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America's families are caught in a perfect storm. Massive amounts of debt, falling house prices, disappearing jobs, flat wages, lower benefits, and skyrocketing costs for the most important consumer items are quickly emptying the pockets of middle class America and bringing many families to the edge of financial ruin.

The fact that policymakers have for years ignored large economic imbalances only exacerbates threats to the economic well-being of American working families. Massive trade deficits pose a drain on our national resources, slowing innovation means that we are generating less of what we need, and long-term budget deficits due to tax cuts for the rich are preventing the government from addressing the economic needs of America's families.

1) **Job losses mount.** The already weak labor market has taken a turn for the worse. Employment declined by 80,000 jobs in March 2008—the largest loss since March 2003. Over the past three months, the economy lost 232,000 jobs. Average monthly job growth was only 44,700 jobs over the past 12 months, compared to 138,600 jobs in the previous 12 months, and 236,900 jobs in the 12 months before that.

2) **Wages remain flat.** Factoring in inflation, hourly wages were only 2.3% higher and weekly wages were only 1.1% higher in February 2008 than in March 2001.

3) **Fewer people have pensions and health insurance.** The share of private sector workers with a pension dropped from 50.3% in 2000 to 43.2% in 2006, and the share of people with employer-provided health insurance dropped from 64.2% to 59.7%.

4) **Family debt hits record highs.** Household debt averaged a record 133.7% of disposable income in the fourth quarter of 2007. In the fourth 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.

5) **The housing crisis deepens.** New home sales in February 2008 were 28.9% lower than a year earlier, and existing home sales were 23.8% lower. The median sales price of existing homes was 8.2% lower in February 2008 than a year earlier, and the median sales price of new homes dropped 2.7%. The average monthly supply of homes for the six months ending in October was 9.4 months, the highest since January 1982.

6) **Homeowners' losses increase.** The total values of all homes fell by 1.8%, in the fourth quarter of 2007 after accounting for inflation, the largest drop since the third quarter of 1975. Home equity as a share of home values also fell to a record low of 47.9%.

7) **Oil and gas prices rise.** The price per barrel of light, sweet crude oil at the end of March 2008, which will be delivered in the next month, was 54.2% above the same price a year earlier. Gasoline prices increased by 26.1% during the same time, leaving a lot of room for further increases at the pump.

8) **People are paying more for basics.** Transportation cost 9.5% more in January 2008 than a year earlier, college tuition was up by 6.2%, fuel and utilities by 5.6%, medical care by 4.5%, and food by 4.6%. Since March 2001, food prices rose by 21.6%, fuels and utilities by 36.3%, medical care by 34.1%, transportation by 26.1%, and college tuition by 63.5%.

9) **Families feel the pressure.** The share of mortgages entering foreclosure was a record high of 0.8% in the fourth quarter of 2007, and the share of all mortgages in foreclosure came to a record high of 2.0%. The bankruptcy rate rose by 85.2% from 1.5 cases per 1,000 people in the first quarter of 2006—the first quarter after the new bankruptcy law went into effect—to 2.8 cases per 1,000 people in the third quarter of 2007. Credit card defaults rose to 4.2% of all credit card debt by the fourth quarter of 2007, an increase of 32.6% from the first quarter of 2006.

10) **Productivity growth remains low.** Labor productivity growth fell below 2% in 2005, 2006, and 2007 for the first time since 1997.

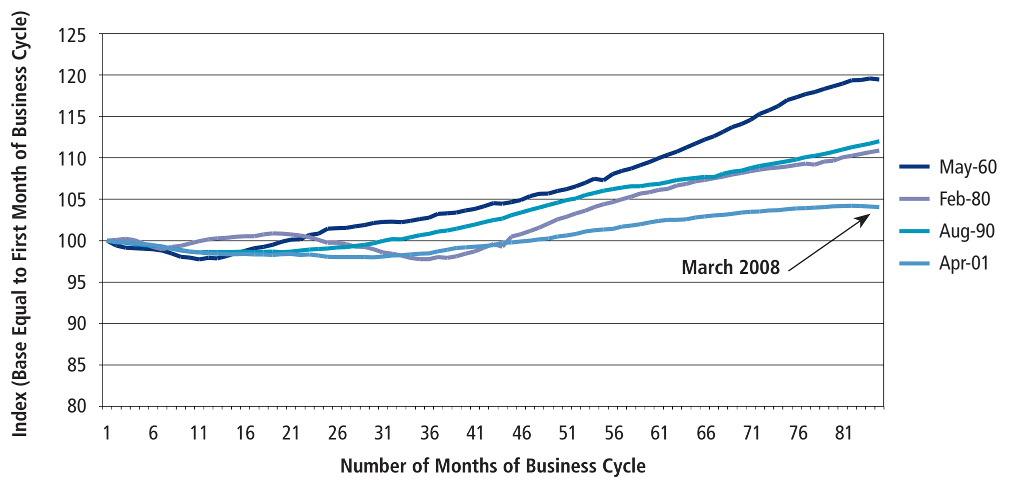
11) **The deficit increases again.** In January 2008, the Congressional Budget Office estimated that the deficit for 2008 will amount to $219 billion—$56 billion more than in 2007. This does not include the cost of an economic stimulus or additional appropriations for the wars in Afghanistan and Iraq.

12) **The trade deficit remains high despite strong export growth.** In the fourth quarter of 2007, the trade deficit grew slightly to 5.2% of Gross Domestic Product from 5.0% in the third quarter of 2007.

13) **The dollar reaches new low.** By the end of March 2008, a dollar bought 44.4% fewer euros, 34.1% fewer Canadian dollars, 39.9% fewer British pounds, and 18.2% fewer Japanese yen than in March 2001. After inflation, the dollar has lost 22.2% of its value against its trading partner currencies between March 2001 and March 2008.

America's middle class continues to struggle and the economy remains on an unsustainable path.

EMPLOYMENT GROWTH IN BUSINESS CYCLES THAT LASTED AT LEAST 84 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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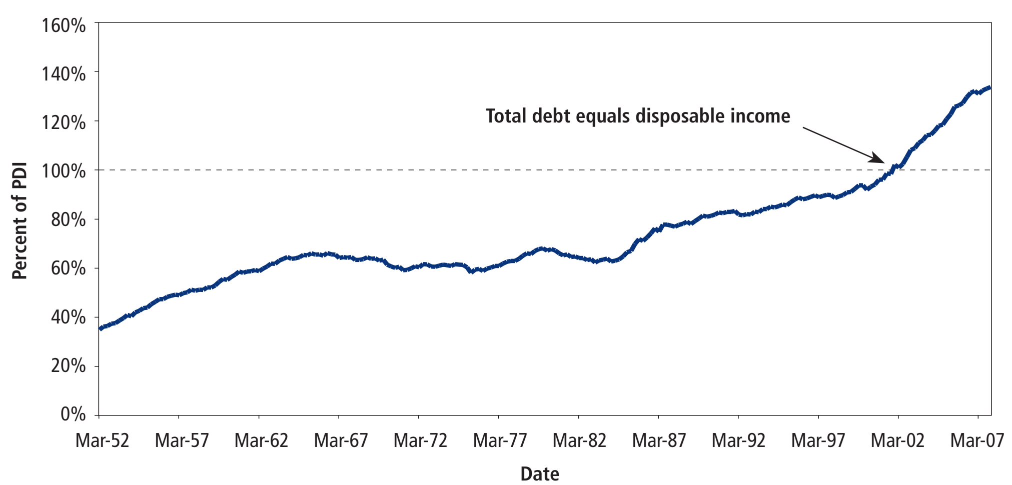
HOUSEHOLD DEBT RELATIVE TO PERSONAL DISPOSABLE INCOME (PDI), 1952 TO 2007



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

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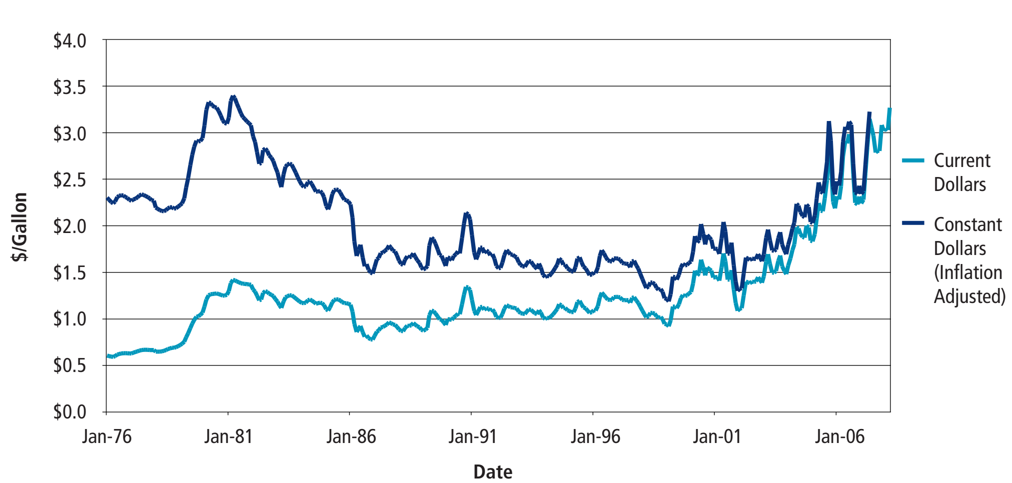
NOMINAL AND INFLATION ADJUSTED GASOLINE PRICES ($/GALLON), 1980 TO 2007



Source: Energy Information Administration, Department of Energy, 2008, Short-Term Energy Outlook, Washington, D.C.: EIA. CPI for March 2008 is EIA forecast.

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