



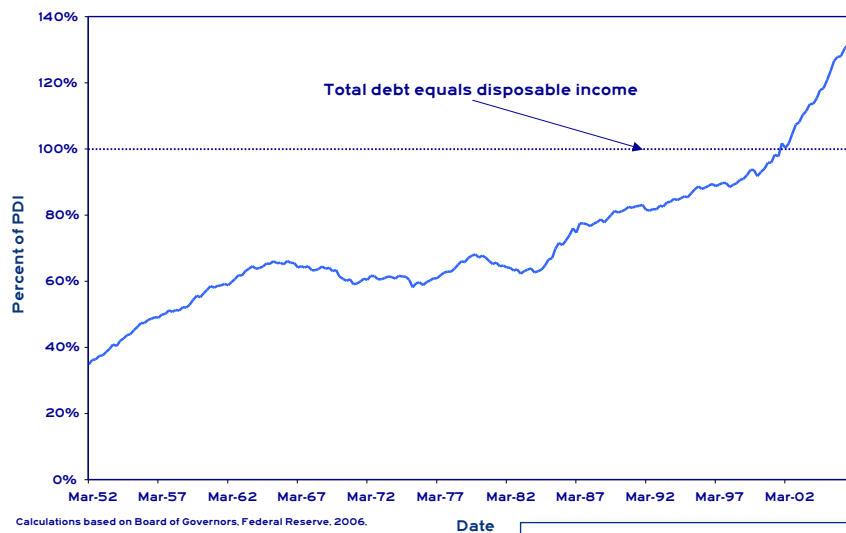
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Recent economic trends have been better than expected, but they still pale in comparison to past experiences. Many middle-class families are still struggling with low employment and wage growth, declining benefits, and rising debt. And large risks to economic and job growth like record household debt and massive budget and trade deficits persist, which could put a damper on future improvements.

- 1) **Wage growth is low.** Factoring in inflation, hourly wages were 2.7% higher and weekly wages were 2.2% higher in March 2007 than in March 2001.
- 2) **Benefits disappear.** The share of private sector workers with a pension dropped from 50.3% in 2000 to 45.0% in 2005, the last year for which data are available, and the share of people with employer-provided health insurance dropped from 63.6% to 59.5%.
- 3) **Family debt is on the rise.** By December 2006, household debt rose to an unprecedented 132.4% of disposable income. In the fourth quarter of 2006, families spent 14.5% of their disposable income to service their debt—the largest share since 1980.
- 4) **Families feel the pressure:** The share of new mortgages entering foreclosure was 0.5% in the fourth quarter of 2006, the highest level on record since 1979. The default rate on credit cards grew to 4.0% in the fourth quarter, an increase of 32.9% over the first quarter of 2006. And the personal bankruptcy rate, measured as bankruptcy cases relative to the U.S. population, grew by 46.5% from the first to the third quarter of 2006.
- 5) **Housing market slows.** In February 2007, sales of new homes fell to an annualized rate of 848,000, the lowest figure since April 2000. In February 2007, the real estate market had 8.1 months of supply available, an increase of 26.6% over February 2006 and the largest supply since January 1991.
- 6) **Gas prices rise:** In the first week of April, gasoline prices rose to \$2.88 per gallon, the highest price since August 2006 and an increase of 23.2% since the start of the year.
- 7) **Savings plummet.** The personal savings rate of -1.2% in the fourth quarter of 2006 marked the seventh quarter in a row with a negative personal saving rate.
- 8) **Job growth is the weakest for any business cycle.** Despite the 2003 tax cut, job growth averaged only 1.5% since then—the lowest growth of any recovery of at least the same length. Monthly job growth since March 2001 has averaged an annualized 0.6%.
- 9) **The poverty rate climbs** to 12.6% in 2005, the last year for which data are available, from 11.3% in 2000.
- 10) **The government's finances deteriorated:** In 2001, the Congressional Budget Office anticipated that the government balance between 2002 and 2011 would be in the black to the tune of \$5.6 trillion. For the fiscal year 2006, the CBO projected a surplus of \$505 billion. Today, the CBO projects deficits between 2002 and 2011 of \$2.9 trillion, and for FY2006 the actual deficit amounted to \$248 billion. This constitutes a deterioration for the period 2002 to 2011 of \$8.5 trillion and a decline of \$753 billion for FY2006.
- 11) **These deficits won't shrink:** Between 2007 and 2016, the CBO predicts cumulative deficits of \$1.8 trillion. If AMT reform and permanent tax cuts for the wealthy are included, the total deficit for the next decade would come to \$3.5 trillion—even if the costs for the war in Iraq and Afghanistan drop below current projections in a few years.
- 12) **This endangers our economic independence.** Foreign investors bought 80% of new Treasury debt and the share of U.S. foreign-held debt grew to 46% from 32% from March 2001 to December 2006. The quarterly interest payments from the federal government to foreigners rose to \$38 billion from \$21 billion at the same time.
- 13) **Trade deficit remains high despite strong export growth:** In the fourth quarter of 2006, the trade deficit declined to 5.2% of gross domestic product, down from 6.0% in the third quarter, due to strong export gains. Yet, this last trade deficit is still larger than any trade deficit since the Great Depression recorded before the third quarter of 2004.

In the fall of 2006, America's middle class continues to struggle and the economy remains on an unsustainable path.

Household Debt Relative to Personal Disposable Income (PDI), 1952 to 2006

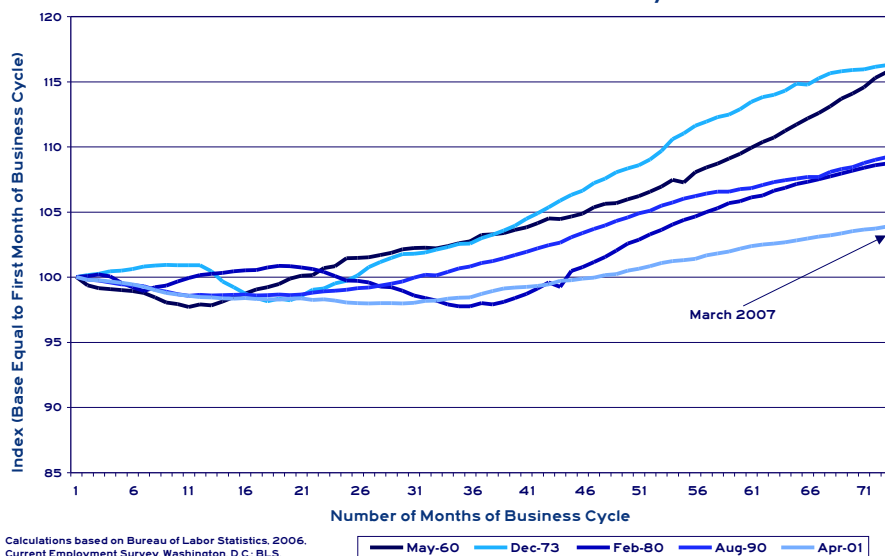


Family debt is on the rise.

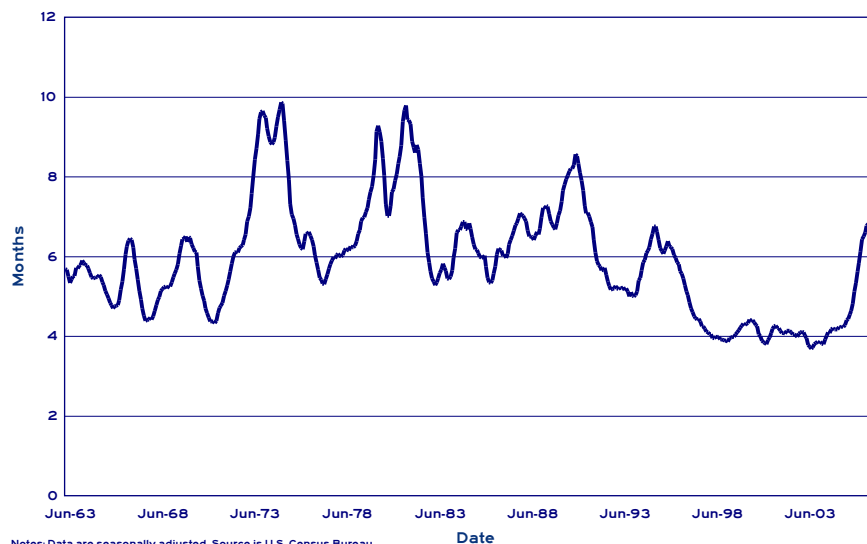
By December 2006, household debt rose to an unprecedented 132.4% of disposable income. The growth of debt to disposable income between March 2001 and September 2006 was almost five times faster than in the 1990s. And in the third quarter of 2006, families spent 14.5% of their disposable income to service their debt—the largest share since 1980.

Job growth is the weakest of any business cycle. Despite the 2003 tax cut, job growth averaged only 1.5% since then—the lowest growth increase than any recovery of the same length. Monthly job growth since March 2001 has averaged an annualized 0.6%.

Employment Growth in Business Cycles That Lasted at Least 72 Months, Indexed to First Month of Business Cycle



Supply of Homes for Sale (in Months of Sales, 6-Month Average)



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