

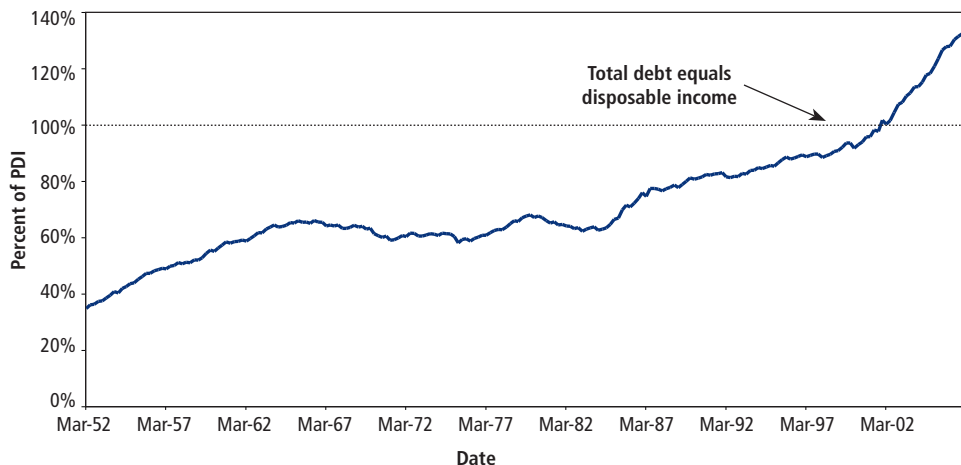
**Christian E. Weller, Senior Fellow, Center for American Progress**

The economy continues to move along at a slow pace. Recent labor market figures show a loss of economic opportunities for middle-class families, adding to the existing problems of low income gains, declining benefits, and rising debt payments. And record household debt and massive budget and trade deficits unfortunately only add risks that could put a damper on future improvements.

- 1) **Wage growth is low.** Factoring in inflation, hourly wages were 2.8% higher and weekly wages were 2.1% higher in March 2007 than in March 2001.
- 2) **Benefits are disappearing.** 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 51.5% from the first to the fourth quarter of 2006.
- 5) **Housing market slows.** An annualized 858,000 new homes were sold in March 2007, which after February 2007 was the lowest sales number since August 2000.
- 6) **Gas prices rise.** In the first week of May, gasoline prices rose to \$3.05 per gallon. In inflation adjusted terms, this put gasoline at its highest level since September 1981 and made it 86.1% more expensive than in March 2001.
- 7) **Savings plummet.** The personal savings rate of -1.0% in the first quarter of 2007 marked the eighth quarter in a row with a negative personal saving rate.
- 8) **Already weak job growth slows.** Monthly job growth since March 2001 has averaged an annualized 0.6%. In 2007, the average monthly job growth was 129,300 jobs, compared to 188,500 in 2006 and 211,800 jobs in 2005. The increase of 88,000 new jobs in April 2006 was the smallest job gain since November 2004, falling even below the low increases in the fall of 2005 when Hurricane Katrina struck the Gulf Coast.
- 9) **Poverty climbs.** The poverty rate increased 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, CBO anticipated that the government balance between 2002 and 2011 would be in the black to the tune of \$5.6 trillion. Today, the CBO projects deficits between 2002 and 2011 of \$2.9 trillion. This constitutes a deterioration for the period 2002 to 2011 of \$8.5 trillion.
- 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 first quarter of 2006, the trade deficit stayed at 5.2% of Gross Domestic Product, down from 6.0% in the third quarter of 2006. Yet, these last trade deficits are 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.

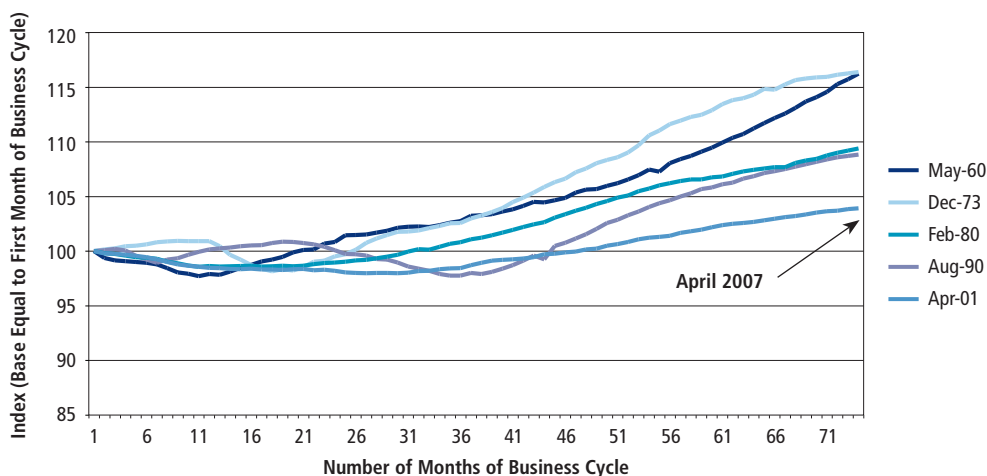
HOUSEHOLD DEBT RELATIVE TO PERSONAL DISPOSABLE INCOME (PDI), 1952 TO 2006



Calculations based on Board of Governors, Federal Reserve, 2006, Flow of Funds of the United States, Washington, D.C.: BOG.

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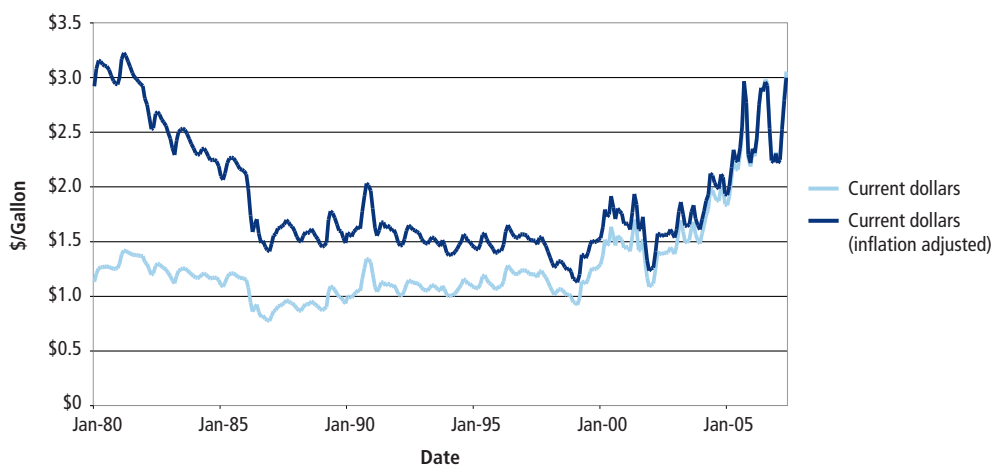
EMPLOYMENT GROWTH IN BUSINESS CYCLES THAT LASTED AT LEAST 73 MONTHS, INDEXED TO FIRST MONTH OF BUSINESS CYCLE



Calculations based on Bureau of Labor Statistics, 2007, Current Employment Survey, Washington, D.C.: BLS.

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NOMINAL AND INFLATION ADJUSTED GASOLINE PRICES (\$/GALLON), 1980 TO 2007



Source: Energy Information Administration, Department of Energy, 2007, Short-Term Energy Outlook, Washington, D.C.: EIA. CPI for April is EIA forecasts. Gasoline price for May is for first Monday in May.

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