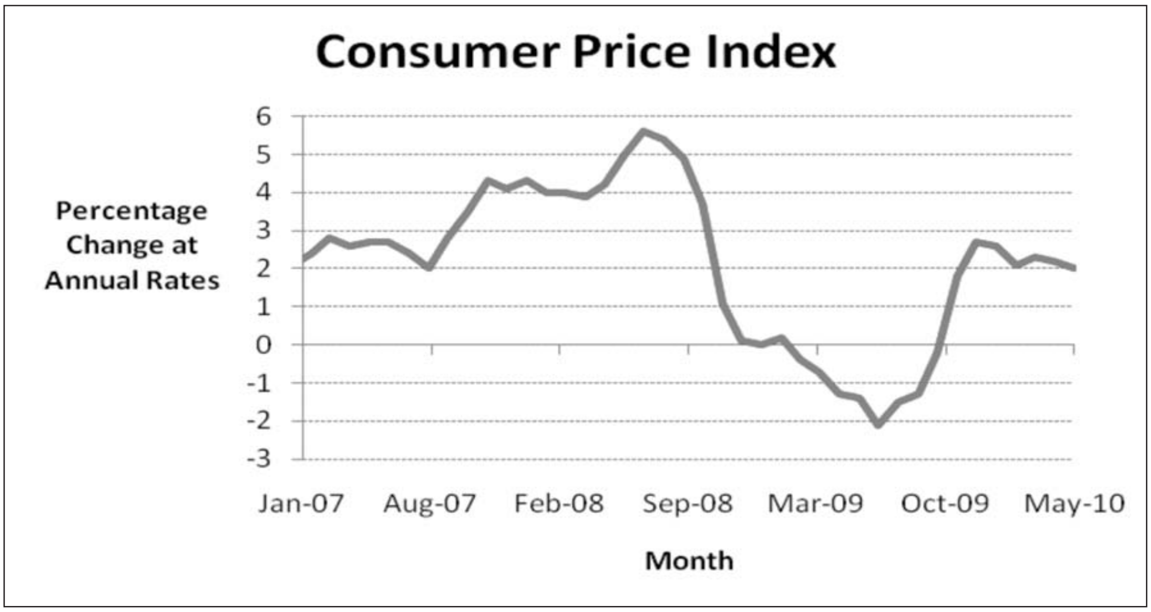
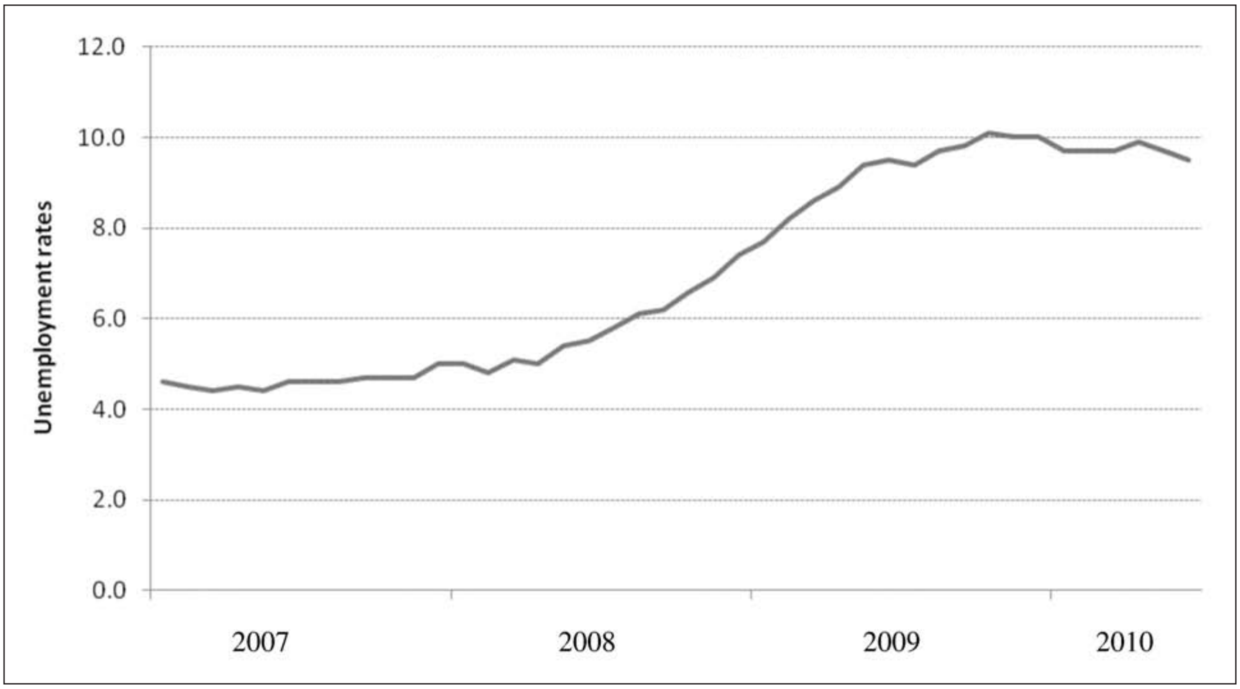
Handout 1
CPI 2007-2010



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2007	2.1	2.4	2.8	2.6	2.7	2.7	2.4	2.0	2.8	3.5	4.3	4.1	2.8
2008	4.3	4.0	4.0	3.9	4.2	5.0	5.6	5.4	4.9	3.7	1.1	0.1	3.8
2009	0.0	0.2	-0.4	-0.7	-1.3	-1.4	-2.1	-1.5	-1.3	-0.2	1.8	2.7	-0.4
2010	2.6	2.1	2.3	2.2	2.0								

Source: U.S. Bureau of Labor Statistics, June 2010

HANDOUT 2
UNEMPLOYMENT RATES MONTHLY AND ANNUALLY 2007-2010



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.6	4.6	4.7	4.7	4.7	5.0	4.6
2008	5.0	4.8	5.1	5.0	5.4	5.5	5.8	6.1	6.2	6.6	6.9	7.4	5.8
2009	7.7	8.2	8.6	8.9	9.4	9.5	9.4	9.7	9.8	10.1	10.0	10.0	9.3
2010	9.7	9.7	9.7	9.9	9.7	9.5							

Source: U.S. Bureau of Labor Statistics, June 2010

Handout 3
State Unemployment Rates 2007-2009

State	January 2007	December 2008	December 2009
Alabama	3.4	7.4	10.9
Alaska	6.1	6.9	8.6
Arizona	3.9	7.6	9.2
Arkansas	5.1	6.3	7.6
California	4.9	9.2	12.3
Colorado	3.8	6.2	7.3
Connecticut	4.4	6.7	8.8
Delaware	3.4	6.6	8.8
District of Columbia	5.4	8.1	11.9
Florida	3.5	8.2	11.7
Georgia	4.4	8.0	10.3
Hawaii	2.3	5.6	6.8
Idaho	2.7	6.4	9.1
Illinois	4.5	7.6	11.0
Indiana	4.6	8.1	9.7
Iowa	3.6	5.0	6.5
Kansas	4.1	5.3	6.5
Kentucky	5.7	8.5	10.6
Louisiana	3.9	5.5	7.3
Maine	4.5	6.8	8.1
Maryland	3.6	5.8	7.4
Massachusetts	4.6	6.7	9.3
Michigan	6.8	10.6	14.5
Minnesota	4.5	6.7	7.4
Mississippi	6.5	7.9	10.5
Missouri	4.7	7.6	9.6
Montana	3.2	5.4	6.7

State	January 2007	December 2008	December 2009
Nebraska	2.8	3.9	4.6
Nevada	4.4	9.1	13.0
New Hampshire	3.7	4.8	6.9
New Jersey	4.2	7.0	10.0
New Mexico	3.6	5.7	8.2
New York	4.3	6.7	8.9
North Carolina	4.6	8.5	10.9
North Dakota	3.1	3.8	4.3
Ohio	5.4	8.1	10.8
Oklahoma	4.1	4.6	6.8
Oregon	5.1	9.1	10.6
Pennsylvania	4.2	6.5	8.8
Rhode Island	4.9	9.3	12.7
South Carolina	5.9	9.4	12.4
South Dakota	3.0	3.9	4.7
Tennessee	4.7	8.5	10.7
Texas	4.4	6.1	8.2
Utah	2.5	5.1	6.6
Vermont	3.9	5.7	6.7
Virginia	2.9	5.2	6.8
Washington	4.6	6.9	9.2
West Virginia	4.2	5.3	9.0
Wisconsin	4.8	6.4	8.5
Wyoming	2.9	4.0	7.5

Source: Current Population Survey (CPS), Bureau of Labor Statistics, U.S. Department of Labor.

Handout 4
Percentage Change in Real GDP 2007-2010

	2007 III	2007 IV	2008 I	2008 II	2008 III	2008 IV	2009 I	2009 II	2009 III	2009 IV	2010 I	2010 II
Gross domestic product	2.3	2.9	-0.7	0.6	-4	-6.8	-4.9	-0.7	1.6	5	3.7	1.6
Personal consumption expenditures (c)	1.7	1.4	-0.8	0.1	-3.5	-3.3	-0.5	-1.6	2	0.9	1.9	2
Goods	2.4	1.1	-5.8	0.3	-7.7	-10.8	1.8	-1.5	7.2	1.7	5.7	3.6
Durable goods	3.8	2.4	-10.8	-2.9	-12	-22.3	4.8	-3.1	20.1	-1.1	8.8	6.9
Nondurable goods	1.7	.05	-3	2	-5.5	-4.9	0.4	-0.7	1.7	3.1	4.2	2.1
Services	1.4	1.5	1.9	0	-1.3	0.6	-1.6	-1.7	-0.5	0.5	0.1	1.2
Gross private domestic investment (I)	-2.9	-9.4	-9.4	-7.6	-12.5	-36.8	-42.2	-18.5	11.8	26.7	29.1	25
Fixed investment	-1.2	-4.8	6.2	-4.6	-11.9	-24.9	-35.4	-10.1	0.7	-1.3	3.3	19.5
Nonresidential	9.4	5.7	2	-1.6	-8.6	-22.7	-35.2	-7.5	-1.7	-1.4	7.8	17.6
Structures	24.3	7.4	-0.1	7.5	-3.6	-8.9	-41	-20.2	-12.4	-29.2	-17.8	0.4
Equipment and software	2.9	4.8	3	-6	-11.1	-29.5	-31.6	0.3	4.2	1.6	20.4	24.9
Residential	-24.1	-29.3	-27.9	-14	-22.6	-32.6	-36.2	-19.7	10.6	-0.8	-12.3	27.2
Net exports of goods and services (NX)												
Exports	15.8	11.6	5.7	13.2	-5	-21.9	-27.8	-1	12.2	24.4	11.4	9.1
Goods	12.8	9.9	9.6	14.5	-4.3	-26.6	-34.1	-3.7	18.7	31.7	14	12.2
Services	23	15.7	-2.8	10.2	-6.6	-9.8	-12.3	4.7	0.1	10.2	5.8	2.5
Imports	5	-10.6	-11.4	2.9	-0.1	-22.9	-35.3	-10.6	21.9	4.9	11.2	32.4
Goods	5.1	-11.8	-3.3	4.6	-1	-28.3	-38.9	-10.6	27.4	6.2	12	39.3
Services	4.4	-4	9.4	-6	5	11.7	-16.8	-10.9	1.5	-0.5	7.8	4.2
Government (G)	3.5	1.2	2.3	3.3	5.3	1.5	-3	6.1	1.6	-1.4	-1.6	4.3
Federal	9.6	1.1	6.9	7.8	14.2	8.1	-5	14.9	5.7	0	1.8	9.1
National defense	10.2	0	6.8	6.9	19.7	5.2	-8.4	16.8	9	-2.5	0.4	7.3
Nondefense	8.2	3.4	6.9	9.6	3	14.8	2.6	10.9	-0.9	5.6	5	12.9
State and local	0.2	1.3	-0.3	0.8	0.3	-2.4	-1.7	1	-1	-2.3	-3.8	1.2

Data are annual rates of change.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, www.bea.gov

HANDOUT 5
EXCERPT FROM "BANKS PROMISE LOANS BUT HOARD CASH" BY LIZ MOYER IN *FORBES* (FEBRUARY 2009)

Bankers have done the equivalent of stuffing the mattress in the last few months, despite being prodded by the government to lend the hundreds of billions in cash being pumped into the banking system by the Federal Reserve and other regulators. They've been hoarding cash at the Federal Reserve, some $793 billion of excess reserves as of the end of January [2009], which is more than double the amount of money doled out or pledged to financial companies through the Treasury Department's $700 billion Troubled Asset Relief Program. The data support the anecdotal evidence that lawmakers on Capitol Hill have railed against: Banks are hoarding the bailout money, even as they promise to make more loans.

It highlights one of the biggest problems facing the financial system right now: balancing the [need to increase lending] and ignite the stalled economy with demands to shore up [financial firms'] balance sheets and insure survival during the riskiest lending environment in a generation. "They are nervous," says Mark Zandi of Moody's Economy.com.

Banks have to stash away a minimal level of reserves, but they can keep extra reserves. Last year at this time, excess reserves totaled $1.7 billion, according to Fed data. Back then, excess reserves were considered uneconomical, since banks could make more profits off lending the money to fellow banks overnight or to clients. But that all changed in October [2008], when the Fed started paying interest. Excess reserves went from $2 billion in August to $267 billion in October. As of the middle of January, they had mushroomed to $843 billion. Preliminary numbers for the end of January [2009] have them at $793 billion, currently accruing interest at 0.25%, the Fed's benchmark short-term rate.

Fed Chairman Ben Bernanke acknowledged the challenges with mounting excess reserves during a recent speech in London. "In practice, the federal funds rate has fallen somewhat below the interest rate on reserves in recent months, reflecting the very high volume of excess reserves, the inexperience of banks with the new regime and other factors," he said. Other Fed data show that while the amounts of loans and leases by commercial banks are up from December 2007, they have basically flat-lined in the last few months. In September [2008], loans and leases totaled $7 trillion, and in January [2009], they totaled $7 trillion. According to the latest Fed loan officer survey, demand for commercial and industrial loans dropped 60%, and banks reduced lines of credit available.

But citing a Fed statistic that consumer borrowing dropped $7.9 billion in November [2008], the biggest drop in 65 years, Citi [a financial firm] cautioned against big expectations for a lending glut. "Banks and other lenders have tightened access to credit and are conserving capital in order to absorb the losses that occur when borrowers default," the company said in its TARP update. "Citi will not and cannot take excessive risk with the capital the American public and other investors have entrusted to the company."

Source: http://www.forbes.com/2009/02/03/banking-federal-reserve-business-wall-street-0203_loans.html

EXTENSION HANDOUT 6
NEW TOOLS DEFINED BY THE FED

Liquidity Directly to Borrowers and Investors in Key Credit Markets 	**AMLF (Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility)** The Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility was a lending facility that provided funding to U.S. depository institutions and bank holding companies to finance their purchases of high-quality asset-backed commercial paper (ABCP) from money market mutual funds under certain conditions. The program was intended to assist money funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the ABCP market and money markets more generally. **CPFF (Commercial Paper Funding Facility)** The Federal Reserve created the Commercial Paper Funding Facility (CPFF) to provide a liquidity backstop to U.S. issuers of commercial paper. The CPFF was intended to improve liquidity in short-term funding markets and thereby contribute to greater availability of credit for businesses and households. Under the CPFF, the Federal Reserve Bank of New York financed the purchase of highly rated unsecured and asset-backed commercial paper from eligible issuers via eligible primary dealers. **MMIFF (Money Market Investor Funding Facility)** expired on October 30, 2009. MMIFF was designed to provide liquidity to U.S. money market investors. Under the MMIFF, the Federal Reserve Bank of New York could provide senior secured funding to a series of special purpose vehicles to facilitate an industry-supported private-sector initiative to finance the purchase of eligible assets from eligible investors. **TALF (Term Asset-Backed Securities Loan Facility)** The Term Asset-Backed Securities Loan Facility (TALF) was a funding facility that was designed to help market participants meet the credit needs of households and small businesses by supporting the issuance of asset-backed securities (ABS) collateralized by loans of various types to consumers and businesses of all sizes. Under the TALF, the Federal Reserve Bank of New York (FRBNY) could lend up to $200 billion to holders of certain AAA-rated ABS backed by newly and recently originated consumer and small business loans. The FRBNY could have lent an amount equal to the market value of the ABS less a haircut and to be secured at all times by the ABS. The U.S. Treasury Department—under the Troubled Assets Relief Program (TARP) of the Emergency Economic Stabilization Act of 2008—provided $20 billion of credit protection to the FRBNY in connection with the TALF.
Lending to Financial Institutions by Providing Short-term Liquidity 	**TAF:** The Fed extended the maturity of loans made to depository institutions using the new Term Auction Facility. Under the Term Auction Facility (TAF), the Federal Reserve auctioned term funds to depository institutions. All depository institutions that were eligible to borrow under the primary credit program were eligible to participate in TAF auctions. All advances had to be fully collateralized. Each TAF auction was for a fixed amount, with the rate determined by the auction process (subject to a minimum bid rate). **TSLF (Term Securities Lending Facility)** The Term Securities Lending Facility (TSLF) was a weekly loan facility that promoted liquidity in Treasury and other collateral markets and thus fostered the functioning of financial markets more generally. The program offered Treasury securities held by the System Open Market Account for loan over a one-month term against other program-eligible general collateral. Securities loans were awarded to primary dealers based on a competitive single-price auction. **PDCF (Primary Dealer Credit Facility)** The Primary Dealer Credit Facility (PDCF) was an overnight loan facility that provided funding to primary dealers in exchange for a specified range of eligible collateral and was intended to foster the functioning of financial markets more generally.
Long-term Securities Purchased Through the Open Market 	"As a third set of instruments, the Federal Reserve has expanded its traditional tool of open market operations to support the functioning of credit markets through the purchase of longer-term securities for the Federal Reserve's portfolio. For example, on November 25, 2008, the Federal Reserve announced plans to purchase up to $100 billion in government-sponsored enterprise (GSE) debt and up to $500 billion in mortgage-backed securities. The Federal Reserve announced plans to purchase up to $300 billion of longer-term Treasury securities in addition to increasing its total purchases of GSE debt and mortgage-backed securities to up to $200 billion and $1.25 trillion, respectively." Ben Bernanke speech, January 13, 2009.

Defined by the Fed at: http://www.federalreserve.gov/monetarypolicy/default.ht

Defined by the Fed at: http://www.federalreserve.gov/monetarypolicy/default.htm

EXTENSION HANDOUT 7
BERNANKE'S VIEWS ON THE 2007-2009 CRISIS

Query	Views
How bad was it?	"...in the fall of [2008], the United States, indeed the world, confronted a financial crisis of a magnitude unseen for generations. Concerted actions by the Federal Reserve and other policymakers here and abroad helped avoid the worst outcomes. Nevertheless, the turmoil dealt a severe blow to our economy from which we have only recently begun to recover." *At the Economic Club of Washington, D.C., December 7, 2009*
Is inflation on the horizon?	"The Committee's aggressive monetary easing was not without risks. During the early phase of rate reductions, some observers expressed concern that these policy actions would stoke inflation. These concerns intensified as inflation reached high levels in mid-2008, mostly reflecting a surge in the prices of oil and other commodities. The Committee takes its responsibility to ensure price stability extremely seriously, and throughout this period it remained closely attuned to developments in inflation and inflation expectations." *At the Stamp Lecture, London School of Economics, London, England, January 13, 2009*
Should the Fed's balance sheet cause concern?	"Indeed, our balance sheet is already beginning to adjust, because improving financial conditions are leading to substantially reduced use of our lending facilities. The balance sheet will also shrink over time as the mortgage-backed securities and other assets we hold mature or are prepaid. However, even if our balance sheet stays large for a while, we will be able to raise our target short-term interest rate—which is the rate at which banks lend to each other overnight—and thus tighten financial conditions appropriately."*At the Economic Club of Washington, D.C., December 7, 2009*
What does the future hold?	"…the economy confronts some formidable headwinds that seem likely to keep the pace of expansion moderate. Despite the general improvement in financial conditions, credit remains tight for many borrowers, particularly bank-dependent borrowers such as households and small businesses. And the job market, though no longer contracting at the pace we saw in 2008 and earlier this year, remains weak. Household spending is unlikely to grow rapidly when people remain worried about job security and have limited access to credit."*At the Economic Club of Washington, D.C., December 7, 2009*
What is the role of the Fed?	"Monetary policy makers are public servants and have a responsibility to give a rationale for decisions." *At the Cato Institute 25th Annual Monetary Conference, Washington, D.C., November 14, 2007* "We have come a long way in our battle against the financial and economic crisis, but there is a long way to go. Now more than ever, America needs a strong, nonpolitical and independent central bank with the tools to promote financial stability and to help steer our economy to recovery without inflation." *November 29, 2009, The Washington Post*