



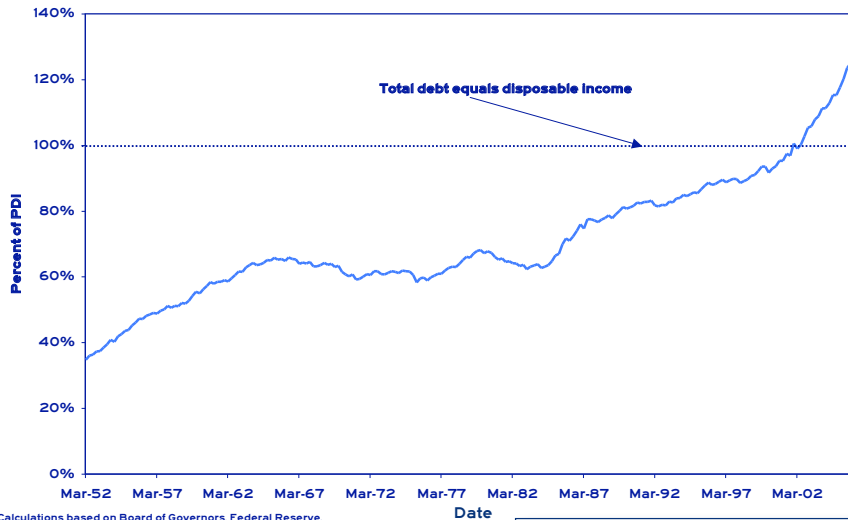
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Over the course of the summer, indications that the economy is slowing and the labor market is weakening added to middle class financial anxieties. Families are already drowning in record amounts of debt, the federal government has piled on massive budget deficits, and the trade deficit has hit record highs. These debt burdens jeopardize future economic opportunities and contribute to a slowing economy. Consider that:

- 1) **Wages stagnate.** Factoring in inflation, hourly wages were 1.0% higher, and weekly wages were 0.4% greater in July 2006 than in March 2001. And wages were lower in July 2006 than in November 2001, when the recovery started.
- 2) **While benefits disappear.** The share of private sector workers with a pension dropped to 45.0% in 2005 from 50.3% in 2000, the last year for which data are available, and the share of people with employer-provided health insurance dropped to 59.5% from 63.6%.
- 3) **Family debt is on the rise.** In the first quarter of 2006, families had to spend 13.9% of their disposable income to service their debt — the largest share since 1980.
- 4) **As savings plummet.** The personal savings rate of -0.7% in the second quarter of 2006 was the second lowest since the Great Depression. Also, by March 2006, household debt rose to an unprecedented 126.4% of disposable income.
- 5) **Job growth is the weakest for any business cycle.** Despite the 2003 tax cut, job growth averaged only 1.3% — the lowest growth increase than any recovery of the same length. Monthly job growth since March 2001 has averaged an annualized 0.4%.
- 6) **And the unemployment rate overstates the strength of the labor market.** Since the employed share of the population has remained low, millions of workers have given up looking for jobs. If the employed share of the population had not dropped since March 2001, there would be 2.8 million more jobs, or the unemployment rate would be 6.4%.
- 7) **As the poverty rate climbed.** The poverty rate has grown, from 11.3% in 2000, to 12.6% in 2005, the last year for which data is available.
- 8) **Government deficits are soaring.** For 2006, the expected deficit is \$260 billion, reflecting the largest six-year deterioration in 50 years, from a surplus of 2.0 percent of GDP in 2000 to a deficit of 2.4 percent of GDP in 2006.
- 9) **And these deficits won't shrink.** Making the tax cuts permanent and introducing relief from the Alternative Minimum Tax would bring the deficits to \$3.5 trillion for the next decade, according to the Center on Budget and Policy Priorities. In this scenario, the deficits will never dip below \$284 billion, even if the costs of the war in Iraq and Afghanistan decline substantially.
- 10) **This endangers our economic independence.** Foreign investors bought 78% of new Treasury debt between March 2001 and March 2006. The quarterly interest payments from the federal government to foreign lenders increased from \$20 billion to \$33 billion, over the same period, and the share of U.S. foreign-held debt grew from 32% to 49%.
- 11) **As energy prices soar.** Prices at the pump have risen from \$1.40 in March 2001 to \$2.72 in the first week of September 2006. By then, oil prices per barrel were \$70 — more than double the level in March 2001, when oil cost less than \$27 per barrel.
- 12) **And record trade deficits mount.** In the second quarter of 2006, the trade deficit remained at 5.9% of the Gross Domestic Product.

In the summer of 2006, America's middle class continues to struggle and the economy remains on an unsustainable path.

Household Debt Relative to Personal Disposable Income (PDI), 1952 to 2006

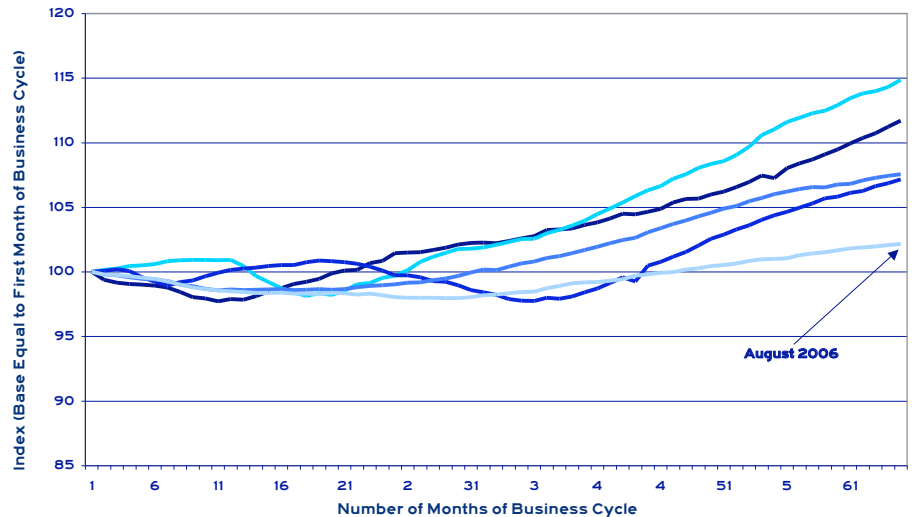


Calculations based on Board of Governors, Federal Reserve, 2006, Flow of Funds Accounts of the United States, Washington.

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Employment Growth in Business Cycles That Lasted at Least 65 Months, Indexed to First Month of Business Cycle



Calculations based on Bureau of Labor Statistics, 2006, Current Employment Survey, Washington, D.C.; BLS

Nominal and Inflation Adjusted Gasoline Prices (\$/Gallon), 1980 to 2006



Source: Energy Information Administration, Department of Energy, 2006, Short-Term Energy Outlook, Washington, D.C.; EIA. Gasoline prices for July are for the first week of July. Prices for July are the July forecast from the EIA.

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