

Impoverished Reasoning

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The Wall Street Journal had article noting that the median household income had now 'stabilized' at \$51,000, and confidently assured us that the undead economy promises a bright future. The median household income was \$56,000 in 1999, a record high. That was just before the previous bust – The Journal did not bother to point out that the median household income has never recovered the ground it lost 14 years ago.

It then goes on to discuss the official poverty rate – households with less than \$23,000 income yield a poverty rate of 15% (46.5 million human beings). “Many economists question the accuracy of the official poverty rate”.... Will the Journal actually admit the rate is ridiculously low? – Will it tell the story of the 'scientific' way it was developed: A woman in HEW back in 1959 decided to multiply the amount of income required to feed a family of 4 by three to encompass all other necessary expenses. It was never intended as anything more than a down and dirty guesstimate, but since it was so 'down' from reality, it was dirty enough for the government to snatch up. She unequivocally rejected it as a worthy measure, but no matter. The CBO once developed it's own poverty rate along the lines of the Canadian model and came up with a figure twice as high. No, the Journal argued that many below the poverty rate receive hidden riches, like food stamps, that would push their income line higher and lower the rate – But it did not note that agribusiness is the main reason such a program exists – not actual hunger! That's why even the political right won't vote against it.

Computed in the manner of the EU, the US poverty rate would be 24%. Honest reporting is consistent, and if the Journal were interested in such a novel experience, it would have monetized the much more generous benefits Europeans receive and shown the US rate to be much higher. Back in the 60's the government had, in addition to a poverty rate, a deprivation figure. In the mid 60's the combined numbers had 40% of Americans in poverty or deprivation. Since most people living under these conditions are wage earners (the vast majority are actually working), and real wages have never come close to recovering their 1973 peak, then it's fair to say that real poverty is likely to be higher now than it's been in decades.

All this is nothing more than the usual 'touching up the x-rays' – defining a problem out of existence. The victims of life under capitalism must also be tormented with a bombardment of lies that makes it seem like their life is their failure.

Speaking of failure, the Fed today acknowledged that their program to breathe enough life into a collapsed economy that stability may evolve into a genuine recovery is failing. Mere rumors of the end of 'easing' was enough to kill improvement in housing. The last figure for new home sales was about 400,000, one third of where it was in its last good year. Without demand for housing, values do not rise (note that most of the high percentage increases for home sale

prices involve distressed home sales, not those owned and lived in by actual people). Without an inflated housing market there is no refinancing, and since real income of working people is stagnant, there is no other way to increase their spending. And without that, there is no bubble, like the one that burst causing the current mess.

The Fed is currently purchasing \$45 billion worth of treasuries a month. The upcoming budget deficit is expected to be around \$600 billion. Incredibly, the US Government is financing almost all of the US Government's debt! It's something like a desperately thirsty person drinking his own urine. That's life under capitalism.

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