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Testimony of

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**Before the
Joint Economic Committee
of the United States Senate
and
the United States House of Representatives**

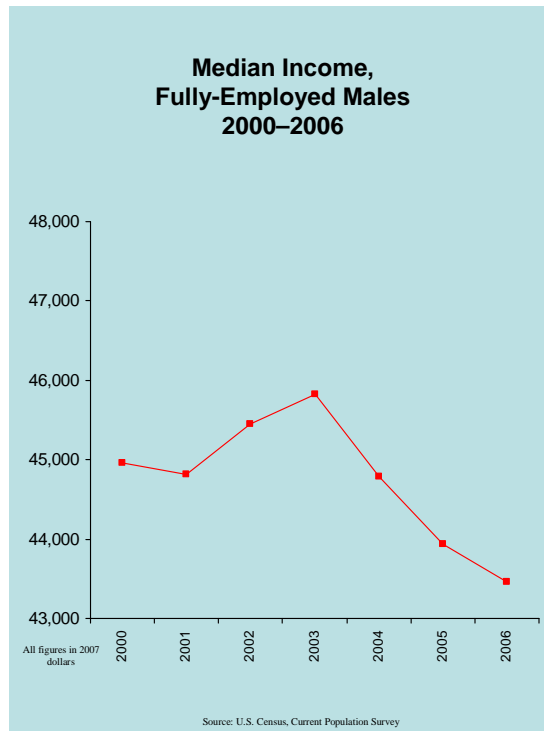
**Hearing: How Much More Can Consumers Be Squeezed by Stagnant
Income, Skyrocketing Housing Costs, and Falling Home Prices?
July 23, 2008**

**Losing Ground:
Middle Class Families 2000-2007**

Thank you for this opportunity to speak to the Joint Economic Committee on the economic condition of American families.¹

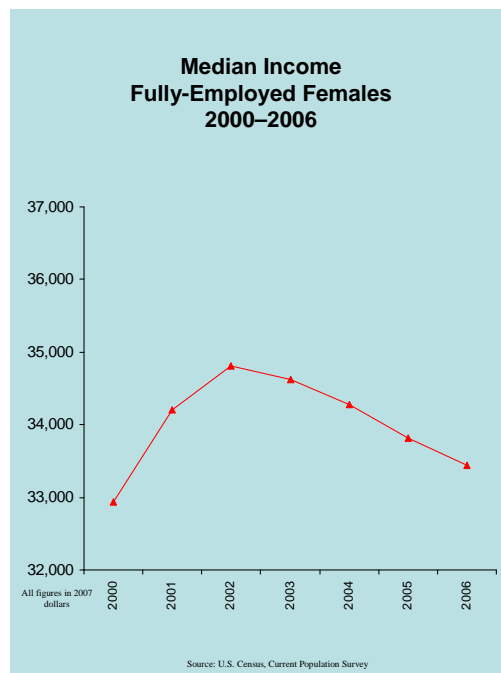
For many families in America, the recession did not begin in the past six months. The real recession began seven years ago. From 2000 to 2007, measured in real dollars, incomes declined while basic expenses increased sharply. The difference is sharp, with incomes declining by over \$1000, and a handful of basic expenses increasing by more than \$4000.

By every measure, incomes are down—down for fully employed males, down for fully employed females, down for households. *Adjusted for inflation, median household income has declined across America by \$1175.*

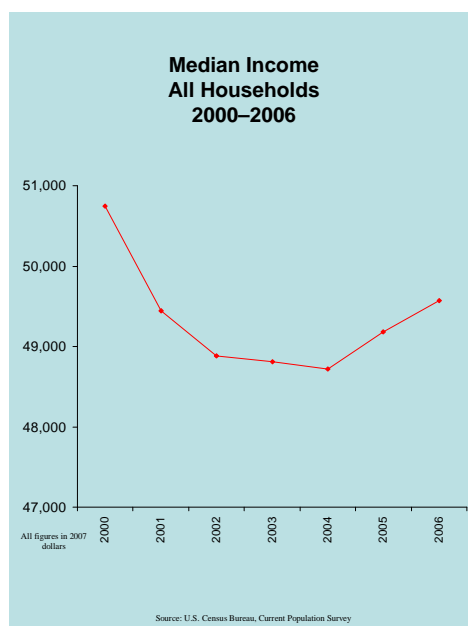


¹ *A note about the data:* All the economic data quoted here come from published government sources. All the numbers have been adjusted to constant 2007 dollars to account for inflation. The data are the latest available. Because the government reports for different economic indicators come out on different schedules, there is some mixing of 2007 and 2008 numbers. This work was completed with the valuable contributions of Eric Nguyen, Harvard Law School Class of 2009.

For women working full-time, incomes initially rose, then also declined.



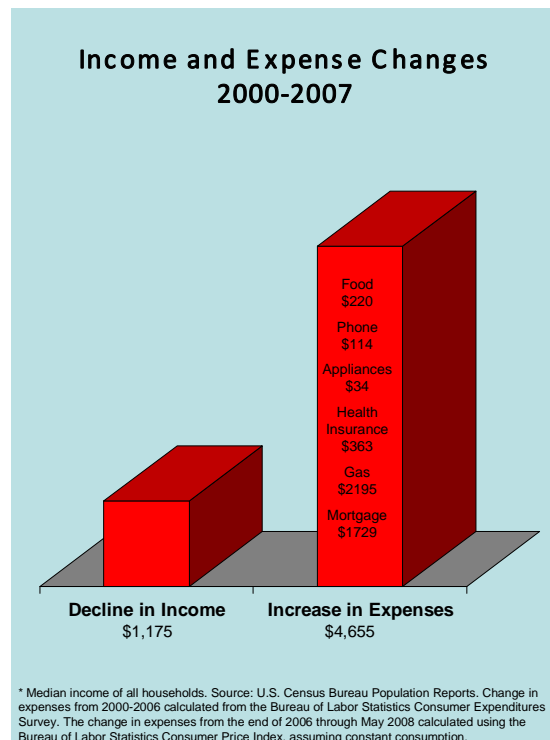
With pressure on wages for both men and women, households have coped as best they can. Even so, from 2000 to 2007, household income registered a net loss.



The problems brought on by lower annual incomes were exacerbated by rising expenses.

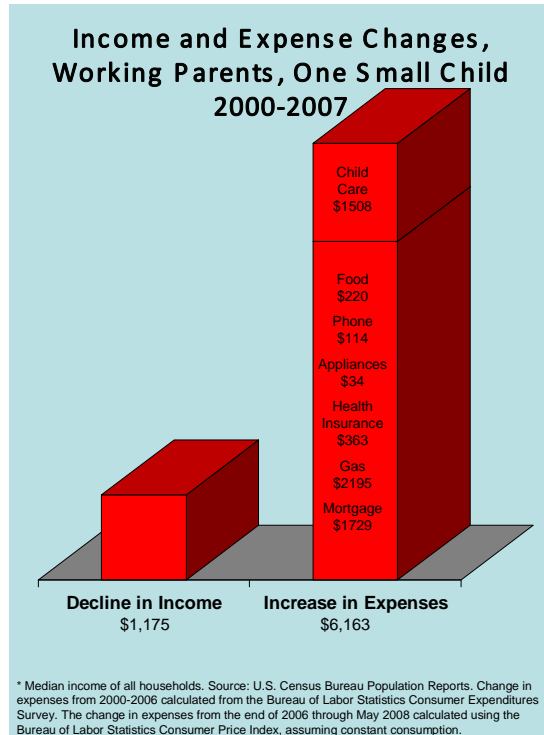
Every American family has been looking for ways to cut expenses, but some expenses have been hard to cut. The most current story is in gasoline: Families making the same commute are spending an average of \$2195 more for gas than they did in 2000. (The costs discussed here are the official figures from May 2008, omitting the most recent price shocks.)

Increases in mortgage costs took another big bite—\$1729 annually. A falling housing market means that many families struggling with ballooning mortgages can neither refinance nor move. They either pay or default.

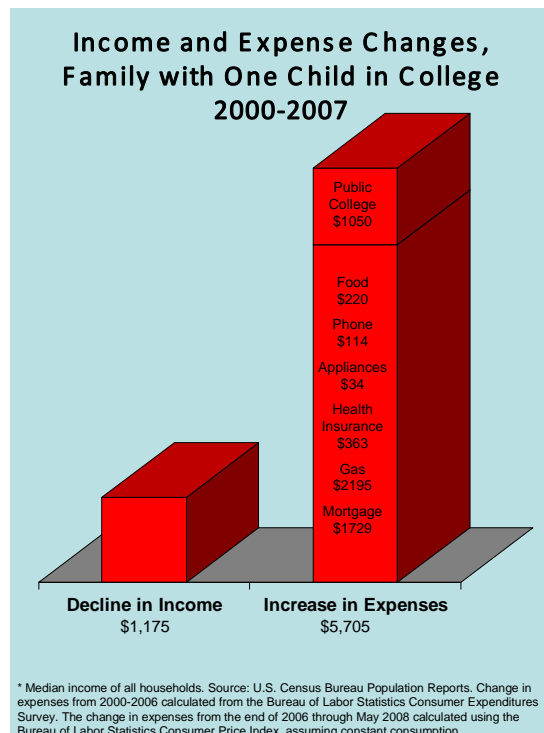


Increases in health insurance, food, basic telephone, and appliances knocked another \$731 hole in the family budget. Increases in these unavoidable expenses—gas, mortgage, food, health insurance, appliances and phone—mean that the average family is spending \$4655 more for this handful of basic expenses than they did in 2000.

The burden has been even greater for working families with children. Child care costs for a child under five increased by \$1508—more than \$125 a month. For those with an older child, the cost of after-school care increased by \$622.



All parents, regardless of the ages of their children, have watched with alarm as the costs for college spiraled upward. At a time when hundreds of thousands of good paying blue-collar jobs have disappeared, families have seen a college diploma as their children's best chance for a secure economic future. But the costs of college keep growing. From 2000 to 2007, the net cost of state college (including scholarships and grants) increased by \$1050.



The numbers tell the story from 2000 to 2007. At the same time that incomes are down across the board, about \$1175 for a typical household, real expenses for an average family have shot up. Here are the changes in what average Americans are spending.

• Higher Mortgage Payments	\$ 1729
• Higher Gas Bills ²	\$ 2195
• Higher Food Costs	\$ 220
• Higher Phone Bills (land line)	\$ 114
• Higher Appliance Costs	\$ 34
• Higher Health Insurance Costs	\$ 363

Total increased expenses: \$ 4655³

² Consumers spent \$1052 more on gasoline in 2006 than they did in 2000. Gas prices in May 2008—the most recent data available from the government—were more than 45 percent higher than the average price in 2006—and nearly 150 percent higher than in 2000. Assuming that consumption in May 2008 was the same as the average monthly consumption in 2006, the latest year for which we have data, consumers are projected to spend \$2195 more on gas in 2008 than they did in 2000. The average family would have to cut consumption by 50 percent to avoid spending more than it did in 2000, or by about 25 percent just to get back to 2006 spending levels. See Appendix for more details.

³ As noted above, median household income, adjusted for inflation, declined by \$1175 between 2000 and 2006. For the average family of four, the increase in inflation-adjusted cost of living was more dramatic. One way to understand this is to compare the actual expenditures—not the weighted basket of the CPI—families reported making in 2000 with the actual expenditures in 2006. The difference is more than \$3000 for the average family:

Mean expenditures by a family of four in 2000 was \$52,021—\$62,637 in 2007 dollars.

Mean Expenditures in 2006 were \$63,897—\$65,717 in 2007 dollars.

Difference = \$3080.

These data are derived from the 2000 and 2006 Consumer Expenditure Survey published by the Bureau of Labor Statistics. Detailed expenditures appear in Table 1400, “Size of consumer unit: Annual means, standard errors and coefficient of variation.”

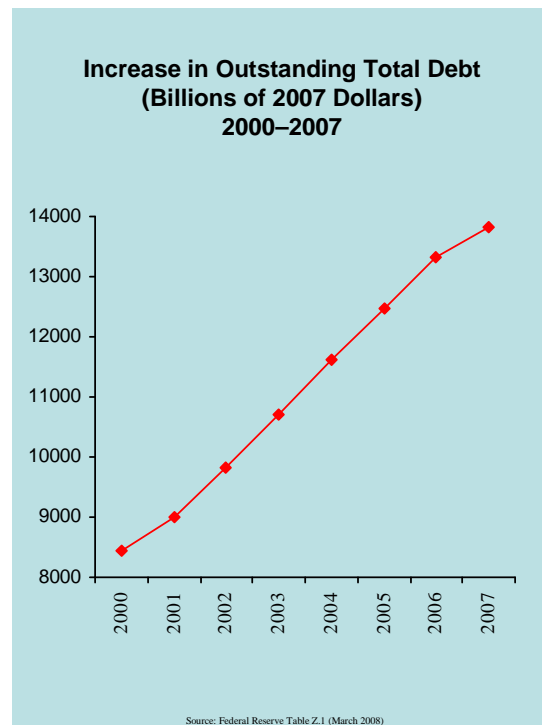
To be sure, some real costs have declined slightly. But the consequences of substantial deviations between the CPI and actual expenses in some areas (e.g., housing), the failure of the CPI basket of goods to reflect actual purchasing patterns, and the significant increases in large *necessary* expenditures on items such as homes, gas, food, and health insurance mean that the financial pressure on families is growing. Cost increases between 2006 and today—including gas prices nearly fifty percent higher—have increased the pressure even more.

For families with children, there are even more cost increases:

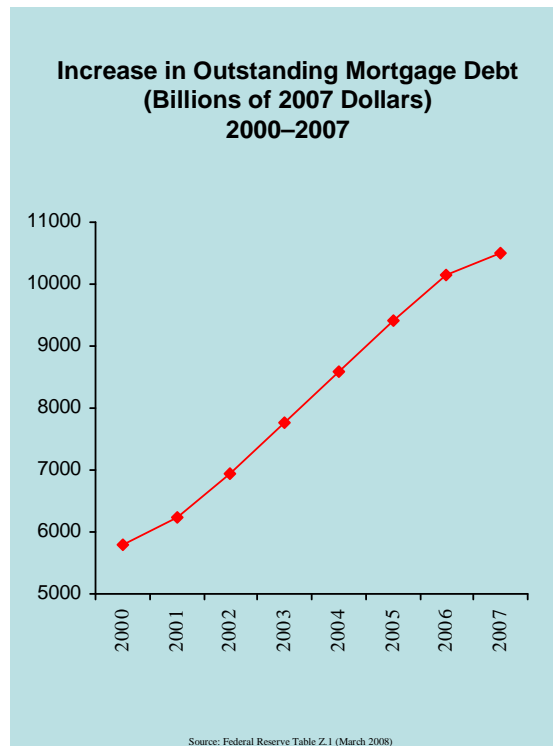
- Increased day care expenses \$ 1508
- Increased after school care cost \$ 622
- Increased state college costs (net) \$ 1050

With median household income of \$48,200, these cost increases tear a hole in the budget that is almost impossible to close.

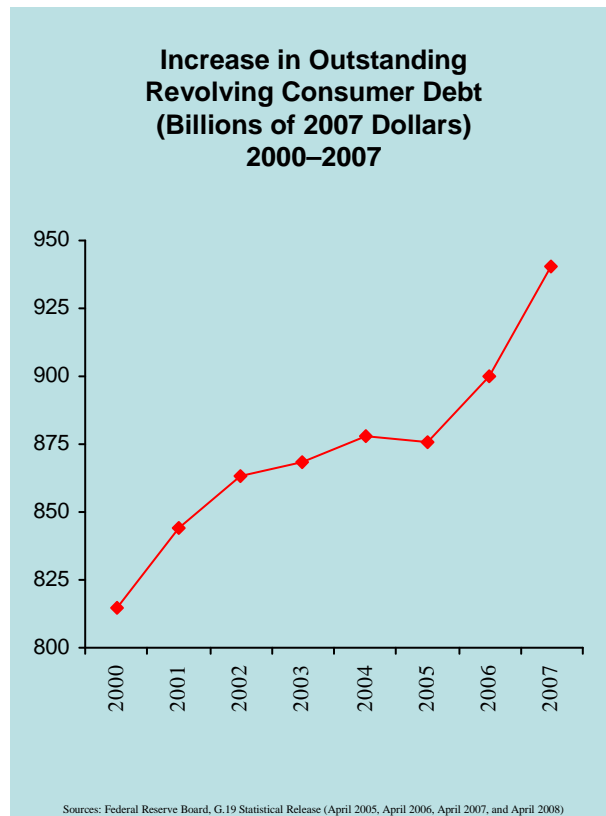
It is no surprise that millions of families have turned to debt to try to bridge the gap between their incomes and their expenses. Debt of every kind has increased sharply.



Much of that debt was mortgage debt—driven upward by rising prices for homes. But refinancing and home equity lines of credit were also used to pay off credit cards, to pay for college and to finance medical bills. Those debts must now all be repaid or families will lose their homes.



The difficulties facing families who are unable to pay their mortgages and home equity lines of credit have grabbed all the headlines, but families are struggling with credit card debt, car payments, student loans and payday loans. Debts must be repaid—and that is more money out of tomorrow's budget. Worse yet, debts represent an additional expense as future income goes to interest payments, fees and penalties—money that simply evaporates from their paychecks.



Credit cards provide one example of the stress for middle class families. Year after year, credit cards have generated record-breaking profits. Their revenues have increased substantially. In 2007, all-purpose cards generated \$117 billion, up from \$115 billion in 2006 and up from \$110

billion in 2005. The breakdown in card income shows that most money comes from those customers who cannot pay in full each month.⁴

Consumer spending on Credit Cards, 2007 (in billions)

Interest	\$75.45
Interchange	23.56
Penalty fees	7.54
Cash advance fees	5.60
Annual fees	4.60
Enhancements	1.01

The impact of these numbers at a household level is staggering. About 43.5% of all households in the US carry a balance on their credit cards.⁵ For those who carry debt, the average debt per household in 2006 was reported as an astonishing \$8,467.⁶ Since then, debt has continued to grow. A household earning the median income would have to turn over every paycheck for nearly three months to pay that bill.⁷ Of course, they would have to find a way to stop eating, stop paying rent, stop driving to work, stop making car payments, and, most importantly, stop the interest from continuing to accumulate on their debt loads.

Money spent to service debt is money not spent on to buy goods and services. Credit card debt now consumes a sizeable portion of a family's income, leaving families with less to spend elsewhere. Currently, nearly 10 percent of total disposable income in the U.S. is committed to revolving debt.⁸

⁴ "Exclusive Bankcard Profitability Study and Annual Report 2008," *Cards & Payments*, at 37 (May 2008); "Bankcard Profitability 2007," *Cards & Payments*, at 27 (May 2007), available at <http://www.cardsandpayments.net>.

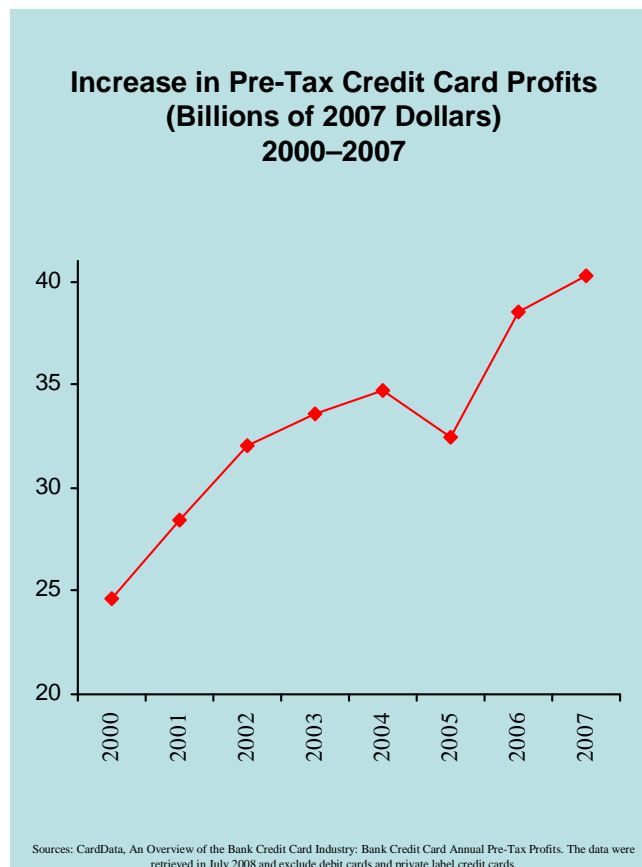
⁵ As of 2004, the Survey of Consumer Finance documented that three-fourths (74.9%) of all households held at least one credit card, and 58% of those with credit cards carried balances. Other estimates place those with balances even higher. CardData reports that in 2006, 61.3% of cardholders *consistently* revolved a balance. <http://www.carddata.com>.

⁶ *Bank Credit Card Annual Revolving Balances Per Carded Households*, CardData.com (data are calculated excluding "balances paid-off before interest accrues; also excludes commercial cards, debit cards and private label credit cards").

⁷ Median household income in the U.S. in 2007 was \$48,201. <http://www.census.gov/prod/2007pubs/p60-233.pdf> at 4.

⁸ Calculations from Federal Reserve Bank, Flow of Funds Accounts (March 2008); Table B-77, Economic Report of the President (2008). Revolving debt was \$937 billion in November 2007.

In effect, a huge wealth transfer is taking place. Families, facing stretched thin by rising costs for food, gasoline, and health care, turn to credit cards to make it to the end of the month. An unexpected expense—a medical emergency, a cut-back in hours—can send the debt load spiraling. Over time, as expenses keep rising, families pay off a little less, and their debt balances grow. Credit issuers take a bigger and bigger bite of each paycheck, as interest and fee revenues keep expanding. The news is good for the credit card companies, with year after year of record-breaking profits. But it is bad news for the families generating those profits.



This graphic could be replicated in other industries, as American families have handed over more money for mortgages and more money for payday loans. The point, however, is that in addition to their other expenses to keep their families afloat, a growing number of families must also shoulder the burden of debt. Families are caught in a spiral of lower

incomes, higher expenses, and a debt load that must be paid with interest and fees.

The income, expense and debt numbers are particularly disturbing because economists tell us that the boom is over the economy is heading toward recession. In past years, families got ahead during boom times so that they hit recessions with some cushion. But the boom of the early 2000s bypassed working families, leaving them in a deeper hole at the end of the cycle than they were at the beginning. This time around, boom times made the rich richer, but ordinary working people got poorer—and that will make the coming hard times even harder.

The wave of mortgage foreclosures is the first sign of extraordinary stress on the middle class. But there are signs of more trouble to come. Spiraling debt loads signal future economic stress, with no obvious exit strategy in sight. If household earnings continue to decline, households are caught between decreasing consumption and defaulting on their loans. Both have significantly negative effects on the economy, and both exert additional downward pressure on job opportunities and wages. In short, as the middle class weakens, the economy weakens, creating a downward cycle.

Day-by-Day for an American Family

Anxiety has become a constant companion for Americans struggling with rising costs and stagnating incomes. Families have cut the fat out of their budget; now they are cutting bone. Last year 18% of Americans did not seek needed medical treatment because of the cost, and 17% did not have prescriptions filled because they could not pay.⁹ Today about one in every seven families is dealing with a debt collector.¹⁰ Forty percent of families worry whether they can make all their payments every month.¹¹

In 2006, a then-record 1.3 million families received foreclosure notices, followed by another 2.2 million families who were in foreclosure in

⁹ The Rockefeller Foundation, American Worker Survey (2007).

¹⁰ Tom W. Smith, *Troubles in America: A Study of Negative Life Events*, National Opinion Research Council (December 2005); Lucy Lazarony, *Denying Our Debt*, Bankrate.com (July 2006 (11% in collection on credit cards)).

¹¹ Consumer Federation of America, *Rising Energy Costs Dampen Holiday Spending Plans* (November 19, 2007).

2007.¹² At the current rate of foreclosures, there will be about 3 million in 2008.¹³

Americans are optimistic by nature, but their future is not looking bright. Of those lucky enough to have health insurance, 27% are worried that they could not afford a major hospital stay.¹⁴ Forty percent worry about how they will pay for college for their children, and 58% say they are not saving enough for retirement.¹⁵ One in five Americans is losing hope, saying that even when they don't count their mortgages, they expect to die still owing money to their creditors.¹⁶

Seven years of flat or declining wages, seven years of increasing costs, and seven year of mounting debts have placed unprecedented stress on the ordinary families. By every critical financial measure, these families are losing ground. Without changes in critical economic policies, the strong middle class that has been the backbone of the American economy and the American democracy is in jeopardy.

¹² Nationwide Foreclosures Jumped 75% in 2007, Credit & Collections World (Feb. 8, 2008), *available at* <http://www.creditcollectionsworld.com/article.html?id=20080129S4FTCWQT&from=creditandcollectionnews>.

¹³ The mid-year update, shows even higher levels for 2008, averaging 250,000 foreclosures per month. <http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=4873&acct=64847>). Foreclosures increased 50% from June 2007 to June 2008.

¹⁴ The Rockefeller Foundation, American Worker Survey (2007).

¹⁵ *Id.*

¹⁶ Smart Borrow Survey, Marketwise, prepared with support from Lending Tree, at 145 (April 2007).

Data Appendix: Income

Income for Fully Employed Men¹⁷

Between 2000 and 2006, median income of fully employed males fell **\$1494**.

In 2000: 37,339 (inflated to 44,959)
In 2001: 38,275 (inflated to 44,811)
In 2002: 39,429 (inflated to 45,444)
In 2003: 40,668 (inflated to 45,827)
In 2004: 40,798 (inflated to 44,781)
In 2005: 41,386 (inflated to 43,938)
In 2006: 42,261 (inflated to 43,465)

Between 2000 and 2006, median income of all households fell **\$1175**.

In 2000: 42,148 (inflated to 50,749)
In 2001: 42,228 (inflated to 49,439)
In 2002: 42,409 (inflated to 48,878)
In 2003: 43,318 (inflated to 48,813)
In 2004: 44,389 (inflated to 48,723)
In 2005: 46,326 (inflated to 49,182)
In 2006: 48,201 (inflated to 49,574)

¹⁷ Values inflated to 2007 dollars. Data for income in 2000: U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CONSUMER INCOME, MONEY INCOME IN THE UNITED STATES: 2000, P60-213, at tbl.A, *available at* <http://www2.census.gov/prod2/popscan/p60-213.pdf>. For 2001: U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CONSUMER INCOME, MONEY INCOME IN THE UNITED STATES: 2001, P60-218, at tbl.1, *available at* <http://www2.census.gov/prod2/popscan/p60-218.pdf>. For 2002: U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CONSUMER INCOME, MONEY INCOME IN THE UNITED STATES: 2002, P60-221, at tbl.3, *available at* <http://www2.census.gov/prod2/popscan/p60-221.pdf>. For 2003: U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CONSUMER INCOME, INCOME, POVERTY, AND HEALTH INSURANCE COVERAGE IN THE UNITED STATES: 2003, P60-226, at tbl.1, *available at* <http://www2.census.gov/prod2/popscan/p60-226.pdf>. For 2004: U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CONSUMER INCOME, INCOME, POVERTY, AND HEALTH INSURANCE COVERAGE IN THE UNITED STATES: 2004, P60-229, at tbl.1, *available at* <http://www2.census.gov/prod2/popscan/p60-229.pdf>. For 2005: U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CONSUMER INCOME, INCOME, POVERTY, AND HEALTH INSURANCE COVERAGE IN THE UNITED STATES: 2004, P60-231, at tbl.1, *available at* <http://www2.census.gov/prod2/popscan/p60-231.pdf>. For 2006: U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS: CONSUMER INCOME, INCOME, POVERTY, AND HEALTH INSURANCE COVERAGE IN THE UNITED STATES: 2006, P60-233, at tbl.1, *available at* <http://www2.census.gov/prod2/popscan/p60-233.pdf>.

Between 2000 and 2006, median income of all family households fell **\$712**.

In 2000: 51,751 (inflated to 62,312)
In 2001: 52,275 (inflated to 61,202)
In 2002: 52,704 (inflated to 60,743)
In 2003: 53,991 (inflated to 60,840)
In 2004: 55,327 (inflated to 60,728)
In 2005: 57,278 (inflated to 60,810)
In 2006: 59,894 (inflated to 61,600)

The number of full-time employees has increased more rapidly than the number of part-time employees. Between January 2000 and December 2007, the number of part-time workers increased 6.4 percent (from 23,233,000 to 24,740,000). Full-time employment has increased 7.3 percent (from 113,189,000 to 121,428,000). *See* Bureau of Labor Statistics, Labor Force Statistics, Series LNS12600000 (part-time) and Series LNS12500000 (full-time).

Data Appendix: Expenses¹⁸

Mortgages¹⁹

Between 2000 and 2006, expenditures on mortgages rose \$1681 in 2006 dollars.

Expenditures in 2000: \$8977 (inflated to \$10,510 in 2006 dollars)

Expenditures in 2006: \$12,191

Increase: \$1677.86 (1729 in 2007 dollars)

*No BLS Update on mortgage costs.

Gas²⁰

Between 2000 and 2006, expenditures on gas rose \$1023 in 2006 dollars.

Expenditures in 2000: \$1813 (inflated to \$2123 in 2006 dollars)

¹⁸ Government expense data at this level of detail are reported by means, not medians. Income data used in this testimony are reported by medians. This makes direct comparisons more challenging. The impact of this difference in reporting, however, is likely to be modest. Unlike income data, which are right-biased and suffer from substantial distortions when the incomes of billionaires are included in means, expense data are more compressed. See, Eric S. Nguyen, *Parents in Financial Crisis: Fighting to Keep the Family Home*, 82 Am. Bankr. L.J. 229, 233 n.15 (2008).

"Wealthier families are likely to spend more on necessary expenditures, but they will devote a smaller share of total income to them. See, e.g., Jean-Thomas Bernard, Denis Bolduc, and Donald Belanger, *Quebec Residential Electricity Demand: A Microeconomic Approach*, 29 CAN. J. ECON. 92–113 (1996) (income elasticity of demand for electricity is 0.1); Teresa Garin Munoz, *Demand for National Telephone Traffic in Spain from 1985–1989: An Econometric Study Using Provincial Panel Data*, 8 INFO. ECON. & POL'Y 51–73 (1996) (income elasticity of demand for telephone service is 0.5); cf. Michael R. Baye, Dennis W. Jansen, and Jae-Woo Lee, *Advertising Effects in Complete Demand Systems*, 24 APPLIED ECON. 1087–96 (1992) (income elasticity of demand for clothing is 1)."

¹⁹ Data for consumption in 2000 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2000, *available at* <http://www.bls.gov/cex/2000/stnderror/cusize.pdf>. Data for consumption in 2006 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2006, *available at* <http://www.bls.gov/cex/2006/stnderror/cusize.pdf>.

Calculation of 2000 and 2006 total mortgage costs as reported by BLS:

In 2000: \$6643 / 74% reporting = \$8977 per respondent

In 2006: \$9265 / 76% reporting = \$12,191 per respondent

²⁰ Data for consumption in 2000 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2000, *available at* <http://www.bls.gov/cex/2000/stnderror/cusize.pdf>. Data for consumption in 2006 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2006, *available at* <http://www.bls.gov/cex/2006/stnderror/cusize.pdf>. Data on the increase in gasoline costs from 2006 (average) through May 2008 are reported by the Bureau of Labor Statistics in its Consumer Price Index for All Urban Consumers, series CUUR0000SETB01 (U.S. City Average, Gasoline (All Types)).

Expenditures in 2006: \$3146
Increase: \$1023 (1052 in 2007 dollars)

Between 2006 and May 2008, the cost of gas increased by 45.42 percent (index moved from an average of 128.6 in 2000 to an average of 219.9 in 2006 to 319.8 in May 2008). *Assuming that consumption remained the same between 2006 and May 2008*, expenditures on gasoline have gone up \$2195 (in 2007 dollars) since 2000.

Expenditures in 2000: \$1813 (inflated to \$2123 in 2006 dollars)
Expenditures in 2006: \$3146
Expenditures in 2008: \$4575 (deflated to \$4258 in 2006 dollars)
Increase: \$2135 in 2006 dollars (re-inflated to \$2195 in 2007 dollars)

Food²¹

Between 2000 and 2006, expenditures on food rose \$205 in 2006 dollars.

Expenditures in 2000: \$7122 (inflated to \$8338)
Expenditures in 2006: \$8543
Increase: \$204 (inflated to \$210 in 2007 dollars)

Between 2006 and May 2008, the nominal cost of food increased by 7.57 percent (index moved from an average of 197.0 in 2006 to 211.918 in May 2008). Assuming that consumption remained the same, expenditures on food have gone up \$220 (in 2007 dollars) since 2000.

Expenditures in 2000: \$7122 (inflated to \$8338 in 2006 dollars)
Expenditures in 2006: \$8543
Expenditures in 2008: \$9190 (deflated to \$8552)
Increase: \$214 in 2006 dollars (inflated to \$220 in 2007 dollars)

Basic Phone Service²²

²¹ Data for consumption in 2000 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2000, *available at* <http://www.bls.gov/cex/2000/stnderror/cusize.pdf>. Data for consumption in 2006 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2006, *available at* <http://www.bls.gov/cex/2006/stnderror/cusize.pdf>. Data on the increase in food costs from 2006 (average) through May 2008 are reported by the Bureau of Labor Statistics in its Consumer Price Index for All Urban Consumers, series CUSR0000SAF1 (U.S. City Average, Food, Seasonally Adjusted).

²² Data for consumption in 2000 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2000, *available at* <http://www.bls.gov/cex/2000/stnderror/cusize.pdf>. Data for consumption in 2006 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2006, *available at* <http://www.bls.gov/cex/2006/stnderror/cusize.pdf>. Data on the increase in telephone costs from 2006

Between 2000 and 2006, expenditures on telephone service (land line) rose \$142 in 2006 dollars.

Expenditures in 2000: \$1108 (inflated to \$1297 in 2006 dollars)
Expenditures in 2006: \$1439
Increase: \$141 (inflated to \$145 in 2007 dollars)

Between 2006 and May 2008, the cost of telephone service increased by 5.07 percent (index moved from an average of 69.6 in 2006 to 73.127 in May 2008). Assuming that consumption remained the same, expenditures on telephone service have gone up \$109 (in 2006 dollars) since 2000.

Expenditures in 2000: \$1108 (inflated to \$1297 in 2006 dollars)
Expenditures in 2006: \$1439
Expenditures in 2008: \$1512 (deflated to \$1408)
Increase: \$111 in 2006 dollars (inflated to \$114 in 2007 dollars)

Major appliances²³

Between 2000 and 2006, expenditures on major appliances rose \$52 in 2006 dollars.

Expenditures in 2000: \$260 (inflated to \$304 in 2006 dollars)
Expenditures in 2006: \$356
Increase: \$52 (53 in 2007 dollars)

Between 2006 and May 2008, the cost of major appliances increased by 1.55 percent (index moved from an average of 88.0 in 2006 to 89.364 in May 2008). Assuming that consumption remained the same, expenditures on appliances have gone up \$41 (in 2006 dollars) since 2000.

Expenditures in 2000: \$260 (inflated to \$304 in 2006 dollars)
Expenditures in 2006: \$356
Expenditures in 2008: \$362 (deflated to \$337)
Increase: \$33 in 2006 dollars (34 in 2007 dollars)

(average) through May 2008 are reported by the Bureau of Labor Statistics in its Consumer Price Index for All Urban Consumers, series CUSR0000SEED02 (U.S. City Average, Land-line Telephone Services, Long Distance Charges).

²³ Data for consumption in 2000 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2000, *available at* <http://www.bls.gov/cex/2000/stderror/cusize.pdf>. Data for consumption in 2006 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2006, *available at* <http://www.bls.gov/cex/2006/stderror/cusize.pdf>. Data on the increase in appliance costs from 2006 (average) through May 2008 are reported by the Bureau of Labor Statistics in its Consumer Price Index for All Urban Consumers, series CUSR0000SEHK (U.S. City Average, Appliances).

Health Insurance²⁴

Between 2000 and 2006, expenditures on health insurance rose \$318 in 2006 dollars.

Expenditures in 2000: \$1620 (inflated to \$1897 in 2006 dollars)

Expenditures in 2006: \$2250

Increase: \$352 (363 in 2007 dollars)

*No BLS Update on health insurance costs.

Child Care²⁵

Between 1999 and 2005, expenditures on child care rose either \$497 (child 5-14) or \$1017 (child under 5) in 2006 dollars

For a child under age 5:

Expenditures in 1999: \$5148 (inflated to \$6229.51 in 2006 dollars)

Expenditures in 2005: \$7246.45

Increase: \$1017 (1046 in 2007 dollars)

²⁴ Data for consumption in 2000 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2000, *available at* <http://www.bls.gov/cex/2000/stnderror/cusize.pdf>. Data for consumption in 2006 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2006, *available at* <http://www.bls.gov/cex/2006/stnderror/cusize.pdf>.

Calculation of 2000 and 2006 health insurance costs as reported by BLS:

In 2000: \$1061.70 - \$43.42 (Medicare) = \$1018.28 / 62.8% reporting = \$1620 per reporter

In 2006: \$1512.69 - \$101.72 (Medicare) = 1410.97 / 62.7% reporting = \$2250 per reporter

Medicare costs are available from Prepublished Table 1400, available from BLS. Fraction reporting was reported in personal email communication from BLS.

²⁵ Data for consumption in 2000 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2000, *available at* <http://www.bls.gov/cex/2000/stnderror/cusize.pdf>. Data for consumption in 2006 are from the following source: Bureau of Labor Stat., Table 1400: Size of Consumer Unit: Annual Means, Standard Errors, and Coefficient of Variation, Consumer Expenditure Survey, 2006, *available at* <http://www.bls.gov/cex/2006/stnderror/cusize.pdf>. Data on the increase in child care costs from 2006 (average) through May 2008 are reported by the Bureau of Labor Statistics in its Consumer Price Index for All Urban Consumers, series CUSR0000SEEB03 (U.S. City Average, Child Care and Nursery School). Calculation of 2000 and 2006 child care costs as reported by Kristin Smith, U.S. Census Bureau, *Who's Minding the Kids? Child Care Arrangements: Spring 1999*, at tbl.6 (1999); Kristin Smith, U.S. Census Bureau, *Who's Minding the Kids? Child Care Arrangements: Spring 2005*, at tbl.6 (2005), *available at* <http://www.census.gov/population/www/socdemo/child/ppl-2005.html>.

For a child under 5:

In 1999: \$99/week = \$5148/year (inflated to \$5321 for 2000 and \$6229.51 for 2006).

In 2005: \$135/week = \$7020/year (inflated to \$7246.45 for 2006).

For a child between 5 and 14:

In 1999: \$81/week = \$4212/year (inflated to \$4353.58 for 2000 and \$5096.87 for 2006).

In 2005: \$100/week = \$5200/year (inflated to \$5367.74 for 2006).

Between 2005 and May 2008, the cost of child care increased by 14.14 percent (index moved from an average of 195.35 in 2005 to 222.976 in May 2008). Assuming that consumption remained the same, expenditures on child care have gone up \$1321 (in 2006 dollars) since 2000.

Expenditures in 1999: \$5148 (inflated to \$6230 in 2006 dollars)

Expenditures in 2005: \$7246

Expenditures in 2008: \$8270 (deflated to \$7696)

Increase: \$1466 in 2006 dollars (1508 in 2007 dollars)

For a child age 5-14:

Expenditures in 1999: \$4353.58 (inflated to \$5096.87 in 2006 dollars)

Expenditures in 2005: \$5367.74

Increase: \$270.87 (279 in 2007 dollars)

Expenditures in 2008 (assuming same increase since 2000): \$6127 (deflated to \$5702)

Increase: \$605 (622 in 2007 dollars)

State University²⁶

Between 1999-2000 and 2005-2006, expenditures on **public university total costs** rose from \$10,053 to \$12,824 in constant 2007 dollars, or \$2771 in 2007 dollars

Between 1999-2000 and 2007-2008, net expenditures rose from \$10,053 to \$13,589 in constant 2007 dollars, or \$3536 in 2007 dollars

Between 1999-2000 and 2005-2006, expenditures on **public university net total costs** rose from \$1530 to \$2410 in constant 2007 dollars, or \$880 in 2007 dollars

Between 1999-2000 and 2007-2008, net expenditures rose from \$1530 to \$2580 in constant 2007 dollars, or \$1050 in 2007 dollars

²⁶ Data are from The College Board, Trends in College Pricing 2007, at 11 tbl.4b & 17 (2007).

Data Appendix: Debt

Total Consumer Debt ²⁷	Home Mortgage Debt ²⁸	Consumer Credit ²⁹
2000: 7008.8 (8439.1)	4818.3 (5801.6)	1741.3 (2096.7)
2001: 7680.3 (8991.8)	5324.9 (6234.2)	1892.0 (2215.1)
2002: 8514.0 (9812.7)	6034.1 (6954.5)	1999.9 (2305.0)
2003: 9496.8 (10701.6)	6882.4 (7755.5)	2104.4 (2371.4)
2004: 10575.4 (11607.9)	7837.6 (8602.8)	2219.4 (2436.1)
2005: 11754.1 (12478.9)	8866.2 (9412.9)	2313.9 (2456.6)
2006: 12948.3 (13317.1)	9854.0 (10134.7)	2418.3 (2487.2)
2007: 13825.4	10508.8	2550.6

- *Billions of 2007 dollars in parentheses*

Consumer Debt + Mortgage Debt (inflation-adjusted to billions of 2007 dollars)

2000: 7898.26
 2001: 8449.27
 2002: 9349.51
 2003: 10126.85
 2004: 11038.85
 2005: 11869.45
 2006: 12621.84
 2007: 13059.40

²⁷ Federal Reserve Table Z1, at tbl.D.3 (“Debt Outstanding by Sector”) (March 6, 2008 release).

²⁸ Federal Reserve Table Z1, at tbl.D.3 (“Debt Outstanding by Sector”) (March 6, 2008 release).

²⁹ Federal Reserve Table Z1, at tbl.D.3 (“Debt Outstanding by Sector”) (March 6, 2008 release).