

Economic Recovery & Job Creation Package Needed

In September, the House passed an economic recovery and stimulus package -- that creates jobs, strengthens health care, extends unemployment benefits, and helps families afford rising food costs. The President and Senate Republicans have opposed our efforts.

But with economic conditions worsening, and mounting evidence of the spreading harm of the current economic crisis on Americans, we are working to craft a recovery package that will give relief to the middle class, create jobs, give confidence to consumers, and rebuild America:

What are the new growing indications that a job creation and economic recovery package is needed?

- **JOB LOSSES:** America has suffered a ninth straight month of job losses totaling 760,000 this year. Job losses totaled 159,000 in September – the worst job loss in five years.
- **WORKERS EXHAUSTING EXTENDED UNEMPLOYMENT BENEFITS:** Without a further extension of unemployment benefits, nearly 800,000 workers are expected to run out of their current extended benefits this month and that number will grow to 1.1 million by the end of calendar year 2008.
- **UNEMPLOYMENT RATE:** The unemployment rate continued at 6.1 percent -- the highest level in five years (September 2003).
- **ECONOMIC OUTLOOK:** The International Monetary Fund projects that the world economy will slow sharply this year and next, with the United States likely sliding into recession reflecting mounting damage from the most dangerous financial jolt in more than a half-century. It predicted a recession in the United States, with unemployment averaging 6.9 percent in 2009. The rate hasn't been that high since 1993 and is currently 6.1 percent. "The world economy is now entering a major downturn in the face of the most dangerous shock in mature financial markets since the 1930s," the IMF said. [AP, 10/8/08] Macroeconomic Advisers' and Goldman Sachs have forecast a recession, estimating that GDP will be near zero this fall and will decline 2 percent in the fourth quarter, with continued contraction the first half of 2009.
- **STOCK MARKET:** Last week, the stock market dropped 18 percent for the Dow's worst week in its 112-year history. Over the last year, the stock market has dropped 43 percent, with investors having lost \$8.4 trillion.
- **RETIREMENT SECURITY:** The stock market's prolonged tumble has wiped out about \$2 trillion in Americans' retirement savings in the past 15 months, a blow that could force workers to stay on the job longer than planned, rein in spending and possibly further stall an economy reliant on consumer dollars, Congress's top budget analyst said yesterday. The average account balances among 401(k) participants dropped between 7.2 and 11.2 percent through September, according to the Employee Benefit Research Institute's analysis. And one in five baby boomers stopped contributing to their retirement plans in the past year because they have had trouble making ends meet, according to an AARP survey. [Washington Post, 10/8/08]

- **CONSUMER SPENDING:** Consumer spending is expected to have shrunk 3 percent this quarter -- for first quarterly decline since 1990, and the steepest since 1981-- when the government releases data later this month. [New York Times, 10/6/08]
- **RETAIL SALES:** Retail stores have begun to report on September sales and most saw significant, sometimes double-digit declines, including Nordstrom, J. C. Penney and Kohl's. [New York Times, 10/8/08]
- **HOUSING:** With falling housing prices, nearly one in six U.S. homeowners owe more on a mortgage than their home is worth. Home foreclosures reached 1.5 million in 2007 and are predicted to rise to 2.5 million in 2008. Home prices have fallen for 18 straight months, to a level 17 percent below a year ago.

What is the mounting impact of the credit crunch?

- **SMALL BUSINESSES:** The Federal Reserve reported that 65 percent of domestic banks said they had tightened their lending standards for small-business loans over the previous three months in July, and 70 percent said that they were charging more for those loans. In an August poll for the National Small Business Association, two-thirds of entrepreneurs said that their companies had been hurt by the credit crunch up from 55 percent in February. [New York Times, 10/1/08]
- **COLLEGES AND STUDENT LOANS:** Not only have Bank of America, Citigroup and some two dozen other lenders cut back on or stopped issuing student loans, but the market meltdown has left many colleges scrambling to come up enough cash to cover payroll and other near-term necessities. Last week, nearly 1,000 colleges were told they couldn't access most of the \$9.3 billion sitting in a short-term fund. To prevent a run on the fund —12% of which was invested in mortgage-backed securities — the fund's trustee resigned and froze withdrawals so it could liquidate the assets and distribute the proceeds in an orderly manner. [Time, 10/08/08]
- **TOP EMPLOYERS:** In a recent survey of 350 large companies, 37 percent said that as a result of reduced access to short-term credit, they had cut capital spending during the previous month. More than 25 percent had frozen or reduced hiring, 22% had considered layoffs, 10 percent had reduced inventory, and 7% had contemplated closing stores or factories. That contrasts with the 71 percent who said there was no significant impact from the credit crunch three weeks earlier. [Association for Financial Professionals; Time, 10/3/08]

What are the principles and facts documenting the need for a job creation and economic recovery package?

1. An Economic Stimulus will help create good paying jobs by rebuilding America:

- **NUMBER OF UNEMPLOYED:** The number of Americans looking for work climbed to 9.5 million in September – the highest number since December 1992. Over the past 12 months, the number of unemployed persons has increased by 2.2 million and the unemployment rate has risen by 1.4 percentage points. One in five (2 million) of those looking for work have been jobless for six months or more.
- **WAGES & INFLATION:** Average wages have risen 3.4% in the past year, while prices have gone up nearly 6%.

2. **An Economic Stimulus will provide Unemployment Benefits to Americans who have lost their jobs for no fault of their own and boost our economy (for every \$1 spent on Unemployment Benefits, \$1.64 back into the economy)**
 - **WORKERS EXHAUSTING EXTENDED UNEMPLOYMENT BENEFITS:** Without a further extension of unemployment benefits, nearly 800,000 workers are expected to run out of their current extended benefits this month and that number will grow to 1.1 million by the end of calendar year 2008.
 - **UNEMPLOYMENT RATE:** The unemployment rate continued at 6.1 percent -- the highest level in five years (September 2003).
3. **An Economic Stimulus will help prevent cuts to health care coverage, public safety and education resulting from state budget crises**
 - **STATE GOVERNMENTS:** State budget gaps of \$48 billion had to be closed in 29 states in FY2009 budgets, adopted a few months ago. Even after cutting spending, tapping reserves, or raising revenues, new shortfalls have opened up in the budgets of at least 21 states and the District of Columbia estimated to total \$8.9 billion. The 21 states facing additional shortfalls are Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Maryland, Massachusetts, Nevada, New Hampshire, New York, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Vermont, and Virginia. Given the deterioration in state revenues, preliminary projections indicate that state budget gaps could climb to be in the neighborhood of \$100 billion for fiscal 2010.

How are worsening economic conditions harming middle-class families?

- **MIDDLE CLASS SQUEEZE:** The American people are working harder, but making less even in the face of rising costs of health care, energy, and education. Since 2000, worker productivity is up, but the purchasing power of the typical working age family's income is down by more than \$2,000. As a result, 5.7 million more Americans are living in poverty and 7.2 million more Americans are without health care than in 2000.
- **ENERGY COSTS:** Retail gas prices are at \$3.21 a gallon – more than double that of 2001 – after peaking at \$4.11 in July. Diesel prices remain high at \$3.84 a gallon, more than two times the cost in 2001. In July, the price of a barrel of oil reached a new record of \$147 per barrel, more than four times when Bush took office (today it is at \$80). And heating costs are expected to reach record levels this winter – with heating oil costs rising 23 percent and families pending an average of \$2,400 this winter.
- **HEALTH CARE COSTS:** Premiums for family health coverage have more than doubled since 1999, with employer-sponsored health insurance premiums climbing to \$12,680 and workers paying more than \$3,300 this year. And nearly 46 million Americans are without health insurance. [[Kaiser Family Foundation, 9/11/08; CPS, 8/08](#)]
- **FOOD COSTS:** Food prices have risen at annual rate of 7.5 percent so far this year. An economic stimulus will help millions of Americans struggling with rising food costs (for every \$1 spent on food assistance, \$1.73 back into the economy).