

State of the Economy

Congress Is Working For Bipartisan Progress on a Stimulus Package that will Deliver a Recovery Rebate to more than 100 Million Americans

- We need urgent bipartisan action to get our economy moving. We are working in a bipartisan way to provide a timely, targeted, and temporary stimulus to the slowing economy, and urgent relief to American families.
 - More than 100 million Americans will get a recovery rebate
 - 39 million families will benefit from a \$300 increase in the child tax credit
 - Millions of Americans will get tools to avoid losing their homes
 - Small businesses will get tax cuts to spur investment and job creation

The American Economy is in Peril and Americans are Feeling the Impact

- **First job losses in four years.** The December unemployment rate shot up to a two-year high of 5 percent with 900,000 more Americans looking for work in December 2007 than in December 2006.
- **Long-term unemployment twice that during 2001 recession.** In November, nearly 1.4 million people -- almost one in five of those unemployed -- had been jobless for at least 27 weeks. That is about twice the level of long-term unemployment before the 2001 recession, and long-term unemployment is growing most rapidly among white-collar and college-educated workers with long work experience.
- **Family income is down.** Since 2001, the real income of a typical working age family has fallen by \$2,500 and workers' wages failed to keep up with inflation for the fourth time in the past five years in 2007.
- **December sales and consumer confidence are at a five-year low.** Retailers suffered their worst December shopping season in five years and consumer confidence fell in January to its lowest point on record dating back to 2002.
- **Skyrocketing energy prices.** Gas prices are over \$3.00 a gallon -- more than double in 2001-- with new price projections of \$3.50 a gallon price this spring. This winter's heating oil cost may climb to more than \$2,000 per family -- more than three times 2001 costs.
- **Rising health care costs.** Since 2001, families' share of their employer-sponsored health care premiums have climbed \$1,500, with a record 47 million Americans without health insurance. In 2006 health care spending climbed nearly 7 percent -- twice the rate of inflation -- up to about \$7,000 per person.
- **2007 consumer prices up by the largest amount in 17 years.** The price of bread rose 7.4 percent last year, almost twice the rate of inflation. The price of eggs rose 29 percent in 2007, while the price of fresh whole milk was up 13 percent.
- **American families are falling behind on their bills.** American Express has warned of rising delinquencies and slowing spending among its cardholders; AT&T and Capital One are seeing more unpaid bills; and Citigroup has set aside \$4 billion to cover anticipated losses on loans to American consumers.
- **Mortgage foreclosures jump and home values drop.** As many as 2 million Americans will see their mortgage rates increase in the next two years, with many of them losing their homes as a result of bad lending practices. This fall, home foreclosures have shot up to an all-time high, while the median home

price dropped in 2007-- the first time in four decades. December housing starts dropped to their lowest level in 16 years and construction of new homes in 2007 was down by 25 percent the largest amount in 27 years.

- ***Stock Market is down nearly 10 percent since the beginning of the year*** — logging its worst first 14 trading days of the year ever. The Dow Jones is at its lowest close in more than 15 months.
- ***African American families feel the pain.*** Unemployment for African Americans has climbed from 8 percent this fall to 9 percent in December, with 1.6 million actively looking for work. In 2006, African American and Hispanics were two times more likely to get high-cost subprime loans as whites after adjusting for loan amounts and income of borrowers. African-Americans are projected to lose up to \$93 billion from subprime loans taken during the past eight years.
- ***Hispanic families suffering greatly in economic downturn.*** Unemployment has climbed from 5.6 percent in October to 6.3 percent in December, with 1.4 million actively looking for work. In 2006, Hispanics were two times more likely to get high-cost subprime loans as whites after adjusting for loan amounts and income of borrowers. Hispanic homeowners are projected to will lose up to \$98 billion from subprime loans taken during the past eight years.

Broad Range of Economists Agree on the Urgent Need for Action on Weakening Economy

“We are looking at things that could be done quickly...Time is of the essence...There are signs [the economy] is slowing down fairly rapidly...If something were to be done here, I think the focus would be on something that's temporary and that could get done and make a difference soon.” Treasury Secretary Henry Paulson, Jr. [[Bloomberg, 1/12/08](#)]

"We are forecasting slow growth. But as I mentioned today, there are downside risks and therefore it's very important for us to stand ready . . . to take substantive action to address those risks and provide some insurance against those negative outcomes." Federal Reserve Chairman Ben Bernanke [Washington Post, 1/11/08]

“All of these things that are taking place -- credit markets, energy prices, housing -- are hitting consumers right now...We're in the teeth of the storm.” -- Bruce Kasman, chief economist at J.P. Morgan [[Wall Street Journal, 1/12/08](#)]

“The question is not whether we will have a recession, but how deep and prolonged it will be.” David Rosenberg, chief North American economist at Merrill Lynch [[New York Times, 1/13/08](#)]

“We’re facing the risk of a systemic financial crisis...It’s not just subprime mortgages. The same kind of reckless lending has been occurring throughout the financial system. And it’s not only mortgages: Now it’s credit cards and auto loans, where we see problems increasing. The toxic junk is popping up everywhere.” Nouriel Roubini, an economist at the NYU’s Stern School of Business [[New York Times, 1/13/08](#)]

“We are now talking about more likely than not [for a recession]...I have been saying about 50 percent. This now pushes it up a bit above that.” Martin Feldstein, Harvard University economist and former Chief Economic Advisor to President Reagan [[1/7/08](#)]

“The economy is on the edge of recession, if we’re not already engulfed in one.” Mark Zandi, chief economist of Moody’s Economy.com [[1/5/08](#)]