



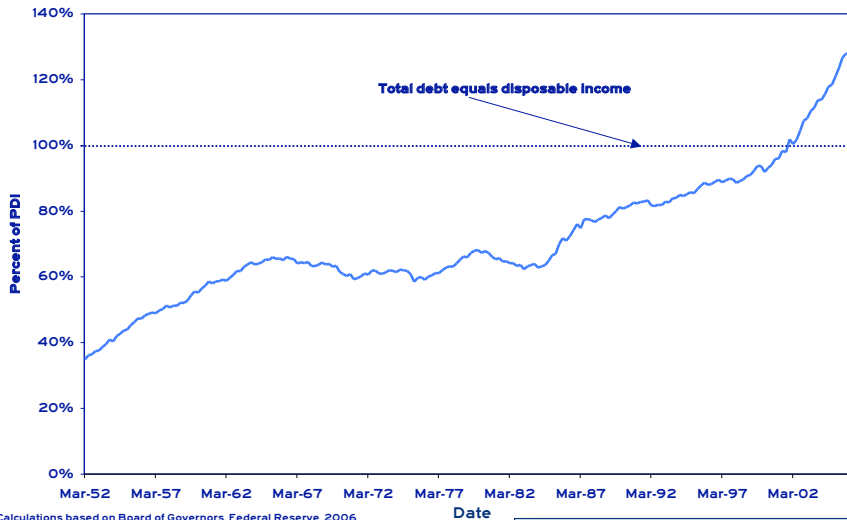
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This fall, the marked slowdown in hiring only adds to the economic worries of a middle class already burdened by record amounts of debt. Families, however, are not alone in their debt woes. The federal government continues to amass mammoth budget deficits while the trade deficit continues to run at a high level. These debt burdens jeopardize future economic opportunities and contribute to a slowing economy. Consider that:

- 1) **Wages stagnate.** Factoring in inflation, hourly wages were only 0.9% higher, and weekly wages were almost identical in August 2006 and in March 2001. Wages were actually lower in August 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% 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% over the same period.
- 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 housing market slows.** Homes for sale now stay on the market longer than at any point since 1995. In August 2006, the real estate market had 6.6 months of supply available—a 44% jump from a year earlier. The sharply higher supply of homes for sale puts pressures on home prices, which are starting to fall around the country.
- 5) **Savings plummet.** The personal savings rate of -0.6% in the second quarter of 2006 was the second lowest since the Great Depression. Also, by June 2006, household debt rose to an unprecedented 129.3% of disposable income.
- 6) **While job growth is the weakest for any business cycle.** Despite the 2003 tax cut, job growth has averaged only 1.3% since that time—the lowest increase of any recovery of the same length. Monthly job growth since March 2001 has averaged an annualized 0.4%.
- 7) **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 6.1%.
- 8) **As the poverty rate climbed** to 12.6% in 2005, the last year for which data are available, from 11.3% in 2000.
- 9) **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 in 2006.
- 10) **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 over 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.
- 11) **This endangers our economic independence.** Foreign investors bought 78% of new Treasury debt between March 2001 and June 2006. The quarterly interest payments from the federal government to foreign lenders increased to \$36 billion from \$21 billion over the same period, and the share of U.S. foreign-held debt grew to 45% from 32%.
- 12) **Amid record trade deficits.** In the second quarter of 2006, the trade deficit remained at 5.9% of the GDP.

In the fall 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

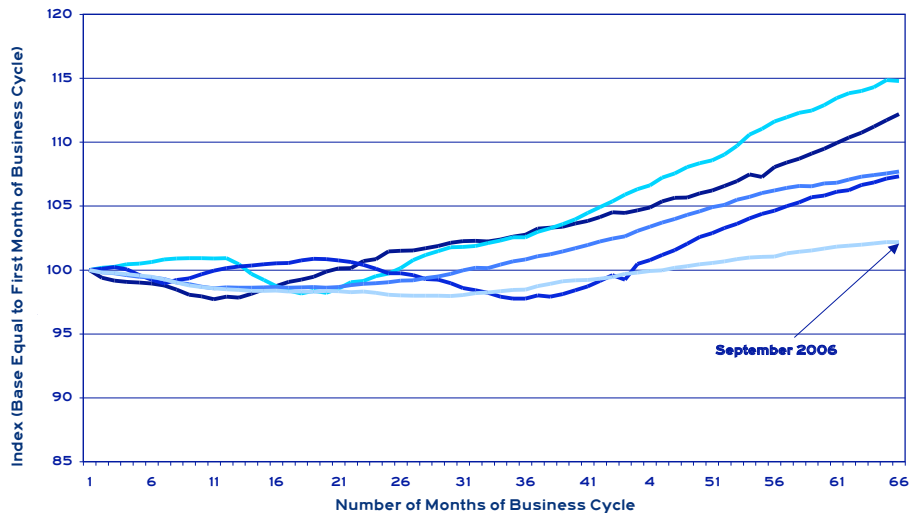


Calculations based on Board of Governors, Federal Reserve, 2006. Flow of Funds Accounts of the United States, Washington, D.C.: BOG

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Employment Growth in Business Cycles That Lasted at Least 66 Months, Indexed to First Month of Business Cycle



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

Supply of Homes for Sale (in Months of Sales)



Notes: Data are seasonally adjusted. Source is U.S. Census Bureau, New Residential Sales, Washington, D.C.: Census

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