Financial markets have eased, the economy is in recovery, and profits and bonuses have made a strong comeback. At the same time, job losses are continuing, albeit at much lower levels than before. Economic policy now must ensure strong job growth either through direct public investments or by encouraging private-sector firms to do more. These goals are intertwined. Millions of Americans need to find jobs that will allow them to repay their large debts and avoid high foreclosures, credit card defaults, and bankruptcies, which in turn will boost business investment and economic growth.

The successes of past economic policies are apparent. Credit markets have substantially eased from the panic of 2008, the recession ended more quickly than would have been the case without the stimulus, and corporate profits have soared since the end of 2008. Public policy interventions now need to help bring back millions of jobs and create stronger long-term growth.

1. The U.S. economy has turned the corner. Gross domestic product grew at an annual rate of 2.2% in the third quarter of 2009, the first increase since the second quarter of 2008 and the largest gain since the third quarter of 2007. The American Recovery and Reinvestment Act helped to increase consumer spending, home purchases, and federal government spending in the summer of 2009, which all contributed to faster growth.

2. Job losses continue. The U.S. economy shed 85,000 jobs in December 2009. The economy has lost 7.2 million jobs since the recession began in December 2007.

3. The rate of job loss has markedly slowed. Job losses averaged 69,000 from October to December 2009, down 65% from the preceding three months and 84% from the average during April, May, and June 2009.

4. Unemployment stays high among the most vulnerable. The unemployment rate was 10.0% in December 2009. The African-American unemployment rate that month stood at 16.2%, the Hispanic unemployment rate at 12.9%, and the unemployment rate for whites at 9.0%. Youth unemployment stood at a high 27.1%. And the unemployment rate for people without a high school diploma stayed high at 15.3%, compared to 10.5% for those with a high school degree and 5.0% for those with a college degree.

5. The unemployed are out of a job for long periods. The average length of unemployment in December 2009 was 29.1 weeks, the median length of unemployment was 20.5 weeks, and 39.7% of the unemployed were out of a job for 27 weeks or more—all of these indicators are at their highest level since 1948.  

See Figure 1
6. **Employer-provided benefits continue to disappear.** The share of private-sector workers with a pension dropped from 50.3% in 2000 to 45.1% in 2007 and 43.6% in 2008, and the share of people with employer-provided health insurance dropped from 64.2% in 2000 to 59.3% in 2007 and 58.5% in 2008.

7. **Family incomes drop sharply in the recession.** Median inflation-adjusted family income fell by $1,860 to $50,303 (in 2008 dollars) in 2008 from 2007. This was the lowest family income since 1997. White family income stood at $55,530, compared to African-American family income, which was $34,218, or 61.6% of white income. Hispanic family income was $37,913 in 2008, or 68.2% of white income.

8. **Poverty continues to rise.** The poverty rate stood at 13.2% in 2008—its highest rate since 1997. The African-American poverty rate was 24.6%, the Hispanic rate was 23.2%, and the white rate was 8.6% in 2008. The poverty rate for children under the age of 18 rose to 19.0%—also the highest level since 1997. More than one-third of African-American children, 34.7%, lived in poverty in 2008, compared to 10.6% of white children and 30.6% of Hispanic children.

9. **Family wealth begins to recover.** Total family wealth increased by $4.9 trillion, or 10.2% in 2009 dollars from March 2009 to September 2009, largely as a result of higher stock prices. Home values rose by only $851, in comparison, or 5.4% during the same period. Household wealth was still $12.6 trillion below the level of June 2007—the last peak of family wealth.

10. **Corporate profits soar.** Profits in the nonfinancial corporate sector rose in inflation-adjusted terms by 32.7% before taxes and 37.1% after taxes from December 2008 to September 2009. This was the fastest three-quarter before-tax gain since the three quarters that ended in March 2005 and the fastest after-tax gain over three quarters since the three-quarter period that ended in September 2004. Corporate nonfinancial inflation-adjusted profits in September 2009 were thus higher than at any point before 2005, although they are still far from the peaks of the last boom.

11. **Home sales show mixed picture.** New home sales in November 2009 amounted to an annualized, seasonally adjusted rate of 355,000—9.0% lower than a year earlier—and median new home prices were 1.9% lower than a year earlier. In stark contrast, existing home sales were 44.1% higher than a year earlier, but that was also in part due to a 4.3% drop in the median sales price.  

12. **Debt levels are still high.** Total household debt equaled 123.9% of after-tax income in the third quarter of 2009. This is down from a record high of 130.2% in the first quarter of 2008, but still higher than at any point before the first quarter of 2006.  

13. **Mortgage troubles mount.** One in seven mortgages is delinquent or in foreclosure. The share of mortgages that were delinquent was 9.6% in the third quarter of 2009, and the share of mortgages that were in foreclosure was 4.5%.

14. **Families feel the pressure.** Credit card defaults rose to 10.2% of all credit card debt by the third quarter of 2009—an increase of 143.2% from the fourth quarter of 2007.