The Consumer

Figures current as of October 2026

The household as an economic unit: where its income comes from, who is poor and how the safety net reaches them, what $22 trillion of spending buys, what is saved and who owns the wealth, the $18.8 trillion of borrowing and the student loans inside it, the credit system from both ends, the stores, the data and why it disagrees, the consumers abroad, the arguments on each, and the dates to watch, with the arithmetic worked at each step.

MODULE 1 — Foundations

Goal: Set the numbers and the vocabulary.

About $22 trillion of consumption, two-thirds of the economy; about 134 million households; income, spending, saving, wealth, and debt as one system; and the terms the course uses.

MODULE 2 — Income

Goal: Read where the money comes from and how it is shared.

Pay, government benefits, and income from assets; the 2025 distribution, from the 10th percentile at $20,010 to the 90th at $261,300; what narrowed and what widened it; and three household budgets, worked.

MODULE 3 — Poverty and the Safety Net

Goal: Understand who is poor, by which measure, and how the programs reach them.

Three measures and three numbers; who is poor; Medicaid, SNAP, the tax credits, Social Security, and the rest from the recipient's side, with the 2025 law's changes as they arrive; the benefit cliff, worked; and whether work requirements work, argued both ways.

MODULE 4 — Spending

Goal: Read what the $22 trillion buys.

The categories; what moved in 2025-26, from gasoline and tariffs to premiums and betting; the K-shape in the spending data; and whether the consumer is fine or failing, argued both ways.

MODULE 5 — Saving and Wealth

Goal: Understand the saving rate and who owns what.

A saving rate near 4% after the annual revision; household wealth at a record and its record concentration; the 2025 Survey of Consumer Finances; the wealth effect and the two balance sheets.

MODULE 6 — Borrowing

Goal: Read the $18.8 trillion from the household's side.

Mortgages, cars, cards, buy-now-pay-later, and medical debt; the two card-delinquency numbers and what each measures; and where the credit cycle stands.

MODULE 7 — Student Loans

Goal: Understand the system with its own machinery.

$1.7 trillion and 42.6 million borrowers; SAVE's end, the defaults, and the paused collections; the 2025 law's caps and single plan; the twenty-year shadow; and whether federal lending raised tuition, argued both ways.

MODULE 8 — The Credit System

Goal: See both ends of it.

Scores and issuers; the regulators' retreat and the swipe-fee fight; fringe finance and the unbanked; a credit card's economics, worked; and whether card rates should be capped, argued both ways.

MODULE 9 — The Retail Industry

Goal: Understand the three-way system and the shelf.

Walmart, Amazon, and Costco; the value tier and the shrinking middle; e-commerce at 17%; the tariff on the shelf and the refunds; margins and the store.

MODULE 10 — The Data

Goal: Understand how the consumer is measured and why the measures disagree.

Retail sales, consumption, the saving rate, sentiment, and the card data; inflation as a rate and as a level; one retail-sales report, worked.

MODULE 11 — Comparison Abroad

Goal: See why the American consumer carries the world.

Consumption and saving across the large economies; why America consumes; and China's consumer, whose subsidies paid back in 2026.

MODULE 12 — Where Things Stand, and What to Watch

Goal: Assemble the picture and name the dates.

Where things stand; five contradictions; four tests; a dated watch list from late October 2026 to the safety-net changes of 2027; and a last word.

A note on the sources and the ground: Income and poverty come from the Census Bureau's reports on 2025, consumption, income, and saving from the Bureau of Economic Analysis (BEA), prices and jobs from the Bureau of Labor Statistics (BLS), debt from the Federal Reserve Bank of New York, wealth from the Federal Reserve, the programs from their agencies, and the stores from their own reports. Market prices are the close of Wednesday, October 14, 2026, and other figures are the latest release, with its date. The consumer is the subject on which the measures disagree most. Surveys, card data, and official series each see a different household, and most figures are revised after the argument has moved on. Where the ground is contested, the course makes each side's case as its advocates make it, then gives the evidence and its own reading, once. It explains how household finances work; it is not advice, and it does not forecast prices.

Market Snapshot

Prices and rates at the close of Wednesday, October 14, 2026, with the latest releases

Measure	Level	Source
Federal funds rate	3.75-4.00%, raised on September 16; the next meeting October 27-28	Federal Reserve
Thirty-year mortgage rate	7.40% (October 15), against 6.27% a year earlier	Freddie Mac
Credit card rate	22.36% on accounts paying interest (August)	Federal Reserve
Consumer prices	Up 3.7% in the year to September, gasoline 34.2%; 2.6% excluding food and energy	BLS, October 14
Prices of personal consumption expenditures (PCE)	Up 3.4% in the year to August; 3.0% excluding food and energy	BEA, September 30
Jobs	Unemployment 4.2%; payrolls up 29,000; hourly pay up 3.0% on the year (September)	BLS, October 2
Retail sales	$745.0 billion in September: up 0.8% in the month and 6.3% on the year; up 0.2% in the month without gasoline stations	Census Bureau, October 15
Personal saving rate	4.1% of disposable income (August)	BEA, September 30
Consumer sentiment	University of Michigan 46.3 (October, preliminary; a record low of 44.8 in May); Conference Board 81.9 (September)	The two surveys
Household debt	$18.77 trillion; 4.7% of balances delinquent (second quarter)	Federal Reserve Bank of New York, August 11
Household net worth	$195.9 trillion (second quarter), a record	Federal Reserve, September 11
S&P 500	7,718.94 (record close 7,818.93 on October 6)	S&P Dow Jones Indices
Gasoline	$4.28 a gallon (week of October 19)	Energy Information Administration

Market prices are closes of October 14, 2026; the other figures are the latest releases, with their dates.

Module 1 — Foundations

The Numbers and the Vocabulary

Recommended Reading / Reference

Book: Jonathan Morduch and Rachel Schneider, *The Financial Diaries: How American Families Cope in a World of Uncertainty* (2017), the household's year month by month

Reference: The BEA's monthly *Personal Income and Outlays* release, the Census Bureau's annual income and poverty reports (September), and the New York Fed's *Quarterly Report on Household Debt and Credit*, the sources for most of the figures that follow

1a. The Household as the Unit

Households bought about $22.0 trillion of goods and services at an annual rate in the second quarter of 2026. That is 67.5% of an economy producing about $32.6 trillion a year, against 67.0% at the end of 2019 (BEA). Government purchases, business investment, and trade make up the rest. So most of what moves the American economy is what households decide to buy; the Census Bureau counted 133.8 million occupied homes in the second quarter of 2026.

The household runs on five accounts, and the course takes them in order. Income is what comes in: pay, benefits from government, and returns on assets (Module 2). Spending is what goes out (Module 4). Saving is the difference, and wealth is what saving and rising asset prices have piled up (Module 5). Debt fills the gap when income does not cover spending, or pulls a purchase forward (Modules 6-8). The accounts are one system. Income not spent is saved, saving becomes wealth, a gain in wealth is partly spent, and borrowing moves spending from later to now.

Each account is reported as an aggregate, and each aggregate is an average of very different households (2a). The measures of Module 10 disagree about how far apart those households are. That gap between the total and the household is the course's running question.

1b. The Five Accounts

Account	Size, with the source's measure	Where the course takes it up
Income	Personal income $27.6 trillion at an annual rate in August 2026 (BEA)	Module 2: its sources and its distribution
Spending	The consumption in 1a	Module 4: the categories and the split by income
Saving	Disposable income less spending, as a share of disposable income (BEA, monthly)	Module 5: the rate and who does the saving
Wealth	$195.9 trillion for households and nonprofits in the Fed's financial accounts, a record, or $185.7 trillion for households alone in its distributional accounts (second quarter of 2026)	Module 5: who owns it
Debt	$18.77 trillion owed by households (second quarter of 2026, New York Fed)	Modules 6-8: the loans, the student system, and the lenders

Each figure in the course names its measure.

1c. The Vocabulary

Term	Meaning	Why it matters
Personal consumption expenditures (PCE)	Everything households consume, including what is paid on their behalf, such as employer health insurance and Medicare	The broad measure of spending; its price index is the Fed's inflation gauge
Retail sales	Monthly sales at stores, websites, and restaurants	The fast measure (Module 10)
Disposable income	Personal income after taxes	What a household can spend or save
Real and nominal	Adjusted for prices, or not	A 5% rise in spending with 4% inflation buys about 1% more
Transfers	Payments from government to households: Social Security, Medicare, Medicaid, food aid from the Supplemental Nutrition Assistance Program (SNAP), the refundable tax credits, unemployment insurance	Counted in income even when they arrive as care rather than cash (Module 2)
Median and mean	The middle household, and the average that the top pulls up	The median is the better guide to a typical household
Percentile, decile, quintile	Points on the distribution, and its tenths and fifths	The course's units of comparison
The K-shape	An economy in which the top's income and spending rise while the bottom's fall, like the arms of the letter	The frame of 2025-26 (4c)
Delinquency: stock and flow	The share of balances already late, and the share newly falling late each quarter	The two card-delinquency numbers of 6b
The wealth effect	Extra spending that follows a rise in asset prices	Estimated in 5c
The benefit cliff	An income range in which more earnings bring less in hand, because benefits phase out together	Module 3's worked example

Module 1 Key Points

Foundations

• Households buy about two-thirds of American output, so most of what moves the economy is what they decide to buy.

• The household runs on five connected accounts: income, spending, saving, wealth, and debt.

• Households owe $18.77 trillion against net worth of $185.7 trillion on the Fed's household measure.

• Every account is an average of very different households, and the measures disagree about how different.

• Real spending adjusts for prices: a 5% rise in spending with 4% inflation buys about 1% more.

Module 1 Quiz

Check Your Understanding

1. What share of American output do households buy?

A) About a third of it
B) About half of it
C) Nearly nine-tenths
D) About two-thirds of it

2. Which are the household's five accounts in the course?

A) Wages, rent, food, taxes, and the savings account
B) Income, spending, saving, wealth, debt
C) Cash, cards, loans, stocks, and homes
D) Assets, liabilities, and income only

3. What is disposable income?

A) Income after taxes
B) Income left after paying for necessities such as rent and food
C) Income from assets rather than from work or from government
D) Income a household chooses to spend in a given month

4. Why does the course call the five accounts one system?

A) The Census Bureau measures them together each year in one survey
B) Every household holds all five in equal measure, from bottom to top
C) Each feeds the others
D) They move together

5. What does a 5% rise in spending with 4% inflation buy?

A) About 1% more
B) About 5% more, since spending is what households buy
C) About 9% more
D) About 4% less

Module 2 — Income

Where the Money Comes From and How It Is Shared

Recommended Reading / Reference

Reference: The Census Bureau's *Income in the United States: 2025* (report P60-289, September 15, 2026), the Congressional Budget Office's *The Distribution of Household Income*, and the BEA's personal income tables, which split income by source

2a. The Sources

Personal income comes from three places (BEA, August 2026). Pay is 59.7% of it: wages and salaries 49.2%, and employers' contributions to health insurance and pensions 10.5%. Benefits from government are 18.5%, against about 8.4% in 1970. They are the transfers of 1c and veterans' benefits; Social Security alone paid out $1.65 trillion in fiscal 2026. Income from assets and businesses is about 29%: interest 9.1%, dividends about 8%, proprietors' profits 7.7%, and rent 4.3%. The shares add to more than 100% because contributions for social insurance, 7.6% of the total, are subtracted.

The mix decides how a household meets the year. A household living on wages feels the job market and prices. One living on benefits feels the cost-of-living adjustment and Congress. One living on assets feels the stock market and interest rates. In 2026 the three moved apart. Average hourly pay rose 3.0% in the year to September while prices rose 3.7%, so real pay fell 0.7% (BLS). Social Security's adjustment was 2.8% for 2026, below that year's inflation; the 3.6% for 2027 was announced on October 14. And the S&P 500 closed on October 14 at about 2.4 times its level at the end of 2019.

2b. The Distribution

Households, by income	Share of all income (2025)	Where the line falls
Lowest fifth	3.0%	The 10th percentile is $20,010
Second fifth	8.2%	
Middle fifth	13.9%	The median sits inside it
Fourth fifth	22.5%	
Highest fifth	52.4%	The 90th percentile is $261,300
Top 5%	23.5%	Part of the highest fifth

Census Bureau, September 15, 2026: money income before taxes, which leaves out the tax credits, SNAP, and the value of health coverage. None of the shares changed significantly from 2024.

Median household income was $87,460 in 2025, up 2.6% after inflation and the highest since the series began in 1967 (Census Bureau). The 90th percentile was 13.1 times the 10th, and the median 4.4 times the 10th, a ratio that rose 3.5% in the year. The Gini index, which runs from 0 for perfect equality to 1, was 0.490. After taxes and credits the median was $76,060 and the Gini 0.448, so the tax system narrows the spread without changing its shape. Among full-time workers, women's median earnings rose 3.2% to $60,760, against $72,380 for men, a ratio of 83.9%.

2c. What Moved the Distribution

• **Wages.** The tight labor market of 2020-24 raised pay fastest at the bottom. David Autor, Arindrajit Dube, and Annie McGrew (2023) found it reversed about a third of the rise in wage inequality since 1980. Dube reported in January 2026 that most of that narrowing held through November 2025. Real pay at the 10th percentile barely grew in 2025, though, and a softer job market puts the bottom's gains most at risk.

• **Benefits.** The pandemic payments lifted the bottom's income in 2020-21, and their expiry took the gain back (3b). The 2025 law's cuts to SNAP and Medicaid have begun to arrive, a year before most of the dates in the law (3c).

• **Assets.** Income from assets goes where the assets are, mostly to the top tenth (5b). Higher interest rates since 2022 paid households with savings and charged households with debt, which are rarely the same households.

• **Immigration.** Foreign-born workers were 32.7 million in 2025, 19.1% of the labor force (BLS). The enforcement of 2025-26 and the fall in arrivals cut the supply of workers in construction, farming, and care, and the evidence on what that does to wages is still coming in.

2d. Three Household Budgets

Worked example — three household budgets in 2026

Take three households with two children each, at three points on the 2025 distribution, and run their year on 2026's tax rules (3d). The first is a single parent earning $30,000, about a third of the median. The second is a married couple at the median, $87,460. The third is a couple at the 90th percentile, $261,300. The two couples pay $7,000 a year as their share of an employer health plan, and save through a 401(k): 5% of pay at the median, with a match of half of that, and 10% at the top, with a match of 3% of pay. Every household pays a 4% state income tax. The spending lines are illustrations, not survey averages.

	Single parent, $30,000	Median couple, $87,460	Top-tenth couple, $261,300
Payroll and income taxes, federal and state	$3,495	$9,569	$56,757
Tax credits and SNAP received	+$15,321	None	None
Health premiums and 401(k), taken from pay	None	$11,373	$33,130
In hand	$41,826	$66,518	$171,413
Housing and utilities	$19,404	$28,800	$55,200
Food	$9,600	$13,000	$20,000
Transport	$6,000	$13,200	$20,000
Childcare, school, and health	$2,700	$7,500	$28,000
Everything else	$4,000	$4,000	$28,000
Left at the end of the year	$122	$18	$20,213
Saved, counting the 401(k) and the match	$122	$6,578, 7.5% of pay	$54,182, 20.7% of pay

The single parent's credits, the refundable child tax credit and the earned-income credit, and her SNAP are worked out in 3d. Medicaid covers her family's health care and is not counted as income here.

Three lessons. The single parent spends everything she has. Rent and utilities take 46% of it, and 37% of it comes from programs, before counting Medicaid. Her buffer is a credit card, so one car repair becomes debt. The median couple saves only through payroll, and its bank account breaks even. Its $300,000 mortgage, fixed at 3.5% in 2019, costs about $730 a month less than the same loan at October's rate (6c), which is why it will not move. The top couple saves a fifth of its pay, and its spending follows its assets. Its $700,000 of stocks and funds gained about $115,000 when the S&P 500 rose 16.4% in 2025, three-quarters of what it spent in the year. At the 3 cents a dollar the research finds (5c), that gain alone adds about $3,400 a year to its spending. One aggregate number about 'the consumer' describes none of the three.

Module 2 Key Points

Income

• Personal income is $27.6 trillion: 59.7% pay, 18.5% government benefits (8.4% in 1970), and about 29% from assets and businesses.

• Real pay fell 0.7% in the year to September 2026, as hourly pay rose 3.0% and prices 3.7%.

• Median household income was a record $87,460 in 2025; the top fifth took 52.4% of income and the bottom fifth 3.0%.

• The 2020-24 narrowing of pay gaps mostly held through 2025, but real pay at the bottom stalled.

• The bottom's budget is rent and programs, the middle's is a fixed mortgage, and the top's spending follows its assets.

Module 2 Quiz

Check Your Understanding

1. What share of personal income is benefits from government, and what was it in 1970?

A) About a tenth now, a fifth then
B) About a third now, a tenth then
C) Nearly a fifth now, about 8% then
D) About 5% now, unchanged since

2. Why does the module say the source of a household's income matters?

A) Because only wages are taxed.
B) Each source answers to a different force in the economy.
C) Because benefits are not counted as income by the Census Bureau or by the BEA.
D) Because asset income is untaxed.

3. What happened to real pay in the year to September 2026?

A) It rose by 3.0%, the fastest since 2022.
B) It rose 3%.
C) It rose by about 1%, in line with productivity.
D) It fell by 0.7%.

4. What share of 2025 money income went to the highest fifth of households?

A) About half, 52.4%
B) About a third
C) Nearly 70%
D) About a quarter, as in 1967

5. In the worked example, what sets the top couple's spending, beyond its pay?

A) Its tax refund each April
B) Its mortgage rate from 2019
C) The gains on its stocks and funds
D) Its employer's health plan

Module 3 — Poverty and the Safety Net

Who Is Poor, by Which Measure, and How the Programs Reach Them

Recommended Reading / Reference

Book: Matthew Desmond, *Poverty, by America* (2023), the case that poverty persists because others gain from it; read it with Bruce Meyer and James Sullivan's consumption-poverty reports, which reach the opposite number

Reference: The Census Bureau's *Poverty in the United States: 2025* (report P60-290, September 15, 2026), the Agriculture Department's SNAP participation data, and the tracker of Medicaid work requirements kept by KFF, the health-policy research group

3a. Three Measures, Three Numbers

How many Americans are poor depends on the ruler. The official measure compares a family's cash income before taxes with a threshold set in the 1960s at three times a minimum food budget, adjusted since only for inflation. For a family of four the average threshold was $32,970 in 2025. By it, 10.2% of Americans were poor in 2025, 34.5 million people, a record low, and child poverty fell to a record-low 13.4% (Census Bureau). It counts no taxes, no tax credits, no SNAP, and no housing aid, so it cannot see most of the safety net.

The supplemental poverty measure, published since 2011, counts those benefits as income. It subtracts taxes, work expenses, and medical costs, and it sets its line from what families actually spend on food, clothing, shelter, and utilities, adjusted for local housing costs. Its line for two adults and two children who rent was $41,701 in 2025. By it, 13.1% were poor, about 44.4 million people, not significantly different from 2024. The rate is higher than the official one because what the measure subtracts outweighs what it adds. It also shows what each program does. Social Security lifted 28.8 million people above the line in 2025, the refundable tax credits 6.1 million, SNAP 3.1 million, and school lunches more than 1.2 million, while medical bills pushed 7.7 million below it.

The consumption measures ask what a family consumes rather than what it receives, and they count the homes and cars it owns. Bruce Meyer and James Sullivan's latest report puts consumption poverty at 6.0% in 2022, against 33.8% in 1980, on its own anchoring of the line. Its advocates read that as proof that the safety net and rising living standards have largely won the war on poverty, and that income measures miss it. Its critics answer that a family can own a car and still be unable to pay the rent, and that the choice of anchor year drives the result. The course uses the supplemental measure for its tables, because it is the only one of the three that counts both what government gives and what housing and health care cost.

3b. Who Is Poor

Group	Supplemental poverty rate	Note
Children (2025)	13.4%	9.7% in 2020; 5.2% in 2021 with the expanded child tax credit; 12.4% in 2022 after it lapsed; 13.7% in 2023
Adults 18-64 (2025)	12.3%	
65 and over (2025)	15.4%	Medical costs add 3.8 points
Without a high-school diploma (2025)	32.4%	Up 2.0 points, the only group with a significant change
Black Americans (2024)	20.7%	Up from 18.5% in 2023
Renters (2024)	23.3%	Owners with a mortgage 6.1%; owners without one 11.7%

Census Bureau; the 2024 rows as summarized by the National Low Income Housing Coalition (September 15, 2025).

3c. The Programs, From the Recipient's Side

Program	Who, and how much	How it arrives	What the 2025 law did, and when
Medicaid and the Children's Health Insurance Program (CHIP)	73.2 million enrolled (June 2026); federal spending $723 billion (fiscal 2026)	Coverage through the state, not cash	Expansion adults must show 80 hours a month of work, school, or service, or $580 of monthly income, by January 1, 2027; Nebraska began on May 1, 2026, Montana on July 1, and Iowa begins December 1. Parents of children 13 or under are exempt. Eligibility checks every six months from December 31, 2026. The Congressional Budget Office (CBO) projects 10 million more uninsured by 2034
SNAP (food stamps)	36.1 million people (July 2026), 5.5 million (13%) fewer than a year earlier; a maximum of $808 a month for a family of three from October 1, 2026	A debit card loaded monthly	Time limits now reach adults up to 64 and parents whose youngest child is 14 or older; refugees and asylees lost eligibility. States pay 75% of administration from October 1, 2026, and 0-15% of benefits, by their error rates, from October 1, 2027
The earned-income credit	Up to $7,316 with two children and $8,231 with three or more (2026)	A lump sum at tax time	Unchanged
The child tax credit	$2,200 a child, refundable up to $1,700 (2026)	At tax time	Raised and indexed; the increase misses about 19 million children whose families earn too little for the full credit, by the count of the Center on Budget and Policy Priorities (CBPP)
Social Security and Supplemental Security Income (SSI)	Nearly 72 million on Social Security; about 7.3 million on SSI, at up to $994 a month in 2026 and $1,029 from the payment of December 31	Monthly checks	A deduction of $6,000 for each person 65 or over, 2025-28, phasing out above $75,000 of income ($150,000 for couples)
Housing assistance	About one eligible renter household in four is helped (CBPP); subsidies lifted 2.5 million people above the supplemental line in 2024	Vouchers and public housing, with waiting lists of years	Not changed by the law; funded year by year

Program	Who, and how much	How it arrives	What the 2025 law did, and when
School meals and the program for Women, Infants, and Children (WIC)	Free meals for every pupil in schools where enough children are certified through SNAP	Meals at school; vouchers for food	As SNAP rolls fell, some districts dropped free meals for all in 2026 (Education Week, August 2026)
Unemployment insurance	199,000 new claims in the week to October 10, 2026	Weekly checks, for up to 26 weeks in most states	Unchanged
Temporary Assistance for Needy Families (TANF)	A $16.5 billion block grant, fixed in dollars since 1996 and so worth less than half as much after inflation	Cash through the states, with time limits	Unchanged

Program agencies, KFF, CBO, and CBPP; the latest data, as marked. Public Law 119-21 was signed on July 4, 2025.

3d. The Benefit Cliff

Worked example — what a single parent keeps of a raise from $30,000 to $40,000

Take the single parent of 2d, whose children are 4 and 9, in a state that has expanded Medicaid and lets SNAP run to 200% of the poverty line, as Pennsylvania, Michigan, and North Carolina do. Give her a raise from $30,000 to $40,000, and count what she keeps on 2026's tax rules and the SNAP rules in force from October 1, 2026. **Payroll tax** takes 7.65% of the raise: $765. **Federal income tax.** As a head of household she has a standard deduction of $24,150 and pays 10% on the first $17,700 of taxable income, so her tax before credits rises from $585 to $1,585. The child tax credit covers it, but its refundable part, which phases in at 15% of earnings above $2,500, falls from $3,400 to $2,815: she nets $585 less. **A 4% state tax** takes $400. **The earned-income credit** for two children pays 40 cents a dollar up to $18,290 of earnings, then falls by 21.06 cents a dollar above $23,890. It drops from $6,029 to $3,923: $2,106. **SNAP** pays the maximum, $808 a month for three, less 30% of net income: income after a 20% earnings deduction, a $217 standard deduction, and the part of rent and utilities above half of what remains. With rent of $1,167 and a $450 utility allowance, her benefit falls from $491 to $191 a month: $3,600 a year. **Health coverage.** Medicaid's limit for adults is 138% of the poverty line, $37,702 for a family of three in 2026, so the raise moves her to the Affordable Care Act (ACA) marketplace, while her children stay on Medicaid or CHIP. With the enhanced credits expired, she must pay just over 4.19% of her income for the benchmark plan: $1,678 a year, before any deductible. **The tally.** $10,000 less $765, $585, $400, $2,106, $3,600, and $1,678 leaves $866. She keeps 9 cents of each dollar, a marginal rate of 91%. In a state that holds SNAP to the federal limit of 130% of the poverty line, she loses all $5,892 of it at $40,000 and ends the year about $1,400 worse off.

Three lessons. The cliff is no one program's fault: each phases out sensibly on its own, and together they take more of her raise than the top income-tax rate takes of a millionaire's. The 2025 law's work requirements exempt her (3c), but for the childless adults they cover, a raise past 138% of the poverty line costs Medicaid while the rule demands more work. And the fix is known and costly: a smoother phase-out pays benefits further up the income scale, so it reaches more households and costs more.

3e. Do Work Requirements Work?

The case for. Work requirements, their advocates argue, restore the principle of the 1996 welfare law that aid is a bridge to work, not a permanent income. They ask for a part-time job's hours, and they exempt the people who cannot meet them (3c). CBO scored the Medicaid requirement at about $326 billion of savings

over 2025-34, money that advocates say belongs with the truly needy. And because most adults it covers already work or qualify for an exemption, they argue, the rule costs the working nothing.

The case against. Because most of the adults covered already work or are exempt, opponents argue, the rule removes people through paperwork rather than moving them into jobs. Coverage lost is care lost: a missed form ends a prescription. The savings come precisely from people losing coverage: CBO expects the work requirements to leave an average of 4.5 million more people uninsured a year in fiscal 2027-34. The verification costs states money, and the SNAP time limits push people off the rolls in places where jobs are scarce.

The evidence. Arkansas's requirement removed about 18,000 people between June and December 2018, before a federal judge vacated the program's approval on March 27, 2019. Benjamin Sommers and colleagues found no significant rise in employment, and more than 95% of the targeted adults already met the rule or qualified for an exemption. Georgia's Pathways program, in force since July 2023, drew low enrollment at high administrative cost (Government Accountability Office, September 2025). For SNAP, Colin Gray and colleagues (2023) found that the time limit cut participation among those it covered by about half, with no detectable rise in employment. Nebraska's and Montana's first results have not been published.

The course's reading. The evidence so far favors the critics on the question both sides say they care about: past requirements removed eligible people through paperwork and did not measurably raise employment. The advocates are right that most of those covered can meet the rule, which is why the outcome turns on how states verify hours and exemptions. The 2026 early starts and the national start (3c) are the test, and the measure is coverage lost against jobs gained.

Module 3 Key Points

Poverty and the Safety Net

• Three rulers give three numbers: official 10.2%, supplemental 13.1%, and consumption 6.0% in 2022, each counting different things.

• Social Security lifted 28.8 million people above the supplemental line in 2025, the refundable credits 6.1 million, SNAP 3.1 million.

• The 2021 child credit cut child poverty to 5.2%; after it lapsed the rate returned to 12.4% in 2022.

• The 2025 law's cuts have begun: SNAP fell 5.5 million in a year, and two states started Medicaid work requirements early.

• The benefit cliff: a single parent's raise from $30,000 to $40,000 nets $866, a marginal rate of 91%.

Module 3 Quiz

Check Your Understanding

1. Why does the supplemental measure find more poverty than the official one?

A) It uses a line set in 1963.
B) What it subtracts outweighs what it adds.
C) It leaves out Social Security, the largest program of all.
D) It counts only families who rent their homes from a landlord.

2. What happened to child poverty on the supplemental measure after 2021?

A) It held near 5%, where the credit left it
B) It fell again, to a record low
C) It rose slightly and then fell back to its 2019 level by 2023, after the payments ended
D) It more than doubled

3. How many fewer people received SNAP in July 2026 than a year earlier?

A) About 500,000, mostly older adults
B) About 15 million, a third of the rolls
C) About 5.5 million
D) Enrollment rose under the new rules

4. In the worked example, about how much of a $10,000 raise does the single parent keep?

A) About $870
B) All of it
C) About $8,500 after taxes
D) About $5,000, half, once the tax credits and SNAP have fully phased out

5. Which measure does the course use for its poverty tables, and why?

A) The official, the longest series
B) The supplemental: it counts benefits and costs
C) The consumption measure, since it is lowest
D) Each in turn, since each serves a different politics and no measure can be neutral

Module 4 — Spending

What the $22 Trillion Buys

Recommended Reading / Reference

Reference: The BEA's table of personal consumption expenditures by type of product, the BLS consumer price index (CPI) release (monthly), the Bank of America Institute's *Consumer Checkpoint* (monthly), and the Minneapolis Fed's review "Have US consumers gone K-shaped?" (March 20, 2026)

4a. The Categories

Category	Share of consumption	What it holds
Housing and utilities	18.0%	Rent paid, the rent homeowners are counted as paying themselves, and utilities
Health care	17.1%	Hospital, doctor, dental, and nursing-home services
Durable goods	10.9%	Cars, furniture, appliances, electronics, and other goods that last
Financial services and insurance	8.3%	Bank and card fees, investment advice, and insurance premiums net of claims
Food at home	7.1%	Groceries
Restaurants and hotels	7.1%	Food services and accommodations
Transportation services	3.4%	Repairs, leasing, and fares
Clothing and footwear	2.7%	
Everything else	25.4%	Gasoline and other energy goods, medicines and household supplies, recreation, education, communication, personal care, and nonprofits' spending

BEA, second quarter of 2026, at annual rates (released August 26 and September 30, 2026); rounded.

Housing and health care take more than a third of consumption, and food another seventh. The shares look different from inside a household, because most of health care is paid by employers, insurers, and government rather than out of pocket, and because the rent homeowners are counted as paying themselves is a figure in the national accounts, not a bill.

4b. What Moved in 2025-26

• **Gasoline.** The war that began with the strikes on Iran on February 28, 2026 and the second closure of the Strait of Hormuz on July 11 kept gasoline above $4.50 a gallon from May 6 into the summer. Gasoline prices were up 34.2% in the year to September, and energy 20.4% (BLS).

• **Tariffs.** Estimates of their cost per household in 2026 run from about $900 (Tax Foundation, August 11) to about $1,100 (Yale Budget Lab, August 24). Yet prices of goods outside food and energy rose only 0.7% in the year to September. The effective tariff rate fell from a peak of 11.4% in October 2025 to 7.1% in August 2026 (Penn Wharton Budget Model), after the Supreme Court struck down the emergency tariffs on February 20.

• **Electricity.** The average residential price was 17.3 cents a kilowatt-hour in 2025, and the Energy Information Administration expects 18.2 cents in 2026, up 5.2% and about 40% above 2019's 13.0 cents. Consumer prices for electricity were up 4.4% in the year to September.

• **Insurance.** Car insurance prices fell 5.0% in the year to September 2026, after the surge of 2022-24. Health premiums went the other way for the marketplace. With the enhanced credits expired, enrollees who kept the same plan saw their payments rise 114% on average, or 58% net of plan switching, and paying enrollment fell 13%, from 22.1 million in 2025 to 19.2 million in February 2026 (KFF). Insurers have asked for a median increase of 15% for 2027.

• **Food.** Grocery prices rose 1.8% in the year to September and restaurant prices 3.5%. One adult in eight has told KFF's pollsters they take a GLP-1 drug, such as Ozempic or Zepbound, and the drugs show up in grocery receipts: researchers at Cornell found that households cut their grocery spending by about 5% within six months of a member starting one, led by snacks and sweets.

• **The new outflows.** Legal sports betting took in a record $166.94 billion of wagers in 2025, up 11.0%, and kept $16.96 billion of them, up 22.8% (American Gaming Association, February 26, 2026). Prediction markets opened another venue: Kalshi's and Polymarket's combined volume since their launch passed $150 billion in April 2026.

4c. The K in the Spending Data

Real consumption rose 2.6% in the year to August 2026 (BEA). Who did the spending is the year's argument, and the sources disagree about its shape. Moody's Analytics estimates that the top 10% of earners account for more than 45% of all spending. The BLS Consumer Expenditure Survey puts their share at about a quarter: 23% of out-of-pocket spending in 2024, and 25.7% in 2023 on an experimental measure that blends the survey with the national accounts (Minneapolis Fed, March 20, 2026).

The growth rates disagree too. Moody's had the top's spending up more than 4% over the latest year it measured and other groups' close to 3%. Bank of America's card data showed the lowest third's spending shrinking in mid-2025 and recovering in 2026. In September 2026 its card spending per household was up 6.2% on the year, 5.1% without gasoline, with strength across income groups and the lower and middle catching up. The New York Fed's data show low-income households' nominal retail spending up 29% since 2020, against 36% for high-income households. Reviewing all of it in March, the Minneapolis Fed concluded that the data 'do not align to tell a clear, K-shaped story.'

The retailers agree on one point, the trade-down. Walmart and the dollar stores report gains among higher-income shoppers (9b), so the K shows in where people shop more clearly than in how much they spend.

4d. Is the Consumer Fine or Failing?

The consumer is fine. Real spending is growing, its advocates point out, and the card data show the lower-income households catching up (4c). Median income set a record in 2025 (2b), net worth is at a record (1b), the flow into delinquency has been flat since 2024 (6b), and the burden of debt payments is lighter than in 2019 (6d). Sentiment at record lows (10b) measures prices and headlines, not budgets, they argue: a consumer who was really failing would not be spending like this.

The consumer is failing. The aggregate is the top's number, the other side answers. Real pay is falling in 2026 (2a), the price level sits about a third above 2019's (10b), a loss that a lower inflation rate does not repay, and the stock of card delinquency is the highest since the Great Recession (6b). The 2025 law's cuts to SNAP and Medicaid are arriving on households with no savings to absorb them (3c). On this reading the K is a structure, built by the tax code, the credit system, and the wealth effect, and its lower arm does not recover by itself.

The evidence. The aggregate measures are strong, and the distress measures are worse than in 2022. The Federal Reserve's Survey of Consumer Finances (5b) found that nearly one family in five had been late on a loan payment in the previous year, up from 12.2% in 2022, and that 8.6% spent more than 40% of their income on debt payments, the most since 2013. Both sets of numbers are right, because they describe different households: the aggregates are dominated by the top half, the distress by a large minority at the bottom.

The course's reading. The consumer in aggregate is not failing. Spending, income, and wealth are at records, and the lower-income households' spending growth caught up in 2026. But a large minority is under strain that the totals hide, and real pay is falling. With unemployment at 4.2% in September, the question for 2027 is whether the job market holds, because the strained households have no savings to fall back on (5a).

Module 4 Key Points

Spending

• Housing and health care take more than a third of consumption, food about a seventh, durable goods about a tenth.

• Gasoline rose 34.2% in the year to September 2026, while goods outside food and energy rose only 0.7%.

• Marketplace enrollees keeping the same plan paid 114% more after the enhanced credits expired; paying enrollment fell 13%.

• The data disagree on the K: the top tenth does a quarter of spending on BLS data, over 45% on Moody's.

• The course's reading: the aggregate consumer is not failing, but a strained minority is, and jobs decide 2027.

Module 4 Quiz

Check Your Understanding

1. Which two categories take the largest shares of consumption?

A) Food and transportation services
B) Cars and clothing
C) Recreation and finance
D) Housing and utilities, and health care

2. How much did gasoline prices rise in the year to September 2026?

A) 34.2%
B) About 3.7%, with the rest
C) About 10%
D) They fell 5%

3. What did enrollees who kept the same marketplace plan pay after the enhanced credits expired?

A) About the same as in 2025
B) About 15% more than in 2025
C) On average 114% more than in 2025
D) Less, since the credits rose

4. What did the Minneapolis Fed conclude about the K-shape in March 2026?

A) The K is plain
B) The K had closed by the end of 2025 in every measure it reviewed
C) The bottom's spending fell in real terms in every source it reviewed
D) The data tell no clear K story

5. What is the course's reading of whether the consumer is fine or failing?

A) Failing at every income
B) Fine in aggregate, with a strained minority
C) Fine everywhere
D) Unknowable until the data are revised, since every series disagrees with every other one

Module 5 — Saving and Wealth

The Saving Rate and Who Owns What

Recommended Reading / Reference

Reference: The Federal Reserve's *Distributional Financial Accounts* (quarterly), its *Survey of Consumer Finances* (every three years; the 2025 results published October 9, 2026), and the BEA's personal saving series

5a. The Saving Rate

The personal saving rate (1b) was 4.1% in August 2026, on saving of $990.2 billion at an annual rate (BEA). It ran near 7% in the late 2010s, passed 30% in April 2020 when the pandemic's checks arrived and the shops closed, and fell through 2022 as the money was spent. The San Francisco Fed estimated that the excess savings built up in the pandemic were used up by March 2024.

The annual revision of September 30 raised the rate for the years since 2021, because income turned out to have grown faster, and prices more slowly, than first reported. August's rate is still near its lowest since 2022. Revisions move it easily (10a).

The average hides the split. The households of 2d show it: a 4% rate can be the average of rates as far apart as theirs. What a low rate means is disputed. Read one way it is confidence to spend; read the other it is nothing left to save, and the delinquency data of Module 6 decide between the two.

5b. Who Owns What

Households	Share of household wealth	Net worth	What stands out
Top 1%	32.5%, a record in a series that began in 1989	$60.3 trillion	They hold 50.9% of the stocks and funds households own; the top 10% hold 88.0%
Next 9%	36.4%	$67.6 trillion, about $5.6 million a household	
50th to 90th percentile	28.8%	$53.4 trillion, about $988,000 a household	Real estate is the largest asset, 37% of what the group owns, ahead of pensions
Bottom 50%	2.3%	$4.3 trillion, about $63,000 a household	$4.8 trillion of real estate against $3.2 trillion of mortgages; it owes 51.6% of all consumer credit
All households	100%	The total in 1b	Real estate $49.8 trillion; stocks and funds $64.6 trillion; pensions $32.8 trillion; deposits $14.2 trillion; debts $20.3 trillion

Federal Reserve, Distributional Financial Accounts, second quarter of 2026 (released September 18, 2026).

Wealth rose about 70% from the end of 2019 to the second quarter of 2026, by $80.9 trillion for households and nonprofits together (Federal Reserve). Most of the gain was in stocks and homes, so it went where those were. The top 1%'s share had been 22.4% at its low in 1990.

The Survey of Consumer Finances, which interviews families every three years, shows the typical family rather than the totals. Median family net worth was $215,900 in 2025, up 2% from 2022 after inflation, and

the mean was $1.24 million, up 7% (Federal Reserve, October 9, 2026). The median for the tenth of families with the most wealth rose 31%, to $3.6 million. Families 75 and older were the richest by age, at a median of about $505,000, while families under 35 had $33,000, 23% less than in 2022. About two families in three own their home and about 65% have a retirement plan, while the share owning stocks fell to 56%, from 58% in 2022.

5c. The Wealth Effect, and the Two Balance Sheets

Households spend a little of each dollar their assets gain. Gabriel Chodorow-Reich, Plamen Nenov, and Alp Simsek (2021) estimate about 3 cents a year for each dollar of stock-market wealth, and Atif Mian, Kamalesh Rao, and Amir Sufi (2013) found 5-7 cents for each dollar of housing wealth. Because the top tenth holds most of the stocks (5b), the stock market's swings move the top's spending, and so the aggregate's, while barely touching the bottom's.

The two balance sheets answer to different things. The top's is stocks and retirement accounts, a house with a cheap mortgage or none, and cash earning interest; a stock rally or a tax cut on capital raises its spending within a quarter. The bottom half's is a car worth less than its loan, a rented home, a small retirement account if any, and a card balance (6c). A rate cut trims its card payment by a few dollars, a stock rally does nothing, and a rent increase or a lost benefit takes the whole margin.

Age is the sharpest divide in the survey. The assets that compounded, homes bought before 2020 and stocks held since 2009, were bought by people who are now old, and the young pay 2026's prices for homes and rents (Module 6) while carrying the student loans of Module 7.

Module 5 Key Points

Saving and Wealth

- The saving rate was 4.1% in August 2026 after an upward revision, still near its lowest since 2022.
- The top 1% hold a record 32.5% of household wealth; the bottom half hold 2.3%.
- Median family net worth was $215,900 in 2025, up 2% from 2022; for families under 35 it fell 23%.
- Households spend about 3 cents a year of each dollar of stock gains, so the top's spending tracks the market.
- The two balance sheets answer to different things: the top's to asset prices, the bottom's to rent, benefits, and rates.

Module 5 Quiz

Check Your Understanding

1. What was the personal saving rate in August 2026?

A) 4.1%, near its 2022 lows
B) About 8%
C) About 30%
D) About 2%, a record low for any month since 1950

2. What share of household wealth do the top 1% hold?

A) About 5%
B) A record 32.5%
C) About half of it
D) About a fifth, as in 1990

3. What did the 2025 Survey of Consumer Finances find for families under 35?

A) They became the richest age group in the survey.
B) Their wealth was unchanged since the last survey.
C) Their median net worth fell 23% from 2022, to $33,000.
D) Their median net worth doubled on home values.

4. How much do households spend each year per dollar of stock-market gains, on the estimate the module cites?

A) About 30 cents a year
B) Only what is sold, since gains are not income until then
C) About a dollar over two years
D) About 3 cents

5. Why does the module say a stock rally does little for the bottom half?

A) It owns few stocks, so the gains go to the top.
B) Taxes take the gains.
C) Its pensions are paid in bonds.
D) Its stocks are held in retirement accounts that it cannot draw on before 59.

Module 6 — Borrowing

The $18.8 Trillion From the Household's Side

Recommended Reading / Reference

Reference: The New York Fed's *Quarterly Report on Household Debt and Credit* (August 11, 2026) and its Liberty Street Economics essay of the same day, "How Distressed Are Consumers? Reconciling Diverging Credit Card Delinquency Measures"; and the Federal Reserve's monthly consumer credit release

6a. The Balance Sheet

Debt	Balance (second quarter of 2026)	The 2026 fact
Mortgages	$13.117 trillion, down $74 billion in the quarter	50.6% carried rates below 4% and 21.9% rates of 6% or more at the end of 2025 (Federal Housing Finance Agency); the flow into serious delinquency rose to 1.52%, from 1.29% a year earlier
Home-equity lines of credit	$459 billion, up $48 billion in a year	Owners borrow against their equity instead of selling
Auto loans	$1.713 trillion	Flow into serious delinquency 3.00% (2.93% a year earlier); subprime loans 60 days late a record 6.90% in January 2026 and 5.98% in August (Fitch Ratings)
Credit cards	$1.263 trillion, up $54 billion in a year	Flow into serious delinquency 6.97%; the stock of late balances is the puzzle of 6b
Student loans	$1.651 trillion on credit-bureau data	Module 7
Other	$568 billion	Personal loans and store cards
Total	The total of 1b, down $13 billion in the quarter and up $383 billion in a year	4.7% of balances in some stage of delinquency

Federal Reserve Bank of New York, August 11, 2026, except where marked. The flow into serious delinquency is the annualized share of balances newly 90 or more days late.

The New York Fed's summary was one sentence: 'new delinquencies for auto loans and credit cards remain at elevated levels' (Joelle Scally). The mortgage is the outlier in the other direction, low-risk for the owners who borrowed before 2022, and the flows for student loans are distorted by defaulted loans returning to the bureaus' files (Module 7).

6b. The Two Card-Delinquency Numbers

The New York Fed's essay took on a puzzle. By the credit bureaus' count, 12.8% of card balances were 90 or more days late in the first quarter of 2026, up from 7.6% in the third quarter of 2022 and the highest since the Great Recession. The lenders' own reports, which count balances 30 or more days late on their books, show far less.

The difference is debt already written off. A lender charges off a card balance after 120-180 days and removes it from its books, but the bureau file can go on reporting it. In 2004-12 about 40% of charged-off card balances were still being reported a year later; by 2024 the share was 80%, and more than 23 million Americans had charged-off card balances on their reports. So the bureau stock piles up old damage, while the lenders' figure shows the current state.

The flow (1c) is the leading indicator, and it settles the question for now. The authors conclude that 'the pace of credit card delinquency is elevated but has been largely stable since 2024.' Stock and flow together describe a consumer damaged but not deteriorating.

6c. The Mortgage, the Car, and the Card, From the Household's Side

• **The mortgage.** It is the largest debt and, for owners who borrowed in 2019-21, the cheapest. A 30-year loan of $300,000 at 3.5% costs $1,347 a month; at the 7.40% of October 15, 2026 (Freddie Mac), it costs $2,077. That gap is why the owners with the low rates of 6a do not move, while renters and first-time buyers pay 2026's prices. Households pay the mortgage first, because missing it costs the home.

• **The car.** Kelley Blue Book's average new-vehicle price was $50,562 in September 2026. Financed in full over 72 months at 7-9%, that is $862-911 a month; Edmunds' average new-car payment was $787 in the third quarter, after down payments and trade-ins. Banks charged about 7.2-7.5% on new-car loans in August (Federal Reserve), and subprime lenders far more. About three trade-ins in ten carry negative equity (Edmunds, April 2026), and Tricolor, a subprime auto lender, collapsed into liquidation in September 2025. For many households the car is the way to work, so a repossession can cost the job too.

• **The card.** It is the buffer. More than 60% of cardholders nearly always pay in full, and the 20% of accounts that revolve every month hold about two-thirds of the balances that carry interest (Federal Reserve, November 2025). Banks charged 22.36% in August on accounts paying interest: the price of having no savings (8d).

• **Buy-now-pay-later (BNPL).** Four payments, no interest, often no credit check. Americans were forecast to spend about $117 billion this way in 2025 (eMarketer). FICO, the company whose scores most lenders use, released scores that count these loans in 2025, but lenders have been slow to adopt them. Nearly one in five households that use BNPL has a repayment of more than $500 due (Bank of America Institute, October 2026).

• **Medical debt.** Americans owed about $220 billion of it, by KFF's estimate from census data for 2021, and 14 million owed more than $1,000. In 2022-23 the three credit bureaus stopped reporting paid medical collections, those under a year old, and those under $500. A rule of the Consumer Financial Protection Bureau (CFPB) to remove the rest was vacated by a federal court in Texas on July 11, 2025. It is the one debt that arrives with a diagnosis rather than a decision.

6d. The Cycle

Consumer credit runs a cycle. Lenders extend credit in the good years to households the last downturn taught them to avoid, and households borrow to hold their spending as costs rise. Balances grow until the payments take the margin, delinquency climbs from the bottom up, and lenders tighten. Then the households that were borrowing to spend stop spending, the first step into recession in an economy that is mostly consumption (1a).

Where 2026 sits: balances near records, with card limits up $85 billion in the second quarter; the delinquency stock high and its flow steady (6b). Debt payments took 11.1% of disposable income in the second quarter, below 2019's 11.7% and far below the 15.9% of 2007 (Federal Reserve), because the mortgage stock is cheap. The variable that decides whether the flow starts rising again is the job market (4d).

Module 6 Key Points

Borrowing

• Households owe $18.77 trillion, $13.1 trillion of it in mortgages, half of them below 4%.

• The bureau stock of card delinquency, 12.8%, carries old charge-offs; the flow has been stable since 2024.

• A $50,562 car financed in full over 72 months at 7-9% costs $862-911 a month.

• More than 60% of cardholders pay in full; the revolvers pay about 22% and carry the cost of having no savings.

• Debt payments take 11.1% of disposable income, below 2019's 11.7%, because the mortgage stock is cheap.

Module 6 Quiz

Check Your Understanding

1. Why are mortgages the household's safest debt in 2026?

A) They're small
B) The government guarantees all of them
C) Cheap, and paid first
D) They reprice with the market each year

2. What does the bureaus' 12.8% card delinquency rate include that the lenders' figure leaves out?

A) Balances under 30 days late
B) Store cards and fuel cards
C) Business cards
D) Old balances already charged off

3. What does a $50,562 car cost a month, financed in full over 72 months at 7-9%?

A) About $500, as dealers advertise.
B) About $862-911.
C) About $787, the national average payment.
D) About $1,200, since the rate compounds daily.

4. Who holds about two-thirds of the card balances that carry interest?

A) Transactors
B) The 60% who nearly always pay in full each month
C) The 20% of accounts that revolve every month
D) The subprime borrowers with limits below $2,000, who carry the highest rates of any group

5. What does the module say decides whether delinquency starts rising again?

A) The Fed's rate.
B) The job market decides it.
C) Credit scores.
D) The new scores that count buy-now-pay-later loans, once lenders adopt them.

Module 7 — Student Loans

The System With Its Own Machinery

Recommended Reading / Reference

Book: Josh Mitchell, *The Debt Trap: How Student Loans Became a National Catastrophe* (2021)

Reference: Federal Student Aid's data center (quarterly portfolio and default figures), the Education Department's announcements on the plans of the 2025 law, and the New York Fed's reports on student-loan delinquency

7a. The System

Federal student loans are about $1.7 trillion owed by 42.6 million borrowers, an average of about $40,000 each (Federal Student Aid, March 31, 2026). They are unlike every other debt in the course. The lender is the government. There is no underwriting: an admitted student can borrow the statutory amount whatever his or her income or credit. The loans can be discharged in bankruptcy only in hardship cases that courts rarely grant. And the collector has the government's powers: it can seize tax refunds and part of Social Security, and garnish up to 15% of disposable pay without a court order.

From 2006 until the 2025 law ended it for new loans (7c), Grad PLUS, the graduate version of the federal PLUS loan, let graduate students borrow the full cost of attendance. Private contractors, the servicers, collect for the government and are the borrower's only contact with it. In March 2026 the Education Department announced that the loan portfolio would move to the Treasury, part of the administration's plan to shrink the department under Secretary Linda McMahon, in office since March 3, 2025.

7b. The Pause, the Plans, and the Defaults

Payments were paused in March 2020 and did not restart for three and a half years, and the Supreme Court struck down the Biden administration's broad forgiveness plan in June 2023. SAVE, the income-driven plan of 2023, was blocked by the courts in 2024. About 7.7 million borrowers left in its forbearance saw interest resume on August 1, 2025, and a settlement with Missouri, approved by a court in March 2026, ended the plan for its 7.5 million enrollees. Since July 1, 2026, servicers have been telling them to choose another plan within 90 days or be placed in a standard one.

Collections on defaulted loans restarted on May 5, 2025, after five years, through seizures of tax refunds and federal benefits. On January 16, 2026 the department paused involuntary collections, wage garnishment included, while it set up the plans of the 2025 law, with a restart of garnishment planned for the fall of 2026.

The numbers as the machinery restarted: about 9 million borrowers in default on March 31, 2026, owing $220 billion, up 1.3 million in a quarter; 3.5 million more, a fifth of those in repayment, at least 30 days late; and 8.4 million in forbearance (Federal Student Aid). More than one federal borrower in four was in default or behind. Credit scores fell more than 100 points for over 2.2 million borrowers whose delinquencies reached the bureaus in the first quarter of 2025 (New York Fed).

7c. The 2025 Law

Provision	What it does	Who it affects
Grad PLUS ended	No new Grad PLUS loans from July 1, 2026; graduate borrowing capped at $20,500 a year and $100,000 in all, professional at $50,000 and $200,000, within a lifetime limit of $257,500	Graduate and professional students, who turn to private loans for the gap; students enrolled before July 1, 2026 who had already borrowed for their program keep the old limits for up to three academic years
Parent PLUS capped	$20,000 a year and $65,000 per student	Parents who had borrowed the full cost
The Repayment Assistance Plan (RAP)	Opened July 1, 2026: payments of 1-10% of income, at least $10 a month, with forgiveness after 30 years; a Tiered Standard Plan of 10-25 years opened the same day	New borrowers now; borrowers in the older income-driven plans must move by July 1, 2028
Forgiveness taxable	Balances forgiven under income-driven plans count as income from January 1, 2026, when the temporary exclusion of the 2021 American Rescue Plan expired; Public Service Loan Forgiveness (PSLF) stays tax-free	Borrowers who reach forgiveness
Earnings test	Programs whose graduates earn less than workers without the degree, high-school graduates for undergraduate programs, lose loan eligibility after failing in two years of three	Low-value programs, many of them for-profit
Deferments	The deferments for economic hardship and unemployment end for loans made from July 1, 2027	New borrowers

Public Law 119-21 and the Education Department's announcements. Separately, the department's rule barring employers with a 'substantial illegal purpose' from PSLF, effective July 1, 2026, was blocked in federal court in July.

7d. The Twenty-Year Shadow

The student loan shapes the other accounts for two decades. Alvaro Mezza and colleagues (2020) found that an extra $1,000 of student debt lowered borrowers' homeownership rate by 1-2 points in their late 20s and early 30s, and for the borrowers who default, the damage to their credit raises the price of every other loan. The arithmetic of the payment is simple. A graduate paying $250 a month from 22 to 42 is not saving it, and $250 a month invested at 7% for 20 years grows to $130,232. The fall in the young family's median net worth (5b) is that arithmetic across a generation.

7e. Did Federal Lending Raise Tuition?

The case that it did. The Bennett hypothesis, named for William Bennett, the education secretary who made the argument in 1987, holds that colleges raise prices to capture federal aid. Its advocates point to tuition that rose faster than almost any other price for decades, and to graduate programs that set prices freely once Grad PLUS (7a) removed the limit on what their students could borrow. On this view the 2025 caps are a correction: if graduate tuition stops outrunning inflation, the loans were the cause.

The case that it did not. Others argue that rising tuition at public universities came mostly from state budget cuts, which moved costs from taxpayers to students; that the net price after grants rose far less than the sticker price; and that capping loans pushes students to private lenders on worse terms, or out of graduate school, without lowering prices.

The evidence. David Lucca, Taylor Nadauld, and Karen Shen (2019) found that each dollar of expanded subsidized federal loans raised tuition by about 60 cents. Stephanie Cellini and Claudia Goldin (2014) found that for-profit colleges eligible for federal aid charged about 75% more than similar colleges that were not. At public universities, the timing of tuition increases tracks cuts in state funding closely.

The course's reading. Partly yes. Federal loans raised prices most where competition was weakest and borrowing was uncapped, at for-profit colleges and in graduate programs, while state cuts did more of the work at public universities. The 2025 caps aim at the place where the effect is clearest, so graduate tuition from 2026 is the measure.

Module 7 Key Points

Student Loans

• Federal student loans are $1.7 trillion owed by 42.6 million borrowers, lent without underwriting and collected without a court.

• About 9 million borrowers were in default on March 31, 2026, owing $220 billion, up 1.3 million in a quarter.

• SAVE ended by settlement in March 2026; the single Repayment Assistance Plan opened on July 1, 2026.

• The 2025 law ended Grad PLUS, capped graduate borrowing, and set 30 years to forgiveness, which is taxable again from 2026.

• Federal loans raised prices most where borrowing was uncapped and competition weak; graduate tuition is the caps' test.

Module 7 Quiz

Check Your Understanding

1. What sets federal student loans apart from other household debt?

A) They are lent without underwriting.
B) They are held by banks and sold to investors as bonds.
C) They are forgiven automatically after ten years of payments.
D) They can be discharged in bankruptcy like a credit card.

2. How many federal borrowers were in default on March 31, 2026?

A) About 1 million, mostly older
B) About 20 million, half of them
C) Under 100,000, given the pause
D) About 9 million, owing $220 billion

3. When did the Repayment Assistance Plan open?

A) July 1, 2026
B) In March 2026, with SAVE's settlement
C) January 1, 2027
D) It has not opened; the courts blocked it in July and the department has appealed

4. What did the 2025 law do to Grad PLUS loans?

A) Expanded them
B) Ended them for new borrowers
C) Made them forgivable after ten years
D) Moved them to the states along with the servicing contracts

5. What is the course's reading of whether federal lending raised tuition?

A) No effect at all
B) Yes, dollar for dollar
C) Partly: most where borrowing was uncapped
D) It cannot be known, because tuition and aid are set together and every study is confounded

Module 8 — The Credit System

Both Ends of It

Recommended Reading / Reference

Book: Lisa Servon, *The Unbanking of America: How the New Middle Class Survives* (2017)

Reference: The National Survey of Unbanked and Underbanked Households of the Federal Deposit Insurance Corporation (FDIC), the 2023 survey published in November 2024; the Federal Reserve's annual report on the profitability of credit card operations (November 2025); and the CFPB's reports on the card market

8a. Scores and Issuers

The American credit system runs on a number. FICO's score, from 300 to 850, is computed from the files that three bureaus, Equifax, Experian, and TransUnion, keep on most adults. It weights payment history at 35%, amounts owed against limits at 30%, length of history at 15%, and new credit and the mix of accounts at 10% each. The score decides whether a household gets a card, a car loan, or an apartment, and at what price. Over five years, a $30,000 car loan at 18% costs about $10,900 more in interest than the same loan at 6%, which is how a low score makes poverty expensive.

The system's edge is the thin file: the young, recent immigrants, and households that have never borrowed. The CFPB counted 45 million adults with no score or too little history to score in 2015. The changes of 2025-26 were aimed at them: scores that count buy-now-pay-later loans and rent, and lenders reading bank-account cash flow in place of a credit file. On the other side, a handful of large banks issue most of the cards, Capital One having bought Discover on May 18, 2025, and the networks, Visa and Mastercard, carry most of the transactions.

8b. The Regulators' Retreat, and the Swipe-Fee Fight

• **The CFPB.** The bureau created in 2010 to write the rules for cards, mortgages, and payday loans was cut in 2025 to a planned staff of about 550, and the July 2025 law lowered its funding cap to 6.5% of the Federal Reserve's operating expenses. Mark Paoletta has been acting director since August 1, 2026, after Russell Vought; the nominee, Brian Johnson, cleared the Senate Banking Committee on September 17. Its $8 cap on late fees was vacated by a court on April 15, 2025, and Congress repealed its overdraft and payment-app rules on May 9, 2025. It withdrew its buy-now-pay-later interpretation, and it has said it will not enforce the payment provisions of its payday rule, in force since March 30, 2025. State attorneys general and regulators took up part of the work.

• **Interchange.** On each card sale the merchant pays a fee, typically 2-3% of the price, most of it to the card's issuer through the network. Merchants paid a record $198 billion in card fees, by the count the Merchants Payments Coalition published in 2026. The fees fund the rewards that card users collect and that merchants build into their prices, so a customer paying cash subsidizes a customer collecting points. A revised settlement between Visa, Mastercard, and the merchants won a federal judge's preliminary approval on June 9, 2026, and the Credit Card Competition Act, which would force competition between networks, has not passed.

• **The rate cap.** President Trump called on January 9-10, 2026 for a one-year cap of 10% on card interest from January 20, and Senators Bernie Sanders and Josh Hawley pressed their bill for one. No law or binding rule had followed by October 2026 (8e).

8c. Fringe Finance and the Unbanked

About 4.2% of households, 5.6 million, had no bank account in 2023, and another 14.2% were underbanked: they had an account and still used check cashers, payday lenders, or similar services (FDIC). The unbanked rate was 10.6% for Black households and 9.5% for Hispanic households, against 1.9% for White households. The reasons the survey records are not ignorance but arithmetic: minimum balances, fees that cannot be predicted, and a distrust of banks that one overdraft fee on a small purchase can confirm.

The fringe has its own prices. A payday loan typically costs $15 for each $100 borrowed for two weeks, an annual rate of about 391% (CFPB), and its 12 million borrowers took out an average of eight loans a year (Pew Charitable Trusts, 2012). Banks with more than $1 billion of assets collected about $5.8 billion of overdraft and insufficient-funds fees in 2023, less than half their 2019 take, after the largest banks cut them (CFPB). Earned-wage-access apps advance part of a paycheck for a fee, which moved some of the fringe onto phones without changing its price much. A household that cashes its checks, takes two payday loans a year, and pays a few overdraft fees spends a share of its income on services the median household gets free.

8d. A Credit Card's Economics

Worked example — a credit card's economics, from the bank to the cardholder

Start with the bank. The Federal Reserve's annual report gives the income statement of the large card banks. In 2024, for each $100 of assets, they earned $13.94 of interest and paid $3.78 to fund it, for $10.16 of net interest income. They took in $6.34 more in fees and interchange, spent $9.03 on running the business, and set aside $3.62 for losses. Those lines sum to $3.85, and the Fed's table prints a pretax return of $3.87 per $100 of assets, 2.8 times the $1.38 of banks as a whole; card lending has almost always been more profitable than banking in general. Now take three cardholders on one rewards card. Assume the issuer keeps 2.0% of each purchase as interchange and pays 1.5% back in rewards, funds balances at the 3.78% of 2024, and spends $100 a year to service an account. It charges the 22.36% of 6c and expects to lose 3.82% of balances a year, the rate at which banks charged off card balances in the second quarter of 2026. **The transactor** spends $24,000 a year and pays in full. The issuer earns $480 of interchange and pays $360 of rewards, $38 to fund a month's float of $1,000, and $100 of servicing: a loss of about $18. **The revolver** carries $7,000 and spends $12,000. It pays $1,565 of interest, so with $240 of interchange the issuer takes in $1,805, against $180 of rewards, $265 of funding, $267 of expected losses, and $100 of servicing: a profit of about $993 a year. **The subprime revolver** carries $2,000 at its limit, at an assumed 28%, and spends $3,000. Its $560 of interest and $60 of interchange cover $45 of rewards, $76 of funding, $240 of losses at an assumed 12%, and $100 of servicing: a profit of about $159.

Three lessons. The card moves money from revolvers, and from everyone who pays the prices that interchange raises, to transactors, who collect rewards on spending that barely pays the issuer. The profit sits with the prime revolvers in the middle. And a 10% cap would cut the revolver's profit to about $128 and turn the subprime revolver's into a loss of about $201 (8e).

8e. Should Card Rates Be Capped?

The case for a cap. Its advocates, from the president to Senators Sanders and Hawley, argue that rates above 20% when the Fed's rate is below 4% are the price of market power, not of risk. Card banks earn

nearly three times the return of banking as a whole (8d), and revolvers pay for transactors' rewards. Usury limits are old law, they point out, and lending to members of the armed forces already runs under a 36% cap.

The case against. Bankers and many economists answer that a cap below the cost of lending to riskier borrowers ends their credit. The issuer stops lending to the subprime household rather than lend at a loss, and the household turns to payday lenders, pawn shops, or nothing. Rewards would shrink and annual fees would rise, and price caps have a long record of rationing what they cap.

The evidence. Brian Shearer of the Vanderbilt Policy Accelerator estimated in September 2025 that a 10% cap would save cardholders roughly $100 billion a year in interest, and that issuers could still profit on most cardholders by cutting rewards. On the other side, when Illinois capped consumer loans at 36% in 2021, loans to subprime borrowers fell by 44% in the six months that followed, and 39% of the former borrowers surveyed said their financial well-being had declined (J. Brandon Bolen, Gregory Elliehausen, and Thomas Miller). The closest precedent for cards, the fee limits of the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009, cut borrowing costs by about $11.9 billion a year with no sign of reduced access to credit (Sumit Agarwal and colleagues, 2015). The worked example of 8d shows both effects at once.

The course's reading. Both sides are right about different cardholders. A 10% cap would transfer large sums from issuers to prime revolvers, who would keep their cards, and would end most subprime cards, whose holders would lose credit they use. A higher cap, or limits on fees rather than rates, would keep more of the first effect and less of the second, which is what the evidence on the CARD Act suggests.

Module 8 Key Points

The Credit System

• A low score is expensive: a $30,000 five-year car loan at 18% costs about $10,900 more interest than at 6%.

• The CFPB was cut in 2025 toward a planned staff of about 550, and its late-fee, overdraft, and medical-debt rules are gone.

• Merchants paid a record $198 billion in card fees, which fund rewards that cash customers help pay for.

• Card banks earned $3.87 per $100 of assets in 2024, 2.8 times banking as a whole; revolvers supply the profit.

• A 10% cap would save prime revolvers large sums and end most subprime cards; fee limits did less rationing.

Module 8 Quiz

Check Your Understanding

1. What is the largest component of a FICO score?

A) The mix of accounts
B) Length of credit history, at 15%
C) Income, as shown on tax returns
D) Payment history, which counts for 35%

2. Who pays for the rewards a transactor collects, in the module's account?

A) The card networks, out of profits
B) The issuer's shareholders, who accept lower returns on their capital than banking offers
C) Revolvers and anyone paying the prices interchange raises
D) The Federal Reserve, through its rate

3. How much more profitable were large card banks than banking as a whole in 2024?

A) About the same as other banks
B) About ten times, on every measure the Fed reports
C) Less profitable, after losses
D) About 2.8 times

4. In the worked example, what does a 10% cap do to the subprime revolver's account?

A) Leaves its profit about unchanged
B) Turns a $159 profit into a $201 loss
C) Doubles its profit, on more volume
D) Raises its rate to 28%

5. What did the study of Illinois's 36% cap find?

A) Fewer loans to subprime borrowers
B) No change in lending
C) Lower rates for prime borrowers only
D) More payday lending in Illinois after the cap took effect

Module 9 — The Retail Industry

The Three-Way System and the Shelf

Recommended Reading / Reference

Book: Brad Stone, *The Everything Store* (2013), and Charles Fishman, *The Wal-Mart Effect* (2006)

Reference: The Census Bureau's quarterly e-commerce report, the companies' quarterly results, Placer.ai's foot-traffic reports, and Coresight Research's count of store openings and closures

9a. The Structure

American stores, websites, and restaurants sell at a pace of about $8.9 trillion a year (Census Bureau, September 2026). At the top the industry has become a three-way system, with a value tier below it growing fastest.

Retailer	Model	The latest figures
Walmart	Everyday low prices at scale, groceries first, online orders delivered from the stores	Revenue $713.2 billion in the year to January 31, 2026; in the quarter to July 31, 2026, US e-commerce up 24% and advertising up 38%
Amazon	A marketplace, a delivery network, cloud computing, and advertising	Revenue $716.9 billion in 2025, the first year above Walmart's, though Walmart still sells more goods; the cloud business earned 60% of its operating income in the second quarter of 2026
Costco	Membership warehouses selling a narrow range in bulk	Sales $297.2 billion in the year to August 30, 2026, up 10.1%; 84.1 million paid members and 150.4 million cardholders; renewals 92.3% in the United States and Canada and 89.8% worldwide
Dollar General and Dollar Tree	Small stores in small towns and poorer neighborhoods	21,148 and 9,436 stores at midyear, with about 450 and 400 openings planned for 2026; Dollar Tree sold Family Dollar in July 2025
Aldi	Small grocery stores selling mostly their own brands	More than 180 US openings planned for 2026
TJX, the owner of T.J. Maxx and Marshalls; Ross; and Burlington	Off-price: branded goods bought late and sold at 20-60% below department-store prices	Among the chains still opening stores
Target and the department stores	The middle of the market	Target's net sales rose 5.3% in its second quarter, reported August 19, 2026

Company reports and filings, latest quarter or fiscal year as marked.

The middle has been closing for a decade. Coresight Research counted 3,321 store closures and 3,215 openings in the first half of 2026, the closures led by apparel chains and the openings by discount stores. Placer.ai found that the four largest physical chains, Walmart, Target, Costco, and Dollar General, took 17.5% of store visits in early 2026, against 16.8% in 2019. The gain was the dollar store's and the warehouse's: Dollar General's share rose from 2.2% to 3.0% and Costco's from 1.4% to 1.9%, while Walmart's fell from 10.2% to 9.7% and Target's slipped to 2.9%.

9b. The Shelf in 2026

• **The tariff.** Retailers absorbed part of the 2025 tariffs in their margins and passed the rest through with a lag. Walmart warned on May 15, 2025 that prices would rise, and the president told it to 'eat the tariffs.' After the Supreme Court struck down the emergency tariffs (4b), the refunds went to the importers of record: about $130 billion of the roughly $166 billion collected was refunded in fiscal 2026 (CBO, October 8). Walmart received nearly all of about $2.9 billion and says it will put much of it into 'customer experience and price investments' (August 20, 2026). Dollar Tree booked $383 million (August 27).

• **The trade-down.** It now reaches the top of the income scale. Dollar Tree said middle- and higher-income households drove its second quarter, and Walmart's chief executive, John Furner, cited 'continued growth from higher-income households' (August 20, 2026).

• **E-commerce.** Online sales were $340.2 billion in the second quarter of 2026, 17.1% of retail sales, growing 12.2% a year against 6.7% for retail as a whole (Census Bureau). Temu and Shein lost ground after duty-free entry for parcels worth $800 or less was suspended, for China on May 2, 2025 and for all countries on August 29, 2025; the 2025 law ends it for good on July 1, 2027.

• **Labor.** Retail employs 15.5 million people. Health care and social assistance, with 24.0 million, is the largest private industry (BLS).

• **Margins.** The model at the top is scale, and the shopper's gain is the margin the retailer forgoes. Costco's gross margin was 11.09% of sales in its 2026 fiscal year, a markup of about 12.5% on cost, and its net income was 3.1% of sales. Dollar General's operating margin was 6.8% in its second quarter, and its net margin 4.9%. Amazon's two store segments earned 4-8% in the second quarter of 2026 only with advertising counted inside them: the company's advertising revenue, $19.8 billion, was larger than the two segments' combined operating income of $10.8 billion.

Module 9 Key Points

The Retail Industry

• Amazon's 2025 revenue, $716.9 billion, passed Walmart's $713.2 billion, though Walmart still sells more goods.

• The value tier grew fastest: about 450 Dollar Generals, 400 Dollar Trees, and 180 Aldis planned for 2026.

• E-commerce was 17.1% of retail sales in mid-2026, growing 12.2% a year against 6.7% for all retail.

• About $130 billion of tariff refunds went to importers; Walmart says it is putting part of its share into prices.

• Margins are thin at the top: Costco nets about 3%, and Amazon's store profits are smaller than its advertising revenue.

Module 9 Quiz

Check Your Understanding

1. What happened to the largest retailers' revenue in 2025?

A) Costco's passed both
B) Amazon's passed Walmart's
C) Walmart's doubled
D) Target's passed Amazon's, on its stores

2. What did Placer.ai find about the four largest chains' share of store visits?

A) It rose to 17.5%, from 16.8% in 2019
B) It fell to 12%, from 15% in 2019
C) It held at 16.8%, as in 2019
D) It doubled since 2019

3. What share of retail sales was e-commerce in the second quarter of 2026?

A) About 5%
B) About a third
C) About half of all sales
D) 17.1%

4. Where did the refunds of the struck-down tariffs go?

A) To shoppers
B) To the Treasury's general fund
C) To the importers
D) To the states, in proportion to the duties their ports had collected since 2025

5. What is larger than the operating income of Amazon's two store segments?

A) Costco's membership fees
B) Walmart's net income, in every quarter since 2020
C) Its ad sales
D) Its pharmacy's sales

Module 10 — The Data

How the Consumer Is Measured and Why the Measures Disagree

Recommended Reading / Reference

Reference: The Census Bureau's *Advance Monthly Sales for Retail and Food Services* and its notes on method, the BEA's *Personal Income and Outlays*, the University of Michigan's Surveys of Consumers, the Conference Board's Consumer Confidence Index, and the Bank of America Institute's *Consumer Checkpoint*

10a. The Measures

Measure	Who publishes it, and when	What it counts	Its problem
Retail sales	Census Bureau, monthly, about two weeks after the month	The sales of 1c, from a sample of about 4,800 firms weighted to stand for more than three million; its 'control group' feeds the estimate of gross domestic product (GDP)	Revised in each of the next two months and again each year; nominal, so prices are inside it; almost no services
Personal consumption expenditures	BEA, monthly, near the end of the next month	The consumption of 1c, goods and services	Built partly from retail sales and partly from estimates; revised for years
The saving rate	BEA, with consumption	As defined in 1b	A small difference between two large numbers: a 1% error in spending moves it by about a point, a quarter of its level
Consumer sentiment	University of Michigan (since 1952, monthly since 1978) and the Conference Board (monthly)	How households say they feel about their finances and the economy	Tracks prices and headlines more than spending; split by party (10b)
Card data	Banks such as Bank of America and JPMorgan Chase	Actual transactions by millions of households, by income	Proprietary and not a national sample, but the best read by income in real time
Retailers' reports	The companies, quarterly	Same-store sales, traffic, and ticket size, by customer group	Selective and late; the best evidence on trading up and down
The Consumer Expenditure Survey	BLS, annual	The household budget by income group	Small samples; spending such as alcohol and gambling is under-reported

No single measure answers the question of how the consumer is doing, so the course reads them together: the surveys for how people feel, the card data for what they do, the official series for the total, and the retailers for who.

10b. Inflation as Experienced

The argument of 2022-26, about a consumer who says the economy is terrible and keeps spending, is about two measurements of the same thing. The statistics report inflation as a rate (2a). Households experience it as a level. The consumer price index stood at 336.940 in September 2026, 31.8% above its 2019 average of

255.657 (BLS). A household whose pay has risen 25% since 2019 is poorer than it was, however far the rate has come down.

The surveys measure the level. The University of Michigan's index fell to a record low of 44.8 in May 2026, below the 50.0 of June 2022, and its preliminary October reading was 46.3, with households expecting prices to rise 4.7% over the next year. The Conference Board's index fell to 81.9 in September, its lowest in more than 12 years. Meanwhile spending kept growing (4c). The so-called vibecession is no puzzle: a household can be worse off, believe it, say so to a pollster, and still buy groceries.

Since 2016 the surveys have split by party, the readings of whichever party is out of power falling at each change of administration. The fall of 2026 is broad, though: both surveys reported declines among Democrats, Republicans, and independents (University of Michigan, October 9; Conference Board, September 29), which points to prices rather than politics.

10c. One Retail-Sales Report

Worked example — reading the September 2026 retail-sales report

Take the report the Census Bureau published on October 15, 2026, for September, and read it the way the markets do. **The headline.** Sales at stores and restaurants, seasonally adjusted, were $745.0 billion, up 0.8% from August and 6.3% from September 2025. August was revised up, from 1.1% to 1.3%. **First, take out gasoline.** Sales at gas stations rose 28.1% in a year, and their share of all sales went from 7.6% to 9.1%. They supplied 71% of the month's $5.7 billion gain and 34% of the year's $44.1 billion. Without them, sales rose 0.2% in the month and 4.5% in the year. Pump prices rose faster than the stations' sales (4b), so drivers paid 28% more for about 4.5% less fuel. **Second, the control group**: the total less cars, gasoline, building materials, and restaurants (10a). It rose 0.1% in September, after 1.2% in August, and 4.6% on the year. **Third, take out prices.** The control group is mostly goods. Deflated by the prices of what it holds, goods outside food and energy and groceries (4b), with groceries weighted at their 19% share of the group, its 4.6% is about 3.7% more goods. **Fourth, the categories.** Over the year online sales rose 8.2%, electronics and appliances 9.4%, restaurants 7.0%, furniture 4.9%, general merchandise 4.2%, and grocery stores 0.9%, while health and personal care fell 1.2%. **Fifth, the revisions.** The headline is a first estimate, with a margin of error of 0.4 points on the month, and it will be revised (10a). **Sixth, what it cannot show**: who bought. Retail sales is a total, and the card data of 4c are the only monthly split by income.

The reading: a consumer buying about 4% more goods than a year earlier, soft in September after a strong August, and paying more at the pump for less fuel, with every number open to revision a month later. A headline of 6.3% that is one-third gasoline is the lesson in one line: read the report from the inside out.

Module 10 Key Points

The Data

• Retail sales is a monthly sample of about 4,800 firms, revised twice and then annually, and it is nominal.

• Consumer prices in September 2026 were 31.8% above their 2019 average: inflation as a level, the way households feel it.

• Michigan's sentiment index hit a record low of 44.8 in May 2026, and the fall was broad across parties.

• The rule: surveys for feeling, card data for doing, the official series for the total, retailers for who.

• September's report: 6.3% nominal growth was a third gasoline; the control group was about 3.7% more goods.

Module 10 Quiz

Check Your Understanding

1. What is the retail-sales 'control group'?

A) Sales less cars, gas, materials, and restaurants
B) The first estimate, before revisions come in
C) Online sales only, adjusted for the season
D) The 100 largest retailers, weighted by sales

2. How far above its 2019 average were consumer prices in September 2026?

A) About 4%
B) About 32%
C) About 15%, half the rise in pay
D) About 60%, as in the 1970s

3. Why does the module say the 2026 fall in sentiment points to prices rather than politics?

A) Spending fell
B) The surveys changed
C) Because sentiment always falls in a midterm year, whichever party holds the White House
D) It was broad across parties

4. What share of September's monthly gain in retail sales came from gas stations?

A) About 5%.
B) About 34%.
C) About 71% of it.
D) About half, with cars making up the rest of the gain.

5. What can a retail-sales report not show?

A) Totals
B) Changes by category
C) The month's change, seasonally adjusted
D) Who bought

Module 11 — Comparison Abroad

Why the American Consumer Carries the World

Recommended Reading / Reference

Reference: The World Bank's series on household final consumption as a share of GDP, Eurostat's and the Office for National Statistics' household saving rates, and China's National Bureau of Statistics' monthly retail sales

11a. The Shares

Economy	Household consumption, share of GDP	Household saving rate	The story
United States	The share of 1a, the highest of the large economies	The rate of 5a	The world's consumer of last resort
Britain	About 61%	8.8% of disposable income (second quarter of 2026)	The closest to the American model, with housing as dear
Euro area	About 52%	14.2% (second quarter of 2026); Germany near 20% on the same gross measure	The savers: precaution, pensions, and habit
Japan	About 55%	Low, after decades of decline	An aging population drawing down what it saved
China	About 39%	About 32% of disposable income on the official household survey (2025)	The lowest share of any large economy (11c)
India	About 60%	Household net financial saving about 5% of GDP	An emerging middle class of a country of 1.4 billion

Consumption shares are the latest annual World Bank figures, rounded, except for the United States; saving rates are the Office for National Statistics' (Britain), Eurostat's (euro area), and national sources', each on its own measure, so they compare only roughly.

Together, American households buy about a third of everything the world's households consume, with about 4% of the world's people.

11b. Why America Consumes

Part of the American share is accounting. Health care paid by employers, Medicare, and Medicaid counts as household consumption in the American accounts (4a), while in most of Europe the state's spending on health counts as government consumption. The rest is behavior the earlier modules have assembled. A credit system deeper than any other lets households borrow against future income at every level of income (Modules 6-8). A wealth effect (5c) works on a record stock of household wealth (1b). Public pensions and health insurance for the old reduce the need to save for old age. And a retail system is built to sell at the lowest prices anywhere (Module 9).

The consequence is the deficit. A country whose households save little and whose government borrows 6.2% of GDP spends more than it produces, and the gap is the trade deficit: $901.5 billion in goods and services in 2025, $1,240.9 billion in goods alone (Census Bureau). The countries with surpluses supply it, which is why the tariff argument is, underneath, an argument about saving. The deficit with China fell to $202.1 billion in 2025, the smallest in 21 years, while the total held, because the imports came from elsewhere. The other consequence is exposure: when the American consumer slowed, in 2001, 2008, and

2020, the world's exporters slowed with it, which is why a retail-sales report in Washington is read in Shenzhen.

11c. China's Question

The mirror image is China, whose households save heavily (11a). The reasons are the reverse of the American list. The safety net is thin, with a basic rural pension worth tens of dollars a month and health costs paid largely out of pocket. Housing took the family's savings as down payments, and prices have fallen for years: the official index of new-home prices was down 3.0% in the year to August 2026, its 38th straight monthly fall (National Bureau of Statistics). And the household share of national income is low by design.

Every plan since 2007 has promised to shift the economy toward consumption, and the 15th Five-Year Plan, adopted in March 2026, promises it again. The trade-in subsidies for cars and appliances lifted retail sales in 2025 and then paid back. Retail sales rose only 1.1% in the year to September 2026, and in January-September car sales fell 14.9% and appliances 4.9% (National Bureau of Statistics, October 20), after the central government cut the program's funding for 2026. The Communist Party's Central Committee meets on October 26-29 with Party discipline, not consumption, on its announced agenda.

The lesson for the American reader is the one the trade argument misses: the American consumer carries the world because the Chinese consumer does not, and the two facts are one fact.

Module 11 Key Points

Comparison Abroad

• American households consume about two-thirds of output, the euro area's about 52%, China's about 39%.

• Part of America's share is accounting: health care paid by employers and government counts as household spending.

• A country spending more than it produces imports the gap: $901.5 billion in goods and services in 2025.

• Chinese households save about 32% because the safety net is thin and housing took their savings.

• China's trade-in subsidies paid back: retail sales rose only 1.1% in the year to September 2026.

Module 11 Quiz

Check Your Understanding

1. What share of GDP do Chinese households consume?

A) About 68%, as American households do
B) About 39%, the large economies' lowest
C) About 52%, as in the euro area
D) About 55%, the world's average

2. What accounting difference raises the American consumption share?

A) Health care counts as household spending
B) Government pensions are counted as household income, then spent
C) Imports are counted twice, once at the port and once in the store
D) Rent paid to landlords is counted as an investment in the national accounts, not consumption

3. How large was the American deficit in goods and services in 2025?

A) $95 billion
B) $1.2 billion
C) $901.5 billion
D) About $3 trillion, a tenth of GDP, after the tariffs raised import prices

4. What did China's retail sales do in the year to September 2026?

A) Rose 9%, on the subsidies
B) Fell 15%, with car sales
C) Rose more than 20%, as the trade-in subsidies were doubled and extended to services
D) Rose 1.1%

5. What is on the announced agenda of the Central Committee's October 26-29 meeting?

A) Pensions
B) Party discipline
C) A consumption target for 2030
D) A new five-year plan, replacing the one adopted in March

Module 12 — Where Things Stand, and What to Watch

The Picture Assembled, and the Dates

Recommended Reading / Reference

Reference: The monthly releases of Module 10, the New York Fed's quarterly household debt report, the Census Bureau's September income and poverty reports, and the retailers' quarterly calls, which together will show whether the picture below holds

12a. Where Things Stand

The American consumer in October 2026 is about $22 trillion of spending a year, carried by a divided household sector. At the top, incomes, assets, and spending are at records: the top 1% hold a record share of wealth, and stock gains feed the spending of the households that own the stocks. At the bottom, real pay is falling, prices sit about a third above 2019's, the stock of late card balances is the highest since 2008, nearly one family in five was late on a loan payment in the past year, and the 2025 law's cuts to SNAP and Medicaid have begun to arrive. Between them, the median household holds a cheap mortgage it cannot leave and saves only through payroll.

The aggregate looks better than the household. Real spending grew 2.6% in a year, the card data show lower-income households catching up in 2026, the flow into delinquency is flat, and debt payments take less of income than in 2019. The course's opening question, whether the consumer is fine or failing, has the provisional answer of 4d: fine in aggregate, with a strained minority that the totals hide, held up by a job market with unemployment at 4.2%.

12b. Five Contradictions

• **Record income, falling pay.** Median household income set a record in 2025, while real hourly pay fell in 2026 (Module 2).

• **Gloom and spending.** Sentiment hit a record low in May 2026 while real spending grew, because the surveys measure the price level and the spending data the volume (Modules 4 and 10).

• **A net that catches and cuts.** Social Security, the tax credits, and SNAP lift tens of millions above the poverty line, while the 2025 law's cuts and the benefit cliff take back much of what more work would add (Module 3).

• **A high that is not rising.** The bureaus' stock of late card balances is the highest since 2008 because it carries old charge-offs, while the flow of new delinquency has been flat since 2024 (Module 6).

• **The world's consumer, by accounting and by credit.** Americans buy about a third of the world's household consumption, partly because their health care counts as household spending and partly on credit that no other country extends so far (Modules 8 and 11).

12c. Four Tests

• **Jobs.** Whether unemployment stays near 4.2%, which decides whether the strained households keep paying.

• **The flow.** Whether the flow into card and auto delinquency starts rising again, which decides between damage and deterioration.

• **The cuts.** Whether the Medicaid work requirements and SNAP's shift of costs to the states remove the ineligible or the eligible, which decides the safety net's next size.

• **The convergence.** Whether lower-income households' catch-up in the card data survives the holidays, which decides whether the K is closing.

12d. The Watch List

When	What	Why it matters
October 26-29, 2026	The Communist Party's Central Committee meets in Beijing	Any signal for China's consumer (Module 11)
October 27, 2026	The Conference Board's October consumer confidence	After September's 81.9
October 27-28, 2026	Federal Reserve meeting	Card and loan rates follow its rate; futures on October 16 gave about 1 in 6 for a rise on October 28 and about 9 in 10 by December
October 29, 2026	BEA: third-quarter GDP, and September's personal income and outlays	Real spending and the saving rate after revision
November 1, 2026 to January 15, 2027	ACA open enrollment for 2027 on HealthCare.gov; December 15 for coverage from January 1	The second year without the enhanced credits
November 3, 2026	The midterm elections	The Congress that would write any card-rate cap or safety-net change
Early November 2026 (expected)	The New York Fed's third-quarter household debt report	Whether the delinquency flow is still flat
November 17 and 19, 2026	Census Bureau: October retail sales; third-quarter e-commerce	The run-up to the holidays; the online share
Mid-November to early December 2026 (expected)	Third-quarter results from Walmart, Target, Home Depot, Lowe's, TJX, Dollar General, and Dollar Tree	The trade-down, by income
November 25, 2026	BEA: October personal income and outlays	The first month of the fourth quarter
November 27-30, 2026	Black Friday to Cyber Monday	The National Retail Federation (NRF) forecasts $1.013 trillion of November-December sales, up 4.2%, the first year above $1 trillion on its count, which puts 2025 at $972 billion
Fall 2026 (planned)	Wage garnishment on defaulted student loans resumes	The 9 million borrowers in default (Module 7)
December 1, 2026	Iowa's Medicaid work requirement begins	Another early test of the rule's paperwork before the national start
December 31, 2026	SSI's January payment, the first at $1,029; Georgia's Pathways waiver expires; six-month Medicaid checks begin	The safety net's new rules arriving

When	What	Why it matters
January 1, 2027	Medicaid work requirements due in every expansion state; Social Security's 3.6% adjustment	Coverage lost against jobs gained (3e)
January 10, 2027	The US-China tariff truce expires	Prices on the shelf (Module 9)
July 1, 2027	Duty-free entry for small parcels ends by law; hardship and unemployment deferments end for new student loans	
September 2027 (expected)	The Census Bureau's 2026 income and poverty reports	The first full year of the 2025 law's cuts in the poverty numbers
October 1, 2027	States start paying 0-15% of SNAP benefits, by error rate	The safety net's second cut
July 1, 2028	Borrowers in the older income-driven plans must have moved	The end of the student-loan transition
Ongoing	The flows into card and auto delinquency; card data by income; the saving rate after each revision	The variables that decide the argument

Dates as announced on October 25, 2026: 'expected' marks a date not yet announced, and 'planned' an intention without a date.

12e. The Last Word

The throughline of twelve modules is this. The American consumer is not a person but a distribution, and its two ends meet the same year in different ways. At one end a household spends its asset gains, pays a mortgage fixed in 2019, and collects rewards on a card it never carries. At the other a household spends every paycheck, pays 2026's rent, carries a card at 22%, and counts on programs that are being cut. Between them the median household saves through payroll and stays in a house it could not afford to buy again.

The measures disagree because they see different households. The safety net catches the bottom and trims it at once, the credit system stretches the bottom's spending until it cannot, and the rest of the world sells into all of it and calls the total the American consumer. A reader who has followed the dollar from the paycheck through the budget, the cliff, the card, the loan, the shelf, and the report can read the next retail-sales headline, delinquency figure, and sentiment reading for what each is, an average, a tail, or a mood, and ask the course's question: which household?

Module 12 Key Points

Where Things Stand, and What to Watch

• The consumer is fine in aggregate and strained in a large minority; the job market decides which story 2027 tells.

• Five contradictions: record income and falling pay, gloom and spending, a net that catches and cuts, a high that is not rising, credit-fed consumption.

• The tests: jobs, the delinquency flow, the 2027 safety-net changes, and whether lower-income spending keeps catching up.

• The watch list runs from late October 2026 to SNAP's cost shift of October 1, 2027 and beyond.

• Every consumer number is a distribution's average, tail, or mood; the question is always which household.

Module 12 Quiz

Check Your Understanding

1. What does the module say is holding the strained households up?

A) A job market with unemployment at 4.2%.
B) Their savings from the pandemic years.
C) The tariff refunds paid to shoppers.
D) Lower card rates.

2. Why is the bureaus' stock of card delinquency at a post-2008 high while the flow is flat?

A) Rates rose.
B) It carries old charge-offs.
C) Lenders stopped reporting late payments to the bureaus.
D) The flow measures only prime borrowers, whose payments have improved since 2024.

3. Which date does the watch list give for Medicaid work requirements in every expansion state?

A) January 1, 2027
B) July 2026
C) December 2026
D) October 1, 2027, with SNAP's shift of benefit costs to the states

4. What does the National Retail Federation forecast for the 2026 holiday season?

A) $972 billion, flat on 2025
B) A fall of 4%, on gasoline
C) $1.5 trillion, a record by half, as tariff refunds reached shoppers
D) $1.013 trillion

5. What question does the course say to ask of every consumer number?

A) How much did it change from last month?
B) Is it adjusted for inflation or not?
C) Which household does this number describe?
D) Who publishes it, and when?

Answer Sheet

Answers to every module's Check Your Understanding quiz.

Module	Answers
Module 1 Quiz	1. D 2. B 3. A 4. C 5. A
Module 2 Quiz	1. C 2. B 3. D 4. A 5. C
Module 3 Quiz	1. B 2. D 3. C 4. A 5. B
Module 4 Quiz	1. D 2. A 3. C 4. D 5. B
Module 5 Quiz	1. A 2. B 3. C 4. D 5. A
Module 6 Quiz	1. C 2. D 3. B 4. C 5. B
Module 7 Quiz	1. A 2. D 3. A 4. B 5. C
Module 8 Quiz	1. D 2. C 3. D 4. B 5. A
Module 9 Quiz	1. B 2. A 3. D 4. C 5. C
Module 10 Quiz	1. A 2. B 3. D 4. C 5. D
Module 11 Quiz	1. B 2. A 3. C 4. D 5. B
Module 12 Quiz	1. A 2. B 3. A 4. D 5. C