

Survey of Current Business

THE 2000s

LOSS LAYS THE GROUNDWORK FOR RECOVERY

9/11

The September 11, 2001, terrorist attacks destroy \$14 billion in private business and \$1.5 billion in state and local government enterprise value of assets. Insurance benefits payments are \$40 billion; airlines receive a \$20 billion subsidy.



Photo. Jets sit idle and U.S. airports remain closed after terrorist attacks in New York City and Washington, DC. Fred Prouser, Reuters, Alamy Stock Photo, September 12, 2001.



The Impact of the Three-Quarter Hurricanes on the NIPA's

Natural disasters—such as hurricanes, fires, and industrial accidents—destroy and other disasters indirectly destroy, which affect the GDP system in August, September, and October—due to the time economic effects. The effects of property damage to the economy are not immediate, and spreading. These effects are reflected in the Bureau of Economic Analysis (BEA) national income and product accounts (NIPAs) in a variety of ways.

Direct effects: As a measure of current production, gross domestic product (GDP) is not directly affected by the destruction of physical production property. While GDP is not directly affected by natural disasters, some estimates are not directly affected by natural disasters.

Indirect effects: Hurricanes and other disasters indirectly affect GDP in several ways. For example, consumer spending may drop in the Gulf region. This may be due to the destruction of property and the loss of income. The effects of hurricanes on the economy are not immediate, and spreading. These effects are reflected in the Bureau of Economic Analysis (BEA) national income and product accounts (NIPAs) in a variety of ways.

Effect of Katrina on BEA's Economic Accounts

BEA has recently made information available on how Hurricane Katrina affects its national and regional economic accounts, which will first be reflected in the estimates released for August 2005.

HURRICANES

Hurricanes Katrina, Rita, and Wilma strike the Gulf Coast in 2005. Third-quarter corporate profits are reduced \$75.2 billion for fixed assets damages. In 2006, the Gulf Coast's construction sector boosts Louisiana's personal income growth.

Photo. A rescuer surveys flooded houses, looking for Hurricane Katrina victims in New Orleans, LA. Stocktrek Images, Inc., Alamy Stock Photo, September 2, 2005.

HOUSING

The housing bubble bursts, real estate prices decline, and credit markets freeze up. In 2008, the Treasury Department commits to purchasing up to \$100 billion of senior preferred stock in government-sponsored enterprises Fannie Mae and Freddie Mac.

Housing Prices

In California, prices have fallen 25 percent since the third quarter of 2006. That reversed a 217 percent increase from the first quarter of 1997 to the third quarter of 2006. In Florida, prices have fallen 19 percent since the fourth quarter of 2006, reversing a 175 percent increase from the first quarter of 1997 to the fourth quarter of 2006. In Nevada, prices have fallen 24 percent after a 114 percent increase over the same time frame. And in Arizona, prices have fallen 15 percent since the first quarter of 2007 after a 152 percent increase from the first quarter of 1997 to the first quarter of 2007.

The 2008 Financial Crisis and the National Accounts

In 2008, the federal government responded to deteriorating financial markets by creating several new programs to provide assistance to private-sector institutions. This article discusses how the Bureau of Economic Analysis (BEA) national income and product accounts (NIPAs) are affected by these programs.

Troubled Asset Relief Program (TARP)

This program was established in October 2008 in the Emergency Economic Stabilization Act of 2008 to support financial and other companies in order to help prevent severe financial market disruptions. Through various TARP programs, the Department of the Treasury authorized to increase or reuse up to \$700 billion in assets in various programs.

By the end of 2008, these programs had disbursed \$243 billion for potential direct and indirect transfers of more than \$200 billion to private-sector institutions.

As both the national and regional accounts are affected by the impact of a natural disaster on gross domestic product growth and many other indicators cannot be separately quantified because the source data received actual activity and do not attempt to separately identify the effects of a disaster.



Photo. The housing bubble bursts. ZUMA Press, Inc., Alamy Stock Photo, April 4, 2008.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009—signed into law on February 17, 2009—includes provisions for reducing taxes, boosting state fiscal stabilization, creating and preserving jobs, providing assistance to the unemployed, and investing in infrastructure, energy efficiency, and science. Although the rest of the ARRA is scheduled to be distributed over many years, the majority of the cost will be incurred by the end of fiscal year 2010. The ARRA also established the Recovery Accountability and Transparency Board to monitor revenues authorized by the act and to provide information for transparency.

Impact of the ARRA on Selected Government Sector Transactions

Transaction	2009	2010
Infrastructure construction	100	100
Energy efficiency	100	100
Transportation	100	100
Other	100	100



RECESSION

ARRA aims to pull the country out of the Great Recession (December 2007 to June 2009). Estimated to cost \$825.4 billion over 10 years, ARRA provisions include reducing taxes and investing in energy efficiency, infrastructure, and science.

Photo. A New York post office building's work is funded by the American Recovery and Reinvestment Act (ARRA). Richard Levine, Alamy Stock Photo, November 13, 2012.

