

**The Stagnation Two-Step:  
Consumer Pessimism and Consumer Spending**

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**Introduction**

Three years ago at this conference I used the words of Winston Churchill's to describe the outlook for the U.S. economy: We are not at the end or even the beginning of the end of the crisis, but, perhaps, near the end of the beginning. Many disagreed with that diagnosis. There was a widespread expectation that the new economic policies of Barack Obama, who was elected just days before the 2008 conference, would quickly restore favorable economic prospects. Indeed, only a few months after Obama took office, the recession was declared to have ended in June 2009. Consumers to this day, in contrast, think the economy is still in recession more than four years after it started. More importantly, consumer sentiment is still near its all-time low (see Chart 1). Consumer sentiment did improve in early November, but the gain was too small to significantly alter the prevailing mood of pessimism. The Sentiment Index provided a year-long advance warning of the recession, having reached its cyclical peak in January 2007. Based on the longstanding correspondence between the Sentiment Index and GDP growth, consumers now foresee economic stagnation ahead (see Chart 2).

It has become fashionable among the policy elite to view the recent collapse in consumer confidence as irrational. Surely, they have argued, our current economic situation is not comparable to the depths of the financial crisis in 2008 or the worst of the 1980's recessions. Such an explanation meant that despite all their efforts to jumpstart the economy with record fiscal and monetary stimulus, they were stymied by a consumer who simply behaved irrationally. Rational behavior would mean that consumers should spend more, take on more debt, and like the government, leave rebalancing their finances for a later day.

Policy makers simply expected consumers to do what they have always done in the past. Consumers have repeatedly increased their spending at the first sign of recovery to help power the economy out of recession. Those least affected by recession typically lead, and those that followed, benefitted from the growing economic strength. Shifts in economic policies, especially tax and interest rate policies, were the sparks that caused the immediate response by the first-spenders. As taxes and interest rates were reduced, spending invariably increased. But this time that did not happen. In the absence of a robust revival in demand, consumers must have been overcome by the irrational impulses of "animal spirits."

There is another perspective on consumer behavior that allows a more realistic assessment. While often ignored in policy discussions, long term economic expectations play an important role in shaping spending decisions. The current behavior of consumers would appear more rational if it was recognized that recent economic events caused consumers to drastically reduce their long term economic expectations, and

as economic theory would have it, it prompted consumers to reduce their current spending. Unfortunately, long term expectations were not part of the current policy debate. What consumers wanted were economic policies that would help restore long term economic prospects. What consumers got was a stimulus package aimed at bridging a temporary shortfall in jobs and incomes. Whatever the size, the stimulus package's short-term focus was like building a bridge to nowhere. Policy makers, however, still believe that the primary problem is a temporary shortfall of aggregate demand. It is as though the most enduring impact that Keynes had on economic policy was when he famously advised "The long run is a misleading guide to current affairs—in the long run we're all dead."

### **Bleak Outlook for Consumer Finances**

Unlike past recessions, when consumers viewed downturns as temporary inconveniences, the current economic crisis may represent a tipping point toward a more permanent transformation of consumer preferences. For the first time since the 1930's, consumers no longer think that jobs and wages will spring back anytime soon, that the value of their homes will quickly rebound, or that their retirement funds will soon be fully restored. The survey data collected by the University of Michigan over the past four years make these dour assessments by consumers abundantly clear.

When asked about their current financial situation, not only did nearly half of all consumers report that their finances had worsened in the most recent surveys, but in each of the past four years more households reported worsening finances than in any prior year in the long history of the surveys which dates back to 1946 (see Chart 3). Consumers were also asked to explain in their own words why their finances had changed. Their worsening finances were mainly attributed to job losses, reduced hours, wage give-backs, and reduced bonuses. Indeed, starting in 2008, for the first time in the survey's history, more consumers mentioned income declines than income gains, and by rather large margins (see Chart 4).

Consumers were also asked about their financial prospects for the year ahead. Just one-in-five households anticipated any improvement in the latest surveys. The financial optimism that has been the hallmark of American consumers has disappeared in the past four years (see Chart 5). The primary reason was once again bleak income and job expectations. Indeed, for more than three years the majority of consumers have anticipated no increase at all in their nominal incomes (see Chart 6). Although inflation expectations remain relatively low by historical standards, they were still well above nominal income expectations, meaning that the majority of consumers expected declining inflation-adjusted incomes.

Over the years, the surveys have asked about longer term trends in personal finances. It should be no surprise that the majority of consumers reported that their finances had worsened compared with five years ago in recent months. Even during the recession years from 1980 to 1982, half of all consumers still reported that their finances had improved compared with five years earlier. The same was true financial prospects over the next five years: a smaller proportion of consumers than in the early 1980's anticipated financial gains over the next five years—just 40% in the latest surveys. While these data indicate that long term financial expectations have been reduced, they have not yet collapsed. Constantly rising living standards are deeply ingrained in the American credo, and such deeply held views resist change even in the face of seemingly unrelenting adversity.

Aside from current income, home ownership represents the largest and most important asset for most families. Unfortunately, for a good many households, home ownership now represents the largest and most troublesome liability. The typical homeowner anticipates not only declines in the value of their home during the year ahead, but also expects declines in the inflation-adjusted value of their homes over the next five years (see Chart 7). Home owners were asked separately about the expected value of homes and the expected inflation rate over both time horizons. While most consumers would find it impossible to answer in terms of inflation-adjusted rates of change, that does not mean that consumers do not appreciate the fact that the real value of their home will continue to decline in the future. The data now indicate that consumers expect inflation-adjusted declines of about 5% in the year ahead, and at an annual rate of about 1¼% over the next five years.

Household savings includes a wide range of financial investments in addition to real estate and other non-financial investments. Consumers have been asked over the past decade whether they thought their current assets and investments would be adequate for comfortable retirement (see Chart 8). In the latest survey, 56% reported that the likelihood of a comfortable retirement had declined, well above the levels recorded in the prior decade. This same negative assessment has dominated consumer reports over the past three years. It should be noted that changes in this series depend on both retirement income aspirations as well as the availability of retirement funds. The data indicate, not surprisingly, that financial provisions for retirement have fallen faster than their retirement aspirations.

### **Rebalancing Household Finances: The Role of Savings and Debt**

Perhaps the most significant lesson consumers have learned from the Great Recession was that personal saving was their best, and in many cases, their only defense against economic reversals. Sure, people always knew this was true, but nonetheless they became more dependent on credit cards to handle unexpected expenses. Consumers simply became indifferent to saving before or paying after. What they discovered as the financial crisis unfolded, however, was that the credit lines on which they depended often evaporated as banks suddenly lowered their credit limits, enforced stricter standards, and charged higher rates.

Rebalancing consumer finances in a recession is no easy task. While most now want higher savings balances, this is difficult to accomplish with declining incomes. Paying down debt is their first task. Total household debt, according to the Federal Reserve, has declined for 12 straight quarters (see Chart 9). It was record setting when total household debt declined for one quarter let alone for three years. The overall declines primarily reflected reversals in mortgage debt. Foreclosures played a role as well as the lack of new mortgage debts due to the housing slump. In the past three quarters, consumer debt posted modest increases, although the total outstanding is still below the 2008 level, with most of the gains in non-revolving credit, such as vehicle installment loans (see Chart 10).

Despite the recent declines in household debt, outstanding mortgage debt still represents a significant burden (see Chart 11). As a percentage of household income, mortgage debt rose from 40% in the mid 1980's to 100% at its 2007 peak and has subsequently declined to 86% in the 2<sup>nd</sup> quarter of 2011. Home equity as a percentage of the home's value is now at its lowest level since the Fed began its records in 1945, at just 39%. You might wonder whether it would be more rational for a homeowner that is deeply underwater to

walk away from their home given that they anticipate continued declines in the value of their home in the years ahead. Policy makers, however, never mention that aspect of consumer irrationality!

The overall declines in household debt over the past three years has pushed the personal savings rate upward, but people still have had a difficult time adding to their savings from their current incomes. As their incomes increase over the years ahead, consumers will save more of their incomes, pushing the savings rate higher, perhaps even to the 7% average (see Chart 12). Consumers will thus continue to restrain overall economic growth even when more robust job gains begin to appear. This is the essential case for export growth as it will allow more jobs and more savings as well as greater economic growth.

That consumers want to first rebalance their finances rather than hopping back on the spending and debt treadmill is not without precedence. The same was true in the 1930's. While it is well known that WWII created the enormous number of jobs that offset the losses of the 1930's, consumers' rebalanced their finances by saving over 20% of their incomes during the war years. To be sure, it was due more to rationing and shortages than voluntary actions. Nonetheless, at war's end the consumer sense of confidence and economic optimism was firmly reestablished.

### **Grim Prospects for Economy Over Near and Longer Terms**

The losses recorded this past summer in confidence was largely due to a more pessimistic outlook for the overall economy. The economic news reaching consumers was quite negative, with five times as many negative as positive developments reported by consumers. That negative news environment has improved considerably, but news of negative developments still dominate. When asked about the current state of the economy in early November, two-thirds reported that it had recently worsened, unchanged from the prior three months. The gain recorded in early November was in the year-ahead prospects for the economy. I have already mentioned that even after the gain, consumers still had a pessimistic outlook. Last August, just 14% of all consumers expected good times, which rose to 19% in early November. Yes, that small gain was the good news. It is still true that 67% in the November survey expected bad economic times during the year ahead. This economic outlook was comparable to the worst readings ever recorded in the surveys long history (see Chart 13).

The longer term economic outlook was just as bleak as nearly two-thirds thought that the economy would suffer unrelenting bad times during the next five years (see Chart 14). Over the past decade, long term economic prospects fell from the most positive ever recorded to the most negative, moving from two-thirds who expected continuous good times to two-thirds who expected unrelenting bad times. The 1965 and 2000 peaks in this series followed the two longest economic expansions on record. Notably, during the 1970's and 1980's long term economic prospects showed a close correspondence with cyclical economic developments, but since 2000, the decline in long term economic prospects has been nearly constant.

Consumers, as well as economists, cannot be expected to accurately forecast what economic conditions will be like over the next five years. The purpose of this question is to assess people's sense of long term confidence as many important decisions made by consumers require an extended time horizon. Just as the peaks in this series indicated a belief in an ever expanding economy, the troughs indicate a belief that the economy will be a source of long term discontent.

## **Bankruptcy of Fiscal and Monetary Policies**

The primary implication for consumers of a weakened outlook for economic growth is its impact on prospects for jobs and wages. Before discussing this topic, an important aspect of the desperation now felt by many consumers involves the perceived failure of economic policies. Perhaps a central article of faith among consumers was that appropriate fiscal and monetary policies could successfully manage the macro economy. This faith was repeatedly tested by recessions, but the consensus was that no minor or even major downturn, like in the 1930's, could long resist the policy tools now available to the government. Given the current state of the economy, it should be no surprise that consumers now hold very unfavorable assessments of current economic policies.

When President Obama was elected three years ago, consumers expressed the most negative assessments of the economic policies of the Bush administration ever recorded. Immediately following Obama's election, consumers voiced much more favorable assessments of his expected economic policies. That positive reception soon disappeared and now Obama has the distinction of obtaining the worst evaluations of economic policies, more negative than given to any prior President (see Chart 15). Less than one-in-ten consumers held favorable judgements about economic policy in the past few months.

Their discontent with economic policies also extended to monetary policies. When asked if they had greater or less confidence in the Federal Reserve, the majority of consumers said they had less confidence in the past two months (see Chart 16). While this question has been infrequently asked, it was asked in the aftermath of the 1987 stock market crash, when just 19% voiced less confidence in the Federal Reserve. Three times as many consumers now express lower confidence in the Fed.

Lack of confidence in the Obama administration and the Federal Reserve was significantly related to consumers' overall economic expectations (see Chart 17). Consumers who voiced less confidence with both the Obama administration and the Federal Reserve had scores that were thirty-five points lower on the Expectations Index than those who held favorable views toward both Obama and the Fed, amounting to one-half of the entire peak-to-trough range in the Index. It is easier to understand the very grim state of their economic expectations when consumers express little faith in the ability of either fiscal or monetary policies to reestablish economic growth.

## **Unemployment Expected To Remain at High Levels**

The loss of confidence in economic policy is nowhere more intense than on the topic of jobs. Consumers are intently focused on the magnitude of job losses, while the Obama administration continues to emphasize the extent of job gains. The Obama administration has claimed the job gains have been impressive. The October year-over-year change in job gains is approaching the prior peak, with the cyclical peaks gradually declining over the past several decades (see Chart 18). Consumers, however, have focused on a different view of the same data (see Chart 19). In two years, from December 2007 to December 2009, 8.7 million jobs were lost; in the nearly two years since the start of 2010, 2.2 million jobs were gained, for a net loss of 6.5 million jobs. The average monthly gain in the past two years has been so small that it was

not sufficient to cover even the normal growth in the labor force. A reasonable estimate of the growth in the employable population is about 125,000 per month, or close to an additional six million jobs in the past four years.

I have repeatedly stressed at this conference that consumers' awareness of employment trends is widespread and reasonably accurate. The survey regularly asks consumers to identify any recent economic developments that they heard and could recall. The frequency with which net changes in employment were spontaneously mentioned over the decades shows a close correspondence with the actual year-to-year changes in employment from the establishment survey (see Chart 20). The data are inconsistent with the argument that consumers have typically misread economic trends. The claim of an irrational pessimism among consumers rests on their forecasts of more robust future job growth, whereas consumers are more likely to think that the rate of annual change in employment may have already peaked.

Unemployment rates, the primary focus of consumers, remained quite high, at 9% in October (see Chart 21). Unemployment is extraordinarily high among younger and less skilled workers. The unemployment rate was twice as high for those under age 25 as among older workers, and it was three times as high for those without a high school degree as among workers with a college degree. Before discussing these disparities, I will again note that consumers are aware of prospective changes in unemployment with remarkable accuracy (Chart 22). Importantly, unlike many economic forecasters, consumers anticipate no significant improvement in the unemployment rate during 2012.

It is often useful to decompose the unemployment rate to its two constituents: the labor force participation rate and the employment ratio (Chart 23). The employment-population ratio has remained at a quarter century low for the past two years (it was 58.4 in January 2010 and in October 2011). With no greater employment, however, the unemployment rate fell from 9.7% to 9.0% because an increasing number of people dropped out of the labor force. If labor force participation remained at the same level as at the start of the recession, the unemployment rate would now be 11.5%. The most comprehensive measure published by BLS, including discouraged workers, marginally attached workers, and those employed part-time because they were unable to find full-time work, puts the unemployment rate in October at 16.2% (U6).

Gaining work skills is critical in people's early career, both for the workers themselves as well as for subsequent growth in the overall economy. Unfortunately, the proportion of men and women aged 25 to 34 who are now employed is at near an all-time low for men and at a twenty year low for women (Chart 24). For even younger workers, those under age 25, less than half are now employed. There is much talk about how long term unemployment erodes job skills. Among these younger workers there is not that much to erode. The worry is that some of these younger workers may never develop a lasting attachment to the workforce.

Older people, in contrast, have proved to be remarkably work oriented (Chart 25). One-third of men who are 65 to 69 years old now work, one-quarter of those 70 to 74 years old work, and one-in-ten men over age 75 work. Whether by economic necessity or preference, these increases have the effect of crowding out younger workers. To be sure, as more baby boomers turn 65, the size of this subgroup will mean that newly retired workers will accommodate more younger workers. It just won't be to the same extent as some had hoped. Indeed, the reduction will be smaller than originally expected as people work longer to restore retirement funds and the eligibility ages for Social Security and Medicare rise (as widely anticipated).

It is hard to over-emphasize the critical role played by the jobs shortfall in lowering the long term economic expectations. Hardly anyone expects the economy to produce the extraordinary rate of job growth that would be required to restore full employment anytime soon. Most troubling, consumers may have lost confidence in the ability of the current array of economic policies to foster the amount of job growth that would be required to lower the unemployment rate to 6%.

### **Five Degrees of Economic Discontent**

At the 2008 conference, I outlined five degrees of economic discontent, which have occurred to varying degrees over the past half century. The most common form of discontent, and usually the first to appear, results from the inability of consumers to maintain their customary living standards due to rising inflation. High and rising unemployment, which consumers view as a much more serious matter, represents the second degree of discontent. Whereas discontent with inflation can persist for years without much impact on the macro economy, once discontent is driven by fears of rising unemployment, widespread postponement of spending can and has plunged the entire economy into recession. Losses of accumulated housing and financial wealth represent the third phase of discontent, which can deepen and lengthen the declines in spending.

The fourth stage of economic discontent translates economic discontent into political discontent. The election of Barack Obama was in part predicated on his ability to restore job and income growth, which was widely believed by the public to be an achievable goal. That expected revival did not happen, and the lingering economic discontent has once again become the centerpiece of the upcoming Presidential election. To be sure, Congress richly deserves its share of voter discontent, but it is the President that shoulders the main burden of leadership for economic policies.

The economy has never fallen victim since the 1930's to the final stage of discontent when people relinquish all hope for improvement and focus on economic survival. The cherished dream of a better life is not simply put on hold, it is abandoned. This total despair is an apt description of the difference between depressions and recessions, both psychologically and economically. We have thus far avoided that fifth stage of discontent, but rather than moving away from that final stage, we have edged even closer. The same steep economic declines as in the 1930's are not a necessary precondition; rather, entering the fifth stage depends on the widespread loss of hope for improvement. The complete loss of optimism is all that's needed.

As I tried to emphasize three years ago, that loss of optimism in the 1930's occurred despite substantial gains in spending. Even during the Great Depression, personal consumption spending declined in only five of the eleven years (see Chart 26). Moreover, rather than recording an overall loss, real personal consumption expenditures posted an average annual gain of 1.5% from 1930 to 1940. Economic stagnation would be a better description of the 1930's if it were not for the extraordinary levels of unemployment. That same diagnosis applies to the current state of the economy.

The best indicator of overall consumer spending prospects is based on the series that measures how consumers expect the labor market to perform in the year ahead (see Chart 27). Based on this series, the growth rate in total personal consumption expenditures in 2012 is expected to be 1.8%. If that forecast is accurate, the five year average growth rate from 2008 to 2012 would be just under 1.0%. Although

unemployment is presumably much lower than in the 1930's, the exact extent is not precisely known. The 1930's unemployment rates were estimated from survey data before the introduction of the official measure in the early 1940's. The broadest alternative measure now published by the BLS puts the unemployment rate at 16.2% in October 2011. If that were the appropriate comparison, the similarities between the Great Depression and the Great Recession would be much closer.

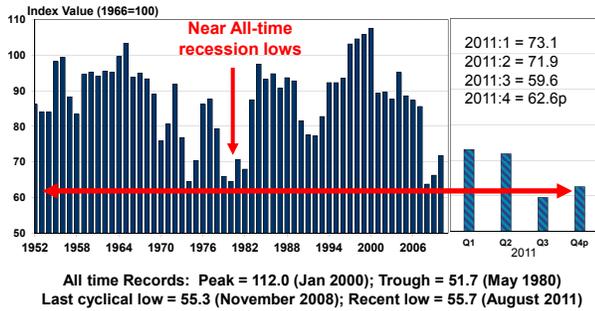
### **Public Policy Demands In a New Economic Era**

The forecast of 1.8% growth in personal consumption expenditures in 2012 can be viewed as both good and bad news. It certainly is better that the renewed downturn that was feared a few months ago, but the growth rate is not high enough to lower the unemployment rate. Stagnation is the best description. Moreover, the unfortunate fact of this forecast is that spending will be weakest at the start of 2012 and is expected to strengthen in the second half of the year. The near term weakness could be lessened or exaggerated by a host of unknowns. Will the Congressional quagmire on taxes and spending be broken? Will the payroll tax cuts that are scheduled to end in a few months be extended? Will priming the pump dominate or will deficit reductions take precedence? What are the prospects for an extension of the Bush tax cuts for the middle class and the wealthy which are now scheduled to end at the close of 2012? How much will the fallout from the European crisis affect the domestic economy? The list of these and other uncertainties is uncomfortably long. Although the overall probability of a renewed economic downturn has lessened, it still remains uncomfortably high.

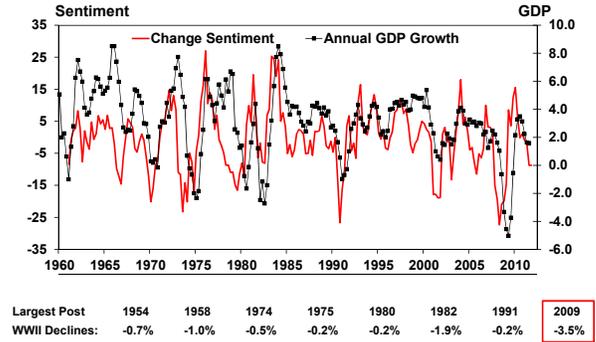
The title of this presentation was selected to highlight the notion that economic stagnation is a mixture of spending and pessimism. Stagnation does not mean a zero growth rate, but a rate of growth that is too low to accommodate a growing population nor a gradually increasing income that is psychologically crucial to economic well-being. The longer stagnation persists, the greater its toll on consumer optimism and confidence. While it is unlikely that the majority of consumers will slip into the final stage of discontent, a small but growing number of consumers will relinquish hope for improvement as the period of stagnation in jobs and incomes lengthens. I'm sure every observer can understand that with such a meager overall growth rate, the likelihood of declines in living standards for a substantial portion of the population remains high. And given the current level of inequalities, more for the few, will be accompanied by less for the many.

The spending and pessimism two-step reflects the dawn of a new era for consumers. This represents a fundamental shift from an era where economic policies were a source of optimism and confidence to an era where economic policies become a source of pessimism and uncertainty. Given the realities of government budgets, the pain will be doled out in the years ahead in terms of cuts in entitlements and increases in taxes. Importantly, it is likely that everyone will experience both benefit cuts and tax increases. While it is not uncommon for people to withstand short term economic losses to reap long term rewards, there must be some overarching goal that can compel widespread compliance. Economic and political leadership is needed to accomplish this task. A committee can not be assigned this task. Only a president can accomplish this vital task. If you judge prospects for the election of such a president to be low, then the stagnation two-step will continue. Although without any supporting data, I remain optimistic that consumers will dance to a more optimistic melody in the not too distant future.

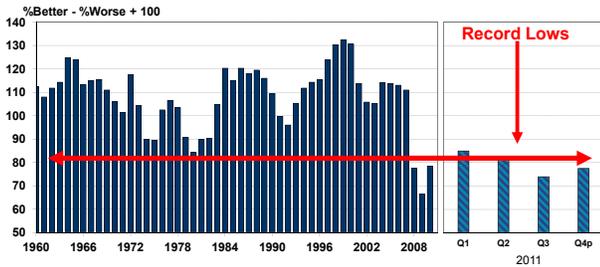
**Chart 1: Consumer Sentiment Falls Back Toward Recession Lows**



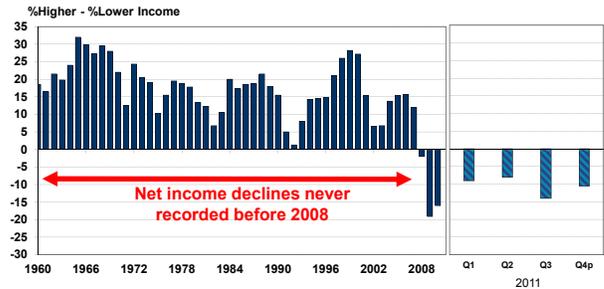
**Chart 2 : Sentiment Signals Stagnating GDP Growth During Year Ahead**



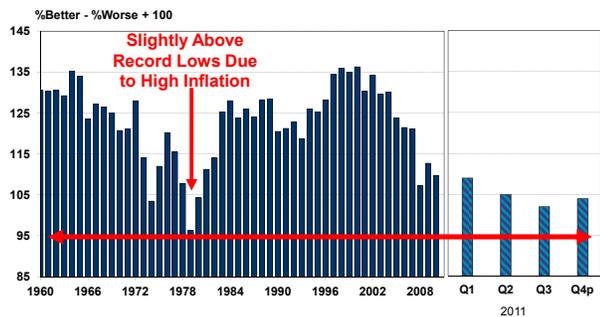
**Chart 3: Current Financial Situation of Consumers Remains Dismal**



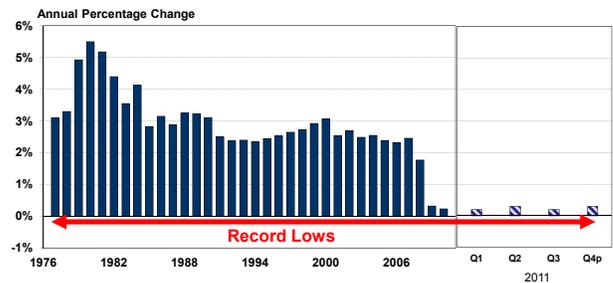
**Chart 4: Income Changes Have Remained Negative for Longer Than Ever Before Recorded**



**Chart 5: Diminished Personal Financial Prospects Expected During Year Ahead**



**Chart 6: Income Prospects Remain Grim: Majority Expect No Gains in Nominal Incomes**

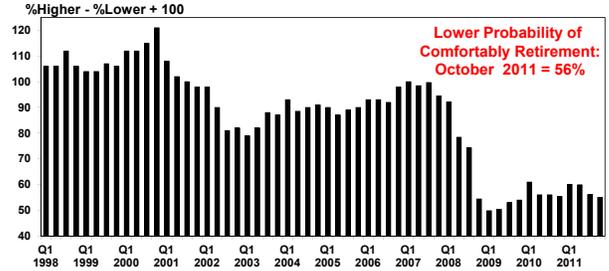


**Chart 7: Real Home Prices Expected to Decline Over Foreseeable Future**  
(Three month moving averages)

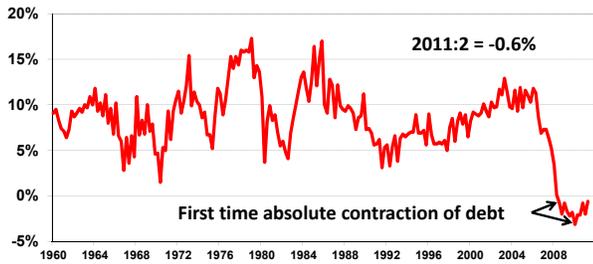


**Chart 8: Adequacy of Retirement Savings Remains Low**

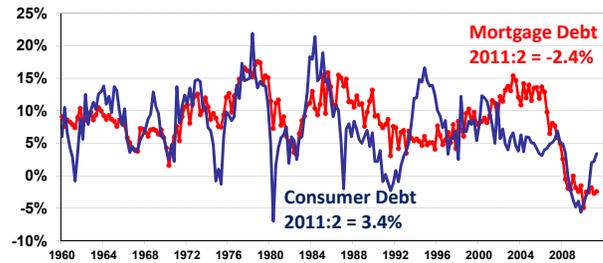
(Change in Probability of a Comfortable Retirement Given Current Assets Among Those Under Age 65.)



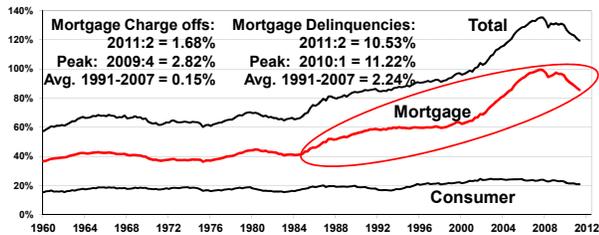
**Chart 9: Declines in Household Debt Main Reason for Increase in Saving Rate**



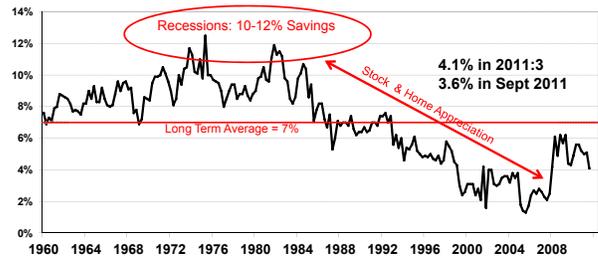
**Chart 10: Mortgage Debt Declines Partially Offset by Increases in Consumer Debt**



**Chart 11: Mortgage Debt Still Excessive**  
(Debt as a Percentage of Personal Disposable Income)



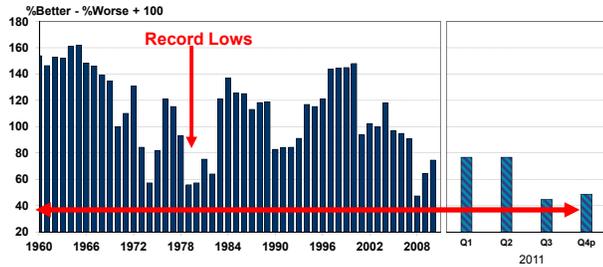
**Chart 12: Personal Saving Rates**



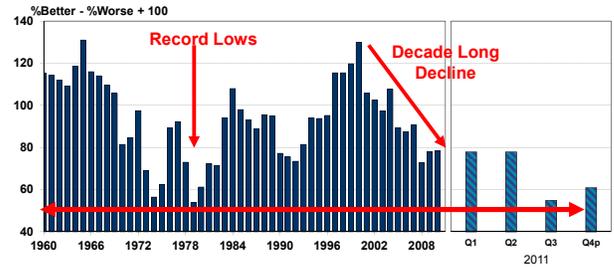
Extraordinary Wartime Savings Acted to Reverse Depression Losses

Saving Rate	1940	1941	1942	1943	1944	1945	1946
Rate	5.7%	12.2%	24.1%	25.6%	26.1%	20.4%	9.6%

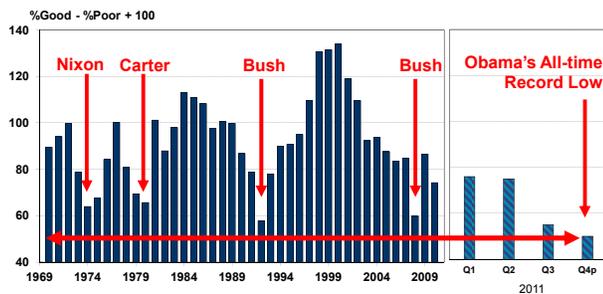
**Chart 13: One-Year Outlook for National Economy Remains Quite Negative**



**Chart 14: Five-Year Outlook for National Economy Remains Grim**



**Chart 15: Government Economic Policies: Lost Confidence in Obama's Policies**



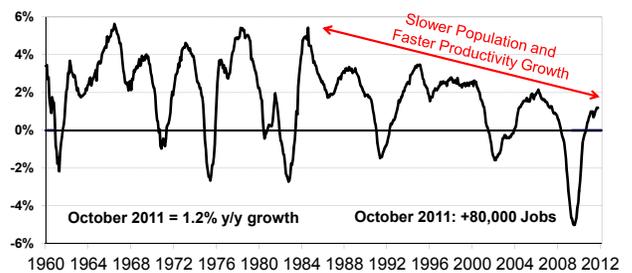
**Chart 16: Loss of Confidence in the Federal Reserve**

	Nov-Dec 1987	Oct-Nov 2008	Sep-Oct 2009	Oct-Nov 2010	Oct-Nov 2011
Greater or Unchanged Confidence in Fed	76%	41%	49%	49%	37%
Less Confidence in Fed	19%	57	49	49	61
DK; NA	5	2	2	2	2
Total	100%	100%	100%	100%	100%

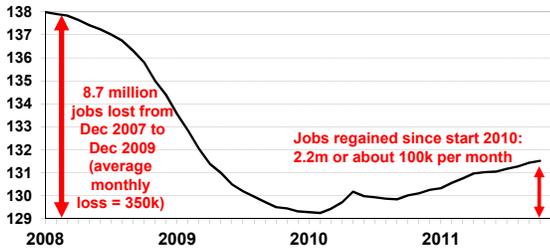
**Chart 17: Large Impact of Loss of Confidence in Economic Policies on Consumer Expectations (October – November 2011)**

	Share of Households	Index of Consumer Expectations
Lost confidence in Obama and the Fed	41%	39.1
Lost confidence in Obama but not Fed	16	49.4
Lost confidence in Fed but not Obama	20	63.3
No loss of confidence in Obama or Fed	23	74.3
Total	100%	

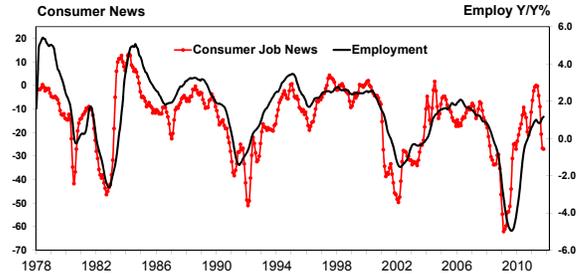
**Chart 18: Year-to-Year Growth in Total Non-Farm Employment Nearly Reaches Prior Peak**



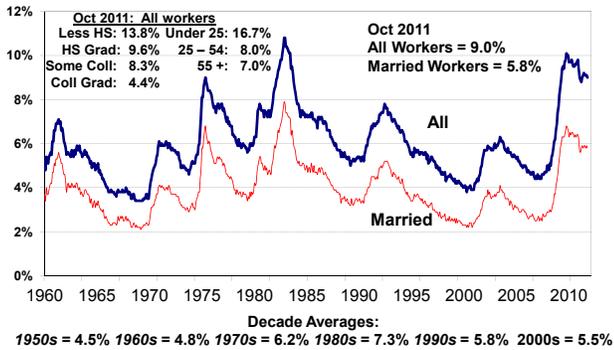
**Chart 19: Consumers Focus on Job Losses, Obama Focuses on Job Gains**  
(Total nonfarm employment in millions)



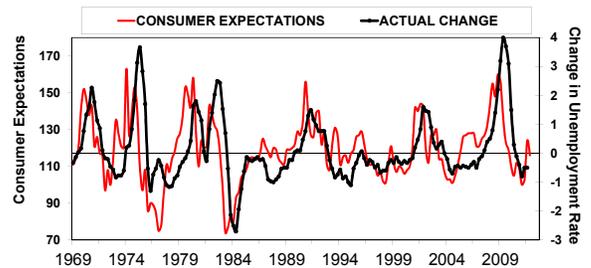
**Chart 20: Consumer Reports of News about Jobs And Changes in Total Nonfarm Employment**  
(Three month moving averages)



**Chart 21: National Unemployment Rate**



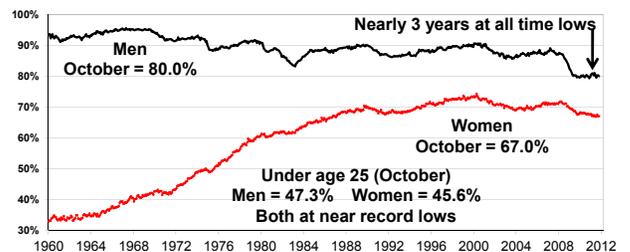
**Chart 22: Consumers Expect No Improvement in Unemployment Rate During Year Ahead**



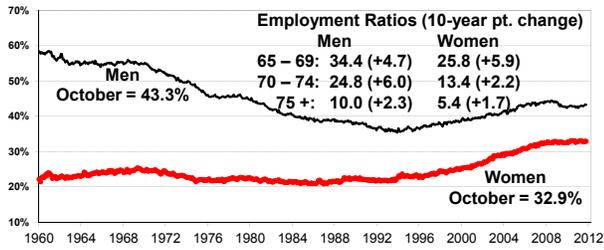
**Chart 23: Unemployment Decomposition: Ratio of Employed to Labor Force Participation Rates**



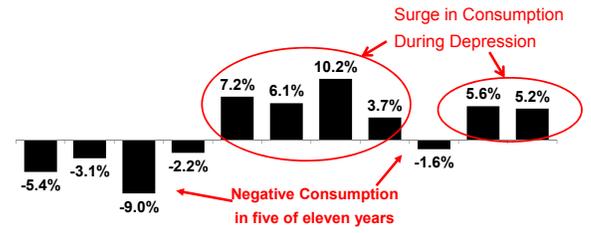
**Chart 24: Employment Population Ratios: Men and Women Age 25 - 34**



**Chart 25: Employment Population Ratios: Men and Women Over Age 55**



**Chart 26: Unemployment Not Growth in Real Personal Consumption Defined Great Depression**



1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940

Unemployment Rate Defined Great Depression										
8.9%	15.9%	23.6%	24.9%	21.7%	20.1%	17.0%	14.3%	19.0%	17.2%	14.6%

Note: Unemployment in 1929 = 3.2%

**Chart 27: Modest Growth in Personal Consumption Expenditures Expected in 2012**

