DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

A Message from the Secretary of the Treasury

Since the start of the recession in December 2007, the United States has confronted the greatest economic challenges in generations: the worst financial crisis since the Great Depression; the steepest GDP contraction in over 50 years; double-digit unemployment; rising home foreclosure rates; and the loss of $17.5 trillion of household wealth.

The strategy that the Federal Government adopted has been effective in restoring economic growth. Largely because of the Recovery Act and financial stabilization policies, GDP went from contracting at an annual rate of 6 percent at the beginning of 2009 to growing by nearly 6 percent at the end of the year. Confidence in our financial markets and institutions has been largely restored. Borrowing costs for many American businesses and consumers have fallen significantly. Job losses are moderating. And the housing market has shown signs of stabilizing, which together with higher equity prices, has helped household wealth to recover by $5 trillion.

Those are real signs of progress. But they are not enough. Too many Americans are still out of work. Going forward, the Department of the Treasury and other Government agencies are committed to reinforcing recovery, strengthening our economic foundation, creating the conditions for the private sector to grow so that businesses can create new jobs, and putting America on a fiscally sustainable path.

The 2009 Financial Report of the U.S. Government, issued by the U.S. Department of the Treasury, is a comprehensive financial report that discusses the Government's current financial position. As shown in this Report, the Government's net operating cost for fiscal year 2009 was approximately $1.3 trillion – a $245 billion increase from an already record-high $1.0 trillion in fiscal year 2008. This increase was largely due to increased costs for mandatory spending programs, such as Unemployment Insurance, Social Security, Medicaid, and Medicare benefits; continued investment in the economic recovery effort; and more than a $400 billion decrease in tax revenue due to the economic downturn. These circumstances similarly impacted the budget deficit, which went from $455 billion in Fiscal Year 2008 to $1.4 trillion in Fiscal Year 2009.

With the economy facing a deep recession, unprecedented Government intervention was essential to stabilize the economy. These actions have inevitably contributed to the large budget deficits documented in this report, but have had a substantial beneficial impact in improving economic growth and performance, and preventing an even deeper recession. Notable economic recovery efforts included the Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009, which provided tax cuts for 95 percent of American working families and small businesses, as well as direct support for the unemployed and new infrastructure investments.

These efforts have provided hundreds of billions of dollars of economic stimulus and provided necessary support so that the financial sector could resume functioning in its role as an intermediary that channel savings into productive private sector investments. As we emerge from the recession, Government intervention continues to be necessary in the near term to support recovery. This Report provides insights into how taxpayer dollars are being used to support recovery programs being implemented across the Government.

While job creation and economic recovery remains the priority, the Government cannot borrow without limit. The Administration is committed to creating the conditions necessary for robust, long-term economic growth. This includes supporting innovation, setting up and enforcing basic rules of the market place, improving education and infrastructure, and strengthening the social safety net. In addition, our long term prosperity requires us to put the Government on a fiscally sustainable path. Once we have strong growth in place, we must begin the process of bringing down our deficits to sustainable levels. Failure to put the U.S. Government budget on a sustainable path would weaken recovery, leading to higher interest rates for families that want to buy a home or for businesses seeking to start or expand, and limit the Government's ability to respond in future crises.

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