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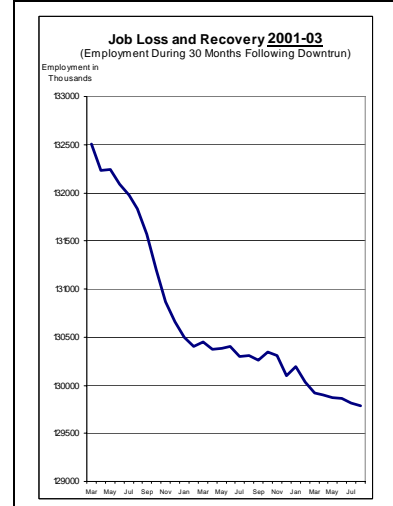
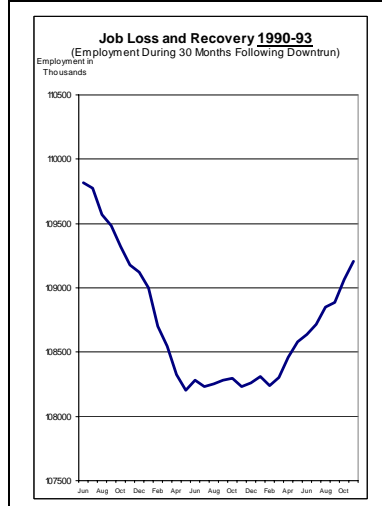
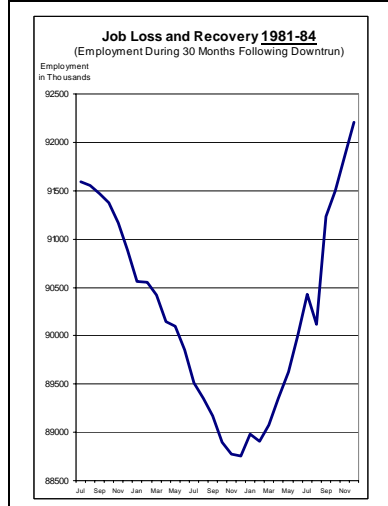
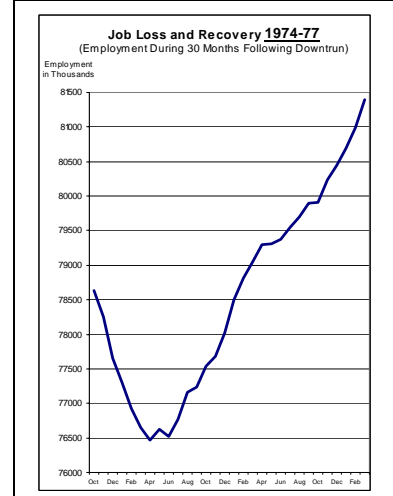
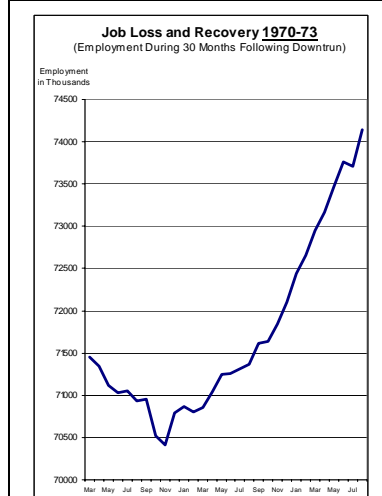
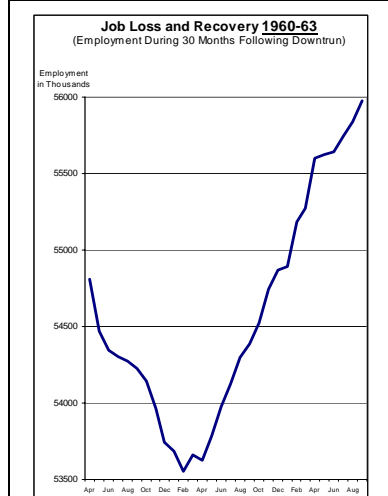
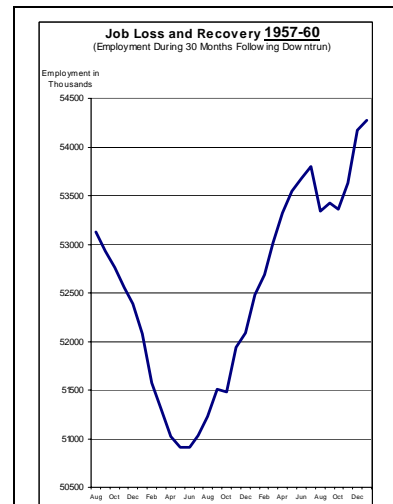
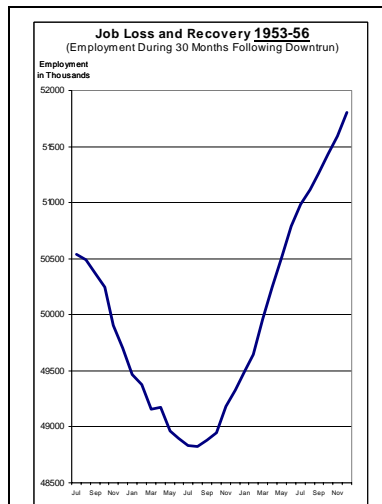
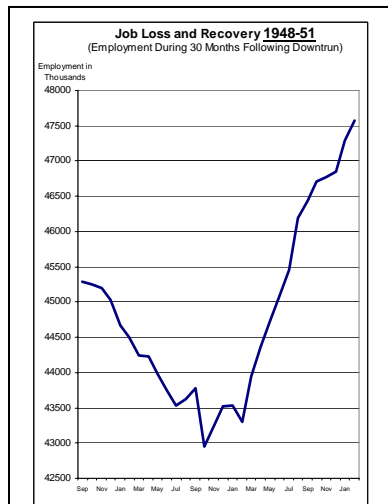
# The Center for American Progress

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## Current Job Recovery is Without Precedent In Post World War II Era



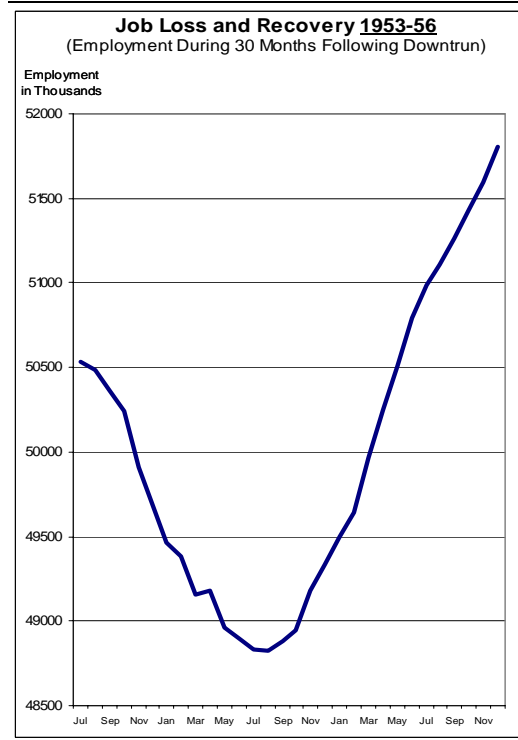
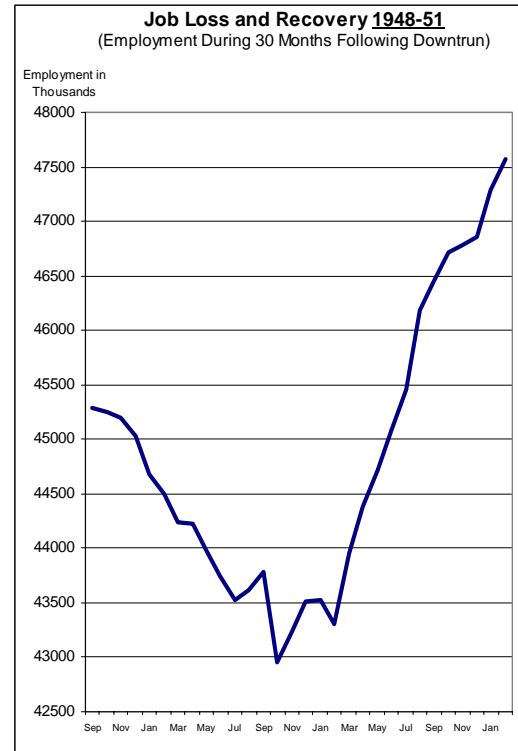
by Scott Lilly, Senior Fellow

# How Does the Current Jobs Recovery Compare with its Predecessors?

Since World War II, the United States has suffered nine serious economic downturns. In each of these, millions of Americans have lost their jobs; families have had to cope with the loss of income needed for food, shelter and medical care as well as the attendant social, physical and emotional problems associated with joblessness. But fortunately, during the post-war period these downturns have been of much shorter duration than many of the business cycles prior to World War II. In fact, it is remarkable how similar the post-war economic downturns have been—that is until now.

## The Persistent Pattern of Recession and Recovery

On average these downturns eliminated a little less than 3.0% of the nation's jobs. In the eight economic downturns prior to the one which began in the spring of 2001, employment declined steadily for a period averaging slightly more than 11 months. The period of job loss was immediately followed by a period of strong job creation. On average the economy restored all lost jobs within 23 months of the beginning of the downturn and the period of strong job creation continued for another 8 months and in many instances much longer. Within thirty months of the beginning of the downturn, the economy had on



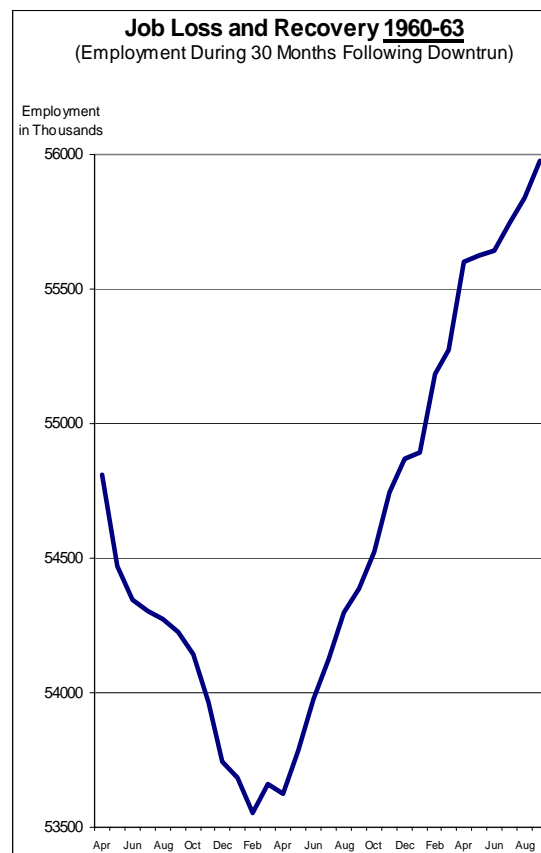
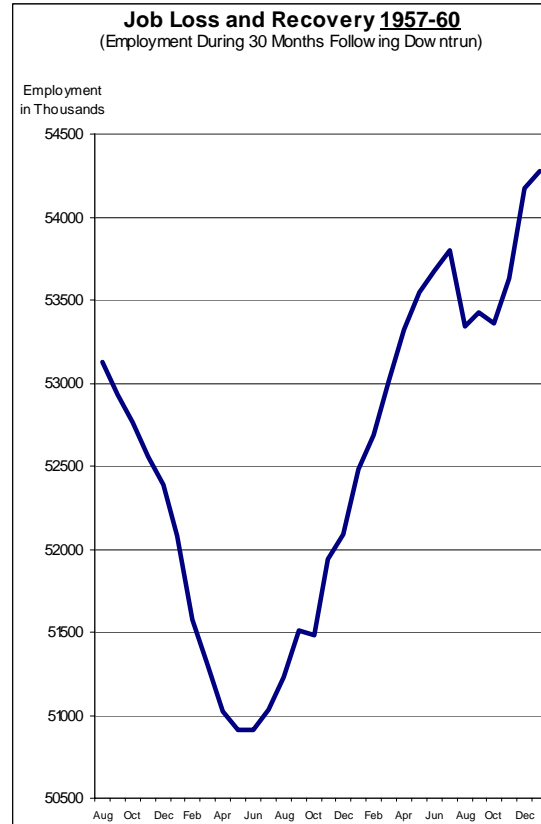
average 2.5% more jobs than it had had at the previous peak.

### **Variations in the Pattern**

There, of course, have been some variations on this pattern. The most severe job loss followed the end of World War II and was part of the transition to a peacetime economy. Between August of 1948 and October of 1949, 2.3 million jobs were lost, which equaled nearly 5.5% of the wartime workforce. The next largest downturn began in August of 1957. Again, about 2.3 million jobs or a little more than 4% of all employment was eliminated in a period of only ten months. The mildest downturn began in March of 1970, and despite aggressive intervention, about a million jobs or 1.5% of total employment was lost in only eight months.

In 1981, severe and continued tightening of monetary policy by the Federal Reserve caused the process of job loss to extend for a period of seventeen months. The Federal Reserve and the White House would have probably pushed tight policy further if Mexico had not announced that the policy was also forcing them into default on loans owed to U.S. banks. The easing of monetary policy that began in the summer of 1983 brought about a strong surge in employment growth beginning in December of that year.

The 1990-1991 downturn was also somewhat out of the ordinary. Although mild in the number of jobs lost (only about 1.5% as compared to the 3.0% average) and very much in

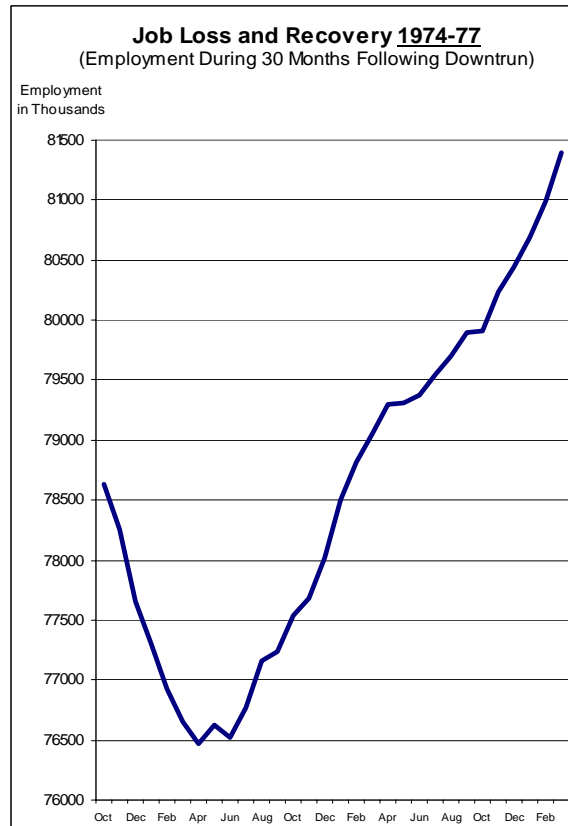
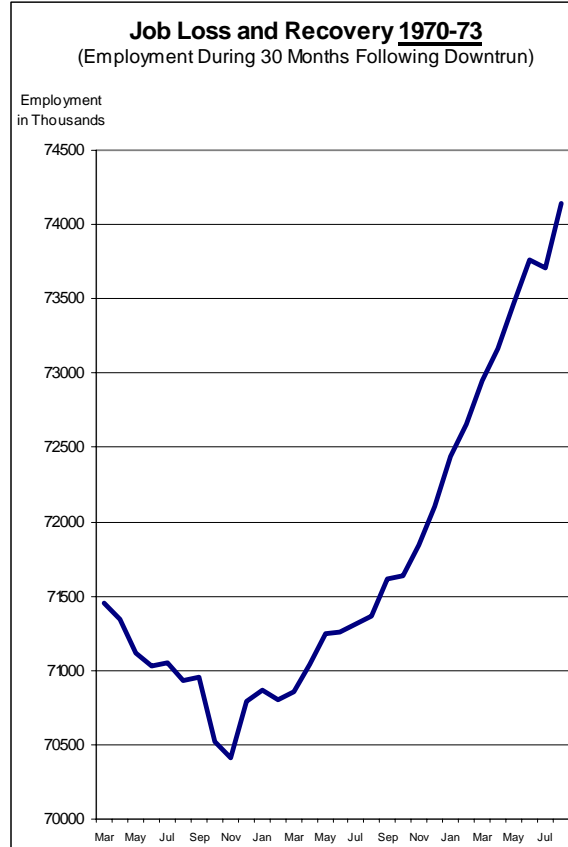


line with other downturns in terms of the length of the downturn (the economy stopped shedding jobs in the twelfth month), the recovery was extremely slow in rebounding. While the Federal Reserve had accommodated the White House desire for lower short-term interest rates, Treasury Department officials were slow in devising policies to talk the markets down from high longer term rates leaving a serious impediment in the way of improving auto sales and home construction. As a result, the economy stalled for nearly seven months after the economy hit bottom in May of 1991, and very few jobs were produced until-long term interest rates began to decline in late 1992 and early 1993. It took a period of thirty-two months from the beginning of the downturn to restore the nation to the same number of jobs it had when the downturn began.

**Steep Decline, Steep Recovery:  
Hallmark of Post War Recoveries**

Despite the anomalies mentioned above, the pattern of decline and recovery has been very persistent. The period of downturn has lasted on average eleven months, ranging from a low of six months in 1974-1975 to a high of seventeen months in 1981-1982. Five of the eight pre-2001 downturns were between 10 and 13 months in duration.

The number of jobs lost has ranged from a low of 1 million in 1970 to 2.8 million in 1981-1982. As a percentage of total employment, the range of losses has been between

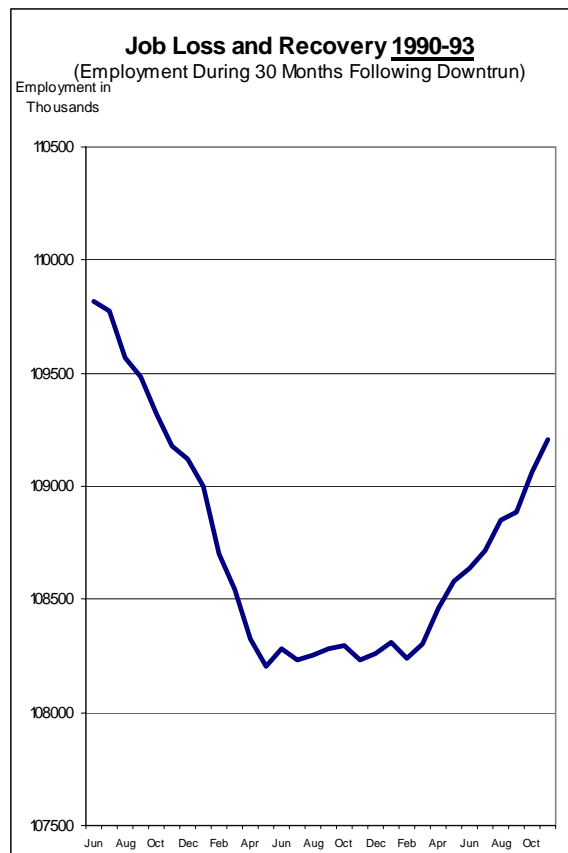
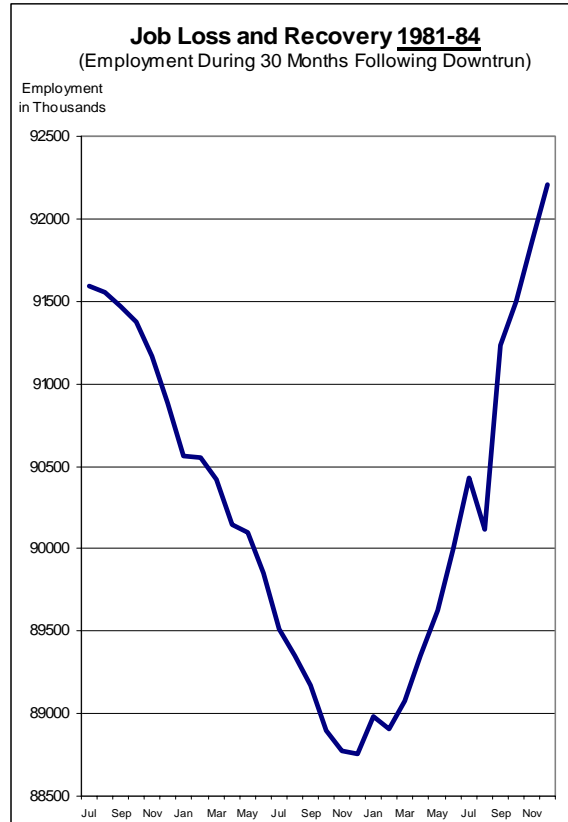


1.5% and 5.5%, and if the post war conversion recession of 1948 is excluded, the range is 1.5% to 4.3%. The average job loss during the seven recessions excluding 1948-49 was 2.7%.

The average monthly growth in employment during the recovery period has been 0.34% a month and in five of the eight recessions, it has ranged only from 0.31% monthly growth to 0.45%. Within 30 months of the beginning of these downturns, the economy has on average had 2.4% more jobs than it had before the downturn began. The most rapid growth has generally occurred following the deepest recessions. The U.S. economy added jobs at a rate of 0.73% a month in the year following the 1948-49 recession, the deepest of the eight. It grew at only 0.17% a month for the year after the 1970-71, the most shallow post war recession.

**Inability to Bring Down Long Term Interest Rates Delayed Recovery from 1990-91 Recession**

The recovery from the 1990-91 recession was significantly weaker than any of the recessions prior to the one which began in the spring of 2001. Although the Federal Reserve brought down long term rates the Treasury Department failed to devise strategies to convince the markets that long term rates should fall. As a result, overall employment bottomed out in May of 1991 and did not begin a significant rebound until the following spring when long-term rates finally began to come down.



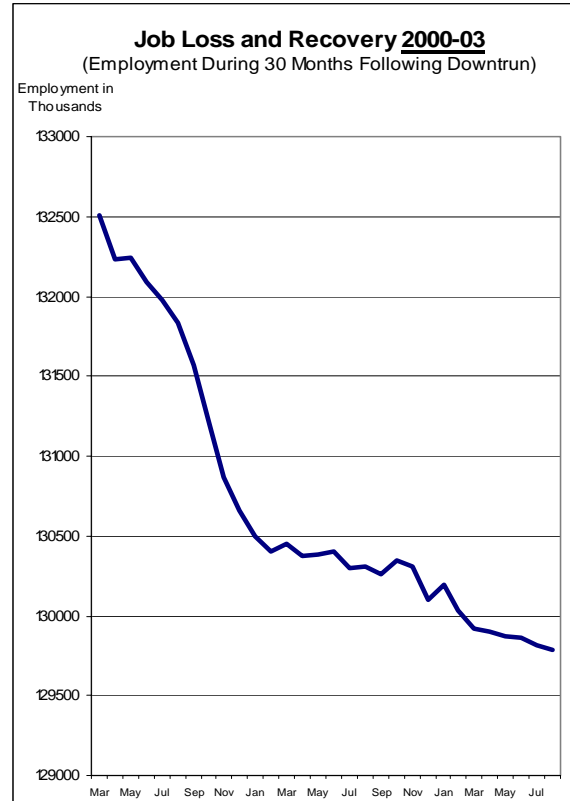
After March of 1992, the recovery began to resemble other post-war recoveries.

### **The Origins and Duration of the 2001 Recession Differed from Previous Downturns**

The downturn in employment that began in April of 2001, with the loss of 271,000 jobs, followed the pattern of previous downturns through the spring and summer of that year. Monthly job loss during June, July and August averaged about 135,000. That number accelerated in the fall and the events of September 11<sup>th</sup> pushed the monthly job toll to about 180,000 jobs over the course of the next six months.

From a statistical standpoint, there was nothing particularly unusual about this recession until the summer of the 2002 when signs of recovery should have begun to appear. But unlike most of the previous downturns, job loss continued past the thirteenth month and unlike any previous post-war downturn, it continued past the eighteenth month.

In the nineteenth month the economy lost another 47,000 jobs, and in the twenty-second month—when based on the record of previous downturns, all jobs lost should have been restored—the U.S. economy shed another 209,000 jobs. U.S. employment levels dropped below 130 million in March of 2003, the twenty-fifth month of the “cycle,” and the economy continued losing jobs until August of 2003 when



employment fell to 129,789,000 or 2.7 million below where it had been two and a half years earlier.

### **The Long Downturn that Began in 2001 was Followed by a Very Weak Recovery**

The 2001-2003 downturn differed from its predecessors not only in the length of the period in which the economy continued to lose jobs but also in the strength of the recovery. On average, post-war recoveries have added jobs at a rate of 0.34% per month in the first twelve months of a recovery. This recovery added only 451,000 jobs in the first six months following the August low, a growth rate of only 0.06%. That resulted in the creation of nearly two and a half million fewer jobs than could have

been expected in the first six months of a normal recovery.

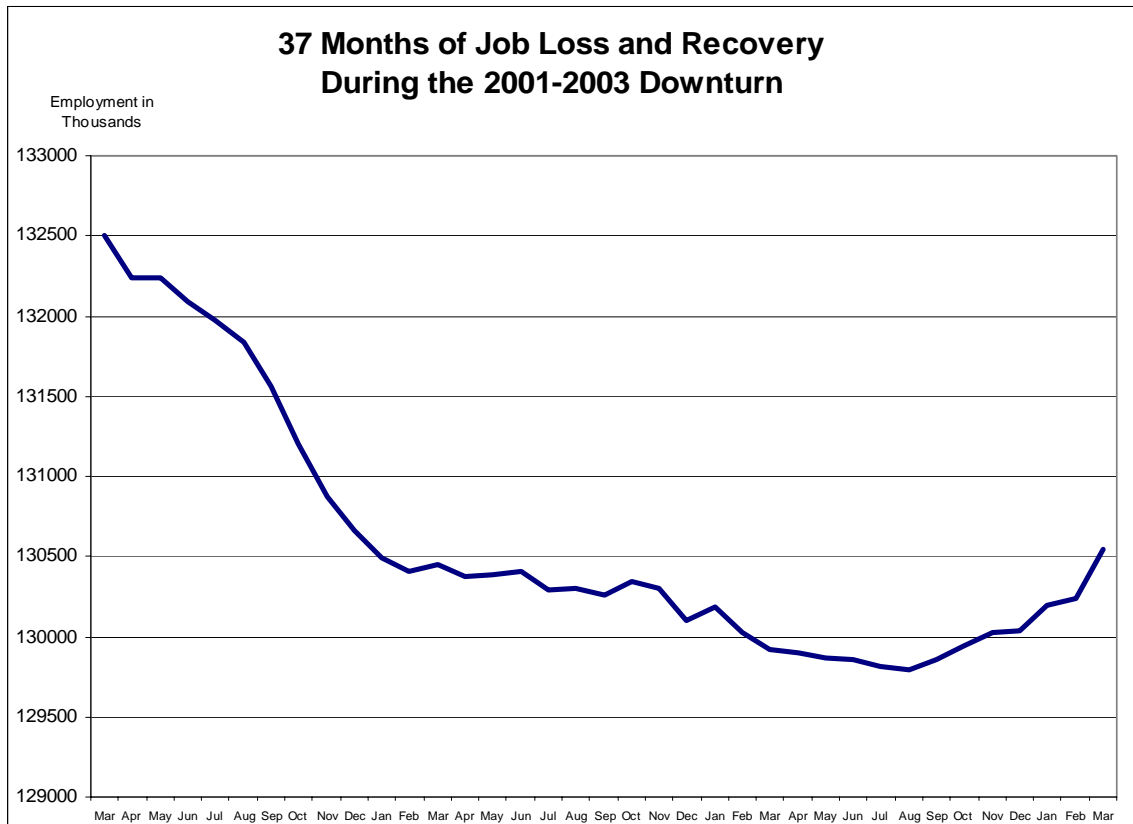
### **Did the March Employment Report Signal the Beginning of a Normal Recovery?**

Both the markets and the financial pages reacted enthusiastically to the Labor Department report that the U.S. economy had added 308,000 jobs in March 2004. The detail of the report, however, painted a picture less optimistic than the top line number. Specifically, while the number of people working increased the average number of hours worked fell. Since the 308,000 increase in the number of workers reflected only a 0.24% increase in employment and the average weekly number of hours worked declined by 0.30% the total U.S. labor force actually got paid for about 2.6 million hours per week less

in March than they received pay for in February. Even more disturbing was the fact that real average wages fell in March leaving a typical worker with about \$6.35 less in weekly pay.

There have been other more positive pieces of news including: reports by several newspaper chains of a sharp increase in the placement of help wanted ads in recent weeks, a generally positive review of economic activity in the Federal Reserve's "Beige Book" and a 3.4% increase in durable goods orders for the month of March reported by the Commerce Department on April 23<sup>rd</sup>.

Although each of these signs point to further job growth over the next several months, there are also ample signs to suspect that even after 37 months we are not about to see the kind of upturn in employment



associated with a normal recovery

First, it is important to note that while the 308,000 new jobs was good news, relative to the performance of the economy over the past three years, it is subpar by the historical standard of past recoveries. The March employment increase of 0.24% is only three quarters of the average monthly rate of job growth during the previous eight recoveries.

But there are more nagging questions that cast serious doubt on whether the March up tick in employment can be continued through the summer and into next year. Simply put, if this is a normal jobs recovery that has simply been delayed for several years, what underlying economic factors will produce the millions of jobs required to get us back to the March 2001 employment level and provide the additional jobs needed by a country that adds more than 2 million citizens a year?

### **Federal Budget Policies Can Have a Powerful Impact on the Course of the Business Cycle**

Job recovery following all previous post-war recessions has been driven by certain specific cyclical factors. Government fiscal policy has been employed far more aggressively during this business cycle than during any other economic down turn in the post-war era.

While advocates of legally mandated balanced budgets argue that the government should keep spending in line with revenues at all times, economists generally agree that

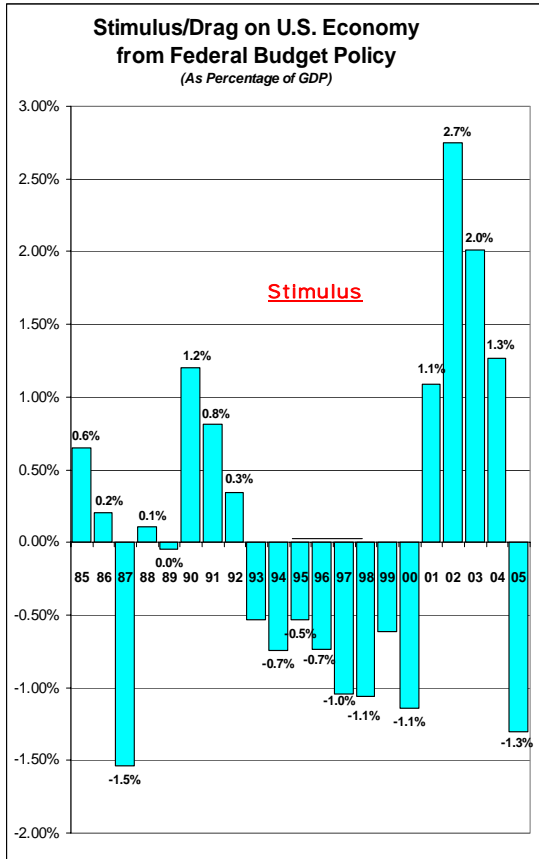
cutting spending or raising taxes during an economic downturn forces the economy into an even steeper downturn. They recommend that at a minimum government should accept the temporary loss of revenue imposed by the business cycle and continue government programs without regard to the resulting deficits.

The Bush Administration pursued far more aggressive countercyclical fiscal policies. As they ramped up spending for wars in Afghanistan and Iraq and increased counterterrorism measures here at home, they also put in place massive tax cuts sparking one of the most dramatic fiscal turnarounds in American history.

As government allows revenues to fall significantly below outlays, it generates increased economic activity and creates new jobs. But there are limits to how much debt a society and its elected representatives wish to pass on to future generations and to how much of federal spending should be absorbed by interest payments required by a growing debt. As a result, federal budgets swing from large deficits to small ones (or to surpluses) over a period of several years providing stimulus as deficits grow and slowing economic growth as they shrink.

### **The U.S. Budget has Shifted from a Surplus Equal to 1.9% of GDP to a Deficit Equal to 3.9% of GDP**

There has been a great deal of comment about the rapid deterioration of the fiscal condition of



the federal government since the record budget surplus in fiscal year 2000. While there are numerous negative aspects to this deterioration, the growing deficits have increased the pace of economic activity above what it might have been, creating significant additional demand for goods and services and therefore for the workers needed to produce them.

The stimulus can roughly be measured by year-to-year changes in the size of the surplus or deficit. If there is a surplus in one year and it shrinks the following year, some degree of stimulus is added to the nation's economy. If there is a deficit in one year and it shrinks the following year, the budget is placing some level of drag on the level of activity in the overall economy.

Between fiscal 2000 and the current fiscal year we have moved from surpluses that equaled 1.9% of GDP to a deficit equaling 3.9% of GDP. **That is a shift of nearly 6%** in only four years and it means that the federal government has essentially injected cash into the U.S. economy equaling on average about 1.5% of GDP per year over the past four years. Certainly none of the eight prior post-war recessions ever benefited from fiscal stimulus of that magnitude.

To provide some greater perspective on just how much stimulus was provided relative to a policy that would require balanced budgets, compare the \$127 billion federal surplus in fiscal 2001 with the \$158 billion deficit in fiscal 2002. **That \$285 billion reversal in the books of the U.S. Government occurred during the sharpest portion of the downturn and was equal to 2.75% of GDP.** If the federal government had taken that amount of money and simply hired workers at \$20 an hour, it could have hired more than 5 million people.

**The deficit grew by an additional \$209 billion—2% of GDP—in fiscal 2003** and is projected by the White House to hit \$540 billion in the current fiscal year (2004), an increase of **\$145 billion or 1.3% above fiscal 2003.**

But the good effects from an expansionary fiscal policy always come with a price tag. Deficit numbers can't rapidly increase year after year without putting the country in bankruptcy. The White House is

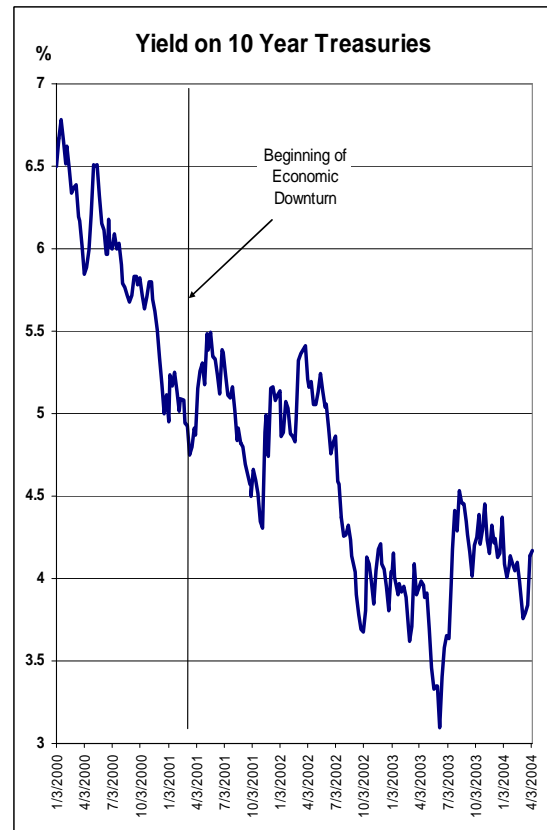
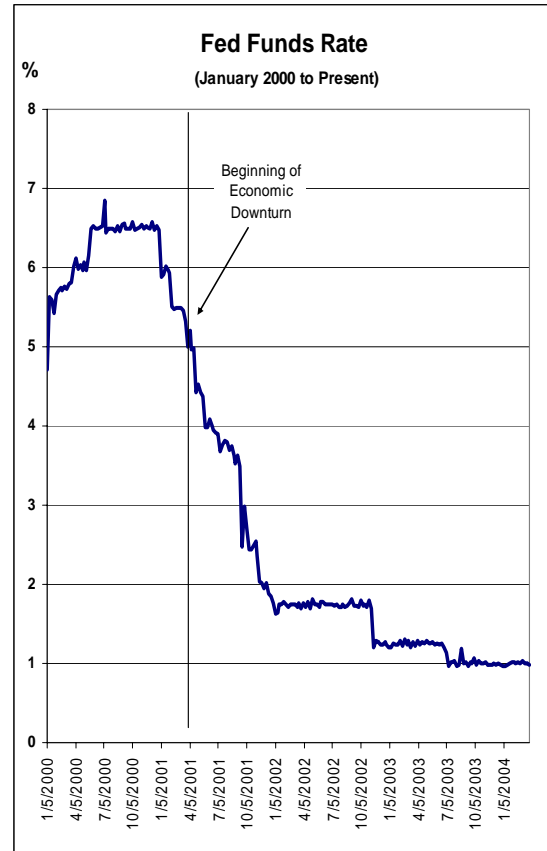
forecasting a deficit of \$363 billion for the fiscal year 2005 which begins this October, \$157 billion below the current year. Instead of the fiscal wind blowing at our back it will shift and begin to blow in our face.

**Falling Interest Rates Provided Enormous Upward Pressure on U.S. Economy During Downturn**

While both fiscal policy (budgets) and monetary policy (interest rates) are both powerful tools, they are rarely applied in a fully coordinated manner. In some previous recessions we have had them working at cross purposes with one another. That was not the case with respect to the recession that began during the spring of 2001. It differed from most of its predecessors in that Federal Reserve efforts to quell inflation do not appear to have been the central precipitating factor.

There was a very mixed picture with respect to interest rates in early 2001. The Federal Reserve had begun raising short term rates in 1999, increasing the federal funds rate (essentially the cost of overnight borrowing between banks) from about 4.75% in early 1999 to about 5.5% by the later part of that year and to about 6.5% by mid 2000.

The move, however, simply served to provide longer-term bond purchasers with greater confidence that inflation was under control. The yield on the 10 Year Treasury Note peaked in early January of 2000 and began a steady decline through all of 2000



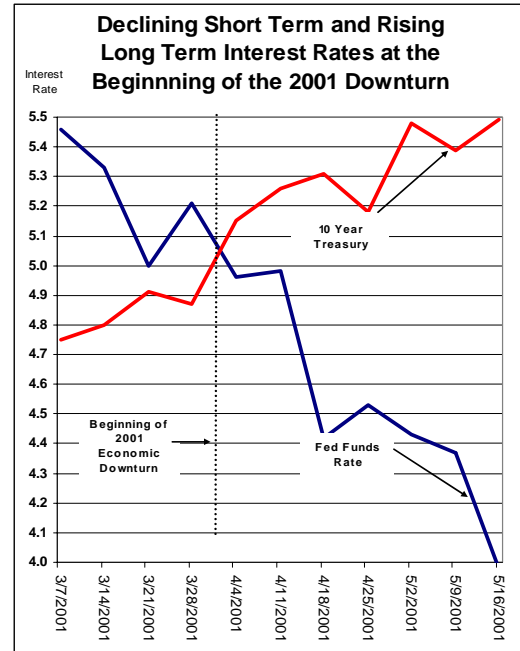
and the early part of 2001. One month before the beginning of the first reported job loss long term interest rates (for example the yield on the 10 Year Note) were below 5% and had been falling for more than a year.

Market jitters over the size of the Bush tax cut did impact the bond markets starting in March of 2001, however. Even as the fed funds rate fell throughout the winter and spring of that year, long term rates began to rise. Between early March and late May, (as short term rates fell from 5.5% to below 4%) the yield on 10 Year Treasuries rose from 4.8% to 5.5%.

Between March 1<sup>st</sup> and July of 2001, the average interest rate on 30 year fixed mortgages rose from 6.95% to 7.16%, adding about \$15,000 to the 30 year cost of buying a \$300,000 home. New home sales fell from an annual rate of 953,000 in March to annual rate of 871,000 by August.

During that same period employment in the construction industry declined by 36,000 and the rising inventory of unsold homes was insuring further layoffs in the months ahead, not only in construction jobs but jobs in real estate sales, insurance and production of construction materials.

Although interest rates played some role in the initial stages of this downturn, they were certainly not responsible for its duration. The Federal Reserve continued lowering short-term rates and eventually long term-rates followed. By January of



2002, the fed funds rate was below 2%, and by July of that year, the average interest rate on a 30-year mortgage had fallen to below 6.5%, lower than at any time since the 1960s.

### **Refinance Frenzy Adds Hundreds of Billions to Household Budgets**

The decline in long term interest and mortgage rates had an explosive effect in three areas of economic activity; existing home values, mortgage refinance and new home construction. Low interest rates made both new and existing homes more affordable and homebuyers were able and willing to pay a higher purchase price based on the declining monthly payment required for ownership.

This meant that homeowners suddenly had more equity and refinancing could not only allow them to lower their monthly payment but also allow them to assume a larger mortgage on their home.

Refinancing had an extraordinary impact on the American economy over the course of last three years.

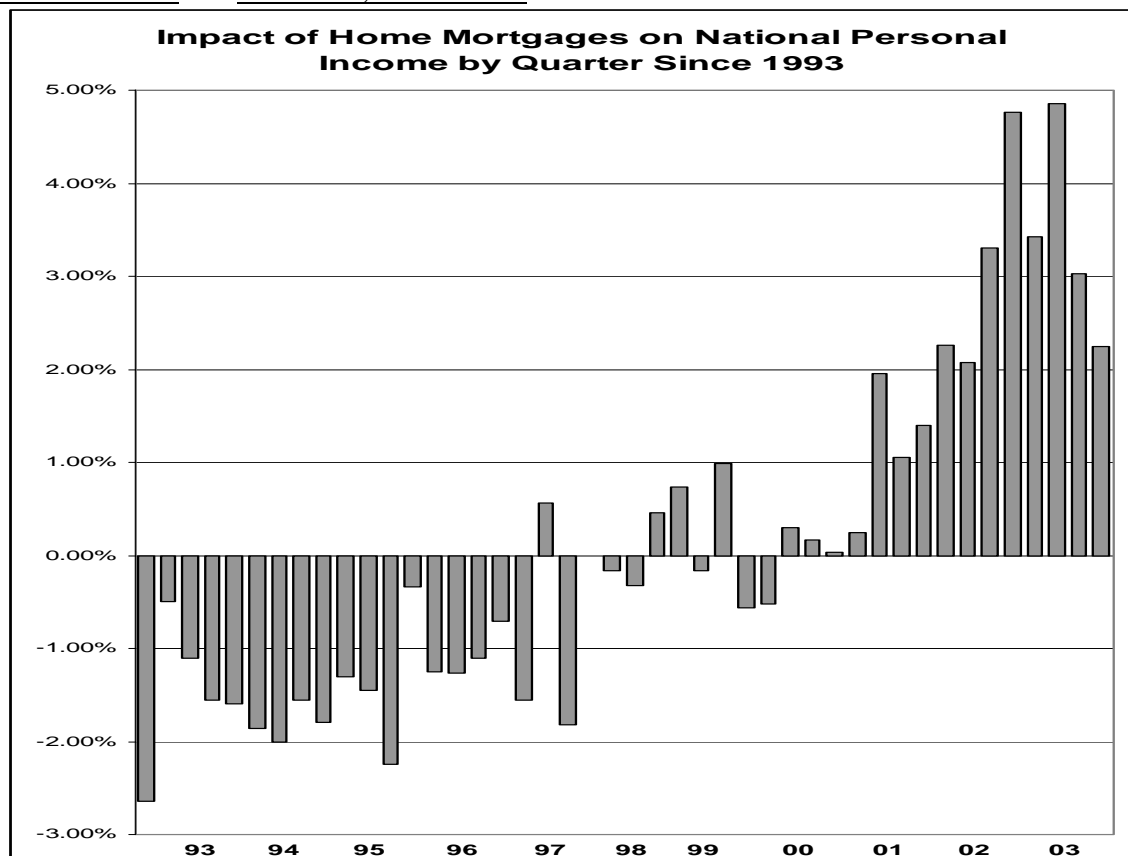
Because rates were the lowest in a generation, virtually all homeowners could refinance their homes and obtain lower interest rates. Not only did most take advantage of that opportunity, most also increased the size of their mortgage.

The flow of funds data from the Federal Reserve indicate that refinancing significantly bolstered personal income and consumption throughout the entire economic downturn.

In a normal year, Americans collectively put about one to two percent of their income into paying down the principal on their mortgages and building equity in their homes. In 2001, their net

transactions with banks and mortgage companies resulted in more money being paid out to homeowners than was being paid on mortgage principal. **This meant that American consumers were not only able to spend the \$100 billion plus they would have normally paid in principal payments but that they were borrowing an additional \$90 billion from banks and mortgage companies to use for various consumer purchases other than housing.**

Even when one considers the size of the U.S. economy-- the magnitude of such a shift from savings to consumption is enormous. In 2001, the year of the recession, it would have meant more than 2.5% increase in consumer purchasing power.



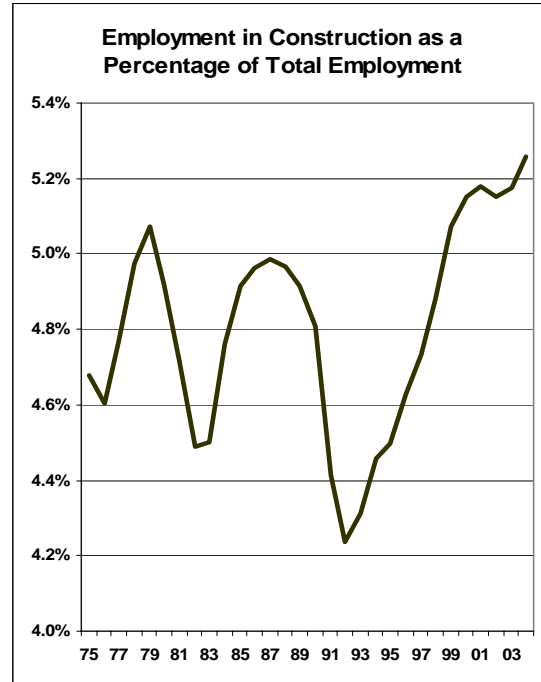
In 2002, the pace of refinancing quickened. Not only did households again fail to make any of the normal payment toward reducing principal owed on homes, **they cashed out an additional \$244 billion-- an amount equal to more than 3% of total personal income.** For an economy that is estimated to have grown by only 2.2% that year, the dominant factor in the overall performance of the economy was clearly mortgage refinancing.

**In 2003, U.S. households cashed out an additional \$277 billion in home equity mortgage borrowing, an amount equaling 3.3% of personal income.**

But interest rates have stopped falling and refinancing and drawing money out of home equity will soon be a thing of the past. Homeowners will have to live with the reality that they are no longer getting cash flow out of their homes and will now have larger mortgages on which to make payments. That will have a dramatic impact on consumer demand relative to the levels we have experienced in 2001, 2002 and 2003.

### **Decline in Interest Rates Sparked a Boom in Home Construction**

Another powerful economic force that is unleashed by falling interest rates is construction and in particular, new home construction. Jobs in construction have been particularly hard hit in most previous downturns. While construction has accounted for about 5% of the workforce over time, it accounted for nearly 19% of the jobs lost during the 1974 recession,



12% of the jobs lost in the 1981 recession and 31% of the jobs lost in the 1991 recession.

By the same token, construction is a major factor in the job creation we have witnessed in most recoveries. In the seven recoveries between 1947 and 1983, construction jobs provided about 10% of all jobs created in the first 12 months of the recovery.

Construction jobs were affected by the 2001 downturn as they have been in most others and we hit the bottom of that downturn in July of 2002 after losing 179,000 jobs or about 2.6% of the jobs in the construction industry.

But unlike other sectors of the U.S. economy, construction staged a recovery in employment that started in August 2002. Since then, we have consistently added new workers to construction payrolls even as overall employment has fallen. By March 2004 we had almost exactly as many

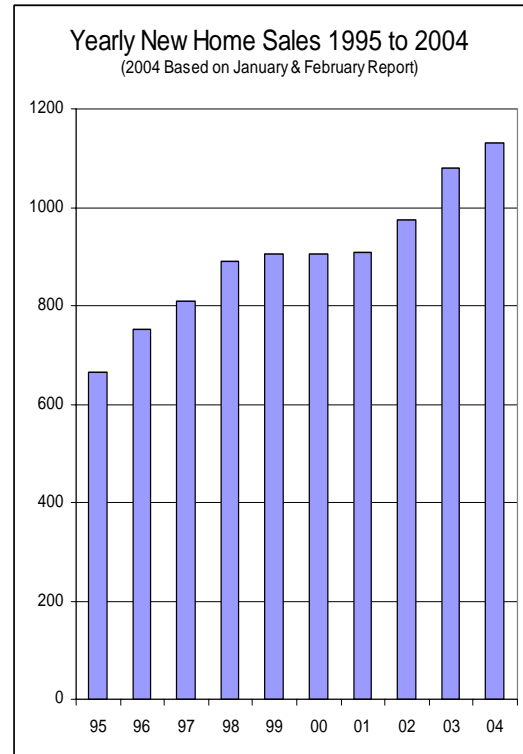
construction workers on payrolls as we had at the beginning of the downturn.

As a percentage of all employed workers, **construction workers now represent 5.3% of the workforce.** That is a huge number considering the productivity gains in the housing industry. It is significantly above the average levels for either the 1990s or the 1980s and rivals the levels of the 1950s when the parents of the baby boom generation were entering the housing market.

This boom is also reflected in new home sales. By August of 2002 the annualized sale of new homes exceeded one million for the first time in history. They remained at or above that level for the remainder of 2002 and a further drop in mortgage rates in early 2003 pushed sales above 1.1 million new homes for the last half of that year. Annualized new home sales stood at 1.17 million in February 2004 and jumped to 1.225 million new homes in March, the highest level in history. This is comparable to the average rate of new home sales and production during the mid 1990s of about 650,000.

### **Construction is a Barometer for Economic Activity in Many Other Sectors**

Construction not only represents a significant portion of the overall workforce but it is an important barometer of activity in other sectors. Homes are built with a variety of



materials and most of them are produced domestically. They include such sectors as timber, logging, sawmill operations, sand and gravel operations, brick manufacture, and pipe manufacture.

Home sales typically require a variety of services including real estate sales, mortgage lending and finance and home insurance. New homes also typically come equipped with a variety of high value added new appliances such as washers and dryers, carpeting, dishwashers, bathroom fixtures, ranges, garage door openers and refrigerators.

The products and services that go into a new home result in a very substantial number of jobs created above and beyond those required for the actual on site assembly and

construction of a home, but they are amalgamated into many other job categories that are less easily traced through economic statistics than construction. In addition, studies indicate that new homebuyers are more likely to buy a wide range of other products to further elevate overall consumer demand.

### **Significant Future Growth of Employment in Construction and Allied Industries is Doubtful**

Creating job growth in the construction sector and in all of those sectors that depend on or benefit from home constructions appears to be a daunting task. First strong productivity increases in housing and other industries mean that the current level of sales and production must increase each year to sustain the current number of workers. Secondly, there are questions as to ultimately how much new home construction the market can absorb—particularly in a period of very modest gains in hourly earnings and family income.

But the most troubling question centers on the direction of interest rates. A clue as to what may lie ahead in the real estate, construction and allied industries is the effect that the employment report for March had on the Treasury markets and mortgage rates. On April 7th Bloomberg News reported:

*“The average 30-year fixed mortgage rate climbed to 5.75 percent from 5.49 percent a week ago. Yields on long-term debt instruments, such as 10-year Treasury notes, jumped after the Labor Department reported the biggest payroll*

*gain in almost four years, encouraging investors to expect higher inflation. The rise in mortgage costs may weigh on refinancing, which helped support consumer spending in the past year.”*

Since then the interest rate on the average 30 year mortgage has moved close to 5.9%. That would increase the annual payments required to buy a \$300,000 home up by about \$1000 a year and push homeownership out of the reach of a significant number of families.

### **How Can the Economy Increase Overall Employment in the Face of Probable Weak Performance in the Housing Industry?**

If the sector that has provided so much strength in past recoveries is weak or even declining, can other sectors offset this performance and produce a net increase in national employment? That is a critical question and it is difficult to find positive answers. Manufacturing could serve as a potential leader but it faces a number of the problems that appear to be undermining the future prospects in construction. First of all, manufacturing has benefited greatly from the boom in home construction and will have to replace any decline in sales of dishwashers, washing machines and so forth that result in a decline in home sales simply to remain even.

Secondly, manufacturing is less sensitive to interest rates than construction but many larger ticket items such as new cars are very much affected by the availability of cheap financing. The move that has already

occurred in interest rates is likely to place noticeable downward pressure on car sales.

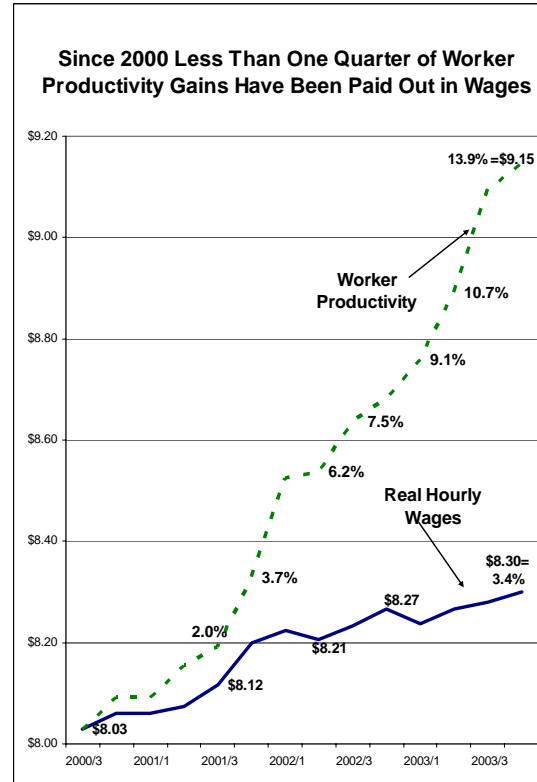
Thirdly, decline in home refinancing will leave consumers less able to buy manufactured goods across the board. A huge portion of the money that came out of home mortgages the last three years went to the purchase of manufactured goods.

Fourthly, export markets might provide some significant opportunity for U.S. manufactures but there is little indication of significant acceleration demand elsewhere in the world.

Fifthly, the remarkable growth in U.S. labor productivity has lead to a steady decline in the manufacturing sector over time. Any increase in employment will depend on demand for manufactured goods exceeding the expected strong future increases in productivity.

**Is a Boom in Capital Investment Likely to Offset the Decline in Consumer Demand?**

It has been hoped that increased capital investments would supplement demand as the consumer's capacity to purchase waned. There has been some evidence of increased capital investment in recent months, but this is a curious proposition for the long term. It requires chief financial officers to commit to expanding their companies capacity in the face of less demand by consumers. In most companies, CFOs are paid to make sure that never happens.



**A Crisis of Demand?**

Ultimately, the U.S. economy seems to be approaching a period in which ordinary families may be unable to sustain the purchasing patterns of the past few years and federal fiscal policy is unable to pick up any share of the slack.

The deteriorating trade balance and all of the issues surrounding outsourcing have combined with rapid productivity growth to diminish total employment in this economy by nearly 1.5% even as families borrowed against their homes and generated significant yearly increases in aggregate consumption. The unprecedented decline in jobs has placed a serious dent in family incomes and those family members who have retained their jobs have

benefited from only a tiny fraction of increased worker productivity.

The nearly 14% increase in productivity since 2000 has generated only a 3.4% increase in the average wage. A recent paper by Andrew Sum and others at the Center for Labor Market Studies at Northeastern University in Boston indicates that during the period between the first quarter of 2002 and the fourth quarter of 2003, **corporate profits accounted for “41% of the change in national income.”** They go on to state, “in no recovery from a post-World War II recession did corporate profits ever account for as much as 20 percent of the growth of national income and at no time did corporate profits increase by a greater amount than labor compensation.”

Finally, it appears that the period of even modest wage growth may be coming to an end. Real average weekly earnings fell in March by 0.7% and had fallen in two of the previous three months. The .24 % increase in employment was offset by a decline in total earning that was more than twice as large. Ordinary households had nearly one half a percent less in earned income even though they had more members in the workforce.

The bonanza in home refinancing has temporarily masked the fact that the

benefits of this recovery have not been recycled back to ordinary consumers. the consumer has single-handedly kept the economy afloat by agreeing to higher and higher levels of mortgage and consumer debt in order to finance his or her purchases. But borrowing can substitute for income only in the short term and it will inevitably be followed by a period of savings necessary to pay down the accumulated debts. That will leave huge problems behind for not only families but for businesses and government as well.

The economic downturn that began during the spring of 2001 is not only unique in its duration and the weakness of its initial recovery but also in the fact that it has apparently not established a firm foundation for sustained future economic growth.

Government policies that have channeled hundreds of billions of dollars into “supply-side” tax breaks to the nation’s investing class have left ordinary households with fewer jobs and little more than the fleeting opportunity to fall deeper into debt. The fact that their national government was also simultaneously falling rapidly into deeper debt has left the nation with two major problems to solve instead of one and with fewer options with which to solve either.

Dr. Christian Weller of the Center for American Progress was enormously helpful in pulling together the data contained in this paper and providing advice and criticism on its content. In particular his expertise on the Federal Flow of Funds data guided the analysis of the impact of home refinancing on household disposable income.

# Notes

- All of the data contained in the graphs involving employment levels (found on the cover and on pages 1-6) come directly from the Current Employment Statistical Series collected by the Bureau of Labor Statistics and can be accessed on line at <http://www.bls.gov/ces/home.htm>
- Data concerning “Stimulus/Drag on U.S. Economy From Federal Budget Policy” used in the preparation of the graphic on page 8 is taken from Table B-78 of the Economic Report of the President. For purposes of this graph the entire yearly change in the level of surplus or deficit is assumed to be either stimulus or drag. While some would argue that only that portion of the change that is not the result of changes in the rate of economic activity should be counted as stimulus or drag, others including large portions of the membership in both houses of the current Congress have argued that the federal budget should be in balance each year. This graphic measures stimulus or drag based on that standard.
- The Fed Funds Interest Rate data contained in the first graphic on page 9 is taken from the weekly federal funds data on the Federal Reserve Board web site located at <http://www.federalreserve.gov/releases/h15/data/ww/fedfund.txt>. The Ten Year Treasury Yield data contain in the second graphic on page 9 is also from the Federal Reserve Board web site located at <http://www.federalreserve.gov/releases/h15/data/wf/tcm10y.txt>. The graphic on page 10 is taken from the same two series.
- The data used in the graphic on page 11 for the dollar amounts resulting from households cashing out their available home equity are calculated based on the seasonally adjusted figures in the Federal Reserve System’s Flow of Funds Accounts of the United States, Table F. 100 Households and Nonprofit Organizations. Following standard methodology, home equity cash-outs are calculated as the difference between new mortgage flows (line 42) and household expenditures for residential real estate (line 13).
- The data tracking employment in construction as a percentage of total employment used in the graphic contained on page 12 comes from the Current Employment Statistics of the U.S. Bureau of Labor Statistics and can be found at <http://www.bls.gov/ces/home.htm>.
- New home sales data used in the graphic on page 13 comes from the New Residential Sales data collect by the U.S. Census Bureau and is take from the Monthly Press Releases of the Bureau which can be found at: <http://www.census.gov/const/newressales.pdf>
- The productivity and average hourly wage data used in the graphic on page 15 come from the Labor Productivity data series of the Bureau of Labor Statistics available at <http://www.bls.gov/bls/productivity.htm> and the Average Hourly Wage Series of the U.S. Bureau of Labor Statistics.