

# Beating a Dead Horse to Death?

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We keep telling ourselves that surely there must be another story out there that needs to be emphasized concerning the direction of the economy. After all the economy is quite complex and in many ways defies cause and effect, therefore one should be able to find an abundance of topics in which to draw one's attention concerning direction. Be that as is may, excess accumulation of debt or the part of the consumer remains the number one underreported and underappreciated financial "death trap" which is sure to come home to roost.

Please note the following chart which depicts the relationship between past recession recovery amount of consumer debt and GDP growth. This is a rather narrow focus as consumer debt is but a portion of overall debt growth but is by far the greatest economic challenge as the consumer is 70% of the economy.

Period	GDP Growth (\$billions)	Growth In Household Debt Outstanding (\$billions)	Dollars Of New Household Debt For Each New Dollar Of GDP Created
2Q 54 - 1Q 57	\$ 81.9	\$ 44.0	\$0.54
1Q 61- 4Q 63	109.9	64.8	0.59
2Q 70 - 1Q 73	318.2	126.7	0.40
2Q 75 - 1Q 78	580.0	320.2	0.55
4Q 82 - 3Q 85	985.1	601.3	0.61
2Q 91 - 1Q 94	1,023.0	577.8	0.57
4Q 01 - 3Q 04	\$1,674.9	\$2,258.83	\$1.34

As we have said before, we don't know when enough is enough, but each day we get closer and without strong employment growth it may be "the day after tomorrow."