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111TH CONGRESS
1st Session

SENATE

REPORT
111–1

THE 2008 JOINT ECONOMIC REPORT

REPORT

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ON THE

2008 ECONOMIC REPORT
OF THE PRESIDENT

TOGETHER WITH

MINORITY VIEWS

JANUARY 9, 2009.—Ordered to be printed

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LETTER OF TRANSMITTAL

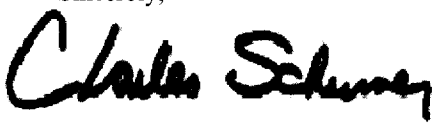
December 31, 2008

HON. HARRY REID
Majority Leader, U.S. Senate
Washington, DC

DEAR MR. LEADER:

Pursuant to the requirements of the Employment Act of 1946, as amended, I hereby transmit the 2008 Joint Economic Report. The analyses and conclusions of this Report are to assist the several Committees of the Congress and its Members as they deal with economic issues and legislation pertaining thereto.

Sincerely,



CHARLES E. SCHUMER
Chairman

Table of Contents

Overview of Current Economic Conditions..... 1
Majority Staff Reports..... 28
Worsening Economic Conditions Will Increase Demand for the State Children's Health Insurance Program and Medicaid..... 29
High Oil Prices Have Significant Effects on Consumers and the U.S. Economy..... 39
Paid Family Leave at Fortune 100 Companies: A Basic Standard but Still Not the Gold Standard..... 45
A Good Job Is Hard To Find: Evidence for Extending Unemployment Insurance Benefits Already Exists..... 75
Coast To Coast, Home Prices Are Down and Families Have Lost Wealth From 2007-2009..... 88
Impact of Subprime Foreclosures on Home Equity, Property Values, and Property Taxes..... 90
Extending the Bush Tax Cuts is the Wrong Way to Stimulate the Economy..... 92
Your Flight Has Been Delayed Again: Flight Delays Cost Passengers, Airlines, and the U.S. Economy Billions... 101
Equality in Job Loss: Women Are Increasingly Vulnerable to Layoffs During Recessions..... 146
African American Families Are Being Squeezed..... 157
Hispanic Families Are Being Squeezed..... 159
Young Workers And Their Families Are Being Squeezed 161
Families Near Retirement Are Being Squeezed..... 163
Women and Their Families Are Being Squeezed..... 165
Income In America: Household Income Up Slightly in 2007, but Down Since 2000 Highlights from the Census Bureau's Update on Household Income in the United States..... 167
Health Insurance In America: Number of Uninsured Americans is 7.2 Million Higher Than When President Bush Took Office Highlights from the Census Bureau's Update on U.S. Health Insurance Coverage..... 173
Poverty in America: One in Eight Americans Living in Poverty Highlights from the Federal Government's Update on Poverty in the United States..... 178
From Wall Street To Main Street: How The Credit Crisis Affects You..... 184
State By State Economic Snapshots..... 193
Minority Views of Representative Jim Saxton and Senator Sam Brownback 353
Minority Staff Reports..... 401

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1st Session } { 111–1

THE 2008 JOINT ECONOMIC COMMITTEE REPORT

JANUARY 9, 2009.—Ordered to be printed

MR. SCHUMER, from the Joint Economic Committee, submitted the following

REPORT

together with

MINORITY VIEWS

Report of the Joint Economic Committee on the 2008 Economic Report of the President

JEC Annual Report 2008

In the 2008 Economic Report of the President (ERP), the Council of Economic Advisers took a sanguine view of the U.S. economy and its near-term prospects. Although defaults on subprime and Alt-A mortgages were inflicting losses on any firm with exposure to them, and although the Federal Reserve was taking extraordinary measures to preserve financial stability, the Council expressed a belief that financial markets would fix themselves:

> "Participants in the credit and housing markets are actively addressing challenges that were revealed during the summer of 2007. Markets are generally better suited than government to adapting to changes in the economic environment; markets can respond quickly to new information, while government policy often reacts with a lag or has a delayed impact." [1]

[1] Economic Report of the President, February 2008, 19.

The ERP also forecast continued expansion for the real economy during 2008-2009, noting that:

> "[t]he Administration's forecast calls for economic expansion to continue in 2008, but at a slower pace. Slower growth is anticipated for the first half of the year, and the average employment rate for 2008 is projected to move up from the 2007 level. In 2009 and 2010, real GDP growth is projected to grow at 3 percent, while the unemployment rate is projected to remain stable and below 5 percent." [2]

The views expressed in the ERP have, unfortunately, turned out to be spectacularly wrong. Financial markets have not repaired themselves. Instead, the financial crisis has expanded, important financial institutions have failed, and credit markets remain severely disrupted.
The real economy is also in grave difficulty. The current recession, which the National Bureau of Economic Research (NBER) dates from December 2007, has caused massive job loss and real GDP is contracting. There are strong indications that this downturn could be the worst in the post World War II period.

Under these circumstances, strong fiscal stimulus measures, together with continued efforts to preserve financial market stability, are clearly necessary. Market economies are easily capable of producing sustained episodes of high unemployment and feeble real output. Avoiding the economic losses and human costs of such a sustained downturn is clearly the first order of business for the federal government.

- **The collapse of housing and credit market bubbles in 2007 has produced the most significant financial crisis since the Great Depression.**

Beginning in 1998, house prices began a sustained and rapid increase that did not end until mid-2006. The real price of houses increased by about 7 percent annually during this period. If sustained, this rate of increase would have caused the real price of houses to double approximately every 10 years. With median real household income stagnant and ultimately declining after 2001, this rate of price increase was clearly unsustainable. Had it continued, most households would have been unable to purchase a house.

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[2] Ibid, 18.

Asset bubbles, unfortunately, can produce large economic distortions in the real economy. The house price bubble enabled mortgage lenders to rapidly expand the origination of subprim e and Alt-A mortgages. Large volumes of these mortgage loans were made to households that could sustain them only if they experienced quick capital gains from price increases, and used their increased equity to refinance. This speculative and often predatory process resulted in over $4 trillion in subprime and Alt-A mortgage originations between 2001 and 2007.[3]

The house price bubble began to deflate in mid-2006, which meant that defaults on outstanding subprime and Alt-A loans were bound to rise. From that point on, anyone holding whole or securitized subprime and Alt-A mortgages, derivatives based on those mortgages, or obligations to cover losses on those assets, was destined to experience substantial losses. The size and scope of the economic and financial problems were not immediately recognized. It was not until mid-2007, when credit rating agencies began to downgrade securities backed by subprime mortgages, that there was general admission that serious problems were on the way.

Since mid- 2007, ongoing declines in house prices, together with a weakening real economy, have caused rising defaults on subprime and Alt-A mortgages (see Figure 1). For those financial institutions with significant exposure to subprime assets, the results have been disastrous. The losses that the financial institutions have taken produced liquidity and solvency crises. Some very large institutions have failed, and others have been rescued by federal authorities because their failure was thought to threaten the stability of the financial system.

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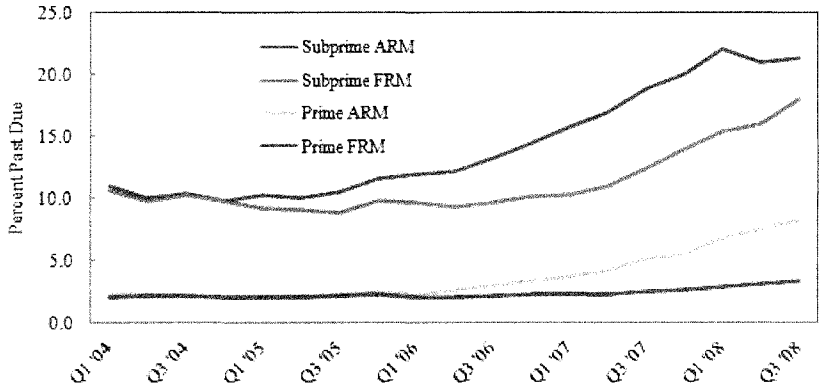
[3] See Joint Economic Committee, The Subprime Lending Crisis: The Economic Impact on Wealth, Property Values, and Tax Revenues and How We Got There, available at http://jec.senate.gov/index cfm?FuseAction=Reports.Reports&ContentRecord_id=c6627bb2-7e9c-9af9-7ac7-32b94d398d27&Region_id=&Issue_id=

Figure 1. Delinquency Rates for Prime and Subprime Mortgages
Total Past Due, Seasonally Adjusted

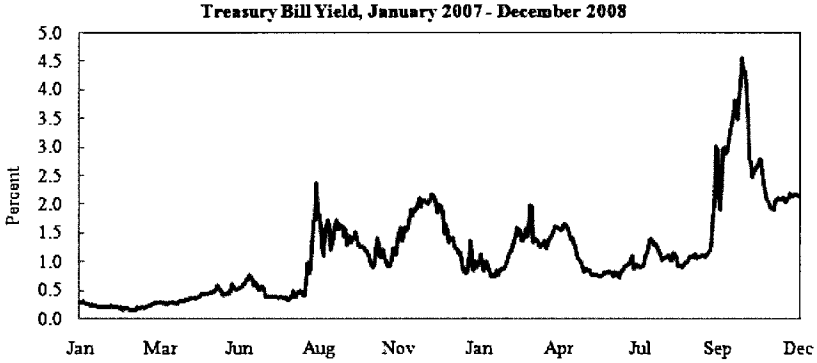


Source: Mortgage Bankers Association.

Commercial banks were among the first institutions to feel the effects of subprime losses. Banks had provided guarantees for off balance sheet conduits and structured investment vehicles (SIVs) that contained subprime securities and derivatives. Banks also held subprime mortgages, securities and derivatives on their balance sheets. Banks with large concentrations of these assets were forced to write down assets and raise additional capital.

The effect of these losses, and uncertainty about where future losses were concentrated, caused disruptions to financial markets. The interbank lending market, in which banks make unsecured term loans to each other, was severely affected. The spread between the Treasury rate and the dollar London Interbank Offer Rate – the so-called "TED spread" -- increased dramatically as bank losses were first recognized. It has yet to recover to normal levels, indicating a continuing unwillingness of banks to extend credit to each other (see Figure 2).

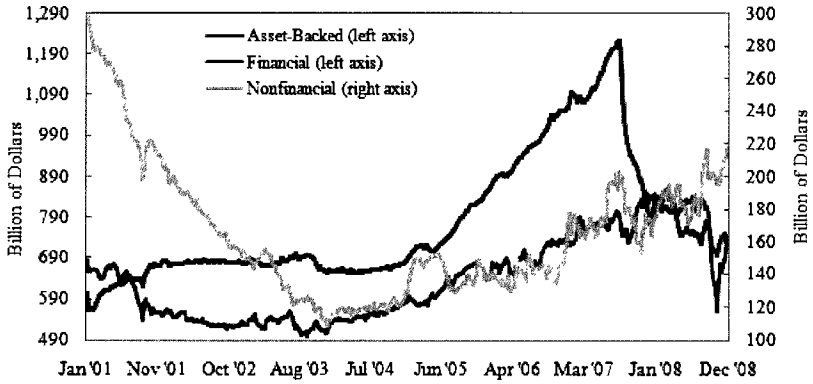
Figure 2. The TED Spread
Difference Betweeen 3-Month London Interbank Borrowing Rate (LIBOR) and 3-Month Treasury Bill Yield, January 2007 - December 2008



Sources: JEC Majority Staff Calculations based on data from the U.S. Department of the Treasury and the Financial Times.

Because conduits and SIVs were exposed to subprime losses, investors developed an aversion to the asset backed commercial paper (ABCP) issued by these entities, and that aversion spread to other issuers of ABCP as well. From its peak value in July 2007 the amount of ABCP outstanding fell by about a third, and has yet to recover (see Figure 3). This and subsequent events initiated a long term increase in investor risk aversion, reflected in a steady decline in the interest rate on short term Treasury debt. The rate of interest on three month Treasury bills has declined consistently since mid-2007, and is now near zero (see Figure 4).

Figure 3. Commercial Paper Outstanding, by Type of Originator
Weekly Amount Outstanding, January 2001 – Present



Source: Federal Reserve Board.

Figure 4. Three-Month Treasury Bill Yield
January 2007 - December 2008

Sources: JEC Majority Staff Calculations based on data from the U.S. Department of the Treasury and the Financial Times.

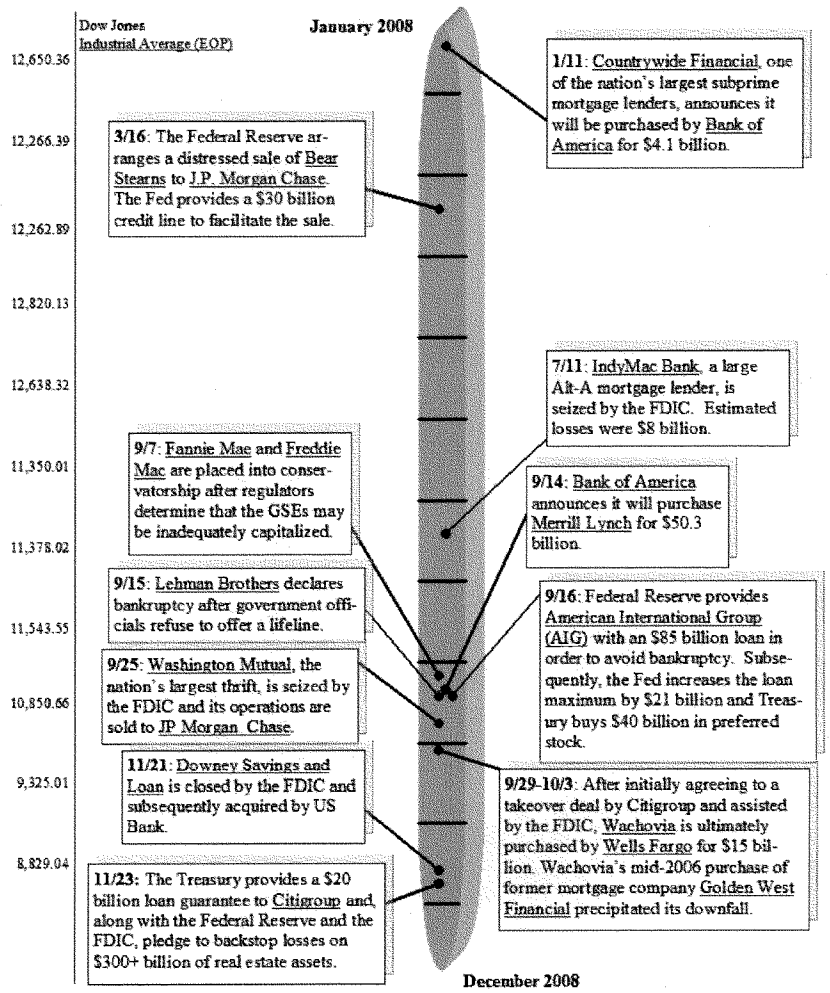
Beginning in early 2008, major financial institutions began to fail as losses from subprime assets rendered them insolvent or illiquid (see Figure 5). In January Countrywide, a California-based thrift with assets of more than $200 billion and a major originator of subprime mortgages nationwide, avoided failure when it was acquired by Bank of America. In March the investment bank Bear Stearns, with large exposures to subprime and Alt-A assets on its books, lost access to the short term financing necessary to run its business. The Federal Reserve, concerned about the effects of a failure on derivatives and debt markets, arranged for JPMorgan Chase to acquire Bear. As part of the process, the Fed provided $30 billion in term financing to JPMorgan, secured by Bear assets with a nominal value of $30 billion. JPMorgan will bear the first $1 billion in losses from this portfolio and the Fed will realize any gains. JPMorgan's unwillingness to shoulder the risk of this portfolio suggests that Bear was insolvent.[4]

Fannie Mae and Freddie Mac, the two government-sponsored enterprises (GSEs) that play a major role in mortgage markets, were the next to fail. The principal role of these two firms is to securitize and guarantee mortgages that meet reasonable underwriting standards and are within size limits set by their federal regulator, the Federal Housing

[4] U.S. Treasury, Report Pursuant to Section 129 of the Emergency Economic Stabilization Act of 2008: Loan to Facilitate the Acquisition of The Bear Stearns Companies, Inc. by JPMorgan Chase & Co

and Finance Authority (FHFA). Once the financial crisis began, investors virtually ceased buying mortgage backed securities without GSE guarantees. This made the two GSEs crucial to the continued functioning of mortgage markets.

Figure 5. Timeline of Major Financial Failures and Takeovers



The GSEs -- which are publicly traded, for-profit firms -- had unfortunately acquired substantial portfolios of Alt-A and subprime loans and securities in an effort to increase earnings (see Figure 6). As the value of these portfolios declined, investors began to suspect that the GSEs

were insolvent. This led to a precipitous decline in stock market valuations, and difficulty in funding GSE debt (see Figure 7). In September, federal regulators concluded that they were insolvent and both were placed into conservatorship. The Treasury injected capital by purchasing preferred stock, and additional contingent support has been approved by Congress.

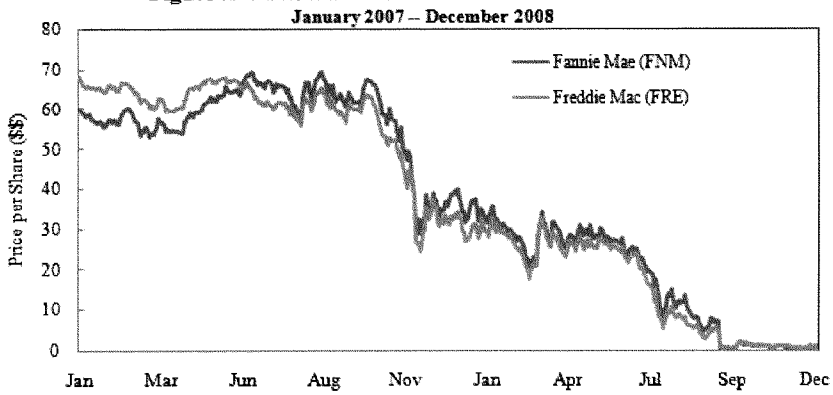
Figure 6. Alt-A Mortgage Exposure at the GSEs

GSE & Vintage	Unpaid Balance (billion $$)	Share of Portfolio (Percent)
Fannie Mae (FNM)	**298.9**	**11.1**
2008	6.6	2.2
2007	76.9	25.7
2006	84.5	28.3
2005	56.3	18.8
2004 or earlier	74.6	25.0
Freddie Mac (FRE)	**190**	**10.3**
2007	60	17.0
2006	55	19.0
2005 or earlier	75	6.0

Note: Percent shares in vintage years represent share of credit book of business for that specific year.

Sources: Fannie Mae and Freddie Mac.

Figure 7. Stock Prices of Fannie Mae and Freddie Mac
January 2007 – December 2008



Source: Google Finance.

The September failure of Lehman Brothers, a large investment bank, delivered a significant shock to several financial markets. The decision by the Federal Reserve and the Treasury not to execute a rescue meant huge losses for Lehman's debt holders. This changed the risk calculations for creditors of other financial institutions, and made it more difficult and expensive to borrow. The sharp jump in the TED spread in September reflects this change.

In addition, Lehman's default on its debt caused a run on prime money market mutual funds. These mutual funds typically invest in commercial paper. When Lehman defaulted, the Reserve Prime Fund experienced significant losses and suspended redemptions. This caused investors to withdraw $500 billion from other prime funds in a short period of time. The Treasury was forced to provide guarantees for money market fund assets to prevent additional runs, which would have caused distressed assets by the funds. As a consequence of the Lehman-related losses, money market funds and other investors became reluctant to buy commercial paper. In November, the Federal Reserve created a Commercial Paper Funding Facility, to purchase commercial paper directly from corporate issuers, in order to support the functioning of this market.

One day after the Lehman collapse, the Federal Reserve effectively nationalized the insurer AIG. AIG had written credit default swaps (CDS) on more the $300 billion in collateralized debt obligations (CDOs) backed by subprime assets. As the declining value of subprime assets reduced the values of these CDOs, AIG was forced to post more collateral on the CDS it had written. AIG also held a large portfolio of subprime mortgage-backed securities that were also declining in value. The collateral calls and losses made AIG insolvent. The Treasury felt that a default would have disrupted many important money markets. For example, many banks had purchased CDS from AIG, so AIG's failure would have increased their exposure to loss. To prevent these disruptions, the Federal Reserve first provided $85 billion, in exchange for 79.9 percent of the company's equity. Subsequently the loan terms were changed, and the loan value was increased by $26 billion. The Treasury also provided AIG with $40 billion in financing by purchasing preferred stock.

In September, the FDIC seized Washington Mutual, the nation's largest thrift with $300 billion in assets, and sold its operations to JPMorgan Chase. The demise of Washington Mutual was a consequence of

losses on large holdings of Alt-A mortgages. The failure of Washington Mutual was preceded by the FDIC seizure of Indymac, and followed by the FDIC-assisted purchase of Wachovia by Wells Fargo, and the seizure of Downey Savings and Loans. These failures occurred because, as part of their mortgage lending business, the banks held large volumes of subprime or Alt-A assets on their books.

In November, the Treasury and the Federal Reserve intervened to help Citigroup, one of the largest financial institutions in the U.S. As of the third quarter of 2008, Citigroup had assets of about $2 trillion, about $750 billion of outstanding loans, about $277 billion in domestic deposits, and about $500 billion in foreign deposits. The firm also has significant borrowings in the form of commercial paper and long term debt outstanding. Citigroup has taken extensive asset write-downs because of subprime losses, and it was threatened with debt-holder and depositor runs because of concerns that it was insolvent. To restore confidence in Citigroup, the Treasury acquired $20 billion in Citigroup preferred stock (which was in addition to the $25 billion dollar purchase it had already made using TARP funds). Treasury and the FDIC agreed to share losses on a pool of $306 billion in primarily mortgage-related assets held by Citigroup, with government exposure capped at $15 billion. The Federal Reserve has authorized additional funding if this loss limit is exceeded.[5]

As a consequence of these large-scale failures, there is a continuing crisis in credit markets. The Federal Reserve has taken extraordinary steps to maintain the operation of these markets. The Federal Reserve now makes secured term loans to banks, extends secured overnight loans to primary dealers, provides dealers with term loans of Treasury securities, provides support for purchases of assets held by money market funds, funds bank purchases of asset backed commercial paper held by money market funds, and buys commercial paper (see Figure 8). As a result, Federal Reserve assets expanded from $902 billion on August 8, 2007 to $2.3 trillion on December 17, 2008.[6] The Federal Reserve is now contemplating the purchase of other assets, such as mortgage backed securities issued by the GSEs and longer dated Treasury securities.

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[5] U.S. Treasury, Report Pursuant to Section 129 of the Emergency Economic Stabilization Act of 2008 Authorization to Provide Residual Financing to Citigroup, Inc. For a Designated Asset Pool.

[6] Board of Governors of the Federal Reserve System, Statistical Release H.4.1.

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
August 7, 2007	Federal Reserve	Term Discount Window Program		The Fed begins providing depository institutions with term financing at its discount window. Previously loans were only made overnight.
December 12, 2007	Federal Reserve	Term Auction Facility	$415 billion ($900 billion)	The Fed begins the auction of term funding to depository institutions.
February 13, 2008	Legislation	Economic Stimulus Package of 2008	$168 billion	Provides for tax rebates to low- and middle-income taxpayers as well as tax incentives to stimulate business investment.
March 11,	Federal	Term Securities Lending	$190.2 billion	The Fed announces a

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
2008	Reserve	Facility	($250 billion)	rescue package to provide up to $200 billion in loans to banks and investment houses and let them put up risky mortgage-backed securities as collateral.
March 16, 2008	Federal Reserve	Net Portfolio Maiden Lane LLC	$26.9 billion ($28.8 billion)	The Fed provides a $29 billion loan to JPMorgan Chase & Co. as part of its purchase of investment bank Bear Stearns.
March 16, 2008	Federal Reserve	Primary Dealer Credit Facility	$92.6 billion	An overnight loan facility to provide overnight funding to primary dealers

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
				(firms that trade directly with the Fed).
July 11, 2008	FDIC			IndyMac Bank placed in conservatorship by the FDIC.
July 30, 2008	Legislation	Hope for Homeowners	$300 billion	President Bush signs a housing bill including $300 billion in new loan authority for the government to back cheaper mortgages for troubled homeowners.
September 7, 2008	U.S. Treasury Department	Fannie Mae / Freddie Mac Conservatorship	($200 billion)	The Treasury takes over mortgage giants Fannie Mae and Freddie Mac, putting them into a conservator-

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
				ship and pledging up to $200 billion to back their assets.
September 16, 2008	Federal Reserve	Credit Extension		The Fed injects $85 billion into American International Group, one of the world's largest insurance companies.
September 16, 2008	Federal Reserve			The Fed pumps $70 billion more into the nation's financial system to help ease credit stresses.
September 19, 2008	U.S. Treasury Department	Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity	$61.9 billion	The Treasury temporarily guarantees money market funds against losses up to

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
		Facility		$50 billion.
September 21, 2008	Federal Reserve	Transitional Credit Extensions		The Fed authorizes overnight extensions of credit to broker-dealer subsidiaries of investment banks as they transition to becoming subsidiaries of bank holding companies.
October 3, 2008	Legislation	Emergency Economic Stabilization Act of 2008	$350 billion ($700 billion)	President Bush signs the $700 billion economic bailout package. Treasury Secretary Henry Paulson says the money will be used to buy distressed mortgage-

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
				related securities from banks.
October 6, 2008	Federal Reserve	Term Auction Facility		The Fed increases a short-term loan program, saying it is boosting short-term lending to banks to $150 billion.
October 7, 2008	Federal Reserve	Commercial Paper Funding Facility LLC	$270.9 billion ($1.8 trillion)	The Fed says it will start buying unsecured short-term debt from companies, and says that up to $1.8 trillion of the debt may qualify for the program.
October 8, 2008	Federal Reserve	Credit Extension		The Fed agrees to lend AIG $37.8 billion more, bringing total to

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
				about $123 billion.
October 14, 2008	U.S. Treasury Department	TARP- Capital Purchase Program		The Treasury says it will use $250 billion of the $700 billion bailout to inject capital into the banks, with $125 billion provided to nine of the largest.
October 14, 2008	FDIC	FDIC Liquidity Guarantee	($1.4 trillion)	The FDIC says it will temporarily guarantee up to a total of $1.4 trillion in loans between banks.
October 21, 2008	Federal Reserve	Money Market Investment Funding Facility	($540 billion)	The Fed says it will provide up to $540 billion in financing to provide liquidity for money mar-

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
				ket mutual funds.
November 10, 2008	Federal Reserve / U.S. Treasury Department			The Treasury and Fed replace the two loans provided to AIG with a $150 billion aid package that includes an infusion of $40 billion from the government's bailout fund.
November 12, 2008	U.S. Treasury Department	TARP- Capital Purchase Program		Secretary Paulson says the government will not buy distressed mortgage-related assets, but instead will concentrate on injecting capital into banks.

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
November 17, 2008	U.S. Treasury Department	TARP- Capital Purchase Program		Treasury says it has provided $33.6 billion in capital to another 21 banks. So far, the government has invested $158.6 billion in 30 banks.
November 23, 2008	U.S. Treasury Department	Loan Guarantee to Citigroup	$249.3 billion	The Treasury says it will invest $20 billion in Citigroup Inc., on top of $25 billion provided Oct. 14. The Treasury, Fed and FDIC also pledge to backstop large losses Citigroup might absorb on $306 billion in real

Figure 8. Timeline of Economic Stabilization Actions

Date of Announcement	Department	Program	Cost (max. exposure)	Description
				estate-related assets.
November 25, 2008	Federal Reserve	Term Asset Backed Securities Loan Facility	($200 billion)	The Fed says it will purchase up to $600 billion more in mortgage-related assets and will lend up to $200 billion to the holders of securities backed by various types of consumer loans.
December 2, 2008	Federal Reserve	PDCF AMLF TSLF		Extension of programs to April 30, 2009
December 16, 2008	Federal Reserve	Federal Funds Target Rate		Federal Open Market Committee unanimously votes to reduce the target federal funds rate to a range of 0 to 0.25%.

Figure 8. Timeline of Economic Stabilization Actions				
Date of Announcement	**Department**	**Program**	**Cost (max. exposure)**	**Description**
				This is a reduction of 0.75 to 1.00 basis points from the previous target rate of 1.00 % (10/29/2008) . This is also the lowest target rate in the Fed's history.

To help the Treasury and the Federal Reserve in their efforts to preserve financial stability, Congress created the Troubled Asset Relief Program (TARP). TARP provided the Treasury with $700 billion and broad authority to purchase assets from financial institutions, and provide relief to households in danger of defaulting on their mortgages. To date, the Treasury has spent $350 billion in TARP funds, much of it in the form of preferred stock purchases from commercial banks (see Figure 8). Congressional and Government Accountability Office reviews of the Treasury's use of TARP funds have pointed out that the Treasury has not yet produced a well-articulated strategy for the use of TARP funds, or measures for program effectiveness.[7]

[7] Congressional Oversight Panel for Economic Stabilization (2008) Questions about the $700 Billion Emergency Economic Stabilization Funds, December 10, U.S. Government Accountability Office (2008). Troubled Asset Relief Program· Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency, December 2008, GAO-09-161

Despite these efforts, the interest rate paid on short term Treasury securities remain near zero, credit spreads above Treasury interest rates remain elevated, commercial banks remain reluctant to lend, and the atmosphere of crisis persists in financial markets.

The breakdown in credit provision is producing a negative effect on the real economy. When households and businesses cannot borrow, they must postpone or forego some of their spending. The reduction in demand reduces output and employment. Moreover, as the incomes of households and firms are reduced, default rates on existing debt rise, and potential borrowers become less creditworthy. This causes financial firms to tighten lending even more. Unless this negative feedback between the real and financial sectors – sometimes called the "financial accelerator" – can be interrupted, it threatens to intensify the course of the recession that began in December 2007.[8]

- **The real economy entered a recession in December 2007, and the downturn may be more severe than any seen in the post-World War II period.**

The NBER announced on December 1st that the economy entered a recession in December 2007, which means that the current downturn is already longer than the last two recessions. Only two post-WWII recessions, the 1973-75 and 1981-82 recessions, were longer than 12 months. When dating business cycles, the NBER looks at changes in: (1) personal income less transfer payments in real terms; (2) employment; (3) industrial production; and (4) wholesale and retail sales, adjusted for price changes. The NBER also looks at estimates of real GDP. In this recession, the NBER noted that real GDP, which showed increases in the first half of 2008, did not accurately reflect economic activity due to a statistical discrepancy between reported production and reported income.

As shown in Figure 9, real personal income less transfer payments reached its peak in the fourth quarter of 2007 and has been declining through 2008. Given the large declines in employment experienced in October and November of 2008, real personal income less transfers is expected to be negative in the fourth quarter of 2008 as well.

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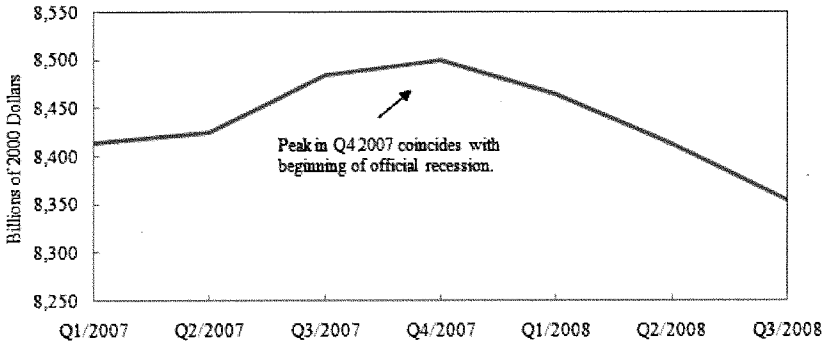
[8] Ben S. Bernanke (2007). The Financial Accelerator and the Credit Channel, June 15. http //www federalreserve gov/newsevents/speech/Bernanke20070615a htm

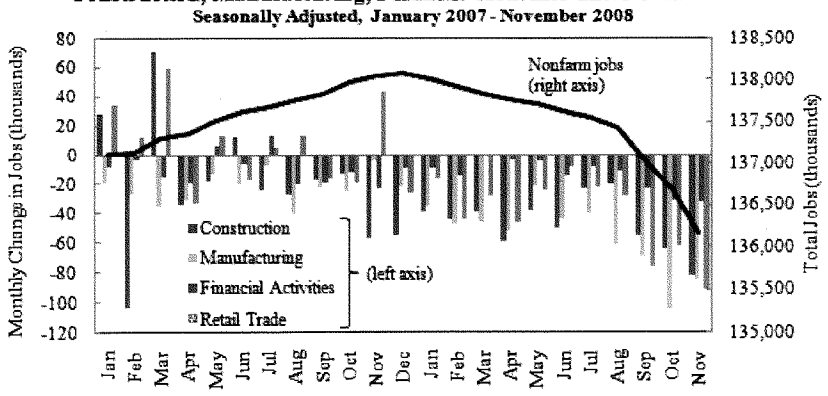
Figure 9. Real Personal Income Less Transfer Payments
Chained 2000 Dollars, Q1 2007 - Q3 2008



Source: U.S. Department of Commerce

In addition to declines in economic output, the NBER relied on the decline in payroll employment from its December 2007 peak in dating this recession. Furthermore, exports are no longer a bright spot in the 2008 U.S. economy as the global economic slowdown, exasperated by the financial crisis, and strengthened U.S. dollar decreased the demand for U.S. exports. The downward trends in employment and earnings are expected to continue into 2009, with the U.S. economy shedding even more jobs. The economy has already lost a net of close to 2 million jobs, with job losses starting in the construction and financial industries, and spreading to the manufacturing and retail sectors of the economy (see Figure 10).

Figure 10. Total Nonfarm Payrolls Decline with Losses Concentrated in Construction, Manufacturing, Financial Activities and Retail Sectors
Seasonally Adjusted, January 2007 - November 2008



Source: U.S. Department of Labor

Even those with a job are not working as much as they would like. Hours worked fell to 33.5 hours per week in November 2008, the lowest on record. There are 2.8 million more people working part-time than a year ago because they cannot find a full-time job. In November, the share of the population with a job fell to 61.4 percent, the lowest level in fifteen years.

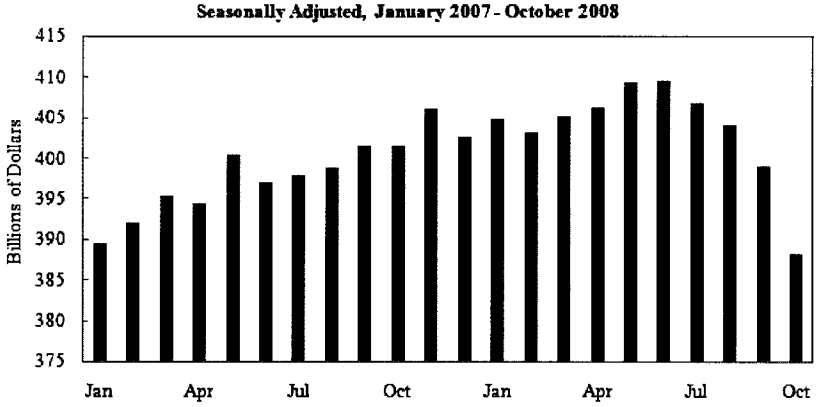
The unemployment rate is now 6.7 percent, almost two percentage points higher than a year ago. Male unemployment was 7.2 percent in November 2008 and female unemployment was 6.0 percent (women who maintain families show 9.3 percent unemployment). In November, over 10.3 million people were unemployed, and nearly 6.1 million of those (58.4 percent) lost their jobs involuntarily. There are over 3.1 million more unemployed workers than there were a year ago. And these numbers underestimate the number of unemployed people. There are 608,000 workers who are out of the labor force because they are discouraged (these are not counted in the unemployment rate) – 259,000 more workers than a year ago. Analysts are predicting that unemployment rates will continue to rise and jobs losses will continue through 2009.

- **Returning the real economy to full employment will require massive fiscal stimulus.**

The current recession follows the weakest recovery on record, making prospects for a consumer-led recovery unlikely. Families are more financially constrained than at the beginning of any prior downturn, facing rising unemployment, dwindling assets, historically high debt, and real income that remains lower than it was eight years ago. With the weakness of household finances, absent aggressive government action, the current downturn could be particularly long-lasting and severe. The 2000s economic recovery was the first since World War II where the typical household saw net income losses and household income did not recover to its pre-recession peak. Real household incomes were $324 lower in 2007 (the last year for which we have data) than they were in 2000. Increased business investment in response to export demand is also unlikely to spur economic growth in the near term. Export demand was high in the first half of 2008, but slowed in the second half of 2008 with the onset of a global economic slowdown.
In order to shorten the duration and reduce the magnitude of this downturn, it is important that government step in and break the current cycle with a temporary fiscal stimulus designed to support economic activity

and household well-being while laying the groundwork for further economic growth. Economic stimulus is necessary because the prospects for a consumer-led recovery are bleak (see Figure 11). Consumers are the backbone of the U.S. economy; when their financial resources are depleted, the economy falters. In a hearing on October 30, 2008, Dr. Nouriel Roubini testified that because most components of private aggregate demand are sharply falling right now (private consumption, residential investment, non-residential investment in structures, investment spending by the corporate sector on software and machinery) and direct tax incentives have not been effective at boosting consumption, a major additional fiscal stimulus is necessary to reduces the depth and length of the current economic contraction.[9]

Figure 11. Monthly Retail Sales and Food Services
Seasonally Adjusted, January 2007 - October 2008



Source: U.S. Department of Commerce.

Recent work by economists at the International Monetary Fund shows that recessions associated with credit crunches and house price busts tend to be deeper than other recessions, lasting longer with higher unemployment rates and more severe impacts on growth.[10] In particular, although recessions accompanied with severe credit crunches or house price busts last only three months longer, they typically result in output losses two to three times greater than recessions without such financial stresses. Recessions with housing busts and equity declines are much more likely to be severe recessions.

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[9]Dr. Nouriel Roubini, Professor of Economics, Stern School of Business, NYU and Chairman of Roubini Global Economics, LLC, Written Testimony before the Joint Economic Committee October 30th 2008 Hearing on Faltering Economic Growth and the Need for Economic Stimulus.
[10]Stijn Claessens, M. Ayhan Kose, and Marco Terrones, "What Happens During Recessions, Crunches and Busts?" IMF Working Paper, December 1, 2008 available at http //www imf.org/external/pubs/ft/wp/2008/wp08274.pdf .

On December 16, 2008, the Federal Open Market Committee lowered its target range for the federal funds rate to between 0 and ¼ percent, indicating monetary policy options are limited.[11] Economists have been calling for an increasingly large fiscal stimulus to prevent the U.S. from slipping into a depression. Fears that expansionary monetary policy and fiscal policy may lead to inflation have been temporarily abated by the price declines currently being experienced (see Figure 12). Dr. Simon Johnson has advocated fiscal stimulus of $450 billion, or about 3 percent of GDP;[12] and Dr. Nouriel Roubini has advocated fiscal stimulus of $500 to $700 billion dollars;[13] Dr. Paul Krugman has recently advocated stimulus of four percent of GDP.[14] And recently, private sector analysts and economists have advocated a stimulus package of between $800 billion and $1.3 trillion.[15] Most economists are advocating that the new round of fiscal stimulus will have to take the form of direct government spending on goods and services, preferably productive investment in infrastructures, and fiscal support to agents in the economy more likely to spend it, such as state and local governments.[16]

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[11] http://www.federalreserve.gov/newsevents/press/monetary/20081216b.htm

[12] Testimony of Simon Johnson before the Senate Budget Committee, Hearing on The Economic Outlook and Options for Stimulus, November 19, 2008

[13] Interview with U S News & World Report "The $700 Billion Bailout Isn't Enough" and One Third Probability of a Japanese-style L-shaped Stagnation available at http //www rgemonitor.com/blog/roubini/254836/interview_with_us_news__world_report_the_700_billion_bailout_isnt_enough_and_one_third_probability_of_a_japanese-style_l-shaped_stagnation

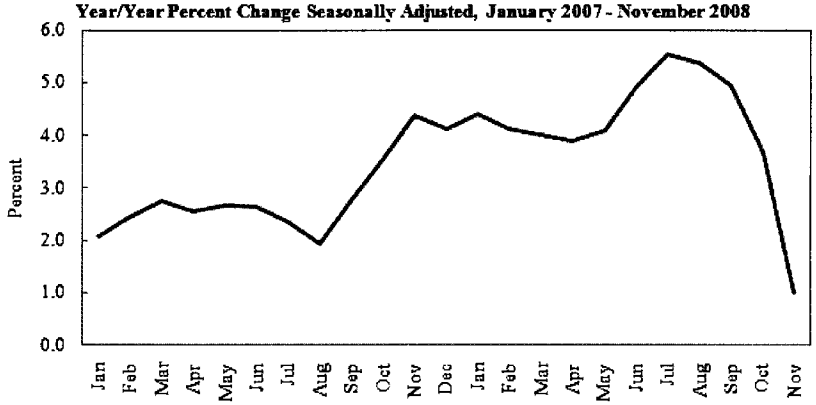
14 In a recent New York Review of Books, Dr Krugman said," Now, the United States tried a fiscal stimulus in early 2008; both the Bush administration and congressional Democrats touted it as a plan to "jump-start" the economy The actual results were, however, disappointing, for two reasons. First, the stimulus was too small, accounting for only about 1 percent of GDP. The next one should be much bigger, say, as much as 4 percent of GDP Second, most of the money in the first package took the form of tax rebates, many of which were saved rather than spent The next plan should focus on sustaining and expanding government spending—sustaining it by providing aid to state and local governments, expanding it with spending on roads, bridges, and other forms of infrastructure " Paul Krugman, "What to Do," The New York Review of Books, Dec 18, 2008 available at http.//www.nybooks.com/articles/22151

[15] See, eg , Jackie Calmes, "As Outlook Dims, Obama Expands Recovery Plans," New York Times, Dec 21, 2008

[16] See, eg , Nouriel Roubini Joint Economic Committee Testimony on October 30, 2008; Simon Johnson Senate Budget Committee Testimony on November 19, 2008, Paul Krugman, The New York Review of Books, December 18, 2008.

Figure 12. Consumer Price Inflation Slows to One Percent

Year/Year Percent Change Seasonally Adjusted, January 2007 - November 2008



Source: U S. Department of Labor

MAJORITY STAFF REPORTS

Worsening Economic Conditions Will Increase Demand for the State Children's Health Insurance Program and Medicaid

EXECUTIVE SUMMARY

Worsening economic conditions will likely create substantial increases in demand for enrollment in states' Medicaid and Children's Health Insurance Program (CHIP) programs over the next few years, even apart from the normal growth trend in public coverage. If employment growth falls to the levels seen following the 2001 recession, then demand for these programs will grow as the economy slows.

- Between 700,000 and 1.1 million additional children will enroll in Medicaid/CHIP each year due to slowing employment growth alone.

- Between 700,000 and 1.5 million total additional persons will enroll in Medicaid each year due to slowing employment growth alone.

Increases in Medicaid/CHIP enrollment combined with federal funding cuts proposed by President Bush in the Medicaid and CHIP programs could create additional pressure on state budgets that are already strained by the weak national economy and the worsening housing crisis. In the face of the economic slowdown and growing state budget deficits and because nearly every state is required to balance its budget, state governments will face a difficult choice between cutting back on health insurance for children, implementing cuts in other budget areas, or raising taxes. If proposed Administration regulations are implemented, the additional cuts in Federal support will make the problem even more severe.

ENROLLMENT IN MEDICAID AND CHIP HAS A STRONG RELATIONSHIP TO ECONOMIC CONDITIONS

Several previous studies have supported a relationship between economic conditions and rates of health insurance coverage (Kaiser Family Foundation, 2002). There is also evidence that rates of Medicaid and/or CHIP coverage seem to increase during periods of economic recession (Holahan and Garrett, 2001; Ku, 2002).

This JEC study updates and expands upon previous research in two ways:

1) This study uses state-level administrative data on Medicaid enrollment, which is more reliable than the survey-based evidence used in previous studies.

2) This study uses the most current data available to examine the 2000-2005 period. Because of Medicaid and CHIP expansions that took place during the late 1990s, demand for public health insurance coverage may have a different relationship to unemployment today than it did prior to this decade.

In order to determine the relationship between economic conditions and Medicaid/CHIP enrollment, JEC staff examined the relationship between state-level economic conditions (payroll employment levels and unemployment rates) and enrollment in the state Medicaid program. Separate analyses were run for both children's enrollment and total Medicaid enrollment. Coverage levels for children sum total enrollment in both Medicaid programs and separate CHIP programs.

The details of the methodology are described and the underlying statistical results are given in the attached appendix.

The analysis reaches the following conclusions:

- The association between poor economic conditions and children's enrollment in Medicaid/CHIP was large, consistent, and statistically significant. A 10 percent decline in state payroll employment was associated with a 9 to 14 percent increase in children enrolled in public insurance. All findings were highly statistically significant and consistent in direction and magnitude across various methodologies.

- The association between poor economic conditions and total enrollment in Medicaid/CHIP was somewhat smaller than the impact on children alone, but it was still sizable. A 10 percent decline in state payroll employment was generally associated with a 5 to 9 percent increase in total state Medicaid/CHIP enrollment. These findings were generally statistically significant, but they were somewhat more variable across differing methodologies than the findings for children alone.

STUDY FINDINGS IMPLY LARGE INCREASES IN MEDICAID/CHIP DEMAND AS ECONOMY SLOWS

If the same relationships observed over the 2000-2005 period continue to hold, worsening economic conditions will create substantial increases in demand for enrollment in their Medicaid/CHIP programs over the next few years. Economic trends alone could have a substantial effect on state Medicaid coverage, even apart from normal trend growth in public coverage. If employment growth drops from recent levels to the levels seen in the 2001-2003 period, the point estimates from these regressions imply that:

- Between 700,000 and 1.1 million additional children will enroll in Medicaid/CHIP each year due to slowing employment growth alone.

- Between 700,000 and 1.5 million total additional persons will enroll in Medicaid each year due to slowing employment growth alone.

Once again, this forecast growth is above and beyond the ordinary growth in public Medicaid coverage that is due to population growth and changing trends in private health insurance coverage.

The forecast methodology is described in detail in the attached methodology appendix.

INCREASES IN MEDICAID/CHIP ENROLLMENT COMBINED WITH FEDERAL FUNDING CUTS COULD CREATE ADDITIONAL PRESSURE ON ALREADY STRAINED STATE BUDGETS

Budgets in many states are showing signs of strain as the effects of the real estate slowdown affect the economy:

- A total of 26 states have expected or projected budget shortfalls for FY 2009 (CBPP, 2007).

- States have already drawn down their contingency or reserve funds by $23 billion – or approximately 33 percent -- since 2006. This leaves them with a much reduced emergency funding in case of economic downturns (NASBO, 2007).

- Real state tax revenues (adjusted for changes in rates) showed a year-over-year decline in the third quarter of 2007, the first time this has occurred since 2003 (Rockefeller Institute, 2007).

Medicaid/CHIP expenses account for over one fifth of state expenditures (NASBO, 2007). For this reason, increases in the demand for Medicaid coverage have the potential to significantly increase state budget deficits and therefore the need for either tax increases or budget cuts in other areas.

At the same time, the Administration is proposing substantial cuts in Medicaid/CHIP funding:

- The President's vetoes of two bipartisan Congressional CHIP reauthorization proposals necessitated a short-term extension of the SCHIP program through March 2009. While the extension provides states sufficient funding for short-term, maintenance of existing programs based on the latest state projections of funding needs, those funding levels may become inadequate if demand for SCHIP grows significantly due to worsening economic conditions. This report shows Medicaid/CHIP enrollment for children could increase well beyond current levels in an economic downturn.

- Proposed Administration regulations would cut some $13 billion over the next five years from Federal reimbursement for state Medicaid costs (72 Federal Register). This cost-shift to states would occur even as the need for Medicaid increases during an economic downturn

- The Administration is effectively restricting CHIP and Medicaid income limits that could reduce current CHIP and Medicaid coverage for lower-income children in almost half of U.S. states. Such states would have to substitute state for Federal money if they wished to assist these children (Mann and Odeh, 2007).

Given their current fiscal strains, this will leave state governments with a difficult choice. They will be forced to cut back on health insurance for children in the face of an economic slowdown, impose tax increases, and/or make budget cuts in other areas. If proposed Administration

regulations are finalized, the additional cuts in Federal support will make the problem even more severe.

CONCLUSION

While a slowing economy will likely lead to substantial increases in Medicaid/CHIP demand, the Administration is proposing a range of cutbacks to CHIP and Medicaid funding. These cutbacks will put increased fiscal demands on states at a time when they are ill equipped to handle them.

These findings suggest several courses of action:

- Override the President's veto of CHIP reauthorization, and guarantee sufficient funding levels for the CHIP program to not only maintain current enrollment levels but to address additional needs among uninsured children, as the Congressional CHIP bill would do..

- Delay or cancel proposed regulations that shift Medicaid costs to states, at least until possible impacts of a slowing economy are better understood.

- Increase the Federal Medicaid match percentage (FMAP) to the states as part of a stimulus package to help buffer the impact of the economic slowdown to preserve Medicaid coverage as people lose their jobs and health insurance, as was done during the last economic downturn.

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    c. "Medicaid Program; Coverage for Rehabilitative Services", 72 Federal Register 155 (13 August 2007), pp. 45201.

d. "Medicaid Program; Elimination of Reimbursement Under Medicaid for School Administration Expenditures and Costs Related to Transportation of School-Age Children Between Home and School", 72 Federal Register 173 (0 September 2007), pp. 51397.

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METHODOLOGICAL APPENDIX

The JEC study was performed using administrative data from the Medicaid Management Information System (MMIS), which is managed by the Center for Medicare and Medicaid Systems (CMMS) at the Federal Department of Health and Human Services.
The MMIS collects data from all states on the number of unique individuals who are enrolled in Medicaid and CHIP programs in that state over the course of a year.

The JEC analysis combines MMIS data on Medicaid/CHIP enrollment with information on the number of payroll jobs in each state, drawn from the Census Bureau's Current Employment Survey (CES). CES payroll jobs data was used instead of survey data on unemployment because it is more reliable at the state level. The CES survey sample is roughly 600 times larger than the sample used in the Current Population Survey (CPS), and it is therefore significantly less variable for smaller states.

The reported results are based on a set of regressions in which MMIS data on changes in annual state-level Medicaid enrollment are used as the dependent variable, while CES data on changes in annual state-level payroll job levels are the key independent variable. The regressions were run for annual changes over the 2000-2005 period, resulting in 305 state/year observations. All regressions were weighted by state population to make results representative for the national population. Because of the relatively limited time period, dummy fixed effects for each state were used to adjust for unchanging demographic differences between states over the 2000-2005 period.

Table 1: Average Effect of Employment Change on Children's Medicaid/CHIP Enrollment

Dependent Variable: Annual log change in state Medicaid enrollment, children, 2000-2005	1 coef (se)	2 coef (se)	3 coef (se)	4 coef (se)
Annual log change in state payroll	-0.875* (0.169)	-1.448* (0.178)	-1.427* (0.177)	-1.328* (0.412)
Linear year trend			-0.003* (0.001)	
State dummies	No	Yes	Yes	Yes
Year dummies	No	No	No	Yes
Number of observations	305	305	305	305
Adjusted R-square	0.079	0.238	0.247	0.266

*Statistically significant at 1% level.
NOTE: All observations weighted by state population in 2000 decennial Census.

Table 1 shows the relationship between employment change and the combined Medicaid and CHIP enrollment of children (aged 0-18). Because the natural log of variables is used, results can be interpreted in

percentage terms, so the model in column 1 finds that a 10 percent increase in payroll jobs leads to an 8.9 percent decline in children's Medicaid enrollment.

These regression results were used to forecast potential changes in Medicaid/CHIP enrollments if payroll employment levels decline and the relationships remain as they are calculated in the table.

The forecast assumes that payroll employment growth declines from the 1.6 percent annual growth rate seen over the 2004-2007 period to the -.7 percent annual growth rate seen during the 2001-2003 recession. These payroll employment growth levels were substituted into the regressions in Column 1 and Column 2. (Because we did not wish to make an assumption on future time trends, the models in Columns 3 and 4 could not be used).

Using the central point estimates shown in Column 2 as an example results in forecast Medicaid/CHIP enrollment growth rates for children of 6.8 percent for the recession scenario vs. 3.4 percent based on current levels of employment growth. Applying these growth rates to the estimated Medicaid enrollment level for children of approximately 32 million in 2007 leads to an estimate of approximately 1.1 million additional children enrolling in Medicaid each year.[17]

Table 2 shows the same estimates for total Medicaid/CHIP enrollment of all persons, including children.

Table 2: Effect of Employment Change on Total Medicaid Enrollment

Dependent Variable: Annual log change in state Medicaid enrollment, all ages, 2000-2005				
	1 Coef (se)	2 coef (se)	3 coef (se)	4 coef (se)
Annual log change in state payroll	- 0.485 * (0.22	- 0.924 * (0.25	- 0.865 * (0.25	- 0.110 (0.58

[17] The 32 million enrollment in Medicaid and CHIP was estimated by taking the 2005 enrollment level of almost 30 million from the MMIS system, and adding two years of growth at the 2003-05 growth rate of 3.7 percent annually.

	5)	7)	0)	3)
Linear year trend			-0.008* (0.002)	
State dummies	No	Yes	Yes	Yes
Year dummies	No	No	No	Yes
Number of observations	305	305	305	305
Adjusted R-square	0.012	0.041	0.095	0.116

*Statistically significant at 1 percent level.
NOTE: All observations weighted by total state population in 2000 decennial Census.

The forecasts for total enrollment were performed using the same methodology as that described above for children's enrollment.

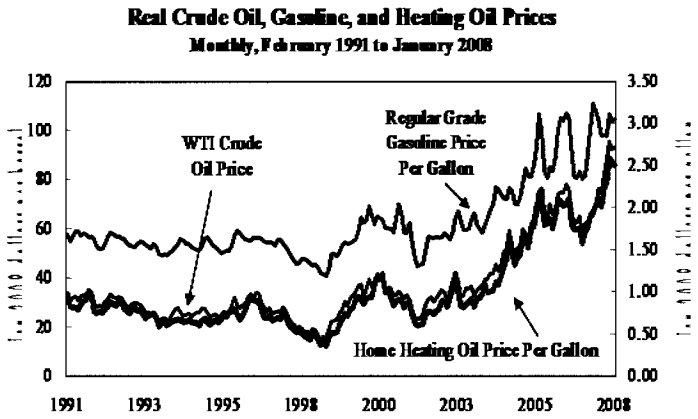
As can be seen from the regression results, the impacts are smaller for total enrollment than they are for children. In addition, total enrollment results are not statistically significant when individual year dummies are included. This indicates that it is difficult to separate the effects of national trends operating in particular years from the effect of state-level economic situations.

These regressions do not adjust for state-level changes in Medicaid policy that may have been influenced by the fiscal difficulties experienced by the states in the early recession years. These state policies could introduce bias away from finding an effect of employment declines on Medicaid enrollment, since poor economic times can force states to cut back on Medicaid programs. This effect would have been buffered by Federal assistance to states toward the end of the recession.

JEC staff will continue investigating these issues using additional data sources and control variables, which may lead to more detailed understanding of these issues.

High Oil Prices Have Significant Effects on Consumers and the U.S. Economy

This analysis estimates the impact of sustained high oil prices on consumers and the U.S. economy. Since 2002, real oil prices have risen dramatically. Recently, oil futures traded for more than $100 a barrel. Crude oil prices for January 2008 were $92.95/barrel, and monthly prices are rapidly closing in on the all-time inflation-adjusted high of $98.94/barrel, which was reached in April 1980. There are numerous causes for the recent rise in oil prices, including decisions made by OPEC and other oil-producing countries, stagnant production in Iraq, and ongoing concerns about political and supply stability in a number of oil-producing countries. However, it is the longer-term structural factors in the rise in oil prices, most notably greatly increased demand in developing countries such as China and India, which have led many experts to believe that we are likely to have sustained high oil prices for the foreseeable future.[1]



Energy analysts generally agree that due to increases in energy efficiency and the changing composition of output, the U.S. economy is less vulnerable to high oil prices than it was during the oil shocks of the 1970s. However, a growing number of economists have concluded that the mild effects of recent oil price increases have depended on a variety of other factors, including monetary policy decisions and the absence of concurrent price shocks.[2] It is therefore not certain that the economy will continue to shrug off increases in the price of oil in the future.

In fact, given the current weak state of the U.S. economy, the risk that increasing oil prices will produce significant negative consequences is rising. Even in a robust economy, sustained high oil prices can produce undesirable effects on aggregate output, employment, and inflation. When economic growth is weak, and inflation rates are high, rising oil costs add to the drag on output and employment, and can help push price inflation even higher.

In addition, rising oil prices will increase wealth transfers to oil-exporting countries, which may or may not be friendly to the U.S. They also will continue to hit consumers in their pocketbooks, imposing a disproportionate burden on low-income consumers and some regional economies.

IMPACT OF HIGH OIL PRICES ON ECONOMIC GROWTH AND EMPLOYMENT

Oil price increases can reduce economic growth because of their effects on consumer spending and producer costs. Rising oil prices raise the price of domestic goods and services. As the prices of gasoline and heating oil rise, so do the prices of goods and services that use oil products as inputs. Since the majority of U.S. oil is purchased from other nations, an increased oil price means higher revenues for the oil producers. Unless this increased oil revenue is recycled as demand for U.S. goods and services, higher oil prices lead to lower overall demand, which reduces domestic output and employment. In addition, cost increases that cannot be passed along as price increases may make it unprofitable to produce certain products.

The Energy Information Agency has estimated that a sustained ten percent increase in the price of oil results in a loss of real U.S. GDP in the range of 0.05 to 0.1 percent.[3] Assuming this EIA rule of thumb is correct, a $10 per barrel increase in the price of oil would reduce U.S. GDP by approximately $6.9 to $13.8 billion in current dollars.[4]

IMPACT OF HIGH OIL PRICES ON CONSUMERS AND HOUSEHOLDS

Crude oil prices affect the prices of gasoline and diesel fuel, which are central to transportation in the U.S., and can cause significant hardships for American consumers. In the U.S., higher gasoline prices are generally seen during the summer driving season. But this year, we have seen substantial increases during the winter time. During last winter's heating season, U.S. gasoline prices ranged from $2.17/gallon to $2.61/gallon. This winter, prices have already ranged from $2.76/gallon to $3.13/gallon.[5]

Prices for diesel fuel have also increased in recent months. These increases will start to have an impact on food and other consumer goods, because the costs to transport those goods to markets will increase. In 2006, diesel prices ranged from $2.44/gallon to $3.07/gallon (with peaks during the summer driving season). In 2007, diesel prices ranged from $2.41/gallon to $3.44/gallon, with prices steadily increasing through the winter months.[6] So far in 2008, diesel fuel prices have ranged from $3.26/gallon to $3.55/gallon.

Crude oil also affects prices paid by households who depend on fuel oil to heat their homes. [7]

Based on its oil price forecast, the Energy Information Administration (EIA) currently predicts that on average United States home heating costs will be 33.7% higher for homes heated with heating oil, 5.6% higher for those using natural gas, and 2.3% higher for those using electricity, when compared to last year's heating season.[8] If crude oil prices remain higher than EIA forecasts, winter home heating costs are also likely to exceed the substantial increases already predicted in EIA's Short-Term Energy Outlook.[9]

EIA has made regional predictions of winter heating cost increases:

1. In the Northeast, this winter's home heating costs were predicted to exceed last winter's cost by $57 for natural gas users, $500 for fuel oil users, and $51 for electricity users.

2. In the Midwest, this winter's home heating costs were predicted to exceed last winter's cost by $56 for natural gas users, $429 for fuel oil users, and $50 for electricity users.

3. In the South, this winter's home heating costs were predicted to exceed last winter's cost by $33 for natural gas users and $295 for fuel oil users. Electricity users saw a modest decline of $2 in their expenditures.

4. In the West, this winter's home heating costs were predicted to exceed last winter's cost by $37 for natural gas users, $313 for fuel oil users, and $34 for electricity users.

HIGH OIL PRICES CAN LEAD TO INFLATION

Because the cost of oil affects the cost of transportation, power generation, chemicals, and other products, increases in the price of oil can lead to inflation. For example, in November 2007 the Consumer Price Index for All Urban Consumers (CPI-U) rose sharply, at a seasonally adjusted annual rate of 10 percent. About 70 percent of the overall increase in the CPI-U was a result of energy price increases.

Persistent energy price increases can also translate into core PCE increases. When making inflation related policy decisions, the Federal Reserve focuses its attention on the so-called "core" Personal Consumption Expenditures (PCE) deflator, which excludes the costs of food and energy. The Fed does so because both food and energy prices are volatile, and it wants to adjust policy to respond to meaningful underlying trends. However, increases in the price of energy inputs can raise the cost of other goods and services, and they also can change the expectations of firms and households, who may respond by increasing prices or money wage demands in anticipation of future price changes.

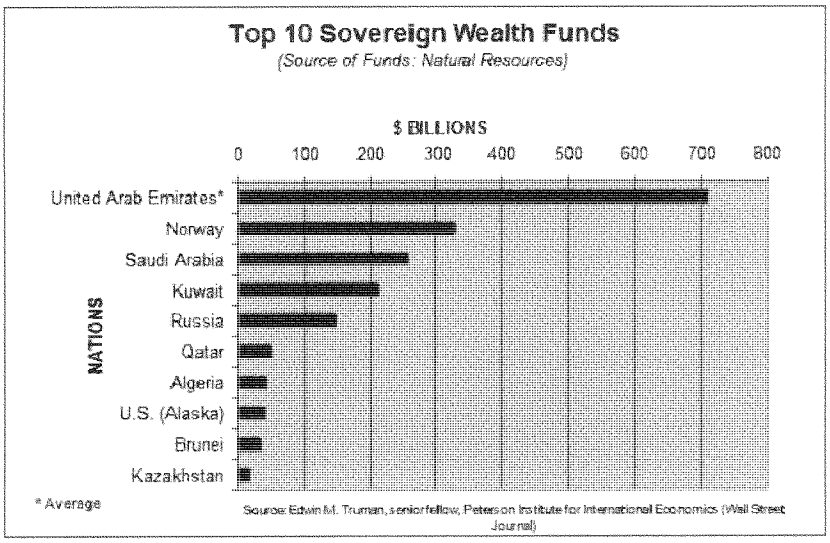
When the PCE deflator or inflation expectations are affected, the Fed may respond by raising interestrates. While the resulting reduction in output and employment may help contain inflation, the short term consequences for firms and workers are negative.

OIL-RELATED TRANSFERS OF WEALTH

An increase in the price of oil produces a direct transfer of wealth from U.S. consumers to foreign oil producers. Moderate changes in the price of oil can have large effects on the size of these transfers. For example, the Joint Economic Committee estimates that the Iraq war has added $5.00 per barrel to the cost of oil.

Between 2003 and 2008, this will lead to an estimated net transfer of $124 billion[10] out of the United States.

Oil-related wealth transfers have helped create growing sovereign wealth funds in many of the oil exporting nations, including countries such as the UAE, Saudi Arabia, and Venezuela. These funds are impacting capital markets and may allow their governments to purchase strategically significant firms in whole or part in many countries, including the United States. While some of the largest sovereign wealth funds are operated by countries that are not primarily natural resource exporters (e.g. China and Singapore), the top ranks are dominated by the oil-rich countries, such as the United Arab Emirates, Saudi Arabia, Kuwait, Russia, Brunei and Qatar.



END NOTES

[1] See, e.g., Energy Information Administration, International Energy Outlook, 2007 available at http://www.eia.doe.gov/oiaf/ieo/world.html; International Energy Agency, World Energy Outlook 2007 – China and India insights.

[2] See Olivier Blanchard and Jordi Gali (August 2007), The Macroeconomic Effects of Oil Price Shocks: Why are the 2000's So Different From the 1970's, Massachusetts Institute of Technology Working Paper 07-21.

[3] This is relative to a baseline without the price increase. See Government Accountability Office (August 2006), Strategic Petroleum Reserve, GAO-06-872, p. 58. This rule of thumb was derived by EIA using a macroeconomic model that accounts for the direct effects of oil price increases on consumption, as well as indirect effects on investment demand, employment, personal income and financial markets

[4] With oil near $100 per barrel, a $10 price increase is approximately a 10 percent increase. Since in 2007 nominal GDP was $13 8 trillion, the rule of thumb gives the GDP reduction of approximately $6.9 to $13 8 billion cited in the text

[5] See weekly retail regular gas prices and diesel (all types) at Energy Information Administration, Department of Energy (all prices are inclusive of taxes) http://tonto eia.doe.gov/dnav/pet/pet_pri_gnd_a_epmr_pte_cpgal_w.htm.

[6] Some of the observed price increase is due to new requirements that diesel fuel contain less than 15 ppm of sulfur ("ultra low sulfur" diesel) Previously, diesel could contain up to 500 ppm of sulfur.

[7] Outside of the transportation sector, distillate fuel oil is mostly used for home heating, primarily in the Northeast. Nationwide, distillate fuel oil accounted for only 8 percent of the energy delivered to the residential sector in 2006, but 76 percent of that consumption occurred in the Northeast. There are large sunk costs involved in switching home heating fuel, and because the costs in the Northeast of heating homes using fuel oil have historically been lower than costs of heating using other fuels, a large number of homes are still heated using fuel oil.

[8] Table WFOL· Selected U S Average Consumer Prices and Expenditures for Heating Fuels During the Winter, February 2008, available at http://www eia.doe gov/emeu/steo/pub/wf-table.pdf

[9] According to EIA, heating oil prices paid by consumers are determined by the cost of crude oil, the cost to produce the product, the cost to market and distribute the product, as well as the profits (sometimes losses) of refiners, wholesalers and dealers. In 2005, crude oil accounted for 58 percent of the cost of a gallon of heating oil The next largest component, distribution and marketing costs, accounted for approximately 21 percent of the cost of a gallon of heating oil Lastly, refinery processing costs accounted for another 21 percent

[10] See Joint Economic Committee Majority Staff (November 2007), War At Any Price? The Total Economic Costs of the War Beyond the Federal Budget, available at http://www jec senate gov/Documents/Reports/11.13 07IraqEconomicCostsReport pdf

Paid Family Leave at Fortune 100 Companies: A Basic Standard but Still Not the Gold Standard

EXECUTIVE SUMMARY

Employers and employees are searching for ways to balance the competing demands of work and family. As a guide for policymakers, this report examines how firms design their paid leave policies. The majority staff of the Joint Economic Committee asked Fortune 100 companies about the length of paid leave that they provide for new parents. Among the firms that responded, about three-quarters offer mothers a specific parental leave program, either through paid family or disability leave and the median length of leave for mothers is six to eight weeks. However, less than one-third of firms report that they offer fathers paid parental leave and the median length of leave for fathers is only two weeks.

Many Fortune 100 firms allow their employees to use a mix of different kinds of leave when they have a child, which significantly increase the number of weeks available to new parents. Most Fortune 100 firms (75 percent) allow employees to use accrued sick days to care for a new child. Combining paid leave from all sources—family leave, pregnancy-related disability leave, and the allowable use of paid sick days—firms offer mothers a median of 12 weeks and fathers six weeks of paid leave. Among our sample, nine-out-of-ten firms report offering some kind of paid leave—family leave, pregnancy-related disability leave, or allowed use of accrued paid sick days—for the birth of a child.

Of the Fortune 100 respondents who offer paid leave, a significant share also provide employees with unpaid leave beyond that required by the Family and Medical Leave Act (FMLA) for the birth of a child. Overall, 40 percent of Fortune 100 firms provide both some type of paid leave alongside additional weeks of unpaid leave. Among the firms offering additional weeks of unpaid leave, the median length of leave offered on top of the 12 weeks of unpaid FMLA leave is 14 weeks. Thus, employees in these firms have access to six months (26 weeks) of unpaid, job-protected parental leave, on top of any paid leave that their firm offers.

As policymakers work to implement paid leave policies, Fortune 100 companies provide a good model. Nearly all of these firms offer parents paid time off when they have a new child. However, while these firms offer more leave than typically provided by other U.S. companies, the length remains far below the leave policies implemented in the European Union or nearly all other advanced economies. Further,

this leave is usually cobbled together from various programs and, especially for fathers, is based on using accrued sick days rather than having access to paid family leave.

INTRODUCTION

The difficulties that workers encounter when faced with the competing demands of family and work responsibilities are well known. Employers and employees alike are searching for ways to get the job done, while also ensuring that families are cared for. Unlike a generation ago, most U.S. families do not have the option of a stay-at-home parent to provide care for children, the elderly, or the sick, and therefore these responsibilities fall on family members who work outside the home. The federal Family and Medical Leave Act (FMLA) provides job-protected, unpaid leave for eligible workers in covered establishments who are new parents or who have a serious health condition or have an immediate relative with a serious health condition. However, FMLA is not available to everyone and it is unpaid, significantly limiting its usefulness for many workers who cannot afford to take unpaid time off work.

There is bi-partisan interest at both the federal and state level in establishing paid family leave as a minimum employment standard. As policymakers consider introducing paid family leave, a central question is what is an appropriate length of leave? There are several models to look to.

To retain workers and reduce turnover, the European Union, and a handful of states have each implemented some form of paid family leave, ranging from 14 weeks in Europe to five weeks in California. Further, U.S. federal lawmakers themselves typically offer paid leave: Congressional offices each set their own leave packages and most include paid parental leave, with the average length being six to eight weeks.1

An alternative method to guide the length of paid family leave is to look to the standards currently in place among the U.S. firms that offer it. To this end, the JEC requested information from firms that are the most likely to offer paid leave: the top 100 U.S. companies, as listed in Fortune magazine's 2007 list of the Fortune 500.2 The JEC Questionnaire asked whether these firms offer male and female employees paid leave upon the birth of a child and the duration of the leave. The results show that these firms overwhelmingly offer women paid leave for the birth of a child and the leave is typically six to eight weeks long.3

Background: The Need for Family Leave is a New Workplace Reality

Family leave has become an increasingly important workplace policy because most families no longer have a stay-at-home parent to provide care for a new child or a seriously ill family member. Over the past generation, there has been a significant increase in the employment of mothers outside the home: between 1975 and 2006, the labor force participation rate for mothers rose from 47.4 to 70.6 percent.4 The majority (68.0 percent) of children in married-couple families are being raised without a stay-at-home parent5 and 18.4 percent of children are living in working, single-parent families.6 The literature on maternal and infant health indicates that while the optimal length of parental leave varies according to a wide range of factors, including the preferences of the parents, whether both parents are involved in primary care, and the difficulty of the pregnancy and childbirth, the length of leave is best measured in months, rather than weeks or days.7 With both parents typically working, this means that families with a new child need a considerable amount of time away from work, which may be difficult for the family to access if that time is unpaid. Research has found, however, that employers that accommodate working parents and provide paid time off are rewarded with lower turnover and higher productivity.

FAMILIES NEED TIME TO CARE

Having access to paid, rather than unpaid, leave is a necessity, not a luxury, for working families. Two-parent families typically need to have both parents working. The typical working wife brings home over a third (35 percent) of her family's total income.8 The long-term trends in family income show that the inflation-adjusted income of married-couple families with stay-at-home wives is the same today as it was in 1979 and it is only families with working wives who have seen any real income gains.9 Because both parents work—and in many cases, need to work—paid leave has taken on increased importance. Paid leave has been shown to promote maternal employment and job retention, increasing the long-term employment and earning prospects of working parents, compared to unpaid leave.10 Paid leave also improves children's health by giving mothers time to breastfeed, reducing the risk of infections, and increasing the likelihood that children are taken to the doctor to receive the full battery of immunizations.11 However, even though paid leave is increasingly a necessity for working families, it remains relatively uncommon in our country and workers typically only have the option of taking unpaid leave.12 The Department of Labor reports that while eight percent of private-sector

employers offer paid family leave, 82 percent offer unpaid leave. The wide availability of unpaid leave is due to the 1993 FMLA, which established a minimum standard that allows eligible employees to take up to 12 weeks per year of unpaid, job-protected leave upon the birth or adoption of a child, or to care for qualifying family members or themselves in the event of a serious health condition. A majority (61.7 percent) of public and private sector workers are eligible to take unpaid leave under the FMLA, but many families cannot afford to take it.13 Most (77.6 percent) of those who do not exercise their right to leave under the FMLA report that one reason they did not take leave was because they could not afford to go without pay.14

Besides being unpaid, and thus unaffordable for many families, the FMLA does not cover the entire workforce. FMLA does not apply to private companies with fewer than 50 employees, which categorically excludes just under one-third of the labor force.15 Further, to be eligible for leave, employees must have been with a single employer for at least a year and logged over 1,250 hours in the past year, equivalent to working an average of 24 hours per week. The job tenure requirements leave out many young workers who are most likely to be in need of parental leave since the median age of first birth is 25 years.16 Among parents aged 18 to 25 with a child under the age of two, 43.3 percent of women and 31.2 percent of men have been with their current employer for less than a year and therefore are categorically excluded from taking leave under FMLA.17

THE BUSINESS CASE FOR PAID FAMILY LEAVE

There is solid evidence that paid leave policies are good for employers, as well as employees. The clearest benefit to employers is reduced employee turnover, but there is also evidence of improved productivity: workers who can meet their family responsibilities and are feeling healthy are less-stressed and better able to focus on their jobs while at work, and are thus, more productive. Research shows that businesses that offer paid family leave benefit from increased productivity and morale, reduced absenteeism, and lower turnover and training costs.18 Firms can see the benefits of paid family leave most directly in terms of reduced employee turnover. Women who had access to leave—either paid or unpaid—at the birth of their first child are more likely to go back to their job after childbirth.19 Research further confirms that paid leave is a better retention policy than unpaid leave because the probability of returning to the same employer after having a child is 5.4 percentage points greater for women who received paid maternity leave compared to those who received unpaid maternity leave.20

Women report that access to workplace flexibility, including paid leave, is of particular importance in their decision to stay on the job, rather than quit altogether.21

Lowering turnover rates can reduce costs significantly for employers. The average cost of turnover for an employer is about 25 percent of an employee's salary.22 To get a good estimate of costs, we need to include not only the costs to search for a new employee, but also training costs. Estimates are that it takes six weeks for a new staffer to learn their job and achieve the productivity of the person that they replaced.23 One study in New Jersey found that in the private sector, the full cost of turnover, which includes the costs of hiring, comprehensive recruiting, screening, interviewing, and training, has been found to range from $6,495 for a worker in the leisure and hospitality industry to $18,615 for a worker in the information industry. Depending on the rate of turnover and cost of replacing new workers, a small company might spend over $15,000 annually while a larger one (more than 1,000 employees at one site) could spend more than $180,000.24 The savings that employers could accrue by offering paid leave can more than offset costs of hiring temporary workers or paying overtime to current workers.25

Private Sector Response to Work-Family Balance: The Fortune 100

This report looks to the Fortune 100 to see what length of leave is typical among firms that offer paid leave for the birth or adoption of a child. The Fortune 100 is a list of the largest U.S.-based corporations, based on revenue calculated from publicly available data. This is a good sample to use because large firms such as these are far more likely than smaller firms to offer paid leave and, further, many of the Fortune 100 firms have established programs to recruit and retain valuable female employees. A quarter of these firms appear on the Working Mother list of the "100 Best Companies" that provide policies aimed at balancing work and family.26 Therefore, this sample of firms is likely to have implemented the most generous paid leave policies of any U.S. employers.

DATA AND METHOD

From September through November, the Joint Economic Committee asked the Fortune 100 companies to respond to a simple set of questions:

Do they offer paid maternity or paternity leave for the birth or adoption of a child and, if so, for how many weeks each? If maternity leave is provided, is this through a disability leave program?27

Do they offer unpaid maternity or paternity leave for the birth of a child on top of the 12 weeks required by FMLA and, if so, for how many weeks each?

Do they allow employees to use accrued sick leave to care for a new child and, if so, how many weeks?

The typical leave package offered at Fortune 100 firms was derived by examining the 53 responses received. The respondent and non-respondent firms represent similar industries limiting the possibility of response bias, although respondent firms were more likely to be on the Working Mother list. (See Appendix for more information on the JEC Questionnaire.) Many firms responded with a minimum and maximum number of weeks of paid leave, depending on the employee's job category or tenure or other requirements and our analysis provides measures of both the minimum and the maximum weeks provided. (The Appendix contains the sample means.)

Most firms reported that they offer employees several different kinds of leave that they can combine when they have a new child. The three specific types of leave that we include are paid family leave, paid pregnancy-related disability leave, and the allowable use of accrued paid sick days. Each of these leaves is designed to serve a distinct purpose:

Paid family leave is often modeled on the uses set out in the FMLA and provides weeks of leave for parents to care for a new child and may also provide leaves for serious health conditions.

Pregnancy-related disability leave is leave for the mother to recover from childbirth. According to the Pregnancy Discrimination Act of 1978, employers must treat pregnant workers the same as other employees with temporary medical disabilities in all conditions of employment, such as pay and fringe benefits, including paid sick days, health insurance coverage and temporary disability insurance. Therefore, if a firm has a disability plan, then they must cover pregnancy and recovery from childbirth under this plan.

Paid sick days cover short-term illnesses, such as colds and flu, and regular doctor visits, alongside being available for health emergencies. Many firms allow employees to bank their accrued sick days for use when they have a child. This policy, however, means that employees do not have this time available for unanticipated short-term illnesses if it is used for family and medical leave.

Firms may also allow employees to use accrued vacation to care for a new child, but that was outside the scope of our questionnaire and may lead us to understate the overall findings. We refer to "paid leave" generically when we include all three kinds of leave, but this report also

clearly distinguishes among firms that have a specific parental leave policy or offer pregnancy-related disability leave, and those that only allow employees to use accrued sick days.

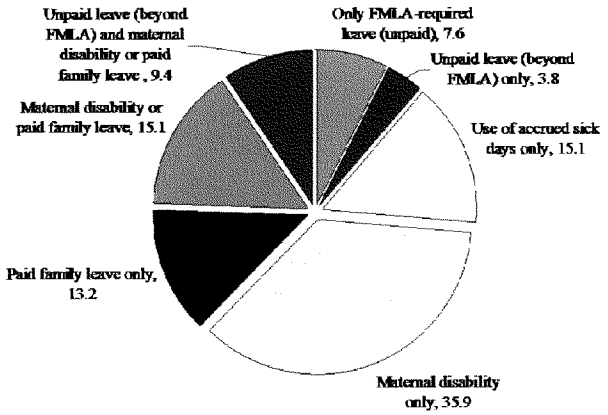
FINDINGS

Fortune 100 firms overwhelmingly offer some paid time off to care for a new child and recover from childbirth. Among the companies in the Fortune 100 that responded to the JEC questionnaire, three-quarters (73.6 percent) offer mothers either paid family or disability leave. Firms are more likely to offer paid family leave to mothers than to fathers as only 32.1 percent report offering paid family leave to fathers. However, most (75.5 percent) firms allow employees to use accrued sick days, and among our sample, nine-out-of-ten (88.7 percent) report offering some kind of paid leave—family leave, pregnancy-related disability leave, or allowing the use of accrued paid sick days—for the birth of a child.

Types of Leave

Most firms offer some type of paid leave, but a handful offer no paid leave of any kind. Figure 1 shows the distribution of different kinds of leave offered by Fortune 100 companies. Over one-third (35.9 percent) only provide pregnancy-related disability leave, and another 15.1 percent provide both disability and paid family leave. Just 13.2 percent of firms offer only paid family leave for the birth of a child and 15.1 percent offer employees only the use of accrued sick leave. One-in ten (9.4 percent) provide both paid leave (either pregnancy-related disability or paid family leave) as well as additional weeks of unpaid leave above and beyond that required by FMLA. Among the respondents, 7.6 percent report that they offer no leave above and beyond that required by FMLA.

Figure 1. Type of Parental Leave Offered by Fortune 100 Companies



Source: 2007 IEC Questionnaire of Fortune 100 Companies.
Note: All leave is above and beyond that required by FMLA, except where noted.

Length of Leave

Table 1 breaks down the typical weeks of leave offered to employees at the responding Fortune 100 companies. In terms of paid family leave, firms typically offer mothers six weeks and fathers two weeks of paid leave. If we include the maximum number of weeks they could receive (often, but not always, tied to seniority), firms offer mothers a median of eight weeks, but continue to offer fathers a median of two weeks. In terms of maternal disability leave, Fortune 100 companies who offer this kind of leave typically provide six to eight weeks, where the range is usually based on the time necessary to recover from a vaginal or Caesarian childbirth, respectively. Among those firms that allow employees to use accrued sick days, employees are typically offered six to eight weeks of leave. Combining leave from all three sources (and accounting for whether the employer noted whether the leaves could be taken sequentially), the median number of weeks available to new mothers rises to 12, and the median of the maximum number of weeks rises 14. Fathers are offered a median of six weeks of leave.

TABLE 1. WEEKS OF PAID LEAVE FOR THE BIRTH OF A CHILD

	Median Weeks of Paid Leave Offered	Maximum Weeks of Paid Leave Offered
Paid family leave		
Mothers	6.0	8.0
Fathers	2.0	2.0
Maternal disability leave	6.0	8.0
Allowed use of paid sick days only	6.0	8.0
Combined weeks of paid leave available		
Mothers	12.0	14.0
Fathers	6.0	6.0

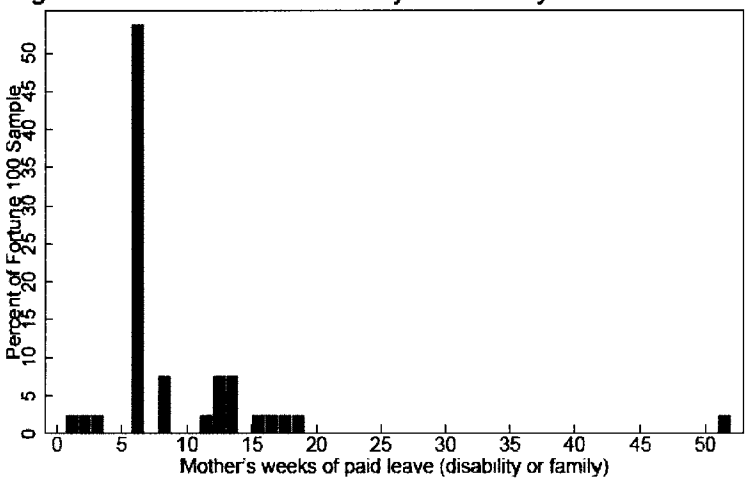
Source: 2007 JEC Questionnaire of the Fortune 100.
Note: Nine firms that reported allowing employees to use sick days did not report the actual number of days available.

Figures 2a and 2b show the distribution of minimum weeks of paid family leave offered by Fortune 100 companies in our sample to mothers (including maternal disability) and fathers, not including the use of accrued sick days. The number of paid weeks offered to mothers is clustered around six to eight weeks as three-fifths (61.5 percent) of Fortune 100 companies offer leave in this range. By contrast, nearly two-thirds (64.7 percent) of firms offer only one or two weeks of leave

to fathers.

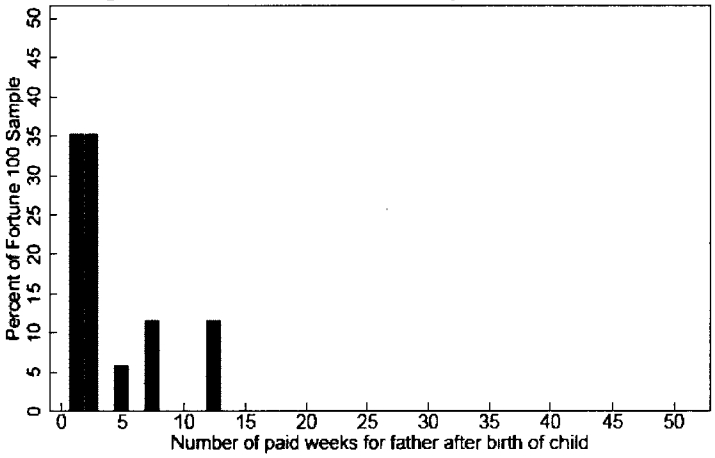
Figures 3a and 3b show the distribution of minimum weeks of paid leave offered by Fortune 100 companies combined from all three sources: family leave, pregnancy-related disability leave, and the allowable use of paid sick days. There is wide variety in the lengths of total leave possible: more than half (55.8 percent) of firms offer mothers at least 12 weeks of paid leave, but a third (34.9 percent) offer less than eight weeks. For fathers, there are fewer weeks available: 62 percent of firms offer fathers less than eight weeks of paid leave. However, a significant share of firms (18.9 percent), offer 26 weeks of paid leave or more to fathers, roughly the same offered to mothers.

Figure 2a. Weeks of Paid Family & Disability Leave for Mothers



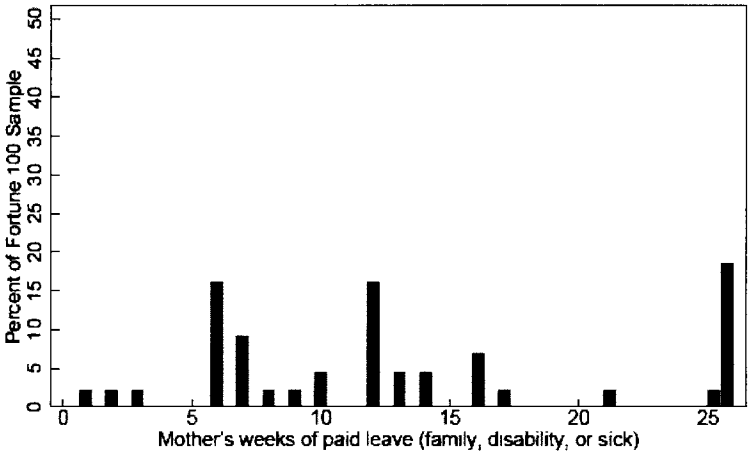
Source 2007 JEC Questionnaire of the Fortune 100

Figure 2b. Weeks of Paid Family Leave for Fathers



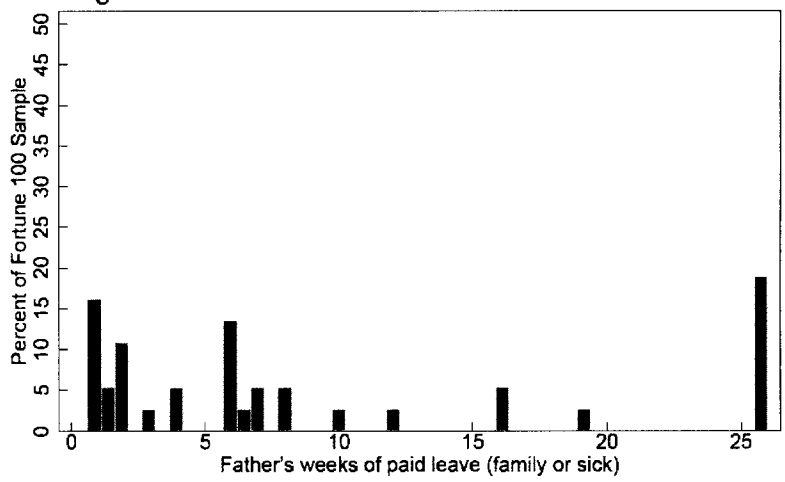
Source 2007 JEC Questionnaire of the Fortune 100

Figure 3a. Weeks of Combined Paid Leave for Mothers



Note The eight firms offering more than 26 weeks of paid leave are coded as offering 26 weeks.
Source: 2007 JEC Questionnaire of the Fortune 100

Figure 3b. Weeks of Combined Paid Leave for Fathers



Note The six firms offering more than 26 weeks of paid leave are coded as offering 26 weeks.
Source 2007 JEC Questionnaire of the Fortune 100

As shown above in Figure 1, 3.8 percent of firms offer only unpaid leave and 9.4 percent offer a combination of either pregnancy-related disability leave or paid family leave and unpaid leave above that required by the FMLA. However, many firms who allow employees to use paid sick days also provide unpaid leave beyond that required by FMLA and when we include these firms, a total of 39.6 percent of firms offer both paid and unpaid leave beyond FMLA. Among firms offering unpaid leave above and beyond the 12 weeks required by the FMLA, the median number of weeks is 14.

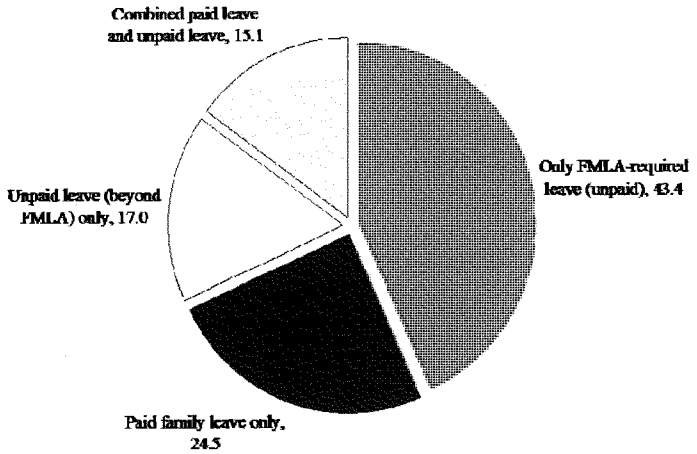
Gender Gap in Access to Paid Family Leave

There is a clear gender gap in access to paid family leave. While mothers and fathers typically are allowed to use the same number of sick days and receive the same amount of unpaid family leave, many firms continue to offer a specific paid parental leave program only for mothers, most often in the form of pregnancy-related disability leave. The equality in the availability of sick days and unpaid family leave does not make up for the lack of fathers' access to paid family leave. Fathers (and mothers) may need their sick days to help care for a sick child or their own illness. Further, in two-thirds of two-earner couples, the husband earns more than the wife28 and therefore, for many families, it is harder for the father to take unpaid time off work because it costs the family more in terms of lost wages. Moving towards greater equality in access to paid family leave would enable more fathers to bond with and care for their new children, while continuing to recognize that childbirth requires recovery for the mother.

PAID LEAVE FOR ADOPTIVE PARENTS

The JEC Questionnaire also asked whether paid or unpaid leave was provided for adoptive parents. Fortune 100 firms offer adoptive parents less leave, primarily because much of the leave for mothers is through paid disability programs that only apply to the biological mother. Figure 4 shows the distribution of leave available to adoptive parents. Nearly half (43.4 percent) of Fortune 100 firms offer adoptive parents no leave when they adopt their child above the unpaid leave required by FMLA. A quarter (24.5 percent) of firms offer only paid family leave at the time of adoption, 17.0 percent offer only unpaid family leave (above that required by FMLA), and 15.1 percent offer both paid and unpaid family leave. Firms offering paid leave typically offer adoptive mothers 4.0 weeks and adoptive fathers 3.0 weeks. The small fraction of firms that offer unpaid leave above and beyond the 12 weeks required by FMLA to adoptive parents typically offer parents 14 weeks of leave, giving these employees access to six months of unpaid leave.

Figure 4. Type of Adoptive Leave Offered by Fortune 100 Companies



Source: 2007 JEC Questionnaire of Fortune 100 Companies
Note: All leave is above and beyond that required by FMLA, except where noted.

PART-TIME WORKERS

Most Fortune 100 companies (82.1 percent) report that paid parental leave is available to both full- and part-time employees. The typical threshold for part-time workers to receive benefits is set at 20 hours per week. Because full-time workers are nearly twice as likely as part-time

workers to have paid family leave, the Fortune 100 companies appear to be ahead of their counterparts on coverage.

FORTUNE 100 FIRMS' PAID LEAVE: LESS THAN IN EUROPE, BUT MORE THAN IN MOST STATES

With a median of six to eight weeks of leave for new mothers and two weeks for new fathers, the Fortune 100's policies put them far behind the European Union (EU). The EU requires that member countries offer a minimum of 14 weeks of paid maternity leave as a basic employment standard, but most countries offer more than the minimum.29 Fortune 100 companies' policies on paid leave are, however, broadly consistent with recent experiments in paid family leave at the state level.30 California and Washington, recently passed paid family leave, and on March 4, 2008, New Jersey's paid family leave bill passed the Senate and it is anticipated that it will easily pass in the General Assembly in coming weeks and be signed by the Governor. California and New Jersey's plan builds on the state's longstanding temporary disability insurance (TDI) program. In 2004, California extended their TDI program to offer six weeks of comprehensive partial wage-replacement family leave, on top of up to ten weeks of pregnancy-related leave (four weeks before and six weeks after the birth31), consistent with what the JEC Questionnaire found that Fortune 100 firms offer mothers and fathers.32 New Jersey's bill also provides six weeks of partial wage-replacement. There are three other states (Hawaii, New York, and Rhode Island) that have TDI programs, and across all five TDI states (including California and New Jersey), mothers are granted a minimum of six weeks of leave to recover from childbirth, which is consistent with the length of pregnancy-related disability leave offered by Fortune 100 firms.33

New York also has a bill pending that would expand their TDI program with much longer paid family leave than offered by Fortune 100 firms. The New York state Assembly passed the Working Families Time to Care Act on June 22, 2007 and it awaits movement in the state Senate. This bill provides 12 weeks of paid leave to care for a new baby or a newly placed adopted child, or for a seriously ill family member, including a spouse, parent, in-law, sibling, child or domestic partner on top of the existing TDI benefits for birth mothers.

Other states are starting from scratch to establish paid family leave and these states are offering shorter leaves than the typical Fortune 100 firm. In May 2007, Washington became the first state to pass paid family leave as a new, stand-alone program. This legislation provides five weeks of partially paid leave and the financing mechanism remains to

be worked out.34 In Illinois, the Family Leave Insurance Program has been introduced, which would allow for four weeks paid family and medical leave with the financing shared between employers and employees.

IMPLICATIONS FOR FEDERAL POLICYMAKING

At Fortune 100 companies that offer paid leave for a new child, women typically receive six to eight weeks of paid family leave, while men receive just two weeks. For mothers, this length of leave is consistent with recently passed legislation in California, Washington, and New Jersey as well as some proposed federal legislation.

Many Fortune 100 employees have the option of patching together leave from a variety of programs: family leave, pregnancy-related disability leave, and the allowable use of paid sick days. This patchwork, however, leads to two problems. Fathers are not offered very much leave, because they are ineligible for disability leave for childbirth, and employees who use up their sick days must hope that they—or their new child—does not get sick later on. Paid parental leave would address the former problem as it would be available to both mothers and fathers, but employees also need access to sick days if they or their children get sick. This is addressed in separate legislation—the Healthy Families Act (HR-1542 and S-910)—that aims to provide every worker with at least seven paid sick days. (The JEC will publish the findings of the Fortune 100 Questionnaire on paid sick days in coming months.)

Lawmakers have introduced a number of paid family leave bills in the 110th Congress (Table 2). Only two of these bills would provide paid leave to all workers (S-1681 and HR-3192), while the other three are models that would start by providing paid leave to either federal employees or Senate employees. Each of these bills offers mothers eight weeks of leave, which is higher than the median length of paid leave offered by Fortune 100 companies. Two bills, however, S-80 and S-880, provide fathers with only a week of leave, which is far below that typically offered by Fortune 100 companies. S-1681, HR-3192 and HR-3799 (which would cover workers for our nation's largest employer, the federal government) allow mothers and fathers the same length of leave, encouraging fathers to be active participants in their childrens' new lives. Further, this gives families the option of sequencing leave, so that the mother can take the first months off to recover from childbirth and care for the new baby, then the father can take off time after the mother goes back to work.

Table 2. Selected Congressional Legislation on Family-Friendly Workplace Policies

Bill Number	Title	Sponsor	Brief Description
S. 1681	Family Leave Insurance Act of 2007	Sen. Chris Dodd and Sen. Ted Stevens	S. 1681 would provide up to 8 weeks of paid leave to new parents or those caring for seriously ill family members.
H.R.3799	Federal Employees Paid Parental Leave Act	Rep. Carolyn Maloney, Rep. Danny Davis, Rep. Steny Hoyer, Rep. Tom Davis, and Rep. George Miller	H.R. 3799 would require that 8 of the 12 FMLA weeks, that are available to federal workers, be paid.
H.R. 3192 (introduced in 109th Congress)	Paid Family and Medical Leave Act of 2005	Rep. Stark	H.R. 3192 would establish a nationwide insurance program to pay 55 percent of earnings for 12 weeks of family leave to all workers.
S.80	Executive Branch Family Leave Act	Sen. Ted Stevens, Sen. Lisa Murkowski, and Sen. Kay Bailey Hutchinson	S. 80 would provide Executive branch employees 8 weeks of paid maternity leave, and 5 days of paternity leave following the birth of a child.
S.880	Senate Family Leave Act	Sen. Ted Stevens, Sen. Robert Byrd, and Sen. Da-	S. 880 would provide Senate employees 8 weeks of paid maternity leave and 5 days of paid paternity leave

		niel Inouye	following the birth of a child.

Source: Congressional Research Service.
Note: This list does not include all workplace-flexibility legislation.

Conclusions

Fortune 100 firms overwhelmingly offer paid leave to new mothers, in addition to paid sick days. Among our sample, three-quarters offer mothers either paid family or disability leave and less than one-third report offering paid family leave to fathers. While mothers need more time to recover physically from the rigors of childbirth and to breast-feed, fathers are also needed at home to help care for the new child. New paid family leave policies should follow the FMLA and allow both mothers and fathers similar lengths of time to care for and bond with a new child.

Fortune 100 firms offer a basic set of leave policies, which are consistent with the lengths of leave being proposed in the states and offered by Congressional offices, although they are far less generous than in Europe. Research shows that the companies that offer paid leave benefit because they have increased employee retention, which can significantly reduce turnover costs, as well as higher productivity and improved employee morale.

Fortune 100 companies' policies should offer a model for implementing paid family leave as a basic employment standard for all workers in the United States, in addition to paid sick days. Paid parental leave is part of a broader set of new workplace policies that Americans need to meet the competing demands of work and family.

End Notes

[1]U.S Congressional offices each set their own leave policies and most offer paid family leave. House offices, of which 80 percent offer paid leave, typically provide 7 6 weeks of paid family leave and Senate offices, of which 96 percent offer paid leave, typically provide 6.1 weeks Senate Compensation Survey, 2006 and House Compensation Study, 2006.

[2]See http //fortune100s.com/fortune100/, for the Fortune 100 listing

[3]The JEC Questionnaire included questions on Fortune 100 firms paid sick days policies and we will be releasing those findings in a separate report

[4]Bureau of Labor Statistics, Women in the Labor Force. A Databook, Table 7, page 18 (September 2007)

[5]Author's calculations from Bureau of Labor Statistics data and Women in the Labor Force A Databook, Table 16 (September 2007)
[6]U S Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement. Table POV13. http://pubdb3 census gov/macro/032007/pov/new13_100_01 htm
[7]Galtry, Judith, and Paul Callister 2005 "Assessing the Optimal Length of Parental Leave for Child and Parental Well-Being: How Can Research Inform Policy?" Journal of Family Issues 26 (2).219-46
[8]Bureau of Labor Statistics, Women in the Labor Force A Databook, Table 24, page 67 (September 2007)
[9]Heather Boushey, "Perspectives on Work/Family Balance and the Federal Equal Employment Opportunity Laws," Testimony before the Equal Employment Opportunity Commissions, April 17, 2007.
[10]Lawrence M. Berger, Jennifer Hill, and Jane Waldfogel, "Maternity Leave, Early Maternal Employment and Child Health and Development in the US," The Economic Journal, February 2005, 115(501) F29-F47; Heather Boushey, "Family Friendly Policies Helping Mothers Make Ends Meet," Review of Social Economy, forthcoming 2008, and Australian Equal Opportunity for Women in the Workplace, Paid Maternity Leave—the Business Case, 2003 www eowa.gov au/Developing_a_Workplace_Program/Employment_Matter_Resources/EM_5_Resources/EOWA_Paid_Mat_Leave_Info/The_Business_Case htm.
[11]Lawrence M Berger, Jennifer Hill, and Jane Waldfogel, "Maternity Leave, Early Maternal Employment and Child Health and Development in the US," The Economic Journal, February 2005, 115(501): F29-F47.
[12]Parental leave includes both maternity and paternity leave See Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2007, www bls gov/ncs
[13]Westat, Balancing the Needs of Families and Employers. Family and Medical Leave Act Surveys,2000 Update, Report for the U S Department of Labor, 2001, Table A2-3.1
[14]Westat, Balancing the Needs of Families and Employers. Family and Medical Leave Act Surveys,2000 Update, Report for the U.S. Department of Labor, 2001, Table 2 17
[15]Small Business Administration, Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2005, available at
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[16]Data are for 2005 National Center for Health Statistics, National Vital Statistics Reports, Volume 56, Number 6, , Tables 10 and 14, available at
http //www cdc.gov/nchs/data/nvsr/nvsr56/nvsr56_06 pdf
[17]Heather Boushey, "Job Tenure and Firm Size Exclude Many Young Parents from Family and Medical Leave," Washington, DC Center for Economic and Policy Research, June 2007.
[18]Jane Waldfogel, "The Impact of the Family Medical Leave Act," Journal of Policy Analysis and Management, vol 18, Spring 1999; Christine Siegwarth Meyer, Swati Mukerjee, and Ann Sestero, "Work-Family Benefits: Which Ones Maximize Profits?" Journal of Managerial Issues,13(1) 28-44, Spring 2001, Families and Work Institute, Business Work-LifeStudy, 1998, available at http.//www familiesandwork org/summary/worklife pdf, Children's Defense Fund-Minnesota, Parental Leave in Minnesota: A Survey of Employers, Winter 2000, http //www cdf-mn org/PDF/Publications/ParentalLeave pdf, and "Limits of Family Leave," Chicago Tribune, May 4, 1999
[19]Ruhm, Christopher. "The Economic Consequences of Parental Leave Mandates Lessons from Europe " Quarterly Journal of Economics, 285-317 (1998), Heather Boushey, "Family Friendly Policies Helping Mothers Make Ends Meet," Review of Social Economy, forthcoming 2008.
[20]Heather Boushey, "Family Friendly Policies: Helping Mothers Make Ends Meet," Review of Social Economy, forthcoming 2008.
[21]Williams, Joan Jessica Manvell, and Stephanie Bornstein, "Opt-out or Pushed Out?. How the Press Covers Work/Family Conflict University of California, Hastings College of the Law, 2006, p. 39.
[22]Employment Policy Foundation, Factsheet: Turnover Costs (Washington, DC, Oct 2004)
[23]Holterman, S. All Our Futures, Barkingside: Barnardo's, 1995, p. 102-112
[24]Appelbaum, Eileen, and Ruth Milkman "Achieving a Workable Balance New Jersey Employer's Experiences Managing Employee Leaves and Turnover" Center for Women and Work, School of Management and Labor Relations, Rutgers, The State University of New Jersey, New Brunswick, NJ 2006, p 17-19

[25]Appelbaum, Eileen, and Ruth Milkman "Achieving a Workable Balance New Jersey Employer's Experiences Managing Employee Leaves and Turnover" Center for Women and Work, School of Management and Labor Relations, Rutgers, The State University of New Jersey, New Brunswick, NJ 2006, p ii

[26]However, as noted in Vicky Lovell, "Maternity Leave in the United States," Washington, DC· Institute for Women's Policy Research, many of the firms on the Working Mother list actually do not provide paid family leave http //www.iwpr org/pdf/parentalleaveA131 pdf

[27]We did not ask the Fortune 100 firms what share of employees use paid leave, nor whether the leave is available to every employee Given that most responses indicate that paid leave is primarily available for women through a short-term disability program, this is more than likely to be available to all workers.

[28]Bureau of Labor Statistics, Women in the Labor Force: A Databook, Table 25, page 68 (September 2007)

[29]Janet Gornick and Marcia Meyers, 2003 Families That Work. Policies for Reconciling Parenthood and Employment, Russell Sage Foundation

[30]Labor Project for Working Families, Paid Leave Activity in Other States, available at http://www paidfamilyleave org/otherstates html

[31]State of California Employment Development Department, Disability Insurance· Frequently Asked Questions, available at http://www edd ca gov/direp/difaq1.htm#Pregnancy

[32]The law was passed in September 2002 and became effective on January 1, 2004, with benefits payable for leave commencing on or after July 1, 2004. California's paid family leave is not a form of job protection. The program does not guarantee an employee the right to take leave, nor does it require an employer to hold an employee's job open while the employee is on leave Paid leave can be taken all at one time, or intermittently—i.e , in hourly, daily, or weekly increments. While the previously existing State Disability Insurance benefit provides partial wage replacement to individuals who cannot work because of their own illness or injury, the new paid family leave benefit provides partial wage replacement to individuals who must take time off from work to care for a seriously ill family member or new child Workers who take leave under the paid family leave program receive approximately 55 percent of their wages, subject to a statutory cap Only workers who pay into the State Disability Insurance system—i e , almost all private sector employees and some public sector employees—are eligible for paid leave The paid family leave law does not require an employee to work a minimum number of hours or days before becoming eligible for paid family leave benefits Georgetown University Law Center, Laws Impacting Workplace Flexibility, available at http //www law georgetown edu/workplaceflexibility2010/law/ca cfm, U S Government Accountability Office, Women and Low-Skilled Workers Other Countries' Policies and Practices That May Help These Workers Enter and Remain in the Labor Force, GAO-07-817, June 2007, footnote 7

[33]Hawaii, New York, and Rhode Island offer mothers longer leaves as necessary to recover from childbirth In New York, the length is capped at 26 weeks and in Rhode Island, the cap is 30 weeks

[34]Beginning in October 2009, parents of newborn and newly adopted children who have worked 680 hours or more in the prior year will be able to take up to 5 weeks off work with a benefit of $250 per week, pro-rated for part-time workers While the leave was initially funded through an employee-paid payroll tax, the bill that passed establishes a joint legislative task force to recommend, among other things, a funding source for the program before January 1, 2008 The Washington law does provide some employees who take leave with job protection Economic Opportunity Institute, Our Successes available at http //www econop org/about_us/our_successes.html#paid_family_leave, U.S Government Accountability Office, Women and Low-Skilled Workers. Other Countries' Policies and Practices That May Help These Workers Enter and Remain in the Labor Force, GAO-07-817, June 2007, footnote 8

[35]See http://fortune100s.com/fortune100/, for the Fortune 100 listing.

APPENDIX: Questionnaire Responses from the Fortune 100

The companies in the JEC questionnaire were taken from the top 100 companies on Fortune magazine's 2007 list of the Fortune 500.35 Each

year, Fortune Magazine publishes the list of the U.S.-based corporations with the largest revenue. Fortune 100 companies disproportionately come from the insurance and financial services sector, the health care and pharmaceuticals industry, the defense and manufacturing sector, the oil industry, and the telecommunications industry.

We attempted to make contact with each of the Fortune 100 companies to determine whether they would be receptive to receiving and filling out the family-leave questionnaire. Only one company did not respond to our phone inquiries; therefore we sent questionnaires to 99 of the Fortune 100. Of those 99, four formally declined to participate. Of the remaining 95, 53 completed the JEC Questionnaire.

Any questionnaire may have "response bias," where the respondents differ greatly from the total population. Table A1 looks at one factor in possible response bias: do the responding firms come from different industries than the non-responding firms? We find that the companies that responded to the JEC Questionnaire do not appear to come from different industries than those who did not. Thirty-four percent of the respondents were from the insurance and financial services sector. Along with companies from the oil, retail, and defense and manufacturing sectors, they constituted sixty-four percent of the respondents. Other respondents were from health services, technology and telecommunications industries. Of the 42 companies that did not respond to the questionnaire, 27 of them (64 percent) were from the insurance and financial services, health care services and pharmaceuticals, defense and manufacturing, and telecommunication industries. However, the Fortune 100 companies who responded to our survey may be more inclined to care about work/life issues. Eighteen of the companies that responded were on the Working Mothers list of 'Best Companies for Women for 2007,' compared to six of the non-responding companies. Thus, although the respondent and nonrespondent companies represent similar industries, limiting the potential for response bias, respondents are more likely to care about work/life issues in general.

Table A1. Fortune 100 Industry Groups by Response Table A1. Fortune 100 Industry Groups by Response

Type of Company	**Respondents**	**Nonrespondents**

Insurance/ Financial Services	18	8
Health Care Services/ Pharmaceuticals	4	9
Defense-related/ Manufacturing	6	5
Oil	5	3
Telecommunications	3	5
Computer/ Technology	4	3
Retail	5	1
Misc.	8	8

Note: 'Misc.' includes motor vehicles, chemical, beverage, agricultural and grocery, shipping, and chemical companies.

Question	**Observations**	**Mean**	**Std. Dev.**	**Min**	**Max**
Sample *(Participate=1,*	57	0.930	0.258	0	1

Decline to Partici-pate=0)					
1. Does your company provide any paid leave for parents following the birth or adoption of a child? (Yes=1, No=0)	53	0.792	0.409	0	1
If provided, concurrent with family leave	7	1.000	0.000	1	1
If provided, concurrent with sick leave	2	1.000	0.000	1	1
1a. If yes, could you please tell us how many days or weeks of paid leave (reported as weeks) you offer for:					
Mothers after the birth of a	12	12.750	12.828	6	52

child for **disability leave:**					
If provided, minimum weeks for disability leave	16	6.000	0.000	6	6
If provided, maximum weeks for disability leave	16	8.250	1.000	8	12
Mothers after the birth of a child for **parental leave:**	10	7.660	4.826	0.6	13
If provided, minimum weeks for maternity leave	3	4.667	2.309	2	6
If provided, maximum weeks for maternity leave	3	14.000	10.392	8	26
Fathers after the birth of a child:	14	3.686	4.235	0.6	13
If provided, minimum weeks for paternity	2	5.000	4.243	2	8

leave					
If provided, maximum weeks for paternity leave	2	8.000	5.657	4	12
Mothers after the adoption of a child:	19	5.321	3.935	0.5	13
If provided, minimum weeks for adoption leave	1	8.000	.	8	8
If provided, maximum weeks for adoption leave	1	12.000	.	12	12
Fathers after the adoption of a child:	18	4.339	3.747	0.5	13
If provided, minimum weeks for adoption leave	2	5.000	4.243	2	8
If provided, maximum weeks for adoption leave	2	8.000	5.657	4	12

1b. Which employees are eligible for this paid leave? Full-time only or all? (Full-time only=1, All=2)	38	1.184	0.393	1	2
If provided, threshold for eligibility in hours	18	19.844	0.826	17.5	22
1c. Do employees have the option of taking the leave either consecutively or spread through the year? (Yes=1, No=0)	39	0.487	0.506	0	1
1d. Is there any limit on the number of times an employee can take paid leave	37	0.378	0.492	0	1

(beyond the 12 weeks provided under the federal Family and Medical Leave Act)? (Yes=1, No=0)						
If provided, threshold for leave in weeks	7	36.429	20.148	8	52	
2. Does your company provide any job-protected unpaid leave for parents following the birth or adoption of a child beyond the 12 weeks required under the federal Family and Medical Leave Act (FMLA)? (Yes=1, No=0)			51	0.451	0.503	0	1
2a. If yes, could you please tell us how many days or weeks (reported as weeks) of job-protected unpaid leave you offer beyond FMLA to:						
Mothers after the birth of a child: _____ weeks			18	27.056	21.883	4	92
If provided, minimum weeks for maternity leave			2	13.000	1.414	12	14

If provided, maximum weeks for maternity leave	2	40.000	0.000	40	40
Fathers after the birth of a child: _____ weeks	15	25.400	22.583	4	92
If provided, minimum weeks for paternity leave	2	13.000	1.414	12	14
If provided, maximum weeks for paternity leave	2	40.000	0.000	40	40
Mothers after the adoption of a child: _____ weeks	15	25.400	22.583	4	92
If provided, minimum weeks for adoption leave	2	13.000	1.414	12	14
If provided, maximum weeks for adoption leave	2	40.000	0.000	40	40
Fathers after the adoption of a child: _____ weeks	15	25.400	22.583	4	92

If provided, minimum weeks for adoption leave	2	13.000	1.414	12	14
If provided, maximum weeks for adoption leave	2	40.000	0.000	40	40
2b. Which employees are eligible for this unpaid leave? Full-time only or all? (Full-time only=1, All=2)	23	1.043	0.209	1	2
If provided, threshold for eligibility in hours	6	19.744	0.397	19.231	20
2c. Do employees have the option of taking the leave either consecutively or spread through the year? (Yes=1, No=0)	24	0.625	0.495	0	1

2d. Is there any limit on the number of times an employee can take unpaid leave (beyond the12 weeks provided under the federal Family and Medical Leave Act)? (Yes=1, No=0)	23	0.348	0.487	0	1
If provided, limits for leave in weeks	1	8.000	.	8	8
3. Does your company provide any paid sick leave? (Yes=1, No=0)	51	0.902	0.300	0	1
If specified, other leave that employees can substitute for paid sick days (Disability Leave=-2, Paid Time Off=-3)	12	-2.417	0.515	-3	-2
3a. If yes, could you please tell us how many days of paid sick leave you offer?	34	98.147	126.669	5	365
If provided, minimum days	6	14.500	9.050	6	30
If provided, maximum days	6	46.333	42.945	15	130
3b. Can employees use paid sick leave following the birth or adop-	43	0.907	0.294	0	1

tion of a child? (Yes=1, No=0)					
If provided, number of days	22	89.409	118.842	5	365
If provided, minimum days	8	26.875	8.839	5	30
If provided, maximum days	8	48.750	33.568	20	130
3c. Is paid sick leave offered for a qualifying medical conditions under FMLA, other than the birth of adoption of a child? (Yes=1, No=0)	44	0.886	0.493	-2	1
If provided, days	25	124.800	125.306	5	365
If provided, minimum days	4	11.750	12.203	5	30
If provided, maximum days	4	75.250	63.221	20	130
3d. Which employees are eligible for this paid leave? Full-time only or all? (Full-time only=1, All=2)	44	1.136	0.347	1	2
If provided, threshold for eligibility in hours	20	20.473	3.318	17.5	34

A Good Job Is Hard To Find: Evidence for Extending Unemployment Insurance Benefits Already Exists

EXECUTIVE SUMMARY

The most recent employment report by the Bureau of Labor Statistics showed widespread weakness in the labor market. The unemployment rate rose sharply in March and, for the first time since 2003, there was a third straight month of falling employment. Unemployment typically only rises like this when we are in a recession. Job losses are no longer contained in sectors associated with the housing bust, but are now spreading throughout the economy. The current labor market slowdown comes on the heels of the weakest jobs recovery in over seventy years.

Evidence is mounting that labor market conditions are already as bad as or worse than when Unemployment Insurance (UI) benefits were extended in previous recessions:

· Long-term unemployment is at recession levels and already higher than when Congress extended UI benefits in the 2001 and 1990-91 recessions. Currently, there are 1.3 million unemployed workers who have been out of work and searching for a new job for at least six months.
· The number of unemployed claiming UI benefits recently rose above 400,000 per week, a level at which economists typically consider the labor market to be in a recession.
· The share of the U.S. population with a job never fully recovered from the 2001 recession and is lower now than it was last time UI benefits were extended.
· The share and number of UI beneficiaries exhausting their benefits is already higher than at the beginning of the 2001 and 1990-91 recessions.[1] More than one-in-three unemployed workers (35.6 percent) exhausted their UI benefits last quarter.
· Over 1.3 million workers will exhaust their UI benefits between January and June 2008 and 10 states and the District of Columbia have exhaustion rates higher than 40 percent (FL, NJ, CA, NE, AZ, NM, NC, CO, LA and IN).

Many indications exist that the unemployed are having difficultly finding a job. Currently, there are 4.2 million unemployed workers who lost their jobs involuntarily and the unemployment rate would be close

to twice as large if we included everyone who wanted, but did not have, a full-time job.

Families are ending this recovery having made very little economic progress. The 2000s recovery will most likely be the first in many decades where at the end of the recovery, real family income is $1,000 lower than it was at the last economic peak. Families have very little savings and, on top of this, the collapse of the housing market and the credit crunch mean that families are increasingly unable to tap into home equity or sell their home to move to find better employment opportunities. Recent estimates are that, depending on the severity of the recession, families may lose an additional $2,000 to nearly $4,000 in income per year over the current recession.

Economists agree that, dollar for dollar, UI benefits are one of the most effective means of economic stimulus. Extending UI benefits now will not only help working families maintain income stability in the face of a challenging labor market, but may also help many to avoid having to foreclose on their homes in a market already glutted with unsold houses. Extending UI benefits is one the most effective forms of economic stimulus and given the potentially protracted nature of the current economic downturn, there is no reason to wait to extend benefits.

INTRODUCTION

The March employment report showed widespread weakness in the labor market including, for the first time since 2003, a third straight month of falling employment. After months of job losses being contained in sectors associated with the housing bust, the economy is now showing losses in a wide array of industries. At the same time, unemployment is rising and jobs are harder to find. The labor market is trending downwards: in testimony before the Joint Economic Committee on April 4, 2008, the Commissioner of the Bureau of Labor Statistics reported that "labor market conditions started to weaken more than a year ago."[2] Based on the labor market data, the slowdown in economic growth for the fourth quarter, falling home prices, and the ensuing crisis in the credit markets, most economists now believe we are in a recession.

Conditions have deteriorated to the extent that on March 13, 2008, the *Wall Street Journal* reported that 71 percent of economic forecasters

now believe that we are in a recession and about half of them think it could be worse than the one in 2001.[3] A day later, Prof. Martin Feldstein, President of the National Bureau of Economic Research, said that we are in a recession that could be "substantially more severe" than recent ones.[4] Even Federal Reserve Chairman Ben Bernanke, in testimony before the JEC on April 2, said that a recession is now possible. He said it is now "likely that real gross domestic product (GDP) will not grow much, if at all, over the first half of 2008 and could even contract slightly."

Earlier this year, Congress passed and the President signed an economic stimulus package designed to forestall an economic downturn. This package included rebates to more than 130 million Americans of up to $600 per individual and $1,200 per married couple, plus $300 per child, increases in the loan limits for large ("jumbo") mortgages, and an acceleration of the depreciation allowed for small businesses.

Extending UI has been the common policy response to signs of recession. Congress has extended benefits in each of the last five economic recessions and this recession should be no exception. Typically, an extension allows unemployed workers to claim benefits for an additional 13 weeks—or 26 weeks in high unemployment states—beyond the current 26 weeks maximum. Extending UI would clearly provide much-needed assistance to the unemployed, while also providing targeted stimulus to the economy.

Even so, some are questioning whether it is too early in this economic downturn to extend UI. Some economists have pointed to the relatively low unemployment rate as an indication that extending UI benefits is unnecessary at this time.

Extensive evidence already exists that unemployed workers are having a difficult time finding a new job. Although the unemployment rate is still relatively low in historical terms, this should not be viewed as the only—or even most important—indicator of the tightness of the labor market. Other labor market data—in particular, the relatively large share of the unemployed who are currently long-term unemployed, the rate of people who are exhausting their UI benefits, and the relatively low employment rate—provide a more important indication of how well millions of workers are faring in today's labor market. Given economists' concerns about the potential severity of this recession, combined with the fact that this will be the first recovery in decades in

which family income did not recover before the next recession began, the evidence for extending UI benefits already exists.

UNEMPLOYMENT IS BEGINNING TO RISE AND ONE-IN-SIX UNEMPLOYED WORKERS HAS BEEN OUT OF WORK FOR AT LEAST SIX MONTHS

In March, the official unemployment rate rose to 5.1 percent and an additional 434,000 workers joined the ranks of the unemployed. The unemployment rate's one-month increase of three-tenths of a percent was relatively large; unless the economy is entering a labor market recession, the unemployment rate tends to move slowly, typically by a statistically insignificant one-tenth of a percent in a given month. Given the downward trends in the labor market, this recent rise in unemployment may not just be a one-month statistical aberration.

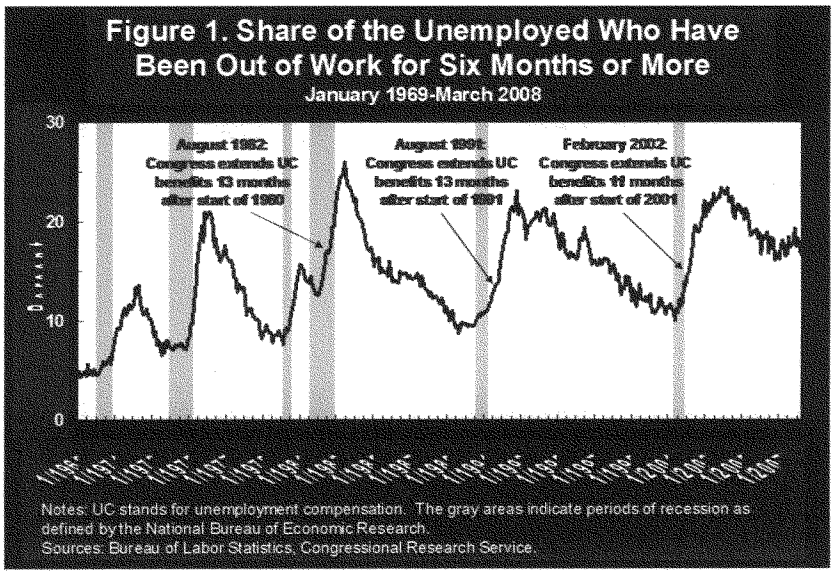
There are many other indicators of problems in the labor market. The BLS's March employment report showed that of the total unemployed, 1.3 million—or one-in-six (16.7 percent)—were "long-term unemployed," that is, out of work and searching for a new job for at least six months (27 weeks or longer).[5] The mean duration for unemployment spells was 16.2 weeks.[6] The six-month mark is important because this is the maximum number of weeks for collecting regular UI benefits.[7]

The share of the unemployed who are long-term unemployed is much higher now than at the beginning of the 2001 and 1990-91 recessions (Table 1 and Figure 1).[8] In March 2001 and in July 1990, there were nearly 700,000 long-term unemployed, just over half as many as there are today. In March 2001 and July 1990, the share of the unemployed who were long-term unemployed was roughly one-in-ten (11.1 percent and 9.8 percent respectively), compared to nearly one-in-six today.[9]

Table 1. Long-term Unemployed

	Jul-90	Mar-01	Mar-08
Share of the unemployed who are long-term	9.8%	11.1%	16.7%
Number of the unemployed who are long-term	688,000	696,000	1,282,000

Source: Bureau of Labor Statistics
Notes: The long-term unemployed are people who are out-of-work and seeking employment for at least 26 weeks.



Workers who are long-term unemployed are disproportionately likely to be older and African American. Younger workers are less likely to be long-term unemployed and have shorter median weeks of unemployment. In 2007, only 17.2 percent of workers aged 25 to 34 were long-term unemployed, compared to 23.6 percent among workers aged 45 to 54.[10]

MORE UNEMPLOYED WORKERS ARE EXHAUSTING THEIR UI BENEFITS

In the last week of March, the number of new applications for UI benefits rose above 400,000, a level that economists typically associate with a recession. At the same time, there are now greater numbers of unemployed workers exhausting their UI benefits. Regular UI benefits are typically cut off after 26 weeks and those who receive UI benefits for six months without finding a new job "exhaust" their UI benefits.[11]

According to the Department of Labor, over a third of those on UI in

the fourth quarter of 2007 (35.6 percent) exhausted their benefits, leaving 665,000 unemployed workers without access to UI even though they have been unable to find a job (Table 2).[12] This is higher than the share and number of UI beneficiaries exhausting their benefits at the beginning of the 2001 and 1990-91 recessions.

Table 2. UI Recipients Exhausting Benefits

	1990 Q3	2001 Q1	2007 Q4
Share of UI recipients exhausting benefits	28%	32%	36%
Number of UI recipients exhausting benefits	565,478	595,090	664,751

Source: Department of Labor

Based on fourth quarter UI exhaustion rates, over 1.3 million workers will exhaust their UI benefits between January and June 2008. Many states have relatively high rates of exhaustions: the highest is the District of Columbia where 54.5 percent of those on UI exhaust their benefits, and a total of ten states (and the Virgin Islands and Puerto Rico) have exhaustion rates higher than 40 percent (FL, NJ, CA, NE, AZ, NM, NC, CO, LA and IN).[13]

EMPLOYMENT IS LOW—AND FALLING—AND JOBS ARE HARD TO FIND

Federal Reserve Chairman Ben Bernanke noted that the appropriate indicator of the health of the labor market was perhaps not the unemployment rate, but the employment rate.[14] During the 2000s economic expansion, the employment rate—the share of the U.S. population with a job—never fully recovered to its pre-recession peak of 64.7 percent (Figure 2). If the employment rate had recovered to its pre-recession peak, there would have been 4.9 million more people at work in March 2008. The lower employment rate indicates overall weakness in the labor market, which is not necessarily being picked up by the unemployment rate.

Over the past year, the employment rate has been falling. The employment rate hit a high of 63.4 percent fifteen months ago and has since fallen to 62.6 percent (Figure 2). The employment rate is lower

now than it was at the beginning of the 2001 recession and lower than in early 2002 when Congress last extended UI benefits to the long-term unemployed.

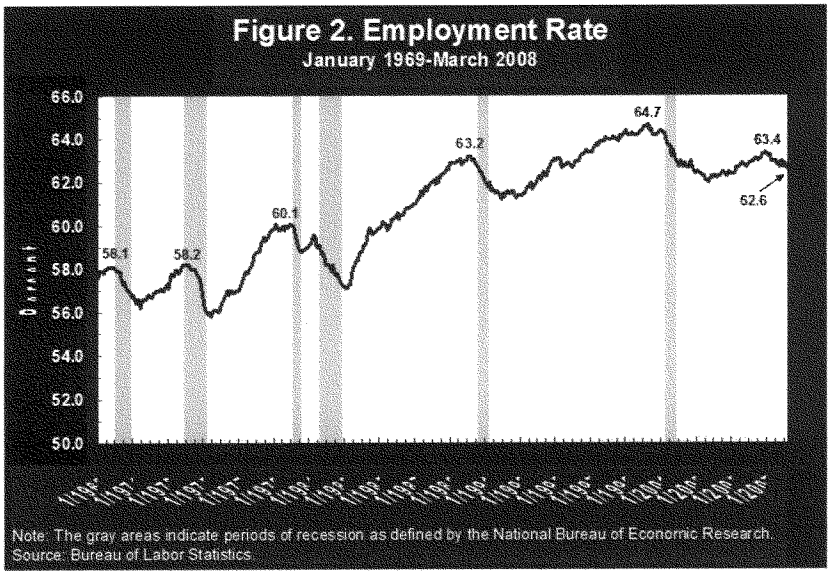
There are also many other indications that people are being laid off and having a hard time finding a new job or having to take a part-time job instead of a full-time one. Half of the unemployed (53.7 percent), equal to 4.2 million workers, lost their job involuntarily.[15] One-fifth (20.2 percent) of those employed part-time report that they would prefer full-time work, but this was all they could find.[16] The unemployment rate would have been 9.1 percent if it included those who worked part-time for economic reasons as well as those who were marginally attached to the labor force.[17]

The weak labor market is hardest on particular sub-groups of the population. In particular, teen workers have already seen sharp declines in employment and rising unemployment.

Do the Unemployed Not Seek Employment?

Some economists argue that extending UI will only increase the duration of unemployment spells as workers who would otherwise find a new job instead choose to continue to receive benefits.[18] Recent research rebuts this hypothesis: David Card, Raj Chetty, and Andrea Weber find that the way unemployment spells are measured affects the spike in exits as the benefit deadline approaches. When measured correctly, the modest spike in re-employment rates implies that most job seekers do not wait until their UI benefits are exhausted to return to work: less than one percent of jobless spells have an ending date that is manipulated to coincide with the expiration of UI benefits.[19]

Further, economists argue that the economic research that is sometimes cited to support this view is not applicable during a recession. Under questioning by Senator Paul Sarbanes at a hearing before the Joint Economic Committee on November 13, 2002, former Federal Reserve Chairman Greenspan said that "when you get into a period where jobs are falling, then the arguments that people make about creating incentives not to work are no longer valid and hence, I have always argued that in periods like this the economic restraints on the unemployment insurance system almost surely ought to be eased to recognize the fact that people are unemployed because they couldn't get a job not because they don't feel like working."



UI IS AN EFFECTIVE ECONOMIC STIMULUS

Temporarily boosting unemployment insurance – through either increasing benefit levels or extending benefits to the long-term unemployed – is among the most effective forms of economic stimulus because it targets resources directly toward people who will spend the money.

Prior research confirms that extending UI is an effective economic stimulus:

· Mark Zandi of economy.com estimated that each additional dollar of expanded unemployment insurance benefits leads to $1.64 increased in aggregate demand, much more than other stimulus proposals.[20]

· The Department of Labor found that each dollar of benefits increased GDP by $2.15 and that at their peak, UI benefits saved an average of 130,000 jobs annually.[21]

· Peter Orszag, Director of the Congressional Budget Office, recently testified that increasing the value or duration of UI benefits would be among the most effective economic stimulus plans.[22]

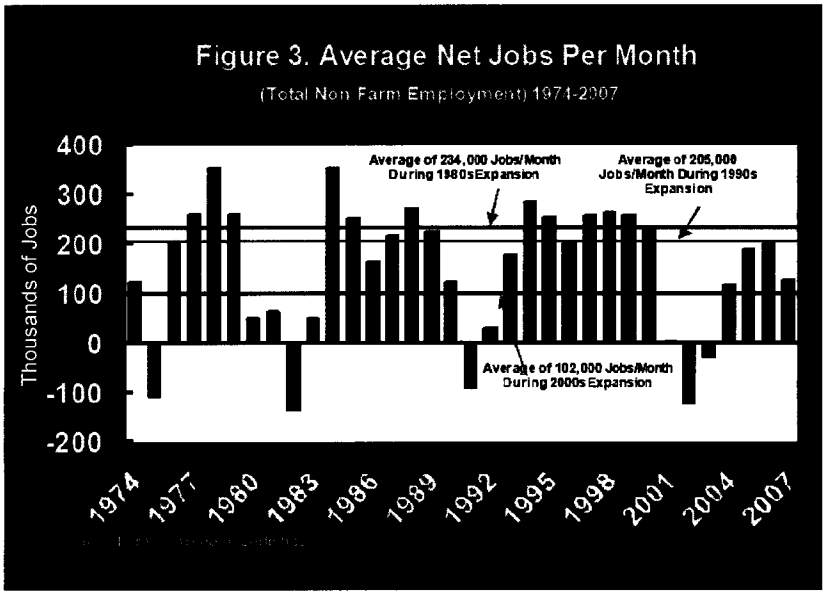
LACKLUSTER RECOVERY LEAVES FAMILIES LESS ABLE TO DEAL WITH UNEMPLOYMENT

Extending UI benefits to the long-term unemployed is especially important in today's economy because the lackluster recovery has left

families less prepared than in recent decades for a bout of unemployment.

Weak Labor Market Recovery

The current labor market slowdown comes on the heels of the weakest job recovery in over seventy years. Over the economic recoveries of the 1980s and 1990s, the economy added 234,000 and 205,000 jobs per month on average. However, over the 2000s recovery, the economy added half as many jobs (102,000) each month on average (Figure 3).



Wage growth has also been lackluster over the 2000s economic recovery. From the peak in 1989 through the next peak in 2000, real weekly full-time earnings grew by 7.7 percent, over twenty times as much as they grew from the peak in 2000 through 2007, the likely peak year of the 2000 recovery. Inflation-adjusted wages and weekly earnings are now both lower than they were over a year and a half ago and median household income is nearly $1,000 lower than it was in 2000.

Given recent trends in wages and employment, the 2000s economic recovery likely will be the first one in many decades where family income does not fully recover from the prior recession. This means that in 2007, inflation-adjusted median family income will remain lower than it was in 2000. On top of this low baseline, families will see in-

come losses over the course of any recession. Given trends in prior recessions, recent estimates are that by 2010, families will see a $2,000 decline in income (in 2006 dollars) if we have a mild-to-moderate recession or $3,750 decline (in 2006 dollars) if we have a severe recession.[23]

Little Savings, Falling Home Values

For many families, this is the worst of times to be facing unemployment. The national savings rate is close to zero and the typical family does not have sufficient savings to get them through an extended period of unemployment. Without UI benefits, families experiencing extended unemployment may end up losing their homes, only adding to the glut of unsold homes and further deepening the housing crisis. Extending UI benefits to the long-term unemployed would not only help these individual families, but will be good for the overall economy.[24]

For many families, tapping into home equity or moving to find better employment opportunities are becoming increasingly limited due to the collapse of the housing market. As home values decline across the nation, homeowners are increasingly unable to borrow against their home equity during a period of unemployment. Further, the decline in prices and the high numbers of homes already on the market means that if a family is forced to sell their home due to unemployment, they will be doing so in the worst seller's market in decades. Many may not even be able to sell their homes: a recent *New York Times* article points to an emerging trend that homeowners looking to move to places with better employment opportunities may be trapped by an unsold home.[25]

Besides cash savings and home equity, the other source of available savings for families is a 401(k) plan, but even these have seen losses in the past year. There is already evidence that families are tapping into their retirement savings in higher numbers.

OPTIONS FOR EXPANDING UNEMPLOYMENT COMPENSATION

Many unemployed workers are eligible for unemployment compensation when they lose their job. The program is funded by a payroll tax on employers. UI is an "automatic stabilizer," because it provides cash income to workers who are no longer employed. When the unemployment rate rises, the program spends more money, but when unemployment falls, the program's payments fall.

There are three specific ways to expand unemployment insurance:
· Provide extended benefits to workers whose regular unemployment compensation has expired;
· Supplement the amount of benefits paid to unemployment compensation recipients; and
· Modernize the UI system to cover more unemployed workers, including more part-time and low-wage workers.

Extending UI benefits to the long-term unemployed will directly help the workers who are exhausting their UI benefits. The key to this policy is to target benefits to workers who are having an exceptionally difficult time finding reemployment. There are two mechanisms to extend UI benefits to the long-term unemployed and both should be enacted. First, Congress should extend benefits for an additional 13 weeks to those exhausting their benefits without finding a new job, as Congress typically has done during recessions. Second, Congress should take steps to improve the process by which extended benefits automatically kick-in.[26] Reforming the trigger mechanism to effectively target benefits to those most in need would automatically extend UI benefits in states with the weakest labor markets without waiting for Congress to act.[27]

Supplementing the amount of benefits will put more money in the hands of unemployed workers who need income and will spend it immediately. Nationwide, benefits are typically equal to just over one-third of pre-unemployment wages. There are two ways to supplement benefits: Congress could raise the benefit amount or cover some or all of UI recipients' COBRA co-payments for health insurance coverage. COBRA, the 1985 Consolidated Omnibus Budget Reconciliation Act, allows workers and their families to continue on their previous employer's group health insurance plan for at least 18 months after a job loss, but the worker is responsible for the full cost of the coverage. Many workers find that COBRA co-payments eat up a large share of their UI benefits, but they need COBRA to ensure that they and their families have access to health insurance.

Modernizing the UI system to cover more part-time and low-wage workers would increase the counter-cyclical nature of the UI program by providing valuable benefits to workers who need the income. Eligibility rules for the unemployment insurance system are set at the state level, but typically, to be eligible a person must have worked four out

of the last five calendar quarters, met minimum earnings and hours requirements, and have lost their job through no fault of their own (i.e., they cannot have been fired). Nationwide, less than four-in-ten unemployed workers actually receive unemployment compensation.[28] The problems with eligibility stem from the design of the program. Since the 1930s when the program was created, there have been shifts in the labor market and the economy that have left some workers out of the system that have been paying into it. This now means that many women do not qualify for UI, even when they have lost their job through no fault of their own. All states should be given the financial incentives and tools necessary to achieve the best innovations in the system as called for in the Unemployment Insurance Modernization Act; this would go a long way towards ensuring that more of the unemployed are eligible for UI.

CONCLUSION

Given the weakness in the labor market, an extension of UI benefits should now be a top priority for policymakers. A consensus is emerging that a recession is virtually unavoidable, so Congress and the Administration should continue to focus on economic stimulus, as well as bolster the incomes of those directly affected by the downturn and help unemployed families continue to maintain their spending on basic living expenses. Extending UI benefits will provide much-needed relief to unemployed families, provide economic stimulus, and may help already-strapped families avoid defaulting on their mortgages.

END NOTES

[1]UI benefits are typically available for 26 weeks and unemployed workers who receive benefits for 26 weeks and still have not found a job leave the UI system having "exhausted" their benefits.
[2] Keith Hall, "Commissioner's Statement on the Employment Situation News Release," in Testimony before the Congressional Joint Economic Committee, April 4, 2008
[3] Phil Izzo and Sudeep Reddy, "Most Economists in Survey Say Recession Is Here," *Wall Street Journal* March 13, 2008.
[4] Ros Krasny, "U S. faces severe recession. NBER's Feldstein," Reuters, March 14, 2008
[5] Bureau of Labor Statistics, Employment Situation, Table A-9
[6] Bureau of Labor Statistics, Employment Situation, Table A-9
[7] Less than 40 percent of the unemployed actually receive UI.
[8] The greater share of the unemployed who are long-term unemployed reflects a long-term shift in the economy Academic research finds that this is due to survey changes and the passage of baby boomers into their prime working years, after accounting for these, the remainder of the increase in long-term unemployment is concentrated among women, who are now more likely to remain in the labor force rather than exit upon becoming unemployed. See, for example, Katherine Abraham and Robert Shimer, 2001 "Changes in Unemployment Duration and Labor Force Attachment," Cambridge, MA National Bureau of Economic Research, Working Paper No. 8513
[9] Bureau of Labor Statistics, Employment Situation, Table A-9.

[10] U S Department of Labor, Bureau of Labor Statistics, Household Data Annual Averages, Table 31
[11] U.S Department of Labor, Employment and Workforce Training, Unemployment Insurance Data Summary.
[12] U S Department of Labor, Unemployment Insurance Data Summary
[13] U.S. Department of Labor, Unemployment Insurance Data Summary.
[14] Ben S Bernanke, "Monetary Policy and the Economic Outlook 2004," Remarks at the Meetings of the American Economic Association, San Diego, California, January 4, 2004 <http://www federalreserve gov/boarddocs/speeches/2004/20040104/default htm>
[15] Bureau of Labor Statistics, Employment Situation, Table A-8.
[16] Bureau of Labor Statistics, Employment Situation, Table A-5
[17] Bureau of Labor Statistics, Employment Situation, Table A-12.
[18] Robert Moffitt, "The Temporary Assistance for Needy Families Program," Cambridge, MA National Bureau of Economic Research, Working Paper No. 8749, February 2002. Available at https://www.nber.org/papers/w8749
[19] David Card, Raj Chetty, and Andrea Weber, "The Spike at Benefit Exhaustion· Leaving the Unemployment System or Starting a New Job?" Cambridge, MA: National Bureau of Economic Research, Working Paper No 12893, February 2007
[20] The tax rebates, for example, are estimated to only add $1.26 in aggregate demand for every dollar spend Mark M. Zandi, "Washington Throws the Economy a Rope," Dismal Scientist, January 22, 2008
< http://www.economy com/dismal/article_free asp?cid=102598>
[21] Chimerine, et al., 1999 "Unemployment Insurance as an Economic Stabilizer Evidence of Effectiveness Over three Decades," U.S. Department of Labor, Unemployment Insurance Occasional Paper 99-8.
[22] Congressional Budget Office Testimony of Peter Orszag on Options for Responding to the Short-Term Economic Weakness before the Committee on Finance, US Senate, January 22, 2009 www.cbo.gov/ftpdocs/89xx/doc8932/01-22-TestimonyEconStimulus.pdf
[23] John Schmitt and Dean Baker, "What We're In For: Projected Impact of the Next Recession," Washington, DC Center for Economic and Policy Research, January, 2008.
[24] Jonathan Gruber, "The Consumption Smoothing Benefits of Unemployment Insurance " American Economic Review, Vo. 87, No. 1, March 1997, 192-205
[25] Louis Uchitelle, "Unsold Homes Tie Down Would Be Transplants," *New York Times*, April 3, 2008.
[26] There is already in place a federal-state Extended Benefits program that extends 13 weeks of benefits to the long-term unemployed, with the cost split between the state and federal governments, however the program does not work effectively The Extended Benefits program is triggered when a state's 13-week average insured unemployment rate reaches 5 percent and this is a 120 percent increase from the same 13-week period in the last two years. Most states have also adopted a second trigger when 13-week average insured unemployment rate reaches 6 percent In either case, weekly benefits are identical to those in the regular UI program

[27] There are a number of proposals to fix the trigger mechanism See, for example, Jeffrey Wenger and Matthew Walters, "Why triggers fail (and what to do about it) An examination of the unemployment insurance extended benefits program," Journal of Policy Analysis and Management, Vol. 25, Issue 30
[28] Data from the Department of Labor, Unemployment Insurance Data Summary http://workforcesecurity.doleta gov/unemploy/content/data asp

Coast To Coast, Home Prices Are Down and Families Have Lost Wealth From 2007-2009

Coast to Coast, Home Prices Are Down and Families Have Lost Wealth From 2007-2009								
	Real Median House Prices				Change in Housing Wealth			
State	2007	2008	2009	Percentage Change '07 - '09	2007	2008	2009	Total
Alaska	$249,185	$249,344	$250,548	**0.55%**	$942,073,860	$24,428,720	$185,457,470	**$1,151,960,050**
Alabama	$179,142	$181,820	$184,042	**2.73%**	$2,397,624,755	$3,464,737,378	$2,873,939,466	**$8,736,301,598**
Arkansas	$137,899	$137,891	$137,900	**0.00%**	$284,738,176	-$6,588,490	$6,659,813	**$284,809,499**
Arizona	$260,962	$217,908	$190,344	**-27.06%**	-$23,811,444,850	-$66,428,767,438	-$42,528,963,783	**-$132,769,176,071**
California	$473,122	$420,936	$393,146	**-16.90%**	-$406,517,611,291	-$417,989,526,901	-$222,589,819,394	**-$1,047,096,957,585**
Colorado	$248,849	$239,303	$232,994	**-6.37%**	-$6,532,326,294	-$12,735,872,961	-$8,417,345,700	**-$27,685,544,955**
Connecticut	$328,695	$310,130	$287,028	**-12.68%**	-$7,310,680,220	-$16,290,005,232	-$20,272,364,994	**-$43,873,050,445**
District of Columbia	$470,211	$422,645	$383,836	**-18.37%**	-$716,951,509	-$4,940,739,966	-$4,031,131,862	**-$9,688,823,337**
Delaware	$380,117	$365,384	$351,588	**-7.51%**	-$1,253,072,360	-$3,483,945,472	-$3,262,332,471	**-$7,999,350,303**
Florida	$242,842	$211,083	$192,084	**-20.90%**	-$93,331,980,761	-$144,295,540,419	-$86,316,763,160	**-$323,944,284,340**
Georgia	$195,566	$194,421	$193,266	**-1.18%**	-$3,739,351,411	-$2,764,551,017	-$2,787,342,913	**-$9,291,245,342**
Hawaii	$570,500	$525,310	$490,532	**-14.02%**	-$2,123,415,214	-$12,616,011,938	-$9,709,246,757	**-$24,448,673,909**
Iowa	$150,485	$150,475	$150,222	**-0.17%**	-$886,004,801	-$9,111,868	-$240,076,000	**-$1,135,192,669**
Idaho	$208,411	$191,000	$176,664	**-15.23%**	$987,295,705	-$7,249,827,908	-$5,969,142,246	**-$12,231,674,448**
Illinois	$231,396	$223,135	$219,681	**-5.06%**	-$10,074,972,712	-$25,932,758,335	-$10,841,490,393	**-$46,849,221,440**
Indiana	$143,050	$144,095	$145,009	**1.37%**	-$5,047,626,529	$1,974,676,753	$1,724,978,591	**-$1,347,971,185**
Kansas	$167,579	$168,370	$168,959	**0.82%**	-$1,156,999,227	$677,986,481	$504,653,476	**$25,640,730**
Kentucky	$175,885	$175,646	$175,196	**-0.39%**	$283,138,527	-$281,131,815	-$528,641,722	**-$526,635,010**
Louisiana	$195,291	$197,647	$199,785	**2.30%**	$1,602,612,147	$2,600,167,602	$2,359,365,800	**$6,562,145,549**
Massachusetts	$306,112	$291,509	$281,979	**-7.88%**	-$24,616,928,736	-$20,760,125,518	-$13,549,139,301	**-$58,926,193,556**
Maryland	$425,655	$394,690	$365,607	**-14.11%**	-$16,894,974,442	-$48,239,079,004	-$45,306,717,146	**-$110,440,770,591**
Maine	$198,149	$191,357	$183,771	**-7.26%**	-$1,055,336,914	-$2,535,723,914	-$2,831,891,568	**-$6,422,952,396**
Michigan	$150,209	$142,272	$141,196	**-6.00%**	-$35,837,043,298	-$23,739,018,186	-$3,218,382,662	**-$62,794,444,147**
Minnesota	$233,951	$222,789	$218,015	**-6.81%**	-$16,665,052,024	-$17,399,399,465	-$7,440,482,590	**-$41,504,934,079**
Missouri	$147,245	$146,071	$145,075	**-1.47%**	-$2,264,953,455	-$2,040,667,578	-$1,732,262,154	**-$6,037,883,187**
Mississippi	$162,316	$164,013	$166,871	**2.81%**	$904,325,667	$1,308,958,459	$2,203,548,819	**$4,416,832,944**
Montana	$240,971	$246,192	$250,475	**3.94%**	$2,140,084,993	$1,401,690,141	$1,150,026,656	**$4,691,801,790**
North Carolina	$208,853	$208,320	$207,072	**-0.85%**	$7,139,400,807	-$1,286,881,016	-$3,016,148,429	**$2,836,371,361**
North Dakota	$187,782	$188,752	$188,971	**0.63%**	$1,459,979,522	$180,573,641	$40,798,497	**$1,681,351,660**
Nebraska	$140,369	$140,146	$139,994	**-0.27%**	-$685,311,284	-$121,658,614	-$82,572,045	**-$889,541,943**

Coast to Coast, Home Prices Are Down and Families Have Lost Wealth From 2007-2009

State	Real Median House Prices 2007	2008	2009	Percentage Change '07 - '09	Change in Housing Wealth 2007	2008	2009	Total
New Hampshire	$243,690	$230,466	$221,411	-9.14%	-$3,317,057,255	-$4,497,251,776	-$3,079,313,800	-$10,893,622,830
New Jersey	$371,613	$341,530	$307,550	-17.24%	-$27,439,552,941	-$60,961,749,896	-$68,861,337,887	-$157,262,640,724
New Mexico	$211,489	$204,930	$195,912	-7.37%	$2,026,537,271	-$3,275,629,629	-$4,504,013,539	-$5,753,105,897
Nevada	$329,401	$268,268	$224,261	-31.92%	-$19,918,583,963	-$37,718,077,468	-$27,151,368,183	-$84,788,029,614
New York	$259,010	$242,971	$227,860	-12.03%	-$23,324,851,578	-$53,671,992,730	-$50,567,269,672	-$127,564,113,980
Ohio	$237,298	$226,062	$226,858	-4.40%	-$30,491,188,770	-$37,999,223,217	$2,691,886,312	-$65,798,525,675
Oklahoma	$128,673	$129,214	$129,230	0.43%	$2,308,254,236	$578,323,397	$16,574,338	$2,903,151,972
Oregon	$293,014	$273,213	$256,826	-12.35%	$1,347,828,317	-$19,571,424,728	-$16,198,125,603	-$34,421,722,015
Pennsylvania	$274,621	$270,292	$266,096	-3.10%	-$5,318,355,507	-$16,068,269,614	-$15,573,452,043	-$36,960,077,164
Rhode Island	$269,480	$239,437	$219,271	-18.63%	-$4,021,267,915	-$7,377,083,525	-$4,951,929,761	-$16,350,281,201
South Carolina	$194,526	$194,085	$194,120	-0.21%	$838,695,180	-$492,368,106	$38,741,074	$385,068,148
South Dakota	$166,239	$168,267	$169,939	2.23%	$525,154,766	$458,798,553	$377,952,273	$1,361,905,592
Tennessee	$188,224	$189,663	$190,811	1.37%	$2,422,056,894	$2,498,567,895	$1,993,240,045	$6,913,864,834
Texas	$153,505	$154,968	$156,010	1.63%	$15,274,826,070	$8,281,091,624	$5,898,090,400	$29,454,008,095
Utah	$273,214	$251,724	$228,139	-16.50%	$9,035,597,128	-$13,160,918,249	-$14,444,555,219	-$18,569,876,341
Virginia	$389,199	$361,105	$336,529	-13.53%	-$21,313,491,961	-$60,651,231,106	-$53,058,401,926	-$135,023,124,993
Vermont	$193,391	$183,018	$174,000	-10.03%	-$319,982,030	-$1,835,403,162	-$1,595,800,861	-$3,751,186,053
Washington	$343,433	$333,100	$324,947	-5.38%	$11,218,825,416	-$17,138,421,870	-$13,522,040,740	-$19,441,637,194
Wisconsin	$199,678	$197,044	$194,696	-2.49%	-$4,496,902,373	-$4,227,161,857	-$3,767,896,089	-$12,491,960,319
West Virginia	$178,247	$181,943	$184,752	3.65%	-$312,967,134	$2,045,036,409	$1,554,784,582	$3,286,853,858
Wyoming	$227,117	$227,944	$228,367	0.55%	$1,497,083,953	$120,222,652	$61,607,926	$1,678,914,531
United States	**$260,734**	**$243,978**	**$231,855**	**-11.08%**	**-$736,160,105,369**	**$1,144,177,880,280**	**-$748,265,457,079**	**-$2,628,603,442,728**

Prepared by the Joint Economic Committee staff based on data available as of April 2008.
Sources: Median home prices calculated using Federal Housing Finance Board data for single-family homes; historical home price indices from the Office of Federal Housing Enterprise Oversight (OFHEO); forecasts of OFHEO price indices from Moody's Economy.com; state household quantities from the U.S. Census Bureau; and Congressional Budget Office (CBO) forecasts of personal consumption expenditure deflators.

Impact of Subprime Foreclosures on Home Equity, Property Values, and Property Taxes

Impact of Subprime Foreclosures on Home Equity, Property Values and Property Taxes

State	Estimated Outstanding Subprime Loans	Average Home Value (2008--Q1)	Estimated Total Subprime Foreclosures 2008 - 2009	Estimated Cumulative Loss of Property Value 2008 - 2009 (February 2008 Dollars)			Estimated Cumulative Loss of Property Taxes 2008 - 2009 (February 2008 dollars)		
				Total	Direct	Neighborhood	Total	Direct	Neighborhood
Alaska	12,899	$265,905	931	$61,803,613	$54,216,887	$7,586,726	$642,387	$563,530	$78,856
Alabama	75,341	$130,742	7,891	$281,240,188	$237,279,325	$43,960,862	$862,119	$727,361	$134,759
Arkansas	36,465	$116,898	3,611	$108,438,152	$94,483,205	$13,954,946	$541,613	$471,913	$69,700
Arizona	233,786	$260,929	49,890	$2,891,531,330	$2,553,738,908	$337,792,422	$14,867,239	$13,130,429	$1,736,810
California	960,786	$443,916	211,248	$24,648,847,370	$19,008,104,636	$5,640,742,734	$115,491,146	$89,061,681	$26,429,465
Colorado	146,378	$257,024	22,576	$1,481,173,604	$1,253,028,259	$228,145,344	$8,566,513	$7,247,012	$1,319,501
Connecticut	78,283	$288,876	13,228	$1,286,132,541	$803,973,200	$482,159,342	$17,422,384	$10,890,892	$6,531,493
District of Columbia	10,991	$384,116	1,776	$248,447,883	$141,372,882	$107,075,001	$915,006	$520,660	$394,345
Delaware	22,035	$239,521	3,241	$200,611,388	$169,083,856	$31,527,532	$762,341	$642,534	$119,807
Florida	716,953	$250,409	177,401	$13,168,247,168	$9,016,781,942	$4,151,465,226	$97,248,590	$66,589,678	$30,658,913
Georgia	261,260	$183,928	34,332	$1,920,165,507	$1,418,089,904	$502,075,603	$14,095,092	$10,409,576	$3,685,517
Hawaii	24,465	$513,404	3,762	$885,196,306	$403,980,063	$481,216,243	$2,020,393	$922,054	$1,098,240
Iowa	35,288	$116,888	6,013	$191,822,665	$156,935,425	$34,887,240	$2,412,264	$1,973,540	$438,724
Idaho	31,294	$212,739	4,843	$258,330,119	$221,642,560	$36,687,559	$2,001,704	$1,717,426	$284,278
Illinois	269,346	$241,223	53,591	$4,722,183,934	$2,828,231,806	$1,893,952,128	$72,200,824	$43,242,845	$28,957,979
Indiana	155,499	$123,564	28,953	$1,034,804,182	$802,880,783	$231,923,399	$9,645,027	$7,483,354	$2,161,672
Kansas	40,704	$126,502	4,683	$159,919,372	$133,443,328	$26,476,044	$1,959,851	$1,635,381	$324,470
Kentucky	64,961	$126,560	10,588	$404,708,153	$298,776,343	$105,931,810	$2,730,869	$2,016,067	$714,801
Louisiana	81,679	$139,458	11,252	$435,729,528	$360,992,408	$74,737,120	$679,996	$563,362	$116,634
Massachusetts	111,016	$332,058	20,954	$2,845,891,622	$1,476,377,624	$1,369,513,998	$24,548,120	$12,734,953	$11,813,167
Maryland	157,066	$317,885	24,391	$2,807,203,345	$1,645,272,407	$1,161,930,938	$19,575,777	$11,473,157	$8,102,620
Maine	23,204	$193,614	4,385	$245,106,263	$185,869,878	$59,236,385	$2,541,630	$1,927,378	$614,252
Michigan	265,370	$137,822	53,663	$2,334,722,438	$1,577,484,354	$757,238,085	$30,033,090	$20,292,232	$9,740,858
Minnesota	112,714	$217,084	24,437	$1,381,213,973	$1,143,981,795	$237,232,178	$11,808,650	$9,780,440	$2,028,210
Missouri	134,813	$143,460	15,930	$664,459,829	$509,873,974	$154,585,855	$5,647,153	$4,333,349	$1,313,804
Mississippi	48,084	$113,791	6,368	$194,167,214	$166,914,430	$27,252,784	$957,687	$823,269	$134,418
Montana	10,490	$211,543	936	$47,992,795	$46,196,574	$1,796,222	$423,139	$407,302	$15,837
North Carolina	182,014	$175,162	19,669	$1,016,085,856	$783,226,490	$232,859,366	$7,687,297	$5,925,577	$1,761,720
North Dakota	3,745	$120,554	398	$11,105,457	$10,705,467	$399,990	$159,954	$154,193	$5,761
Nebraska	22,864	$121,273	2,829	$97,315,074	$75,571,598	$21,743,476	$1,657,295	$1,287,000	$370,296

Impact of Subprime Foreclosures on Home Equity, Property Values and Property Taxes

State	Estimated Out-standing Subprime Loans	Average Home Value (2008–Q1)	Estimated Total Subprime Fore-closures 2008 - 2009	Estimated Cumulative Loss of Property Value 2008 - 2009 (February 2008 Dollars)			Estimated Cumulative Loss of Property Taxes 2008 - 2009 (February 2008 dollars)		
				Total	Direct	Neighborhood	Total	Direct	Neighborhood
New Hampshire	28,336	$254,434	4,025	**$431,442,086**	$216,254,027	$215,188,059	**$7,047,569**	$3,532,491	$3,515,078
New Jersey	171,671	$344,281	32,537	**$5,905,000,243**	$2,320,223,321	$3,584,776,923	**$92,988,452**	$36,537,505	$56,450,947
New Mexico	30,731	$205,500	3,982	**$198,142,406**	$182,826,605	$15,315,800	**$1,048,246**	$967,220	$81,026
Nevada	126,910	$299,301	30,278	**$1,780,554,867**	$1,715,517,765	$65,037,102	**$8,631,624**	$8,316,342	$315,281
New York	350,959	$373,100	58,339	**$8,492,026,348**	$4,620,403,273	$3,871,623,074	**$92,393,471**	$50,270,109	$42,123,361
Ohio	276,821	$132,044	60,307	**$2,547,333,455**	$1,714,809,091	$832,524,364	**$32,218,493**	$21,688,784	$10,529,709
Oklahoma	64,679	$112,723	8,256	**$243,924,042**	$209,010,496	$34,913,546	**$1,747,477**	$1,497,356	$250,121
Oregon	80,955	$276,562	11,170	**$791,290,101**	$668,508,713	$122,781,388	**$6,675,465**	$5,639,659	$1,035,806
Pennsylvania	258,328	$163,668	36,102	**$1,962,743,567**	$1,311,997,036	$650,746,531	**$27,805,534**	$18,586,625	$9,218,909
Rhode Island	24,034	$272,246	5,207	**$577,618,156**	$287,606,154	$290,012,001	**$6,223,508**	$3,098,793	$3,124,715
South Carolina	95,286	$170,423	14,336	**$691,781,778**	$558,014,691	$133,767,087	**$3,973,224**	$3,204,937	$768,286
South Dakota	6,000	$130,665	728	**$23,065,302**	$21,739,888	$1,325,414	**$301,119**	$283,816	$17,303
Tennessee	150,508	$139,679	15,678	**$629,023,295**	$500,038,455	$128,984,839	**$4,394,476**	$3,493,364	$901,113
Texas	510,499	$148,827	53,936	**$2,380,570,780**	$1,829,303,633	$551,267,147	**$44,312,028**	$34,050,722	$10,261,306
Utah	66,234	$262,719	9,041	**$548,620,375**	$520,296,099	$28,324,276	**$3,448,887**	$3,270,827	$178,060
Virginia	171,710	$278,387	25,740	**$2,305,816,372**	$1,511,189,171	$794,627,201	**$14,777,243**	$9,684,730	$5,092,513
Vermont	5,931	$208,514	1,111	**$63,911,636**	$49,668,871	$14,242,765	**$1,005,366**	$781,320	$224,047
Washington	142,655	$313,619	18,123	**$1,580,261,231**	$1,274,260,770	$306,000,461	**$13,912,913**	$11,218,828	$2,694,085
Wisconsin	77,216	$166,046	14,640	**$709,668,041**	$539,557,652	$170,110,389	**$12,348,658**	$9,388,633	$2,960,025
West Virginia	20,303	$132,998	1,670	**$59,755,965**	$51,149,035	$8,606,931	**$281,126**	$240,634	$40,492
Wyoming	7,520	$185,647	793	**$35,226,779**	$34,596,404	$630,375	**$187,371**	$184,018	$3,353
United States	6,997,075	$252,777	1,229,772	**$97,992,373,693**	$67,715,481,462	$30,276,892,232	**$845,827,400**	$554,884,856	$290,942,544

Prepared by the Joint Economic Committee staff based on data available as of April 2008.

Sources: Number of outstanding subprime mortgages and current subprime foreclosure rates from Mortgage Bankers Association survey data; average home value calculated using the 2006 Home Mortgage Disclousure Act (HMDA) data for subprime first-lien loans and loan-to-value ratios courtesy of the Center for Responsible Lending; historical home price indices from the Office of Federal Housing Enterprise Oversight (OFHEO); forecasts of OFHEO price indices from Moody's Economy.com; Congressional Budget Office (CBO) forecasts of personal consumption expenditure deflators; state property tax rates from U.S. Census Bureau and the Tax Foundation; state household densities, by MSA, from the U.S. Census Bureau.

Extending the Bush Tax Cuts is the Wrong Way to Stimulate the Economy

The Bush tax cuts, which disproportionately benefited the wealthiest Americans, were justified with a series of claims about their economic effectiveness. Seven years after the first tax cuts were passed, the evidence is clear that these claims were false, and in reality, these tax cuts have been bad economic policy. They have done little to stimulate the economy. The economic expansion earlier in the Bush administration was one of the weakest on record, and the economy has once again fallen into recession. While having limited economic effect, the tax cuts led to massive increases in the national debt and created an enormous windfall for the very wealthiest Americans at the expense of the middle class and future generations. Making the Bush tax cuts permanent would compound these long-term structural problems while doing nothing to address the immediate problems of the economy.

FACTS ABOUT THE BUSH TAX CUTS:

· Through 2008, the federal government has borrowed ***$1.6 Trillion*** to pay for the Bush tax cuts.

· Even the Chairman of the President's Council of Economic Advisors said he "would not claim that tax cuts pay for themselves."

· The tax cuts are heavily tilted to the wealthiest Americans. In 2007, one third of the total benefits of the tax cuts went to the top one percent of households.

· Approximately 20 percent of total benefits went to 0.3 percent of households earning $1 million or more per year. These households received an average tax cut ***103 times larger*** than that of middle-income households.

· Investment and economic growth in this business cycle have been lower than average, indicating that the tax cuts have not had strong economic effects.

IF THE BUSH TAX CUTS WERE MADE PERMANENT:

· Making the cuts permanent would cost the federal government ***an additional $3.4 Trillion*** over the next decade, if they were funded

by borrowing.

· Permanent tax cuts would create revenue losses ***over three times larger*** than the long-term Social Security funding gap. The windfall received by the top one percent of taxpayers alone would be sufficient to close the Social Security funding gap through 2075.

· Using optimistic assumptions, the Administration's estimates of the possible long-term economic benefits of the tax cuts find that they would boost economic growth by a negligible four one-hundredths of one percent per year. These long-term growth benefits would only occur if tax cuts are funded through reductions in Federal spending.

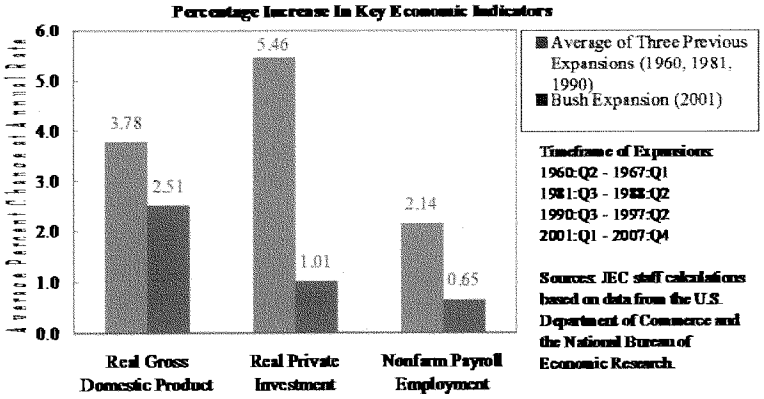
· If tax cuts were funded by spending cuts, they ***would actually reduce net after-tax income for almost 75 percent of American households***, while income among households earning $1 million per year or more would increase by almost 8 percent.

THE TAX CUTS HAVE NOT INCREASED ECONOMIC GROWTH *NOR* STIMULATED INVESTMENT.

· The Bush administration has claimed that its tax cuts drive investment and therefore create jobs and growth in Gross Domestic Product (GDP). As Chart 1 demonstrates, however, the economic expansion following the Bush tax cuts has showed substantially *lower* growth in GDP, employment, and investment than previous economic expansions.

Chart 1: The Bush Economy Lags Behind

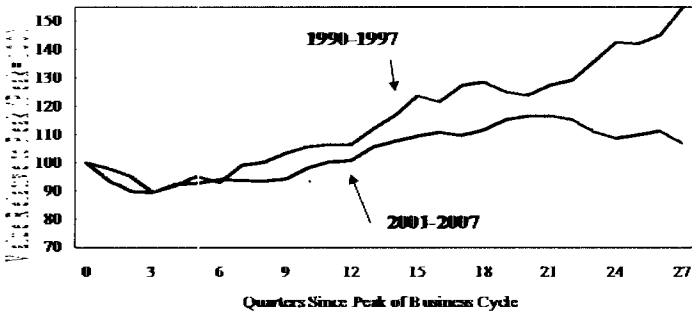
Percentage Increase In Key Economic Indicators



· In fact, the Bush tax cuts have been followed by markedly low in-

vestment growth. Chart 2 shows that growth in investment during the Bush economic expansion was much lower than during the expansion of the 1990s. This is despite the fact that the 1990s economic expansion was not marked by tax cuts, but actually featured a tax increase.

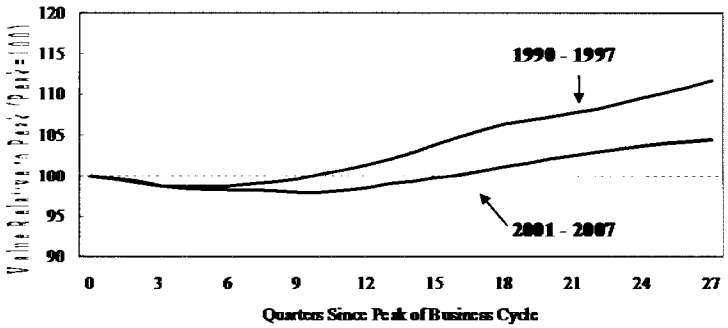
Chart 2: Private Investment Under Bush Lags Behind Clinton



Sources: JEC staff calculations based on data from the U.S. Department of Commerce and the National Bureau of Economic Research.

Chart 3 demonstrates that the 1990s expansion also created higher levels of employment growth than the brief expansion period following the Bush tax cuts.

Chart 3: Employment Following Business Cycle Peaks Under Bush and Clinton



Sources: JEC staff calculations based on data from the U.S. Department of Commerce and the National Bureau of Economic Research.

ANY LONG-TERM EFFECTS OF THE TAX CUTS ON FUTURE GDP GROWTH WILL BE SMALL AT MOST, AND COULD BE NEGATIVE.

1. MAJOR STUDIES HAVE FOUND THAT THE LONG-TERM GROWTH EFFECTS OF THE TAX CUTS RANGE FROM NEGATIVE TO SMALL.

· Expert analyses by the non-partisan Congressional Budget Office and the Joint Committee on Taxation, as well as those by outside organizations, have found that under many sets of assumptions the long-term growth effects of the tax cuts would be negative, and will at most be quite small (CEA, 2008; JCT, 2006; CBO, 2004; Labonte, 2008; Auerbach, 2002; Elmendorf and Reifschnyder, 2002).

· The Bush Administration's own Treasury Department found that even under the most optimistic assumptions, the tax cuts would at best only increase annual economic growth by a miniscule 0.04 percent (CEA, 2008; Furman, 2007; Treasury, 2006).

· The effects of the tax cuts cannot be directly observed in the economy, and thus must be simulated in complex models that are heavily reliant on assumptions (Labonte, 2008).

2. SO FAR, THE TAX CUTS HAVE BEEN FINANCED WITH BORROWED MONEY. ANY POSITIVE GROWTH IMPACTS DEPEND ON PAYING FOR TAX CUTS WITH SPENDING CUTS.

· Tax cuts that are deficit-financed will likely lead to negative long-term impacts on economic growth (Gale and Orszag, 2005). Any positive economic effects found in the studies cited above were based on the assumption that tax cuts would eventually be financed through government spending cuts.

· However, if tax cuts are financed through spending cuts, the majority of Americans would likely experience a net loss in income (Gale, Orszag, and Shapiro 2004). This issue is discussed further below.

THE TAX CUTS UNFAIRLY FAVOR THE WEALTHIEST AMERICANS.

1. TAX CUT BENEFITS ARE HEAVILY WEIGHTED TOWARD THE WEALTHY.

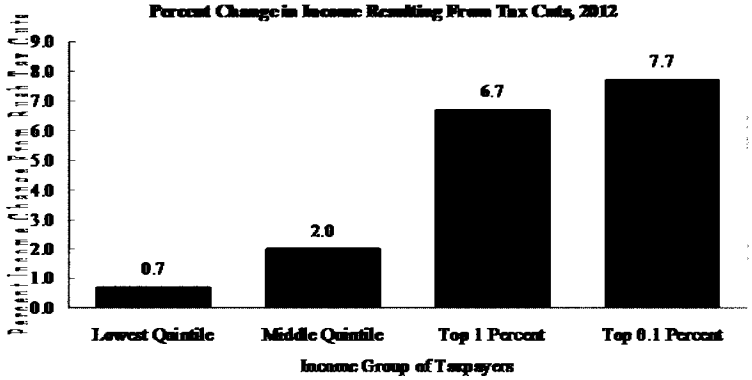
· In 2007, one-third of the total benefits of the tax cuts went to the top one percent of households. Approximately 20 percent of total benefits went to the top 0.3 percent of households earning $1 million or more per year (TPC Tables T07-0077, T07-0078).

· In 2007, families making $50,000-$75,000 per year got a total tax cut of $1,100, while families earning $1 million or more per year got a total tax cut of $120,000 – over one hundred times higher (TPC Table T07-0077).

· Chart 4 shows that middle- and low-income families experience small income gains when the tax cuts are in effect through 2012. Households in the top one percent income bracket – all of whom earn well over $1 million per year – increase their income by 7.7 percent, almost four times the 2 percent rise in middle- and low-income incomes.

Chart 4: Tax Cuts Produce Largest Income Gains At The Top

Percent Change in Income Resulting From Tax Cuts, 2012



Source: JEC staff calculations based on data from the Brookings/Urban Tax Policy Center.

2. TAX CUTS MAY END UP REDUCING MIDDLE-CLASS INCOMES IF THEY ARE FINANCED BY REDUCTIONS IN SPENDING.

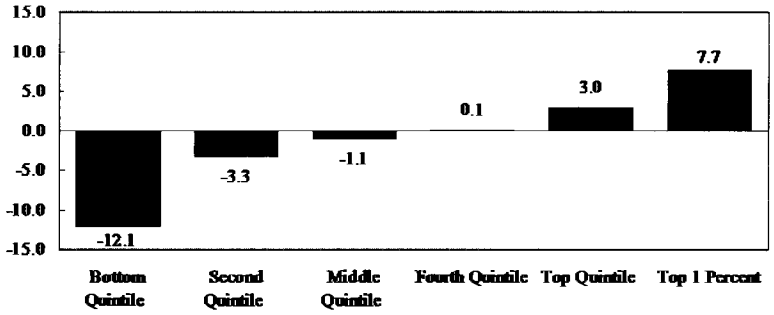
· These tax cuts are financed with borrowed money – a loan from future generations to today's taxpayers. Depending on how this loan is repaid, the net effect of fully-funded tax cuts would likely reduce most middle-class incomes.

· Administration estimates of the long-term impacts of the tax cuts assume that in the long run, tax cuts will eventually be paid for through large cuts in government spending. Unlike the tax cuts, Federal spending provides more income to the middle-class than the wealthy.

· If this tax cut-related debt is offset by across-the-board spending cuts, the after tax income for 75 percent of American households will be **reduced** (Gale, Orszag, and Shapiro, 2004; Furman, 2007).

· Only the wealthiest households benefit from the Bush tax cuts, even using the Treasury Department's estimates for long-run growth effects, as show in Chart 5.

Chart 5: Bush Tax Cuts Result in No Net Benefits for Most Americans
Percent Change in After-Tax Income Due To Combined Tax Cut and Spending Reduction



Sources: Brookings / Urban Tax Policy Center Microsimulation model. Simulation includes dynamic income effects of economic growth due to tax cuts, as estimated by U.S. Department of the Treasury.

THERE IS NO CREDIBLE EVIDENCE THAT THE TAX CUTS WILL EVEN COME CLOSE TO "PAYING FOR THEMSELVES."

1. ECONOMISTS AND ANALYSTS AGREE THAT ANY REVENUE FEEDBACK EFFECTS FROM THE TAX CUTS WILL BE SMALL COMPARED TO THE DIRECT COSTS OF TAX CUTS.

· Simulation studies by non-partisan tax analysts at the Congressional Research Service, the Congressional Budget Office, and the Joint Committee on Taxation all show small revenue feedback effects from the tax cuts (Gravelle, 2006; CBO, 2005; JCT, 2006). These studies almost always find that any pro-growth effects of the tax cuts would offset 10 percent or less of the revenue losses due to the tax cuts. Even under the most optimistic possible assumptions,

growth effects from the tax cuts could offset no more than 30 percent of the total revenues lost.

· The current chairman of the President's Council of Economic Advisors, Edward Lazear, stated in testimony before the Joint Economic Committee that "I certainly would not claim that tax cuts pay for themselves" (Lazear, 2006).

· Greg Mankiw, the former chairman of the Bush Council of Economic Advisors, wrote in his macroeconomic textbook that there is "no credible evidence" that tax cuts pay for themselves, and that an economist who makes such a claim is a "snake oil salesman who is trying to sell a miracle cure" (Mankiw, 2001).

2. BECAUSE ANY OFFSETTING REVENUE GROWTH IS SMALL, THE BUSH TAX CUTS HAVE AND WILL GENERATE MASSIVE COSTS TO THE FEDERAL GOVERNMENT. THESE MUST BE EITHER BORROWED OR PAID FOR THROUGH CUTS IN OTHER SPENDING.

· The Bush tax cuts have so far increased Federal borrowing by $1.6 trillion through 2008, and will cost an additional $3.4 trillion over the next decade if they are made permanent.[1] The great majority of this $5 trillion in lost Federal revenue would not be offset.

· Over the long run, the revenue losses due to making the tax cuts permanent would be enormous. For example, through 2075 these revenue losses would be more than three times greater than the amount necessary to close the long-term funding gap in Social Security. Just the revenue losses resulting from the tax cuts given to the top 1 percent of taxpayers alone would be sufficient to close the entire Social Security funding gap through 2075 (Cox and Kogan, 2008).

· Federal revenues as a percentage of the economy remain far below the level they reached prior to the passage of the tax cut, and significantly below the level necessary to fund government spending (OMB, 2008).

EXTENDING THE TAX CUTS WOULD *NOT* STIMULATE THE ECONOMY, AND COULD ACTUALLY WEAKEN IT.

1. BECAUSE TAX CUT EXTENSION WILL NOT TAKE PLACE UNTIL 2011, MAKING THE TAX CUTS PERMANENT WILL HAVE NO IMMEDIATE STIMULUS EFFECT AND MAY BE COUNTERPRODUCTIVE.

· Policy changes that increase long-run government deficits can potentially increase long-term interest rates, which can counteract growth effects of tax cuts (Gale and Orszag, 2005). Making the tax cuts permanent will be a strong signal that the government intends continued borrowing which create long-run deficits, while it would have no immediate effect on tax rates.

· Former Treasury Secretary Lawrence Summers recently agreed that permanent tax cuts could easily create a drag on the economy by driving up long-term interest rates in anticipation of future increases in government debt (Summers, 2008).

2. IF THE TAX CUTS ARE EXTENDED AFTER 2011, THEY WOULD HAVE A MUCH SMALLER STIMULUS EFFECT THAN POLICIES THAT WERE BETTER TARGETED TO THE MIDDLE CLASS.

· It is well known that fiscal stimulus measures vary with respect to their "multiplier" or "bang for the buck." Stimulus that is targeted to income-constrained or credit-constrained households is most likely to be spent rapidly, producing a proportionately larger effect. For this reason, government payments to high-income households produce little stimulus effect (Johnson, Parker, and Souleles, 2006; CBO, 2008B).

· Since the tax cuts are targeted heavily on higher income households, with one-third of benefits going to the top 1 percent of taxpayers, they will therefore produce only a limited stimulus effect stimulus effect.

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Your Flight Has Been Delayed Again: Flight Delays Cost Passengers, Airlines, and the U.S. Economy Billions

EXECUTIVE SUMMARY

The economic costs of air traffic delays to the U.S. economy are large and far-reaching. As air traffic has grown over the last two decades, the number of domestic flights and air flight delays has reached record levels. Increasing flight delays and cancellations are placing a significant strain on the U.S. air travel system and costing both passengers and airlines billions of dollars each year.

For this report, the majority staff of the Joint Economic Committee (JEC) used U.S. Department of Transportation data to analyze more than 10 million individual U.S. domestic scheduled flights in 2007. These passenger flights were operated by more than 400 different carriers – both national and regional – and traveled through more than 1,100 airports. The JEC found that:

- **The total cost of domestic air traffic delays to the U.S. economy was as much as $41 billion for 2007.**
  - Air-traffic delays raised airlines' operating costs by $19 billion. With each delayed flight, airlines paid extra for crew, fuel, and maintenance costs while planes sat idle at the gate or circled in holding patterns.
  - Delays cost passengers time worth up to $12 billion. Delayed travelers, their employers, and others lost productivity, business opportunities and leisure activities when air travel took extra time. Costs cascaded when delayed flights resulted in other late flights. These costs to passengers could be even higher than JEC estimates, as a result of missed connections, cancelled flights, disrupted ground travel plans, forgone prepaid hotel accommodations, and missed vacation times.
  - Indirect costs of delay to other industries added roughly $10 billion to the total burden. In particular, industries that rely on

air traffic, such as food service, lodging, general retail, and public transportation suffered.

- **Delayed flights consumed about 740 million additional gallons of jet fuel.**
  - Delayed flights cost the airlines (and customers) an additional $1.6 billion in fuels costs, assuming an average wholesale price of $2.15 per gallon in 2007.
  - Burning fuel during flight delays released an additional 7.1 million metric tons of climate-disrupting carbon dioxide into the atmosphere.

- **Almost 20 percent of total domestic flight time in 2007 was wasted in delay.**
  - In 2007, flight arrivals were delayed by a total of 4.3 million hours, after accounting for padding in airline schedules. These delays cost travelers 320 million hours of lost time delays.
  - Planes arrived later than their scheduled arrival by more than 2.8 million total hours; however, because airlines have built the most predictable delays into their schedules calculating delays with respects to schedules significantly underestimates the problem. In fact, when padding is removed from the analysis, total delays are actually 57 percent higher than the airlines report.
  - Flight delays were longest during months when many people take vacations. Flight delays during the months of June, July and August – popular vacation months – averaged approximately 414,000 total hours of delay per month. Flights during December – the height of holiday traveling – totaled almost 438,000 hours of delay.

- **Seventy-eight percent of flight delays in 2007 occurred before take-off.** Almost 60 percent of flight delays occurred at the gate, and 20 percent of delays occurred during the taxi to the runway. Airborne delays, the most costly for airlines accounted for 15 percent of all delays.

- **Delays at the nation's largest airports disproportionately contributed to total passenger delays in 2007.** Flights to and from the 35 largest U.S. airports accounted for about half of the total passenger delays, even though flights in and out of these airports accounted for only 33 percent of the flights in this study. Passengers

departing from airports in the Northeast and Midwest experienced the longest per passenger delays.

Certainly, some air traffic delay is unavoidable. Flights can and should be delayed if safety issues arise due to severe weather or mechanical problems. However the staggering levels of delays experienced in 2007 and the significant costs these delays had on the U.S. economy are troublesome.

As air travel is expected to increase – the Federal Aviation Administration forecasts that the number of U.S. air travelers will grow by at least 2.7 percent per year through 2025, from more than 689 million passengers today to more than 1.1 billion in 2025 – delays will continue to worsen without important reforms to the system.

INTRODUCTION

Air travel delays in the U.S. are at record levels and getting worse. With the exception of a dip in travel following the September 11, 2001 attacks, the number of domestic flights has steadily grown over the last two decades, leading to increased air congestion and delays. As a result, flight delays and subsequent cancellations are costing both passengers and airlines billions of dollars each year. With the Federal Aviation Administration (FAA) predicting that the number of paying U.S. air passengers will likely increase through 2025 at an annual rate of at least 2.7 percent,[1] the costs to passengers, airlines, and the overall economy can only be expected to rise in the coming years. To alleviate the growing costs of congestions and delays, it is clear systematic reform is needed.

To help policy makers understand the true economic ramifications of delayed flights in the United States, the majority staff of the Joint Economic Committee (JEC) has estimated the total costs of air travel delays to the U.S. economy in 2007. To compute the total cost of delay, the JEC estimated the operating costs of airlines, the value of delayed passenger time, and the spillover costs to other industries. The JEC also estimated the environmental ramifications of jet fuel wasted as a result of delay. The JEC used U.S. Department of Transportation (DOT) data to analyze more than 10 million individual U.S. domestic scheduled flights in 2007. These passenger flights were operated by more than 400 different carriers – both national and regional – and traveled through more than 1,100 airports. This report excludes the costs

of delay for international, freight, military, and general aviation flights, including corporate non-commercial flights. Additionally, this report excludes the costs of cancelled or missed connecting flights due to the delay of an initial leg of a flight. Cost estimates in this report are based on airline delays only and do not include the additional lost passenger time spent getting through security. Finally, this cost estimation accounts for expected delays built in to airline schedules. The appendix provides an in-depth explanation of the scope and methodology used for this analysis.

AIR TRAFFIC DELAYS COST THE U.S. ECONOMY UP TO $41 BILLION IN 2007

The economic costs of air traffic delays to the U.S. economy are vast and far-reaching. Delayed flights affect not only the airline industry and the traveling public, but also businesses that depend on air traffic to generate revenue. In addition to the economic costs of delay, burning jet fuel during delays emits climate-disrupting carbon dioxide and local air pollutants. Delayed passenger flights in 2007 emitted an additional 7.1 million metric tons of carbon dioxide into the atmosphere. In total, the JEC found that delayed domestic passenger flights cost the U.S. economy close to $41 billion in 2007 alone.

FIGURE 1: AIR TRAFFIC DELAY COSTS TOTALED UP TO $41 BILLION IN 2007

Airline Operating Costs	Value of Passenger Time	Spillover Costs to the Economy	Total
$19.1 Billion	**$12.0 Billion**	**$9.6 Billion**	**$40.7 Billion**

Of the 10 million domestic scheduled passenger flights analyzed, the JEC found that delays accounted for 19.5 percent of total flight time, measuring from scheduled departure to actual arrival. The JEC calculated that planes arrived later than their scheduled arrival by more than 2.7 million total hours. However this measure of delay significantly underestimates the true burden of growing congestion. As delays have become routine, airlines have changed published schedules to include predictable delays. After accounting for the padding in schedules for

routine congestion by measuring delays relative to estimated flight durations in uncongested conditions, the JEC found that delay is actually 57 percent higher, or more than 4.3 million hours in total. These delays cost travelers 320 million hours of lost time. To account for all delays in its cost estimates, the Committee calculated total economic costs by incorporating schedule padding into its calculations.

DELAYED FLIGHTS COST AN ALREADY STRUGGLING AIRLINE INDUSTRY AS MUCH AS $19 BILLION IN ADDITIONAL OPERATING COSTS

Air-traffic delays raised airlines' operating costs by $19 billion.[2] With each delayed flight, airlines paid extra for crew and fuel while planes sat idle at the gate. Airborne delays added to airplane maintenance costs and increased depreciation as planes circled in holding patterns. System-wide delays also boosted requirements for aircraft, personnel, and other factors that enable the airlines to provide a given level of transportation services. Additionally, delays resulted in airlines incurring broader costs, such as the opportunity cost of the delayed aircraft and extra personnel. These costs accrued most directly to airlines, but ultimately passengers have likely borne them through higher ticket prices or reduced service.

PASSENGERS AFFECTED BY DELAYED FLIGHTS LOST TIME VALUED AT OVER $12 BILLION

Delays cost passengers time worth up to $12 billion. Delayed travelers, their employers, and others lost productivity, business opportunities and leisure activities when air travel took extra time. Delay costs cascaded when flights resulted in other late flights. Costs were likely higher due to missed connections, cancelled flights, disrupted ground travel plans, forgone pre-paid hotel accommodations, and missed vacation times.

Analysts of air traffic delay costs have used a number of approaches in accounting for the value of travelers' time since the value of passenger time is revealed through travelers' choices rather than market prices. Different travelers may have different valuations for their time and indeed, the same traveler may value his or her time differently depending on the purpose of the travel, work conditions, or other factors affecting the burden of delays.[3] In calculating the economic cost of passenger time, the JEC followed the guidance DOT uses for its policy analysis and applied a value of $37.60 per passenger per delay hour. JEC calcu-

lations do not include delays to passengers who missed connecting flights, delays resulting from cancelled flight, or delays from post-September 11th security procedures.[4]

OTHER INDUSTRIES THAT RELY ON THE AIRLINE INDUSTRY SUFFERED AS THE RESULT OF DELAY—BY AS MUCH AS $10 BILLION

Indirect costs of delay to other industries added another $10 billion to the total burden. In particular, delays raised production costs and lowered demand for food service, lodging, retail, and ground transportation, which purchase or otherwise rely on air travel for supplies or customers. To calculate the total costs to other industries, the JEC applied macroeconomic modeling results that estimate an additional $0.50 effect on gross domestic product.[5] These calculations did not include delays in air cargo shipments although delays in this segment are likely costly to manufacturing and other industries.

JET FUEL CONSUMED AS A RESULT OF DELAY COST MORE THAN $1.6 BILLION IN 2007

The JEC found that airlines consumed an additional 740 million gallons of jet fuel in 2007 as a result of airline delays. At an average wholesale price of $2.15 per gallon in 2007, the delay-induced fuel consumption cost more than $1.6 billion. This report calculated the excess fuel burn for each flight by applying a known rate of fuel burn by the aircraft type during the phases of flight in which each minute of delay occurred.

The report finds that air traffic delay-related burn of jet fuel led to the emission of about 7.1 million metric tons of carbon dioxide, or about 5 percent of the 142.1 million metric tons of carbon dioxide from domestic commercial aircraft in 2006.[6] To put this figure in context, according to Toyota, the aggregate CO_2 emissions reductions resulting from the one million Prius hybrid automobiles sold so far is 4.5 million metric tons, or 63 percent of JEC estimates for delayed passenger aircraft in the U.S. in one year.[7]

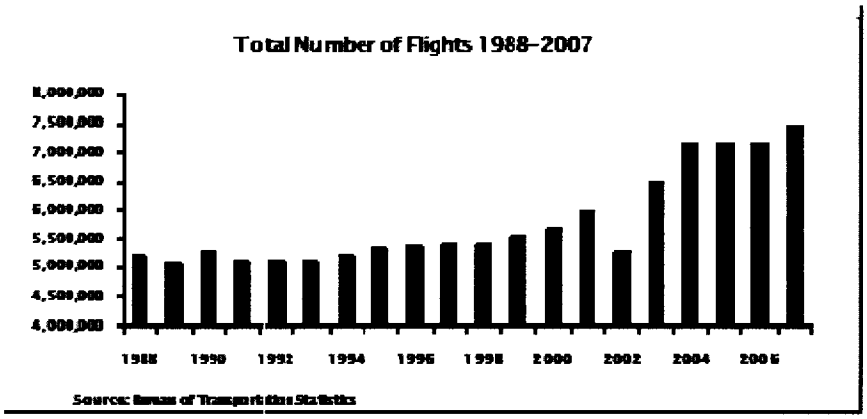
FIGURE 2: EXCESS JET FUEL CONSUMED DURING DELAYS IN 2007 COST THE ECONOMY $1.6 BILLION

CO_2 Emissions	Excess Jet Fuel Consumption	Cost of Excess Jet Fuel Consumption
7.07 million metric tons	**740 million gallons**	**$1.6 billion**

AS THE NUMBER OF FLIGHTS HAS INCREASED, FLIGHT DELAYS HAVE REACHED RECORD LEVELS

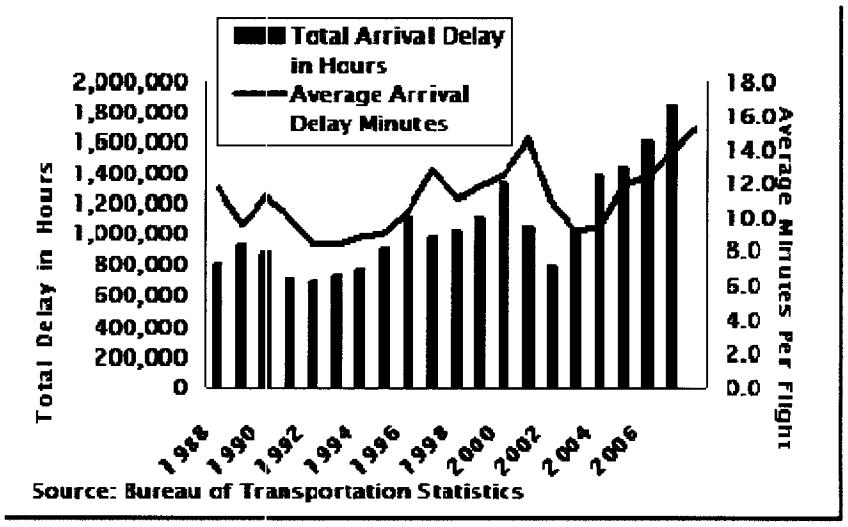
With the exception of a small dip in airline travel following the attacks of September 11, 2001, the number of passengers and domestic flights has steadily increased over the last two decades. According to DOT Bureau of Transportation Statistics reports on flights by carriers with more than $100 million in annual revenue, domestic air traffic volume increased by more than 2.2 million flights in the past 19 years – jumping from just 5..2 million domestic passenger flights in 1988 to more than 7.4 million domestic passenger flights in 2007. The FAA forecasts that this trend is likely to continue and predicts a steady growth in the number of paying U.S. air travelers through 2025 at an average annual growth rate of at least 2.7 percent from 689 million passengers today to over 1.1 billion in 2025. Although airlines can accommodate some of these travelers with larger or fuller planes, some increase in air traffic is inevitable as the number of travelers rises.

FIGURE 3: THE TOTAL NUMBER OF DOMESTIC FLIGHTS HAS INCREASED BY 43 PERCENT SINCE 1998



Not surprisingly, as the volume of air traffic has increased, total delay and the average delay per flight have also increased. According to the Bureau of Transportation Statistics, domestic passenger flights were delayed by more than 1.8 million total hours and average delays were up to 16 minutes per flight in 2007.[8] These figures account only for delays as measured against scheduled arrival times, and therefore do not account for expected delays that airlines have incorporated into their schedules. Because these numbers do not account for routine airline delays, these figures underestimate the true amount of time air travel passengers were delayed in 2007.

FIGURE 4: INDIVIDUAL AND TOTAL FLIGHT DELAYS HAVE INCREASED OVER THE LAST 20 YEARS

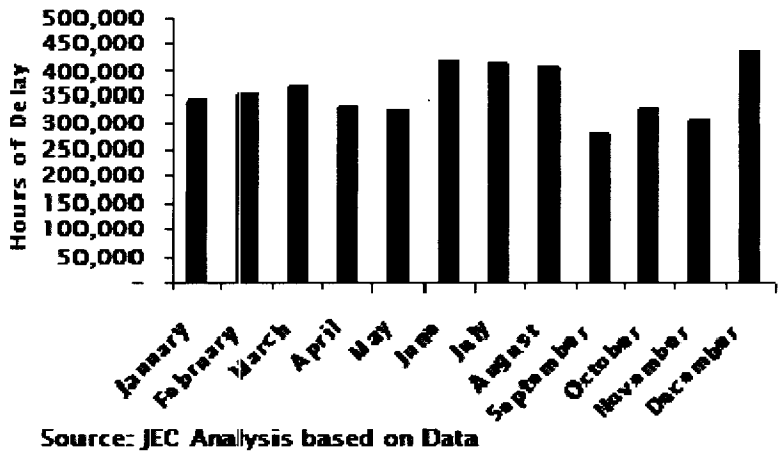


Although there was a small decrease in delays following September 11, 2001, total delays and average delays per flight now exceed pre-September 11 numbers. The figures show that the post-September 11 drop in delays was proportionately greater than the drop in the total number of flights. This finding suggests that congestion delays are quite sensitive to changes in traffic levels, and thus future expected increases in total number of flights will negatively impact total delays.

FLIGHT DELAYS PEAKED DURING THE BUSIEST TRAVELING SEASONS

When analyzing total hours of delay across the year, the JEC found that the periods with the largest total delays corresponded to periods when many people take vacations. Flight delays during the busy summer vacation months of June, July and August averaged approximately 414,000 total hours of delay per month. Flights during December – the height of holiday traveling – totaled almost 438,000 hours of delay.

FIGURE 5: FLIGHT DELAYS IN 2007 PEAKED DURING THE BUSY SUMMER TRAVEL SEASON

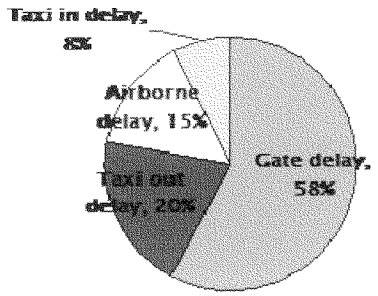


MOST AIR TRAFFIC DELAY OCCURS ON THE GROUND

The vast majority of air-traffic delays in 2007 occurred before airplanes took off for flight. Almost 60 percent of delays occurred at the gate, while 20 percent of flight delays occurred while taxiing out to the runway. Only about 15 percent of the JEC estimated total delay occurred during airborne minutes. Airborne delays, the most costly delays to airlines because of high rates of fuel consumption and greater

wear and tear to the airplanes, include time to circumvent storms or congested airspace and time upon arrival to await landing approval from air traffic controllers. Less than 10 percent of all delays occurred after airplanes had landed.

FIGURE 6: ALMOST 60 PERCENT OF ALL FLIGHT DELAYS OCCURRED AT THE GATE



Source: JEC Analysis based on Data from the DOT

DELAYS PERSIST FROM COAST TO COAST

Delays at the nation's largest airports disproportionately contributed to total passenger delays in 2007. While delays are not confined to the largest airports, delayed flights there affect relatively more passengers. Flights to and from the top 35 U.S. airports represented about 33 percent of the sample and 34 to 37 percent of the total hours of delayed planes. However, given the relatively larger planes involved, the flights to and from large airports comprised about half of the total pas-

senger delay hours.

Airport	Total Est. Ground-Based Passenger Delay Hours (Includes Arrival Delay)	Total Est. Domestic Departing Passengers	Est. Minutes of Departure Delay Per Passenger
Atlanta Hartsfield-Jackson International, GA (ATL)	18,996,152	41,945,140	16.15
Chicago O'Hare International, IL (ORD)	17,749,859	32,705,606	21.25
Dallas-Fort Worth International, TX (DFW)	12,628,406	27,370,009	15.03
New York John F. Kennedy International, NY (JFK)	10,408,536	13,808,842	26.83
Denver International, CO (DEN)	9,364,240	24,909,795	13.72
Philadelphia International, PA (PHL)	9,084,470	15,375,846	24.98
Newark Liberty International, NJ (EWR)	9,022,480	13,722,618	26.16
Los Angeles International, CA (LAX)	8,689,587	24,029,982	10.58
Las Vegas McCarran International, NV (LAS)	8,382,613	22,856,398	11.36
New York LaGuardia, NY (LGA)	7,762,236	12,683,010	29.66

Phoenix Sky Harbor International, AZ (PHX)	7,584,878	21,731,487	11.07
Charlotte-Douglas International, NC (CLT)	7,213,054	17,450,847	16.85
George Bush Intercontinental, TX (IAH)	6,883,717	18,015,101	15.71
Minneapolis-St Paul International, MN (MSP)	6,628,018	16,494,770	14.94
Detroit Metropolitan, MI (DTW)	6,575,147	16,529,991	15.48
Orlando International, FL (MCO)	5,516,367	16,822,329	9.93
San Francisco International, CA (SFO)	5,228,316	14,353,465	12.82
Boston Logan International, MA (BOS)	5,171,799	12,526,880	18.11
Seattle-Tacoma International, WA (SEA)	4,634,625	13,897,447	10.76
Washington-Dulles International, VA (IAD)	3,878,318	9,466,094	22.73
Miami International, FL (MIA)	3,824,975	8,853,130	12.33
Salt Lake City International, UT (SLC)	3,687,805	12,119,469	12.77
Chicago Midway, IL (MDW)	3,623,353	9,856,776	15.31

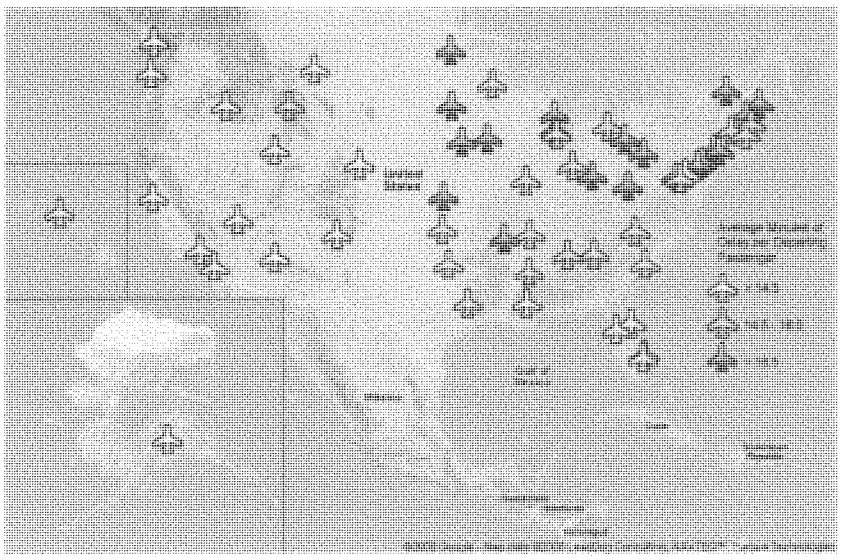
Baltimore-Washington International, MD (BWI)	3,557,716	11,204,172	12.33
Ronald Reagan National, DC (DCA)	3,537,532	9,658,749	16.88
Fort Lauderdale-Hollywood International, FL (FLL)	3,514,704	9,869,811	11.16
Tampa International, FL (TPA)	2,537,263	9,442,762	10.20
Cincinnati-Northern Kentucky, KY (CVG)	2,465,634	8,317,864	18.52
San Diego International Lindbergh, CA (SAN)	2,398,449	9,445,349	9.24
Lambert-St. Louis International, MO (STL)	2,219,283	7,706,011	14.95
Memphis International, TN (MEM)	1,925,259	6,464,272	15.99
Cleveland-Hopkins International, OH (CLE)	1,903,652	5,784,726	20.13
Greater Pittsburgh International, PA (PIT)	1,665,284	5,098,282	19.61
Portland International, OR (PDX)	1,589,843	6,844,396	9.82
Ted Stevens Anchorage International, AK (ANC)	1,478,319	4,557,154	14.43
Honolulu International, HI (HNL)	1,355,836	7,768,547	5.60

Indianapolis International, IN (IND)	1,354,713	4,399,702	16.18
General Mitchell International, WI (MKE)	1,234,556	3,766,407	24.69
Louis Armstrong New Orleans International, LA (MSY)	1,066,618	3,969,953	10.93
Bradley International, CT (BDL)	1,035,060	3,379,491	15.29
Albuquerque International, NM (ABQ)	939,548	3,849,373	10.49
Providence-T.F. Green, RI (PVD)	815,605	2,599,242	17.13
Eppley Airfield, NE (OMA)	722,452	2,421,203	20.07
Manchester-Boston Regional, NH (MHT)	674,788	2,062,983	21.17
Will Rogers World, OK (OKC)	581,742	2,106,883	15.00
Birmingham International, AL (BHM)	546,202	2,077,098	17.33
Charleston International, SC (CHS)	415,478	1,341,750	18.33
Little Rock National, AR (LIT)	374,764	1,304,548	18.75
Portland International Jetport, ME (PWM)	370,825	902,630	27.77

Burlington International, VT (BTV)	357,556	833,780	28.55
Des Moines International, IA (DSM)	341,441	1,031,752	24.22
Boise, ID (BOI)	326,798	1,477,663	11.81
Wichita Mid-Continent, KS (ICT)	252,865	826,375	22.49
Jackson-Evers International, MS (JAN)	210,439	840,039	15.25
Sioux Falls Regional, SD (FSD)	156,926	462,617	19.61
Hector International, ND (FAR)	116,600	344,136	20.11
Jackson Hole, WY (JAC)	109,312	313,853	18.05
Yeager, WV (CRW)	102,424	370,116	28.90
Billings Logan International, MT (BIL)	98,005	427,808	12.10
New Castle, DE (ILG)	11,223	30,926	55.13

When measuring delays per airport per passenger, the JEC found that those passengers departing from airports in the Northeast and Midwest experienced the longest delays. Passengers departing from New Castle Airport in Delaware experienced the longest per passenger delays at approximately 55 minutes per passenger, while travelers departing from Honolulu International airport experienced roughly a 6 minute per passenger delay on average.

FIGURE 8: AVERAGE FLIGHT DELAYS PER PASSENGER WERE LONGEST IN THE NORTHEAST AND MIDWEST

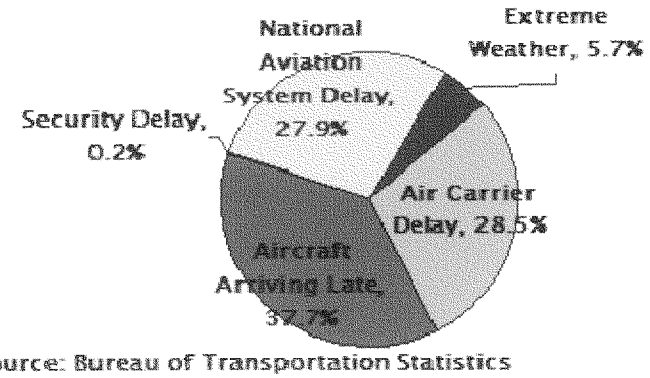


THE VAST MAJORITY OF FLIGHT DELAYS RESULT FROM SYSTEMIC PROBLEMS IN THE AIRLINE INDUSTRY

According to the DOT Bureau of Transportation Statistics, the top rea-

son that flights were delayed – accounting for almost 40 percent of all delayed flights – was that other flights arrive late, creating a cycle of delay that leaves passengers distressed and airlines in deeper financial difficulty. Other top reasons for delay point to a system under strain. Circumstances within the airlines' control, such as baggage handling and fueling account for 29 percent of delayed flights, and problems within the aviation system such as air traffic congestion and disruption from non-extreme weather conditions comprise another 28 percent. Accounting for less than 6 percent of total delays, extreme weather was a tiny and declining reason for flight delays in 2007.[9]

FIGURE 9: MOST FLIGHT DELAYS WERE CAUSED BY OTHER FLIGHTS ARRIVING LATE



Source: Bureau of Transportation Statistics

NEGLECTED U.S. AVIATION SYSTEM NEEDS REFORM

Seven long years of laissez-faire government policies have left the U.S. aviation system in need of significant improvements and reform; exacerbating the number of flights delayed and the total cost to the U.S. economy. Inaction by the administration has only worsened the problem. Failure to fund equipment upgrades, particularly new air traffic control systems, such as Next Gen, which would convert the nation's radar-based aviation tracking system to a satellite based one, has added to the volume of flight delays. Additionally, the administration has failed to act upon the recommendations of the New York Aviation Rulemaking Committee,[10] which among other things, called for an opening of 15-20 mile band of air space directly off the coast of the eastern seaboard that is currently used for military training purposes. Opening up a portion of this underutilized space would allow commercial airlines to avoid congested areas over New York City, Washington, Atlanta and Florida or bypass bad weather when it arises on the east coast, thus significantly reducing delays.

CONCLUSION

Certainly, some air traffic delay is unavoidable. Flights can and should be delayed if safety issues arise as a result of severe weather or mechanical problems. Additionally, some level of air traffic congestion is desirable, particularly at "hub airports," to allow airlines to cluster arrival and departure times to offer passengers the most efficient connections.[11] However the staggering levels of delays experienced in 2007 and the significant costs associated with these delays are clearly troublesome and suggest substantial room for cost effective improvements.

As the number of traveling passengers and air traffic congestion is expected to continue to increase, steps must be taken to alleviate pressures on the U.S. air traffic system. Government inaction over the last eight years has left the U.S. aviation system in need of reform. Without such reform, the total costs to the U.S. economy of air traffic delay – including costs to the airline industry, the flying public, the environment, and travel dependent businesses – are sure to increase.

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[2]The $19 billion represents 19.5 percent of the $97.7 billion in total estimated operating costs of domestic scheduled passenger services in 2007

[3]Kenneth A Small, Urban Transportation Economics, in Fundamentals of Pure and Applied Eco-

nomics, Jacques Lesourne and Hugo Sonnenschein (eds), Harwood Academic Publishers, 1992.

[4]Researcher has estimated security-related travel time costs to be $25 billion annually, assuming travelers arrive at the airport an hour earlier than before new security measures were imposed Steven A. Morrison and Clifford Winston (2008), "Delayed! U.S Aviation Infrastructure Policy at a Crossroads," in *Aviation Infrastructure Performance*, Clifford Winston and Gines de Rus (eds.), Brookings Institution Press.

[5]DRI-WEFA, Inc "The National Economic Impact of Civil Aviation" p 13 Table 5 July 2002

[6]Environmental Protection Agency "Inventory of U S Greenhouse Gas Emissions and Sinks 1990–2006," p 309 Available at http://www epa gov/climatechange/emissions/downloads/08_CR pdf Includes consumption of jet fuel and aviation gasoline

[7]Yuri Kageyama, "Toyota Prius sales top one million units" available at http://ap.google com/article/ALeqM5iewrO6Uxyluc_ggx8prrcZa7sjogD90M1LU81

[8]The DOT Bureau of Transportation Statistics report analyzed fewer flights than the JEC analyzed in calculating total hours of flight delay

[9]Understanding the Reporting of Causes of Flight Delays and Cancellations, http //www.bts gov/help/aviation/html/understanding html. Figures do not add to 100% due to rounding

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[11]Christopher Mayer and Todd Sinai, "Network Effects, Congestion Externalities, and Air Traffic Delays. Or Why Not All Delays Are Evil," *American Economic Review* 93, No 4 (2003) pp 1194-1215. Available at http://www2.gsb columbia.edu/faculty/cmayer/Papers/Air_Traffic_Delays.pdf

TECHNICAL APPENDIX

Measuring Air Travel Delay

To measure delay, one must compare an actual elapsed flight time against some alternative trip duration we deem to be "not delayed." While seemingly a simple concept, reasonable choices of how to do this abound, and the results can vary dramatically across different reasonable approaches. Further, one can aggregate the delays of individual flights to get a total across carriers, airports, or the whole system in a number of ways.

For example, the Bureau Transportation Statistics (BTS) measures flight delay relative to the airlines' scheduled times of departure and arrival. The BTS also characterizes flights arriving less than 15 minutes beyond scheduled arrival as "on time" in its computation of performance metrics, so delay could be measured against a 15 minute grace period.

Delays measured relative to scheduled arrivals are increasingly poor

measures for assessing the costs to the economy of delays in the air traffic system as airlines add more time to their schedules to account for predictable delays, for example in peak travel periods and at chronically congested airports. Schedule adjustments are necessary to give travelers more realistic estimates of the duration of the trip and arrival times. The adjustments also improve airlines' measures of on-time performance. However, the full cost of air traffic delays includes even predictable delays. Indeed, routine delays may be a large share of overall delays in the system. Thus, to measure delay properly one must compute them relative to travel durations that would be reasonable in the absence of undue delay in the system. These alternative unimpeded travel times are called "nominal" travel times.

Delay measures relative to nominal travel times provide better information for policymakers than delays relative to scheduled arrival times. For example, investments to reduce routine delays (such as building a new runway) could produce real benefits that might not be captured by assessments that measure delay only relative to published schedules. Researchers of air traffic delay have computed delay relative to nominal travel times in a number of ways, but generally have not examined how their results differ from delays relative to scheduled arrivals. The JEC offers just such a comparison below.

Although more useful for policymakers, delays relative to nominal travel times are necessarily more subjective than delays relative to scheduled arrival times. Nominal travel times should exclude systematic and preventable delays, but at the same time not be so tight that only flights with perfect conditions are deemed on time. Analysts studying delay have used a number of approaches. For example, Mayer and Sinai (2003) define a "minimum travel time" for a flight segment as the shortest observed total travel time on a given nonstop route in a particular month.[1] Using the absolute minimum observed travel time as the nominal travel time makes the results sensitive to measurement error in the data and registers all but the very fastest trips as delayed. Other analysts measure delays in each phase of flight (at gate, taxiing, and airborne) and sum them to determine the total delay. Morrison and Winston (2007), for example, measure delay as the sum of delays within different phases of flight.

Delays at the gate are straightforward; the ideal departure time is the scheduled departure time, and the gate delay is the difference the scheduled time and the actual time. Delays during taxi are a little more

challenging. Morrison and Winston (2003) measure taxi times relative to the lowest observed taxi times by a given carrier in a given season. Again the minimum approach biases the results towards positive delay and makes the results sensitive to measurement error in the taxi times. Another approach would be to use FAA estimates of nominal, uncongested taxi times. FAA experts estimates different values for taxiing out from the gate to the runway and taxiing in from the runway to the gate upon arrival, taking into account things like carrier gate locations and de-icing upon winter departure at northern airports. In the nominal taxi times, FAA experts include sufficient time for a plane to wait for one aircraft ahead in the takeoff queue. Thus planes may beat nominal taxi times in completely uncongested conditions.

The least straightforward phase of flight in which to measure delay is in the air. Airborne times naturally vary due to weather, wind, and airspace congestion conditions. One could measure delay against the shortest observed airborne time for a given segment in a given month, but then the basis of comparison is a flight that likely had unusually good conditions, such as a strong tailwind. One could measure actual airborne time relative to the flight plan, but the available flight plan data for estimated airborne minutes is from the final flight plan, after updates during the flight.[2] Thus the flight plan may already incorporate airborne delays. Indeed, on flights with large airborne delays the flight plan's estimated airborne minutes can be larger than the entire scheduled time for the flight.

Mindful of these issues, the technical appendix shows the delays of individual flights in four ways: one relative to airlines' scheduled arrival times (Measure A) and three relative to different estimates of how long the flight "should" take in the absence of undue congestion (Measures B, C, and D). Figure A1 summarizes them.

Given that it misses predictable delays, Measure A results in the lowest estimate of total delay. Measures B, C, and D are higher by an amount that approximates those routine delays already built into the published flight schedules. Measure B compares flight times to the 5th percentile of all observed total travel times for a given segment in each month. Using the 5th percentile rather than the absolute minimum makes the measure more robust to measurement error, and excludes comparison to flights that had very unusually good conditions. However, using the 5th percentile as the nominal travel time ensures that 95 percent of flights will register at least some positive delay. Measure B represents

an upper bound on delays, and the JEC presents the results as a sensitivity test for these measures.

Measures C and D add up delays for each phase of flight in which delay occurs, but apply different measures of delay for the airborne portion of the trip. Measure C estimates airborne delay using information from the flight plan and the published schedule. The nominal airborne time in Measure C is the minimum of two estimates of airborne time: (1) the estimated airborne minutes from the flight plan; and (2) the scheduled block (gate to gate) time minus the nominal taxi times. Either measure alone might be on the high side. The flight plan's estimated airborne time, having been updated during the flight, may already incorporate some airborne delays, and the scheduled block time minus the nominal taxi times can include schedule padding for routine congestion. However, the minimum of the two is likely to be reasonable, particularly in aggregate across many flights.

Measure D uses a tighter measure of nominal air time, computing airborne delay relative to the fifth percentile of the observed airborne time for the segment for the given month. As Measure B does for the entire travel time, Measure D represents an upper bound on airborne delay.

For all measures of delay, the JEC zeroed out negative values, so that flights traveling faster than nominal times do not net out delays from flight traveling slower than the nominal time. For Measures A and B, that means flights with total travel times less than the basis of comparison have zero delay. For Measures C and D, only non-negative delays within each phase of flight appear in the total delay sum. This approach means that the JEC is implicitly assuming that flights traveling unusually fast do not produce economic benefits that offset the economic costs of flights that are delayed.

In this report, the JEC emphasizes the results for Measure C, the most moderate approach. In this technical appendix, we focus attention on two of the measures of delay: Measure A, which for descriptive convenience we hereinafter refer to as "Arrival Schedule Delay Measure", and measure C, referred to as "JEC Inclusive Delay Measure". However, for completeness, values derived from the other potential measures of delay, Measures B and D, are also reported.

Figure A1: Measures of Delay

Measure of Delay	Basis of comparison	Description
A – Arrival Schedule Delay Measure	Scheduled Arrival	Actual arrival time - scheduled arrival time.
B	Nominal Total Travel time	Actual elapsed time - 5th percentile of observed elapsed time for given segment in a given month
C – JEC Inclusive Delay Measure	Nominal Travel Times by Phase of Flight	delay leaving the gate + delays during taxi (relative to FAA nominal taxi times) + (airborne delay relative to smaller of flight plan and block time minus nominal taxi times)
D	Nominal Travel Times by Phase of Flight	delay leaving the gate + delays during taxi (relative to FAA nominal taxi times) + (airborne delay relative to 5th percentile of observed airborne time for given segment in a given month)

Previous Studies of Air Traffic Delay

The degree to which airlines pad their schedules to account for predictable delays is not well-documented, but some evidence suggests that schedule padding increased substantially in the years before 9/11 and again in the years since. Thrasher and Weiss[3] estimate schedule padding for flights between Laguardia and Boston in the springs of 1998 to 2001. They compare the shortest scheduled trip time (gate to gate) to the longest for the segment and found that while the minimum rose by 7 minutes, the maximum rose by 24. They find that the apparent improvement in on-time arrival (late flights were down from 16 percent to 5 percent from 1998 to 2001) was due to longer scheduled trip times rather than lower travel times.

Increases in scheduled travel times probably offer a reasonable measure of systematic delays, even though airlines might be accused of over-padding to improve their on-time statistics. Airlines compete in part by offering shorter travel durations. Further, although many travelers prefer not to arrive late, excessive earliness is undesirable, too. Thus in setting schedule times airlines must strike a balance between better on-time performance statistics and lower published travel times.

Aircraft delay minutes and passenger delay minutes

The JEC reports two categories of delay for each flight: the number of minutes the plane is delayed and the plane delay times the estimated number of passengers aboard. Some costs of delay, such as the airline's crew and maintenance cost per minute, are not a function of the number of passengers but rather a function of the type of aircraft. In contrast, the overall cost to passengers' time is very much a function of how many passengers are delayed. Some costs are semi-fixed. For example, jet fuel use by an aircraft per minute is influenced by the total weight hauled, which is in turn a function of the number of passengers. To simplify the analysis we assume fuel burn is independent of the number of passengers on each flight.

FLIGHT DATA AND MEASURES OF TOTAL DELAY

Data Sources for Measures of Delay

The JEC analyzed individual flights recorded in the FAA's Enhanced Traffic Management System. The data include schedule and flight plan information, along with FAA estimates of nominal taxi times out and in for each flight. The observations in the JEC data included over 10.01 million individual scheduled domestic passenger flights in 2007. The data include flights through over 1,100 U.S. airports with over 30 different kinds of aircraft flown by over 400 different major, national, and regional carriers. Given the size of the dataset, the JEC analyzed each month within 2007 separately and then totaled the results.

The ETMS flight data do not include information on the number of passengers transported, a key factor for assessing delay costs to travelers. To estimate the number of passengers on each scheduled passenger flight, the JEC turned to BTS's Form 41 Air Carrier Statistics T-100 Domestic Segment Schedule, which includes monthly data on the total number of passengers carried by each carrier on each flight segment (an origin/destination pair) with each kind of aircraft. The T-100

includes information by aircraft type, service class, available capacity and seats, and aircraft hours gate-to-gate and airborne, covering a wide range of carriers.

The JEC matched month, carrier, airport, and equipment codes in the two data sets and merged them, then divided the total number of passengers traveling per month from T-100 (on a given carrier on a given aircraft type on a given segment) by the number of such flights in that month from the ETMS. This approach populated about half of all the flights in the ETMS with an estimated number of passengers. One limitation to a merge like this is that the BTS and the FAA use different aircraft equipment codes that do not translate directly.

For the remainder of flights not populated directly by the T-100 data, the JEC imputed an estimated number of passengers by matching as many of each flight's characteristics to data in the T-100 as possible. For example, the JEC filled in some missing passenger data by assuming that such flights had the same number of passengers as other flights on that segment on that carrier in the same month. For remaining missing values, the analysis imputed passengers by taking the average passengers per flight by segment and month only, or by carrier, equipment type, and month only. The JEC bounded all estimates by the total number of seats on the aircraft. This approach produced an estimate of the number of passengers aboard almost all of the 10.0 million commercial passenger flights in the 2007 data.

Delays not analyzed by the JEC

The JEC included in its analysis only completed scheduled passenger flights between two U.S. airports on U.S. carriers.[4] This approach captures the majority of commercial flights in the U.S., but may leave out economically important sectors. For example, international flights are a small share of total flights landing or departing in the U.S., but represent an important profit center for airlines.[5] Thus, JEC may underestimate the delay costs to the U.S. economy by excluding the costs to U.S. airlines and U.S. travelers of delays in international flights.

Likewise, the JEC analysis excluded cancelled, military, freight, and general aviation flights, all of which may be affected by congestion and delays and contribute to economic costs accordingly. For example, controllers may require general aviation flights to travel circuitous routes to avoid high traffic areas. Congestion and delays may also

raise costs for or otherwise impede overnight and same-day cargo services. Further, the JEC has not considered the effects of delayed mail and cargo aboard the delayed passenger flights in its data. However, some air taxi firms may actually benefit from congestion and delays at major hubs because the hassle there leads business customers to unscheduled air transport services from convenient secondary airports.

JEC estimates leave out some important costs to passengers of the congested system. The data on individual flight segments do not capture delays to passengers who miss connecting flights, and data also exclude delays from post-9/11 security procedures.[6] Further, the JEC includes only flights that actually travel; the share of scheduled flights that are canceled has risen from 1.2 percent in 2002 to 2.2 percent in 2007.

Plane Delays

Figure A2 shows the total delay across all of the flights in the JEC data as measured against scheduled arrival, Measure A, and with the JEC Inclusive Delay Measure, Measure C. The JEC finds that measuring delays with respect the published schedule (Measure A) significantly underestimates the true burden of growing congestion. In 2007, planes arrived later than their scheduled arrival by over 2.7 million total hours. After accounting for the padding in schedules for routine congestion, the JEC finds that delay is actually between 57 and 96 percent higher, or between 4.3 and 5.3 million total hours. Measure B reports plane delay of 4.9 million hours (1.8 million for the top 35 airports), and Measure D reports plane delay of 5.3 million hours (2.0 for the top 35 airports). Measure C, the preferred JEC estimate, reports plane delay of 4.3 million hours, with 1.6 million of those at the top 35 airports.

Figure A2 Plane Delay, in millions of hours, 2007

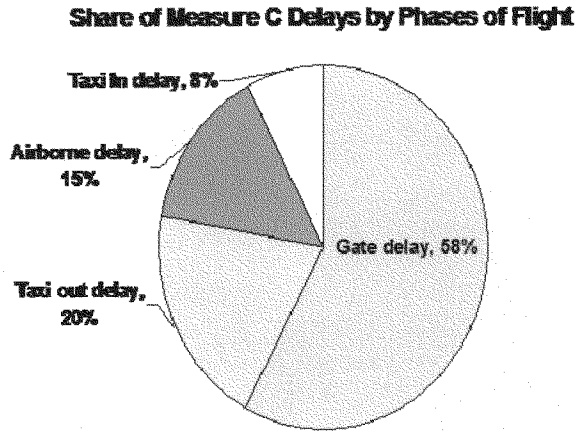
	Arrival Schedule Delay Measure	**JEC Inclusive Delay Measure**
Hours of Delay, All Airports: 10.01 million flights	2.75	4.3
Hours of Delay, Top 35 Airports[14]: 3.26 million flights	0.94	1.6

Most Delays are on the Ground

JEC Inclusive Delay Measure, Measure C, sums delays across the four phases of flight: at the gate, taxiing out to the runway, in the air, and taxing into the gate upon landing. Figure A3 shows that a large majority of the total delay occurs on the ground, with the largest component (58 percent) being delay leaving the gate. Flights leaving the gate late (either because the plane or crew were late arriving) would be consistent with BTS statistics that show that the largest cause of delay is other delayed aircraft. Taxi out delays are significantly larger in aggregate than taxi in delays (20 percent of the total compared to 8 percent of the total), in part reflecting longer queues waiting for takeoff.

The composition of delays for Measure D is different than for the JEC Inclusive Delay Measure, Measure C, in precisely the way one would expect given its tighter measure of nominal airborne time. Airborne delays are 15 percent of the total for Measure C but 30 percent of the total for Measure D.

Figure A3 Plane Delays by Phase of Flight



One might be concerned that measures of delay that sum delays across phases of flight may overestimate total delays by not offsetting delays in one phase with faster performance in other phases. Our data suggest

that delays across phases of flight are uncorrelated, and that while cross-phase delay offsets are common, they are not systematic. The correlation coefficients between delays in different phases of flight all fall below 0.1 in absolute value. This independence suggests airlines do not generally make up delays at the gate or during taxi by flying the plane faster. It also suggests that leaving the gate late does not generally make a taxi delay more likely. One way to gauge the magnitude of cross-phase delay offsets is to compare the results of Measure B with those from Measure D. Measure B amalgamates delays in all phases and allows cross-phase offsets, while Measure D does not. This explains why Measure D is about 10 percent higher than Measure B.

Plane Delays as a Share of Total Operating Time

The JEC summed the entire operating time for flights in 2007, measuring each flight from the scheduled departure time to the time of actual arrival. Total delay as a share of total operating times appears in Figure A4. Measuring delays relative to schedule arrival (Measure A) suggests delays only comprise 12.4 percent of the total operating time. However, results from Measure C suggest that 19.5 percent of the flight duration is squandered in delay. The other delay measures report upper bounds of 22.2 percent (Measure B) and 23.9 percent (Measure D).

Figure A4 Delay as a Share of Total Operating Time

	Arrival Schedule Delay Measure	**JEC Inclusive Delay Measure**
Share of Delay in Total Operating Time	12.4%	19.5%

Results: Passenger Delays

Using JEC estimates for the number of passengers aboard each delayed flight, the JEC calculated the number of passenger delay hours. See Figure A5.

Figure A5 Passenger Delay, in millions of hours, 2007

	Arrival Schedule Delay Measure	**JEC Inclusive Delay Measure**

Hours of Passenger Delay, All Airports	196.2	319.9
Hours of Passenger Delay, Top 35 Airports	96.6	160.6

The results in Figure A5 show that delay is not confined to just the largest airports, but delayed flights there carry relatively more passengers, inflicting a disproportionate share of the burden on travelers. Flights to and from the top 35 U.S. airports represented about 33 percent of our sample and 34 to 37 percent of the total hours of delayed planes. However, given the relatively larger planes involved, the flights to and from large airports comprised about half of the total passenger delay hours.

Measures B and D produced higher estimates of passenger delay by an amount reflecting the higher levels of plane delay. Measure B reported 367.2 million hours of passenger delay (186.0 million at the top 35 airports), and Measure D reported 400.8 million hours of passenger delay (205.7 million at the top 35 airports).

Delays Vary by Month

Figure A6 shows plane delay by month through 2007, with scheduled arrival delays (in black) falling consistently below the JEC Inclusive Delay Measure. On the right hand axis the chart reports the total number of observed flights in the month. One might expect total number of flights and total delay to track each other quite closely, both because high traffic causes more congestion and delays and because greater traffic means more flights that can be delayed. The data show a more complicated relationship. For example, in February the number of flights dipped relative to the month before, but delays rose. Delays fell from April to May, while the number of flights climbed. Weather-related delays could partly drive the results for ice and thunderstorm seasons.

Figure A6 Plane Delays by Month

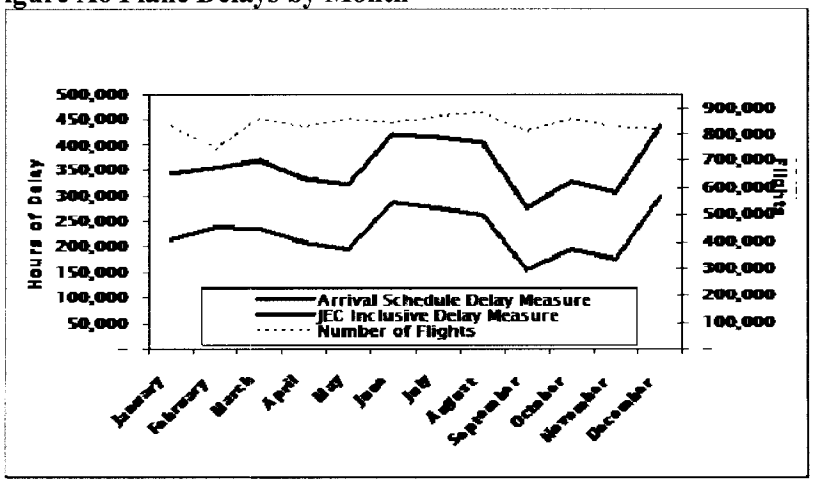
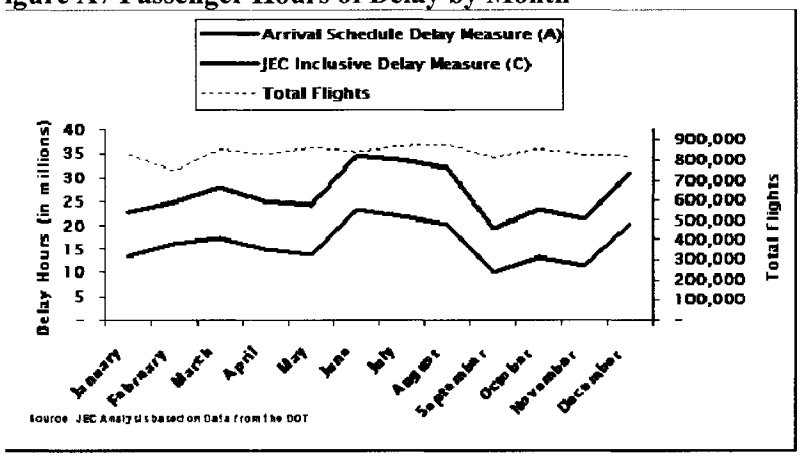


Figure A7 shows passenger hours of delay by month, predictably tracking the pattern of plane delays in Figure A6. However, it shows that passenger delays are more variable than plane delays, which is expected since they include both variation in plane delays and variation in the average number of passengers per plane. The higher amplitude of the graph suggests that the average number of passengers per plane is correlated with (but does not necessarily cause) higher levels of delay.

Figure A7 Passenger Hours of Delay by Month



THE ECONOMIC COSTS OF DELAY

The JEC computed the costs of delays to the economy as the sum of three values: the operating costs of airlines during the delays; a multiplier on those operating costs to account for spillovers to other industries; and the value of passengers' time.

Analysts of air traffic delay costs have assessed these costs in a variety of ways. A common approach is to follow the guidance the DOT provides to its regulatory agencies for analyzing policies that can affect air travel costs and time.[7] In general the JEC followed this guidance, but in certain instances departed from it to test the sensitivity of results to assumptions and to examine certain cost components in more detail.

Direct Operating Cost to Airlines

Each minute a plane is delayed can result in extra fuel, crew time, and aircraft maintenance, and the magnitude of those costs can depend on whether the delay occurs at the gate, on the tarmac, or in the air. DOT guidance cautions that in some studies incremental costs are more appropriate for economic analysis than average costs.[8] This may be particularly applicable to estimating the incremental cost associated with an additional minute of delay. On the other hand, widespread delays can raise airlines' fixed costs by requiring more aircraft, more employees, and more gates to provide a given level of service. Thus look-

ing only at incremental costs by flight likely understates the burden of delays.

Some studies of the cost to airlines of delays combine the variable costs and fixed costs into an average cost per minute of delay. For example, the Air Transport Association (ATA) calculates that the average cost per minute of delay to major airlines (including fuel, crew, maintenance, and ownership) totaled $60.46 in 2007.[9] The two largest components of the ATA measure are variable costs: $27.86 per minute for fuel and $12.71 per minute for crew.

To span the range of reasonable estimates, the JEC used two quite different approaches to estimate the increased airline operating expenses as a result of delay. The first approach estimates, by flight, the incremental costs for fuel, crew salaries, and maintenance costs strictly applicable to the minutes of delayed operation. The second, much more inclusive, approach first calculates the share of total operating time that was spent in delay. The JEC then applied that proportion to the total domestic passenger-related operating costs of airlines for the year.

Given the data demands, only the JEC Inclusive Delay Measure (Measure C) and Measure D are suitable for computing the narrowest measures of operating costs. That is because Measures C and D break down total delay into delays at the gate, on the tarmac taxiing, and in the air. The phase of flight is critically important for fuel costs and can affect other costs such as depreciation and maintenance of the aircraft.

To calculate the pilot salary, maintenance, and depreciation costs of flight delay, the JEC used data from Schedule P-5.2 from the BTS's Air Carrier Financial Reports (Form 41 Financial Data). The JEC included P-5.2 Schedule information on quarterly aircraft operating expenses for large certificated U.S. air carriers such as flying expenses (including payroll expenses for pilots but not flight attendants), direct expenses for maintenance of flight equipment, and equipment depreciation costs. JEC applied crew salary data to delays during all phases of flight, but maintenance and depreciation applied only to airborne minutes of delay. Since the P-5.2 does not include data on the total number of flight hours (gate-to-gate), the JEC supplemented the P5.2 data with total gate-to-gate times from Schedule T-2 from the Form 41 data.

This analysis presented some of the same challenges of merging BTS data with FAA data that arose in estimating the number of passengers

aboard each flight. So the JEC matched characteristics as closely as possible. First, the JEC estimated operating expenses per minute in the ETMS data using the relevant costs for the same carrier on the aircraft in the same quarter, or failing that the same aircraft on other carriers in the same quarter. Where an aircraft type match was not possible, the JEC made an estimate of operating costs by matching with costs in the same quarter for aircraft with a similar number of seats. Since fourth quarter data were not available, the JEC assumed third quarter costs applied in the fourth quarter. This is likely reasonable given that fuel costs, which rose most in 2007, were estimated with other data.

To account for flight attendant expenses, the JEC estimated the number of flight attendants on each flight using information on the number of seats on each delayed aircraft, FAA rules about how many attendants are required for a given number of seats, and information on median hourly wages for flight attendants.[10]

To calculate fuel expenditures, the JEC used data from the FAA for the jet fuel burn and CO_2 emissions per minute by type of aircraft by the phase of flight (on tarmac and at altitudes over 3000 ft). The FAA derived the fuel burn data using its Aviation Environmental Design Tool System for Assessing Aviation's Global Emissions, analyzing flights in 2004.[11] For each 2007 flight, the JEC applied the applicable fuel burn rates for the appropriate aircraft to taxi and airborne delays to compute the incremental jet fuel use as a result of the delays. Given data limitations, the JEC assumes no jet fuel is used at the gate, which likely understates the jet fuel consequences of delay given that gate use of auxiliary power units induces some fuel burn. The JEC calculated the costs of total fuel burn by multiplying the number of gallons burned by the national average wholesale price of jet fuel in the month of the flight.

The JEC analyzed the incremental fuel, salary, and maintenance costs strictly applicable to the minutes of delayed operation of individual flights. The JEC finds that approach produces total incremental operating costs of delay between $3.6 (for the JEC Inclusive Delay Measure, Measure C) and $6.1 billion (for Measure D). These numbers are somewhat lower than other analysts' because they exclude all overhead expenses on labor and capital, such as employee health care and the opportunity cost of aircraft ownership.[12] Also, the measures take into account the phase of flight during which delay accrues, and since a large share of delays occurs at the gate or during taxi, JEC estimates of

fuel costs may be lower than others that do not make such distinctions. In particular, since (because of data limitations) the JEC assumes no fuel burn during gate delays, and because 58 percent of the delay occurs at the gate, one expects lower fuel costs for this approach than for others that do not account for the phase of flight in which delay occurs and the associated different fuel burn rates per minute.

A serious limitation of the narrow approach is that it does not account for higher overhead and capital costs to airlines that result from a system in which almost 20 percent of operating time is squandered in delay. As the DOT points out in its analytic guidance, if "...an initiative improves system efficiency, an operator may be able to provide the same service with fewer aircraft."[13] Likewise a system with greater delays requires more aircraft to provide a given level of service, along with more flight attendants, more ground personnel, and other factors of production.

This broader interpretation of the cost to airlines of delay suggests a much costlier picture of delays than the narrow approach. Rather than make detailed assumptions as to which specific operating cost categories rise as a result of widespread delay, the JEC estimated more inclusive operating costs to airlines by applying the share of operating time lost in delay (19.5 percent for the JEC Inclusive Delay Measure, Measure C) to an estimate of the total operating expenses for domestic passenger flights. To estimate the total operating expenses attributable to domestic scheduled passenger flights, the JEC used domestic carrier data from Schedule P6.0 of BTS Form 41 Financial Reports, dropping all-cargo carriers. Since fourth quarter 2007 data were not available, the JEC assumed that fourth quarter expenses were the same as first quarter 2007 expenses. The resulting total 2007 expense estimate was $97.7 billion.[14] On the other hand, the figure may overstate the relevant costs because it includes not just fuel, crew salaries, maintenance, and depreciation, but also advertising, ticket agents, landing fees, legal fees, and other factors that may be less affected by delays.

Then JEC applied the shares of delay in total operating time (reported in Figure 3.4) to airlines' total operating expenses in 2007. The results are reported in Figure 4.2 and report operating costs over five times higher than the narrow approach. The JEC Inclusive Delay Measure reports operating costs of $19.1 billion, and Measures B and D report operating costs of $21.7 and $23.4 billion, respectively.

Figure A8 Estimated Operating Costs of Delay (Billions of U.S. dollars, 2007)

	Arrival Schedule Delay Measure	JEC Inclusive Delay Measure
Estimated Operating Cost of Delay	12.2	19.1

Indirect costs to the Economy of Delay

In addition to the direct increase in operating costs due to delay, some analysts assess the indirect and induced costs to the rest of the economy due to air travel delay. Indirect costs include the costs of goods and services bought from the rest of the economy by the civil aviation industry. Air travel delays increase the production and distribution costs of other segments of the economy that rely on air travel as an input into their product or use air travel to provide a service.[15] For example, in the case of commercial passenger airline delays, higher air passenger transportation costs increase business and entertainment expenses, as well as delays in mail and other cargo costs. These additional costs cause higher prices to consumers, which leads to a decrease

in general economic activity and real GDP.[16] Further, induced costs include costs to goods and services that are induced from the spending of income generated of industries of which transportation provided. For example, tourism is affected by airline delays, and the reduction in passenger travel will reduce expenditures of visitors in the food service, lodging, general retail, entertainment, public transportation, and auto rental industries.[17]

One study, using an input-output model, measured the indirect and induced impact of commercial airline travel delay to be 1.5, meaning that every dollar of direct impact on airlines has an additional effect on GDP of $0.50.[18] Assuming that the relationship between U.S. industries remains unchanged since the DRI/WEFA study, the JEC used the results of the DRI/WEFA input-output model, multiplying the delay costs to airlines by 1.5 to obtain an additional indirect impact due to delay.[19]

Figure A9 Indirect Effects of Inclusive Estimates of Airline Operating Costs (Billions of U.S. dollars, 2007)

	Arrival Schedule Delay Measure	**JEC Inclusive Delay Measure**
Indirect Costs	6.1	9.5

The indirect costs associated with the narrow operating costs of delay for the JEC Inclusive Delay Measure and Measure D are $1.8 and $3.0 billion, respectively. The indirect costs associated with more inclusive operating costs for Measures B and D are $10.8 and $11.7 billion, respectively.

Value of Travelers' Time

Analysts have used a number of approaches in accounting for the value of travelers' time. Since travel time is not something that is purchased or sold, its value is revealed through choices made by travelers, for example by choosing airlines with better on-time performance or paying more for direct flights instead of connections. However unobservable, traveler time is certainly valuable and carries the opportunity cost of travelers' next highest-valued activities. Different travelers may

have different valuations for their time and indeed, the same traveler may value his or her time differently depending on the purpose of the travel, work conditions, or other factors affecting his or her tolerance for delays.[20] If travel itself is unpleasant, a premium applies to traveler's time spent in delays. Although many analysts use hourly wage rates to value business travelers' time, the hourly cost of the traveler to his or her employer (including benefits) may be a better measure since workers often choose between a mix of wages and fringe benefits in selecting their jobs.

Since a travel delay limits the productivity of a worker, their wage is a reasonable basis for the economic loss (to themselves, their employer, and the economy). Factors determining what the proportion of the wage should be considered lost due to a delay. Cell phones, laptops and mobile e-mail make some business people nearly as productive when stuck at the airport as they would be at their desks. On the other hand, being late to or missing a meeting or event can greatly impair a traveler's productivity. The employer clearly believed that the face-to-face interaction, which a delayed flight could easily prevent or complicate, was worth *more* than the foregone productivity of having his or her employee at their desk. Otherwise the employee would not have been sent on the trip. Further, the value of time exceeds the wage rate if time spent at work is enjoyed (relative to traveling), and falls short of it if time at work is relatively disliked.[21]

The economic impact of an individual losing vacation time to flight delays is likely to be smaller than the loss of time of a business traveler since the delay does not also affect an employer. Further, personal travelers are more likely prefer traveling to work, suggesting that the wage rate may overestimate the value of time for leisure travelers.

The Department Of Transportation analytical guidance supports using travelers' before-tax wage rates, including fringe benefits, as a value of travel time.[22] DOT derived its recommended hourly values of travel time savings from a survey conducted by the Air Transport Association (ATA) of America in 1998 and updated it with changes in median annual income from 1998 to 2000, as reported in the U.S. Census Bureau, Income 2000, Table 1. The ATA survey measured annual income for business and leisure travelers and calculated an hourly wage. Travelers' values of time factor in 70 percent of the hourly wage for personal travelers and 100 percent of the hourly wage for business travelers, including fringe benefits.[23] DOT guidance also includes a high and

low value of each type of passenger, based on advice from a panel of transportation economists, as well as an average value per passenger, based on the ratio of personal to business travelers.[24] The JEC takes the central value for its analysis and uses the weighted average across business and personal travelers.

The Joint Economic Committee follows the guidance provided by the DOT for cost benefit analyses regarding savings in travel time. Since the Census Bureau's Income 2007 tables are not yet out, and because the cost of a traveler's time should include fringe benefits, the JEC adjusted the DOT guideline numbers by using the Bureau of Labor Statistics, Employer Costs for Employee Compensation Summary for March 2007 versus March 2000. Figure A10 below updates those DOT values to 2007, inflating at the rate of hourly earnings growth including fringe benefits.

Figure A10 DOT Recommended Hourly Value of Travel Time Savings
(Inflated by JEC from 2000 to 2007 U.S. dollars per person)

	Central Recommended Value
All Purposes: weighted average of business and personal travelers	$37.60

Some analyses of the cost of delays to airline passengers include a multiplier effect which measures the impact on the economy because of foregone purchases by delayed travelers. In this report, the JEC adheres to the guidelines suggested by DOT and does not include a multiplier to reflect a loss in expenditures by passengers.

Value of Passenger Time: Results

The JEC took the hourly value of traveler time for all purposes as described above and applied them to the measures of passenger delay in Figure A11.[25] The JEC finds that costs of passenger time lost to air traffic delay were at least $7.4 billion in 2007 if delay is measured relative to scheduled arrival. Those costs amounted to $12.0 billion when schedule padding was accounted for.

Figure A11 Estimated Cost of Lost Passenger Time (billions of U.S. dollars, 2007)

Delay Measure	Arrival Schedule Delay Measure	JEC Inclusive Delay Measure
Value of Delayed Passenger Time	7.4	12

The values of lost passenger time were $13.8 and $15.1 billion for upper bound delay Measures B and D, respectively.

Total Costs

The overall results for assumptions reflecting a moderate estimate of delay (the JEC Inclusive Delay Measure) along with a relatively inclusive approach to assessing operating costs appear in Figure A12, along with the analogous results for a measure of delay that excludes delays already built into airline schedules (Measure A). The JEC finds that those routine delays add an additional 58 percent to the overall costs of delay.

Figure A12 Total Costs of Delay (billions of U.S. dollars, 2007)

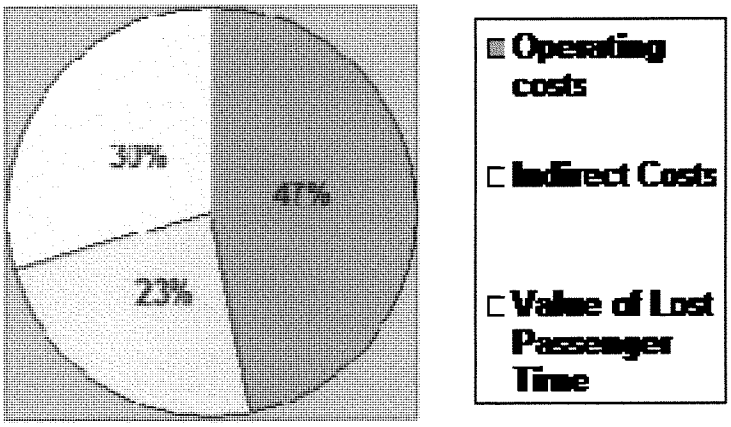
	Arrival Schedule Delay Measure	JEC Inclusive Delay Measure
Operating Costs	12.2	19.1
Indirect Costs	6.1	9.5
Passengers' Time	7.4	12
Total	**25.7**	**40.6**

The total costs of delay for Measure D were $24.2 billion using the narrow approach to estimating operating costs, and $50.2 billion using

a more inclusive approach. Total costs for The JEC Inclusive Delay Measure or Measure C using narrow operating costs were $17.4 billion, and the total costs for Measure B with inclusive operating costs were $46.3 billion.

Figure A13 depicts the shares of the three components of cost in the total for the results for the JEC Inclusive Delay Measure.

Figure A13 Composition of Total Cost of Delay



Initial vs. Final incidence of air travel delay costs

The analysis above describes how costs of delay accrue initially to various participants in the air travel system. However, the initial incidence of delay costs is likely very different from the final incidence, particularly once airlines pass along costs to travelers in the form of higher ticket prices and/or reduced service. Depending on the relative market power of firms and consumers, air carriers will bear some share of the burden as demand for air travel declines as a result of longer tra-

vel times and higher ticket prices. However, to the extent they can, airlines will pass along the $19.1 billion in higher operating costs as a result of delay to their customers. Likewise, costs may be passed along to consumers in industries burdened indirectly by air traffic delays.

JET FUEL AND ENVIRONMENTAL COSTS

An important element of the costs of delay is the excess consumption of jet fuel, not only because fuel is costly but also because it produces pollution when burned. The operating cost analysis discussed above involved a careful estimate of the fuel burn by phase of delay. Since carbon dioxide (CO_2) emissions are fixed relative to the total volume of fuel burned, the data allow an estimate of CO_2 emissions from flight delays. CO_2 is the dominant gas implicated in the risk to the global climate from human-induced greenhouse gas emissions.

Figure A14 Jet Fuel Quantity Burned, Costs, and Emissions From Delay, 2007

Jet Fuel Burned (millions of gallons)	Cost of Fuel Burned (billions of dollars 2007)	CO_2 Emissions (millions of metric tons)
740	1.6	7.1

Delays consumed at least 740 million (the JEC Inclusive Delay Measure or Measure C) and up to 1.4 billion (Measure D) gallons of jet fuel. At an average wholesale price of $2.15 per gallon in 2007, the delay-induced fuel cost totaled at least $1.6 billion.

In computing the jet fuel-related costs to airlines of delay, the JEC multiplied excess jet fuel consumption for each delayed flight by the national average wholesale price for a gallon of jet fuel for the month in which the flight departed (See Figure A15). The price of jet fuel rose significantly over the course of 2007, so monthly fuel price data provide a more accurate estimate of costs than an annual average would.

Airlines' actual average cost of fuel may have been significantly lower than the national wholesale average because airlines frequently hedge against fuel price shocks through futures contracts.[26] However, the wholesale price captures the opportunity cost of the fuel to airlines even if it does not reflect the actual prices they paid. Further, airlines

may not contract for 100 percent of their fuel use, so the wholesale price may better reflect their costs on the margin.

Figure A15 Jet Fuel Price By Month

Month 2007	Jet Fuel US Wholesale Price per Gallon
January	$1.73
February	$1.77
March	$1.85
April	$2.02
May	$2.08
June	$2.11
July	$2.17
August	$2.15
September	$2.26
October	$2.35
November	$2.66
December	$2.66
Source: Department of Energy	

The Joint Economic Committee estimated carbon dioxide (CO_2) emissions from the delay-related jet fuel burn using data from the FAA. The JEC finds that delay-related jet fuel burn emitted at least 7.1 and up to13.4 million metric tons of carbon dioxide (MMTC), or about 5 to 9 percent of all carbon emissions from domestic commercial aircraft in 2006. According to the inventory compiled by the U.S. Environmental Protection Agency (EPA)[27] aggregate U.S. jet fuel combustion produced 142.1 million metric tons of carbon emissions in 2006.

In addition to CO_2, airplanes emit local air pollution such as carbon monoxide, unburned hydrocarbons, oxides of nitrogen, fine particulate matter, and oxides of sulphur.[28] These pollutants are of particular concern in EPA-designated non-attainment or maintenance areas that may violate or risk violating clear air standards. Unlike carbon, local pollutants are not a simple factor of fuel consumption but rather depend on weather conditions and the exact type of engine and airplane body combination. Thus the JEC did not include them in its analysis. However, local criteria air pollutants can contribute to the costs of delays both in the damage they cause directly to human health and the environment and by increasing the requirements of emissions reductions outside the airline sector in order to meet EPA standards. Lowering ground-based delays can reduce such costs and can be considered in analysis of the benefits of reducing delays.

End Notes

[1]Mayer and Sinai (2003), page 1201.

[2]Personal communication with FAA experts April, 2008

[3]Theodore Thrasher and William Weiss, "A Proposed Method for Measuring Air Traffic Delay," CSSI Inc , 2001 available at http.//www.cssiinc.com/public/technicalpapers/docs/24-A%20Proposed%20Method%20for%20Measuring%20Air%20Traffic%20Delay doc

[4]By U.S. law, foreign carriers can fly between two U.S airports but cannot sell tickets for such flights.

[5]For example, in February 2007, only about 90,000 flights arrived from or departed to a foreign airport out of a total of over 870,000 flights traveling through at least one U S airport

[6]Researchers have estimated security-related travel time costs to be $25 billion annually, assuming travelers arrive at the airport an hour earlier than before new security measures were imposed. Steven A Morrison and Clifford Winston (2008), "Delayed! U.S. Aviation Infrastructure Policy at a Crossroads," in *Aviation Infrastructure Performance*, Clifford Winston and Gines de Rus (eds.), Brookings Institution Press

[7]See "Economic Values For FAA Investment And Regulatory Decisions, A Guide", Revised Oct. 3, 2007, FAA Office of Aviation Policy and Plans, available at http //www.faa gov/regulations_policies/policy_guidance/benefit_cost/media/ECONOMICVALUESFORFAAINVESTMENTANDREGULATORYDECISIONS10032007.pdf

[8]Economic Values, page 4-2

[9]Air Transport Association, Economics and Energy, "Costs of Delay". Available at http.//www.airlines org/economics/specialtopics/ATC+Delay+Cost htm

[10]Hourly wages for flight attendants are not available from U S. government sources, and annual salaries are problematic given the widely variable number of hours flight attendants may work each year The JEC estimated an average hourly wage per flight attendant of $25 20, or $ 42 per minute, from information at www.payscale.com.
http://www payscale com/research/US/Job=Flight_Attendant/Hourly_Rate

[11]For more information see
http://www faa.gov/about/office_org/headquarters_offices/aep/models/sage/

[12]For example, the Air Transport Association estimates the economic costs of delay. See http://www.airlines.org/economics/specialtopics/ATC+Delay+Cost htm The ATA applies a single estimated per minute operating cost of $60.46, 46 percent of which is fuel costs, to an estimated 134 million minutes of system delay to find $8.1 billion in estimated operating cost for 2007

[13]GRA, *Economic Values*, p 4-1

[14]This estimate may be on the low side since fuel prices were climbing through the year, but the first quarter was closer in total number of flights to the fourth quarter than the third quarter was

[15]DRI/WEFA, Inc., A Global Insight Company, "The National Economic Impact of Civil Avia-

tion," July 2002

[16]*Ibid.*, p 25.

[17]*Ibid.*, Tables 2 and 3. Some of the impacts measured in Table 3 include general aviation and cargo. These costs are only for commercial passenger air traffic

[18]*Ibid.*, Appendix A

[19]*Ibid.*, Appendix A

[20]Kenneth A. Small, Urban Transportation Economics, in Fundamentals of Pure and Applied Economics, Jacques Lesourne and Hugo Sonnenschein (eds), Harwood Academic Publishers, 1992

[21]Small, Urban Transportation Economics, p 40.

[22]See US Department of Transportation, Office of the Secretary of Transportation, The Value of Travel Time. Departmental Guidance for Conducting Economic Evaluations, issued April 9, 1997, available here at http //ostpxweb.dot gov/policy/Data/VOT97guid.pdf; and 2003 update available on line at http://ostpxweb dot.gov/policy/Data/VOTrevision1_2-11-03.pdf.

[23]These numbers are much higher than average hourly earnings reported by the Bureau of Labor Statistics because airline travelers were found to have much higher annual incomes than the general population Consistent with other recently published work, the JEC assumes that incomes for airline travelers in 2007 remain substantially higher than the average population See Stephen A Morrison and Clifford Winston (2007), "Another Look at Airport Congestion Pricing," *American Economic Review*, Vol 97, No 5, pp 1970-1977.

[24]See GRA, Incorporated, Economic Values for FAA Investment and Regulatory Decisions, A Guide," Contract No. DTFA 01-02-C00200, Final Report, Revised Oct. 3, 2007, prepared for FAA Office of Aviation Policy and Plans.

[25]Because a breakdown between business and personal travelers on each flight was infeasible, the JEC uses the all-purpose value reported by DOT, updated to 2007 dollars That all-purpose value used the ratio of business to personal travelers to calculate the overall value of passengers' time. Thus, to the extent that the ratio of business to personal passengers is higher (lower) today than in 2000, the JEC measure will underestimate (overestimate) the value of lost passengers' time.

[26]Ameet Sachdev, "United's hedge on jet fuel not best bet in 3rd quarter," *Chicago Tribune* Chicago, Ill Sep 16, 2006

[27]U S. Environmental Protection Agency,"Inventory of U S Greenhouse Gas Emissions and Sinks 1990–2006" p 3-9. Available at http.//www epa gov/climatechange/emissions/downloads/08_CR.pdf. Includes consumption of jet fuel and aviation gasoline

[29]Ohsfeldt, M , Thrasher, T., Waitz, I , Ratliff, G , Sequeira, C , Thompson T , Graham, M , Cointin, R , Gillette, W , and Gupta, M , "Quantifying the Relationship Between Air Traffic Management Inefficiency, Fuel Burn, and Air Pollutant Emissions," presented at the 7th USA/Europe Air Traffic Management Research and Development Seminar, Barcelona, 2007. Available at http://www.atmseminar org/all-seminars/atm-seminar-2007/papers_calendar, line 65

Equality in Job Loss:
Women Are Increasingly Vulnerable to Layoffs During Recessions

EXECUTIVE SUMMARY

If recent history is any guide, then the current downturn threatens women's employment more than ever before, making it increasingly difficult for families to make ends meet. In recessions prior to 2001, women could buffer family incomes against male unemployment because they did not experience sharp job losses. However, this changed in the 2001 recession as women lost jobs on par with men in the industries that lost the most jobs. That was the first recession in decades during which women not only lost jobs, but also did not see their employment rates recover to their pre-recession peak. It now appears that, unlike in decades past, families can no longer rely on women's employment to help boost family income during a downturn.

When women lose jobs, families lose a large share of their income and experience greater economic volatility. Wives typically bring home more than a third of their family's income and single mothers are sole breadwinners. Families are more economically vulnerable as wives are no longer insulating families from economic hardship in times of higher unemployment and falling or stagnant real wages. Single-mother families are now especially vulnerable.

In an analysis of data from the Bureau of Labor Statistics, this report finds:

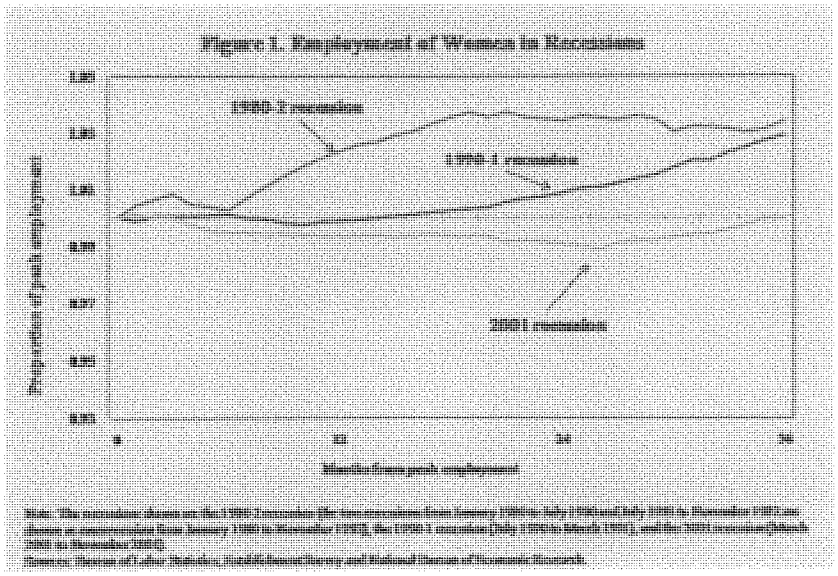
- When women lose jobs, families lose a substantial share of income.
- Over the past three decades, only those families who have a working wife have seen real increases in family income.
- The 2001 recession hit the jobs that women held especially hard. Unlike in the recessions of the early 1980s and 1990s, during the 2001 recession, the percent of jobs lost by women often exceeded that of men in the industries hardest hit by the downturn.
- The lackluster recovery of the 2000s made it difficult for women to regain their jobs – women's employment rates never returned to their pre-recession peak.
- If the prior recession's trend holds, women will suffer equally to men in the 2008 recession. Because women are disproportionately represented in state and local government services, their

job losses are likely to grow in the latter part of the recession as state and local governments are forced to implement cutbacks in spending in areas that women are disproportionately employed, such as education and health care.

Families can ill afford to lose a parent's earnings, especially as costs for basics, like food and gasoline continue to rise. Greater job losses for women not only mean that any downturn will be hard on families, but also that spurring consumer spending to boost economic growth and job creation may take far more government action, especially with respect to fiscal spending, than in previous recessions. Fiscal aid to the states is important to help states maintain programs—and keep workers—in the face of ensuing budget cuts. Ensuring that all workers—women and men—can access unemployment compensation when they lose their jobs is critical. Given the high costs of health care, Congress should also consider extending Medicaid to unemployed families. Further, challenges facing working families to balance work and family responsibilities are exacerbated in the current downturn, signaling a greater need for workplace flexibility.

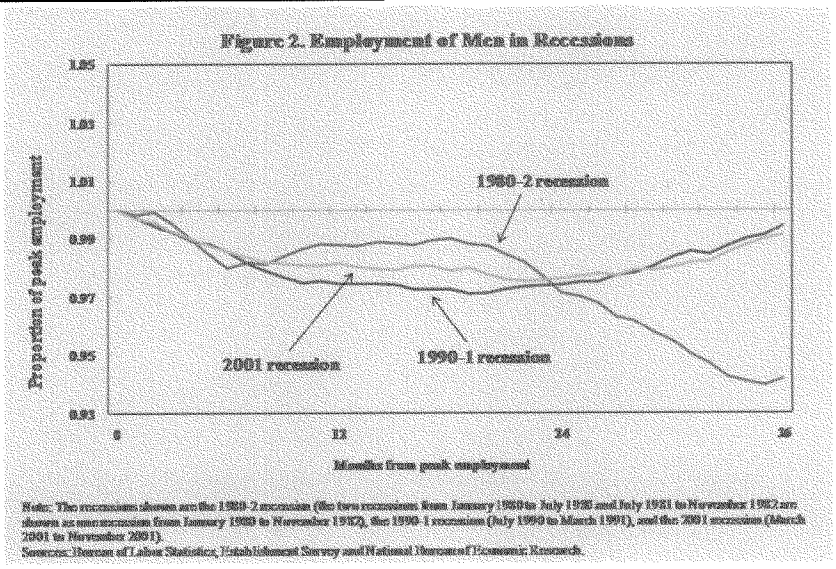
WOMEN ARE INCREASINGLY VULNERABLE TO JOB LOSSES DURING RECESSIONS

It is no longer the case that women's employment rises in recessions as men's falls. Women lost more jobs in the 2001 recession than they had in prior recessions, a striking departure from prior trends (Figure 1).[1] In the three years following the recession that began in 1980, women's employment grew for the first 18 months of the recession. In the first 18 months following the beginning of the 1990-1 recession, women's employment growth was negligible, but then rose sharply over the next 18 months. In contrast, during the 2001 recession, women's employment followed a pattern more similar to men's: in the first few months following the beginning of the 2001 recession, women's employment did not grow, but in the months after that, their employment fell. While women's employment did not fall as much as men's, the experience of aggregate job losses was unique for women and indicates that their employment patterns may be shifting to look more like men's, rising and falling with the business cycle.

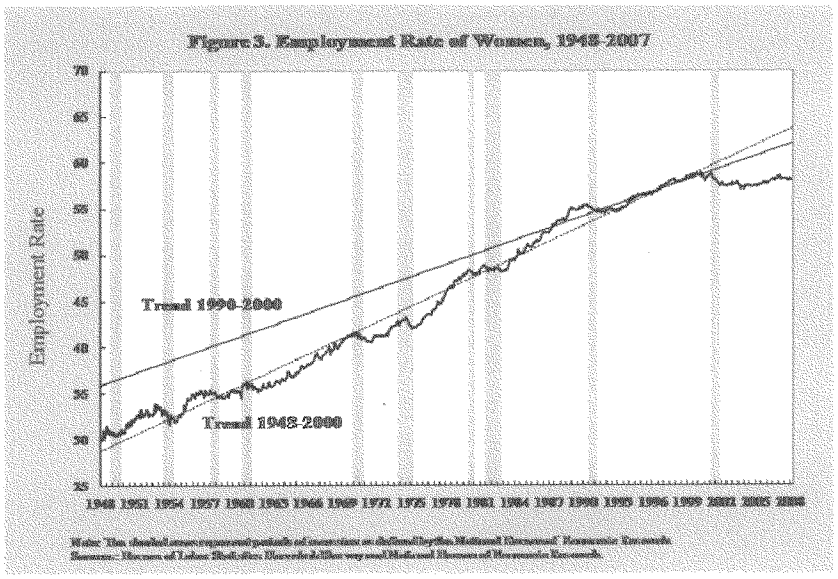


For men, however, employment trends have remained relatively stable over the past three recessions and the 2001 recession initially looked just like the prior two recessions (Figure 2). After the first nine months of the 2001 recession, men's employment followed a similar path to the early 1990s recession. The trend during the 1980-2 recession differs because it was a "double-dip" recession, where the economy started to improve in 1981, but then sank back into recession in 1982.

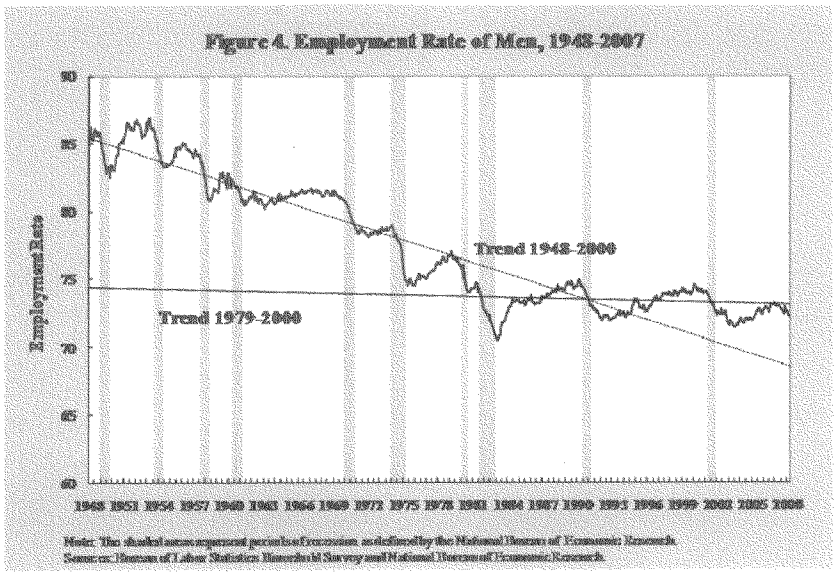
THE 2001 RECESSION SIGNALED END OF LONG-TERM RISE IN WOMEN'S EMPLOYMENT RATE



For women, the job losses of the 2001 recession were followed by no significant employment growth over the 2000s recovery, which, like losing jobs in a recession, is a sharp departure from women's prior employment trends. From the end of World War II through 2000, even when the economy was in recession, women continued to see a rising employment rate with only slight stalls during economic downturns (Figure 3). However, since the late 1990s, the employment rate of women has shown no growth. The dashed line in Figure 3 shows the trend in women's employment rates from 1948 to 2000, the period over which women's employment rates rose rapidly, and the solid line shows the trend from 1990 to 2000. Especially striking is that as of 2008, the female employment rate is about four percentage points below the 1990-2000 trendline and about six percentage points below the 1948-2000 trendline.



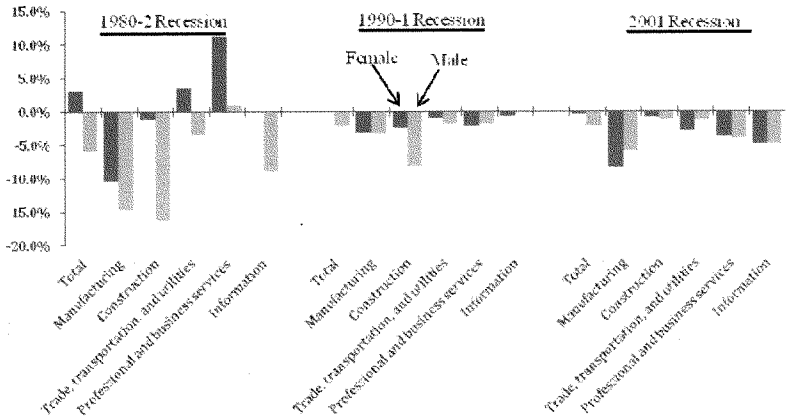
Men's employment rates over the 2000s recovery are consistent with their flat employment rate trend from 1979 to 2000 (Figure 4). While the male employment rate fell for the first three decades after World War II, for the next three decades, changes in men's employment rate has remained essentially flat, moving along with the business cycle, but showing no particular long-term up or down trend. During the 2000s economic recovery, however, male employment rates did not recover to their pre-recession peak, which may indicate that men are again seeing a trend towards lower employment rates.



There is a growing body of research on what changed for women workers in the late 1990s that led to the end—at least for now—in the long-term rise in women's employment rates.[2] The reasons why women lost so many jobs in the 2001 recession are tied to the way that recession unfolded or are industry-specific.[3] The 2001 recession was caused by the burst of the stock bubble, but sharp job losses did not occur until after the events of September 11, when employers began shedding jobs in services, such as retail, which disproportionately employ women.

There is evidence that the recession of 2001 hit the jobs that women held especially hard and that the lackluster recovery of the 2000s made it difficult for women to regain their jobs back. Unlike in the recessions of the early 1980s and 1990s, during the 2001 recession, women lost a disproportionate share of jobs in the industries hardest hit by the downturn.

Figure 5. Women's Employment Increasingly Sensitive to the Business Cycle
Percent Change in Employment by Gender within High Job-loss Industries



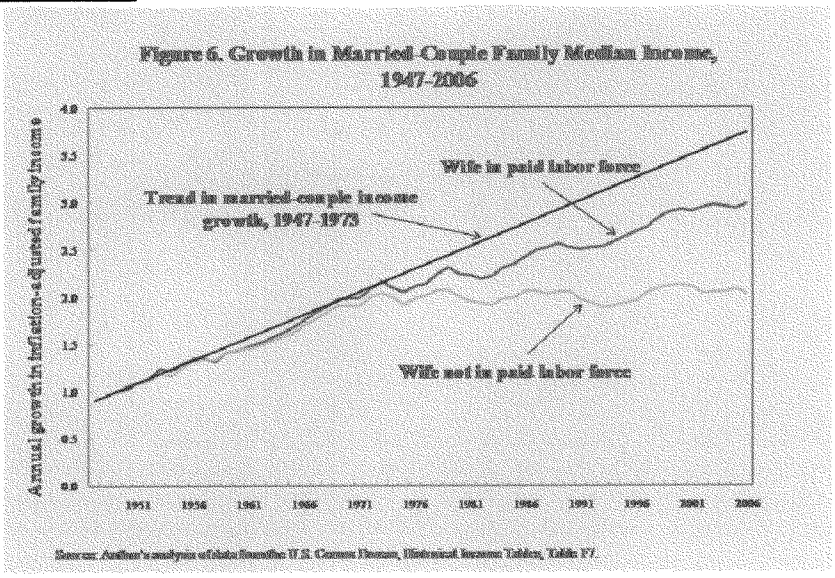
Note: Bars represent the percent change in employment within each industry across the recession. The recession dates are from the National Bureau of Economic Research: the 1980-2 recession includes the two recessions from January 1980 to July 1980 and July 1981 to November 1982, measured here as one recession from January 1980 to November 1982, the 1990-1 recession was from July 1990 to March 1991, and the 2001 recession was from March 2001 to November 2001.
Sources: Bureau of Labor Statistics Current Establishment Survey and the National Bureau of Economic Research.

Comparing across the past three recessions (Figure 5):

- Over the 1980-2 recession, women lost a much smaller share of jobs than men in the industries that lost the most jobs.
- In the 1990-1 recession, women's job losses were closer to parity with men's but men still lost a larger share of jobs in most industries that lost the most jobs.
- In the 2001 recession, this pattern shifted. Compared to men, women lost a larger share of jobs in manufacturing and trade, transportation and utilities. In the other high-job-loss industries, women lost about the same share of jobs as men.

Women's larger job losses in the 2001 recession may also be due to women's progress in entering a wide array of industries and occupations. Because of this, women may be more susceptible to the impact of the business cycle than they were when they were more highly concentrated in a smaller number of non-cyclical occupations, like teaching and nursing. There is no evidence, however, that mothers are increasingly "opting out" of employment, in favor of full-time motherhood.[4] For this story to be true, the employment rate of non-mothers would have had to diverge sharply from that of mothers, which has not been the case.[5]

WHEN WOMEN LOSE JOBS, FAMILIES LOSE A SUBSTANTIAL SHARE OF INCOME



Women's increased vulnerability to the business cycle has significant implications for family economic well-being. Decades ago, when most families with children had a stay-at-home mother, families relied on one income. When a father got laid off, the mother could try to make up the lost income by finding a job. There is evidence that this "added worker effect" helped to smooth out family income in hard times.[6] However, today most children grow up in family where their parents work, regardless of whether the child lives in a married-couple or single-parent family. Thus, there is no longer an additional worker to enter the labor force when times are tough.

Women's increased vulnerability to recession can wreck havoc on family economic well-being. The typical wife brings home over a third of her family's income and the one quarter of children being raised in single-mother families have only their mother's salary to rely upon.[7] The importance of women's income to family well-being over the past few decades is illustrated in Figure 6: the only families who have seen *any* increase in real income over the past three decades are those with a working wife.[8]

WEAK RECOVERY LEAVES FAMILIES ESPECIALLY VULNERABLE IN A DOWNTURN

Clearly, an economic downturn now will be harder on families than in earlier recessions. Both higher unemployment and declining real wages and incomes can hit families hard. Researchers estimate that if we have a mild-to-moderate recession, families will lose just over $2,000 per year by 2010. However, if we have a more severe recession, families will see income losses of $3,750 per year by 2011.[9] If trends since the late 1990s hold, families will not be able to rely on women's employment to moderate fluctuations in family income.

The current downturn may be worse for families because it follows the weakest recovery in the post-World War II period, both in terms of jobs and income gains. This, combined with the credit squeeze, means that many families facing unemployment have little to fall back on and will not be able to borrow to make ends meet. With lower real incomes, more debt and less savings and home equity, families are especially vulnerable as we enter this downturn. This points to a larger role for fiscal policy than in prior recessions. Unlike during the 2001 recession, families cannot "deficit spend," by borrowing extensively, to maintain consumption. It also points to continued concerns about how families can balance their work and family responsibilities, especially in the face of rapidly rising prices.

There are a number of ways Congress can help families cope with job losses and falling incomes during this economic downturn. For example:

Providing states with grants to cover lost revenue can help boost local economies, while ensuring that important services are maintained. This recession will likely lead to cutbacks in state and local government budgets, more so than in past recessions because of the collapse in home prices which has significantly reduced property tax revenue. Additionally, falling incomes will lead to declines in income tax revenue and lower consumption will reduce sales tax revenue, which will lead to cutbacks in spending. State and local government cutbacks disproportionately affect female-headed families since they rely more on government services, but these cutbacks also disproportionately affect women's employment because women are more likely than men to be employed in state and local government. Federal aid to the state boosts family incomes by keeping more women employed, as well as making sure that unemployed and low-income families are able to access the income supports and services that they need.

Extending Medicaid to the unemployed and their families would be a first step to ensuring that being without a job does not mean going without medical care. For most workers, a lost job also means the loss of health insurance. Unemployed workers can purchase health insurance from their former employer for up to 18 months after they lose their job through COBRA (the 1986 Consolidated Omnibus Budget Reconciliation Act), but purchasing these benefits is expensive. The average family purchasing COBRA benefits could spend 80 percent of one person's unemployed benefits just on health insurance coverage alone.[10] Helping families cope with the burden of health insurance coverage during a spell of unemployment will free up family's fund to cope with other rising expenses, such as food, gasoline, and housing.

Extending unemployment to the long-term unemployed helps, but policymakers should also temporarily increase benefits and loosen application standards, to help more of the unemployed access benefits. In the first quarter of 2008, only 41.6 percent of the unemployed received any unemployment compensation. Even for those who do receive benefits, the wage replacement level is quite low: the average worker's benefits are just half of their pre-unemployment earnings.[11] Since women workers are more likely to work part-time than men, and consequently, more likely to earn less, women are less likely to qualify for unemployment compensation and more likely to receive lower benefits, on average, than men.[12]

Family-friendly workplace policies are needed now more than ever. Families need the income of both parents now more than ever. For the majority who will keep their jobs during any recession, policymakers should look to extend benefits that allow them to be good employees and good caretakers. *This includes access to paid sick days and establishing a nationwide family leave insurance program, similar to what is now in effect in California and New Jersey.* Further, encouraging employers to adopt flexible workplaces can help both employers and employees in a recession because workers can downshift to reduced schedules or telecommute, saving the firm money, while helping employees balance work and family.

Because most mothers already work, families have little to fall back on to help smooth income during this economic downturn. Acting now will go a long way toward not only helping families in need, but also boosting consumption and fostering macroeconomic growth in the medium- to long-term.

END NOTES

[1]It is important to note, however, that higher job losses among women have not led women to have higher unemployment rates relative to men. In the 2001 recession, unemployment among women hit a high of 5.3 percent, while men's unemployment rose all the way to 6 0 percent.

[2]For a review of this literature, see. Heather Boushey, "Opting Out? The Effect of Children on Women's Employment in the United States" *Feminist Economics*, Vol 14, No 1, 2008, pp 1 -36.

[3]Recent research points to both cyclical and structural changes in the labor market to explain declining employment rates for U.S women. See: Julie L Hotchkiss, "Change in Behavioral and Characteristic Determination of Female Labor Force Participation," *Economic Review*, Vol. 2 , 2006, pp, 1-20 and Erica Groshen and Simon Potter, "Has Structural Change Contributed to a Jobless Recovery?", *Current Issues in Economics and Finance, Federal Reserve Bank of New York*, Vol 9, No 8, 2003, pp 1-7.

[4]Heather Boushey, "Opting Out? The Effect of Children on Women's Employment in the United States" *Feminist Economics*, Vol 14, No 1, 2008, pp 1 -36.

[5]Heather Boushey, Dean Baker and David Rosnick, "Gender Bias in the Current Economic Recovery? Declining Employment Rates for Women in the 21st Century," Washington, DC: Center for Economic and Policy Research, 2005 BLS, Household Survey.

[6]Chinhui Juhn and Simon Potter," Is There Still an Added Worker Effect?" *Federal Reserve Bank of New York Staff Reports*, No. 210, December 2007; Shelly Lundberg, "The Added Worker Effect," *Journal of Labor Economics*, Vol 3, No. 1, pp 11-37, 1985

[7]Of course, many mothers get child support, but not close to all: according to the Census Bureau, two-thirds (64 7 percent) of custodial mothers actually receive their child support payments (U S Census Bureau, *Child Support. 2005*, Table 1
http //www.census gov/hhes/www/childsupport/chldsu05.pdf)

[8]See also Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap*. New York, Basic Books, 2003.

[9]John Schmitt and Dean Baker, "What We're In For Projected Economic Impact of the Next Recession", Center for Economic and Policy Research, January 2008, available at
http //www cepr net/documents/publications/JSDB_08recession pdf

[10]The average weekly unemployment benefit allowance in the first quarter of 2008 was $299 14, according to the Department of Labor The average annual cost of a family health care plan is $12,106, according to the Henry J. Kaiser Family Foundation
- U S. Department of Labor, *Unemployment Insurance Data Summary, 2008*
http.//workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum08/DataSum_2008_1 pdf *pg 67*
- Henry J Kaiser Family Foundation and Health Research and Educational Trust, *Survey of Employer Health Benefits, 2007*. September 11, 2007
http.//www kff org/insurance/7672/upload/7693 pdf

[11]Department of Labor, *Unemployment Insurance Data Summary*,
http.//workforcesecurity.doleta gov/unemploy/content/data_stats/datasum08/DataSum_2008_1.pdf. Accessed 28 May 2008

[12]Andrew Stettner, Heather Boushey, and Jeffrey Wenger *Clearing the Path to Unemployment Insurance for Low-Wage Workers: An Analysis of Alternative Base Period Implementation*. Washington, DC., Center for Economic and Policy Research, 2005.

African American Families Are Being Squeezed

With mounting job losses, stagnating wages, rising prices, and a collapsing housing market, most Americans are feeling the strains of a weak economy. For African Americans and their families, these problems are compounded by unemployment that is double that of whites. Now more than ever we need a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of energy and health care, improving retirement security, and increasing prosperity for all Americans.

African American Families Are Being Squeezed By Rising Expenses. Median African American family income is lower than median family income overall, so rising costs eat up a larger share of their family budgets. Between 2000 and 2006, African American families saw median family income fall by 2.9 percent, to $39,367, a loss of $1,192.* Since 2000, the average price of gasoline has increased 145 percent to $4.06 per gallon, the average family health insurance premium has jumped 41 percent to $11,765, and the average cost of child care for two children is now $1,041 per month. [U.S. Census Bureau, Current Population Survey, available here; Energy Information Administration, available here; U.S. Department of Health and Human Services, available here; National Association of Child Care Resource & Referral Agencies, available here.]

Wage Growth Has Stalled For African American Workers. During the 2000s economic recovery, African American workers' inflation-adjusted wages grew at an annual rate of only 0.2 percent, after having grown four times as much (0.8 percent) per year during the 1990s recovery. For all workers, inflation-adjusted wages grew by 0.3 percent annually, far less than productivity, which grew by 2.6 percent per year. [U.S. Department of Labor, Bureau of Labor Statistics, available here and JEC analysis.]

African Americans Are Now Losing Jobs. After years of lackluster employment gains, the economy is now shedding jobs: African Americans have lost 55,000 jobs since December 2007. African American unemployment rose from 8.2 percent in 2000 to 9.2 percent in 2008. Unemployment for African Americans is almost twice as high as unemployment for whites (4.9 percent) and is slightly higher than unemployment for Hispanics (7.7 percent). There are now 1.6 million African American workers unemployed—277,000 more than when President Bush took office. [U.S. Department of Labor, Bureau of Labor Statistics, available here.]

The Subprime Mortgage Crisis Is Impacting African American Homeowners. On the Bush Administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Evidence suggests that those lenders targeted minority, elderly and female borrowers. During the subprime boom, African American home-buyers were nearly three times more likely than whites to receive a high cost home loan. The Joint Economic Committee estimates the number of U.S. subprime foreclosures will total 2 million by the end of 2009; a disproportionate share will likely be African American homeowners. [ACORN Fair Housing, available here; JEC April 2008 Impact of Subprime Foreclosures report, available here.]

One-in-Four African Americans Were Living in Poverty in 2006. Nationwide, 9.0 million African Americans – or 24.3 percent of the African American population – were living below the poverty line in 2006, up from 22.5 percent in 2000. One third (33.4 percent) of African American children were living below the poverty line, nearly three times the total national poverty rate of 12.3 percent. There were 196,000 more poor African American children in 2006, compared to 2000. [U.S. Department of Commerce, Bureau of the Census, available here; JEC August 29, 2007 Fact Sheet on Poverty, available here.]

1 Million More Uninsured African Americans Since 2000. In 2006, 7.7 million African Americans (20.5 percent) had no health insurance and 11.4 million African American children (14.1 percent) had no health insurance. Across the country, the number of all Americans without health insurance totals 47 million (15.8 percent of the population), up 8.6 million since 2000. [U.S. Department of Commerce, Bureau of the Census, available here and here; JEC August 29, 2007 Fact Sheet on Health Insurance Coverage, available here.]

* All dollar values (except gas prices, which are current) are in 2007 CPI-U-RS adjusted dollars.

Hispanic Families Are Being Squeezed

With mounting job losses, stagnating wages, rising prices, and a collapsing housing market, most Americans are feeling the strains of a weak economy. Many of America's Hispanic families are struggling to stay out of poverty and maintain health insurance. Now more than ever we need a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of energy and health care, improving retirement security, and increasing prosperity for all Americans.

Hispanic Families Are Being Squeezed By Rising Expenses. Median Hispanic family income is lower than median family income overall, so rising costs eat up larger share of their family budgets. Between 2000 and 2006, Hispanic families saw median family income fall by 0.8 percent, to $41,147, a loss of $334.* Since 2000, the average price of gasoline has increased 145 percent to $4.06 per gallon, the average family health insurance premium has jumped 41 percent to $11,765, and the average cost of child care for two children is now $1,041 per month. [U.S. Census Bureau, Current Population Survey, available here; Energy Information Administration, available here; U.S. Department of Health and Human Services, available here; National Association of Child Care Resource & Referral Agencies, available here.]

Wage Growth Has Stalled For Hispanic Workers. During the 2000s economic recovery, Hispanic workers' inflation-adjusted wages grew at an annual rate of only 0.5 percent. For all workers, inflation-adjusted wages grew by 0.3 percent annually, far less than productivity, which grew by 2.6 percent per year. [U.S. Department of Labor, Bureau of Labor Statistics, available here and JEC analysis.]

Hispanics Are Now Losing Jobs. After years of lackluster employment gains, the economy is now shedding jobs: Hispanics have lost 340,000 jobs since December 2007. Hispanic unemployment rose from 5.6 percent in 2000 to 7.7 percent in 2008. Unemployment for Hispanics is higher than unemployment for whites (4.9 percent) and just below unemployment for African Americans (9.2 percent). There are now 1.7 million Hispanic workers unemployed—727,000 more than when President Bush took office. [U.S. Department of Labor, Bureau of Labor Statistics, available here.]

The Subprime Mortgage Crisis Is Impacting Hispanic Homeowners. On the Bush Administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to

vulnerable borrowers. Evidence suggests that those lenders targeted minority, elderly and female borrowers. During the subprime boom, Hispanic home-buyers were nearly two and a half times more likely than whites to receive a high cost home loan. The Joint Economic Committee estimates the number of U.S. subprime foreclosures will total 2 million by the end of 2009; a disproportionate share will likely be Hispanic homeowners. [ACORN Fair Housing, available here; JEC April 2008 Impact of Subprime Foreclosures report, available here.]

One-in-Five Hispanics Were Living in Poverty in 2006. Nationwide, 9.2 million Hispanics – or 20.6 percent of the Hispanic population – were living below the poverty line in 2006. More than one quarter (26.9 percent) of Hispanic children were living below the poverty line, more than twice the total national poverty rate of 12.3 percent. There were 550,000 more poor Hispanic children in 2006 than there were in 2000. [U.S. Department of Commerce, Bureau of the Census, available here; JEC August 29, 2007 Fact Sheet on Poverty, available here.]

3.5 Million More Uninsured Hispanics Since 2000. In 2006, 15.3 million Hispanics (34.1 percent of Hispanics) had no health insurance, of which 3.4 million were children (22.1 percent of Hispanic children) had no health insurance. Across the country, the number of all Americans without health insurance totals 47 million (15.8 percent of the population), up 8.6 million since 2000. [U.S. Department of Commerce, Bureau of the Census, available here and here; JEC August 29, 2007 Fact Sheet on Health Insurance Coverage, available here.]

* All dollars values (except gas prices, which are current) are in 2007 CPI-U-RS adjusted dollars.

Young Workers And Their Families Are Being Squeezed

With mounting job losses, stagnating wages, rising prices, and a collapsing housing market, most Americans are feeling the strains of a weak economy. For young families, these problems are compounded by high student loan debt, and the high cost of child care. Now more than ever we need a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of energy and health care, improving retirement security, and increasing prosperity for all Americans.

Young Families Are Being Squeezed By Rising Expenses. Median family income among young families is lower than median family income overall, so rising costs eat up a larger share of their budgets. Between 2000 and 2006, America's young families (headed by someone aged 25 to 34) saw median family income fall by 5.6 percent, down to $51,560, a loss of $3,080. Since 2000, the average price of gasoline has increased 145 percent to $4.06 per gallon, the average family health insurance premium has jumped 41 percent to $11,765, and the average cost of child care for two children is now $1,041 per month. [U.S. Census Bureau, Current Population Survey, available here; Energy Information Administration, available here; U.S. Department of Health and Human Services, available here; National Association of Child Care Resource & Referral Agencies, available here.]

Wage Growth Has Stalled For Young Workers. During the 2000s economic recovery, inflation-adjusted wages of young workers (aged 25 to 34) fell at an annual rate of 0.4 percent, after having grown 0.5 percent per year during the 1990s recovery. For all workers, inflation-adjusted wages grew by 0.3 percent annually, far less than productivity, which grew by 2.6 percent per year. [Bureau of Labor Statistics, U.S. Department of Labor, available here and JEC analysis.]

Young Workers Are Losing Jobs. After years of lackluster employment gains, the economy is now shedding jobs: young workers between the ages of 20 and 34 have lost 127,000 jobs since December 2007. Unemployment among young workers aged 20 to 24 rose from 7.0 percent in 2000 to 10.1 percent in 2008, while for those aged 25 to 34, it rose from 3.7 percent in 2000 to 5.4 percent in 2008. There are now 3.3 million young workers unemployed (aged 20 to 34)—953,000 more than when President Bush took office. Job losses hurt young families, since among young families (headed by someone aged 20-34), three-quarters (74 percent) have children at home. [Bureau of Labor Statistics, U.S. Department of Labor, available here and here.]

Student Loan Debt Poses Large Burdens on Young Families. On top of rising expenses, many young families have high student loan debt. The cost to attend private and public universities has risen 21 and 34 percent, respectively, from 2000 to 2007 and students increasingly rely on loans to pay for college. Approximately one-third (31.4 percent) of people between ages 25 and 34 have at least a bachelor's degree and of those nearly two-thirds have student loan debt. The average student with student loans now graduates with $19,200 in student debt. [Center for Economic and Policy Research, available here; The Project on Student Debt, available here, College Board, available here and here; Bureau of the Census, U.S. Department of Commerce available here.]

One-in-Five Young Families Were Living in Poverty in 2006. Nationwide, 2 million young families with children and headed by someone aged 25 to 34 (19.6 percent) were living below the poverty line in 2006, up from 16.2 percent in 2000. [Bureau of the Census, U.S. Department of Commerce, available here; JEC August 29, 2007 Fact Sheet on Poverty, available here.]

2.4 Million More Uninsured Young Workers in 2006. In 2006, 10.7 million (27 percent) young workers (aged 25 to 34) had no health insurance. Across the country, the number of all Americans without health insurance totals 47 million (15.8 percent of the population), up 8.6 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here; JEC August 29, 2007 Fact Sheet on Health Insurance Coverage, available here.]

* All dollars values (except gas prices, which are current) are in 2007 CPI-U-RS adjusted dollars.

Families Near Retirement Are Being Squeezed

With stagnating wages, rising prices, and a collapsing housing market, most Americans are feeling the strains of a weak economy. For families nearing retirement, there is the added problem of dwindling assets. Millions of families are vulnerable to low incomes in retirement, especially since far less than half (43.2 percent) of private sector workers have an employer-sponsored retirement plan, either a traditional pension or a retirement savings plan. Now more than ever we need a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of health care and energy, improving retirement security, and increasing prosperity for all Americans. [Congressional Research Service, available here.]

The Housing Crisis Has Jeopardized the Economic Security of Homeowners Nearing Retirement. Families own less of their homes than ever before: the ratio of homeowner's equity to value is at an all-time low, as they now own an average of just 46 percent of their home, down from almost 58 percent in 2000. A recent study estimates that a 10 percent further decline in real home prices could result in a 35 percent decline in the net worth of households with a family member between the ages of 45 and 54 by 2009. That leaves a family in the middle-wealth bracket with an average of only $97,600 in assets for their retirement. [Center for Economic Policy Research, available here; JEC April 10th State-by-State Subprime Foreclosure Report, available here; Federal Reserve Board of Governors, Flow of Funds, available here.]

Retirement Security Is Threatened by Declining Stock Market. Falling home prices will leave families with less wealth and increasingly dependent upon Medicare and Social Security income for their retirement security, but stock market losses are also adding to retirement insecurity as families see the value of their 401(k) plans dwindle. Since September 2007, the S&P 500 has dropped 17.4 percent; it is now 6.3 percent lower than it was in January 2001. [Standard & Poor's 500 Index, available here.]

Families Nearing and In Retirement Are Being Squeezed By Rising Expenses. Median income among families nearing retirement (families headed by someone aged 55 to 64) was $70,719 in 2006, up 5.9 percent from $66,768 in 2000.* However, for families headed by someone 65 or older, real median income was just $40,786, up just $624 from 2000. For retired families on fixed incomes, rising costs eat up larger share of their family budgets. Since 2000, the average price of gasoline has increased 145 percent to $4.06 per gallon and the average family health insurance premium has jumped 41 percent to $11,765. [U.S. Census Bureau, Current Population Survey, available here; Energy Information Administration, available here; U.S. Department of Health and Human Services, available here.]

Older Workers Are Now Losing Jobs. After years of lackluster employment gains, the economy is now losing jobs: workers between the ages of 55 and 64 have lost 63,000 jobs since December 2007. Unemployment among older workers rose from 2.7 percent in 2000 to 3.3 percent in 2008. There are now over 900,000 workers between the ages of 55 and 64 unemployed – 395,000 more than when President Bush took office. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Near-Retirement Workers See Weak Wage Growth. During the 2000s economic recovery, inflation-adjusted wages of workers ages 55 to 64 grew at an annual rate of 1.1 percent. [Bureau of Labor Statistics, U.S. Department of Labor, available here and JEC analysis.]

Six Million Americans Over 55 Were Living in Poverty in 2006. Nationwide, 2.8 million Americans aged 55 to 64 – or 8.8 percent of the near-retirement population – were living below the poverty line in 2006. In addition, 3.4 million Americans 65 and over (or 9.4 percent of the elderly population) were living below the poverty line in 2006. The total national poverty rate was 12.3 percent in 2006. [Bureau of the Census, U.S. Department of Commerce, available here.]

Older Americans Struggle With Rising Health Care Costs. In 2006, 4.1 million Americans between the ages of 55 and 64 (12.7 percent) had no health insurance, 1.1 million more than in 2000. Most every American over age 65 receives Medicare, but families are paying more for supplemental "Medigap" and prescription drug coverage. Between 2000 and 2007, the cost of medical care has increased an average of 4.3 percent per year, far faster than median income for older workers [Bureau of the Census, U.S. Department of Commerce, available here; Bureau of Labor Statistics, Consumer Price Index for Medical Care, available here.]

* All dollar values (except gas prices, which are current) are in 2007 CPI-U-RS dollars.

Women and Their Families Are Being Squeezed

With mounting job losses, stagnating wages, rising prices, and a collapsing housing market, most Americans are feeling the strains of a weak economy. For women, these problems are compounded by a continuing gender gap in pay. Now more than ever we need for a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of energy and health care, improving retirement security, and increasing prosperity *for all Americans.*

Female-Headed Families Are Being Squeezed By Rising Expenses. Median income among female-headed families is lower than median family income overall, so rising costs eat up a larger share of their family budgets. Between 2000 and 2006, female-headed families saw their median income fall by 3.0 percent, to $24,394, a loss of $836.* Since 2000, the average price of gasoline has increased 145 percent to $4.06 per gallon, the average family health insurance premium has jumped 41 percent to $11,765, and the average cost of child care for two children is now $1,041 per month. [U.S. Census Bureau, Current Population Survey, available here and here; Energy Information Administration, available here; U.S. Department of Health and Human Services, available here; National Association of Child Care Resource & Referral Agencies, available here.]

Wage Growth Has Stalled For Female Workers. During the 2000s economic recovery, women's inflation-adjusted wages rose at an annual rate of 0.7 percent, after having grown nearly twice as much (1.2 percent) per year during the 1990s recovery. For all workers, inflation-adjusted wages grew by 0.3 percent annually, far less than productivity, which grew by 2.6 percent per year. Today, women earn 81 cents to every dollar a man earns. [Bureau of Labor Statistics, U.S. Department of Labor, available here and JEC analysis.]

Women Are Now Losing Jobs. After years of lackluster employment gains, the economy is now shedding jobs: female workers have lost 298,000 jobs since December 2007. Female unemployment rose from 4.1 percent in 2000 to 5.2 percent in 2008 and there are now 3.8 million unemployed women—1.0 million more than when President Bush took office. Women's job losses hurt families: nearly three-quarters of all children are raised in families without a stay-at-home parent, and in married-couple families working wives bring home over a third of their family's total income. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

The Subprime Mortgage Crisis Is Impacting Female Homeowners. On the Bush Administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Evidence suggests that those lenders targeted minority, elderly and female borrowers. During the subprime boom—despite having higher credit scores on average—female home-buyers were 32 percent more likely than males to receive a high cost subprime mortgage loan. The Joint Economic Committee estimates the number of U.S. subprime foreclosures will total 2 million by the end of 2009; a disproportionate share will likely be women homeowners. [Consumer Federation of America, available here; JEC April 2008 Impact of Subprime Foreclosures report, available here.]

Over One-in-Three Female-Headed Families Was Living in Poverty in 2006. Nationwide, 3.6 million female-headed families (36.5 percent) were living in poverty in 2006, up from 33.0 percent in 2000. Two-fifths (42.2 percent) of children living in female-headed households were living below the poverty line, three and a half times the total national poverty rate of 12.3 percent. This are 1 million more poor children in female-headed families than there were in 2000. [Bureau of the Census, U.S. Department of Commerce, available here; JEC August 29, 2007 Fact Sheet on Poverty, available here.]

Nearly One-Fifth of Women Have No Health Insurance. In 2006, 16.9 million (18 percent) of women (aged 18 to 64) had no health insurance. Across the country, the number of all Americans without health insurance totals 47 million (15.8 percent of the population), up 8.6 million since 2000. [Kaiser Family Foundation Fact Sheet, available here; JEC August 29, 2007 Fact Sheet on Health Insurance Coverage, available here.]

* All dollar values (except gas prices, which are current) are in 2007 CPI-U-RS adjusted dollars.

Income In America:
Household Income Up Slightly in 2007, but Down Since 2000
Highlights from the Census Bureau's Update on Household Income in the United States

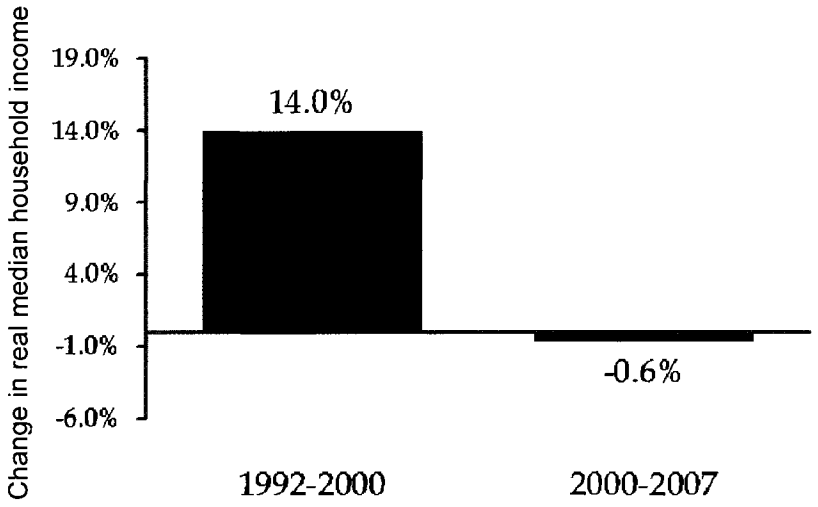
American families are experiencing very difficult economic times – the toughest in terms of stagnant incomes since World War II. Real median household income is 0.6 percent lower in 2007 than it was at the end of the 1990s. Even though incomes grew by 1.3 percent ($665) between 2006 and 2007, this was not enough to make up for prior years' income losses. Since the Bush administration took office there has been a large increase in income inequality, with the poorest households' income declining even as the richest households' incomes rise. The data confirm that the vast majority of Americans have not benefited from economic growth over the past seven years.

National:

Income inequality has risen during Bush's presidency. While real median income for households near the top of the income distribution rose during the Bush years, incomes at the middle and the bottom fell. Median income fell 0.6 percent ($324) from 2000 to 2007. Income at the lowest 20th percentile fell by 6.0 percent ($1,285) and at the 10th percentile by 4.5 percent ($579).

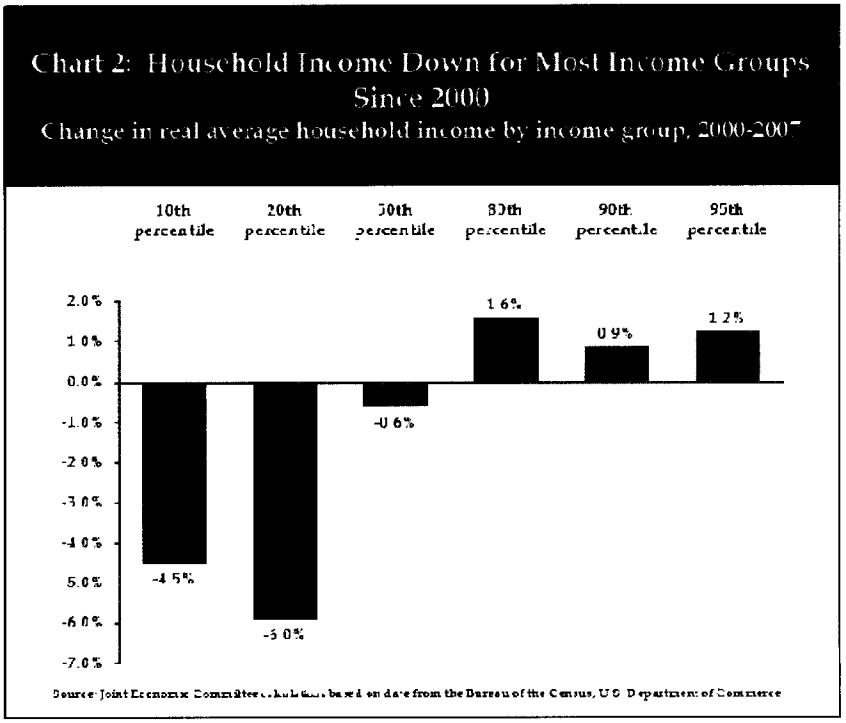
Modest recent growth in typical household's income has not been enough to reverse a seven-year decline. Real (inflation-adjusted) median household income grew a modest 1.3 percent to $50,233 in 2007. However, the modest income growth in the last three years has not been sufficient to reverse the four years of income losses from 2000 to 2004. Last year, median household income remained 0.6 percent ($324 in 2007 prices) below its level in 2000. By contrast, during the Clinton Administration (1992-2000), median household income rose by 14.0 percent ($6,198 in 2007 prices) (**Chart 1**).

Chart 1: Household Income Has Slipped Since 2000, Following Strong Growth During the 1990s
Change in Real Median Household Income

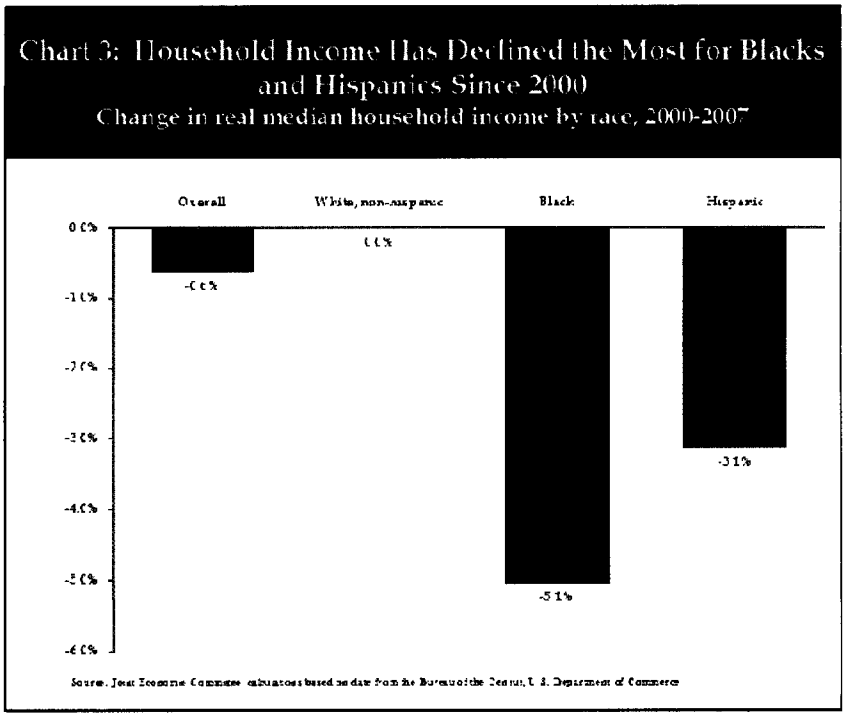


Source: Joint Economic Committee calculations based on date from

Minorities have experienced the largest drops in household income since 2000. Real median household income has declined by 5.1 percent for blacks, and 3.1 percent for Hispanics over the past seven years (**Chart 3**). While blacks and Hispanics faced significant declines, incomes for non-Hispanic whites remained essentially flat between 2000 and 2007.



More women are working full-time. The number of women working full-time increased by almost one million in 2007. Over three-fifths (61.4 percent) of working women worked full-time, the highest ratio ever.



States:
Following Census guidance on how to use state level data, this report compares the two-year average for 1999-2000, the peak years of the 1990s economic recovery and the last years of the Clinton Administration, to the two-year average for 2006-2007, to analyze changes in household income over the 2000s economic recovery under President Bush. Over that period:

Household income dropped in 13 states since President Bush took office. In 13 states, real median household income declined significantly in the 2006-2007 period relative to the 1999-2000 period (**Table 1**). In six of these states (Delaware, Illinois, Michigan, Mississippi, Missouri and North Carolina), the drop in income exceeded 8 percent. Households living in Missouri experienced the greatest declines (13.2 percent). In only eight states (Arkansas, Hawaii, Idaho, Montana, New Hampshire, New Jersey, South Dakota, and West Virginia) did the typical household see a statistically significant rise in real income in the 2006-2007 period relative to the 1999-2000 period.

Over half of the Midwest states have experienced declines in household income since the 1999-2000 period. The Midwest region was hit the hardest by income drops. Seven of twelve states in that region experienced a statistically significant percentage decline in real median household income. The South also suffered disproportionately: six of the 17 states in the region experienced a significant percentage decline in income.

Table 1: Median Income of Households, by State,

State	1999-2000 av-	2006-2007 aver-	Change (from
	2007 Dollars	2007 Dollars	Percentage
United States	50,588	49,901	-1.4*
Alabama	43,871	40,620	-7.4*
Alaska	63,779	60,506	-5.1
Arizona	46,957	47,598	1.4
Arkansas	36,338	39,452	8.6*
California	55,317	56,311	1.8
Colorado	59,003	59,209	0.3
Connecticut	61,669	64,158	4.0
Delaware	59,319	54,257	-8.5*
District of Co-	48,865	50,318	3.0

Florida	45,675	46,383	1.5
Georgia	49,744	49,692	-0.1
Hawaii	58,709	63,104	7.5*
Idaho	44,907	48,354	7.7*
Illinois	56,545	51,279	-9.3*
Indiana	49,999	47,074	-5.9*
Iowa	50,237	49,200	-2.1
Kansas	47,945	47,671	-0.6
Kentucky	42,814	40,029	-6.5*
Louisiana	38,801	39,418	1.6
Maine	46,604	47,415	1.7
Maryland	65,298	65,552	0.4
Massachusetts	55,513	57,681	3.9
Michigan	56,062	49,699	-11.4*
Minnesota	61,913	57,932	-6.4*
Mississippi	40,847	36,499	-10.6*
Missouri	52,885	45,924	-13.2*
Montana	39,035	42,963	10.1*
Nebraska	49,156	49,342	0.4
Nevada	53,332	53,912	1.1
New Hampshire	59,300	65,652	10.7*
New Jersey	61,275	65,249	6.5*
New Mexico	41,385	42,760	3.3
New York	49,398	49,267	-0.3
North Carolina	46,236	42,219	-8.7*
North Dakota	41,983	44,708	6.5
Ohio	50,422	48,151	-4.5*
Oklahoma	39,851	41,578	4.3
Oregon	50,846	49,331	-3.0
Pennsylvania	48,872	49,145	0.6
Rhode Island	51,971	54,735	5.3
South Carolina	45,294	42,477	-6.2
South Dakota	44,240	46,567	5.3*
Tennessee	43,240	41,521	-4.0
Texas	47,304	45,294	-4.2*
Utah	57,265	54,853	-4.2
Vermont	49,698	50,423	1.5

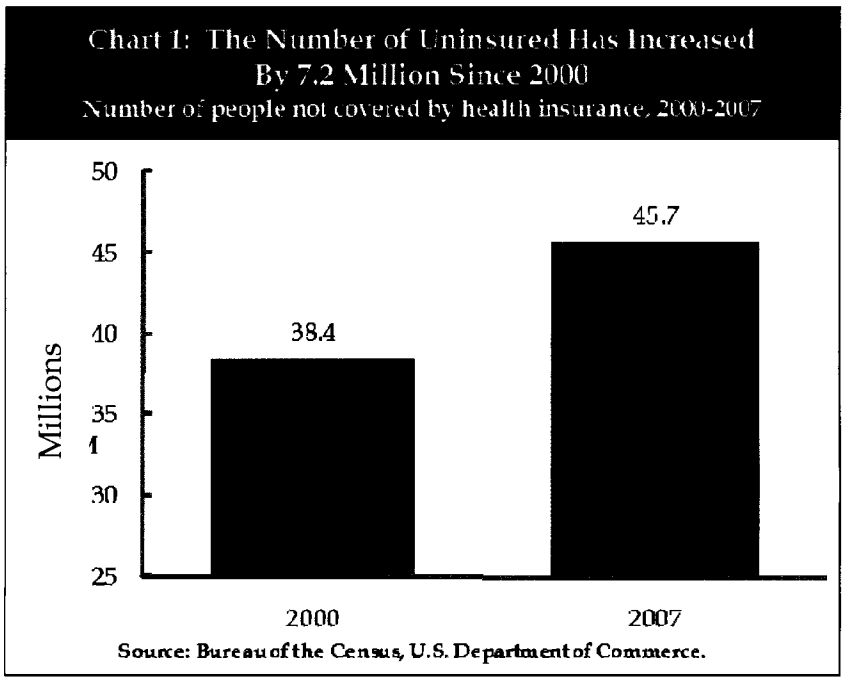
Virginia	56,810	58,950	3.8
Washington	53,881	57,178	6.1
West Virginia	35,926	40,800	13.6*
Wisconsin	55,545	52,218	-6.0*
Wyoming	47,022	48,560	3.3

*Statistically different from zero at the 90-percent confidence level.

Health Insurance In America:
Number of Uninsured Americans is 7.2 Million Higher Than When President Bush Took Office
Highlights from the Census Bureau's Update on U.S. Health Insurance Coverage

National:

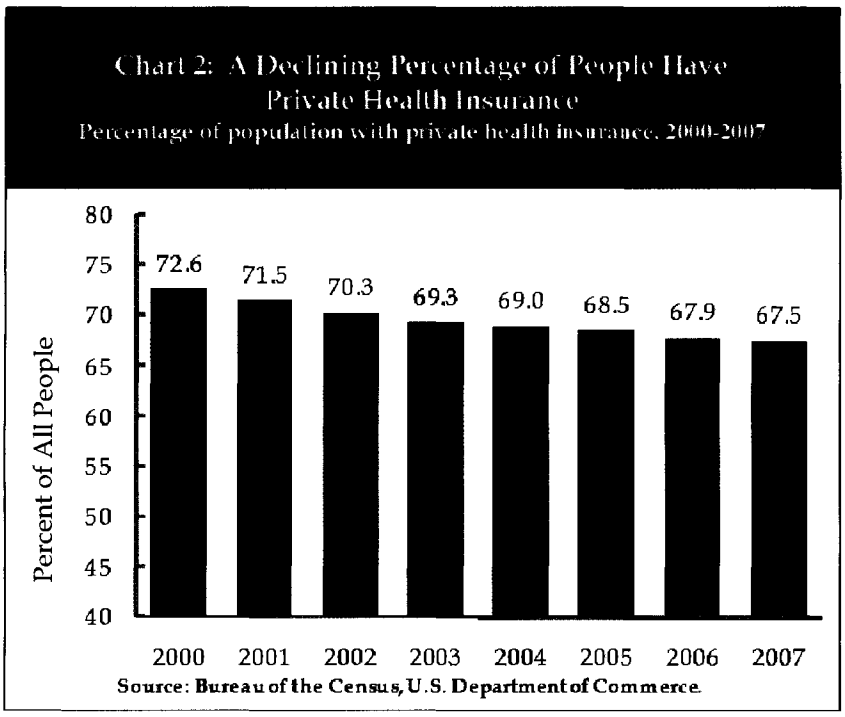
Since 2000, the ranks of uninsured Americans have grown by 7.2 **million.** This represents an 18.8 percent increase in the number of uninsured over the economic cycle between 2000 and 2007 (**Chart 1**). The number of uninsured fell in 2007 for the first time since President Bush was elected.



Nearly one-in-nine children are growing up without health insurance. Approximately 11 percent of all children—8.1 million children—did not have health insurance in 2007. This represents a decline of 236,000 since the year 2000. This decline is due entirely to expansions in the public Medicaid/SCHIP program. Child enrollment in the Medicaid program has increased by 5.8 million since 2000, while private health insurance coverage of children has dropped by 3.0 million over the same period.

Minorities are more likely than whites to be without health insurance. The percentage of Hispanics and African-Americans without health insurance was particularly high relative to whites and other ethnic groups. Almost one-third of Hispanics and one-fifth of African-Americans were uninsured in 2007. The Hispanic uninsured rate fell to 32.1 percent in 2007 from 34.1 percent in 2006, and the black uninsured rate fell to 19.5 percent in 2007 from 20.5 percent in 2006.

Declines in private coverage continue. The percentage of Americans covered by private and employer-provided insurance dropped again in 2007 (**Chart 2**). Private coverage has now declined in seven consecutive years. Only 67.5 percent of Americans drew on private sources for any of their insurance coverage during 2007. This is down from 72.6 percent in 2000. The majority of this shift is due to declines in employer-provided insurance, which now covers less than 60 percent of the population.



Only expansion of government coverage prevented further growth in the uninsured during 2007. According to Census Bureau figures, the number of Americans covered by public health insurance grew to 27.8 percent of the population in 2007, counter-balancing declines in private coverage. The number of Americans receiving health insurance

from public sources has increased by 14 million since the year 2000, even as private coverage has dropped. The majority of coverage growth is due to expansions in the Medicaid and the State Children's Health Insurance Program (SCHIP).

Steep increases in private insurance premiums have played an important role in declining employer-sponsored coverage. Insurance premiums charged to employers have increased by 98 percent since the year 2000, almost five times the rate of overall inflation. These cost increases have caused many employers to drop insurance coverage, and have increased cost pressures on those employees who are offered insurance. In 2007, the average worker contribution for employer-provided family coverage grew to $273 per month, more than double the average contribution of $135 per month in 2000. Meanwhile, workers' wages grew by only 24 percent over the same period.

Nearly half of all of the uninsured work full time. The ranks of the uninsured in 2007 included 26.8 million Americans who had worked at some time during the year; among those were 21.1 million people who worked full-time (35 or more hours per week in the majority of weeks they worked in 2007.) Another 5.8 million Americans during 2007 who were without health insurance worked part-time.

The number of uninsured fell from the record level set in 2006. The number of Americans without health insurance declined to 45.7 million in 2007. This represents a drop of 1.3 million from the record level set in 2006, which was the highest level at any point since the Census Bureau began collecting comparable data starting in 1987.

States:

Following Census guidance on how to utilize and compare state level data, this report compares the two-year average for 1999-2000, the last years of the Clinton Administration, with the two-year average for 2006-2007, to gauge state health insurance coverage trends under President Bush. Over that period:

Two-thirds of all states saw the number of uninsured increase. Between 1999/2000 and 2006/2007, 32 states experienced a statistically significant increase in the number of uninsured, and 25 states also showed a statistically significant increase in the percentage of uninsured. Texas was the state with the largest increase in the number of uninsured (nearly 1.3 million). Mississippi and Missouri experienced

the largest increases in the percentage of people uninsured (5.7 and 5.2 percentage points, respectively). The percentage of people without health insurance in Oregon and Tennessee increased by 4.6 and 4.1 percentage points, respectively. The other states with a 3.0 or more percentage point increase were Arkansas, Florida, Georgia, Maryland, Nebraska, New Jersey, North Carolina, and Rhode Island.

Few states saw increases in health insurance coverage. Only New York and the District of Columbia experienced a statistically significant reduction in both the number and percentage of uninsured. Washington, Maine, and Idaho saw a statistically significant reduction in the percentage of uninsured, but no significant change in the number of uninsured.

Coverage for the Entire Year, By State, 1999-2000 and 2006-2007

State	2-year average (1999-2000)		2-year average (2006-2007)		Change (2006-2007 average less 1999-2000 average)[1]		
	Thousands	(Rate)	Thousands	(Rate)	Thousands	(Rate)	
United States	38,597	(13.9)	46,326	(15.5)	7,729 *	(1.7)	*
Alabama	564	(12.9)	619	(13.6)	55	(0.7)	
Alaska	115	(18.3)	116	(17.4)	1	(-0.9)	
Arizona	915	(17.8)	1,237	(19.6)	322 *	(1.8)	
Arkansas	362	(13.7)	486	(17.5)	124 *	(3.7)	*
California	6,307	(18.6)	6,702	(18.5)	395 *	(-0.1)	
Colorado	629	(14.5)	813	(16.8)	184 *	(2.3)	*
Connecticut	302	(8.9)	326	(9.4)	23	(0.5)	
Delaware	71	(9.2)	101	(11.7)	29 *	(2.5)	*
District of Columbia	76	(13.7)	61	(10.6)	-15 *	(-3.2)	*
Florida	2,753	(17.4)	3,738	(20.7)	986 *	(3.3)	*
Georgia	1,144	(14.3)	1,660	(17.6)	516 *	(3.3)	*
Hawaii	116	(9.5)	103	(8.2)	-13	(-1.3)	
Idaho	209	(16.5)	218	(14.6)	9	(-1.9)	*
Illinois	1,601	(13)	1,738	(13.7)	136 *	(0.7)	
Indiana	591	(9.9)	732	(11.6)	141 *	(1.7)	*
Iowa	219	(7.6)	291	(9.9)	72 *	(2.2)	*
Kansas	286	(10.9)	340	(12.5)	55 *	(1.6)	
Kentucky	499	(12.7)	605	(14.6)	106 *	(1.9)	*
Louisiana	831	(19.2)	848	(20.2)	18	(1)	
Maine	135	(10.7)	119	(9.1)	-16	(-1.6)	*

Maryland	518 (10)	769 (13.8)	251 * (3.7) *
Massachusetts	545 (8.7)	498 (7.9)	-46 (-0.8)
Michigan	906 (9.1)	1,097 (11)	191 * (1.9) *
Minnesota	347 (7.1)	454 (8.8)	106 * (1.7) *
Mississippi	390 (14.1)	573 (19.8)	182 * (5.7) *
Missouri	428 (7.7)	750 (12.9)	322 * (5.2) *
Montana	151 (16.9)	153 (16.4)	2 (-0.6)
Nebraska	148 (8.8)	225 (12.8)	77 * (4) *
Nevada	355 (17.4)	469 (18.4)	114 * (1)
New Hampshire	104 (8.3)	144 (11)	40 * (2.6) *
New Jersey	974 (11.7)	1,344 (15.6)	370 * (3.9) *
New Mexico	434 (23.9)	441 (22.7)	7 (-1.2)
New York	2,930 (15.6)	2,590 (13.6)	-339 * (-2) *
North Carolina	1,049 (13.3)	1,547 (17.2)	498 * (3.9) *
North Dakota	67 (10.7)	68 (11.1)	2 (0.4)
Ohio	1,141 (10.2)	1,230 (10.9)	89 (0.7)
Oklahoma	568 (17)	646 (18.4)	78 * (1.4)
Oregon	436 (12.7)	648 (17.3)	212 * (4.6) *
Pennsylvania	943 (7.8)	1,206 (9.8)	264 * (1.9) *
Rhode Island	69 (6.7)	102 (9.7)	33 * (3.1) *
South Carolina	518 (13.3)	696 (16.2)	178 * (2.8) *
South Dakota	75 (10.3)	86 (11)	11 (0.7)
Tennessee	557 (9.9)	846 (14)	289 * (4.1) *
Texas	4,557 (22.3)	5,833 (24.8)	1,276 * (2.6) *
Utah	271 (12.2)	391 (15.1)	120 * (2.9) *
Vermont	56 (9.3)	66 (10.7)	10 * (1.4)
Virginia	788 (11.4)	1,071 (14.1)	283 * (2.7) *
Washington	765 (13.2)	741 (11.6)	-23 (-1.6) *
West Virginia	255 (14.5)	249 (13.8)	-5 (-0.7)
Wisconsin	458 (8.5)	466 (8.5)	8 (0)
Wyoming	72 (14.8)	73 (14.1)	1 (-0.7)

*Statistically different from zero at the 90-percent confidence level.

[1]Details may not sum to totals because of rounding

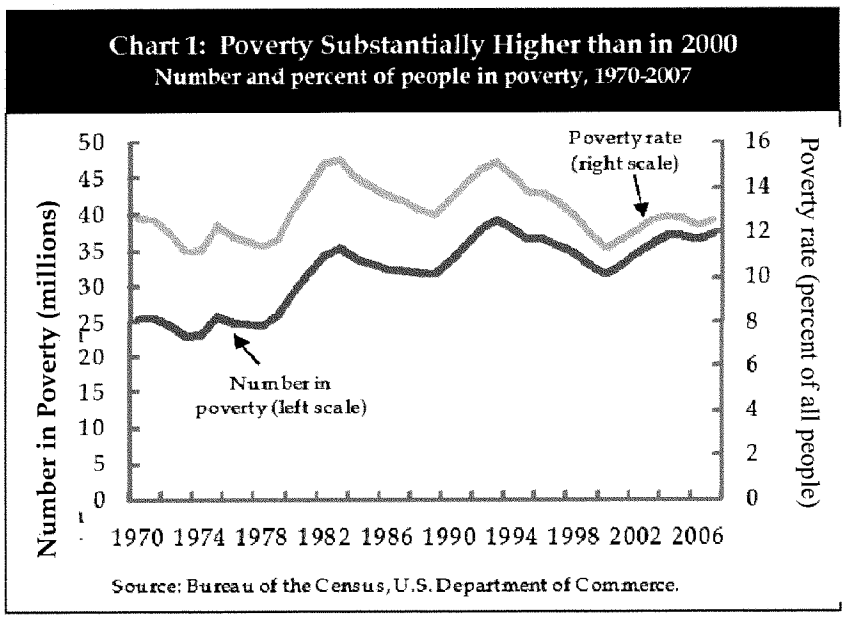
Source: US Census Bureau, Current Population Survey, 2000, 2001, 2007, and 2008 Annual Social and Economic Supplement

Poverty in America: One in Eight Americans Living in Poverty Highlights from the Federal Government's Update on Poverty in the United States

American families are experiencing very difficult economic times – the toughest in terms of stagnant incomes since World War II. Their incomes are lower in 2007 than at the end of the 1990s and income inequality has risen sharply. Under the Bush administration, the number of Americans living in poverty has increased by nearly 5.7 million; and incomes for families in the bottom 40 percent of the income distribution ladder have fallen. Today, one out of every eight Americans is living below the federal poverty line.

National:

The Number Of Americans Living In Poverty Has Increased By Nearly 5.7 Million Since 2000. The number of Americans living in poverty was almost 37.3 million in 2007 (Chart 1). The official poverty line for a family of four is $21,027.



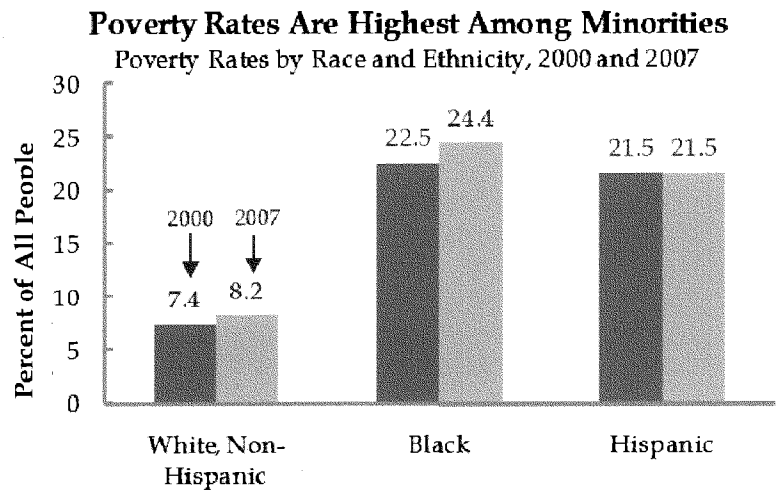
The National Poverty Rate Is More Than One Percentage Point Higher Than In 2000. The poverty rate in 2007 was 12.5 percent, increasing slightly from its level of 12.3 percent in 2006. The poverty rate increased for four straight years from 2000 to 2004. In 2007, the poverty rate was 1.2 percentage points higher than it was in 2000

(Chart 1).

More Than One In Six Children Lives In Poverty. The poverty rate for all children under 18 years of age was 18.0 percent in 2007, increasing from its level of 17.4 percent in 2006. In 2007, approximately half a million more children under 18 lived in poverty than in 2006. Since 2000, the number of children living in poverty has increased by 1.7 million, with the child poverty rate rising from 16.2 to 18.0 percent.

Blacks And Hispanics Are More Likely To Be Living In Poverty. The poverty rate was 24.4 percent for blacks in 2007 and 21.5 percent for Hispanics. The recent increase in the poverty rate among Hispanics is significant. In 2006, the poverty rate for Hispanics was 20.6 percent. Since 2000, the poverty rate among blacks has also increased significantly, rising by almost 2 percentage points (Chart 2). The poverty rates among black and Hispanic children were even higher, at 33.7 percent and 28.6 percent, respectively.

Chart 2: Poverty Rates Are Highest Among Minorities
Poverty rates by race and ethnicity, 2000 and 2007



Source: Bureau of the Census, U.S. Department of Commerce.

Cuts In Critical Federal Programs Are Contributing To Rising Poverty In America. Poverty has increased not only because of the relatively weak labor market, but also because income support programs like Food Stamps and Temporary Assistance for Needy Families (TANF) are not keeping pace with inflation and are helping fewer in-

dividuals. Food Stamp benefits are now $46 a month below the cost of the Thrifty Food Plan for a family of four. While the number of children living in poverty has increased by nearly 2 percentage points since 2000, the number of children receiving TANF has moved in the opposite direction, declining by 29 percent—1.2 million children—over the same period.

States:

Since 2000, The Number of People in Poverty Rose By 20 Percent In The Midwest And The South. The number of poor people in the Midwest region of the country increased by 20 percent while its total population increased by only 3 percent (Table 1). One-third of states in the Midwest experienced a statistically significant increase in the number of people in poverty. In the South, poverty levels increased by 19 percent, or 2.5 million people. Half of the states in the South experienced a statistically significant increase in the number of poor people. Mississippi and Texas were hit the hardest. In Mississippi, the poverty rate increased by 6.1 percentage points. In Texas, the number of people living in poverty increased by over 700,000 people—more than double any other state.

Eight States Plus the District of Columbia Saw Significant Increases In The Poverty Rate. In three of these states and in the District of Columbia, the poverty rate increased by at least 3 percentage points (Table 2). Only two states (Idaho and New Mexico) experienced a significant decline in its poverty rate. The rate in the remaining 40 states was essentially unchanged.

The Number Of Poor People Increased Significantly In 15 States And The District of Columbia. Fifteen states and the District of Columbia experienced significant increases in the number of poor people (Table 2). In nine of these states and the District of Columbia, the increase was at least 25 percent.

Table 1: The Midwest and South Experienced Substantial Increases in Poverty
Two-year average of population and number of people in poverty, 1999-2000 and 2006-2007

	1999-2000		2006-2007		Percent Increase (1999-2000 vs. 2006-2007)	
Region	Total population (in millions)	Population in poverty (in millions)	Total population (in millions)	Population in poverty (in millions)	Total population	Population in poverty
West	63.0	7.7	69.4	8.2	10	6
South	98.1	12.7	108.7	15.2	11	19
Northeast	52.9	5.6	54.0	6.2	2	10
Midwest	63.6	6.1	65.4	7.3	3	20
United States	277.6	32.2	297.6	36.9	7	15

Source: US Census Bureau, Current Population Survey, 2000, 2001, 2007, and 2008 Annual Social and Economic Supplement

Table 2: The Rates and Numbers of Americans in Poverty Are Rising from Coast to Coast (1999-2000 and 2006-2007)

State	2-year average (1999-2000)		2-year average (2006-2007)		Change (2006-2007 average less 1999-2000 average)[1]	
	Thousands	(Rate)	Thousands	(Rate)	Thousands	(Rate)
United States	32,186	(11.6)	36,868	(12.4)	4,681*	(0.8) *
Alabama	626	(14.3)	656	(14.4)	30	(0.1)
Alaska	48	(7.6)	55	(8.3)	7	(0.6)
Arizona	612	(11.9)	907	(14.4)	295*	(2.4) *
Arkansas	410	(15.6)	437	(15.8)	27	(0.2)
California	4,513	(13.4)	4,508	(12.5)	-5	(-0.9)
Colorado	395	(9.1)	472	(9.8)	77	(0.6)
Connecticut	252	(7.4)	292	(8.4)	40	(1)
Delaware	73	(9.4)	80	(9.3)	7	(-0.1)
District of Columbia	82	(15)	104	(18.1)	22*	(3.1) *
Florida	1,846	(11.7)	2,159	(12)	313*	(0.3)
Georgia	997	(12.5)	1,233	(13.1)	236*	(0.6)
Hawaii	119	(9.9)	105	(8.3)	-14	(-1.5)
Idaho	168	(13.3)	145	(9.7)	-23	(-3.5) *

Illinois	1,261 (10.3)	1,300 (10.3)	39 (-)
Indiana	455 (7.6)	707 (11.2)	253* (3.6) *
Iowa	224 (7.8)	282 (9.6)	59 (1.8)
Kansas	267 (10.1)	334 (12.3)	67* (2.1)
Kentucky	485 (12.3)	672 (16.2)	187* (3.8) *
Louisiana	786 (18.2)	693 (16.5)	-93 (-1.7)
Maine	131 (10.3)	138 (10.5)	8 (0.2)
Maryland	377 (7.3)	480 (8.6)	103 (1.3)
Massachusetts	678 (10.8)	732 (11.6)	54 (0.8)
Michigan	972 (9.8)	1,199 (12.1)	227* (2.3) *
Minnesota	315 (6.5)	452 (8.7)	137* (2.3) *
Mississippi	432 (15.6)	625 (21.6)	194* (6.1) *
Missouri	576 (10.4)	700 (12.1)	124 (1.7)
Montana	133 (15)	123 (13.2)	-10 (-1.8)
Nebraska	165 (9.8)	177 (10.1)	12 (0.3)
Nevada	205 (10)	246 (9.6)	41 (-0.4)
New Hampshire	76 (6.1)	73 (5.6)	-2 (-0.5)
New Jersey	629 (7.6)	752 (8.7)	123 (1.2)
New Mexico	348 (19.2)	300 (15.5)	-48 (-3.8) *
New York	2,640 (14)	2,713 (14.3)	72 (0.2)
North Carolina	1,034 (13.1)	1,324 (14.7)	290* (1.5)
North Dakota	73 (11.7)	64 (10.3)	-9 (-1.4)
Ohio	1,230 (11)	1,409 (12.5)	178 (1.5)
Oklahoma	463 (13.9)	503 (14.3)	40 (0.4)
Oregon	401 (11.7)	460 (12.3)	59 (0.6)
Pennsylvania	1,075 (9)	1,335 (10.8)	260* (1.9) *
Rhode Island	105 (10.1)	104 (10)	- (-0.2)
South Carolina	443 (11.4)	545 (12.7)	103* (1.3)
South Dakota	67 (9.2)	78 (10.1)	12 (0.8)
Tennessee	710 (12.7)	893 (14.8)	182* (2.1)
Texas	3,138 (15.4)	3,860 (16.5)	722* (1.1)
Utah	148 (6.7)	245 (9.4)	97* (2.8) *
Vermont	59 (9.8)	54 (8.8)	-5 (-1)
Virginia	557 (8.1)	657 (8.6)	100 (0.6)
Washington	589 (10.2)	581 (9.1)	-8 (-1.1)
West Virginia	266 (15.2)	271 (15)	4 (-0.2)
Wisconsin	479 (8.9)	578 (10.6)	98 (1.6)

Wyoming	54 (11.2)	54 (10.4)	- (-0.8)

*Statistically different from zero at the 90-percent confidence level.

[1]Details may not sum to totals because of rounding

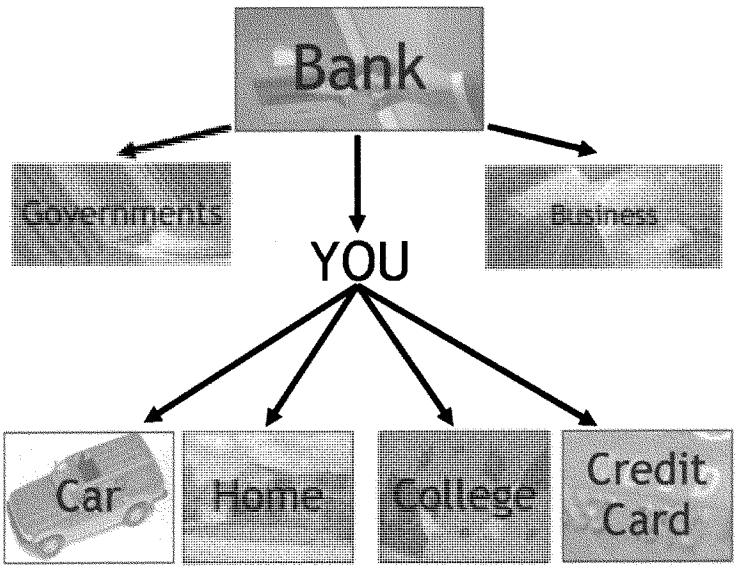
Source: U.S. Census Bureau, Current Population Survey, 2000, 2001,

From Wall Street To Main Street: How The Credit Crisis Affects You

"The credit window is closed." Jim Press, President of Chrysler

OVERVIEW

We are all familiar with the numerous ways in which we use credit. Credit finances the smaller purchases we make when we use our credit cards, and the larger purchases that are fundamental to our lives – the cars we drive, the homes we live in, the colleges where we send our children. Credit is also crucial for the needs of businesses, and for state and local governments.



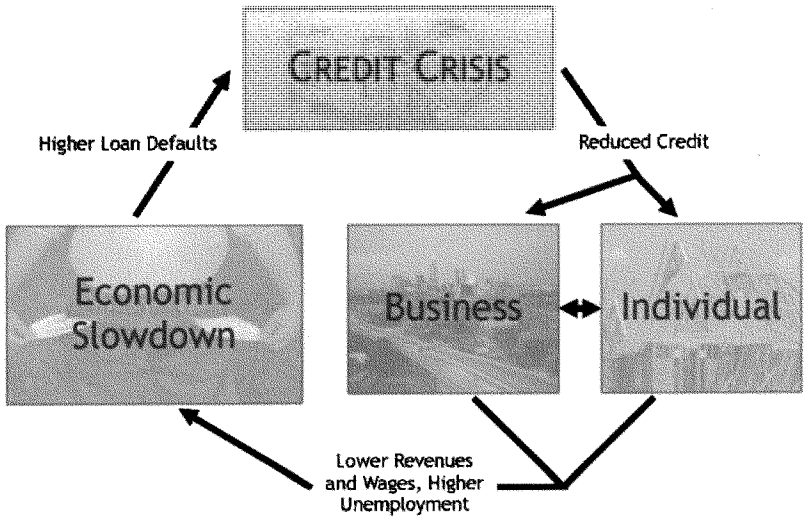
At its most basic level, credit is what allows us to make purchases today based on the money we are going to earn in the future. When we purchase a car or a house, few of us have the full cash amount available, so we borrow money from a lender who has confidence in our ability to repay the loan (plus interest) over time. This enables us to turn our future earnings into current spending, and in turn, furthers economic growth by increasing demand for the goods we are purchasing. If people could only buy cars when they had saved up the full purchase price, there would be many fewer cars sold, and many fewer people employed in every facet of the auto industry.

In the same way, institutional actors also depend on credit. Businesses rely on credit to get off the ground (leasing space, buying start up

equipment), to keep their operations running (stocking their shelves, buying new equipment, making payroll and paying the electric bill) and they use credit to expand (opening new stores and factories, and hiring new employees).Government also relies on credit to pay for many of their longer term projects—school improvements, highway repairs, new streetlights—which they finance by issuing bonds against future tax revenues.

In today's economy, all of these forms of credit are part of a much larger global financial web, in which financial institutions around the world are constantly borrowing and lending to one another, to manufacturers and retailers, and, ultimately, to consumers. In short, while we may not always see it, credit is the lifeblood of the economy.

How The Credit Crisis Fuels Economic Slowdown



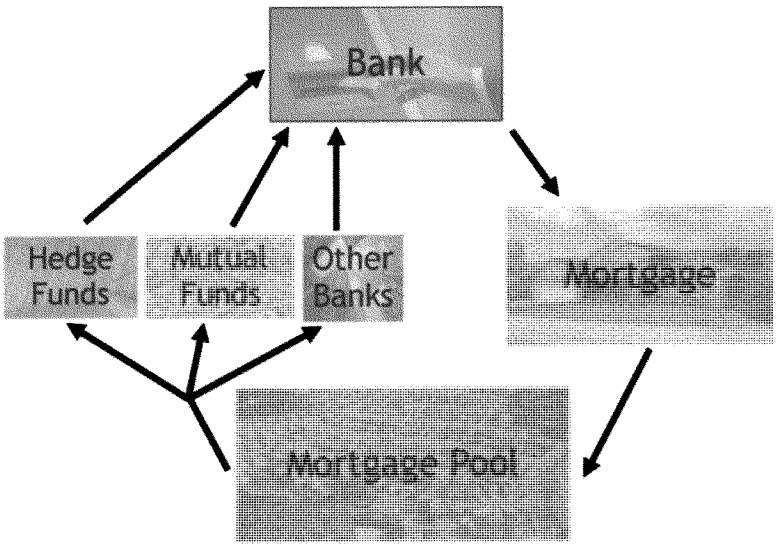
At its most extreme, the availability of credit can dry up, and a credit crisis, such as we are now experiencing, can occur. When a credit crisis does occur, the consequences for the economy can be devastating. The lack of available credit forces individuals and businesses alike to cut back on spending, reducing business revenues, which then causes wages to drop and unemployment to rise. The resulting economic slowdown causes more individuals and businesses to default on their loans, worsening the credit crisis. In short, this is a vicious circle, in which a credit freeze and economic contraction feed into each other.

THE ONSET OF THE CREDIT CRISIS

The Securitization of Loans

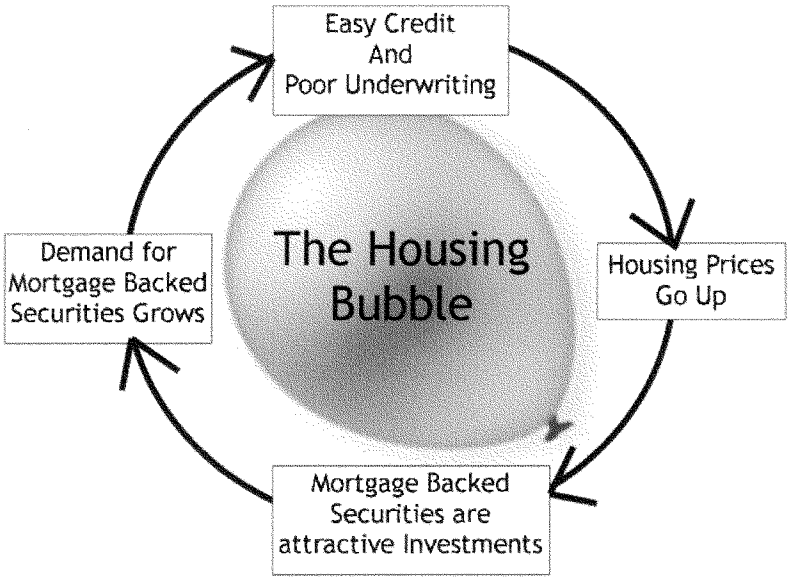
Over the past decade, credit was increasingly "securitized". Banks would pool together many different loans, and then sell securities, based on the rights to the payments from the loans in the pool, to outside investors. The sales of these securities provided banks with immediate cash, which they could then use to make more mortgages. And investors liked these securities, because they were considered safe investments (frequently, nearly as safe as U.S. Treasury bills, and they typically paid a higher return than equivalent investments).

From Your House To Wall Street



The most common and well-known of these securitized loans is the "mortgage-backed security" (MBS), based on pools of residential mortgages. But many other types of loans have also increasingly become securitized over the past decade—car loans, student loans, even credit card debt. Over the past decade, this type of securitized credit saw explosive growth, because of the superior returns and perception of safety. By the first quarter of 2006, the total value of all outstanding U.S. MBS totaled approximately $6.1 trillion.

The Deflation of the Housing Bubble



As is now obvious, the US experienced an unprecedented housing bubble in the earlier part of this decade. The availability of easy, cheap credit with low underwriting standards inflated the demand for housing, which led to increased housing prices. The growing housing market made mortgage-backed securities increasingly attractive, creating more demand among investors for MBS, which then provided even more credit for US homebuyers. This housing bubble has now officially popped. But the repercussions for the US economy have not yet been fully felt.

The deflation of the housing bubble has brought increased mortgage defaults which, coupled with concerns about poor mortgage underwriting standards, and the widespread belief that US housing prices are still overvalued, have led to tremendous declines in the values of MBS. And because MBS—and other forms of securitized debt—were so widely held, some major financial institutions have been forced to take huge writedowns in recent months.

As these writedowns have become recognized, these financial institutions have been forced to raise capital to cover the losses incurred. Those which have been able to raise sufficient capital have so far been able to survive, while those which have been unable to raise sufficient capital have failed, sometimes suddenly and unexpectedly.

Large Financial Institutions Fail Overnight

Bear Stearns was one of the first major examples of a big failure of a financial firm, due to its inability to find sufficient capital to cover its mortgage related losses. In March 2008, the Federal Reserve negotiated a deal in which JP Morgan Chase acquired Bear Stearns at an extremely low price ($10/share), which only happened because of the inclusion of federal guarantees on some $30 billion in risky Bear Stearns assets. The collapse of Bear Stearns began a steady deterioration in credit conditions, during which time a number of banks failed, which came to a head in September.

The weekend of September 13-14, the eminent Wall Street firm Merrill Lynch, concerned about its ability to survive future MBS losses, agreed to sell itself to Bank of America for considerably less than where its stock price had stood a few months earlier. That same weekend, Lehman Brothers, another iconic Wall Street firm, was unable to obtain any relief, and so was forced to file for bankruptcy on September 15. Both Merrill and Lehman came under heavy pressure because they possessed insufficient capital. As mortgage-related losses mounted, customers began pulling out of brokerage accounts with Merrill and Lehman, concerned about the safety of their assets. Merrill and Lehman thus came under increasing pressure to raise more capital to cover these losses and the outflows of brokerage deposits. When it became apparent that the capital available was insufficient to cover their expected losses, Merrill sold itself to Bank of America, and Lehman entered into bankruptcy.

Around this same time, AIG, the world's largest insurance company, also came under heavy pressure to raise capital. AIG's financial arm, AIG Financial Products, had accrued an enormous amount of exposure to mortgage-related assets, and as a result, it was carrying enormous unrecognized losses on its books. On September 15, the day Lehman announced bankruptcy, AIG's auditors forced AIG to recognize some of these losses. As a result, the next day, September 16, AIG was forced to effectively sell 80% of its equity to the Federal Reserve in exchange for an $85 billion line of credit.

These events were widely considered shocking. Many observers felt that Lehman could survive, and its inability to find any capital to save itself was an eye-opening event. The demises of Merrill and AIG were even more sobering, because they were widely considered to be in sterling shape up until a few days before their dispositions.

Confidence in the Health of Financial Institutions Drops, Causing Credit Freeze Among Banks

Finding credit was already difficult in this environment, but the sudden and unexpected failures of Lehman Brothers and AIG caused lending to freeze up even more. Lehman in particular caused problems, because many investors which had uninsured accounts with, or other exposure to, Lehman, suddenly lost the ability to access their cash, with no idea of how much, if anything, they would be able to eventually recover.

Confidence in the solvency of financial institutions has plummeted and as a result, banks virtually ceased lending to one another. The most widely-used measure of lending between banks (the London interbank overnight rate or "LIBOR"), reached an all-time high of 6.88% this past Tuesday (September 30), an indication that banks are extremely reluctant to lend to each other at any interest rate. This is an indication of the extreme lack of confidence banks have in the financial system right now.

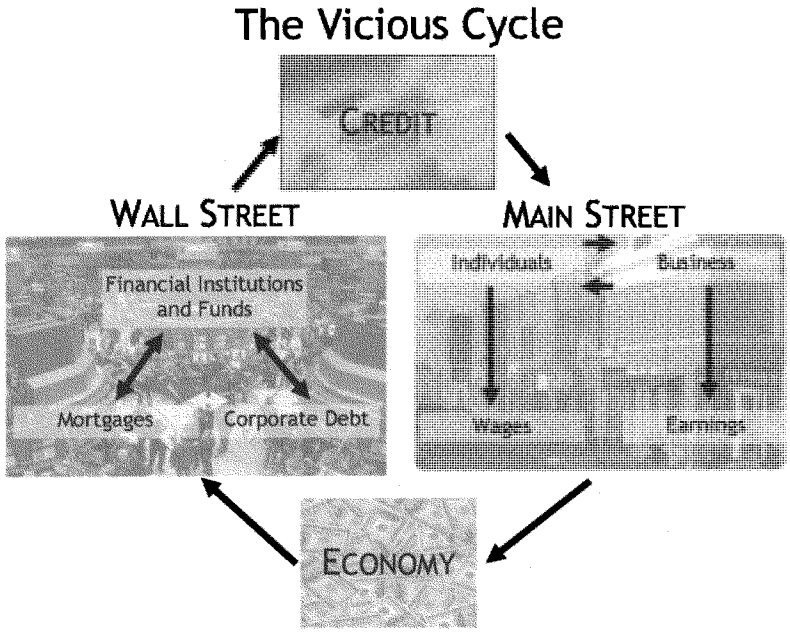
Other Sources of Credit Also Freezing Up

In addition to bank lending, other sources of credit have also dried up. Money market mutual funds, which are considered safe alternatives to depository accounts, have also come under serious pressure in recent weeks. Money market funds have historically been an important source of credit for businesses, as they are a major purchaser of short-term corporate debt (also called "commercial paper").

Following the failure of Lehman, two money market funds failed due to their exposure to Lehman debt. This is unprecedented. Money market funds, which are not federally insured, have historically been extremely safe and conservative, with their sole goal being to break even. From 1971 up to September 2008, there was only one money market fund which failed. These failures led to a run on money market funds, which has continued to this time, as investors have withdrawn their money. On Monday (September 29), money market funds saw a $10 billion outflow of funds.

The decline in money market funds has already caused corporate borrowing costs to skyrocket. Short-term corporate debt rates jumped from 2% on Monday to a range between 5.75% and 7.75% on Tuesday. The problems in money market funds signal larger problems in the debt markets. Corporate and municipal bond issues are becoming costlier and harder to fulfill. Even such long-time institutions as GE, AT&T, and the State of Massachusetts are finding it difficult to find enough buyers of their bond issues.

HOW WILL THE CREDIT CRISIS IMPACT ME



So how will the credit crisis affect ordinary Americans, living outside the confines of Wall Street? It all goes back to the idea of the "vicious circle". As credit tightens up, Main Street businesses and consumers are forced to reduce spending. This in turn reduces the revenues of businesses, forcing them to cut costs, including lowering wages and cutting staff. As a result, businesses and individuals alike have more trouble paying their bills and are more likely to miss payments on their loans (like mortgages and corporate debt).

As these missed payments turn into loan defaults, the value of mortgage-backed securities and corporate debt is further reduced, which then forces Wall Street firms to cut back even further on their lending activities, causing a further tightening of credit.

In short, what we are seeing now, if uninterrupted is a feedback loop, where tighter credit leads to less economic activity, which leads to a decline in the value of financial assets, which then creates even tighter credit conditions. In an environment like the current one, only those borrowers with the safest credit ratings can find credit, and even this is costly. And without credit, businesses large and small wither and die. Whether it's the small business owner who cannot expand or the large conglomerate that cannot make payroll, the impact is the same – the economy shrinks and the pie gets smaller.

We are already seeing evidence that the vicious circle is well underway. Unemployment numbers are up again, with 159,000 newly unemployed workers in September. Auto sales have declined for 11 straight months, due to more restrictive credit and decreased consumer confidence, and as a result, 18% of US car dealerships may close in 2009. Private student lending has become severely restricted, as banks are increasingly unwilling to commit cash to long-term loans. And some colleges have already lost access to funds parked with failed institutions such as Wachovia and Lehman, which may ultimately raise the cost of tuition.

The impacts of the credit crisis are not limited to the private sector, either. Cities and states have become increasingly reliant on the issuance of bonds to finance various projects. Like other credit markets, the markets for "muni bonds" (which have historically been much safer than private bonds and offer significant tax benefits) have also frozen up. In recent weeks, a high number of municipalities, including Massachusetts, have been forced to back out of the muni bond market due to insufficient investor interest or overly high costs. One expert recently predicted that muni bond issuances would drop by 25-30% in 2009. Even those that are issued will almost certainly be at much higher cost, limiting the amount of new road construction, school maintenance, and other municipal and state projects that can be paid for.

Non-profit institutions have in recent years also made extensive use of short-term borrowing, and like their for-profit analogues, they are already experiencing problems because of the credit freeze. Blood banks, hospitals, homeless shelters are among the many types of non-profit institutions that rely on the credit markets to meet their short funding needs. If the availability of credit continues to deteriorate, many of these non-profit entities will have to cut back, or even shut down.

HOW WILL THE EMERGENCY ECONOMIC STABILIZATION ACT HELP THE CREDIT CRISIS?

The newly enacted Emergency Economic Stabilization Act (EESA) will help to alleviate the credit crisis by paying a fair price for the MBS that financial firms are currently holding. By adding a massive new buyer to the equation, EESA is expected to improve the market for MBS. Struggling financial firms can then sell some of their troubled assets, thus improving the condition of their balance sheets, and mak-

ing it easier for them to attract new capital. More capital and less troubled assets will hopefully stimulate new lending.
However, the effects of EESA will not be known until the Treasury plan has been put into operation. While EESA may help to stabilize the credit markets, banks and other financial institutions may still require significant capital. Moreover, recent signs indicate that the real economy is beginning to slow significantly. Additional policy steps, including more stimulus, may be required in the near future.

State By State Economic Snapshots

ALABAMA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Alabama. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Alabama lost 9,100 jobs - an average of 900 jobs per month. The unemployment rate in Alabama now stands at 5.6 percent, up 3.7 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Alabama. In 2006-2007, the typical household's income in Alabama remained $3,251 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently

worth. In Alabama, subprime mortgages in delinquency have increased from 10,400 in the second quarter of 2006 to 14,800 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Alabama will total 7,891 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Alabama $276 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $16,300 Per Alabama Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $30 billion for Alabama taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 45.0 Percent in Alabama Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Alabama was $10,879, a 45.0 percent increase from 2000, while the average premium for individual coverage was $4,058, an increase of 29.4 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 619,000 Alabama Residents Had No Health Insurance. A growing number of Alabama residents are living without health insurance. During the 2006-2007 period, an average of 619,000 Alabama residents—13.6 percent of the state's population—had no health insurance; this was 0.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $604 Per Month in Alabama. Child care continues to be a hefty burden on the budgets of Alabama parents, with inflation-adjusted monthly care for an infant averaging $337, and monthly care for two children averaging $604. [National Association of Child Care Resource and Referral Agencies, available here.]

Alabama College Tuition Rose 35.5 Percent Since 2000. Parents of college students in Alabama have also been hard hit under the current Administration, as inflation-adjusted tuition for Alabama's four-year public colleges increased 35.5 percent between the 2000-2001 and 2006-2007 school years to $4,712 per year. With that 35.5 percent increase over just six years, Alabama families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Alabama, 656,000 Residents Were Living in Poverty Over the Last Two Years. In Alabama, 656,000 residents – or 14.4 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

ALASKA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Alaska. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Alaska added only 400 jobs. The unemployment rate in Alaska now stands at 7.4 percent, up 6.3 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Alaska. In 2006-2007, the typical household's income in Alaska remained $3,273 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Alaska, subprime mortgages in delinquency have increased

from 700 in the second quarter of 2006 to 1,100 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Alaska will total 931 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Alaska $61.3 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $29,800 Per Alaska Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $7 billion for Alaska taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 17.3 Percent in Alaska Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Alaska was $12,585, a 17.3 percent increase from 2001, while the average premium for individual coverage was $4,683, an increase of 15.7 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 116,000 Alaska Residents Had No Health Insurance. A growing number of Alaska residents are living without health insurance. During the 2006-2007 period, an average of

116,000 Alaska residents—17.4 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,293 Per Month in Alaska. Child care continues to be a hefty burden on the budgets of Alaska parents, with inflation-adjusted monthly care for an infant averaging $699, and monthly care for two children averaging $1,293. [National Association of Child Care Resource and Referral Agencies, available here.]

Alaska College Tuition Rose 28.0 Percent Since 2000. Parents of college students in Alaska have also been hard hit under the current Administration, as inflation-adjusted tuition for Alaska's four-year public colleges increased 28.0 percent between the 2000-2001 and 2006-2007 school years to $4,422 per year. With that 28.0 percent increase over just six years, Alaska families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Alaska, 55,000 Residents Were Living in Poverty Over the Last Two Years. In Alaska, 55,000 residents – or 8.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

ARIZONA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and

health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Arizona. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Arizona lost 65,700 jobs - an average of 6,600 jobs per month. The unemployment rate in Arizona now stands at 6.1 percent, up 4.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Arizona. In 2006-2007, the typical household's income in Arizona remained $640 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Arizona, subprime mortgages in delinquency have increased from 13,600 in the second quarter of 2006 to 39,200 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Arizona will total 49,890 between the first quarter of 2008 and the end

of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Arizona $2.85 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Arizona home prices will fall 27.1 percent between 2007 and 2009, resulting in a net loss of $133 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $19,800 Per Arizona Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $44 billion for Arizona taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 45.0 Percent in Arizona Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Arizona was $11,916, a 45.0 percent increase from 2000, while the average premium for individual coverage was $4,416, an increase of 45.9 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.24 Million Arizona Residents Had No Health Insurance. A growing number of Arizona residents are living without health insurance. During the 2006-2007 period, an average of

1.24 million Arizona residents—19.6 percent of the state's population—had no health insurance; this was 1.8 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,203 Per Month in Arizona. Child care continues to be a hefty burden on the budgets of Arizona parents, with inflation-adjusted monthly care for an infant averaging $680, and monthly care for two children averaging $1,203. [National Association of Child Care Resource and Referral Agencies, available here.]

Arizona College Tuition Rose 69.1 Percent Since 2000. Parents of college students in Arizona have also been hard hit under the current Administration, as inflation-adjusted tuition for Arizona's four-year public colleges increased 69.1 percent between the 2000-2001 and 2006-2007 school years to $4,669 per year. With that 69.1 percent increase over just six years, Arizona families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Arizona, 907,000 Residents Were Living in Poverty Over the Last Two Years. In Arizona, 907,000 residents – or 14.4 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

ARKANSAS

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Arkansas. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Arkansas lost 1,000 jobs - an average of 100 jobs per month. The unemployment rate in Arkansas now stands at 5.4 percent, up 5.5 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Arkansas. In 2006-2007, the typical household's income in Arkansas remained $3,114 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Arkansas, subprime mortgages in delinquency have increased from 4,500 in the second quarter of 2006 to 6,500 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic

Committee (JEC), the number of subprime foreclosures in Arkansas will total 3,611 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Arkansas $106 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $20,300 Per Arkansas Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $22 billion for Arkansas taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 34.2 Percent in Arkansas Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Arkansas was $10,217, a 34.2 percent increase from 2000, while the average premium for individual coverage was $3,671, an increase of 18.2 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 486,000 Arkansas Residents Had No Health Insurance. A growing number of Arkansas residents are living without health insurance. During the 2006-2007 period, an average of 486,000 Arkansas residents—17.5 percent of the state's population—

had no health insurance; this was 3.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $656 Per Month in Arkansas. Child care continues to be a hefty burden on the budgets of Arkansas parents, with inflation-adjusted monthly care for an infant averaging $356, and monthly care for two children averaging $656. [National Association of Child Care Resource and Referral Agencies, available here.]

Arkansas College Tuition Rose 41.0 Percent Since 2000. Parents of college students in Arkansas have also been hard hit under the current Administration, as inflation-adjusted tuition for Arkansas's four-year public colleges increased 41.0 percent between the 2000-2001 and 2006-2007 school years to $4,937 per year. With that 41.0 percent increase over just six years, Arkansas families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Arkansas, 437,000 Residents Were Living in Poverty Over the Last Two Years. In Arkansas, 437,000 residents – or 15.8 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

CALIFORNIA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in California. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, California lost 104,300 jobs - an average of 10,400 jobs per month. The unemployment rate in California now stands at 8.2 percent, up 5.9 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in California. In 2006-2007, the typical household's income in California remained $994 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In California, subprime mortgages in delinquency have increased from 73,200 in the second quarter of 2006 to 162,200 in the second quarter of 2008. According to a 2008 analysis published by the

Joint Economic Committee (JEC), the number of subprime foreclosures in California will total 211,248 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost California $24.3 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that California home prices will fall 16.9 percent between 2007 and 2009, resulting in a net loss of $1.05 trillion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $29,500 Per California Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $360 billion for California taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 56.9 Percent in California Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in California was $11,858, a 56.9 percent increase from 2000, while the average premium for individual coverage was $4,164, an increase of 45.0 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 6.7 Million California Residents Had No Health Insurance. A growing number of California residents are liv-

ing without health insurance. During the 2006-2007 period, an average of 6.7 million California residents—18.5 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,540 Per Month in California. Child care continues to be a hefty burden on the budgets of California parents, with inflation-adjusted monthly care for an infant averaging $862, and monthly care for two children averaging $1,540. [National Association of Child Care Resource and Referral Agencies, available here.]

California College Tuition Rose 47.7 Percent Since 2000. Parents of college students in California have also been hard hit under the current Administration, as inflation-adjusted tuition for California's four-year public colleges increased 47.7 percent between the 2000-2001 and 2006-2007 school years to $4,452 per year. With that 47.7 percent increase over just six years, California families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In California, 4.51 Million Residents Were Living in Poverty Over the Last Two Years. In California, 4.51 million residents – or 12.5 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

COLORADO

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Colorado. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Colorado added only 7,700 jobs, an average of just 800 jobs per month. The unemployment rate in Colorado now stands at 5.7 percent, up 4.0 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Colorado. In 2006-2007, the typical household's income in Colorado remained $206 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Colorado, subprime mortgages in delinquency have increased from 15,200 in the second quarter of 2006 to 17,300 in the second quarter of 2008. According to a 2008 analysis published by the Joint

Economic Committee (JEC), the number of subprime foreclosures in Colorado will total 22,576 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Colorado $1.46 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Colorado home prices will fall 6.4 percent between 2007 and 2009, resulting in a net loss of $27.7 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $24,300 Per Colorado Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $45 billion for Colorado taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 40.0 Percent in Colorado Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Colorado was $11,550, a 40.0 percent increase from 2000, while the average premium for individual coverage was $4,152, an increase of 39.6 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 813,000 Colorado Residents Had No Health Insurance. A growing number of Colorado residents are living

without health insurance. During the 2006-2007 period, an average of 813,000 Colorado residents—16.8 percent of the state's population—had no health insurance; this was 2.3 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,415 Per Month in Colorado. Child care continues to be a hefty burden on the budgets of Colorado parents, with inflation-adjusted monthly care for an infant averaging $791, and monthly care for two children averaging $1,415. [National Association of Child Care Resource and Referral Agencies, available here.]

Colorado College Tuition Rose 32.1 Percent Since 2000. Parents of college students in Colorado have also been hard hit under the current Administration, as inflation-adjusted tuition for Colorado's four-year public colleges increased 32.1 percent between the 2000-2001 and 2006-2007 school years to $4,634 per year. With that 32.1 percent increase over just six years, Colorado families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Colorado, 472,000 Residents Were Living in Poverty Over the Last Two Years. In Colorado, 472,000 residents – or 9.8 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

CONNECTICUT

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Connecticut. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Connecticut lost 7,700 jobs - an average of 800 jobs per month. The unemployment rate in Connecticut now stands at 6.5 percent, up 4.8 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Connecticut. In 2006-2007, the typical household's income in Connecticut remained $2,489 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Connecticut, subprime mortgages in delinquency have increased from 8,400 in the second quarter of 2006 to 13,400 in the

second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Connecticut will total 13,228 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Connecticut $1.28 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Connecticut home prices will fall 12.7 percent between 2007 and 2009, resulting in a net loss of $43.9 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $41,400 Per Connecticut Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $55 billion for Connecticut taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 42.1 Percent in Connecticut Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Connecticut was $12,736, a 42.1 percent increase from 2000, while the average premium for individual coverage was $4,516, an increase of 20.2 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 326,000 Connecticut Residents Had No Health Insurance. A growing number of Connecticut residents are living without health insurance. During the 2006-2007 period, an average of 326,000 Connecticut residents—9.4 percent of the state's population—had no health insurance; this was 0.5 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,670 Per Month in Connecticut. Child care continues to be a hefty burden on the budgets of Connecticut parents, with inflation-adjusted monthly care for an infant averaging $921, and monthly care for two children averaging $1,670. [National Association of Child Care Resource and Referral Agencies, available here.]

Connecticut College Tuition Rose 31.4 Percent Since 2000. Parents of college students in Connecticut have also been hard hit under the current Administration, as inflation-adjusted tuition for Connecticut's four-year public colleges increased 31.4 percent between the 2000-2001 and 2006-2007 school years to $7,151 per year. With that 31.4 percent increase over just six years, Connecticut families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Connecticut, 292,000 Residents Were Living in Poverty Over the Last Two Years. In Connecticut, 292,000 residents – or 8.4 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the

Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

DELEWARE

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Delaware. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Delaware lost 2,200 jobs - an average of 200 jobs per month. The unemployment rate in Delaware now stands at 5.4 percent, up 3.5 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Delaware. In 2006-2007, the typical household's income in Delaware remained $5,062 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unafford-

able subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Delaware, subprime mortgages in delinquency have increased from 2,200 in the second quarter of 2006 to 3,600 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Delaware will total 3,241 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Delaware $197 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Delaware home prices will fall 7.5 percent between 2007 and 2009, resulting in a net loss of $8 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $45,100 Per Delaware Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $15 billion for Delaware taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 43.6 Percent in Delaware Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Delaware was $12,968, a 43.6 percent increase from 2001, while the average premium for individual coverage was $4,849, an increase of 34.9 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency

for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 101,000 Delaware Residents Had No Health Insurance. A growing number of Delaware residents are living without health insurance. During the 2006-2007 period, an average of 101,000 Delaware residents—11.7 percent of the state's population—had no health insurance; this was 2.5 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,041 Per Month in Delaware. Child care continues to be a hefty burden on the budgets of Delaware parents, with inflation-adjusted monthly care for an infant averaging $551, and monthly care for two children averaging $1,041. [National Association of Child Care Resource and Referral Agencies, available here.]

Delaware College Tuition Rose 32.8 Percent Since 2000. Parents of college students in Delaware have also been hard hit under the current Administration, as inflation-adjusted tuition for Delaware's four-year public colleges increased 32.8 percent between the 2000-2001 and 2006-2007 school years to $7,417 per year. With that 32.8 percent increase over just six years, Delaware families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Delaware, 80,000 Residents Were Living in Poverty Over the Last Two Years. In Delaware, 80,000 residents – or 9.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million

people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

DISTRICT OF COLUMBIA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in District of Columbia. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, District of Columbia added only 7,700 jobs, an average of just 800 jobs per month. The unemployment rate in District of Columbia now stands at 7.4 percent, up 5.7 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in the District of Columbia. In 2006-2007, the typical household's income in the District of Columbia remained $1,452 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mort-

gage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In the District of Columbia, subprime mortgages in delinquency have increased from 900 in the second quarter of 2006 to 1,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in D.C. will total 1,776 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost the District of Columbia $244 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that D.C. home prices will fall 18.4 percent between 2007 and 2009, resulting in a net loss of $9.69 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $61,600 Per D.C. Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $15 billion for D.C. taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 23.7 Percent in the District of Columbia Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in the District of Columbia was $12,619, a 23.7 percent increase from 2001, while the average premium for individual coverage was $4,672, an increase of 31.7 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001

to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 61,000 D.C. Residents Had No Health Insurance. A growing number of D.C. residents are living without health insurance. During the 2006-2007 period, an average of 61,000 D.C. residents—10.6 percent of the District's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

College Tuition in the District of Columbia Rose 10.8 Percent Since 2000. Parents of college students in the District of Columbia have also been hard hit under the current Administration, as inflation-adjusted tuition for the District of Columbia's four-year public colleges increased 10.8 percent between the 2000-2001 and 2006-2007 school years to $2,670 per year. With that 10.8 percent increase over just six years, D.C. families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In the District of Columbia, 104,000 Residents Were Living in Poverty Over the Last Two Years. In the District of Columbia, 104,000 residents – or 18.1 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

FLORIDA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Florida. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Florida lost 163,600 jobs - an average of 16,400 jobs per month. The unemployment rate in Florida now stands at 7.0 percent, up 4.5 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Florida. In 2006-2007, the typical household's income in Florida remained $707 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Florida, subprime mortgages in delinquency have increased from 59,400 in the second quarter of 2006 to 130,800 in the second

quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Florida will total 177,401 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Florida $13 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Florida home prices will fall 20.9 percent between 2007 and 2009, resulting in a net loss of $324 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $21,400 Per Florida Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $152 billion for Florida taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 39.3 Percent in Florida Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Florida was $11,368, a 39.3 percent increase from 2000, while the average premium for individual coverage was $4,051, an increase of 30.0 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 3.74 Million Florida Residents Had No Health Insurance. A growing number of Florida residents are living

without health insurance. During the 2006-2007 period, an average of 3.74 million Florida residents—20.7 percent of the state's population—had no health insurance; this was 3.3 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,001 Per Month in Florida. Child care continues to be a hefty burden on the budgets of Florida parents, with inflation-adjusted monthly care for an infant averaging $563, and monthly care for two children averaging $1,001. [National Association of Child Care Resource and Referral Agencies, available here.]

Florida College Tuition Rose 10.7 Percent Since 2000. Parents of college students in Florida have also been hard hit under the current Administration, as inflation-adjusted tuition for Florida's four-year public colleges increased 10.7 percent between the 2000-2001 and 2006-2007 school years to $3,050 per year. With that 10.7 percent increase over just six years, Florida families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Florida, 2.16 Million Residents Were Living in Poverty Over the Last Two Years. In Florida, 2.16 million residents – or 12.0 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

GEORGIA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Georgia. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Georgia lost 67,300 jobs - an average of 6,700 jobs per month. The unemployment rate in Georgia now stands at 7.0 percent, up 4.5 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Georgia. In 2006-2007, the typical household's income in Georgia remained $51 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Georgia, subprime mortgages in delinquency have increased from 33,300 in the second quarter of 2006 to 48,000 in the second

quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Georgia will total 34,332 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Georgia $1.89 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Georgia home prices will fall 1.2 percent between 2007 and 2009, resulting in a net loss of $9.29 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $23,300 Per Georgia Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $80 billion for Georgia taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 39.6 Percent in Georgia Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Georgia was $11,107, a 39.6 percent increase from 2000, while the average premium for individual coverage was $3,986, an increase of 24.6 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.66 Million Georgia Residents Had No Health Insurance. A growing number of Georgia residents are living without health insurance. During the 2006-2007 period, an average of 1.66 million Georgia residents—17.6 percent of the state's population—had no health insurance; this was 3.3 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $789 Per Month in Georgia. Child care continues to be a hefty burden on the budgets of Georgia parents, with inflation-adjusted monthly care for an infant averaging $433, and monthly care for two children averaging $789. [National Association of Child Care Resource and Referral Agencies, available here.]

Georgia College Tuition Rose 22.6 Percent Since 2000. Parents of college students in Georgia have also been hard hit under the current Administration, as inflation-adjusted tuition for Georgia's four-year public colleges increased 22.6 percent between the 2000-2001 and 2006-2007 school years to $3,851 per year. With that 22.6 percent increase over just six years, Georgia families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Georgia, 1.23 Million Residents Were Living in Poverty Over the Last Two Years. In Georgia, 1.23 million residents – or 13.1 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

HAWAII

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Hawaii. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Hawaii lost 4,700 jobs - an average of 500 jobs per month. The unemployment rate in Hawaii now stands at 4.5 percent, up 3.1 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Hawaii. In 2006-2007, the typical household's income in Hawaii remained $4,395 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Hawaii, subprime mortgages in delinquency have increased from 1,500 in the second quarter of 2006 to 2,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Hawaii will total 3,762 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Hawaii $870 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Hawaii home prices will fall 14.0 percent between 2007 and 2009, resulting in

a net loss of $24.4 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $24,500 Per Hawaii Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $11 billion for Hawaii taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 12.1 Percent in Hawaii Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Hawaii was $9,725, a 12.1 percent increase from 2001, while the average premium for individual coverage was $3,662, an increase of 15.9 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 103,000 Hawaii Residents Had No Health Insurance. A growing number of Hawaii residents are living without health insurance. During the 2006-2007 period, an average of 103,000 Hawaii residents—8.2 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,221 Per Month in Hawaii. Child care continues to be a hefty burden on the budgets of Hawaii parents, with inflation-adjusted monthly care for an infant averaging $720, and monthly care for two children averaging $1,221. [National Association of Child Care Resource and Referral Agencies, available here.]

Hawaii College Tuition Rose 12.3 Percent Since 2000. Parents of college students in Hawaii have also been hard hit under the current Administration, as inflation-adjusted tuition for Hawaii's four-year public colleges increased 12.3 percent between the 2000-2001 and 2006-2007 school years to $3,930 per year. With that 12.3 percent increase over just six years, Hawaii families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Hawaii, 105,000 Residents Were Living in Poverty Over the Last Two Years. In Hawaii, 105,000 residents – or 8.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

IDAHO

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Idaho. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Idaho lost 10,900 jobs - an average of 1,100 jobs per month. The unemployment rate in Idaho now stands at 5.3 percent, up 2.7 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Idaho. In 2006-2007, the typical household's income in Idaho remained $3,447 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Idaho, subprime mortgages in delinquency have increased from 2,500 in the second quarter of 2006 to 4,300 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Idaho will total 4,843 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Idaho $255 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Idaho home prices will fall 15.2 percent between 2007 and 2009, resulting in a net

loss of $12.2 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $16,000 Per Idaho Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $9 billion for Idaho taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 44.5 Percent in Idaho Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Idaho was $11,117, a 44.5 percent increase from 2001, while the average premium for individual coverage was $3,686, an increase of 16.4 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 218,000 Idaho Residents Had No Health Insurance. A growing number of Idaho residents are living without health insurance. During the 2006-2007 period, an average of 218,000 Idaho residents—14.6 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $832 Per Month in Idaho. Child care continues to be a hefty burden on the budgets of Idaho parents, with inflation-adjusted monthly care for an infant averaging $441, and monthly care for two children averaging $832. [National Association of Child Care Resource and Referral Agencies, available here.]

Idaho College Tuition Rose 34.4 Percent Since 2000. Parents of college students in Idaho have also been hard hit under the current Administration, as inflation-adjusted tuition for Idaho's four-year public colleges increased 34.4 percent between the 2000-2001 and 2006-2007 school years to $4,155 per year. With that 34.4 percent increase over just six years, Idaho families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Idaho, 145,000 Residents Were Living in Poverty Over the Last Two Years. In Idaho, 145,000 residents – or 9.7 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

ILLINOIS

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Illinois. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Illinois lost 28,100 jobs - an average of 2,800 jobs per month. The unemployment rate in Illinois now stands at 7.3 percent, up 5.3 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Illinois. In 2006-2007, the typical household's income in Illinois remained $5,266 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Illinois, subprime mortgages in delinquency have increased from 32,800 in the second quarter of 2006 to 48,100 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Illinois will total 53,591 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Illinois $4.7 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Illinois home prices will fall 5.1 percent between 2007 and 2009, resulting in a

net loss of $46.8 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $28,500 Per Illinois Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $136 billion for Illinois taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 42.3 Percent in Illinois Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Illinois was $12,096, a 42.3 percent increase from 2000, while the average premium for individual coverage was $4,358, an increase of 24.3 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.74 million Illinois Residents Had No Health Insurance. A growing number of Illinois residents are living without health insurance. During the 2006-2007 period, an average of 1.74 million Illinois residents—13.7 percent of the state's population—had no health insurance; this was 0.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,425 Per Month in Illinois. Child care continues to be a hefty burden on the budgets of Illinois parents, with inflation-adjusted monthly care for an infant averaging $827, and monthly care for two children averaging $1,425. [National Association of Child Care Resource and Referral Agencies, available here.]

Illinois College Tuition Rose 67.8 Percent Since 2000. Parents of college students in Illinois have also been hard hit under the current Administration, as inflation-adjusted tuition for Illinois's four-year public colleges increased 67.8 percent between the 2000-2001 and 2006-2007 school years to $8,038 per year. With that 67.8 percent increase over just six years, Illinois families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Illinois, 1.3 million Residents Were Living in Poverty Over the Last Two Years. In Illinois, 1.3 million residents – or 10.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

INDIANA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Indiana. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Indiana lost 32,400 jobs - an average of 3,200 jobs per month. The unemployment rate in Indiana now stands at 6.4 percent, up 4.5 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Indiana. In 2006-2007, the typical household's income in Indiana remained $2,925 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Indiana, subprime mortgages in delinquency have increased from 21,700 in the second quarter of 2006 to 28,200 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Indiana will total 28,953 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Indiana $1.02 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $18,900 Per Indiana Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $47 billion for Indiana taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 50.7 Percent in Indiana Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Indiana was $11,760, a 50.7 percent increase from 2000, while the average premium for individual coverage was $4,096, an increase of 31.1 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 732,000 Indiana Residents Had No Health Insurance. A growing number of Indiana residents are living without health insurance. During the 2006-2007 period, an average of 732,000 Indiana residents—11.6 percent of the state's population—had no health insurance; this was 1.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,086 Per Month in Indiana. Child care continues to be a hefty burden on the budgets of Indiana parents, with inflation-adjusted monthly care for an infant averaging $612, and monthly care for two children averaging $1,086. [National Association of Child Care Resource and Referral Agencies, available here.]

Indiana College Tuition Rose 44.8 Percent Since 2000. Parents of college students in Indiana have also been hard hit under the current Administration, as inflation-adjusted tuition for Indiana's four-year public colleges increased 44.8 percent between the 2000-2001 and 2006-2007 school years to $6,284 per year. With that 44.8 percent increase over just six years, Indiana families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Indiana, 707,000 Residents Were Living in Poverty Over the Last Two Years. In Indiana, 707,000 residents – or 11.2 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

IOWA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Iowa. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Iowa added only 3,000 jobs, an average of just 300 jobs per month. The unemployment rate in Iowa now stands at 4.4 percent, up 3.8 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Iowa. In 2006-2007, the typical household's income in Iowa remained $1,037 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Iowa, subprime mortgages in delinquency have increased from 4,500 in the second quarter of 2006 to 5,800 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Iowa will total 6,013 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Iowa $191 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Iowa home prices will fall 0.2 percent between 2007 and 2009, resulting in a net

loss of $1.14 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $19,400 Per Iowa Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $24 billion for Iowa taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 41.8 Percent in Iowa Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Iowa was $10,832, a 41.8 percent increase from 2000, while the average premium for individual coverage was $4,021, an increase of 36.7 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 291,000 Iowa Residents Had No Health Insurance. A growing number of Iowa residents are living without health insurance. During the 2006-2007 period, an average of 291,000 Iowa residents—9.9 percent of the state's population—had no health insurance; this was 2.2 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,056 Per Month in Iowa. Child care continues to be a hefty burden on the budgets of Iowa parents, with inflation-adjusted monthly care for an infant averaging $585, and monthly care for two children averaging $1,056. [National Association of Child Care Resource and Referral Agencies, available here.]

Iowa College Tuition Rose 66.2 Percent Since 2000. Parents of college students in Iowa have also been hard hit under the current Admin-

istration, as inflation-adjusted tuition for Iowa's four-year public colleges increased 66.2 percent between the 2000-2001 and 2006-2007 school years to $6,019 per year. With that 66.2 percent increase over just six years, Iowa families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Iowa, 282,000 Residents Were Living in Poverty Over the Last Two Years. In Iowa, 282,000 residents – or 9.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

KANSAS

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Kansas. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush

first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Kansas added only 7,000 jobs, an average of just 700 jobs per month. The unemployment rate in Kansas now stands at 4.9 percent, up 4.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Kansas. In 2006-2007, the typical household's income in Kansas remained $274 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Kansas, subprime mortgages in delinquency have increased from 5,000 in the second quarter of 2006 to 6,200 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Kansas will total 4,683 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Kansas $159 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $20,800 Per Kansas Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $23 billion for Kansas taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 54.5 Percent in Kansas Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Kansas was $11,343, a 54.5 percent increase from 2000, while the average premium for individual coverage was $3,935, an increase of 26.6 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 340,000 Kansas Residents Had No Health Insurance. A growing number of Kansas residents are living without health insurance. During the 2006-2007 period, an average of 340,000 Kansas residents—12.5 percent of the state's population—had no health insurance; this was 1.6 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $904 Per Month in Kansas. Child care continues to be a hefty burden on the budgets of Kansas parents, with inflation-adjusted monthly care for an infant averaging $514, and monthly care for two children averaging $904. [National Association of Child Care Resource and Referral Agencies, available here.]

Kansas College Tuition Rose 64.3 Percent Since 2000. Parents of college students in Kansas have also been hard hit under the current Administration, as inflation-adjusted tuition for Kansas's four-year public colleges increased 64.3 percent between the 2000-2001 and

2006-2007 school years to $4,966 per year. With that 64.3 percent increase over just six years, Kansas families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Kansas, 334,000 Residents Were Living in Poverty Over the Last Two Years. In Kansas, 334,000 residents – or 12.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

KENTUCKY

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Kentucky. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created

through the 93rd month of the Clinton administration. Since the beginning of 2008, Kentucky lost 17,900 jobs - an average of 1,800 jobs per month. The unemployment rate in Kentucky now stands at 6.8 percent, up 5.3 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Kentucky. In 2006-2007, the typical household's income in Kentucky remained $2,785 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Kentucky, subprime mortgages in delinquency have increased from 8,400 in the second quarter of 2006 to 10,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Kentucky will total 10,588 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Kentucky $398 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Kentucky home prices will fall 0.4 percent between 2007 and 2009, resulting in a net loss of $527 million in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $15,900 Per Kentucky Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $26 billion for Kentucky taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 19.4 Percent in Kentucky Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Kentucky was $10,151, a 19.4 percent increase from 2000, while the average premium for individual coverage was $3,901, an increase of 23.9 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 605,000 Kentucky Residents Had No Health Insurance. A growing number of Kentucky residents are living without health insurance. During the 2006-2007 period, an average of 605,000 Kentucky residents—14.6 percent of the state's population—had no health insurance; this was 1.9 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $910 Per Month in Kentucky. Child care continues to be a hefty burden on the budgets of Kentucky parents, with inflation-adjusted monthly care for an infant averaging $493, and monthly care for two children averaging $910. [National Association of Child Care Resource and Referral Agencies, available here.]

Kentucky College Tuition Rose 72.5 Percent Since 2000. Parents of college students in Kentucky have also been hard hit under the current Administration, as inflation-adjusted tuition for Kentucky's four-year

public colleges increased 72.5 percent between the 2000-2001 and 2006-2007 school years to $5,821 per year. With that 72.5 percent increase over just six years, Kentucky families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Kentucky, 672,000 Residents Were Living in Poverty Over the Last Two Years. In Kentucky, 672,000 residents – or 16.2 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

LOUISIANA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Louisiana. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been

created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Louisiana added only 4,900 jobs, an average of just 500 jobs per month. The unemployment rate in Louisiana now stands at 5.5 percent, up 4.0 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Louisiana. In 2006-2007, the typical household's income in Louisiana remained $617 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Louisiana, there were 16,500 subprime mortgages in delinquency in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Louisiana will total 11,252 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Louisiana $426 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $20,400 Per Louisiana Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $33 billion for Louisiana taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 41.8 Percent in Louisiana Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Louisiana was $11,110, a 41.8 percent increase from 2000, while the average premium for individual coverage was $4,053, an increase of 30.1 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 848,000 Louisiana Residents Had No Health Insurance. A growing number of Louisiana residents are living without health insurance. During the 2006-2007 period, an average of 848,000 Louisiana residents—20.2 percent of the state's population—had no health insurance; this was 1.0 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $894 Per Month in Louisiana. Child care continues to be a hefty burden on the budgets of Louisiana parents, with inflation-adjusted monthly care for an infant averaging $471, and monthly care for two children averaging $894. [National Association of Child Care Resource and Referral Agencies, available here.]

Louisiana College Tuition Rose 17.0 Percent Since 2000. Parents of college students in Louisiana have also been hard hit under the current Administration, as inflation-adjusted tuition for Louisiana's four-year public colleges increased 17.0 percent between the 2000-2001 and

2006-2007 school years to $3,778 per year. With that 17.0 percent increase over just six years, Louisiana families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Louisiana, 693,000 Residents Were Living in Poverty Over the Last Two Years. In Louisiana, 693,000 residents – or 16.5 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MAINE

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Maine. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created

through the 93rd month of the Clinton administration. Since the beginning of 2008, Maine lost 5,900 jobs - an average of 600 jobs per month. The unemployment rate in Maine now stands at 5.7 percent, up 4.9 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Maine. In 2006-2007, the typical household's income in Maine remained $812 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Maine, subprime mortgages in delinquency have increased from 2,500 in the second quarter of 2006 to 3,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Maine will total 4,385 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Maine $242 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Maine home prices will fall 7.3 percent between 2007 and 2009, resulting in a net loss of $6.42 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $16,000 Per Maine Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $9 billion for Maine taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 31.8 Percent in Maine Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Maine was $12,682, a 31.8 percent increase from 2001, while the average premium for individual coverage was $4,783, an increase of 30.6 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 119,000 Maine Residents Had No Health Insurance. A growing number of Maine residents are living without health insurance. During the 2006-2007 period, an average of 119,000 Maine residents—9.1 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,234 Per Month in Maine. Child care continues to be a hefty burden on the budgets of Maine parents, with inflation-adjusted monthly care for an infant averaging $673, and monthly care for two children averaging $1,234. [National Association of Child Care Resource and Referral Agencies, available here.]

Maine College Tuition Rose 28.5 Percent Since 2000. Parents of college students in Maine have also been hard hit under the current Administration, as inflation-adjusted tuition for Maine's four-year public colleges increased 28.5 percent between the 2000-2001 and 2006-2007 school years to $6,557 per year. With that 28.5 percent increase over

just six years, Maine families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Maine, 138,000 Residents Were Living in Poverty Over the Last Two Years. In Maine, 138,000 residents – or 10.5 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MARYLAND

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Maryland. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the be-

ginning of 2008, Maryland added only 10,800 jobs, an average of just 1,100 jobs per month. The unemployment rate in Maryland now stands at 5.0 percent, up 3.6 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Maryland. In 2006-2007, the typical household's income in Maryland remained $254 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Maryland, subprime mortgages in delinquency have increased from 13,900 in the second quarter of 2006 to 31,000 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Maryland will total 24,391 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Maryland $2.76 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Maryland home prices will fall 14.1 percent between 2007 and 2009, resulting in a net loss of $110 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $26,000 Per Maryland Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $54 billion for Maryland taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 32.8 Percent in Maryland Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Maryland was $11,600, a 32.8 percent increase from 2000, while the average premium for individual coverage was $4,044, an increase of 26.7 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 769,000 Maryland Residents Had No Health Insurance. A growing number of Maryland residents are living without health insurance. During the 2006-2007 period, an average of 769,000 Maryland residents—13.8 percent of the state's population—had no health insurance; this was 3.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,492 Per Month in Maryland. Child care continues to be a hefty burden on the budgets of Maryland parents, with inflation-adjusted monthly care for an infant averaging $915, and monthly care for two children averaging $1,492. [National Association of Child Care Resource and Referral Agencies, available here.]

Maryland College Tuition Rose 27.7 Percent Since 2000. Parents of college students in Maryland have also been hard hit under the current Administration, as inflation-adjusted tuition for Maryland's four-year public colleges increased 27.7 percent between the 2000-2001 and 2006-2007 school years to $7,106 per year. With that 27.7 percent increase over just six years, Maryland families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Maryland, 480,000 Residents Were Living in Poverty Over the Last Two Years. In Maryland, 480,000 residents – or 8.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MASSACHUSETTS

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Massachusetts. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating econom-

ic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Massachusetts lost 3,800 jobs - an average of 400 jobs per month. The unemployment rate in Massachusetts now stands at 5.5 percent, up 4.3 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Massachusetts. In 2006-2007, the typical household's income in Massachusetts remained $2,168 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Massachusetts, subprime mortgages in delinquency have increased from 14,300 in the second quarter of 2006 to 23,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Massachusetts will total 20,954 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Massachusetts $2.81 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Massachusetts home prices will fall 7.9 percent between 2007 and

2009, resulting in a net loss of $58.9 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $30,300 Per Massachusetts Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $74 billion for Massachusetts taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 39.7 Percent in Massachusetts Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Massachusetts was $12,607, a 39.7 percent increase from 2000, while the average premium for individual coverage was $4,563, an increase of 36.5 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 498,000 Massachusetts Residents Had No Health Insurance. A growing number of Massachusetts residents are living without health insurance. During the 2006-2007 period, an average of 498,000 Massachusetts residents—7.9 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $2,047 Per Month in Massachusetts. Child care continues to be a hefty burden on the budgets of Massachusetts parents, with inflation-adjusted monthly care for an infant averaging $1,194, and monthly care for two children

averaging $2,047. [National Association of Child Care Resource and Referral Agencies, available here.]

Massachusetts College Tuition Rose 59.0 Percent Since 2000. Parents of college students in Massachusetts have also been hard hit under the current Administration, as inflation-adjusted tuition for Massachusetts's four-year public colleges increased 59.0 percent between the 2000-2001 and 2006-2007 school years to $7,629 per year. With that 59.0 percent increase over just six years, Massachusetts families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Massachusetts, 732,000 Residents Were Living in Poverty Over the Last Two Years. In Massachusetts, 732,000 residents – or 11.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MICHIGAN

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Michigan. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Michigan lost 74,000 jobs - an average of 7,400 jobs per month. The unemployment rate in Michigan now stands at 9.3 percent, up 7.4 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Michigan. In 2006-2007, the typical household's income in Michigan remained $6,364 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for Michigan Residents. Rising energy costs are making it more difficult for Michigan families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in Michigan was $1.11. The average gas price per gallon is now $1.89 as of November 20, 2008. When adjusted for inflation, this represents an increase of 43 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average Michigan household will spend $1,360, a -19.6 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently

worth. In Michigan, subprime mortgages in delinquency have increased from 46,400 in the second quarter of 2006 to 56,300 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Michigan will total 53,663 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Michigan $2.32 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Michigan home prices will fall 6.0 percent between 2007 and 2009, resulting in a net loss of $62.8 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $19,900 Per Michigan Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $77 billion for Michigan taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 46.5 Percent in Michigan Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Michigan was $11,758, a 46.5 percent increase from 2000, while the average premium for individual coverage was $4,565, an increase of 38.1 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.1 million Michigan Residents Had No Health Insurance. A growing number of Michigan residents are living without health insurance. During the 2006-2007 period, an average of 1.1 million Michigan residents—11.0 percent of the state's population—had no health insurance; this was 1.9 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,240 Per Month in Michigan. Child care continues to be a hefty burden on the budgets of Michigan parents, with inflation-adjusted monthly care for an infant averaging $695, and monthly care for two children averaging $1,240. [National Association of Child Care Resource and Referral Agencies, available here.]

Michigan College Tuition Rose 41.5 Percent Since 2000. Parents of college students in Michigan have also been hard hit under the current Administration, as inflation-adjusted tuition for Michigan's four-year public colleges increased 41.5 percent between the 2000-2001 and 2006-2007 school years to $7,504 per year. With that 41.5 percent increase over just six years, Michigan families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Michigan, 1.2 million Residents Were Living in Poverty Over the Last Two Years. In Michigan, 1.2 million residents – or 12.1 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the

Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MINNESOTA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Minnesota. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Minnesota lost 18,300 jobs - an average of 1,800 jobs per month. The unemployment rate in Minnesota now stands at 6.0 percent, up 4.7 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Minnesota. In 2006-2007, the typical household's income in Minnesota remained $3,981 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for Minnesota Residents. Rising energy costs are making it more difficult for Minnesota families to stretch their household

budgets. In October 2001, the average retail price per gallon of gasoline in Minnesota was $1.19. The average gas price per gallon is now $1.87 as of November 20, 2008. When adjusted for inflation, this represents an increase of 32 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average Minnesota household will spend $1,360, a -19.6 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Minnesota, subprime mortgages in delinquency have increased from 13,000 in the second quarter of 2006 to 17,700 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Minnesota will total 24,437 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Minnesota $1.37 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Minnesota home prices will fall 6.8 percent between 2007 and 2009, resulting in a net loss of $41.5 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $28,300 Per Minnesota Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $58 billion for Minnesota taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 42.9 Percent in Minnesota Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Minnesota was $11,699, a 42.9 percent increase from 2000, while the average premium for individual coverage was $4,087, an increase of 28.0 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 454,000 Minnesota Residents Had No Health Insurance. A growing number of Minnesota residents are living without health insurance. During the 2006-2007 period, an average of 454,000 Minnesota residents—8.8 percent of the state's population—had no health insurance; this was 1.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,807 Per Month in Minnesota. Child care continues to be a hefty burden on the budgets of Minnesota parents, with inflation-adjusted monthly care for an infant averaging $1,034, and monthly care for two children averaging $1,807. [National Association of Child Care Resource and Referral Agencies, available here.]

Minnesota College Tuition Rose 60.2 Percent Since 2000. Parents of college students in Minnesota have also been hard hit under the current Administration, as inflation-adjusted tuition for Minnesota's four-year public colleges increased 60.2 percent between the 2000-2001 and 2006-2007 school years to $7,392 per year. With that 60.2 percent increase over just six years, Minnesota families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Minnesota, 452,000 Residents Were Living in Poverty Over the Last Two Years. In Minnesota, 452,000 residents – or 8.7 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MISSISSIPPI

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Mississippi. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Mississippi lost 16,000 jobs - an average of 1,600 jobs per month. The unemployment rate in Mississippi now stands at 7.2 percent, up 6.3 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Mississippi. In 2006-2007, the typical household's income in Mississippi remained $4,348 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for Mississippi Residents. Rising energy costs are making it more difficult for Mississippi families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in Mississippi was $1.04. The average gas price per gallon is now $1.90 as of November 20, 2008. When adjusted for inflation, this represents an increase of 49 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average Mississippi household will spend $1,098, a -7.8 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Mississippi, subprime mortgages in delinquency have increased from 10,800 in the second quarter of 2006 to 11,500 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclo-

sures in Mississippi will total 6,368 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Mississippi $191 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $13,500 Per Mississippi Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $15 billion for Mississippi taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 40.2 Percent in Mississippi Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Mississippi was $10,053, a 40.2 percent increase from 2000, while the average premium for individual coverage was $3,812, an increase of 27.5 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 573,000 Mississippi Residents Had No Health Insurance. A growing number of Mississippi residents are living without health insurance. During the 2006-2007 period, an average of 573,000 Mississippi residents—19.8 percent of the state's population—had no health insurance; this was 5.7 percent more than during

the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $733 Per Month in Mississippi. Child care continues to be a hefty burden on the budgets of Mississippi parents, with inflation-adjusted monthly care for an infant averaging $387, and monthly care for two children averaging $733. [National Association of Child Care Resource and Referral Agencies, available here.]

Mississippi College Tuition Rose 29.0 Percent Since 2000. Parents of college students in Mississippi have also been hard hit under the current Administration, as inflation-adjusted tuition for Mississippi's four-year public colleges increased 29.0 percent between the 2000-2001 and 2006-2007 school years to $4,457 per year. With that 29.0 percent increase over just six years, Mississippi families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Mississippi, 625,000 Residents Were Living in Poverty Over the Last Two Years. In Mississippi, 625,000 residents – or 21.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MISSOURI

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Missouri. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Missouri lost 11,300 jobs - an average of 1,100 jobs per month. The unemployment rate in Missouri now stands at 6.5 percent, up 5.3 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Missouri. In 2006-2007, the typical household's income in Missouri remained $6,961 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for Missouri Residents. Rising energy costs are making it more difficult for Missouri families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in Missouri was $1.03. The average gas price per gallon is now $1.72 as of November 20, 2008. When adjusted for inflation, this represents an increase of 40 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes.

The average Missouri household will spend $1,360, a -19.6 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Missouri, subprime mortgages in delinquency have increased from 19,800 in the second quarter of 2006 to 26,300 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Missouri will total 15,930 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Missouri $658 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Missouri home prices will fall 1.5 percent between 2007 and 2009, resulting in a net loss of $6.04 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $19,300 Per Missouri Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $44 billion for Missouri taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 44.8 Percent in Missouri Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Missouri was $11,469, a 44.8 percent increase from 2000, while the average premium for individual coverage was $4,064, an increase of 29.6 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 750,000 Missouri Residents Had No Health Insurance. A growing number of Missouri residents are living without health insurance. During the 2006-2007 period, an average of 750,000 Missouri residents—12.9 percent of the state's population—had no health insurance; this was 5.2 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $835 Per Month in Missouri. Child care continues to be a hefty burden on the budgets of Missouri parents, with inflation-adjusted monthly care for an infant averaging $488, and monthly care for two children averaging $835. [National Association of Child Care Resource and Referral Agencies, available here.]

Missouri College Tuition Rose 42.2 Percent Since 2000. Parents of college students in Missouri have also been hard hit under the current Administration, as inflation-adjusted tuition for Missouri's four-year public colleges increased 42.2 percent between the 2000-2001 and 2006-2007 school years to $6,320 per year. With that 42.2 percent increase over just six years, Missouri families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of*

Education Statistics "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Missouri, 700,000 Residents Were Living in Poverty Over the Last Two Years. In Missouri, 700,000 residents – or 12.1 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MONTANA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Montana. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Montana added only 2,900 jobs, an average of just 300 jobs per month. The unemployment rate in Montana now stands at 4.8 percent, up 3.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Montana. In 2006-2007, the typical household's income in Montana remained

$3,928 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for Montana Residents. Rising energy costs are making it more difficult for Montana families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in Montana was $1.27. The average gas price per gallon is now $2.02 as of November 20, 2008. When adjusted for inflation, this represents an increase of 32 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average Montana household will spend $935, a -20.1 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Montana, subprime mortgages in delinquency have increased from 900 in the second quarter of 2006 to 1,300 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Montana will total 936 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Montana $47.5 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently

largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $15,000 Per Montana Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $6 billion for Montana taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Over the Last Two Years, 153,000 Montana Residents Had No Health Insurance. A growing number of Montana residents are living without health insurance. During the 2006-2007 period, an average of 153,000 Montana residents—16.4 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $829 Per Month in Montana. Child care continues to be a hefty burden on the budgets of Montana parents, with inflation-adjusted monthly care for an infant averaging $430, and monthly care for two children averaging $829. [National Association of Child Care Resource and Referral Agencies, available here.]

Montana College Tuition Rose 48.6 Percent Since 2000. Parents of college students in Montana have also been hard hit under the current Administration, as inflation-adjusted tuition for Montana's four-year public colleges increased 48.6 percent between the 2000-2001 and 2006-2007 school years to $5,378 per year. With that 48.6 percent increase over just six years, Montana families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting insti-

tutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Montana, 123,000 Residents Were Living in Poverty Over the Last Two Years. In Montana, 123,000 residents – or 13.2 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NEBRASKA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Nebraska. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Nebraska added only 4,100 jobs, an average of just 400 jobs per month. The unemployment rate in Nebraska now stands at 3.6 percent, up 2.8 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Nebraska. In 2006-2007, the typical household's income in Nebraska remained $186 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of

Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for Nebraska Residents. Rising energy costs are making it more difficult for Nebraska families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in Nebraska was $1.15. The average gas price per gallon is now $1.94 as of November 20, 2008. When adjusted for inflation, this represents an increase of 42 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average Nebraska household will spend $1,360, a -19.6 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Nebraska, subprime mortgages in delinquency have increased from 2,800 in the second quarter of 2006 to 3,500 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Nebraska will total 2,829 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Nebraska $97.1 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Nebraska home prices will fall 0.3 percent between 2007 and 2009, resulting in a

net loss of $890 million in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $25,400 Per Nebraska Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $18 billion for Nebraska taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 39.0 Percent in Nebraska Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Nebraska was $11,065, a 39.0 percent increase from 2000, while the average premium for individual coverage was $3,994, an increase of 29.8 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 225,000 Nebraska Residents Had No Health Insurance. A growing number of Nebraska residents are living without health insurance. During the 2006-2007 period, an average of 225,000 Nebraska residents—12.8 percent of the state's population—had no health insurance; this was 4.0 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $920 Per Month in Nebraska. Child care continues to be a hefty burden on the budgets of Nebraska parents, with inflation-adjusted monthly care for an infant averaging $473, and monthly care for two children averaging $920. [National Association of Child Care Resource and Referral Agencies, available here.]

Nebraska College Tuition Rose 45.9 Percent Since 2000. Parents of college students in Nebraska have also been hard hit under the current Administration, as inflation-adjusted tuition for Nebraska's four-year public colleges increased 45.9 percent between the 2000-2001 and 2006-2007 school years to $5,181 per year. With that 45.9 percent increase over just six years, Nebraska families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Nebraska, 177,000 Residents Were Living in Poverty Over the Last Two Years. In Nebraska, 177,000 residents – or 10.1 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NEVADA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Nevada. After seven and a half years of historically low job growth, American workers have now faced ten

consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Nevada lost 13,500 jobs - an average of 1,400 jobs per month. The unemployment rate in Nevada now stands at 7.6 percent, up 5.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Nevada. In 2006-2007, the typical household's income in Nevada remained $580 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for Nevada Residents. Rising energy costs are making it more difficult for Nevada families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in Nevada was $1.33. The average gas price per gallon is now $2.24 as of November 20, 2008. When adjusted for inflation, this represents an increase of 39 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average Nevada household will spend $935, a -20.1 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Nevada, subprime mortgages in delinquency have increased from 8,400 in the second quarter of 2006 to 21,400 in the second quarter of 2008. According to a 2008 analysis published by the Joint Eco-

nomic Committee (JEC), the number of subprime foreclosures in Nevada will total 30,278 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Nevada $1.76 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Nevada home prices will fall 31.9 percent between 2007 and 2009, resulting in a net loss of $84.8 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $26,700 Per Nevada Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $25 billion for Nevada taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 19.7 Percent in Nevada Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Nevada was $10,055, a 19.7 percent increase from 2001, while the average premium for individual coverage was $3,697, an increase of 8.9 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 469,000 Nevada Residents Had No Health Insurance. A growing number of Nevada residents are living without health insurance. During the 2006-2007 period, an average of

469,000 Nevada residents—18.4 percent of the state's population—had no health insurance; this was 1.0 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $658 Per Month in Nevada. Child care continues to be a hefty burden on the budgets of Nevada parents, with inflation-adjusted monthly care for an infant averaging $373, and monthly care for two children averaging $658. [National Association of Child Care Resource and Referral Agencies, available here.]

Nevada College Tuition Rose 2.9 Percent Since 2000. Parents of college students in Nevada have also been hard hit under the current Administration, as inflation-adjusted tuition for Nevada's four-year public colleges increased 2.9 percent between the 2000-2001 and 2006-2007 school years to $2,844 per year. With that 2.9 percent increase over just six years, Nevada families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Nevada, 246,000 Residents Were Living in Poverty Over the Last Two Years. In Nevada, 246,000 residents – or 9.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NEW HAMPSHIRE

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in New Hampshire. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, New Hampshire added only 2,000 jobs, an average of just 200 jobs per month. The unemployment rate in New Hampshire now stands at 4.1 percent, up 3.4 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in New Hampshire. In 2006-2007, the typical household's income in New Hampshire remained $6,352 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for New Hampshire Residents. Rising energy costs are making it more difficult for New Hampshire families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in New Hampshire was $1.18. The average gas price per gallon is now $2.03 as of November 20, 2008. When adjusted for inflation, this represents an increase of 38 percent. Additionally, the coming winter presents more challenges for families who depend on

heating oil to heat their homes. The average New Hampshire household will spend $1,741, a -12.9 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In New Hampshire, subprime mortgages in delinquency have increased from 3,400 in the second quarter of 2006 to 5,100 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in New Hampshire will total 4,025 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost New Hampshire $429 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that New Hampshire home prices will fall 9.1 percent between 2007 and 2009, resulting in a net loss of $10.9 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $23,100 Per New Hampshire Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $12 billion for New Hampshire taxpayers by 2017; the total cost to the country will be

an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 40.7 Percent in New Hampshire Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in New Hampshire was $13,013, a 40.7 percent increase from 2000, while the average premium for individual coverage was $4,741, an increase of 38.2 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 144,000 New Hampshire Residents Had No Health Insurance. A growing number of New Hampshire residents are living without health insurance. During the 2006-2007 period, an average of 144,000 New Hampshire residents—11.0 percent of the state's population—had no health insurance; this was 2.6 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,397 Per Month in New Hampshire. Child care continues to be a hefty burden on the budgets of New Hampshire parents, with inflation-adjusted monthly care for an infant averaging $776, and monthly care for two children averaging $1,397. [National Association of Child Care Resource and Referral Agencies, available here.]

New Hampshire College Tuition Rose 16.4 Percent Since 2000. Parents of college students in New Hampshire have also been hard hit under the current Administration, as inflation-adjusted tuition for New Hampshire's four-year public colleges increased 16.4 percent between the 2000-2001 and 2006-2007 school years to $9,003 per year. With that 16.4 percent increase over just six years, New Hampshire families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between

the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In New Hampshire, 73,000 Residents Were Living in Poverty Over the Last Two Years. In New Hampshire, 73,000 residents – or 5.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NEW JERSEY

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in New Jersey. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, New Jersey lost 27,200 jobs - an average of 2,700 jobs per month. The unemployment rate in New Jersey now stands at

6.0 percent, up 4.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in New Jersey. In 2006-2007, the typical household's income in New Jersey remained $3,974 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for New Jersey Residents. Rising energy costs are making it more difficult for New Jersey families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in New Jersey was $1.05. The average gas price per gallon is now $1.95 as of November 20, 2008. When adjusted for inflation, this represents an increase of 49 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average New Jersey household will spend $1,741, a -12.9 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In New Jersey, subprime mortgages in delinquency have increased from 16,200 in the second quarter of 2006 to 28,600 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in New Jersey will total 32,537 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, sub-

prime mortgage-related foreclosures will cost New Jersey $5.87 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that New Jersey home prices will fall 17.2 percent between 2007 and 2009, resulting in a net loss of $157 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $34,800 Per New Jersey Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $110 billion for New Jersey taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 34.5 Percent in New Jersey Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in New Jersey was $12,549, a 34.5 percent increase from 2000, while the average premium for individual coverage was $4,586, an increase of 28.2 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.34 million New Jersey Residents Had No Health Insurance. A growing number of New Jersey residents are living without health insurance. During the 2006-2007 period, an average of 1.34 million New Jersey residents—15.6 percent of the state's population—had no health insurance; this was 3.9 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,726 Per Month in New Jersey. Child care continues to be a hefty burden on the budgets of New Jersey parents, with inflation-adjusted monthly care for an infant averaging $931, and monthly care for two children averaging $1,726. [National Association of Child Care Resource and Referral Agencies, available here.]

New Jersey College Tuition Rose 38.9 Percent Since 2000. Parents of college students in New Jersey have also been hard hit under the current Administration, as inflation-adjusted tuition for New Jersey's four-year public colleges increased 38.9 percent between the 2000-2001 and 2006-2007 school years to $9,333 per year. With that 38.9 percent increase over just six years, New Jersey families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In New Jersey, 752,000 Residents Were Living in Poverty Over the Last Two Years. In New Jersey, 752,000 residents – or 8.7 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NEW MEXICO

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recov-

ery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in New Mexico. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, New Mexico lost 200 jobs - an average of 0 jobs per month. The unemployment rate in New Mexico now stands at 4.4 percent, up 3.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in New Mexico. In 2006-2007, the typical household's income in New Mexico remained $1,375 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for New Mexico Residents. Rising energy costs are making it more difficult for New Mexico families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in New Mexico was $1.20. The average gas price per gallon is now $2.19 as of November 20, 2008. When adjusted for inflation, this represents an increase of 52 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average New Mexico household will spend $935, a -20.1 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In New Mexico, subprime mortgages in delinquency have increased from 3,100 in the second quarter of 2006 to 4,400 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in New Mexico will total 3,982 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost New Mexico $195 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that New Mexico home prices will fall 7.4 percent between 2007 and 2009, resulting in a net loss of $5.75 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $16,400 Per New Mexico Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $12 billion for New Mexico taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 54.0 Percent in New Mexico Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in New Mexico was $11,637, a 54.0 percent increase from 2000, while the average premium for individual coverage was $4,165, an increase of 32.4 percent since 2000. Nationwide, the infla-

tion-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 441,000 New Mexico Residents Had No Health Insurance. A growing number of New Mexico residents are living without health insurance. During the 2006-2007 period, an average of 441,000 New Mexico residents—22.7 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $983 Per Month in New Mexico. Child care continues to be a hefty burden on the budgets of New Mexico parents, with inflation-adjusted monthly care for an infant averaging $534, and monthly care for two children averaging $983. [National Association of Child Care Resource and Referral Agencies, available here.]

New Mexico College Tuition Rose 27.6 Percent Since 2000. Parents of college students in New Mexico have also been hard hit under the current Administration, as inflation-adjusted tuition for New Mexico's four-year public colleges increased 27.6 percent between the 2000-2001 and 2006-2007 school years to $3,943 per year. With that 27.6 percent increase over just six years, New Mexico families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In New Mexico, 300,000 Residents Were Living in Poverty Over the Last Two Years. In New Mexico, 300,000 residents – or 15.5 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NEW YORK

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in New York. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, New York lost 21,800 jobs - an average of 2,200 jobs per month. The unemployment rate in New York now stands at 5.7 percent, up 4.6 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in New York. In 2006-2007, the typical household's income in New York remained $131 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on

Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for New York Residents. Rising energy costs are making it more difficult for New York families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in New York was $1.17. The average gas price per gallon is now $2.40 as of November 20, 2008. When adjusted for inflation, this represents an increase of 64 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average New York household will spend $1,741, a -12.9 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In New York, subprime mortgages in delinquency have increased from 33,400 in the second quarter of 2006 to 50,800 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in New York will total 58,339 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost New York $8.41 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that New York home prices will fall 12.0 percent between 2007 and 2009, resulting in a net loss of $128 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $32,700 Per New York Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $232 billion for New York taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 42.1 Percent in New York Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in New York was $12,386, a 42.1 percent increase from 2000, while the average premium for individual coverage was $4,724, an increase of 30.0 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 2.59 million New York Residents Had No Health Insurance. A growing number of New York residents are living without health insurance. During the 2006-2007 period, an average of 2.59 million New York residents—13.6 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,658 Per Month in New York. Child care continues to be a hefty burden on the budgets of New York parents, with inflation-adjusted monthly care for an infant averaging $902, and monthly care for two children averaging $1,658. [National Association of Child Care Resource and Referral Agencies, available here.]

New York College Tuition Rose 3.2 Percent Since 2000. Parents of college students in New York have also been hard hit under the current Administration, as inflation-adjusted tuition for New York's four-year public colleges increased 3.2 percent between the 2000-2001 and 2006-2007 school years to $5,022 per year. With that 3.2 percent increase over just six years, New York families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In New York, 2.71 million Residents Were Living in Poverty Over the Last Two Years. In New York, 2.71 million residents – or 14.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NORTH CAROLINA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in North Carolina. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating econom-

ic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, North Carolina lost 39,500 jobs - an average of 4,000 jobs per month. The unemployment rate in North Carolina now stands at 7.0 percent, up 4.7 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in North Carolina. In 2006-2007, the typical household's income in North Carolina remained $4,017 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for North Carolina Residents. Rising energy costs are making it more difficult for North Carolina families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in North Carolina was $1.08. The average gas price per gallon is now $2.00 as of November 20, 2008. When adjusted for inflation, this represents an increase of 51 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average North Carolina household will spend $1,098, a -7.8 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In North Carolina, subprime mortgages in delinquency have increased from 23,800 in the second quarter of 2006 to 31,200 in the second quarter of 2008. According to a 2008 analysis published by the

Joint Economic Committee (JEC), the number of subprime foreclosures in North Carolina will total 19,669 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost North Carolina $1 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that North Carolina home prices will fall 0.9 percent between 2007 and 2009. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]**Bush Retrospective: Looming Debt and the High Cost of Living**

The Iraq War Will Cost $22,000 Per North Carolina Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $78 billion for North Carolina taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 41.4 Percent in North Carolina Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in North Carolina was $11,269, a 41.4 percent increase from 2000, while the average premium for individual coverage was $4,144, an increase of 29.5 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.55 million North Carolina Residents Had No Health Insurance. A growing number of North Carolina residents are living without health insurance. During the 2006-2007 pe-

riod, an average of 1.55 million North Carolina residents—17.2 percent of the state's population—had no health insurance; this was 3.9 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,134 Per Month in North Carolina. Child care continues to be a hefty burden on the budgets of North Carolina parents, with inflation-adjusted monthly care for an infant averaging $613, and monthly care for two children averaging $1,134. [National Association of Child Care Resource and Referral Agencies, available here.]

North Carolina College Tuition Rose 50.8 Percent Since 2000. Parents of college students in North Carolina have also been hard hit under the current Administration, as inflation-adjusted tuition for North Carolina's four-year public colleges increased 50.8 percent between the 2000-2001 and 2006-2007 school years to $4,038 per year. With that 50.8 percent increase over just six years, North Carolina families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In North Carolina, 1.32 million Residents Were Living in Poverty Over the Last Two Years. In North Carolina, 1.32 million residents – or 14.7 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

NORTH DAKOTA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, record-high prices for gasoline, heating oil and health care, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in North Dakota. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, North Dakota added only 3,200 jobs, an average of just 300 jobs per month. The unemployment rate in North Dakota now stands at 3.4 percent, up 3.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in North Dakota. In 2006-2007, the typical household's income in North Dakota remained $2,725 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

Rising Energy Costs Lead to Higher Gasoline Prices and Heating Oil Costs for North Dakota Residents. Rising energy costs are making it more difficult for North Dakota families to stretch their household budgets. In October 2001, the average retail price per gallon of gasoline in North Dakota was $1.19. The average gas price per gallon is now $2.07 as of November 20, 2008. When adjusted for inflation,

this represents an increase of 46 percent. Additionally, the coming winter presents more challenges for families who depend on heating oil to heat their homes. The average North Dakota household will spend $1,360, a -19.6 percent increase since last year's winter. [Federal Highway Administration, U.S. Department of Transportation, available here; American Automobile Association, available here; Energy Information Administration, U.S. Department of Energy, available here.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In North Dakota, subprime mortgages in delinquency have increased from 300 in the second quarter of 2006 to 400 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in North Dakota will total 398 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost North Dakota $11.1 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $16,400 Per North Dakota Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $4 billion for North Dakota taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 43.3 Percent in North Dakota Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in North Dakota was $10,329, a 43.3 percent increase from 2000, while the average premium for individual coverage was $3,888, an increase of 44.1 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 68,000 North Dakota Residents Had No Health Insurance. A growing number of North Dakota residents are living without health insurance. During the 2006-2007 period, an average of 68,000 North Dakota residents—11.1 percent of the state's population—had no health insurance; this was 0.4 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $879 Per Month in North Dakota. Child care continues to be a hefty burden on the budgets of North Dakota parents, with inflation-adjusted monthly care for an infant averaging $461, and monthly care for two children averaging $879. [National Association of Child Care Resource and Referral Agencies, available here.]

North Dakota College Tuition Rose 62.4 Percent Since 2000. Parents of college students in North Dakota have also been hard hit under the current Administration, as inflation-adjusted tuition for North Dakota's four-year public colleges increased 62.4 percent between the 2000-2001 and 2006-2007 school years to $5,471 per year. With that 62.4 percent increase over just six years, North Dakota families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. De-

partment of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In North Dakota, 64,000 Residents Were Living in Poverty Over the Last Two Years. In North Dakota, 64,000 residents – or 10.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

OHIO

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Ohio. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Ohio lost 25,100 jobs - an average of 2,500 jobs per month. The unemployment rate in Ohio now stands at 7.3 percent, up 5.8 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Ohio. In 2006-2007, the typical household's income in Ohio remained $2,272 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Ohio, subprime mortgages in delinquency have increased from 40,300 in the second quarter of 2006 to 47,400 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Ohio will total 60,307 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Ohio $2.53 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Ohio home prices will fall 4.4 percent between 2007 and 2009, resulting in a net loss of $65.8 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $21,300 Per Ohio Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $96 billion for Ohio taxpayers

by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 45.0 Percent in Ohio Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Ohio was $11,260, a 45.0 percent increase from 2000, while the average premium for individual coverage was $4,162, an increase of 37.4 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.23 Million Ohio Residents Had No Health Insurance. A growing number of Ohio residents are living without health insurance. During the 2006-2007 period, an average of 1.23 million Ohio residents—10.9 percent of the state's population—had no health insurance; this was 0.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,083 Per Month in Ohio. Child care continues to be a hefty burden on the budgets of Ohio parents, with inflation-adjusted monthly care for an infant averaging $576, and monthly care for two children averaging $1,083. [National Association of Child Care Resource and Referral Agencies, available here.]

Ohio College Tuition Rose 65.8 Percent Since 2000. Parents of college students in Ohio have also been hard hit under the current Administration, as inflation-adjusted tuition for Ohio's four-year public colleges increased 65.8 percent between the 2000-2001 and 2006-2007 school years to $9,010 per year. With that 65.8 percent increase over just six years, Ohio families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public

colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Ohio, 1.41 million Residents Were Living in Poverty Over the Last Two Years. In Ohio, 1.41 million residents – or 12.5 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

OKLAHOMA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Oklahoma. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Oklahoma added only 10,600 jobs, an average of just 1,100 jobs per month. The unemployment rate in Oklahoma now stands at 4.3 percent, up 4.1 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Oklahoma. In 2006-2007, the typical household's income in Oklahoma remained $1,727 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Oklahoma, subprime mortgages in delinquency have increased from 7,000 in the second quarter of 2006 to 9,600 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Oklahoma will total 8,256 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Oklahoma $240 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $24,500 Per Oklahoma Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $34 billion for Oklahoma taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 31.1 Percent in Oklahoma Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Oklahoma was $10,900, a 31.1 percent increase from 2000, while the average premium for individual coverage was $4,083, an increase of 24.6 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 646,000 Oklahoma Residents Had No Health Insurance. A growing number of Oklahoma residents are living without health insurance. During the 2006-2007 period, an average of 646,000 Oklahoma residents—18.4 percent of the state's population—had no health insurance; this was 1.4 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $742 Per Month in Oklahoma. Child care continues to be a hefty burden on the budgets of Oklahoma parents, with inflation-adjusted monthly care for an infant averaging $393, and monthly care for two children averaging $742. [National Association of Child Care Resource and Referral Agencies, available here.]

Oklahoma College Tuition Rose 58.9 Percent Since 2000. Parents of college students in Oklahoma have also been hard hit under the current Administration, as inflation-adjusted tuition for Oklahoma's four-year public colleges increased 58.9 percent between the 2000-2001 and 2006-2007 school years to $4,176 per year. With that 58.9 percent increase over just six years, Oklahoma families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. Digest of

Education Statistics "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Oklahoma, 503,000 Residents Were Living in Poverty Over the Last Two Years. In Oklahoma, 503,000 residents – or 14.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

OREGON

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Oregon. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Oregon lost 29,700 jobs - an average of 3,000 jobs per month. The unemployment rate in Oregon now stands at 7.3 percent, up 5.4 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Oregon. In 2006-2007, the typical household's income in Oregon remained $1,515 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Oregon, subprime mortgages in delinquency have increased from 5,800 in the second quarter of 2006 to 9,800 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Oregon will total 11,170 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Oregon $783 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Oregon home prices will fall 12.4 percent between 2007 and 2009, resulting in a net loss of $34.4 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $18,600 Per Oregon Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $27 billion for Oregon taxpay-

ers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 48.3 Percent in Oregon Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Oregon was $11,982, a 48.3 percent increase from 2000, while the average premium for individual coverage was $4,253, an increase of 42.0 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 648,000 Oregon Residents Had No Health Insurance. A growing number of Oregon residents are living without health insurance. During the 2006-2007 period, an average of 648,000 Oregon residents—17.3 percent of the state's population—had no health insurance; this was 4.6 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,046 Per Month in Oregon. Child care continues to be a hefty burden on the budgets of Oregon parents, with inflation-adjusted monthly care for an infant averaging $587, and monthly care for two children averaging $1,046. [National Association of Child Care Resource and Referral Agencies, available here.]

Oregon College Tuition Rose 30.3 Percent Since 2000. Parents of college students in Oregon have also been hard hit under the current Administration, as inflation-adjusted tuition for Oregon's four-year public colleges increased 30.3 percent between the 2000-2001 and 2006-2007 school years to $5,598 per year. With that 30.3 percent increase over just six years, Oregon families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees

at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Oregon, 460,000 Residents Were Living in Poverty Over the Last Two Years. In Oregon, 460,000 residents – or 12.3 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

PENNSYLVANIA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Pennsylvania. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Pennsylvania lost 24,300 jobs - an average of 2,400 jobs per month. The unemployment rate in Pennsylvania now stands at 5.8 percent, up 4.4 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Pennsylvania. In 2006-2007, the typical household's income in Pennsylvania remained $272 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Pennsylvania, subprime mortgages in delinquency have increased from 33,600 in the second quarter of 2006 to 44,600 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Pennsylvania will total 36,102 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Pennsylvania $1.95 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Pennsylvania home prices will fall 3.1 percent between 2007 and 2009, resulting in a net loss of $37 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $21,900 Per Pennsylvania Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $107 billion for

Pennsylvania taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 46.4 Percent in Pennsylvania Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Pennsylvania was $12,098, a 46.4 percent increase from 2000, while the average premium for individual coverage was $4,387, an increase of 44.7 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.21 Million Pennsylvania Residents Had No Health Insurance. A growing number of Pennsylvania residents are living without health insurance. During the 2006-2007 period, an average of 1.21 million Pennsylvania residents—9.8 percent of the state's population—had no health insurance; this was 1.9 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,311 Per Month in Pennsylvania. Child care continues to be a hefty burden on the budgets of Pennsylvania parents, with inflation-adjusted monthly care for an infant averaging $709, and monthly care for two children averaging $1,311. [National Association of Child Care Resource and Referral Agencies, available here.]

Pennsylvania College Tuition Rose 28.2 Percent Since 2000. Parents of college students in Pennsylvania have also been hard hit under the current Administration, as inflation-adjusted tuition for Pennsylvania's four-year public colleges increased 28.2 percent between the 2000-2001 and 2006-2007 school years to $9,092 per year. With that 28.2 percent increase over just six years, Pennsylvania families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at

more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Pennsylvania, 1.34 Million Residents Were Living in Poverty Over the Last Two Years. In Pennsylvania, 1.34 million residents – or 10.8 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

RHODE ISLAND

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Rhode Island. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Rhode Island lost 14,800 jobs - an average of 1,500 jobs per month. The unemployment rate in Rhode Island now stands at

9.3 percent, up 5.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Rhode Island. In 2006-2007, the typical household's income in Rhode Island remained $2,764 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Rhode Island, subprime mortgages in delinquency have increased from 3,000 in the second quarter of 2006 to 4,700 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Rhode Island will total 5,207 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Rhode Island $572 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Rhode Island home prices will fall 18.6 percent between 2007 and 2009, resulting in a net loss of $16.4 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $25,700 Per Rhode Island Household. Ac-

cording to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $10 billion for Rhode Island taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 27.6 Percent in Rhode Island Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Rhode Island was $12,242, a 27.6 percent increase from 2001, while the average premium for individual coverage was $4,714, an increase of 28.7 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 102,000 Rhode Island Residents Had No Health Insurance. A growing number of Rhode Island residents are living without health insurance. During the 2006-2007 period, an average of 102,000 Rhode Island residents—9.7 percent of the state's population—had no health insurance; this was 3.1 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,530 Per Month in Rhode Island. Child care continues to be a hefty burden on the budgets of Rhode Island parents, with inflation-adjusted monthly care for an infant averaging $839, and monthly care for two children averaging $1,530. [National Association of Child Care Resource and Referral Agencies, available here.]

Rhode Island College Tuition Rose 23.9 Percent Since 2000. Parents of college students in Rhode Island have also been hard hit under the current Administration, as inflation-adjusted tuition for Rhode Island's four-year public colleges increased 23.9 percent between the 2000-2001 and 2006-2007 school years to $6,698 per year. With that 23.9

percent increase over just six years, Rhode Island families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education, *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Rhode Island, 104,000 Residents Were Living in Poverty Over the Last Two Years. In Rhode Island, 104,000 residents – or 10.0 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

SOUTH CAROLINA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in South Carolina. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created

through the 93rd month of the Clinton administration. Since the beginning of 2008, South Carolina lost 19,800 jobs - an average of 2,000 jobs per month. The unemployment rate in South Carolina now stands at 8.0 percent, up 6.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in South Carolina. In 2006-2007, the typical household's income in South Carolina remained $2,817 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In South Carolina, subprime mortgages in delinquency have increased from 12,200 in the second quarter of 2006 to 16,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in South Carolina will total 14,336 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost South Carolina $680 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $15,200 Per South Carolina Household.

According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $26 billion for South Carolina taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 42.6 Percent in South Carolina Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in South Carolina was $11,275, a 42.6 percent increase from 2000, while the average premium for individual coverage was $4,130, an increase of 32.1 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 696,000 South Carolina Residents Had No Health Insurance. A growing number of South Carolina residents are living without health insurance. During the 2006-2007 period, an average of 696,000 South Carolina residents—16.2 percent of the state's population—had no health insurance; this was 2.8 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $788 Per Month in South Carolina. Child care continues to be a hefty burden on the budgets of South Carolina parents, with inflation-adjusted monthly care for an infant averaging $418, and monthly care for two children averaging $788. [National Association of Child Care Resource and Referral Agencies, available here.]

South Carolina College Tuition Rose 45.1 Percent Since 2000. Parents of college students in South Carolina have also been hard hit under the current Administration, as inflation-adjusted tuition for South Carolina's four-year public colleges increased 45.1 percent between the 2000-2001 and 2006-2007 school years to $7,914 per year. With

that 45.1 percent increase over just six years, South Carolina families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In South Carolina, 545,000 Residents Were Living in Poverty Over the Last Two Years. In South Carolina, 545,000 residents – or 12.7 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

SOUTH DAKOTA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in South Dakota. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created

through the 93rd month of the Clinton administration. Since the beginning of 2008, South Dakota added only 4,600 jobs, an average of just 500 jobs per month. The unemployment rate in South Dakota now stands at 3.3 percent, up 2.9 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in South Dakota. In 2006-2007, the typical household's income in South Dakota remained $2,326 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In South Dakota, subprime mortgages in delinquency have increased from 600 in the second quarter of 2006 to 800 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in South Dakota will total 728 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost South Dakota $22.9 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $17,800 Per South Dakota Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $6 billion for South Dakota taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 27.4 Percent in South Dakota Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in South Dakota was $10,139, a 27.4 percent increase from 2000, while the average premium for individual coverage was $4,043, an increase of 34.0 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 86,000 South Dakota Residents Had No Health Insurance. A growing number of South Dakota residents are living without health insurance. During the 2006-2007 period, an average of 86,000 South Dakota residents—11.0 percent of the state's population—had no health insurance; this was 0.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $888 Per Month in South Dakota. Child care continues to be a hefty burden on the budgets of South Dakota parents, with inflation-adjusted monthly care for an infant averaging $467, and monthly care for two children averaging $888. [National Association of Child Care Resource and Referral Agencies, available here.]

South Dakota College Tuition Rose 27.0 Percent Since 2000. Parents of college students in South Dakota have also been hard hit under the current Administration, as inflation-adjusted tuition for South Dakota's four-year public colleges increased 27.0 percent between the 2000-2001 and 2006-2007 school years to $5,077 per year. With that 27.0 percent increase over just six years, South Dakota families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In South Dakota, 78,000 Residents Were Living in Poverty Over the Last Two Years. In South Dakota, 78,000 residents – or 10.1 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

TENNESSEE

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Tennessee. After seven and a half years of historically low job growth, American workers have now faced ten

consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Tennessee lost 30,200 jobs - an average of 3,000 jobs per month. The unemployment rate in Tennessee now stands at 7.0 percent, up 5.0 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Tennessee. In 2006-2007, the typical household's income in Tennessee remained $1,719 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Tennessee, subprime mortgages in delinquency have increased from 21,700 in the second quarter of 2006 to 29,800 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Tennessee will total 15,678 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Tennessee $619 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State

Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $19,300 Per Tennessee Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $46 billion for Tennessee taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 31.0 Percent in Tennessee Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Tennessee was $10,287, a 31.0 percent increase from 2000, while the average premium for individual coverage was $3,856, an increase of 25.2 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 846,000 Tennessee Residents Had No Health Insurance. A growing number of Tennessee residents are living without health insurance. During the 2006-2007 period, an average of 846,000 Tennessee residents—14.0 percent of the state's population—had no health insurance; this was 4.1 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $810 Per Month in Tennessee. Child care continues to be a hefty burden on the budgets of Tennessee parents, with inflation-adjusted monthly care for an infant averaging $438, and monthly care for two children averaging $810. [National Association of Child Care Resource and Referral Agencies, available here.]

Tennessee College Tuition Rose 45.8 Percent Since 2000. Parents of college students in Tennessee have also been hard hit under the current Administration, as inflation-adjusted tuition for Tennessee's four-year public colleges increased 45.8 percent between the 2000-2001 and 2006-2007 school years to $5,009 per year. With that 45.8 percent increase over just six years, Tennessee families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Tennessee, 893,000 Residents Were Living in Poverty Over the Last Two Years. In Tennessee, 893,000 residents – or 14.8 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

TEXAS

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Texas. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Texas added only 190,800 jobs, an average of just 19,100 jobs per month. The unemployment rate in Texas now stands at 5.6 percent, up 4.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Texas. In 2006-2007, the typical household's income in Texas remained $2,010 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Texas, subprime mortgages in delinquency have increased from 62,100 in the second quarter of 2006 to 81,400 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Texas will total 53,936 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Texas $2.37 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $27,400 Per Texas Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $226 billion for Texas taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 51.2 Percent in Texas Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Texas was $12,030, a 51.2 percent increase from 2000, while the average premium for individual coverage was $4,253, an increase of 35.1 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 5.83 million Texas Residents Had No Health Insurance. A growing number of Texas residents are living without health insurance. During the 2006-2007 period, an average of 5.83 million Texas residents—24.8 percent of the state's population—had no health insurance; this was 2.6 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $870 Per Month in Texas. Child care continues to be a hefty burden on the budgets of Texas parents, with inflation-adjusted monthly care for an infant averaging $478, and monthly care for two children averaging $870. [National Association of Child Care Resource and Referral Agencies, available here.]

Texas College Tuition Rose 56.7 Percent Since 2000. Parents of college students in Texas have also been hard hit under the current Ad-

ministration, as inflation-adjusted tuition for Texas's four-year public colleges increased 56.7 percent between the 2000-2001 and 2006-2007 school years to $5,114 per year. With that 56.7 percent increase over just six years, Texas families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Texas, 3.86 million Residents Were Living in Poverty Over the Last Two Years. In Texas, 3.86 million residents – or 16.5 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

UTAH

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Utah. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took

office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Utah lost 9,800 jobs - an average of 1,000 jobs per month. The unemployment rate in Utah now stands at 3.5 percent, up 2.9 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Utah. In 2006-2007, the typical household's income in Utah remained $2,412 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Utah, subprime mortgages in delinquency have increased from 5,800 in the second quarter of 2006 to 7,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Utah will total 9,041 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Utah $542 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Utah home prices will fall 16.5 percent between 2007 and 2009, resulting in a net loss of $18.6 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $21,500 Per Utah Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $18 billion for Utah taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 47.9 Percent in Utah Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Utah was $11,323, a 47.9 percent increase from 2000, while the average premium for individual coverage was $3,971, an increase of 26.6 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 391,000 Utah Residents Had No Health Insurance. A growing number of Utah residents are living without health insurance. During the 2006-2007 period, an average of 391,000 Utah residents—15.1 percent of the state's population—had no health insurance; this was 2.9 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $945 Per Month in Utah. Child care continues to be a hefty burden on the budgets of Utah parents, with inflation-adjusted monthly care for an infant averaging $522, and monthly care for two children averaging $945. [National Association of Child Care Resource and Referral Agencies, available here.]

Utah College Tuition Rose 42.3 Percent Since 2000. Parents of college students in Utah have also been hard hit under the current Admin-

istration, as inflation-adjusted tuition for Utah's four-year public colleges increased 42.3 percent between the 2000-2001 and 2006-2007 school years to $3,757 per year. With that 42.3 percent increase over just six years, Utah families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Utah, 245,000 Residents Were Living in Poverty Over the Last Two Years. In Utah, 245,000 residents – or 9.4 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

VERMONT

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Vermont. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush

first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Vermont lost 1,400 jobs - an average of 100 jobs per month. The unemployment rate in Vermont now stands at 5.2 percent, up 3.9 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Vermont. In 2006-2007, the typical household's income in Vermont remained $725 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Vermont, subprime mortgages in delinquency have increased from 600 in the second quarter of 2006 to 900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Vermont will total 1,111 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Vermont $63.6 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Vermont home prices will fall 10.0 percent between 2007 and 2009, resulting in a net loss of $3.75 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $18,000 Per Vermont Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $5 billion for Vermont taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 22.3 Percent in Vermont Since 2001. In 2006, the average inflation-adjusted health care premium for family coverage in Vermont was $11,931, a 22.3 percent increase from 2001, while the average premium for individual coverage was $4,433, an increase of 22.9 percent since 2001. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 33.1 percent from 2001 to 2006, even as real median household income rose just 0.2 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 66,000 Vermont Residents Had No Health Insurance. A growing number of Vermont residents are living without health insurance. During the 2006-2007 period, an average of 66,000 Vermont residents—10.7 percent of the state's population—had no health insurance; this was 1.4 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,228 Per Month in Vermont. Child care continues to be a hefty burden on the budgets of Vermont parents, with inflation-adjusted monthly care for an infant averaging $649, and monthly care for two children averaging $1,228. [National Association of Child Care Resource and Referral Agencies, available here.]

Vermont College Tuition Rose 14.4 Percent Since 2000. Parents of

college students in Vermont have also been hard hit under the current Administration, as inflation-adjusted tuition for Vermont's four-year public colleges increased 14.4 percent between the 2000-2001 and 2006-2007 school years to $9,783 per year. With that 14.4 percent increase over just six years, Vermont families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Vermont, 54,000 Residents Were Living in Poverty Over the Last Two Years. In Vermont, 54,000 residents – or 8.8 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

VIRGINIA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Virginia. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation

record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Virginia added only 3,900 jobs, an average of just 400 jobs per month. The unemployment rate in Virginia now stands at 4.4 percent, up 3.2 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Virginia. In 2006-2007, the typical household's income in Virginia remained $2,140 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Virginia, subprime mortgages in delinquency have increased from 14,600 in the second quarter of 2006 to 29,100 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Virginia will total 25,740 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Virginia $2.27 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Virginia home prices will fall 13.5 percent between 2007 and 2009, resulting in a net loss of $135 billion in housing wealth. [JEC April 10th State-by-

State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $26,100 Per Virginia Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $77 billion for Virginia taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 47.7 Percent in Virginia Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Virginia was $11,832, a 47.7 percent increase from 2000, while the average premium for individual coverage was $4,210, an increase of 36.5 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 1.07 Million Virginia Residents Had No Health Insurance. A growing number of Virginia residents are living without health insurance. During the 2006-2007 period, an average of 1.07 million Virginia residents—14.1 percent of the state's population—had no health insurance; this was 2.7 percent more than during the 1999-2000 period. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,570 Per Month in Virginia. Child care continues to be a hefty burden on the budgets of Virginia parents, with inflation-adjusted monthly care for an infant averaging $874, and monthly care for two children averaging $1,570. [National Association of Child Care Resource and Referral Agencies, available here.]

Virginia College Tuition Rose 48.7 Percent Since 2000. Parents of college students in Virginia have also been hard hit under the current Administration, as inflation-adjusted tuition for Virginia's four-year public colleges increased 48.7 percent between the 2000-2001 and 2006-2007 school years to $6,447 per year. With that 48.7 percent increase over just six years, Virginia families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Virginia, 657,000 Residents Were Living in Poverty Over the Last Two Years. In Virginia, 657,000 residents – or 8.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

WASHINGTON

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Washington. After seven and a half years of historically low job growth, American workers have now faced ten consecutive months of job losses amid deteriorating economic condi-

tions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Washington lost 29,300 jobs - an average of 2,900 jobs per month. The unemployment rate in Washington now stands at 6.3 percent, up 4.6 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Washington. In 2006-2007, the typical household's income in Washington remained $3,296 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Washington, subprime mortgages in delinquency have increased from 11,800 in the second quarter of 2006 to 17,900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Washington will total 18,123 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Washington $1.56 billion in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Washington home prices will fall 5.4 percent between 2007 and 2009,

resulting in a net loss of $19.4 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $24,800 Per Washington Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $62 billion for Washington taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 49.4 Percent in Washington Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Washington was $11,786, a 49.4 percent increase from 2000, while the average premium for individual coverage was $4,185, an increase of 25.8 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 741,000 Washington Residents Had No Health Insurance. A growing number of Washington residents are living without health insurance. During the 2006-2007 period, an average of 741,000 Washington residents—11.6 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,417 Per Month in Washington. Child care continues to be a hefty burden on the budgets of Washington parents, with inflation-adjusted monthly care for an infant averaging $805, and monthly care for two children averaging $1,417. [National Association of Child Care Resource and Referral Agencies, available here.]

Washington College Tuition Rose 32.9 Percent Since 2000. Parents of college students in Washington have also been hard hit under the current Administration, as inflation-adjusted tuition for Washington's four-year public colleges increased 32.9 percent between the 2000-2001 and 2006-2007 school years to $5,636 per year. With that 32.9 percent increase over just six years, Washington families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Washington, 581,000 Residents Were Living in Poverty Over the Last Two Years. In Washington, 581,000 residents – or 9.1 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

WEST VIRGINIA

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in West Virginia. After seven and a half years of historically low job growth, American workers have now

faced ten consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, West Virginia added only 1,000 jobs, an average of just 100 jobs per month. The unemployment rate in West Virginia now stands at 4.7 percent, up 4.6 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in West Virginia. In 2006-2007, the typical household's income in West Virginia remained $4,874 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In West Virginia, subprime mortgages in delinquency have increased from 2,800 in the second quarter of 2006 to 4,100 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in West Virginia will total 1,670 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost West Virginia $58.7 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-

State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $13,400 Per West Virginia Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $10 billion for West Virginia taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 41.6 Percent in West Virginia Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in West Virginia was $11,611, a 41.6 percent increase from 2000, while the average premium for individual coverage was $4,476, an increase of 35.2 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 249,000 West Virginia Residents Had No Health Insurance. A growing number of West Virginia residents are living without health insurance. During the 2006-2007 period, an average of 249,000 West Virginia residents—13.8 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $775 Per Month in West Virginia. Child care continues to be a hefty burden on the budgets of West Virginia parents, with inflation-adjusted monthly care for an infant averaging $430, and monthly care for two children averaging $775. [National Association of Child Care Resource and Referral Agencies, available here.]

West Virginia College Tuition Rose 36.9 Percent Since 2000. Parents of college students in West Virginia have also been hard hit under the current Administration, as inflation-adjusted tuition for West Virginia's four-year public colleges increased 36.9 percent between the 2000-2001 and 2006-2007 school years to $4,063 per year. With that 36.9 percent increase over just six years, West Virginia families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In West Virginia, 271,000 Residents Were Living in Poverty Over the Last Two Years. In West Virginia, 271,000 residents – or 15.0 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

WISCONSIN

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Jobs Are Disappearing in Wisconsin. After seven and a half years of historically low job growth, American workers have now faced ten

consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Wisconsin lost 26,100 jobs - an average of 2,600 jobs per month. The unemployment rate in Wisconsin now stands at 5.1 percent, up 4.8 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Wisconsin. In 2006-2007, the typical household's income in Wisconsin remained $3,327 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Wisconsin, subprime mortgages in delinquency have increased from 9,100 in the second quarter of 2006 to 13,100 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Wisconsin will total 14,640 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Wisconsin $709 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. The JEC estimates that Wisconsin

home prices will fall 2.5 percent between 2007 and 2009, resulting in a net loss of $12.5 billion in housing wealth. [JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $20,400 Per Wisconsin Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $46 billion for Wisconsin taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Health Care Premiums Rose 43.0 Percent in Wisconsin Since 2000. In 2006, the average inflation-adjusted health care premium for family coverage in Wisconsin was $11,970, a 43.0 percent increase from 2000, while the average premium for individual coverage was $4,354, an increase of 30.9 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 43.5 percent from 2000 to 2006, even as real median household income declined by 2.0 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available here.]

Over the Last Two Years, 466,000 Wisconsin Residents Had No Health Insurance. A growing number of Wisconsin residents are living without health insurance. During the 2006-2007 period, an average of 466,000 Wisconsin residents—8.5 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,344 Per Month in Wisconsin. Child care continues to be a hefty burden on the budgets of Wisconsin parents, with inflation-adjusted monthly care for an infant averaging $734, and monthly care for two children averaging $1,344. [National Association of Child Care Resource and Referral Agencies, available here.]

Wisconsin College Tuition Rose 54.5 Percent Since 2000. Parents of college students in Wisconsin have also been hard hit under the current Administration, as inflation-adjusted tuition for Wisconsin's four-year public colleges increased 54.5 percent between the 2000-2001 and 2006-2007 school years to $6,048 per year. With that 54.5 percent increase over just six years, Wisconsin families are finding it more and more difficult to afford to send their children to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 2000-2001 and 2006-2007 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 38.5 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 2000-2001 available here; data for 2006-2007 available here.]

In Wisconsin, 578,000 Residents Were Living in Poverty Over the Last Two Years. In Wisconsin, 578,000 residents – or 10.6 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

WYOMING

The American economy is confronting immense challenges as states have been hit with thousands of job losses, high energy and health care prices, falling real wages, and an unprecedented loss in housing wealth. As George W. Bush heads into his final months as president, American families are faced with an economic downturn that follows the weakest recovery in the past century. The sub-par gains of the last seven and a half years only compound the burden for American families now threatened with the devastating consequences of a recession.

Vanishing Opportunities and Rising Prices

Job Growth Has Stalled in Wyoming. After seven and a half years of historically low job growth, American workers have now faced ten

consecutive months of job losses amid deteriorating economic conditions. The recent downturn comes on top of the worst job creation record of any president since Herbert Hoover. Since President Bush first took office in January 2001, only 4.4 million jobs have been created nationally, as compared with 22.4 million new jobs created through the 93rd month of the Clinton administration. Since the beginning of 2008, Wyoming added only 7,600 jobs, an average of just 800 jobs per month. The unemployment rate in Wyoming now stands at 3.3 percent, up 3.1 percent in 2008. [Bureau of Labor Statistics, U.S. Department of Labor, available here.]

Incomes Never Recovered from the Last Recession in Wyoming. In 2006-2007, the typical household's income in Wyoming remained $1,538 lower than it had been in 1999-2000, before the recession of 2001. This is the first economic recovery where incomes did not return to their pre-recession peak. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Income, available here. All dollar values are inflation-adjusted to 2007 dollars.]

The Subprime Mortgage Crisis Has Become a Full-Blown Financial Crisis. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. Declining home prices mean many families owe more than their homes are currently worth. In Wyoming, subprime mortgages in delinquency have increased from 500 in the second quarter of 2006 to 900 in the second quarter of 2008. According to a 2008 analysis published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Wyoming will total 793 between the first quarter of 2008 and the end of 2009. [Mortgage Bankers Association, JEC April 10th State-by-State Subprime Foreclosure Report, available here.]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis is reducing home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Wyoming $34.7 million in 2008 and 2009. Nationally, the expected economic costs of forecast subprime foreclosures total nearly $100 billion in these two years alone. Moreover, declining home prices across the country are stripping families of their personal housing wealth, which had until recently largely driven consumer spending. [JEC April 10th State-by-State

Subprime Foreclosure Report, available here.]

Bush Retrospective: Looming Debt and the High Cost of Living

The Iraq War Will Cost $27,100 Per Wyoming Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total $6 billion for Wyoming taxpayers by 2017; the total cost to the country will be an estimated $2.8 trillion. [JEC November 13th Iraq War Cost Report, available here.]

Over the Last Two Years, 73,000 Wyoming Residents Had No Health Insurance. A growing number of Wyoming residents are living without health insurance. During the 2006-2007 period, an average of 73,000 Wyoming residents—14.1 percent of the state's population—had no health insurance. Across the country, the number of Americans without health insurance totals 45.7 million, up 7.2 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Health Insurance Coverage, available here.]

Child Care Costs For Two-Child Families Averaged $1,009 Per Month in Wyoming. Child care continues to be a hefty burden on the budgets of Wyoming parents, with inflation-adjusted monthly care for an infant averaging $526, and monthly care for two children averaging $1,009. [National Association of Child Care Resource and Referral Agencies, available here.]

In Wyoming, 54,000 Residents Were Living in Poverty Over the Last Two Years. In Wyoming, 54,000 residents – or 10.4 percent of the population – were living below the poverty line during the 2006-2007 period. Nationally, 12.5 percent of Americans – more than 37 million people – were living in poverty as of 2007. [Bureau of the Census, U.S. Department of Commerce, available here. See the JEC August 26, 2008 Fact Sheet on Poverty, available here.]

MINORITY VIEWS

MINORITY VIEWS OF SENATOR SAM BROWNBACK AND REPRESENTATIVE JIM SAXTON

OVERVIEW OF CURRENT AND RECENT MACROECONOMIC CONDITIONS

The economy entered into a recession in December of 2007, according to the Business Cycle Dating Committee of the private, nonpartisan National Bureau of Economic Research. The prior expansion, which began in November of 2001, lasted 73 months, longer than the average 52 month duration of expansions in the period from 1945 through 2001, but below the durations of the past two expansions: 92 months between November 1982 and July 1990; and 120 months between March 1991 and March 2001. The recession in the U.S. has, unfortunately, been accompanied by downturns in economic activities abroad, making the current environment especially challenging as American families face domestic and global recessionary forces.

The economy began 2008 with a low annualized growth rate of 0.9% in the real (inflation-adjusted) gross domestic product (GDP) in the first quarter, followed by 2.8% growth in the second. Second quarter growth was buoyed by another solid contribution from net exports, as U.S. exports continued to grow at a robust rate and imports contracted smartly (imports are a subtraction in the calculation of GDP). While it is impossible to know the counterfactual of what would have occurred in the absence of a government stimulus program, there is little evidence to suggest that tax rebate payments to low- and middle-income taxpayers helped the economy in the second quarter, when many tax rebate checks were mailed or deposited. In the third quarter, the economy contracted, with real GDP declining at a -0.5% annualized rate.[1]

Most analysts expect that GDP will continue to contract in the fourth quarter of this year and the first half of next year.[2] The current recession is expected by many to be sharper and more protracted than most post-World War II recessions. Positive, but below trend, growth is expected by most analysts to resume in the second half of next year and then return to more trend-like rates of around 3% sometime in 2010.

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[1] Data used to produce this report are those available through December 15, 2008. Data such as those on GDP and employment are, of course, subject to future revision.

[2] This year, in this report, means 2008.

American families are facing challenging economic and financial times:

- Economic conditions have deteriorated throughout 2008 and financial markets remain under stress.
- Financial market stresses, which began in early August of 2007, became amplified following the collapse of investment bank Lehman Brothers according to many measures. There have, however, been some recent signs of improvement.
- Adjustments in the Nation's housing markets continue, with continuing declines in home-building activities, reductions in home sales, declines in home prices, and high inventories of unsold homes relative to historic standards.
- With continuing declines in home prices, more and more Americans have found themselves with negative housing equity, leading to increased mortgage delinquencies and foreclosures. Increased foreclosures, in turn, lead to increased numbers of homes put up for sale in an already oversupplied market. In addition, increases in mortgage defaults lead to further losses on assets backed by residential mortgages, which leads to further losses in financial markets.
- There have been 11 consecutive months with declines in payroll employment through November of 2008 leading to a cumulative net loss of over 1.9 million payroll jobs over that period.
- The unemployment rate has risen to 6.7% from 4.9% at the beginning of this year.

Too many American families have experienced job losses, declines in housing wealth, and declines in values of their retirement accounts and stock holdings. The economy faces significant challenges in the months and years ahead. In facing these challenges, there are a number of noteworthy points to consider, including:

- A need to keep taxes low. In the current environment of global recession, it is important that taxes not be raised on American individuals, families, and businesses. It is equally important to preserve, extend, and build upon pro-growth tax changes that have been implemented in recent years, including lowering tax rates on capital gains, dividends, and income. Economic policy decisions that have lowered taxes on American households and allowed American families to keep more of their hard-earned incomes have paid dividends for the Nation's citizens.

- A need to promote free and fair trade. It is important, especially in light of the robust contributions to domestic growth from U.S. exports over the past five years, to resist the disturbing trend toward protectionist sentiments and policy recommendation.
- A need to leave a small footprint in crafting regulations. It is important, in considering how best to reform regulation and oversight of our Nation's financial system, not to implement excessively onerous regulations. Consumers and other financial market participants deserve protections that ultimately flow from transparency and judicious oversight. Nonetheless, regulations that are too restrictive and onerous only serve to inhibit free enterprise and often hurt those who benefit from financial innovations, including the needy and low-income Americans.
- A need to use focus on the distinction between economic stimulus measures and measures designed to implement increased government spending and expanded government. Should fiscal stimulus be deemed appropriate, the choices are among deficit financed tax reductions and deficit financed increases in government spending. Measures to expand the size of government through long-term spending projects are not stimulus measures, even if implemented under the guise of stimulus. While the Nation could benefit from large-scale infrastructure spending, such spending should be implemented using analyses of long-term costs and benefits and not through the writing of large government checks to everyone purporting to have "shovel ready" projects. Government efforts to implement large projects in short periods of time do not have a solid history of success.
- A need to avoid the temptation to implement social and industrial planning under the guise of stimulus. Government has not historically done an efficient job of picking winners and losers in industry.

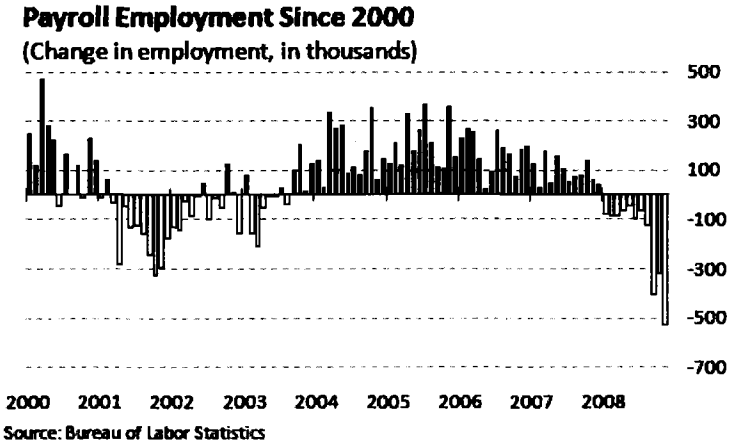
Despite the daunting challenges facing the American and global economies, we remain confident that the entrepreneurial spirit and drive of America will emerge—not with the interference of an expansive government, but with the hard work, thrift, and determination of its people. Harnessing that work, thrift, and determination requires that government help provide a transparent and fair playing field, but also requires that government let its working families and productive enterprises

flourish by allowing them to reap the benefits of their activities. Higher taxes and expanded government serves to diminish rewards to entrepreneurial efforts, however well intentioned are policymakers who seek to serve as social and economic planners.

Employment Has Fallen and Unemployment Has Risen

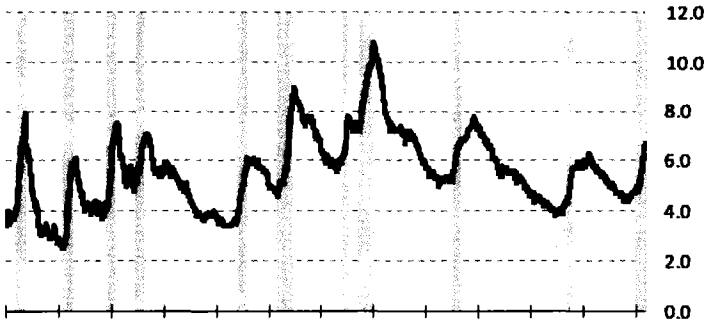
Following a record of 52 consecutive months of payroll job gains, payrolls began to contract in January of this year and the pace of job losses has accelerated in recent months. Total non-farm payroll employment fell by 533,000 jobs in November, following declines of 320,000 in October and 403,000 in September.

There have been 11 consecutive months with job losses, with the cumulative decline in employment over that period totaling 1.9 million jobs.



The unemployment rate has increased from a near-term low of 4.4% in March of 2007 to 6.7% in November of this year. The unemployment rate has risen by 1.7 percentage points since the recession began in December of 2007.

Civilian Unemployment Rate
(Percent of civilian labor force unemployed)

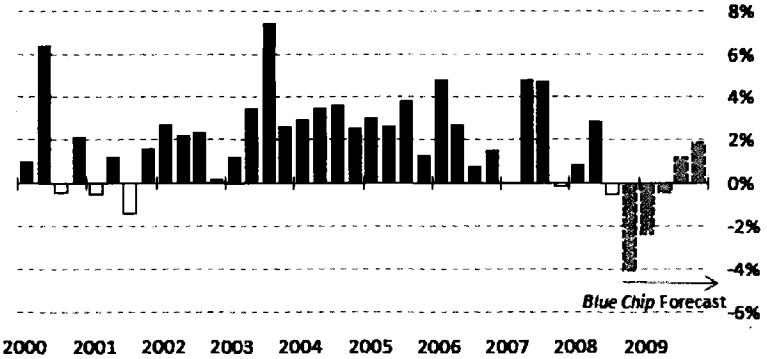


Source: Bureau of Labor Statistics
Note: Gray bars denote recessions, the last of which is presumed not to have yet ended at the time this report was made (December, 2008)

Economic Growth Has Turned Negative

Following the low 0.9% annualized growth in real GDP in the first quarter of 2008, growth accelerated to 2.8% in the second quarter, led by rapid growth in net exports. The economy then contracted in the third quarter, at a -0.5% annualized rate, reflecting a continuation of declines in residential investment and a significant decline in consumer spending.

Economic Growth Since 2000
(Inflation-adjusted annualized GDP growth)



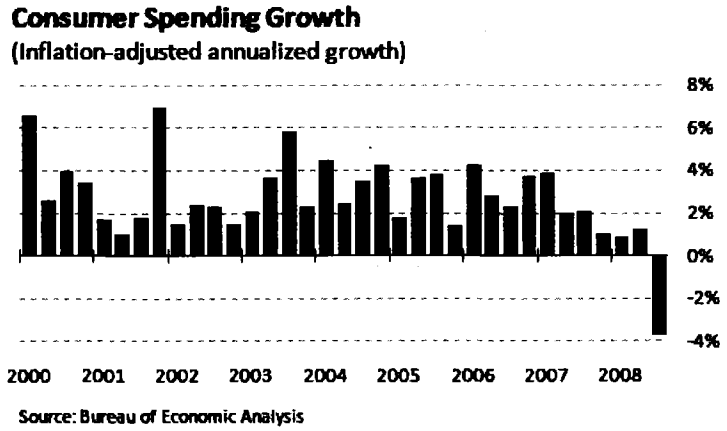
Sources: Bureau of Economic Analysis; *Blue Chip Economic Indicators* 11/10/2008

Private forecasters see a large decline in real GDP in the fourth quarter, with GDP expected to fall at an annualized rate of around -4.1%, followed by a -2.4% rate of decline in the first quarter of next year and -

0.5% in the second quarter. Positive, but below trend, growth is expected to resume in the second half of 2009, with a return to more trend-like growth rates of around 3% anticipated in 2010.

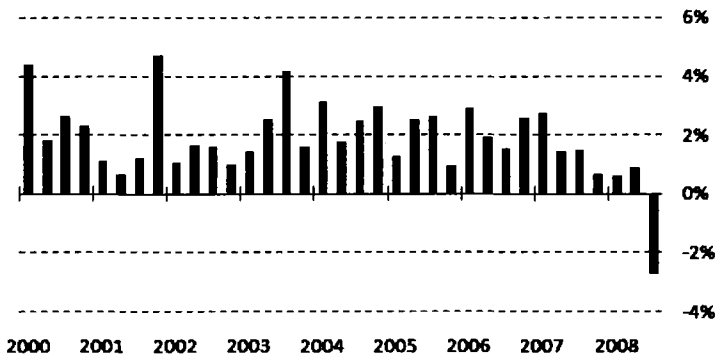
Consumer Spending Has Been Declining

Annualized growth in consumer spending had remained resilient for many years, despite a sequence of adverse shocks to the economy including the tragedy of September 11, 2001, the aftermath of corporate accounting scandals, two wars, devastating hurricanes, a prolonged period of significant increases in energy costs, fallout from losses and risks associated with subprime mortgage lending, and the correction in the housing market. The robust and resilient growth in consumer spending began to wane in the second half of 2007 and consumer spending declined significantly in the third quarter of this year.



The -3.7% annualized rate of decline in consumer spending in the third quarter was the first decline since the fourth quarter of 1991 and the largest decline since the second quarter of 1980. The decline in consumer spending in the third quarter served to pull overall growth down by 2.7 percentage points.

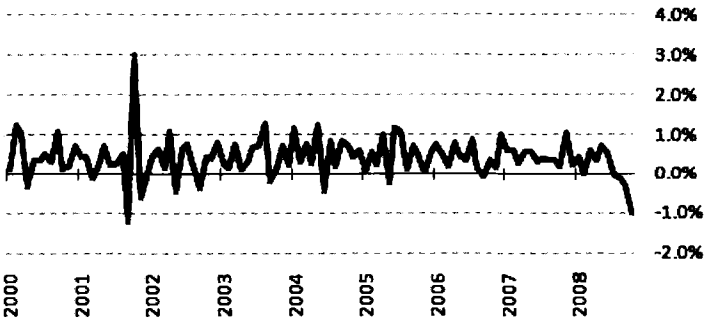
Contribution of Consumption to Percent Change in GDP
(Percentage points at annual rates)



Source: Bureau of Labor Statistics

Data from October on consumer spending, the most recent available, suggests that consumer spending continued to decline moving into the fourth quarter of this year. On a month-over-month basis, personal consumer expenditures fell by over 1% in October, the largest decline since the 2001 terrorist attacks.

Personal Consumption Expenditures
(Month-over-month percent change)



Source: Bureau of Economic Analysis

Supports for consumer spending, including employment growth and housing and stock-market wealth, have eroded over the year. That erosion has contributed to the recent declines in consumer spending. Prior to the recent declines, for a number of years, households' consumption expenditures were assisted by home equity extractions in the form of home equity loans. In recent periods, however, declines in home prices

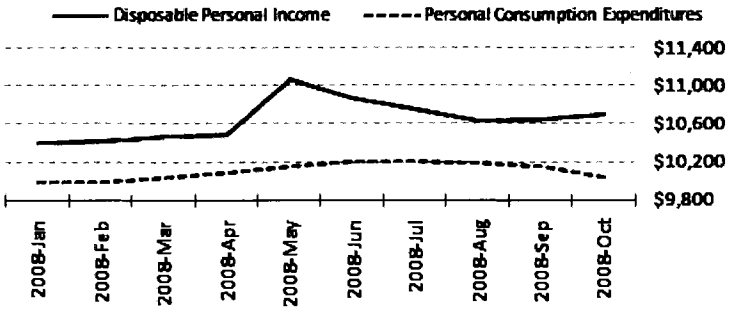
have shut down the ability of many households to borrow against home equity.

Earlier this year, sensing the threat of a significant downturn in the economy, Congress and the administration attempted to boost economic activity by enacting the Economic Stimulus Act of 2008. That legislation, enacted on February 13, 2008 at an estimated budget cost of $152 billion for 2008, provided for several types of economic stimulus measures, including a relatively small amount of tax incentives intended to stimulate business investment spending and a larger amount of tax rebates to low- and middle-income taxpayers intended to stimulate consumer spending.

The major component of the Economic Stimulus Act of 2008 was the $115 billion of temporary tax rebate payments, targeted at individuals and families, which phased out with increases in income. Most of the rebate checks were mailed or deposited during May, June, and July.

As the figure below shows, disposable (i.e., after tax and transfer) personal income displays a significant increase and then retreat surrounding the bulk of the rebate payments in May through July. The figure also shows, however, that personal consumption spending by households showed no noticeable increase around the time of the rebates. The data strongly suggest that the rebate checks did little, if anything, to stimulate consumer spending and, hence, aggregate demand (consumption plus investment plus government spending plus net exports) and the general economy.

Disposable Income and Consumer Spending
(Billions of dollars)



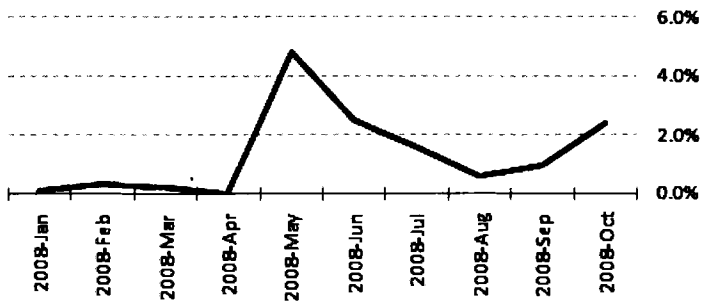
Source: Bureau of Economic Analysis

The timely, targeted, and temporary tax rebates to households was touted as a worthwhile measure to try, in Keynesian demand-management fashion, to boost consumer spending and aggregate demand. The Keynesian policy seems to have failed to reach its targeted

goal, as consumer spending showed no noticeable boost. As the figure below strongly suggests, most of the rebate checks were placed by households into saving, thus defeating the Keynesian intention. The end result of the Keynesian experiment was that government savings fell, because the stimulus rebate payments were deficit financed, and household savings increased at the same time leading to little, if any, net effect on national savings or the economy as a whole.

Personal Saving Rate

(Personal saving as a percentage of disposable personal income)



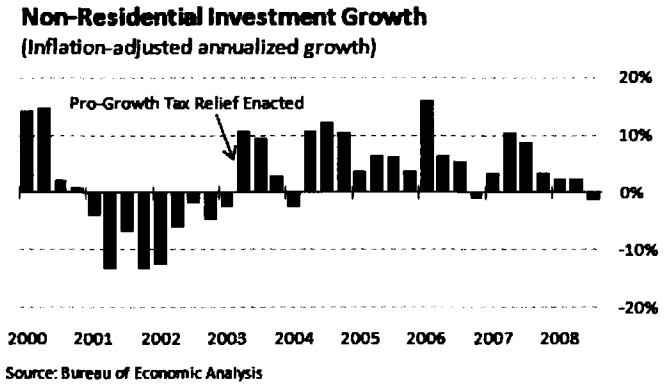
Source: Bureau of Economic Analysis

Investment Spending Has Been Declining

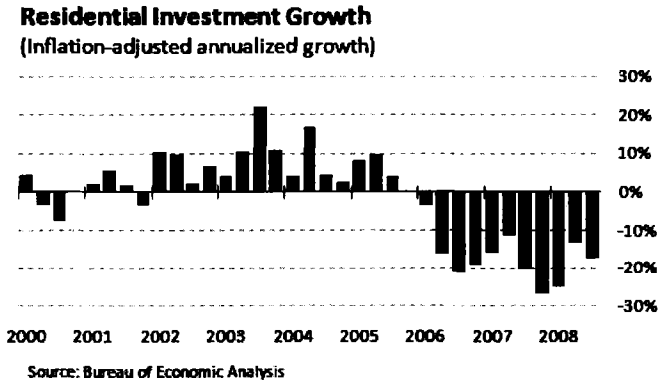
Business (non-residential) investment has waned over the past four quarters through the third quarter of this year and declined in the third quarter. Annualized growth in real private fixed non-residential investment declined from over 10% in the second quarter of 2007 to below 2.5% in the first two quarters of this year. In the third quarter of this year, business investment declined at a -1.5% annual rate. As businesses, perhaps sensing and anticipating declines in demand for their products, cut back on investment expenditures, it is useful to take a lesson from the experiences following the recession of 2001.

Prior to the pro-growth tax relief under the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) enacted in May of 2003, growth in real business investment *declined* at an average -5.6% annualized rate from the first quarter of 2001 through the second quarter of 2003. The declines in business investment served to lead and prolong the recessionary forces of 2001. In sharp contrast, growth in real business investment spending averaged a robust 6.3% following the enactment of pro-growth tax relief in JGTRRA, which included lowering of taxes on income from dividends and capital gains. Continuation and expansion of pro-growth tax relief, including low taxes on income from dividends and capital gains, would prove useful in the current environment where

recessionary forces are likely, again, to be acting to pull business investment spending down.



The housing market correction from the bubble that peaked in 2006 has proved, through significant reductions in residential investment, to be a significant drag on overall economic growth. Residential investment has declined for 11 consecutive quarters through the third quarter of this year, reducing real GDP growth over that period by an average of 0.92 percentage point.

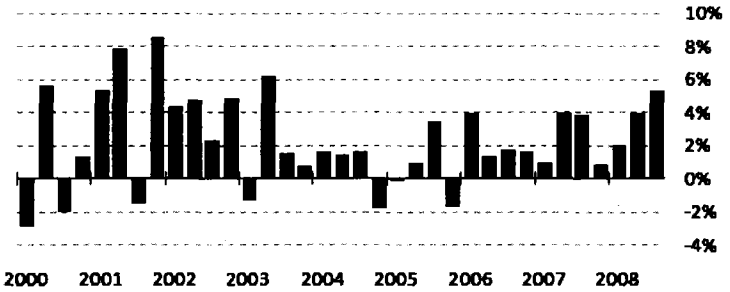


Government Spending Growth is Accelerating

There are two forces that should be at work regarding government spending in the current environment. One is the need for fiscal austerity over the long run, which argues for reductions in the rate of government spending growth in light of the daunting fiscal challenges ahead as baby boomers retire en masse with unsustainable promises to them and their children embedded in the major entitlement programs (e.g., Medicare and Social Security).

The other force is the expected increase in government spending growth in these times of economic slowdown and recession, as "automatic stabilizer" expenditures rise (automatic stabilizers refer to elements of the tax and spending system that automatically increase spending on relief programs such as Unemployment Insurance in a downturn and automatically lead to reduced revenues as incomes and economic activity wanes). In addition to increases in spending that occur from automatic stabilizer features of government programs, unusually large amounts of resources have been committed in recent periods in attempts to offset what many expect will be a deep and protracted recession.

Government Spending Growth
(Inflation-adjusted annualized growth in Federal plus State and Local government spending)



Source: Bureau of Economic Analysis

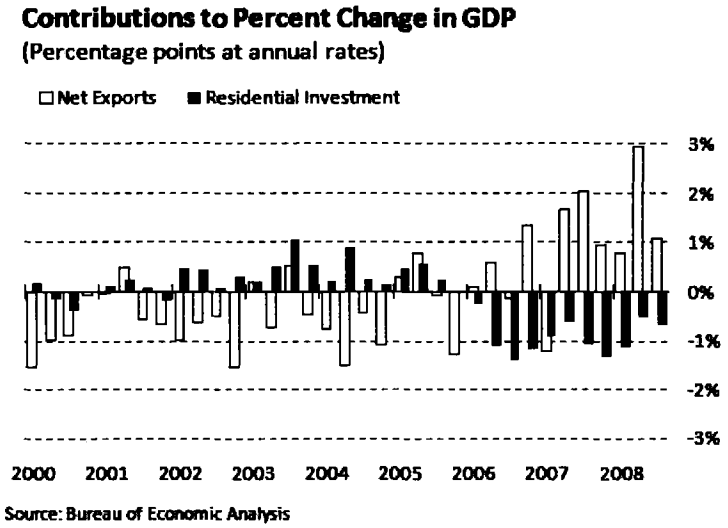
Growth Benefits from Trade

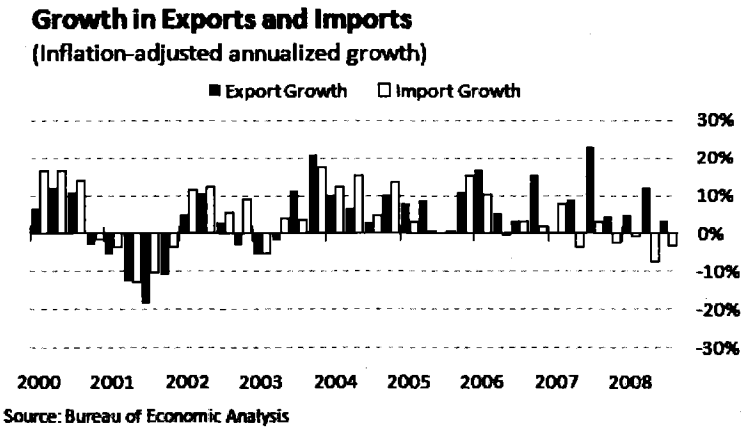
Increased exports from the U.S. to our trading partners along with declines in imports into the U.S. from our trading partners have provided a solid boost to overall economic growth over the past two years. Indeed, while the declines in residential investment associated with the downturn in housing markets have shaved an average of 0.92 percentage point off of GDP growth in the 11 consecutive quarters with residential investment declines, through the third quarter of this year, net exports have added an average of 0.92 percentage point during the same period. Strong growth in exports, perhaps assisted by earlier declines in the foreign-exchange value of the dollar, along with reductions in import growth, have cushioned the blow to the overall economy from the housing downturn (imports are a subtraction in the calculation of GDP, so declines in imports lead to increases in GDP).

The recent performance of net exports and their solid contributions to overall economic growth are a testament to benefits associated with free trade. Preserving and expanding those benefits requires preserva-

tion and expansion of trade agreements with our trading partners and, importantly, requires that recent protectionist sentiments be avoided.

While net exports have provided a solid contribution to overall economic growth over recent years, the contribution may be diminished in the near term as economies of most of our trading partners also experience effects of recession.

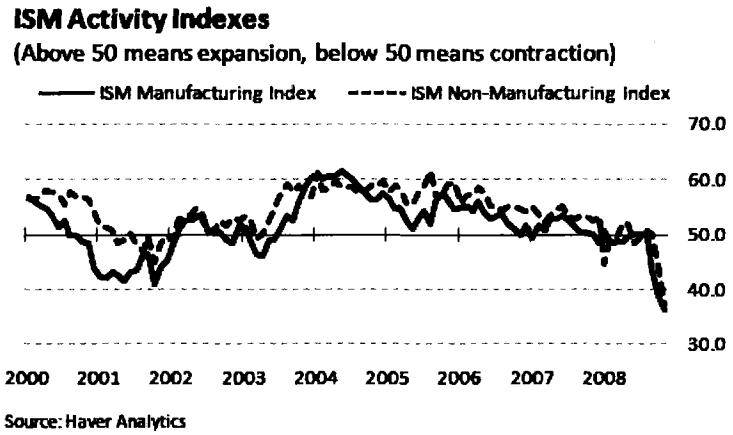




Business Activity is Receding

Economic activity in both the manufacturing and the service sectors of the economy turned decidedly worse in recent months, according to surveys by the Institute for Supply Management (ISM). The ISM in-

dex of manufacturing activity has fallen from a value of 50 in July of this year to just above 36 in November. A value of the index above 50 indicates expansion in the manufacturing sector; below 50 indicates contraction. The ISM index of non-manufacturing (service-sector) activity has also been below 50 in the past two months through November.

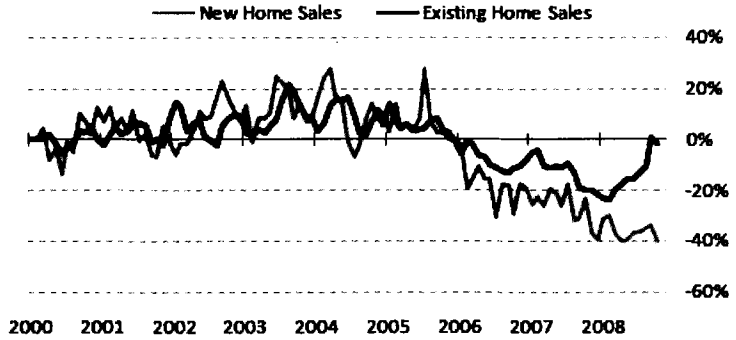


Capacity utilization in the industrial sector (manufacturing, mining, and utilities) has fallen from 81.0% in the beginning of the year down to 75.4% in November, another indicator of receding production activity. A value of 81.4% is the long-term average capacity utilization rate

The Housing Market Correction Continues

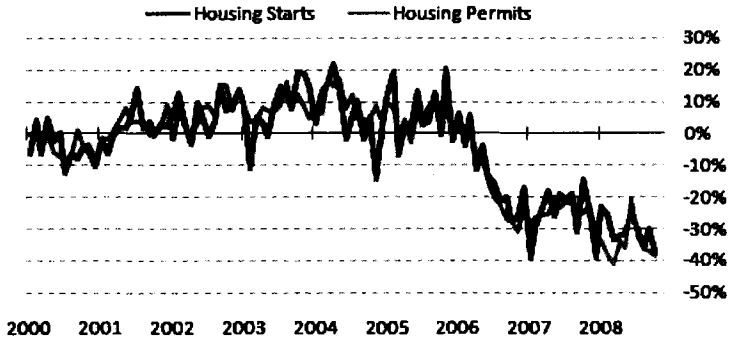
With the exception of a slight increase in existing home sales in September, new and existing home sales have fallen on a year-over-year basis in each month since December of 2005. Housing starts and building permits have also continued to decline, on a year-over-year basis, generally since the end of 2005. The inventory of unsold new homes at current sales rates remains elevated at 11.1 months, significantly higher than inventories averaging around four months in years prior to 2006.

Existing and New Home Sales Growth
(Year-over-year percent change)



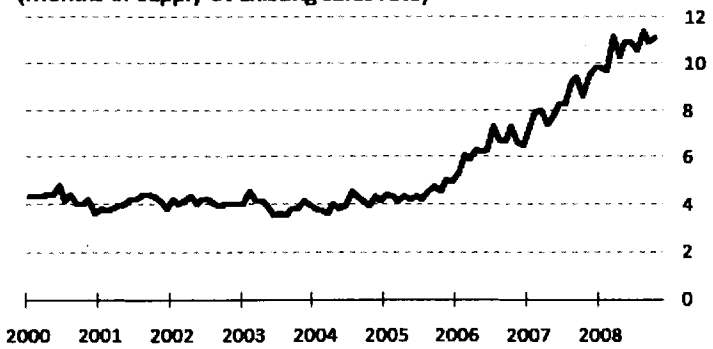
Source: Haver Analytics

Housing Starts and Permits
(Year-over-year percent change)



Source: Haver Analytics

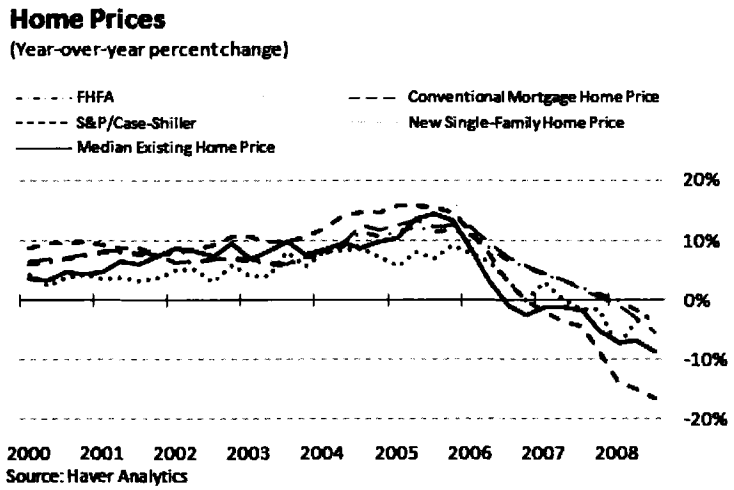
New Home Inventory
(Months of supply at existing sales rate)



Source: Haver Analytics

While there is some hope that existing home sales have leveled out, new home sales have continued a steady downward path given the glut of inventory on the market.

By all available measures, home prices have decline throughout the year.

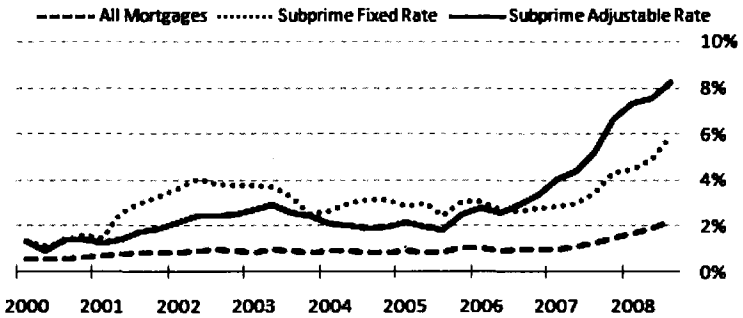


Mortgage Delinquencies and Foreclosures Continue to Rise

Declines in home prices have contributed to increases in mortgage delinquencies, especially for subprime mortgages with adjustable interest rates (which recently have accounted for as much as 70% of subprime first-lien mortgages and about 9% of all first-lien mortgages).[3]

[3] A first-lien mortgage represents a claim on a property that secures the mortgage loan and is a claim that takes priority over all other encumbrances over the same property.

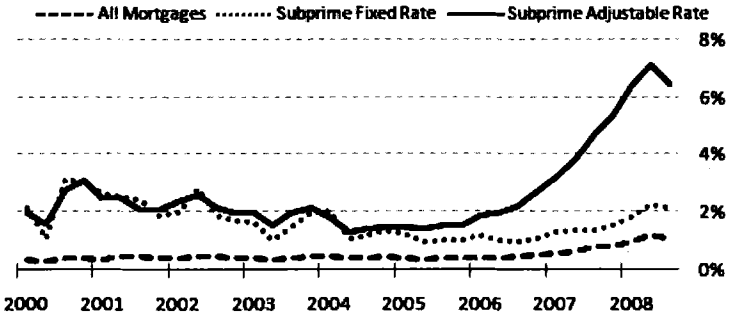
Mortgage Delinquencies
(Installments past due 90 days)



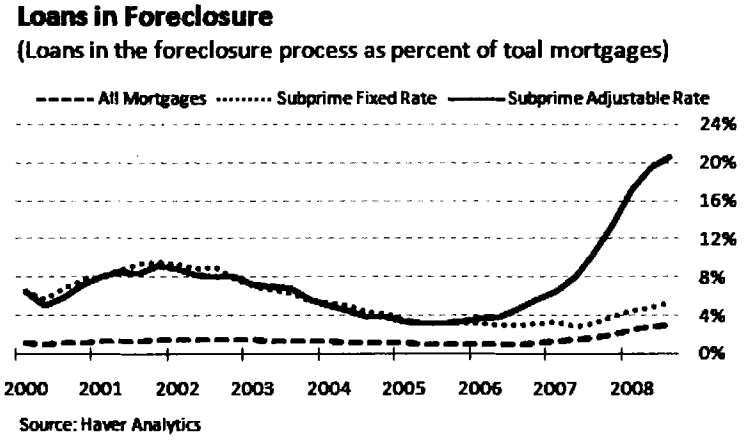
Source: Haver Analytics

The rise in delinquencies has shown through to foreclosures.

Foreclosures Started
(Loans ***sent to*** foreclosure process as percent of toal mortgages)



Source: Haver Analytics



At a time when builder inventories of homes for sale are high, housing markets may continue to decline through next year as foreclosed properties are put on the already sluggish new-sale and re-sale housing markets. There remain, in addition, significant interest rate resets scheduled to occur next year on many adjustable rate mortgages initiated in recent years.

Recent Problems in Mortgage Markets and Spillovers to the General Financial System and to the Economy

With rising mortgage delinquencies and defaults, especially associated with subprime mortgages and significantly so for subprime mortgages with adjustable interest rates, many mortgage originators have gone out of business and many have suffered financial losses. Holders of securities that are backed by mortgages ("mortgage-backed" securities) have also suffered losses.

There has been vast development over the past decade or so of secondary markets for mortgages. In those markets, loan originators sell mortgages to investors who then package them according to risk into other derivative securities (backed by the mortgages and, hence, by the properties on which those mortgages are claims). Those securities are then sold to other investors with various appetites for risk in the form of mortgage-backed securities.

Mortgage-backed securities bundle a large number of mortgages together into a pool, and shares of that pooled bundle are then sold. The buyers of these mortgage-backed securities receive a share of the payments made by the homeowners who borrowed the funds. The pooling creates a form of insurance for investors. Pooling of mortgages gives investors a greater degree of precision in predicting the quantity of defaults and the repayment rates (i.e., in assessing risk—in much the

same way that auto insurers bundle together drivers to get a greater degree of precision in predicting what fraction of the insured will have collisions, but not exactly which individuals).

Depending on the terms of the sale, when an originator sells a loan and its servicing rights, the risks (including risks associated with poor underwriting) are largely passed on to the investor rather than being borne by the originator. Perhaps because of increases in perceived risk among investors, upon seeing the significant increases in defaults on subprime mortgages, supply of credit to subprime lenders, to mortgage-backed security issuers, and to funds with possible exposure to subprime mortgages, has fallen or dried up altogether.

Problems in the subprime mortgage market, which is a relatively small part of the financial system, became systemic and adversely affected the entire financial system. This occurred on or about Thursday, August 9 of 2007. Many believe that continued declines in the value of certain mortgage-backed securities and observations of fund losses rather suddenly led to a sharp increase in investors' risk intolerance in early August of last year.

The heightened risk aversion in financial markets has led in recent periods to an aversion of many lenders to lend to anyone with less than the highest possible level of creditworthiness. In such circumstances, we have observed flights to quality and safety in which lenders cut off lending to most counterparties and seek safe havens for their funds in the form of very safe assets such as U.S. Treasury securities.

Reductions in credit availability to many households and businesses and increases in borrowing rates have very likely contributed to the economic downturn that began at the end of last year.

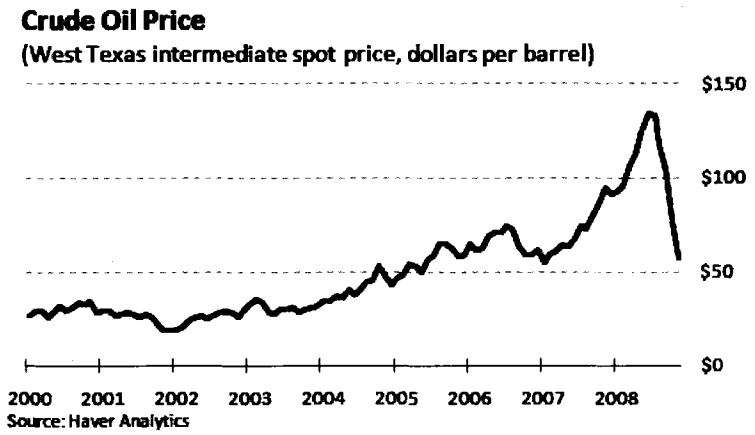
Since the onset of financial market stresses in early August of 2007, there have been many efforts and large amounts of resources devoted to resuming more normal credit flows, assisting homeowners facing foreclosures, and generally promoting financial and economic systemic stability.

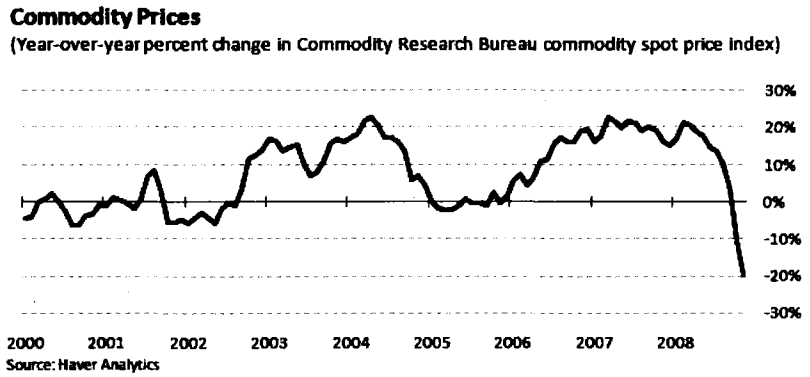
Included among the many Federal agencies and other entities at work are: The Federal Reserve (Fed), U.S. Treasury, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, Federal Housing Finance Agency, U.S. Department of Housing and Urban Development, U.S. Securities and Exchange Commission, Financial Accounting Standards Board, the Veterans Administration, foreign central banks and banking regulators, and State governments.

A complete listing of all public and private efforts and resources devoted to homeowner assistance, resumption of systemic stability, and resumption of normal credit flows and intermediation would likely fill volumes and is beyond the scope of this report. There are, however, two especially noteworthy Federal responses to recent difficulties in financial markets and the economy: Federal Reserve responses; and the Troubled Assets Relief Program (TARP), authorized under the Emergency Economic Stabilization Act of 2008 enacted in early October of this year to provide the U.S. Treasury with up to $700 billion to purchase distressed assets and make capital injections into banks. These noteworthy responses are discussed in more detail below.

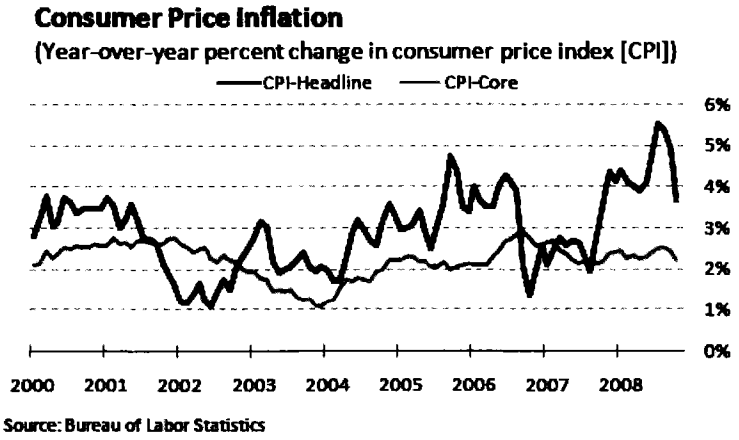
Inflation is Moderating

Over the past year, through October, inflation in the overall (headline) consumer price index (CPI) averaged around 4.5% on a year-over-year basis, boosted by rapid growth during much of the year in energy prices and commodity prices. In recent months, however, energy and commodity prices have fallen at rapid rates, after rapid earlier run-ups in prices through September of this year.

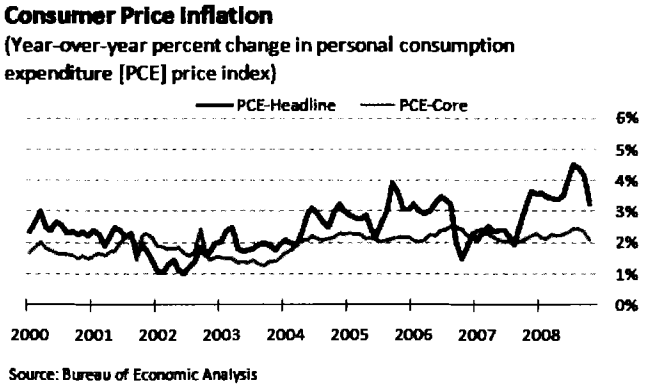




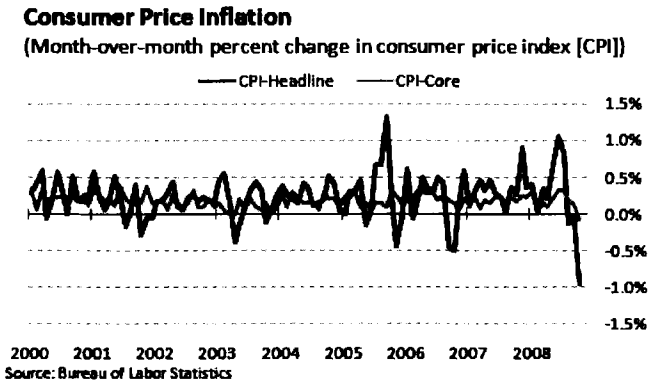
Inflation in the "core" CPI, which excludes volatile energy and food prices and is used partly to gauge the extent to which energy price increases are feeding into more general inflation in prices of other goods and services, has been moderate. Core CPI inflation has averaged just below 2.4% on a year-over-year basis over the past year through October. Many analysts view core CPI inflation of around 2.4% to be above Fed monetary policymakers' comfort zone for consumer price growth.

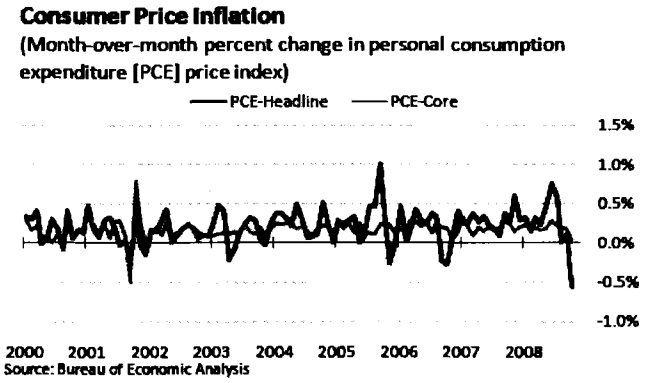


Inflation in the core personal consumption expenditures (PCE) price index, one of the Fed's preferred measures of consumer prices, has fallen from rates just above 2.5% as recently as August to 2.1% in October, the most recent period of data availability. October's rate of core PCE inflation lies just above what many regard to be the ceiling on the Fed's comfort zone for core PCE inflation of around 2.0%.



A recent concern of some analysts has been the possibility of *deflation*—persistent and widespread declines in prices. On a month-over-month basis, there have been *declines* in recent months in alternative measures of consumer prices.





Should declines in general consumer prices persist over a long period of time, the economy runs the risk of general deflation. Deflation, as

Japan has recently experienced, presents several risks to the economy. A general unexpected deflation would mean that the real, or purchasing power, value of debts would unexpectedly increase through time, presenting financial pressures on debtors and possibly sparking debt defaults.

Another risk from deflation is that, as deflation leads to increases in the purchasing power of money through time, people have an incentive to postpone purchases in order to capture the increasing value of their monetary holdings. This can lead to sluggish growth in overall spending and, perhaps, declines in spending.

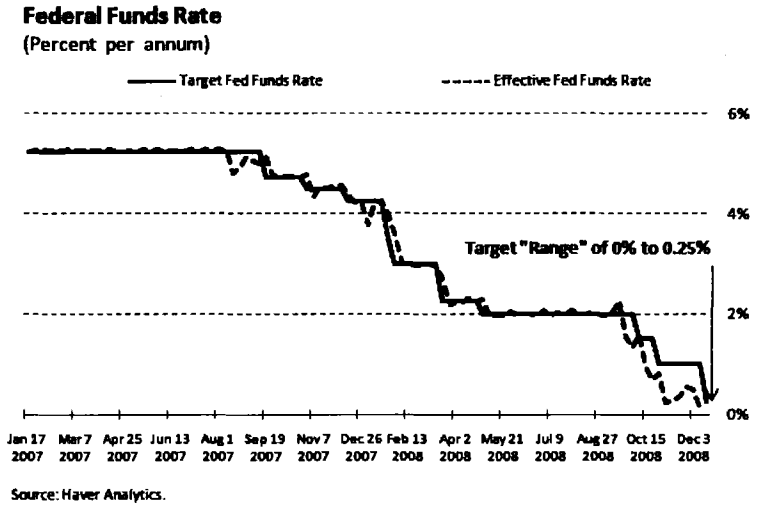
While it is too early to tell whether the economy faces a threat of deflation, the discussion of deflation is reminiscent of U.S. experiences in 2003 when declines in inflation and some evidence of price declines led the Fed and others to consider contingent policy responses in the event of a deflation threat. Even with a very low setting of the Fed's monetary policy target for overnight interest rates, the Fed has tools, including some unconventional ones, and the ability to counter a deflation threat if necessary.

The Federal Open Market Committee, the Fed's monetary policymaking committee, has taken its overnight interest rate target down from 5.25% in mid September of last year to the current target range of between 0% and 0.25% in a sequence of rate cuts. The current setting of the Fed's overnight rate target range leaves little room for further cuts, which opens the door to possible use of more unconventional policy tools should efforts to reduce interest rates further be deemed necessary. The Fed could, for example, act to bring longer-term interest rates down in attempts to stimulate economic activity by purchasing longer-term U.S. government securities in the open market to boost prices of those assets and, correspondingly, lower yields on those securities.

In its December 16 monetary policy statement, the Fed noted, regarding future Fed monetary policy, that:

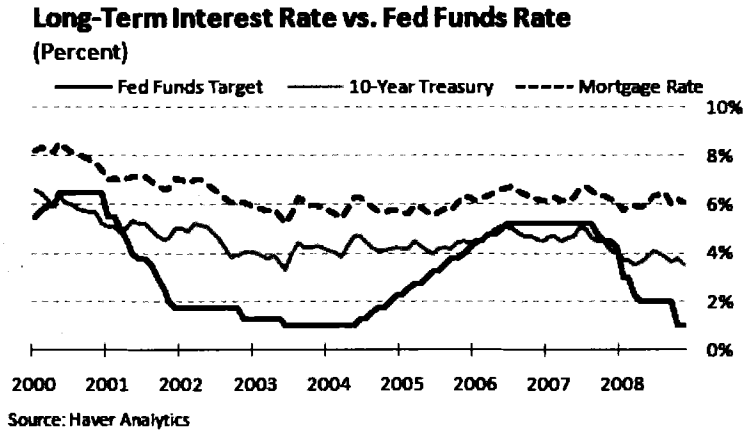
> "The focus of the Committee's policy going forward will be to support the functioning of financial markets and stimulate the economy through open market operations and other measures that sustain the size of the Federal Reserve's balance sheet at a high level. As previously announced, over the next few quarters the Federal Reserve will purchase large quantities of agency debt and mortgage-backed securities to provide support to the mortgage and housing markets, and it stands ready to expand its purchases of agency debt and mortgage-backed securi-

ties as conditions warrant. The Committee is also evaluating the potential benefits of purchasing longer-term Treasury securities. Early next year, the Federal Reserve will also implement the Term Asset-Backed Securities Loan Facility to facilitate the extension of credit to households and small businesses. The Federal Reserve will continue to consider ways of using its balance sheet to further support credit markets and economic activity."



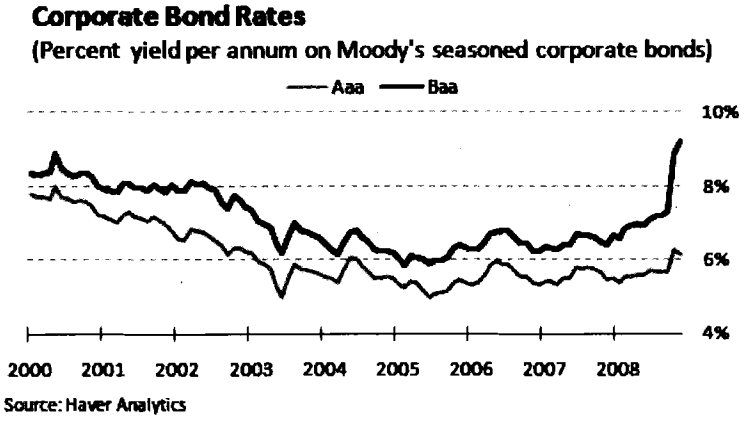
Normal Credit Flows Have Not Yet Returned and Many Long-Term Rates Remain Elevated

Despite significant reductions in short-term monetary policy interest rates throughout the year, long-term nominal interest rates have not fallen as significantly.

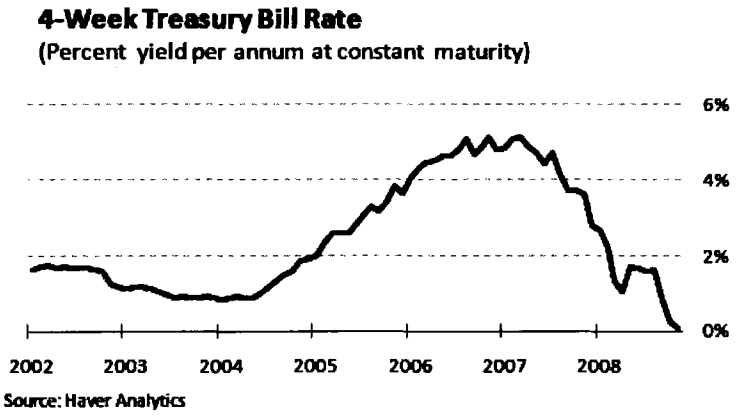


Interruptions in normal flows of credit have persisted in financial markets, raising the cost of borrowing for many households and businesses (see, for example, the first graph below) and, through tightening lending standards, lowering the availability of funds (see, for example, the second graph below).

Some corporate borrowing rates remain relatively high, despite cuts in short-term monetary policy interest rates, which is likely a reflection of heightened risk aversion of lenders. Many lenders are wary of lending to households and businesses who, in more normal times, would likely be deemed creditworthy because lenders are especially fearful of risks of losses and because lenders, themselves having already suffered significant losses, are rebuilding their own capital bases.



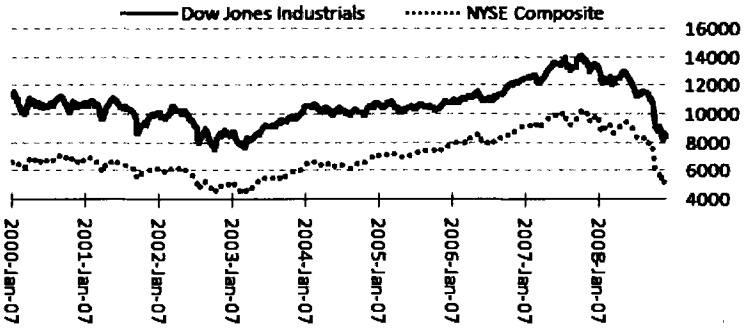
Another reflection of heightened risk aversion in financial markets is displayed by yields on short-term U.S. Treasury securities. Some such securities, like the 4-week Treasury bill, have had their yields recently pushed to around zero, with brief periods of negative yields (when, essentially, investors are paying to have their wealth stored in the form of short-term Treasuries). Because of significant ongoing stresses in financial markets, there have been many recent episodes characterized by "flights to quality" or "flights to safety." In such flights, investors' risk aversion becomes elevated and they flee more normal investments in preference for the safety of virtually riskless U.S. government obligations. As a result, prices of relatively riskier securities fall and their yields rise. Commensurately, prices of the relatively safe U.S. Treasury securities rise and their yields fall.



Equity Prices Posted Significant Declines This Year

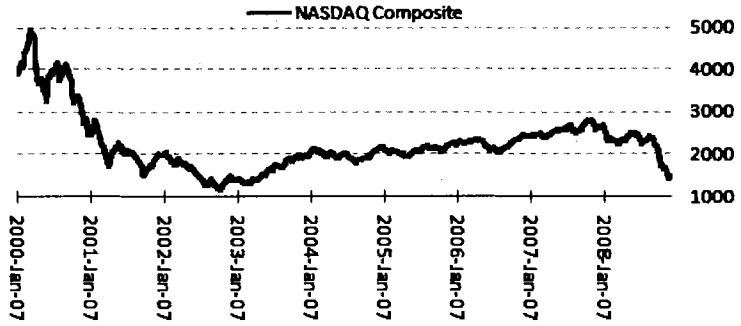
Relative to prior peaks, most major stock price indexes have fallen by over 40%. The Dow Jones 30 Industrials Index, for example, had a value of 8,434 on December 5 of this year, down 40% from its value in October of 2007. Other indexes, of course, registered different percent losses, but most major indexes have fallen significantly. One major economic consequence, aside from the implied increase in the cost of capital to U.S. companies, is that American families and investors have seen large reductions in their wealth, including retirement holdings for many Americans. Such a significant decline in stock market wealth, coupled for many with declines in housing wealth, serves to reduce spending and, hence, overall economic growth.

Stock Price Indexes: Dow Jones, NYSE
(Average closing prices)



Source: Haver Analytics

Stock Price Indexes: NASDAQ
(Average closing prices)



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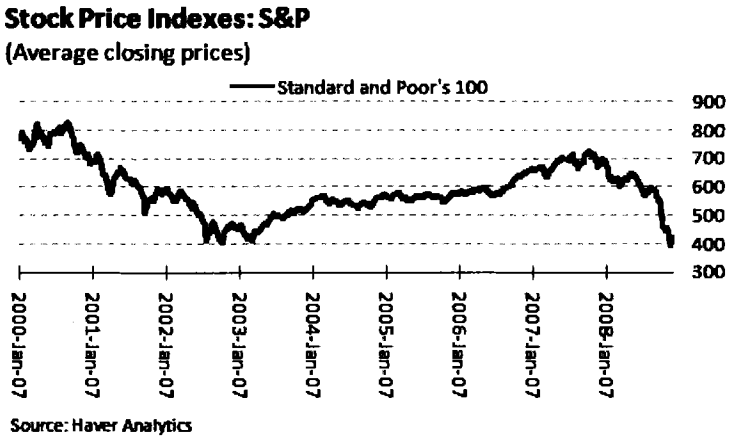


The Fed's Responses Have Expanded Its Balance Sheet Significantly

The Fed has become very active, in the face of significant stresses in financial markets, in intermediating activities that have typically been intermediated in the private sector. In so doing, the Fed has taken onto its balance sheet increasing amounts of private-sector risk in efforts to relive the stresses in markets.

Traditionally, the Fed has relied on two major tools in the conduct of monetary policy: open market operations, involving the purchase or sale of U.S. government securities in the open market in order to increase or decrease, respectively, the money supply to, in turn, reduce or raise overnight interest rates to meet the Fed's target for those rates; and traditional discount window lending where the Fed lends funds to depository institutions, overnight or up to several weeks, in exchange for a full range of eligible, high-grade Discount Window collateral.

Facing often severe stresses in financial markets that began in early August of 2007, the Fed has vastly expanded its operations in efforts to stabilize markets and thaw frozen credit channels. The expansion of the Fed's operations includes:

Forms of Federal Reserve Lending to Financial Institutions

- **Collateralized Loans of Funds**
  - **Regular Open Market Operations** (Fed lends funds to primary dealers, overnight to days, in exchange for U.S. Treasuries, agencies, or agency mortgage-backed securities [MBS]...Fed absorbs funds in the case of reverse repos).

- **Traditional Discount Window** (Fed lends funds to depository institutions, overnight to several weeks, in exchange for a full range of Discount Window collateral).
- **Single-Tranche Open Market Operation Program** (announced March 7, 2007; Fed lends funds to primary dealers, for 28 days, in exchange for U.S. Treasuries, agencies, or agency MBS, but typically agency MBS).
- **Term Discount Window Program** (announced August 17, 2007; Fed lends funds to credit-eligible depository institutions, for up to 90 days, in exchange for a full range of Discount Window collateral).
- **Term Auction Facility (TAF)** (announced December 12, 2007; Fed lends funds to primary credit-eligible depository institutions, for 28 days or 84 days, in exchange for a full range of Discount Window collateral).
- **Primary Dealer Credit Facility** (announced March 16, 2008; Fed lends funds to primary dealers, overnight, in exchange for a full range of tri-party repo system collateral).
- **Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (AMLF)** (announced September 19, 2008; Fed lends funds to depository institutions, bank holding companies, U.S. branches and agencies of foreign banks, to the maturity date of the asset-backed commercial paper up to a maximum of 270 days, in exchange for first-tier asset-backed commercial paper).
- **Transitional Credit Extensions** (announced September 21, 2008; Fed lends funds to U.S. and London broker-dealer subsidiaries of Goldman Sachs, Morgan Stanley, and Merrill Lynch, overnight, in exchange for a full range of Discount Window collateral and tri-party repo system collateral).
- **Commercial Paper Funding Facility (CPFF)** (announced October 7, 2008; Fed lends funds to eligible commercial paper issuers, for 3 months, in exchange for newly issued 3-month unsecured and asset-backed commercial paper form eligible U.S. issuers).
- **Money Market Investing Funding Facility (MMIFF)** (announced October 21, 2008; Fed lends funds and subordinate notes to eligible Money Market Mutual Funds in exchange for U.S. dollar-denominated certificates of deposit, bank notes,

and commercial paper issued by highly rated financial institutions).

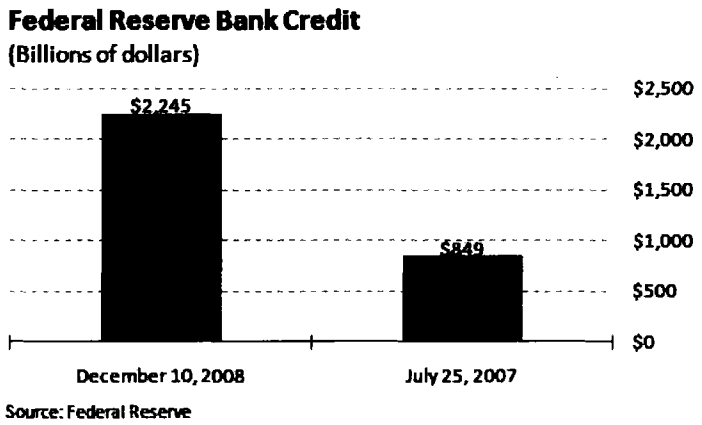
- **Term Asset-Backed Security Loan Facility (TALF)** (announced November 25, 2008; Fed lends funds to holders of certain AAA-rated asset-backed securities—including auto loans, student loans, credit card loans, or small business loans guaranteed by the Small Business Administration—backed by newly- or recently-originated loans, in exchange for those securities as collateral, for a term of at least one year).

- **Collateralized Loans of Securities**
  - **Term Securities Lending Facility (TSLF)** (announced March 11, 2008; Fed lends U.S. Treasury securities to primary dealers, for 28 days, in exchange for Schedule 1 assets = U.S. Treasuries, agencies, agency MBS; Schedule 2 assets = Schedule 1 plus all investment grade debt securities).
  - **Term Securities Lending Facility Options Program** (announced July 30, 2008; Fed lends U.S. Treasury securities to primary dealers, typically for 2 weeks or less, in exchange for Schedule 2 Term Securities Lending Facility collateral).

- **Interest on Reserves**
  - Congress authorized, in 2006, the Fed to pay interest on depository's reserve balances with the Fed beginning in 2011. That authorization was accelerated to October 1, 2008 effective on October 9. Payment of interest on reserves is intended to provide the Fed with greater monetary control over overnight interest rates by, in principle, imposing a floor on overnight inter-bank lending rates. If a bank has an option of holding a reserve balance with the Fed and collecting interest on those reserves, the bank in principle faces an opportunity cost of lending to another bank at any lower rate—the cost is the opportunity to earn the interest rate promised by the Fed on the reserve balance.

As a consequence of the Fed's massive expansion of its operations, its balance sheet has ballooned in size. Prior to the onset of major stresses in financial markets, which occurred in early August of 2007, the Fed held around $850 billion in assets (on July 25, 2007 for example), primarily in the form of U.S. government securities. Because of the vast expansion of Fed lending activities, including lending of funds as well as lending of securities, the Fed's assets most recently have ballooned

to over $2.2 *trillion*, with $492 billion in U.S. government securities and the rest distributed across assets associated with the various lending operations described above.



It is noteworthy that the Fed has been recording *losses* associated with some assets taken onto the Fed's books (under the title "Maiden Lane LLC") in the March, 2008 takeover of investment bank Bear Stearns by JPMorgan Chase. The result has been that the Fed, by taking private risk onto its and, hence, the taxpayers' balance sheet has suffered losses on behalf of taxpayers. Moving forward, once stresses in financial markets recede and more normal credit flows resume, it must be a priority of Congress and the administration to unwind the significant exposure faced by taxpayers from the Fed's undertaking of private-sector risks.

The U.S. Treasury's recent actions in undertaking such risks, too, must be promptly unwound in an orderly fashion. The U.S. government must avoid using taxpayer funds to undertake private-sector risk; investing taxpayer money in risky private ventures is not a proper role of government once more normal credit flows and private-sector intermediation is restored.

Treasury and the TARP

The TARP, initially intended as a vehicle for Treasury to purchase, by auction and other mechanisms, difficult to value assets from banks and other financial institutions, has focused resources on making direct equity investments in banks. The TARP involves a revolving purchase facility under which the Treasury may devote funds to purchase assets or inject equity into banks. The law which created the funding authorized the Treasury to draw up to $250 billion for immediate use and

then requires the President to certify any need for up to an additional $100 billion in funds. A final $350 billion allotment, bringing the total possible TARP funds up to $700 billion, is subject to future Congressional approval. As of November 25, 2008, Treasury provided more than $150 billion in capital to 52 institutions through a "Capital Purchase Program" within the TARP, which is essentially a preferred stock and warrant purchase program.

While it is too early to measure successes and failures of a new program of such a large magnitude and broad charter, Congressional and other efforts to ensure the program's transparency, accountability, planning, and internal controls are essential. There have already been ample pleas for access to TARP funding from a variety of interests, often under the guise of systemic threats to the financial system or general economy. It is important that any further use of TARP funding be used to carry out the intended function of providing stability to U.S. financial markets and the banking system and not to pursue various special interests.

Indicators of Stress in Financial Markets

Since Mid-August of 2007, financial markets have been under considerable stress, with difficulties accelerating following the September 15 bankruptcy filing by investment bank Lehman Brothers.

After nearly a year of credit-market stress, concerns of investors and creditors about lending and funding risks intensified following the Lehman bankruptcy given a slowing of economic growth, increased uncertainty about the economic outlook, and further deterioration of mortgage-backed assets.

Companies became increasingly fearful about abilities of certain firms to meet their financial obligations, which led to reduced borrowing and lending between what otherwise were normal finance counterparties. Some large financial companies essentially lost access to capital markets and short-term funding markets became increasingly impaired, including the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac, Lehman Brothers, and insurance company American International Group (AIG).

Fearing threats to overall financial system stability, the Federal Housing Finance Agency (FHFA) put Fannie Mae and Freddie Mac into conservatorship in September, and the U.S. Treasury provided financial support given authority recently granted by Congress.

The financial problems at Lehman Brothers and at AIG also potentially posed systemic threats and the Fed and the Treasury sought private-sector solutions, to no avail. A public rescue of Lehman Brothers was

also not forthcoming (the Fed did not feel that it could lend to Lehman, because the Fed only has authority to commit public funds for loans to private companies if the loans are sufficiently secured to provide reasonable assurance that the loan would be fully paid off—an assurance that the Fed did not feel was present in the Lehman case).

In AIG's case, the Fed perceived a threat to financial system stability in the event of failure, given AIG's central role in a number of markets that other companies use to manage risks (such as debt default insurance) and given the size of AIG. To prevent default of AIG, the Fed provided emergency credit that was judged to be adequately secured by assets of the company.

The difficulties at AIG and Lehman Brothers, combined with concerns about the housing sector and overall economic conditions, led to accelerated stresses in global financial markets that have just recently been showing signs of easing. Included in signals of those stresses were deep reductions in stock prices, sharp increases in the costs of various types of short-term credit and the outright freezing up of some credit outlets, and reduced liquidity in many markets. In some money market funds, losses led them to "break the buck" (when the value of the money market assets falls below par, an extremely unusual occurrence) as large-scale withdrawals from the funds took place from money market funds.

In turn, money market funds responded to surges in withdrawals by reducing their holdings of commercial paper and large certificates of deposit (CDs) issued by banks. Commercial paper markets became severely impaired, with significant increases in the costs of issuing relatively long-term commercial paper, declines in lending in the long-term commercial paper market, and significant increases in the costs of issuing even short-term commercial paper.

Concurrently, with heightened risk aversion among lenders and investors, there was a significant increase in demands for safe assets in a flight to quality which resulted in further declines in values of mortgage-backed assets and in marked reductions in the yield on Treasury bills down to only a few hundredths of a percent.

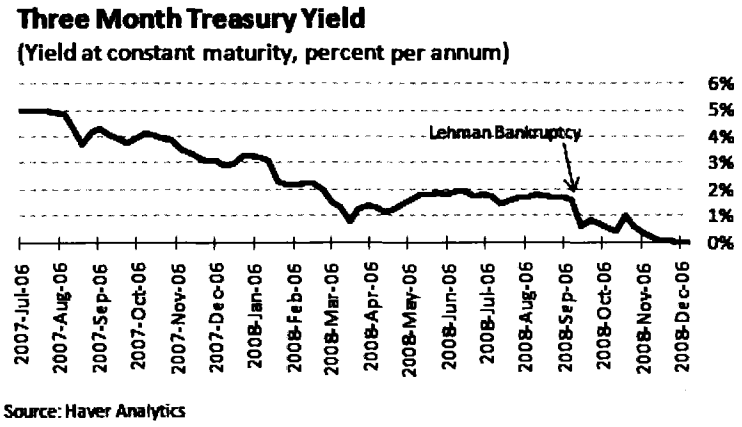
Depository institutions also felt financial pressures this past summer, including Washington Mutual and Wachovia, with substantial outflows of deposits and reduced access for the banks to normal funding channels. In response to financial difficulties at Washington Mutual, the Office of Thrift Supervision closed the bank and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. The FDIC promptly sold Washington Mutual to JPMorgan Chase. For Wachovia,

the Secretary of the Treasury, sensing a systemic threat from failure, authorized the FDIC to use its funds to facilitate the sale of the company's banking operations to Wells Fargo.

Responses to perceived threats to stability of the global financial system by the Fed, Treasury, FDIC and others has not been directed with the sole objective of merely keeping large financial institutions afloat. Rather, the objective has been to reduce or eliminate the potential of severe restrictions in credit flows to households and businesses following financial failure of one or a group of large financial institutions. Such severe restrictions in credit to households and businesses would pose a significant threat to economic growth and day-to-day life on Main Street.

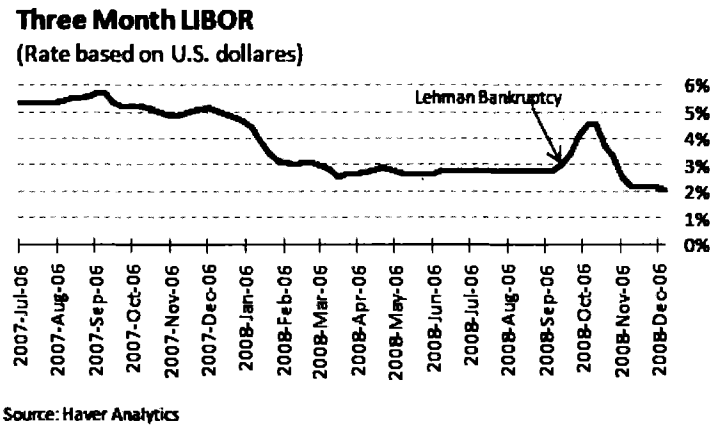
Included among alternative indicators of stresses in financial markets are:

- **Treasury-Bill Yield:** Yields on short-term Treasury securities fell precipitously following the collapse of Lehman Brothers in Mid-September, and have remained low, in a flight to quality.



- **LIBOR (London Interbank Fixing Rate):** LIBOR is a measure of the rate at which banks borrow and lend among each other. LIBOR is also the basis for some financial contracts, including home mortgages and student loans. A LIBOR rate reflects many considerations on the part of both the borrowing bank and lending bank. Increases in a LIBOR rate can reflect increasing concerns on the part of banks about the creditworthiness of other counterparty banks with which the lending would occur. Roughly speaking, higher LIBOR rates can signal that banks are less willing to lend money to one another. Following the collapse of Lehman Broth-

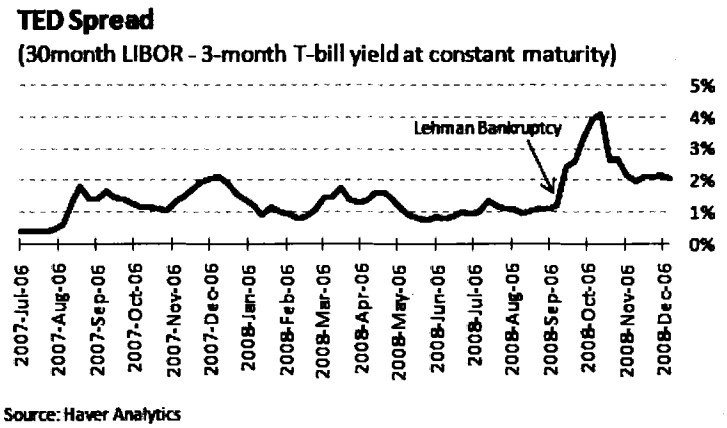
ers, LIBOR rates spiked up precipitously, but have since retreated following aggressive actions by central banks and fiscal authorities around the globe.



- **TED Spread:** The so-called "TED spread" is the difference between the 3-month LIBOR and the yield on a 3-month Treasury bill. The TED spread is a measure of liquidity and is an indicator of the degree to which banks are willing to lend to one another. It is also an indicator of perceptions of credit risks facing commercial banks. Treasury bills are considered virtually risk free, while LIBOR reflects credit risks associated with one bank lending to another bank—the so-called "counterparty risk." As the TED spread goes up (because the 3-month LIBOR has risen or the 3-month T-bill yield has fallen, for example), there is an indication that banks perceive an increase in counterparty risk and/or investors have a stronger preference for safe investments. Roughly speaking, a higher TED spread indicates higher anxiety among lenders and creditors.

  The TED spread spiked up significantly following the Lehman Brothers collapse and, given a number of interventions in financial markets by the Fed, Treasury, and monetary and fiscal authorities abroad, has only recently been showing signs that banks' perceptions of counterparty risks are abating. The TED spread averaged around 25 basis points between 2002 and 2006 (a basis point is a hundredth of a percent). By contrast, the spread spiked to over 400 basis points (4%) following Lehman's collapse, but has since re-

treated given aggressive actions by central bankers and fiscal authorities around the globe.



- **Commercial Paper:** How do stresses in credit markets, judged by Treasury yields or inter-bank lending rates, relate to Main Street? One answer is that businesses, large and small, increasingly find it hard, expensive, or even impossible to obtain credit that they need to continue operations (producing, making payrolls, and buying inputs) as bank lending freezes up.

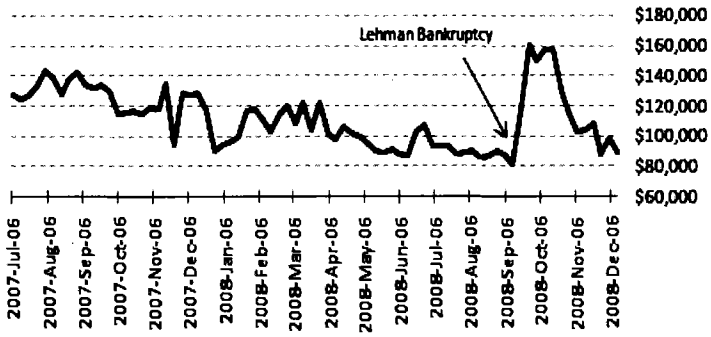
  Many businesses rely on something called Commercial Paper to fund their ongoing operations—it is normally an efficient, low-cost way of funding operations. Commercial paper is an often unsecured promissory note with a fixed maturity of one to 270 days. Commercial paper markets have been under stress recently. The supply of funds to the commercial paper market dried up following the collapse of Lehman Brothers as the normal suppliers, such as money market investors, withdrew in order to hoard cash to meet their own possible depositor withdrawals and funding needs.

  For many weeks following the collapse of Lehman Brothers commercial paper lending that did take place had increasingly been at higher rates and at shorter maturities as lenders feared being locked into commitments for long periods. Indeed, the Federal Reserve at one point was temporarily unable to calculate interest rates on some non-financial commercial paper issued by AA-rated companies (companies having nothing directly to do with Wall Street or bad mortgage debt) because of lack of trading activity. For a time, funding had all but dried up in many segments of the commercial paper market, as investors funded only very short-term notes of one to a few days, but were very reluctant to fund notes lasting

much longer than a few days. That forced many who typically fund their operations through commercial paper to fund on a rolling short-term basis and to tap existing lines of credit, often at higher rates than would typically be paid in commercial paper markets.

Following the collapse of Lehman Brothers, issuance of very short term commercial paper spiked up, as longer term commercial-paper financing was less available and, when available, was much more costly to obtain. Following aggressive actions by central bankers and fiscal authorities around the globe, commercial paper market lending has been thawing—with increasing amounts of lending at relatively longer terms and lower rates than prevailed immediately after Lehman's collapse.

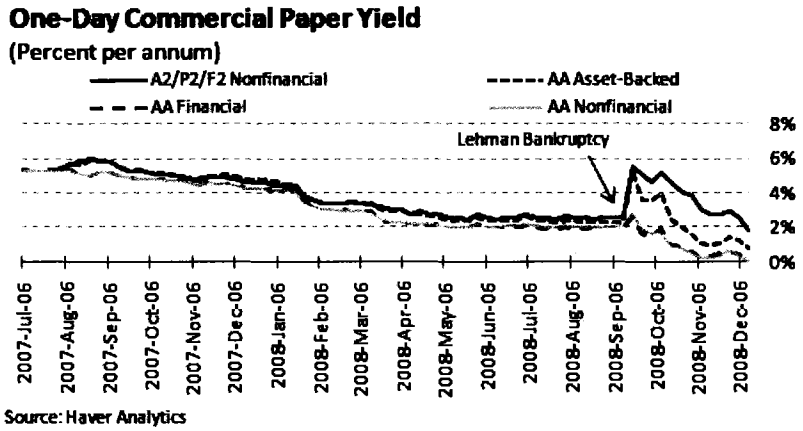
One-Four Day Commercial Paper Issuance
(Millions of dollars)

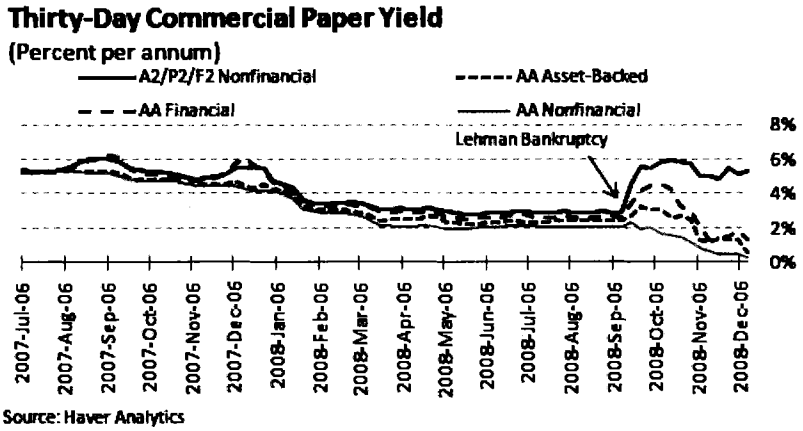


Source: Haver Analytics

As the figures below show, costs of commercial paper funding (i.e., the yield required by lenders) shot up for financial paper and asset-backed paper following the collapse of Lehman Brothers, both for short-term and relatively longer-term paper. In addition, spreads between lower rated issuing firms (A2/P2/F2) and safer (AA rated) issuing firms and between AA asset-backed paper and paper not backed by assets increased, reflecting heightened risk aversion and uncertainty about counterparty risk and asset quality.

Following aggressive actions by central banks and fiscal authorities around the globe, most commercial paper yields have been declining.



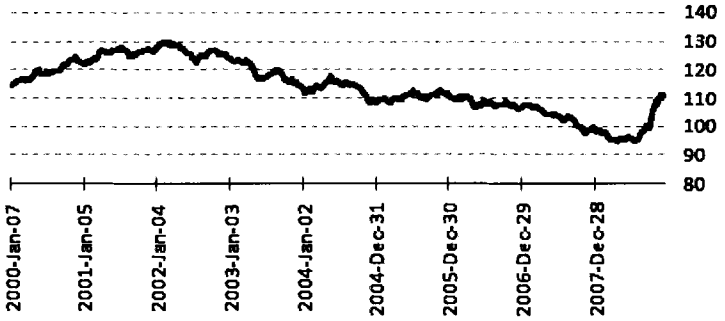


The indicators of credit market stress above all paint a similar picture: financial markets, already under considerable stress, became very stressed and turbulent following the collapse of Lehman Brothers; the post-Lehman-collapse stresses and turbulence have been subsiding in the aftermath of aggressive actions by central banks and fiscal authorities around the globe; but stresses remain and credit markets have yet to return to more normal functioning.

International Developments

Following a general decline in the foreign-exchange value of the dollar since early in this decade, the trade-weighted value of the dollar has increased since August of this year. The increase partly reflects strengthening of demand for dollar denominated assets, Treasury securities in particular, in a global flight to quality following the demise of investment bank Lehman Brothers in early September of this year.

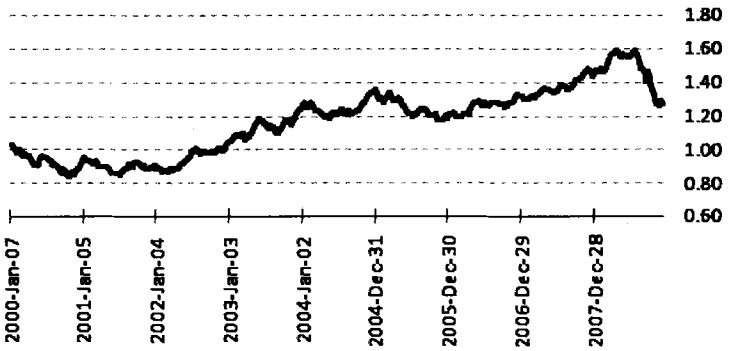
Trade-Weighted Value of the Dollar
(Nominal broad trade-weighted exchange rate, 1/1997=100)



Source: Federal Reserve

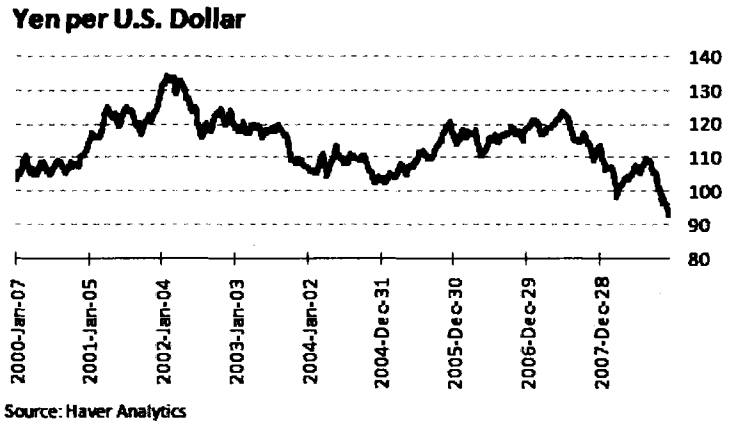
Vis-à-vis the euro, the dollar has generally risen since early September following a trend decline that lasted from 2002 until roughly September of this year.

U.S. Dollars per Euro



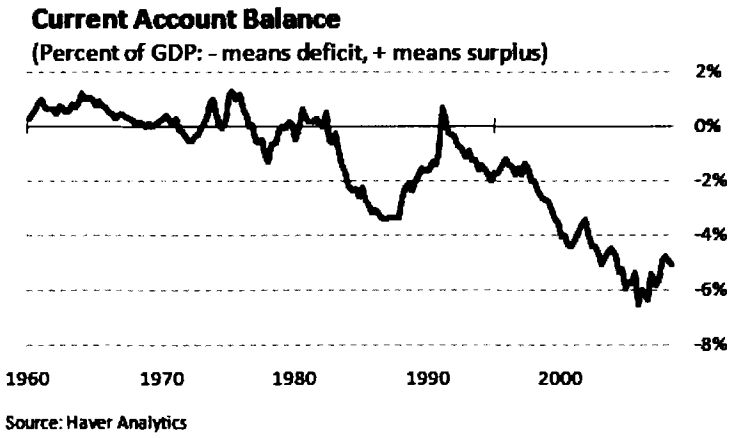
Source: Haver Analytics

Vis-à-vis the yen, the dollar has recently depreciated.



A declining dollar makes imports more costly and less competitive in U.S. markets and makes U.S. exports more competitive in world markets. As we have seen, robust recent growth in U.S. exports helps fuel overall GDP growth and has been a fortuitous benefit associated with free trade, coming at a time when the housing market has served as a drag on GDP growth.

By contrast, an increasing value of the dollar makes imports less costly and U.S. exports less competitive in world markets. Increases in the value of the dollar, combined with expected continued weakness in economies abroad, threaten to attenuate some of the fortuitous recent developments in U.S export and import behavior. Many believe that in the longer-term, further depreciation of the dollar may arise against currencies of many of our trading partners. That belief stems from the fact that, despite recent improvements in our Nation's current account deficit, the U.S. current account deficit remains large at over 5% relative to GDP. (The current account is a broad measure of wealth flows between countries, with a large part accounted for by the balance of trade in the U.S.).



The current account deficit means that U.S. savings are not sufficient to fund U.S. investment; on the other hand, it also reflects the fact that investors abroad continue to view the U.S. as a particularly attractive place to invest.

The Federal Budget

The Federal government recorded an estimated total budget deficit of $455 billion in fiscal year 2008, or around 3.2% of GDP. Total receipts were around 17.8% of GDP, while total outlays were around 21% of GDP, according to the U.S. Treasury's September 2008 Monthly Treasury Statement. The deficit represented an increase from the $162 deficit in fiscal year 2007.

The deficit for fiscal year 2009 is expected by many to exceed $1 *trillion.* In the first two months of fiscal year 2009, the deficit already cumulates to $402 billion.

There are needs to address short term challenges associated with the ongoing housing correction, general economic recession, and stresses in labor markets. Many of those needs have required and may continue to require that the Federal government engage in aggressive deficit-financed actions to stabilize financial markets, strengthen financial institutions, and push against recessionary headwinds.

There is also, however, also a need to keep in mind fiscal responsibility and to work to reform unsustainable promises embedded in our major entitlement programs—most notably Medicare and Social Security.

The serious and major threat to stability in longer-term government finances comes from the projected runaway growth in mandatory spending, including Social Security, Medicare, and Medicaid. The rel-

atively certain demographic outlook involves large-scale retirement of the "baby boom" generation, meaning fewer workers per beneficiary in Social Security. Currently, around 3.25 workers contribute to the Social Security system per beneficiary. The number of beneficiaries by 2030 will have doubled and the ratio of workers to beneficiaries will have fallen to around 2.00. At the same time, Medicare spending per beneficiary is expected to rise with increases in the costs of medical care.

The Nation faces important questions as it examines whether promises imbedded in the Social Security system, Medicare, and Medicaid are sustainable, given budget and social priorities. Many fear that these systems have committed more resources to the baby boom generation than they can realistically deliver without imposing massive burdens on younger generations. If those commitments are untenable, then making changes to the promises should come sooner rather than later, giving people as much time as possible to adjust their work, savings, and retirement plans.

Stimulus Spending by Government: An Option for Policy?

Fiscal policy governs taxes and government spending. Fiscal stimulus refers to stimulation of aggregate demand, and potentially also supply, using deficit-financed increases in government spending and/or reductions in taxes.

Aggregate demand consists of demand for goods and services from consumers, from business in the form of investment demand for things like machines, from government, and from the net of exports sold abroad over imports purchased from abroad. If government spending increases, with all else held constant, aggregate demand for output in the economy will increase. If taxes are cut, with all else held constant, after-tax incomes will rise, which will tend to stimulate aggregate demand from those receiving the tax cuts.

Fiscal stimulus differs from other countercyclical fiscal policies called automatic stabilizers. Elements of tax policy that automatically provide fiscal stimulus if economic growth falls or if employment and output decline are what are referred to by the term automatic stabilizers. When economic activity and aggregate demand weaken, these stabilizers exert forces into the economy that tend to dampen the weakening, to stabilize demand and output.

Typical examples of automatic stabilizers are Unemployment Insurance and Food Stamp outlays from the government, which automatically tend to rise when employment and economic activity falls. When the economy slips into a recession, for example, unemployment rises.

This leads to increases in the number of people receiving Unemployment Insurance compensation and, consequently, increases in outlays from Unemployment Insurance programs.

Current discussions of fiscal stimulus are focused on deficit-financed temporary tax cuts and/or additional government spending that can, in principle, serve to temporarily boost aggregate demand *as additions to* the automatic stabilizers already in place. The intent is to further offset weakness in demand in or before a recession. Fiscal stimulus actions correspond to traditional Keynesian-style "demand management" policies designed to fine tune the economy so that it does not stray into recession or experience a deep recession. The extent to which such fine tuning exercises can be effective or have been effective in the past is a very controversial issue in macroeconomic research, and hard answers have not been established.

Financing Fiscal Stimulus: One question surrounding fiscal stimulus is whether stimulus spending by government should be paid for now or later. For a temporary stimulus to have the greatest chance of success in stimulating aggregate demand, it should be deficit financed in the very short term. If, to pay contemporaneously for fiscal stimulus, some taxes are raised or some government spending is cut, those actions will work against the intent of providing fiscal stimulus to boost aggregate demand. However, deficit financing of temporary fiscal stimulus adds to the government's deficit which requires, for long-run budget balance, some offsetting spending cuts or tax increases in the future.

While contemporaneous deficit financing of fiscal stimulus runs counter to a strict notion of pay-as-you-go (PAYGO) budgeting, some have argued that existing informal PAYGO "rules" allow for violation of the PAYGO principle in emergency events, with the possibility of a recession evidently qualifying as an emergency. Others argue that informal PAYGO "rules" allow for a temporary deficit that would arise from short-term fiscal stimulus if any addition to the overall deficit is resolved within a five year window using spending cuts or tax hikes within that window.

If stimulus spending is adopted, it would be highly beneficial for Congress to map out an explicit plan for how to pay for the spending in later periods. Such an explicit mapping could help assure financial markets on the fiscal outlook for the future, especially since the Nation faces further major challenges ahead on the fiscal front from promised spending in the unsustainable promises embedded in mandatory spending—especially Social Security and Medicare.

What Should the Size of a Fiscal Stimulus Package Be? There is no correct answer. A better question might be: What magnitude of government spending and/or tax cuts would provide a significant boost to aggregate demand measured, say, by the size of the stimulus package relative to the size of the overall U.S. economy?

Stimulus packages under current debate cover a wide range of anywhere between $300 billion and $1 *trillion*. The annualized dollar value of the Nation's total output of goods and services, GDP, in the 3rd quarter (the latest period of data availability) was $14.4 trillion. To simplify matters, suppose that the entire amount devoted to fiscal stimulus was comprised of additional government outlays. Additional government outlays of $300 billion and $1 trillion represent, respectively, roughly 2% and 7% GDP.

How much additional GDP would a fiscal stimulus package of $300 billion or $1 trillion generate? According to a report by the Congressional Budget Office (CBO) in January 200: "Estimates using econometric models suggest that an assumption that a dollar's worth of stimulus at a time of economic weakness produces roughly a dollar's worth of additional economic activity is about the right order of magnitude."[4] Keep in mind, however, that it is unlikely that the full impact of a fiscal stimulus package on GDP would occur within a quarter or two. To the extent that aggregate demand increases because of stimulus, the increases will likely be spread out over a longer period. This would be especially true for spending on long-term infrastructure projects, many of which are spread out, in terms of construction and spending, over years even if initiated immediately, because of long time lags to project completion.

What Stimulus Options are Available? In general, fiscal stimulus measures include those directed at:

- ***Households***—tax cuts (or "rebates"), or increases in transfer payments from the government (e.g., Food Stamps or Unemployment Insurance benefits).
- ***Businesses***—tax cuts designed to stimulate business investment spending or cuts in corporate income taxes.
- ***Government***—government purchases of goods and services (e.g., infrastructure spending) or increases in Federal transfers to state and local governments.

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[4] See "Options for Responding to Short-Term Economic Weakness," January 2008, CBO, available at http://www.cbo.gov/ftpdocs/89xx/doc8916/01-15-Econ_Stimulus.pdf

What about making tax cuts permanent? Extending the pro-growth tax relief that began in 2001 and continued in 2003 is highly desirable, especially if matched with policies in the future to rein in health care costs and to stem the growth of government spending through reform of the system of unsustainable promises contained in the Nation's entitlement programs.

A channel through which extending tax relief today can lead to increased economic activity today is an expectations channel. To the extent that households and businesses currently believe that taxes will be raised in the future, current spending will tend to be dampened because households and businesses are forward looking—they take into account not only current tax rates in deciding current actions, but also what they expect their taxes to be in the future.

If extension of tax relief today causes people to change their expectations from higher taxes in the future to no tax increases or lower taxes in the future and this leads them to perceive that their lifetime wealth is higher, then current spending will rise. Expectations about the Nation's long-run fiscal picture is also important as is, potentially, resolution of uncertainty today concerning what tax rates are likely to be in the future.

Will Keynesian Style Fiscal Stimulus Measures Work? There is no agreement among economists, and no strong empirical evidence, to suggest that a short-term fiscal stimulus program is at all effective in stimulating aggregate demand to a degree necessary to pull the economy out of a recession or significantly cushion the impact of recession on the economy. Proponents of short-term stimulus rely often on theoretical possibilities that have not received overwhelming support from empirical evidence.

Much discussion has recently been placed on infrastructure spending. Infrastructure spending is likely not to be a very effective way to stimulate the economy in the near term. Even if there are "projects on the shelf" that can be started the day after legislation is enacted (i.e., are "shovel ready"), spend-outs on infrastructure projects often take many years. Thus, it is not very effective, in terms of immediate bang for the buck, to spend on infrastructure projects. Indeed, according to the January CBO report:

> "Practically speaking, however, public works [a.k.a. infrastructure] involve long start-up lags. Large-scale construction projects of any type require years of planning and preparation. Even those that are 'on the shelf' generally cannot be undertaken quickly enough to provide timely stimulus to the economy.

> For major infrastructure projects supported by the Federal government, such as highway construction and activities of the Army Corps of Engineers, initial outlays usually total less than 25 percent of the funding provided in a given year. For large projects, the initial rate of spending can be significantly lower than 25 percent."
>
> "Some of the candidates for public works, such as grant-funded initiatives to develop alternative energy sources, are totally impractical for countercyclical policy, regardless of whatever other merits they may have. In general, many if not most of these projects could end up making the economic situation worse because they would stimulate the economy at the time that expansion was already well underway."

Shovel ready does not mean productive and efficient. Long-term investments into the economy can be productive, but planning and ranking according to costs and benefits is essential. Planning and ranking is unlikely to be done effectively enough to ensure productive infrastructure investment in an environment of demands for quick stimulus spending. The Federal government has a poor track record of throwing money at problems without sufficient planning and oversight.

THE OUTLOOK

The economy is in a recession, and many expect this recession to be especially deep and prolonged. While there are signs of some thawing in credit market flows that have been frozen, especially since the demise of investment bank Lehman Brothers in early September, financial markets remain stressed. Job losses continue and incoming data suggest that spending, productions, and a variety of economic activities have receded significantly. Moreover, recessionary forces and financial market stresses are global.

Looking forward, most forecasters see declines in the economy, in terms of overall GDP, through the first half of next year. Positive, but below trend, growth is expected to resume in the second half of next year with a return to trend-like rates of growth of around 3% beginning sometime in 2010.

Of course, risks and uncertainties remain, many of which are unusually severe. The extent to which the housing market correction is behind us or has a way to go remains uncertain. Uncertainties and turbulence in global and U.S financial markets continue. Effects of the global spread of recession may yet to have been fully realized. There also remains a risk of the U.S. economy, and perhaps others, falling into a deflation, with forces that adversely consumed the Japanese economy for over a

decade and likely contributed to Japan's "lost decade" of no growth. And there are uncertainties concerning effects of near-term budget pressures associated with financial and economic recovery actions and pressures on top of that from the demographic tidal wave of baby-boomer retirees in conjunction with existing entitlement promises.

Despite our Nation's challenges, we maintain our confidence in our free market system, our devotion to free and fair trade with our global trading partners, and the economy's ability to expand and provide improved job opportunities for all Americans. We must work to insure that fiscal and regulatory burdens are not expanded to hinder economic growth and job creation and we must continue to fight protectionism against our trading partners that would prevent Americans from benefiting from the gains of free and fair trade.

We are eager to continue discussions of possible Congressional measures to help boost economic activity and ease financial market pressures and results of those pressures on American families. Continuing and expanding tax relief for individuals, families, producers, elderly Americans, retirees, and homeowners are very worthy of considerations.

We are concerned, however, with rhetoric from the other side of the aisle suggesting that the current economic and financial difficulties facing American families, the overall economy, and financial markets are a welcome call for reckless, undisciplined, and massive expenditures on special-interest projects.

We are concerned that some of our Democrat colleagues view the current situation as an invitation to abandon all fiscal discipline, open the spigots of big-government spending, and create vast new government programs.

We are concerned that some on the other side of the aisle may choose to use calls for a regulatory overhaul of financial markets as a welcome mat for imposing overly onerous regulations that end up stifling growth and hurting American pursuits.

We are also concerned that some of our Democratic colleagues will attempt, under the guise of economic stimulus and recovery and energy conservation, to effectively engage in industrial engineering policies which attempt to pick winning and losing industries and technologies. Governments have a very poor record, at best, in picking winners and losers in industry and technologies.

It is best to harness the industry of American workers and entrepreneurs, within the confines of a set of rules of the road which ensure transparency and fairness, by allowing them the economic freedom to

prosper and hold on to the hard-earned incomes, wages, dividends, and gains that ultimately flow from their hard work and industry.

In light of renewed recent uncertainties and heightened risk aversion in financial markets, expectations of a deepening recession, and stresses placed on American families facing difficulties with their mortgages, one thing seems perfectly evident: Now is not the time to raise taxes on any American families or businesses. Now is an opportune time to guide expectations of taxpayers of a continuation and expansion of pro-growth tax policies that reward American families, entrepreneurs, workers, producers, and employers by allowing them to keep their hard-earned rewards to work effort, rather than surrendering those rewards in taxes to expanded government activities guided by special interests.

Representative Jim Saxton
Ranking Republican

Senator Sam Brownback
Ranking Republican Senator

MINORITY STAFF REPORTS

GOVERNMENT POLICY BLUNDERS LARGELY CAUSED THE GLOBAL FINANCIAL CRISIS

Macroeconomic and microeconomic policy blunders by both the U.S. government and foreign governments inflated an unsustainable housing bubble in the United States and other developed economies. When this bubble inevitably popped, a global financial crisis ensued. Although misaligned private incentives, methodological errors in rating structured credit products, and the recklessness of some private financial institutions and investors did play a contributory role in the recent financial turmoil, individuals and firms could not have created and sustained such a large housing bubble over so long a time without major macroeconomic and microeconomic policy mistakes. These policy mistakes were:

1. The exchange rate policy of the People's Republic of China (PRC) and the shadow exchange rate policies of governments in other Asian economies caused large and persistent international trade imbalances, suppressed price increases on tradable goods and services, and channeled monetary inflation in the United States and other developed countries with floating exchange rates disproportionately into housing prices;

2. The Federal Reserve pursued, at least in retrospect, an overly accommodative monetary policy after 2000 that kept U.S. interest rates too low for too long. Moreover, central banks in the PRC and other Asian economies invested most of their surging foreign exchange reserves in U.S. Treasury, Fannie Mae, and Freddie Mac debt securities, flatting the long-end of the yield curve in the United States. These policies combined to produce extremely low long-term interest rates that stimulated housing demand.

3. Financial regulators in the United States and other developed economies failed to exercise adequate prudential supervision over highly leveraged non-depository financial institutions in the alternative financial system;

4. Regulations mandating the use of value-at-risk models to determine the capital adequacy of financial institutions (1) caused both these institutions and their regulators to underestimate risk exposure, and (2) encouraged these institutions to increase their leverage;

5. Regulations mandating the use of "fair value" accounting (also known as "mark-to-market" accounting) for illiquid financial assets exacerbated liquidity problems at financial institutions after the housing bubble burst.

6. The strengthening of affordable housing regulations governing Fannie Mae and Freddie Mac in October 2000 had the unintended consequence of creating a large regulatory-induced demand for subprime residential mortgage loans that mortgage banks proceeded to satisfy.[1]

Macroeconomic Policy Factors. During the last decade, the governments of the world's major economies have pursued two different exchange rate policies: freely floating exchange rates and pegged exchange rates. In the "floating zone," the United States along with Australia, Canada, the European Union member-states using the euro, and the United Kingdom allowed market forces to determine the foreign exchange value of their currencies. In the "pegging zone," the People's Republic of China (PRC), Indonesia, India, Japan, South Korea, Malaysia, Taiwan, and Thailand intervened heavily in the foreign exchange market by buying dollars and selling their currencies to maintain politically determined, below market exchange rates pegged to the U.S. dollar to give their manufactured exports a price advantage in American and European markets.

Pegged exchange rates produced persistent distortions in relative prices around the world. Over time, these price distortions exacerbated imbalances in the global economy, especially large, persistent current account surpluses in the PRC and large, persistent current account deficits in United States.

Consequently, the governments of these Asian economies added $2.7 trillion to their foreign exchange reserves between December 31, 2000 and December 31, 2007. About 70 percent of this increase in foreign exchange reserves was invested in the United States, mostly in U.S. Treasury debt securities and U.S. Agency debt securities (e.g., Fannie Mae and Freddie Mac).

The exchange rate-induced price distortions influenced macroeconomic policy decision-making around the world. In the United States and other economies in the floating zone, central banks pursued, at least in retrospect, overly accommodative monetary policies that expanded the availability of credit at low interest rates. In turn, these pol-

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[1] For more detailed analyses, see: Robert P. O'Quinn, *Chinese FX Interventions Caused International Imbalances, Contributed to the U.S. Housing Bubble*, Prepared for the Joint Economic Committee (110th Cong., 2nd sess., March 2008); Robert P. O'Quinn, *The U.S. Housing Bubble and the Global Financial Crisis: Housing and Housing-Related Finance*, Prepared for the Joint Economic (110th Cong., 2nd sess., May 2008); and Robert P. O'Quinn, *The U.S. Housing Bubble and the Global Financial Crisis: Vulnerabilities of the Alternative Financial System,* Prepared for the Joint Economic Committee (110th Cong., 2nd sess., June 2008).

icies inflated unsustainable housing price bubbles. In the PRC and some other economies in the pegging zone, macroeconomic policy errors caused price inflation in goods and services to surge.

After these housing bubbles popped, massive overinvestment (i.e., the accumulation of assets in excess of the demand for these assets) and malinvestment (i.e., the accumulation of the wrong types of assets) was revealed in the housing sectors of the United States and most of the other major economies in the floating zone. This triggered a global financial crisis that began on August 9, 2007.

Specifically:

1. Low-cost imports, especially labor-intensive manufactured goods from the pegging zone, intensified competition for tradable goods in the United States and other economies in the floating zone. Because of this competition, various indices used to measure changes in the prices of goods and services registered very low inflation rates in the United States and other economies in the floating zone.

2. Low reported inflation rates persuaded officials at the Federal Reserve and other central banks to pursue relatively accommodative monetary policies throughout most of the last decade.

3. Because asset prices are generally excluded from inflation indices, higher housing prices did not increase reported inflation rates and did not trigger more restrictive monetary policies in the United States or other economies in the floating zone.

4. At least in retrospect, the Federal Reserve and other central banks in the floating zone pursued overly accommodate monetary policies during most of the last decade. This fed a rapid expansion of credit relative to GDP. In the United States, total credit outstanding (including total debt securities outstanding in U.S. credit markets and total loans and leases outstanding at U.S. depository institutions) grew from $17.1 trillion (equal to 205.8 percent of GDP) on December 31, 1997 to $38.3 trillion (equal to 276.8 percent of GDP) on December 31, 2007.

5. Central banks in the pegging zone invested a large portion of their accumulation of foreign exchange reserves in medium- and long-term U.S. Treasury debt securities and U.S. Agency debt securities. These investment decisions flattened the yield curve in the United States, pushing medium- and long-term U.S. interest rates below what they would have otherwise been. Of course, the housing sector is especially sensitive to changes in long-term interest rates.

Microeconomic Policy Factors. During the last three decades, an alternative financial system has developed to the traditional bank-

centric financial system. This alternative system is based on (1) the securitization of loans, leases, and receivables into structured credit products (e.g., residential mortgage-backed securities), and (2) the purchase of these structured credit products by highly leveraged non-depository financial institutions (e.g., investment banks, financial government-sponsored enterprises including Fannie Mae and Freddie Mac, hedge funds, and off-balance sheet entities).

Highly leveraged non-depository financial institutions now perform the same economically vital, but inherently risky functions of (1) intermediation[2] and (2) liquidity and maturity transformation[3] that banks, savings institutions, and credit unions have historically performed. In the United States at the end of 2007, highly leveraged non-depository financial institutions held $12.7 trillion of financial assets compared with $13.5 trillion of financial assets in depository institutions.

However, this alternative system, which developed largely outside of the regulatory and supervisory structure that has been necessary to contain financial contagion, proved vulnerable to a modern version of 19th century bank runs. Instead of depositors "running" to banks to withdraw their deposits, unleveraged financial institutions such as money market mutual funds that lose confidence in highly leveraged non-depository financial institutions (e.g., Bear Stearns) refuse to rollover their overnight repurchase agreements while banks curtail their secured lines of credit, forcing such troubled institutions to either declare bankruptcy or seek government assistance in a matter of hours.

Unintended Consequences from Financial Regulations. Federal regulatory policies that addressed legitimate problems (i.e., inconsistent capital regulations for multinational banks, and inadequate accounting standards that allowed Enron to conceal its true financial condition before its collapse in 2001) had the unintended consequences of encouraging excessive leverage and risk-taking especially among these highly leveraged non-depository financial institutions. In particular, two policies encouraged financial institutions to behave pro-cyclically:

1. Promoting the use of value-at-risk models to determine the risk exposure in financial institutions without sufficient consideration of the inherent limitations in these models, especially the lack of sufficient historical data to draw statistically valid conclusions

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[2] Intermediation refers the economic function of channeling funds from savers to borrowers.

[3] Liquidity and maturity transformation refers to the economic function of turning illiquid financial assets such as term loans to households and firms into liquid financial assets such as deposits payable on demand or marketable securities.

about (a) the credit performance of new products, and (b) institutional liquidity under rare episodes of financial stress; and

2. Requiring financial institutions to use fair value (also known as mark-to-market) accounting for illiquid financial assets that such institutions intend to hold.

Reliance on value-at-risk models caused both financial institutions and their regulators to underestimate the risk exposure at these institutions. This underestimation encouraged aggressive lending and underwriting practices at financial institutions during upswings.

Small changes in the price factors that econometric models use to estimate the fair value of illiquid financial assets can cause large drops in the recorded value of these assets during downturns, forcing financial institutions to take large write-downs. These write-downs can trigger "fire sales," in which financial institutions rush to sell similar financial assets at any price, possibly reducing the value of these assets well below what they actually fetch during orderly sales. Widespread illiquidity may force financial institutions to contract the availability of credit and increase its cost.

Unintended Consequences from Housing Policies Promoting Home Ownership. The shift from FHA-insured mortgage loans to subprime mortgage loans among low income households in the United States and the widespread issuance of subprime mortgage-backed securities by investment banks during the first half of this decade is, in large part, the unintended consequence of well-meaning, but poorly conceived federal policies to increase the home ownership rate among low income households. On October 31, 2000, the U.S. Secretary of Housing and Urban Development issued affordable housing regulations for Fannie Mae and Freddie Mac during the years 2001 to 2004. These regulations significantly increased the goals at Fannie Mae and Freddie Mac for purchasing residential mortgage loans to low income households. To meet these goals, Fannie Mae and Freddie Mac stepped-up their purchases of privately issued AAA-rated tranches of subprime mortgage-backed securities beginning in 2001. Responding to this regulatory-induced demand, mortgage banks greatly increased their extension of subprime mortgage loans, while investment banks placed these loans into subprime mortgage-backed securities.

Misaligned Private Incentives. Misaligned private incentives encouraged excessive risk-taking in financial institutions:

1. Unlike the originators of other loans, leases, or receivables, the originators of residential mortgage loans were not required to retain an equity interest, known as "skin in the game," in (a) the loans which were sold or (b) the mortgage-backed securities into which these loans were placed. Thus, originators such as mortgage

banks had no incentive to apply sound credit standards when underwriting residential mortgage loans.

2. The "issuer pays" business model of credit rating agencies made them financially dependent upon a few investment banks whose structured credit products the agencies were assessing. These agencies pressed their analysts to give favorable ratings to maintain or increase market share with these banks.

3. Banks had "up-front" incentive compensation packages for investment bankers that did not adjust their compensation for the long-term profitability of their deals for the banks or their customers.

Methodological Errors. Credit rating agencies employed flawed methodologies to evaluate structured credit products. These methodologies did not fully account for the likely correlation of delinquency and default rates for similar loans, leases, and receivables that constitute the collateral in structured credit products. This error caused credit rating agencies to give higher ratings to many structured credit products than they deserved.

Conclusion. Macroeconomic policy errors both here and abroad combined with regulatory policy deficiencies and misaligned private incentives to inflate unsustainable bubbles in housing prices in the United States and most of the other major economies in the floating zone. After these bubbles popped, the alternative financial system proved vulnerable to a modern version of 19th century bank runs. This sparked a global financial crisis that is ongoing.

DANGERS FROM THE POLITICAL ALLOCATION OF CAPITAL

In many ways some of the ideas of [Friedich] Hayek and [Milton] Friedman about how markets best provide incentives, and best provide information, and best collect information may in a sense be even more true today, because of the changes that information technology is bringing, than they were at the time when they were propounded. If you think about it, it cannot be an accident that it is the same 15-year period when communism fell, when command-and-control corporations like General Motors and IBM had to be drastically restructured, when planning ministries throughout the developing world were closed down, and when the Japanese model of industrial policy proved to be a complete failure. There is something about this epoch in history that really puts a pre-

mium on incentives, on decentralization, on allowing small economic energy to bubble up rather than a more top-down, more directed approach, that may have been a more fruitful approach in earlier years [1]

Lawrence J Summers

71st Secretary of the Treasury and Advisor to President-Elect Barack Obama

Since the financial crisis began in August 2007, the federal government has become increasingly involved with U.S. banks and other financial institutions and U.S. financial markets. The Federal Reserve has greatly expanded the size, duration, and scope of its credit facilities (see Appendix). The Department of the Treasury has agreed to (1) inject up to $100 billion of taxpayer funds into Fannie Mae and another $100 billion into Freddie Mac, (2) purchase up to $250 billion of preferred shares in banks, and (3) purchase $40 billion of preferred shares in American International Group (AIG). Now, Chrysler, Ford, and General Motors along with the United Auto Workers (UAW) union are seeking emergency financing to help these automakers to avoid reorganizations under Chapter 11 of the federal bankruptcy code.

Although central governments play a large role in allocating capital in many Asian and European economies (1) through government-owned banks, government pension funds, and other government-owned financial institutions, or (2) through industrial policies that direct credit to and encourage investment in favored firms, industries, regions, or groups, a historical strength of the U.S. economy has been the relatively small role that the federal government has played in allocating credit and making investment decisions. The limited number and scope of government-owned financial institutions and the absence of an industrial policy in the United States has allowed private investors, private banks, and other private financial institutions to allocate credit and make investment decisions based on economic criteria without undue political interference. Subject only to general laws and regulations, private investors, banks, and other financial institutions may seek the highest returns consistent with their risk tolerance.

While recent federal interventions were designed to encourage banks and other financial institutions to replace government capital

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[1] Interview with Lawrence Summers, *Commanding Heights on PBS* (conducted on April 24, 2001). Found at: http://www.pbs.org/wgbh/commandingheights/shared/minitextlo/int_lawrencesummers.html#1.

with private capital after market conditions improve, policymakers may nevertheless be tempted to use the leverage arising out of these federal interventions to affect credit and investment decisions. This raised an important question – how would the political allocation of capital affect the performance of the U.S. economy?

The political allocation of capital misdirects investment based on political criteria. Product innovation and process improvement in firms suffer. Over time, diminishing productivity gains slow real income growth and reduce real GDP well below its potential. Economists attribute the deterioration of economic performance under the political allocation of capital to several factors:

- Inability of policymakers or bureaucrats to incorporate all of the widely diffused and rapidly changing knowledge conveyed by prices into allocating credit and making investment decisions;
- Both legal and practical restraints on political decision-making in a constitutional republic that:
    - Reduce responsiveness to changing conditions and prospects, and
    - Produce biases
        - Against entrepreneurship and innovation, and
        - For existing constituencies;
- Division of firm resources away from managing the business toward lobbying policymakers and influencing the bureaucracy; and
- Potential for corruption.

Information problems. The knowledge necessary to allocate capital efficiently is widely diffused throughout the global economy and costly to obtain. It is impossible for any one person or organization to acquire and to update constantly all of the information necessary to allocate capital efficiently in a complex economy.

Prices reflect the collective judgment of global markets on all available information. Under the market allocation of capital, price signals from changes in interest rates and share prices allow households and firms to coordinate their investing and lending activities and rapidly adjust their behavior to reflect changing conditions or prospects.

Under the political allocation of capital, however, policymakers or government bureaucrats substitute their judgment for the collective judgment of global financial markets expressed through prices. Because of the high cost and extreme difficulty in obtaining and constantly updating information, this substitution necessarily ignores some of the information incorporated in market prices. With less than complete information, politically determined credit and investment decisions are less efficient than market-determined credit and investment decisions.

Unresponsiveness. A constitutional republic such as the United States places many restraints both legal and practical upon policymakers and bureaucrats. These restraints necessarily slow the response of policymakers or bureaucrats to changing conditions or prospects.

It takes time for policymakers to perceive funding needs. Congress must enact enabling legislation to allow a political allocation of capital. Normally, federal agencies must then devise implementing regulations before decisions can be made. While laws and regulations can be amended, change is often slow. In contrast, market participants have no such time constraints.

Bias against entrepreneurship and innovation. Extending credit and making investments involves risk. Loans may not be repaid, and the value of equity investments may dwindle. To reward lenders for assuming risk, riskier loans bear higher interest rates. Likewise, riskier equity investments require higher expected rates of return.

Entrepreneurs experience a high rate of failure. While only a small number of new firms grow into large prosperous multinational corporations, the rewards for investors in these few are enormous. Under the market allocation of capital, venture capital firms can provide funds to promising new firms with innovative products or breakthrough technologies because the vast returns from investing in the next Microsoft or Starbucks can offset many failed investments.

Under the political allocation of capital, neither policymakers nor bureaucrats receive large returns from successful investments in new firms. Instead, policymakers and bureaucrats that extend credit to or make investments in new firms that ultimately prove unsuccessful may suffer from press derision and public ridicule. As a result, policymakers and bureaucrats may lose their positions.

The differences in the balance between risk and returns in private firms and in government bias the political allocation of capital against funding entrepreneurship in emerging industries producing new goods and services using innovative technologies, and toward funding existing firms in established industries producing known goods and services

using conventional technologies. Thus, the political allocation of capital discourages entrepreneurship, slows product and process innovation, and retards the development of new technologies.

Bias for constituents. Under the separation of powers system with legislatures whose members are elected by separate constituencies, the public expects individual lawmakers to respond to special needs of their constituents, while the public expects the chief executive to defend general interests. Under the political allocation of capital, the natural tendency of legislative policymakers to serve the special interests of their constituents may cause such policymakers to direct or at least to influence the flow of credit and investment to their constituencies.

Struggling firms that have trouble raising funds in capital markets often seek funding from government. Because of constituency bias, many policymakers may support extending credit or investing funds to struggling firms that employ the constituents of policymakers to avoid layoffs or facility closures.

Layoffs and facility closures are never popular, but such restructuring is often necessary for struggling firms to recover. To secure governmental funding, however, firms may make popular commitments that are often not in the long-term interests of the firm or its shareholders. For example, firms may commit to maintain their current level of employment, to keep inefficient facilities open, or continue to produce unprofitable products.

Resource diversion. The political allocation of capital encourages firms to devote management time and firm resources to lobbying activities to secure funding from policymakers or bureaucrats. At a minimum, this distracts entrepreneurs and firm managers from their business. Firms may redirect resources from product innovation and process improvement toward lobbying activities. As dependence on government funding increases, the diversion of attention and resources may become severe. Such diversions retard product innovations and process improvements. Over time, diminishing productivity gains slow real income growth and reduce real GDP below its potential.

Corruption and crony capitalism. Finally, the political allocation of capital may foster corruption. When policymakers and bureaucrats make credit and investment decisions, entrepreneurs and firm managers may be tempted to bribe policymakers and bureaucrats to secure funding for their firms or to prevent their rivals from securing funding. Both policymakers and bureaucrats may seek to exploit the considerable economic power that they are exercising when they allo-

cate capital. Thus, policymakers and bureaucrats may seek bribes from entrepreneurs and firm managers.

In a number of countries, the political allocation of capital has led to crony capitalism, in which politically connected firms receive favors from the central government in exchange for various types of bribes to policymakers and bureaucrats. Under crony capitalism, politically favored firms are largely immune from competition with less well connected firms. This discourages both domestic entrepreneurship and foreign direct investment. By diminishing the incentive to innovate, productivity gains lag, reducing real GDP growth over time.

Conclusion. While the severity of the financial crisis may justify some of the recent federal interventions, these interventions, if not reversed once the crisis has dissipated, may retard the efficient allocation of capital in the United States and thus diminish its long-term growth prospects. Private firms and households make their credit and investment decisions based on economic criteria. While federal policymakers may incorporate economic criteria, federal policymakers must necessarily incorporate political criteria into their decision-making. This fundamental difference between decision-making in private financial institutions and markets and decision-making in government inevitably fosters certain biases in the political allocation of capital and creates the opportunity for corruption that reduces long-term economic growth.

Appendix: Federal Reserve Actions

On August 17, 2007, the Federal Reserve established the Term Discount Window Facility (TDWF) to allow banks and other depository institutions to borrow at the discount window for a term of up to 90 days instead of overnight.

On December 12, 2007, the Federal Reserve established the Term Auction Facility (TAF) to allow banks and other depository institutions to bid for funds for 28 or 84 days. The size of these auctions has been increased several times.

On March 11, 2008, the Federal Reserve established the Term Securities Lending Facility (TSLF). Through the TSLF, the Federal Reserve lends up to $200 billion of Treasury securities held by the Federal Reserve to primary dealers secured for a term of 28 days (rather than overnight) by a pledge of other securities, including federal agency debt, federal agency residential-mortgage-backed securities (MBS), and non-agency AAA/Aaa-rated private-label residential MBS. On September 14, 2008, the Federal Reserve expanded the eligible collateral for the TSLF to include all investment grade securities.

On March 16, 2008, the Federal Reserve established the Primary Dealer Credit Facility (PDCF) to allow primary dealers to borrow funds overnight. Collateral may include tri-party repurchase agreements (repos) and investment grade securities.

On May 2, 2008, the Federal Reserve established temporary currency swap lines of $50 billion with the European Central Bank and $12 billion with Swiss National Bank. On July 30, 2008, the Federal Reserve increased its temporary currency swap line from $50 billion to $55 billion with the European Central Bank. On September 18, 2008, the Federal Reserve increased its temporary currency swap lines with the European Central Bank from $55 billion to $110 billion and with the Swiss National Bank from $12 billion to $27 billion. The Federal Reserve established new lines with the Bank of Canada ($10 billion), the Bank of England ($40 billion), and the Bank of Japan ($60 billion). On September 24, 2008, the Federal Reserve established temporary currency swap lines with the Reserve Bank of Australia ($10 billion), the Sveriges Riksbank ($15 billion), the Danmarks Nationalbank ($5 billion), and the Norges Bank ($5 billion). On September 29, 2008, the Federal Reserve increased its temporary currency swap with the Bank of Canada from $10 billion to $30 billion, with the Bank of England from $40 billion to $80 billion, and with the Bank of Japan from $60 billion to $120 billion, for the Bank of Japan, with the Danmarks Nationalbank from $5 billion to $15 billion, with Norges Bank from $5 billion to $15 billion, with the Reserve Bank of Australia from $10 billion to $15 billion, and with the Sveriges Riksbank from $15 billion to $30 billion, and with the Swiss National Bank from $27 billion to $60 billion. On October 13 and 14, 2008, the Federal Reserve announced that it had increased its temporary currency swap lines with the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank to whatever is requested. On October 28, 2008, the Federal Reserve announced that it had established a temporary currency swap line with the Reserve Bank of New Zealand ($15 billion). On October 29, 2008, the Federal Reserve announced that it had established temporary currency swap lines with the Banco Central do Brasil ($30 billion), the Banco de Mexico ($30 billion), the Bank of Korea ($30 billion), and the Monetary Authority of Singapore ($30 billion).

On September 19, 2008, the Federal Reserve established the asset-backed commercial paper (ABCP) money market mutual fund facility to lend to banks and other depository institutions on a non-recourse basis to purchase ABCP from money market mutual funds.

On September 21, 2008, the Federal Reserve approved the applications of Goldman Sachs and Morgan Stanley to become bank holding companies.

On October 6, 2008, the Federal Reserve announced that it would begin paying interest on both required and excess reserve balances of banks and other financial institutions held at Federal Reserve Banks.

On October 7, 2008, the Federal Reserve established the commercial paper funding facility (CPFF). Through the CPFF, the Federal Reserve finances the purchase short-term unsecured commercial paper and asset-backed commercial paper that is rated at least A-1/P-1/F1 by a special purpose vehicle (SPV).

On October 21, 2008, the Federal Reserve established Money Market Investor Funding Facility (MMIFF) to finance of up to 90 percent of the purchase of up to $600 billion of U.S. dollar-denominated certificates of deposit, bank notes and commercial paper issued by highly rated financial institutions from money market mutual funds (MMMFs) by a series of private sector special purpose vehicles (PSPVs). The PSPVs will finance the remaining 10 percent of their purchases by issuing asset-backed commercial paper (ABCP).

On November 25, 2008, the Federal Reserve established the Term Asset-Backed Securities Loan Facility (TALF) through which the Federal Reserve will extend up to $200 billion of non-recourse loans to the holders of recently issued AAA-rated asset-backed securities collateralized by student loans, auto loans, credit card loans, and small business loans guaranteed by the Small Business Administration (SBA).

On November 25, 2008, the Federal Reserve announced that it would purchase up to $100 billion of Fannie Mae and Freddie Mac debt securities and up to $600 billion of residential mortgage-backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac.

POLICY LESSONS FROM JAPAN'S LOST DECADE

Japan experienced large asset price bubbles in its stock and commercial real estate markets during the second half of the 1980s. These bubbles peaked in 1989 and 1990, respectively. Subsequently, both Japanese share prices and land values fell, surrendering all of their gains during the bubble years by 1993 and 2000, respectively.

After these bubbles popped, real GDP growth slowed abruptly. However, a series of fiscal and monetary blunders by the Japanese government transformed the inevitable post-bubble recession into a "lost decade" of deflation and stagnation. U.S. policymakers can learn valuable lessons of what to do and not to do by studying these blunders.

Sowing seeds. During the second half of the 1980s, Japan enjoyed both rapid economic growth and low inflation (as recorded in price indices for goods and services). The Japanese yen appreciated from ¥260/US$ in February 1985 to a then all-time high of ¥150/US$ during the summer of 1986. Fearing a loss of price competitiveness for Japanese manufactured exports in the United States, the Japanese government changed the thrust of its economic policy from non-inflationary real GDP growth in Japan to containing the appreciation of the yen relative to the U.S. dollar.

Despite a booming economy, the Bank of Japan loosened its monetary policy to stem the appreciation of the yen by reducing its policy interest rate in steps from 5.0 percent in January 1986, to 2.5 percent in February 1987. This overly accommodative monetary policy fueled unsustainable price bubbles in the Japanese stock and commercial real estate markets.

To prick these bubbles, the Bank of Japan began to tighten its monetary policy, raising its policy interest rate from 2.5 percent in May 1989 in steps to a peak of 6.0 percent in August 1990. This tightening caused these bubbles to pop:

- The Nikkei 225 index, which was 13,000 at the end of 1985, peaked at 38,916 on the last trading day of 1989 and then fell by one-half in 1990. By 1993, all of the gains in share prices since 1985 had been eliminated. The Nikkei 225 index declined to a post-bubble low of 11,820 on March 13, 2001.

- The urban land price index rose by 199 percent from 35.1 in September 1985 to a peak of 105.1 in September 1990. The index then

gradually declined over the next ten years to 34.6 percent in September 2000, eliminating all of the gains in real estate prices since 1985.

The collapse of these bubbles wrecked Japanese banks and other depository institutions:

- Japanese banks and other depository institutions were allowed to invest directly in stocks. The unrealized capital gains on these shares fell from ¥49.1 trillion ($355 billion) in 1989 to ¥5 trillion ($42 billion) in 2001, reducing bank capital.
- Japanese banks and other depository institutions secured almost all of their commercial and industrial loans through commercial real estate mortgages. As commercial real estate values escalated, credit standards deteriorated. Instead of examining whether non-financial firms could service their loans out of their cash flow from operations, Japanese banks and other depository institutions increasingly relied on rapidly escalating collateral values for repayment. Weak credit standards during the bubble years boosted problem loans and credit losses in Japanese banks and other depository institutions during the lost decade.

This weakness in Japanese banks and other depository institutions had especially devastating effects on the non-financial business sector in Japan because Japanese non-financial firms were more dependent on bank loans than their counterparts in the United States and other developed countries during the 1980s:

- Japanese non-financial firms generally had higher debt-to-equity ratios than their U.S. or European counterparts.
- The Japanese corporate debt market was relatively shallow. With less ability to issue commercial paper and corporate bonds, Japanese multinational firms (MNFs) relied more heavily on bank loans to finance investment than U.S. and European MNFs.
- Many Japanese non-financial firms, whose primary operations had nothing to do with real estate development, began speculating on commercial real estate as the bubble inflated. Widespread speculation devastated the balance sheets of these firms after the commercial real estate bubble popped.

Banking crisis. Once these bubbles burst, Japanese banks and other depository institutions were saddled with mountains of non-

performing loans. At first, the Japanese government played for time through a policy of forbearance. Japanese banks and other depository institutions delayed recognizing their losses on non-performing loans to insolvent non-financial firms. Instead, Japanese banks and other depository institutions continued lending to insolvent non-financial firms to keep them from filing for bankruptcy. This lending expanded the size of the non-performing loan problems at Japanese banks and other depository institutions during the first half of the 1990s.

By the middle 1990s, unrealized stock losses, loan charge-offs, and write-downs depleted the capital of many Japanese banks and other depository institutions. The failure of several *jusen* (specialized housing lenders) in 1995 forced the Japanese government to abandon its policy of forbearance.

Instead of forbearance, the Japanese government encouraged Japanese banks and other depository institutions to (1) "stop throwing good money after bad" and (2) charge-off non-performing loans to insolvent non-financial firms. Cumulative loan charge-offs from 1995 to 2003 were ¥37.2 trillion ($318 billion). Despite these loan charge-offs, non-performing loans did not peak until 2002 when they reached ¥43.2 trillion ($330 billion), or 8.4 percent of total loans.

The Japanese government also decided to (1) provide taxpayer funds to aid capital-impaired banks and other depository institutions, and (2) assist stronger banks to acquire failing banks and other depository institutions. Because of widespread public opposition, however, this policy of government assistance and consolidation proceeded in fits and starts. Over the next decade, the Japanese government provided total assistance of ¥46.8 trillion ($399 billion) to Japanese banks and other depository institutions through grants, asset purchases, equity injections, and other means. As of March 31, 2007, ¥22.8 trillion ($195 billion) of this assistance has been recovered.

Although this policy of government assistance and consolidation cost Japanese taxpayers ¥24.0 trillion ($204 billion), it worked. Japan now has a handful of well capitalized banks and other depository that are capable of providing the credit to Japanese households and firms necessary for sustained economic growth.

Lost decade. As the financial condition of Japanese banks and other financial institutions deteriorated, credit for both entrepreneurs and new ventures of existing non-financial firms became scarce. Japanese non-financial firms slashed their research and development expenditures, retarding the diffusion of new technologies. These factors slowed productivity gains and stymied real GDP growth.

In July 1991, the Bank of Japan began to loosen its monetary policy. The Bank of Japan reduced its policy interest rate in steps to 0.5 percent by year-end 1995. As its policy interest rate approached zero, the Bank of Japan engaged in quantitative easing. Nevertheless, the real GDP growth rate stalled, averaging only 0.7 percent from 1992 to 1994, and disinflation morphed into deflation. This accommodative monetary policy failed to spark real GDP growth because:

- Weighed down with non-performing loans, Japanese banks and other depository institutions were unwilling to extend new loans to non-financial firms despite very low funding costs; and
- Japanese non-financial firms wanted to reduce their leverage and repair their balance sheets before borrowing additional funds to expand their operations.

As for fiscal policy, the Japanese government tried to stimulate real GDP growth by increasing infrastructure spending from 6.5 percent of GDP in 1990 to 8.3 percent of GDP in 1996. Instead of boosting real GDP growth, additional infrastructure spending actually hurt the Japanese economy:

- Since the Japanese government had spent far more on infrastructure as a percent of GDP than the United States or other developed countries, Japan had very few unfunded infrastructure projects that would increase productivity.
- In Japan, the choice of infrastructure projects is highly politicized and prior to 2002 was made without any cost-benefit analysis. Japanese politicians have traditionally competed for Diet seats based on their ability to "bring home the bacon" especially to rural constituencies. As a result, Japanese infrastructure projects are notoriously wasteful (e.g., rural roads with little traffic, bridges to islands with few residents, and expensive seldom-used harbor facilities for small fishing villages).
- Japanese construction firms are very inefficient compared with their counterparts in the United States and other developed countries. Infrastructure spending channeled taxpayer funds to one of Japan's least efficient sectors.
- Japanese politicians and political parties are heavily dependent on contributions from Japanese construction firms, while Japanese construction firms are heavily dependent on public infrastructure projects. This co-dependency has caused numerous "pay to play" scandals involving large illegal campaign contributions and payoffs from construction firms to policymakers.

The exposure of these scandals and widespread waste in infrastructure spending by the Japanese media forced the government to reverse its policy in 1997. By 2004, infrastructure spending fell to 4.8 percent of GDP.

When infrastructure spending did not spark a recovery, the Japanese government implemented temporary income tax reductions in 1994. These reductions boosted real GDP growth to 2.8 percent in 1996. However, concerns about Japanese government budget deficits caused the government to couple these temporary income tax reductions with a permanent increase in the consumption tax from 3 percent to 5 percent, effective April 1, 1997. After this permanent tax increase was implemented, real GDP contracted at an annualized rate of 3.3 percent in the second quarter of 1997, and real GDP continued to shrink in both 1998 and 1999.

Moreover, this tax increase did not reduce the Japanese government budget deficit. Instead, it rose from 3.8 percent of GDP in Japanese fiscal year 1997 to 7.2 percent of GDP in Japanese fiscal year 1999.

Differences. Before discussing lessons learned, it is important to observe several important differences between the Japanese experience and the current situation confronting U.S. policymakers:

1. The asset price bubbles in the Japanese stock and commercial real estate markets were country-specific. The residential real estate bubble was global, occurring simultaneously in the United States and many other developed countries with floating exchange rates, including Australia, Ireland, Spain, and the United Kingdom.
2. The Japanese policy to pursue an overly accommodative domestic monetary policy to contain the appreciation of the foreign exchange value of the yen caused the stock and commercial real estate price bubbles in Japan during the second half of the 1990s. The causes of the residential real estate bubbles in the United States and other developed countries with floating exchange rates are complex and involve many macroeconomic and microeconomic policy errors by both the U.S. government and foreign governments.[26]

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[26] Macroeconomic causes include the interaction between (1) the exchange rate policy of the People's Republic of China (PRC) and the shadow exchange rate policies of other Asian countries to keep the foreign exchange values of their currencies below market-clearing levels after the Asian Financial Crisis of 1997-1998, and (2) implementation by either practice or rule of inflation-targeting by the Federal Reserve and central banks in other developed countries with floating exchange rates. This interaction distorted price signals globally. Over time, these price distortions produced (1) overinvestment and malinvestment in finance and housing sectors in the United States

3. In Japan, non-financial firms were overleveraged and had weak balance sheets, while the household sector was in better shape when the stock and commercial real estate bubbles popped. In the United States, households were overleveraged and had weak balance sheets, while the non-financial business sector was in better shape when the residential real estate bubble popped.
4. Japan maintained significant current account surpluses during the bubble years and the lost decade. The United States has run significant current account deficits.

Lessons for U.S. policymakers. The bursting of the stock and commercial real estate price bubble in Japan and the subsequent lost decade offers many lessons for U.S. policymakers during the current global financial crisis and recession:

1. A recession inevitably follows the popping of a large asset price bubble. However, policy decisions made during the recession will affect both (1) its severity, and (2) the trajectory of the economy following the recession.
2. The banking system must become financially healthy before a sustained expansion can occur. U.S. banks and other financial institutions recognized their losses more rapidly than Japanese banks and other financial institutions. Moreover, the U.S. government injected taxpayer funds into U.S. banks and other financial institutions during this financial crisis far more quickly than did the Japanese government during the lost decade.
3. The balance sheet of the economic sector (business or household) that suffered the most damage from the collapse of a large asset price bubble must be repaired before a sustained expansion can occur. In Japan, non-financial firms had to reduce investment and use their profits to reduce their debt and rebuilt their balance sheets during Japan's lost decade before sustained growth resumed. Now, financially stressed U.S. households must reduce consumption and increase their saving rate to reduce their debt and rebuild their balance sheets. Thus, any portion of federal income tax reductions or rebates that households save should not be regarded as a failed stimulus. Normal economic growth cannot resume until this struc-

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and many other developed countries with floating exchange rates, and (2) overinvestment and malinvestment in the manufacturing sector in the PRC and many other Asian countries. Microeconomic causes include (1) lacunas in the Basel capital standards, (2) a fundamental conflict in the business model of credit rating agencies, (3) fundamental flaws in the "originate to securitize" model of residential mortgage finance, (4) the inherent mission conflict in Fannie Mae and Freddie Mac, and (5) various policies that promoted home ownership among low- to moderate-income households that were not able to shoulder these responsibilities.

tural adjustment in the U.S. household sector is complete. "Saved" federal tax relief may speed this necessary adjustment.

4. Unlike Japan, international imbalances were a major macroeconomic cause of the residential real estate price bubble in the United States and many other developed countries with floating exchange rates. The correction of these imbalances may require difficult international negotiations to limit the ability of national governments to manipulate exchange rates.
5. While temporary income tax reductions helped Japanese economy in 1995 and 1996, the simultaneously enacted permanent increase in the consumption tax to reduce the Japanese government budget deficit in 1997 extinguished the benefits of these temporary reductions, sending the Japanese economy back into a recession. The automatic termination of the federal income tax reductions enacted in 2001 and 2003 on December 31, 2010, may diminish the stimulus from any temporary federal tax reductions or rebates during 2009 and 2010 and may further weaken the U.S. economy in 2011.
6. Additional infrastructure spending may not bolster either short-term or long-term economic growth. First, there are lengthy delays between when infrastructure projects are authorized and when actual construction starts. Because of such delays, the desired boost in employment may occur months after a recession is over. Second, the ability of infrastructure projects to increase productivity and real GDP growth are unequal. To boost productivity long-term growth, policymakers must carefully select which projects they fund to screen out "boondoggles." Such a thorough selection process and a rapid funding of infrastructure projects to create jobs during a recession are in conflict. A rush to approve a large number of infrastructure projects may lead to wasteful expenditures that do not increase productivity and boost real GDP growth over time.