



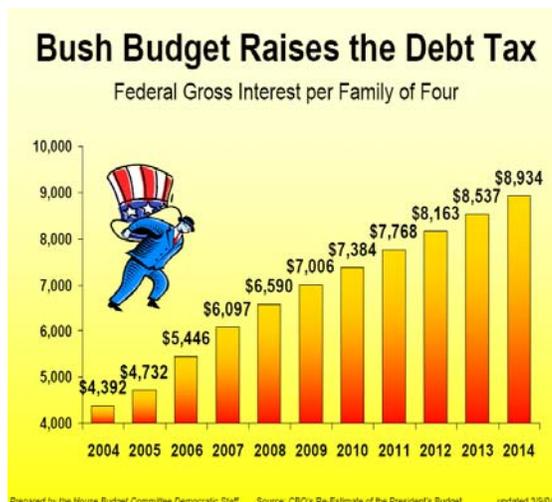
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## The Debt Burden: Borrowing More to Make Ends Meet

► **Summary:** America is awash in debt. Typical household debt in 2003 equaled more than 105 percent of disposable income for the average family. And the government has a debt problem, too: President Bush's fiscal policies have racked up the largest budget deficit ever, putting an added debt tax on middle class families. With interest rates likely to rise, this debt will put an added squeeze on the middle class.

**Housing Debt:** The ratio of debt to home equity is at a record high of 45.4 percent. According to the Center for Economic and Policy Research, it has typically been close to 30 percent. And, the ratio of debt payments and other financial obligations -- like car lease payments and rent -- to disposable income is at a record high of nearly one-third for renters. Ten years ago, it was just under one-quarter, according to CEPR.

**Education Debt:** Parents and students are also taking on increasing levels of debt to pay exploding college costs -- since 2001, tuition at four-year public institutions has risen by 28 percent. Yet 70 percent of the assistance provided by the Federal government to help students pay for college comes in the form of loans, not outright grants. The value of the Pell Grant is at a 30-year low, but President Bush has repeatedly broken his promise to raise it.



**Credit Card Debt:** Every month, tens of thousands of unemployed workers are exhausting their unemployment benefits nationwide. Millions more work in jobs that don't pay enough to make ends meet, or haven't seen their earnings keep pace with inflation. Without a decent paycheck or unemployment assistance, many of those workers take on debt -- like credit cards -- to meet their basic needs. Today, average credit card debt among American households is \$8,000. Credit cards help families cover the gap in earnings when a family member is out of work, but slow wage growth and long-term unemployment make it difficult to pay off that debt.

**Federal Budget Debt:** And Republican policies are sending the Federal government's own budget deficit into the stratosphere. The deficit is now estimated at \$5.6 trillion over ten years, which works out to a \$4,392 debt "tax" per family of four this year. In a particularly vicious circle, this deficit will put pressure on interest rates, making it even harder for American families to meet their many of their debt obligations. Worse yet, future generations must pay for today's irresponsible fiscal policies.

Democrats have comprehensive education and jobs plans to help workers find and keep good-paying jobs, and to help families pay for college without breaking the bank. And Democrats support responsible fiscal policies that won't simply put today's problems off until tomorrow.

With housing, education and credit card payments increasing, and a crushing federal debt taxing families, it's no wonder that debt is the new American safety net. How's that for a "middle class squeeze"?

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Each week, the **Middle Class Squeeze** looks at different aspects of how Bush Administration and congressional policies are failing the middle class. For more information, please call 202-225-2095 or visit [www.house.gov/georgemiller](http://www.house.gov/georgemiller).

**Feeling squeezed? Send us an email about it: [middleclasssqueeze@mail.house.gov](mailto:middleclasssqueeze@mail.house.gov)**