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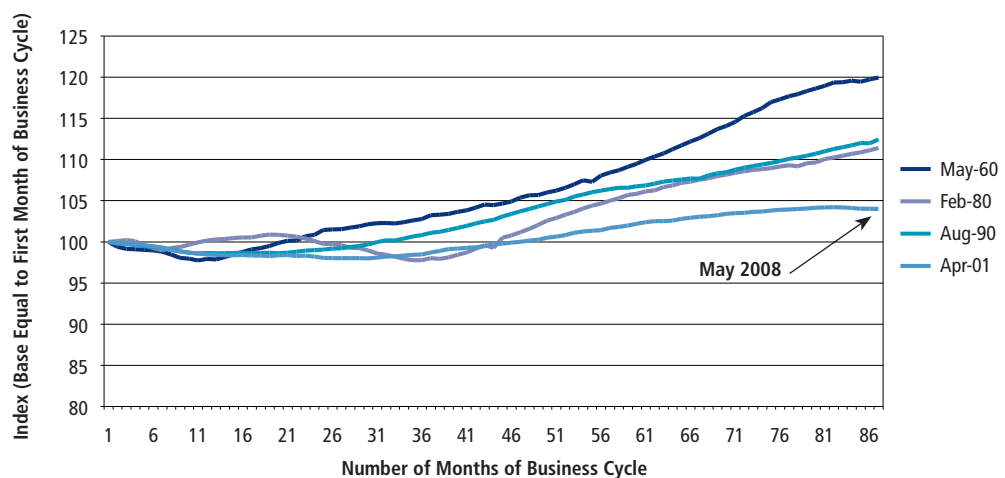
The Bush administration may not be calling it a recession, but it certainly feels like one for many American families. Job losses are mounting, wages are flat, and prices for large necessities are up, all while families struggle with record amounts of debt. In this stagflationary environment, more and more families are succumbing to the pressures and declaring bankruptcy and defaulting on their loans.

Easing the burden on families will not be easy since the original economic imbalances still loom large. Massive trade deficits are draining our national resources, innovation is low, and long-term budget deficits due to tax cuts for the rich pose obstacles to real solutions for America's families.

- 1) **Job losses mount.** Employment declined by 49,000 jobs in May 2008—the fifth decline in a row—for a total loss of 324,000 during those months. Average monthly job growth was only 19,700 jobs over the past 12 months, compared to 141,800 jobs in the previous 12 months, and 208,600 jobs in the 12 months before that.
- 2) **The threat of unemployment looms.** In May 2008, the unemployment rate rose to 5.5%—the highest level since October 2004. The African-American unemployment rate rose in May 2008 to 9.7%, the Hispanic unemployment rate to 6.9%, and the white unemployment rate to 4.9%.
- 3) **Wages remain flat.** Factoring in inflation, hourly wages were only 2.1% higher and weekly wages were only 1.0% higher in April 2008 than in March 2001.
- 4) **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%.
- 5) **Family debt remains high.** Household debt averaged 132.4% of disposable income in the first quarter of 2008, down from a record high of 133.5% in the previous quarter, but higher than at any point prior to the second quarter of 2007.
- 6) **The housing crisis deepens.** New home sales in April 2008 were 42.0% lower than a year earlier, and existing home sales were 17.5% lower. The average monthly supply of homes for the six months ending in October was 10.1 months, the highest since the U.S. Census started to report residential sales in 1967.
- 7) **Homeowners' losses increase.** The total values of all homes fell by 2.5% in the fourth quarter of 2007 after accounting for inflation, the largest drop since the second quarter of 1974. Home equity as a share of home values also fell to a record low of 46.2%.
- 8) **Oil and gas prices rise.** The price per barrel of light, sweet crude oil in early June 2008, which will be delivered in the next month, was 91.5% above the same price a year earlier. Gasoline prices increased by 39.0% during the same time. This leaves a lot of room for further increases at the pump, even after gasoline prices surpassed the record highs of the 1980s after accounting for inflation.
- 9) **People are paying more for basics.** Transportation cost 6.9% more in April 2008 than a year earlier, college tuition was up by 6.4%, fuel and utilities by 8.6%, medical care by 4.3%, and food by 5.9%. Since March 2001, food prices rose by 22.7%, fuels and utilities by 42.1%, medical care by 34.5%, transportation by 26.1%, and college tuition by 65.4%.
- 10) **Families feel the pressure.** The share of mortgages entering foreclosure was a record high 1.0% in the first quarter of 2008, and the share of all mortgages in foreclosure came to a record high of 2.5%. 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 2.7 cases per 1,000 people in the fourth quarter of 2007. Credit card defaults rose to 4.7% of all credit card debt by the first quarter of 2008, an increase of 50.2% from the first quarter of 2006, and the highest level since the end of 2004.
- 11) **The budget deficit increases sharply.** In the first eight months of fiscal year 2008, which runs through September 30, the deficit amounted to \$317 billion, up from \$168 billion a year earlier. This increase includes an estimated \$50 billion for rebate checks enacted as part of the economic stimulus package.
- 12) **The trade deficit remains high despite strong export growth.** In the first quarter of 2008, the trade deficit stayed at 5.0% of gross domestic product for the third quarter in a row.
- 13) **The dollar reaches new low.** By early May 2008, a dollar bought 43.5% fewer euros, 35.6% fewer Canadian dollars, 38.4% fewer British pounds, and 15.0% fewer Japanese yen than in March 2001.

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

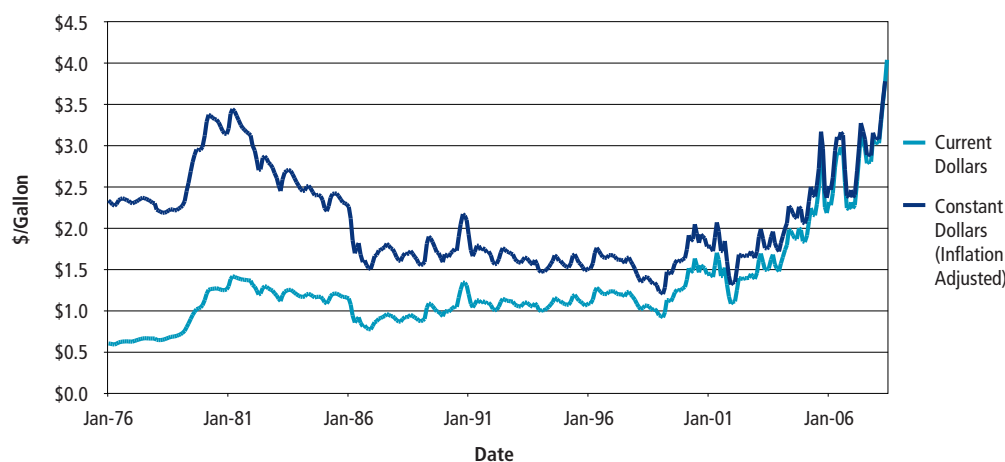
EMPLOYMENT GROWTH IN BUSINESS CYCLES THAT LASTED AT LEAST 85 MONTHS, INDEXED TO FIRST MONTH OF BUSINESS CYCLE



Calculations based on Bureau of Labor Statistics, 2008, Current Employment Survey, Washington, D.C.: BLS.

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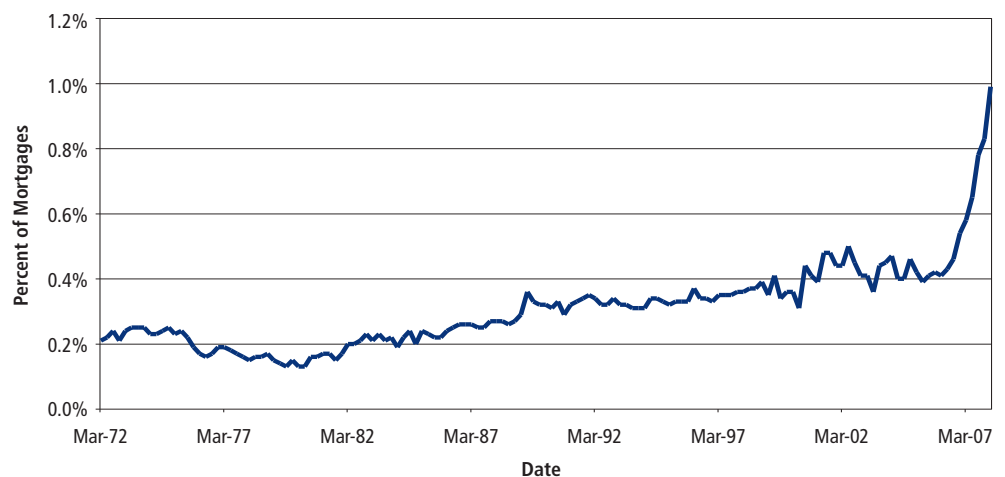
NOMINAL AND INFLATION ADJUSTED GASOLINE PRICES (\$/GALLON), 1980 TO 2008



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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SHARE OF MORTGAGES, WHERE FORECLOSURE HAS BEEN STARTED, 1972 TO 2008



Source: Mortgage Bankers Association, 2008, National Delinquency Survey, Washington, D.C.: MBAA.

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