

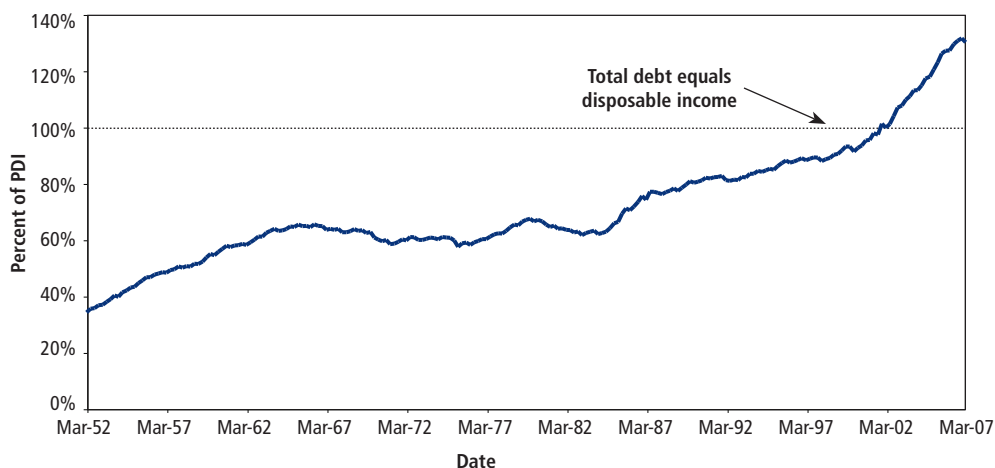
**Christian E. Weller, Senior Fellow, Center for American Progress**

The economy is moving along at a moderate pace this month with both employment and wages continuing to grow slowly. The end of the housing boom has been the main force hampering growth, which has spilled into the economy at large. Housing has yet to be replaced by another strong growth sector. For the time being, this trend may mean more moderate employment and wage gains, but also slower increases in household debt than in the past.

- 1) **Wage growth is low.** Factoring in inflation, hourly wages were 2.0% higher and weekly wages were 1.2% higher in May 2007 than in March 2001. Inflation-adjusted earnings in May 2007 were the lowest since September 2006.
- 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. The share of people with employer-provided health insurance dropped from 63.6% to 59.5%.
- 3) **Family debt is on the rise.** In the first quarter of 2007, household debt fell relative to disposable income for the first time in five years, but still stayed at a comparatively high 130.7%, the third highest on record. In the first quarter of 2007, families spent 14.3% of their disposable income to service their debt, up from 13.0% in the first quarter of 2001.
- 4) **Families feel the pressure.** The share of new mortgages entering foreclosure was 0.6% in the first quarter of 2007—the fourth increase in a row and the highest level on record since 1979.
- 5) **Housing market slows.** Existing home sales in June 2007 were 10.3% below the level of May 2006, and new home sales were 15.8% below the level of May 2006. The median sales price of existing homes was 2.1% lower in May 2007 than a year earlier and the median sales price of new homes was 0.9% lower than a year earlier. The average monthly supply of homes for the six months ending in May was 7.3 months of sales, the highest since July 1991.
- 6) **Savings plummet.** The personal savings rate of -0.7% in the first quarter of 2007 marked the eighth quarter in a row with a negative personal saving rate.
- 7) **Already weak job growth slows.** Monthly job growth since March 2001 has averaged an annualized 0.7%. Over the past 12 months, the average monthly job growth was 167,300 jobs, compared to the average of 201,700 in the preceding 12 months.
- 8) **Poverty climbs.** The poverty rate increased to 12.6% in 2005, the last year for which data are available, from 11.3% in 2000.
- 9) **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 \$2.9 trillion between 2002 and 2011. This constitutes a deterioration of \$8.5 trillion for the period 2002 to 2011.
- 10) **These deficits won't shrink.** Between 2007 and 2016, the CBO predicts cumulative deficits of \$1.8 trillion. If Alternative Minimum Tax reform and permanent tax cuts for the wealthy are included, the total deficit for the next decade would amount to \$3.5 trillion—even if the costs for the war in Iraq and Afghanistan drop below current projections in a few years.
- 11) **This deficit endangers our economic independence.** Foreign investors bought 82% of new Treasury debt, and the share of U.S. foreign-held debt grew to 46% from 32% between March 2001 and March 2007. The quarterly interest payments from the federal government to foreigners rose to \$38 billion in the first quarter of 2007 from \$21 billion in the first quarter of 2001.
- 12) **Trade deficit remains high despite strong export growth.** In the first quarter of 2007, the trade deficit rose slightly to 5.3% of Gross Domestic Product from 5.2% in the fourth 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.

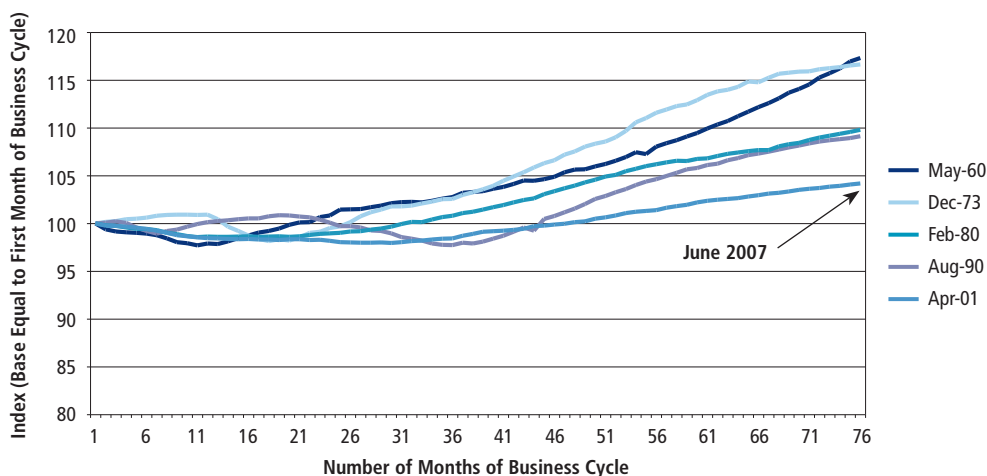
HOUSEHOLD DEBT RELATIVE TO PERSONAL DISPOSABLE INCOME (PDI), 1952 TO 2007



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

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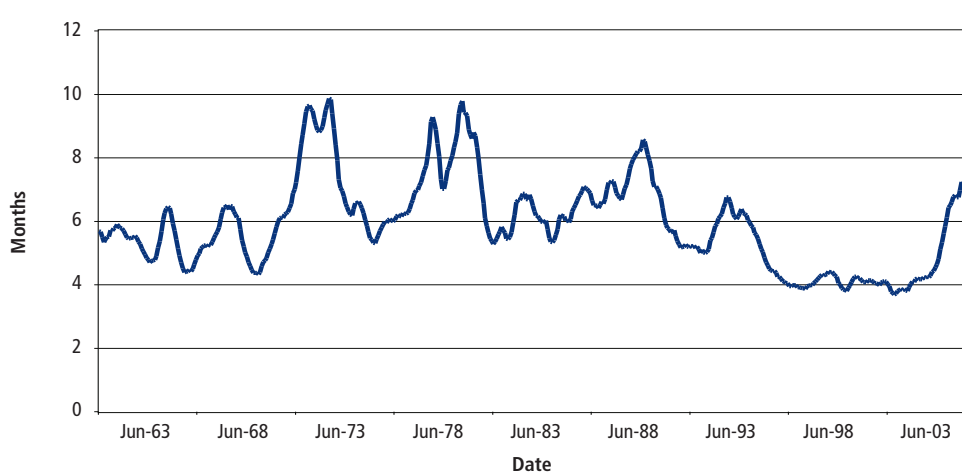
EMPLOYMENT GROWTH IN BUSINESS CYCLES THAT LASTED AT LEAST 75 MONTHS, INDEXED TO FIRST MONTH OF BUSINESS CYCLE



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

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SUPPLY OF NEW HOMES FOR SALE (IN MONTHS OF SALES), 6-MONTH AVERAGE



Note: Data are seasonally adjusted. Source: U.S. Census Bureau, New Residential Sales, Washington, D.C.: Census.

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