Americans $2.4 Trillion Poorer After Q3 — It May Get Worse

At the end of the third quarter, household wealth plunged by $2.4 trillion, from a total of about $60 trillion down to slightly less than $57.5 trillion. The dramatic drop in net worth — the value of all assets minus total debts and liabilities -—was led by still-declining housing prices and crashing stock values.

Despite wild money printing by the Fed in recent years, home values are not expected to recover any time soon. During the third quarter, American real estate assets lost about $100 billion from the previous quarter. And banks are still sitting on an unknown but huge number of foreclosed properties expected to keep prices depressed for years to come.

Stocks performed terribly last quarter, too, though they have recovered some of those losses so far. The S&P500 Index lost around 14 percent from July to September. And according to the Dow Jones U.S. Total Stock Market Index, equities shed $2.6 trillion for the quarter.

The Associated Press reported that 401(k) accounts managed by Fidelity Investments, the biggest workplace plan provider, dropped almost 12 percent. The value of pension-fund reserves also plunged close to $1 trillion for the quarter.

Wages are suffering as well. Data from the Census Bureau cited by the AP show that, adjusted using the government's measure of inflation, household income plummeted 6.4 percent last year from 2007 when the recession began.

Meanwhile, overall debt is ballooning — led, of course, by Washington D.C. and Congress. According to the Fed report released on December 8, federal government debt grew at an annual rate of 14 percent during the third quarter.

Household debt was down slightly during the period, but not because Americans were paying off their mortgages as some analysts claim. It was mostly due to the fact that so many families were defaulting and being foreclosed on.

Still, the tiny 1.25 percent annual rate of decline in household debt was not enough to offset the federal government's record borrowing spree. And the deficit trend is expected to continue indefinitely.

Credit card debt in the third quarter, on the other hand, was up by about $17 billion. According to analysts, who called the development troubling, Americans could end the year with around $65 billion more in credit card debt than last year.

Meanwhile, even as many Americans rapidly lose their savings, prices for most essentials — food, gasoline, energy, and more — have largely continued to rise. Spending on food, however, has declined. And experts say the indicators are troubling.

“In short, tens of millions of households are failing to attain an adequate standard for food purchasing,” said president Jim Weill of the Food Research and Action Center (FRAC), a lobbying group, following the release of a December report analyzing data about spending on food. And there will be consequences, he noted.

“When families don’t have enough resources to purchase an adequate diet, it leads to increased hunger and damages health, mental health, family cohesion, early child development, learning, and productivity at work,” Weill concluded. “Today’s inability to afford enough food will lead to widespread harm to the nation’s children and adults, its schools and its workplaces, and its economy unless this trend is reversed.”

Despite the Obama administration’s claims, the so-called “stimulus” package failed spectacularly to “create” real jobs or any wealth. Instead, American taxpayers have simply been saddled with almost $1 trillion in new, unproductive debt.

But companies, concerned about a Congress and an administration that insist on spewing out regulations and the threat of regulations, are sitting on increasing cash stockpiles. According to the Fed’s Q3 report, non-financial firms increased their liquid holdings by $41 billion from the previous quarter.

While the U.S. data may be gloomy, however, economic conditions in Europe, China, and other regions could be even worse, according to analysts. And the crisis is going to spread globally, wreaking havoc and devastation.

“The word ‘depression’ frightens a lot of people. It should. But, we are in one now,” noted economic analyst Jeff Harding. “Since we, in my opinion, have not yet recovered from the Crash of 2008, we are in a depression. Just ask the 25 million Americans who either don’t have a job, can’t find one, stopped looking, or are working part-time because they can’t find full-time work. Just ask the 24 percent of home owners whose homes are financially underwater.”

Legendary investor Jim Rogers was even more pessimistic, offering apocalyptic scenarios that could ensue if policy makers continue down the dangerous path they have been traveling. During a recent interview with conservative personality Glenn Beck, Rogers warned that the worst was yet to come.

According to Rogers, it could get so bad that governments start stealing citizens’ pension plans. “Serious” shortages of food are also in the cards, he warned. “We do live in very perilous times. I hope you’re very careful and I hope you’re prepared,” Rogers said, noting that he had just finished purchasing more gold (which is up more than 23 percent from one year ago when measured in Federal Reserve Notes).

American households have lost about $8 trillion of their net worth so far during Obama’s first term. That’s about $27,000 for every person in the country, not including the trillions in federal debt tacked on in recent years.

Of course, much of the blame rests with the U.S. central bank, which inflated the housing bubble and continues to manipulate markets while creating ever-greater amounts of new money to bail out banks and governments. And much of the perceived increase in net worth during the “boom” was illusory to begin with.

But if something does not change soon, the situation is only going to get worse, experts are warning. In the meantime, many pessimists are recommending investing in farm land and precious metals.

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