The U.S. economy is settling into a deep trough that will likely worsen before it improves. The labor market continues to weaken at an accelerated pace, families are looking at trillions of dollars in lost wealth, and economic growth is heading south. What's more, businesses and homeowners now have less access to credit, which means consumption and investment growth are also slowing.

The numbers tell the tale. The U.S. economy has lost jobs for 10 months in a row, with a decline of more than 500,000 in just the past two months, and a total of 1.2 million since the start of the year. This business cycle, which began in March 2001, has had the weakest employment growth since the Great Depression, leaving families with stagnant wages, declining benefit coverage, and deep indebtedness. In short, the vast majority of Americans are woefully unprepared for the current economic downturn and rolling credit crisis.

As the labor market slump deepens, more and more families are succumbing to the pressures, declaring bankruptcy and defaulting on their loans. Policymakers need to step in before the current economic downturn becomes even longer, deeper, and more painful for more Americans. Here are the key indicators of the depth and severity of the problem:

1. **Businesses can’t finance investment.** In the second quarter of 2008, credit market borrowing financed 35.2% of fixed investment by non-financial corporate businesses, down from 80.1% a year earlier.

2. **GDP growth turns negative.** In the third quarter of 2008, GDP declined at an annual rate of 0.3 percent, the largest decline since the third quarter of 2001. The drop in growth was caused by a drop in consumer spending by an annualized rate of 3.1%—the largest decrease since the second quarter of 1980.
3. **Job losses mount.** The U.S. economy lost nearly 1.2 million jobs in the first 10 months of 2008, including 240,000 jobs in October. Over the past 12 months, the U.S. lost on average 89,800 jobs each month, after gaining an average of 114,700 in the previous 12 months and 185,900 in the twelve months before then.

4. **Unemployment rates reflect broad labor market recession.** In September 2008, the unemployment rate was 6.5%, the highest level since March 1994. The unemployment rate among African Americans stood at 11.1%, the Hispanic unemployment rate at 8.8%, and the unemployment rate for whites at 5.9% in September 2008.

5. **Wages remain flat.** Factoring in inflation, hourly wages were only 1.2% higher and weekly wages were just 0.2% higher in September 2008 than in March 2001.

6. **Fewer people have pensions and health insurance.** The share of private sector workers with a pension dropped to 45.1% in 2007 from 50.3% in 2000, and the share of people with employer-provided health insurance dropped to 59.3% from 64.2% over the same period.

7. **Family debt contracts from record high levels.** Household debt averaged 129.3% of disposable income in the second quarter of 2008, down from a record high of 133.5% at the end of 2007, but also its lowest level since March 2006.

8. **The housing crisis deepens.** New home sales in September 2008 were 33.1% lower than a year earlier, while existing home sales were 1.4% higher. The median price for existing homes fell by 9.0% and prices for new homes by 9.1% during the same period.

9. **Homeowners lose wealth.** The value of all homes fell by 2.5%, or $351 billion, in the second quarter of 2008 after accounting for inflation. Home equity as share of home values also fell to a record low of 45.2% in the second quarter of 2008.

10. **Mortgage troubles mount.** One in 11 mortgages is delinquent or in foreclosure. In the second quarter of 2008, the share of mortgages that were delinquent reached 6.4%, and the share of mortgages that were in foreclosure hit 2.7%. The share of new mortgages going into foreclosure continues to record highs, with 1.1% in the second quarter.
11. **Families feel the pressure.** Credit card defaults rose to 5.5% of all credit card debt by the second quarter of 2008, an increase of 14.7% from the first quarter of 2001—even though a new bankruptcy law was passed in 2005 to make it harder for people to get a fresh start free of debt, especially credit card debt. The personal bankruptcy rate also rose to 3.2 cases per 1,000 people in the second quarter of 2008, an increase of 115.9% since the first quarter of 2006, immediately after the new bankruptcy law passed.

12. **The trade deficit remains high.** In the third quarter of 2008, the trade deficit was at 4.9% of gross domestic product for the third quarter in a row. Despite declining slightly, the trade deficit remains at a historically high and ultimately unsustainable level.