

What Must Be Addressed: Rising Abject Poverty

December 8, 2009

While the mainstream media hypes bogus statistics and endless propaganda about the economic "recovery," and Wall Street pockets billions in bonuses, abject poverty is rising while the government dithers away trillions.

CLARIFICATION: Many readers wrote to ask about the specific dates mentioned in yesterday's post. I did not realise I'd cast such an aura of mystery; 12/18/09 is OEX--options expiration, and Bullish market players usually ensure markets rise through OEX.

January 1, 2010 has two significances: Wall Street players will have booked their mouthwatering bonuses for 2009, and thus will be ready to go short to profit from the coming decline in stocks. Also, there will be a lunar eclipse on Jan. 1, and in at least one astrological tradition (Vedic/jyotish), eclipses are not considered positive omens.

I define abject poverty as lacking shelter and sufficient food to stave off hunger. By this simple measure, abject poverty is rising in the U.S. even as Wall Street pockets billions in bonuses, the government squanders \$2 billion a day in Afghanistan and trillions more on toxic mortgage securities and other bailouts of the Power Elites.

Yes, there are homeless shelters and **food stamps**, but the reality of how many are living on the knife-edge financially is not captured in the usual (manipulated and massaged) government statistics.

The reality is better captured by this item from *BusinessWeek's* December 16 issue:

Almost half (46%) of 2,148 consumers surveyed recently said they weren't confident they could come up with \$2,000 within a month in a crisis--from savings, family, friends, credit cards or other sources.

Even among those earning \$100,000 to \$149,000 a year, almost 25% doubted they could raise it, according to the survey conducted by research firm TNS with academics from Harvard Business School and Dartmouth College.

"We wanted to know if people could fix a broken car or furnace," says Harvard finance professor Peter Tufano, who adds that most studies he has seen measure "how much cash people have... not how much they can access."

The survey results surprised him. "The ability to cope with emergencies is much less strong than we might have thought."

This survey offers a staggering set of implications. Let's grant that we have no idea if the survey was scientific, but we can assume that the academics from Harvard Business School and Dartmouth College would not besmirch their reputations with wildly inaccurate or fatally unrigorous data collection.

Let's follow the idea that 25% of households earning \$100,000+ can't lay their hands on a meager \$2,000. First off, only about 20% of households earn above \$100K. Most households make do on a sum closer to the national median of \$46,000.

What does it mean when households not only don't have \$2,000 in cash (savings), but they also lack the ability to put their hands on \$2,000 from family, friends, or even credit cards?

We can surmise:

1. Their social/family networks are either threadbare or populated by others without savings or credit;
2. Their creditworthiness is near-zero. Either they've maxed out the credit they once had, or their previous credit lines have been cut off in the general reduction of risk/credit, or they are in arrears/default and thus have zero credit.

It's also possible, and perhaps even probable (though we have no data to support this projection) that both are true: most of those in Americans' social networks are in dire straits/hanging by a financial thread and their access to credit either private or institutional is near-zero.

We might even extend our query deeper into social networking, and speculate that many Americans no longer possess a social network populated with people who they could ask for a loan. (A 1,000 "friends" on Facebook might not replace even one real friend.)

We might also speculate that many citizens are now wary of loaning their dwindling precious reserves of cash to anyone, even friends, who they rightly anticipate will be unable to pay back the loan if the economy continues devolving.

Perhaps the cultural ethics of the nation have been so eroded by the endless (and apparently richly rewarding) scams, fraud, embezzlement, cheating and lying that people

no longer trust even their friends to act with fiscal responsibility--a suspicion fueled, perhaps, by the very fact that few were able to save even a paltry \$2,000 for a rainy day.

Or it may just be that the majority of Americans are essentially one paycheck or unemployment check away from homelessness and hunger, and thus the social networks of most households are populated by others in the same general economic situation.

If so, we might ask: why have so many households failed to save even a modest sum? Let's grant that many households may well have already consumed their savings as job and pay cuts eroded household income. Medical emergencies alone apparently account for a significant percentage of financial ruination (foreclosures and bankruptcies).

But we would be remiss not to ask if some households have done better than others as the bogus prosperity evaporated, and if so, why. The answer is not difficult but it is terribly painful to those embedded in American culture's permanent adolescence: long-term shared sacrifice.

Those of you who reside in states with large immigrant populations probably know families who bought a home, and by combining three, four or even five incomes, paid off the mortgage in a few years. Was this possible if every household worker spent lavishly on consumer goods and the "luxury lifestyle" propagandized by TV? No. It was only possible if all the earners in the household rejected consumerist appeals to squander money and chose instead to sacrifice desires for the greater good, i.e. reducing the mortgage to zero and assemble a substantial savings (six figures in many cases).

Such thrift was commonplace in the post-Depression decades. People did not trust banks, hence my grandmother has six savings accounts, most with modest sums--she owned more savings accounts than dresses.

I remember my first credit card, which I only applied for after years of accumulating savings. I already owned land before I ever "owned" a credit card. This was common in the so-called "hippie era," which generally distrusted debt and institutions like banks. Hippies paid with cash or barter--at least until they devolved into yuppies.

This is not to suggest every household was financially able to amass substantial savings, but it is an open question to American society: how much credit and cash which could have been saved, with relatively modest applications of sacrifice and restraint, was squandered on "luxury goods," toys and travel?

Yes, the zeitgeist (especially television) encouraged rampant consumption and saving has been discentivised for years by super-low interest rates. But nonetheless we have to ask how many private trillions were squandered, as a sort of cultural match to the trillions in public taxpayer funds squandered to maintain the financial Elites in their positions of power and privilege.

The responsibility for our financial ineptitude and precariousness runs both wide and deep.

For a first-person view, I turn to correspondent Doug W.:

For 2-1/2+ years, I have been analyzing, discussing and discussing the Economic Maelstrom we are in and it's potential social, political and international relations effects, but yesterday and today I saw an actual effect of this relentless unforgiving Storm.

Because I shut down internet and cable to my house, I use the computer at a branch of the Monmouth County (N.J.) Library System. This is located in an affluent town a few miles south of Red Bank & Rumson (a very wealthy town).

Yesterday at about 4:30 PM, I parked my car near a late-90s Toyota Camry loaded to the roof with bags, clothes, suitcases and boxes. There was a woman in her fifties --I think--sitting in the car; I thought she was getting ready to leave. I went in to use the computer. When I left at 6:15 PM she was still there. I realized she was homeless. As I drove home, I remembered all the stories I've read in newspapers, on FinancialArmageddon.com, and elsewhere over the last two years about formerly middle-class people losing their jobs and then their homes and living in their cars; I realized how close I have come to that fate.

People who have never known homelessness or financial fear are now shell-shocked by forces they don't understand.

At about 1 AM I woke up (I haven't slept well for more than a year). It was raining very hard and it was cold out and I wondered about the woman at the library; and the countless millions of families and individuals on the edge of financial-economic oblivion around our once wealthy country worrying about what tomorrow will bring.

I realized how lucky I am --even though I must sell (or lose) my home of 24 years-- to have some investments and a home with NO DEBT in South Carolina to which I can retreat.

I just arrived here at the library a few minutes ago...the lady is still sitting in her car in the same parking spot.

Thank you, Doug. As someone who was down to his last \$100 in cash during the last Great Recession (1981-82), I know the gnawing anxiety of being broke. (Yet I remain a debt-serf, too, still owing a mortgage.) Maybe such proximity to ruin is what sparked a fiscally conservative mindset in many of us. If so, the unlucky people are those who believed in the fantasy of endless asset-bubbling wealth and prosperity.

Correspondent Michael N. checked in with this account of how many households are balanced on a financial razor's edge:

I'm a part-time mortgage broker (in one form or another for about 24 years) and so I know the typical financial position of people. I can report that NONE of my originated loans have ever gone into foreclosure, but I must add that the majority of the people that I work with live paycheck-to-paycheck. This is for AAA, 6-digit income professionals. This is primarily why I have concluded "no way out" - either for the govt or society. We're in a debt trap.

Thank you, Michael. I am afraid I must concur with your conclusion.

Here is the first step to fiscal solvency and a saner worldview: turn off the TV except when watching quality films and documentaries via DVD. [Take a walk outside in Nature; it will change your perspective for the better.](#) (Thank you, Ken R. for this link).

Research how others are living well on absurdly modest sums of money; for instance, [CONFESSIONS OF A BOTTOM FEEDER](#) . (Thank you, Phillip H. for the link.)

We as a society have to deal with the rise in abject poverty on the local (decentralized) level. Hunger can be alleviated by the [food stamps](#) program, which helps feed over 30 million citizens for \$30 billion a year--absurdly cheap when you consider we are blowing \$2 billion a week in Afghanistan (gasoline and jet fuel are supposedly about \$30 a gallon, delivered to forward bases). \$30 billion is a mere 1% of the Federal budget. As Winston Churchill noted, putting milk in babies' bellies is a wise investment in the future--especially when it costs a mere fraction of the \$8 trillion lavished on the banking sector Elites.

I have written about this many times recently:

[Social Welfare, Socialism and Healthcare \(May 19, 2009\)](#)

[Unemployment: The Gathering Storm \(September 26, 2009\)](#)

[The Return of Big Government and the \(de facto\) Welfare State \(March 17, 2009\)](#)

We as a nation must grapple with the difficult issue of providing shelter to millions of citizens. That will very likely involve setting aside secure (seasonal) campgrounds for tent cities and free RV parks, as well as some local control of housing units which have slipped between the cracks of bank/speculator ownership. As in: last previous known owner has 60 days to pay the taxes and bring the property up to livability codes or they forfeit the property to the municipality.

The days when some distant bank/fund owning 1/2,500th of a mortgage securitization can supposedly "own" a real house in a real neighborhood and do nothing but let it rot should end; either the "owner" (whoever that is, when the underlying mortgage has been tranching and sold and the mortgage holders purposefully avoid foreclosing just to avoid taking unambiguous ownership) maintains the property or they forfeit it to the community. Ownership entails responsibility: No responsibility accepted, ownership revoked.

There is no simple solution to rising poverty; the answer is not centralized or top-down. Radical self-reliance works on both a personal and community level.

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