The economic pain of American families is real. Household debt levels are still very high even after years of decline, and credit card defaults and foreclosures remain stable at very high levels. This high level of economic insecurity largely follows from weak job growth in an expanding economy. Economic growth is positive yet moderate, business investment is slowly expanding, and U.S. exports perform well. But private-sector growth is slow as companies hold on to their profits rather than invest them. And the meager private-sector job creation is offset by public-sector job losses.

The challenge is clear. Policymakers must focus on jobs, especially for populations where unemployment remains extraordinarily high such as communities of color, young job entrants, and people with little educational attainment. Moreover, public policy has to make sure critical programs that help families pay their bills stay in place while workers wait for the job market to rebound.

Policymakers thus need to build on success of past initiatives such as the American Recovery and Reinvestment Act in turning the economy around and strengthening the labor market recovery. Additional steps include more investment in infrastructure, education and training, and promising industries that will be able to offer strong career opportunities in the future.

At the same time, critical programs such as unemployment insurance and programs that help families pay their bills for food, heating, and housing, among others, need to stay in place as long as the labor market struggles to get a footing.
1. **The U.S. economy continues a moderate recovery.** Gross domestic product, or GDP, grew at an annual rate of 2.8 percent in the fourth quarter of 2010, the sixth quarter of positive growth in a row. The American Recovery and Reinvestment Act of 2009, or ARRA, helped create much of this growth. ARRA provided additional income to consumers and businesses, which led to more business investments. Investment growth in equipment such as computers and software has now been positive for seven quarters in a row and investment spending on commercial construction was positive for the first time in more than two years in the fourth quarter of 2010. **SEE FIGURE 1**

2. **The trade deficit stays high.** The U.S. trade deficit stood at 3.3 percent of GDP in the fourth quarter of 2010, up from its latest trough of 2.4 percent of GDP in the second quarter of 2009. U.S. exports are still expanding at solid rates at 8.5 percent in the fourth quarter of 2010—after being adjusted for inflation—while imports dropped at the same time for the first time since the second quarter of 2009, largely because of a drop in oil prices at the end of 2010.

3. **The labor market recovery slowly takes hold.** The U.S. economy continuously added private-sector jobs from January 2010 to January 2011 for a total of 1.2 million jobs. These jobs compensated for government job losses. State and local governments lost 237,000 jobs during the same 12 months. Total employment growth from January 2010 through January 2011 thus amounted to nearly 1.0 million jobs. This causes a problem since the economy still has 7.7 million fewer jobs in January 2011 than at the start of the recession in December 2007 and the population has also grown since then, putting the labor market deeper into the hole.

4. **Unemployment stays high among the most vulnerable.** The unemployment rate was 9.0 percent in January 2011. The African-American unemployment rate that month stood at 15.7 percent, the Hispanic unemployment rate at 11.9
percent, and the unemployment rate for whites at 8.0 percent. Youth unemployment was a high 25.7 percent. And the unemployment rate for people without a high school diploma stayed high at 14.2 percent compared to 9.4 percent for those with a high school diploma and 4.2 percent for those with a college degree.

5. Employer-provided health insurance benefits continue to disappear. The share of people with employer-provided health insurance dropped from 64.2 percent in 2000 to 55.8 percent in 2009. This is the lowest share since 1987 when the Census started to track these data.

6. Family incomes drop sharply in the recession. Median inflation-adjusted household income fell 3.6 percent in 2008 and by another 0.7 percent in 2009. It stood at $49,777 in 2009, its lowest level in inflation-adjusted dollars since 1997. White family income stood at $54,461, compared to African-American family income, which was $32,584, or 59.8 percent of white income. Hispanic family income was $38,039 in 2009, or 69.8 percent of white income.

7. Poverty continues to rise. The poverty rate stood at 14.3 percent in 2009—its highest rate since 1994. The African-American poverty rate was 25.8 percent, the Hispanic rate was 25.3 percent, and the white rate was 9.4 percent. The poverty rate for children under the age of 18 stood at 20.7 percent. More than one-third of African-American children (35.7 percent) lived in poverty in 2009 compared to 11.9 percent of white children and 33.1 percent of Hispanic children.

8. Corporate profits soar. Profits in the nonfinancial corporate sector rose in inflation-adjusted terms by 92.0 percent before taxes and 93.3 percent after taxes from December 2008 to September 2010. These profits in September 2010 were at their highest point since at least September 2007, before the recession started.

9. Family wealth losses linger. Total family wealth was down $14.6 trillion from June 2007—its last peak—to September 2010 despite an increase of $4.7 trillion in 2010 dollars from March 2009—the lowest point during the recession—to September 2010. Home equity is also recovering but homeowners on average still own only 38.3 percent of their homes. The rest is owed to mortgage banks.
10. **Debt levels are still high.** Total household debt equaled 117.6 percent of after-tax income in the third quarter of 2010. This is down from a record high of 130.2 percent in the third quarter of 2007 but still higher than at any point before 2005. **SEE FIGURE 2**

11. **Mortgage troubles stay high.** One in seven mortgages is delinquent or in foreclosure. The share of mortgages that were delinquent was 9.1 percent in the third quarter of 2010, and the share of mortgages that were in foreclosure was 4.4 percent.

12. **Families feel the pressure.** Credit card defaults amounted to a high 8.4 percent of all credit card debt by the third quarter of 2010—up 93.3 percent from the fourth quarter of 2007. **SEE FIGURE 3**

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**FIGURE 2**

*Household debt relative to personal disposable income (percent of PDI), 1952 to 2009*


**FIGURE 3**

*Share of mortgages that are delinquent or in foreclosure*