

8-31-2010 TUESDAY AFTER LUNCH MONEY MEMO

By the Financial Foghorn

I MISS WALTER CRONKITE

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“The American public has never been so nervous, perhaps fearful of something dreadful and imminent. The global monetary system is crumbling.” Jim Willie

There are TV watchers out there who think the economy is experiencing a few sniffles, or a rough “patch” in a few isolated geographic pockets around the country, but that America is recovering aplenty, with green shoots everywhere. I, on the other hand, think we’re fucked.

The July, 2010 issue of *Kiplinger’s Magazine* said an “Economic recovery is the phase of the business cycle where economic outputs return to their pre-recession peak.” They looked at six indicators, including investor sentiment, housing, unemployment, the stock market, factory utilization, and small business credit availability, and said that when four are in the ‘green’ zone, we’re recovering. Umm, *none* of the six were green, folks.

http://www.kiplinger.com/businessresource/economic_health_tracker. And looking at housing in particular, there's a 12.5-month inventory. (Inventory in “normal times” is, less than 6 months.) "The inventory is extremely high," says Manuel Iraola, CEO of Homekeys, an online real estate brokerage. “And millions of properties in some stage of foreclosure have yet to reach the market.” The *New York Times* says \$6 trillion has been lost in housing, and won’t come back for 20 years. <http://www.nytimes.com/2010/08/23/business/economy/23decline.html>.

A cursory reading of the business mags shows that in the past few years, the rich have gotten a gold mine and the middle class has gotten the shaft. The only good news that I see is that we needn’t worry about a ‘double dip’ recession. Despite massive stimulus from Washington, it’s been an economic slide since July, 2007. Our stock indexes are still *down* from March 2000. And if we factor in inflation, our equity indexes have been abominable for a decade now, down 30%.



The following list is from the *NY Post*, dated August 1, 2010:
http://www.nypost.com/p/news/opinion/opedcolumnists/so_long_middle_class_GvE3xMnYXzZpS2OMGZsI. I've edited and shortened Mike Synder's list.

1. According to a 2009 poll, 61% of Americans "usually or always" live paycheck to paycheck, which was up from 49% in 2008 and 43% in 2007.
2. By 2008, over 30 million US workers were earning less than \$10 per hour.
3. The bottom 40% of wage earners now collectively own less than 1% of the nation's wealth.
4. The average time needed to find a job has risen to a record 35.2 weeks.
[www.shadowstats.com says the real unemployment rate is at 21.7% in Aug.2010.]



5. What American workers must compete with: In China a garment worker makes approximately 86 cents an hour, and in Cambodia it's 22 cents an hour. High tech workers and auto workers make more, perhaps \$2 an hour.
6. A staggering 43% of Americans have less than \$10,000 saved up for retirement.
7. 24% of American workers say that they have postponed their planned retirement age in the past year.
8. Over 1.4 million Americans filed for personal bankruptcy in 2009, which represented a 32% increase over 2008. 1.7 million bankruptcies are expected in 2010.
9. According to Harvard Magazine, 66% of the income growth between 2001 and 2007 went to the top 1% of all Americans.

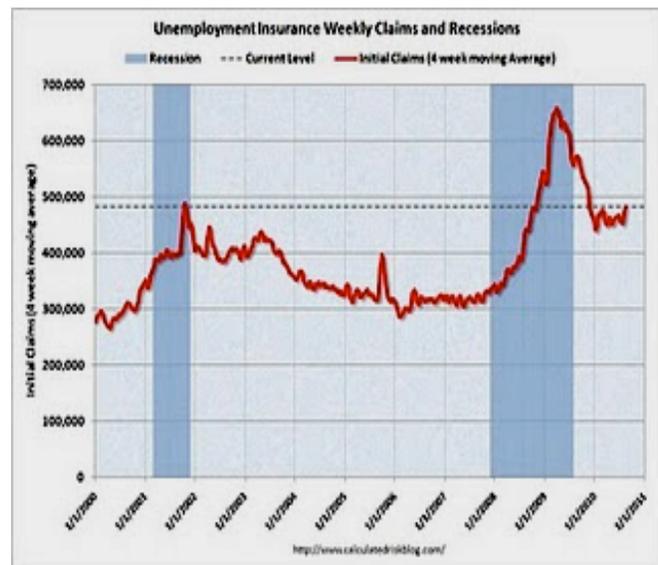
10. In 1950, the ratio of the average executive's paycheck to the average worker's paycheck was about 30 to 1. Since the year 2000, that ratio has exploded to a ratio of between 300 and 500 to one, depending on the greed of the CEO.

11. The average federal worker now earns almost twice as much as the average worker in the private sector. The median federal salary is near \$70,000 a year.

12. Previously sold houses in July dropped 27% from July 2009. That's a run rate of 3.69M a year. At the peak, in 2005, used house sales totaled, oh, 7M for the year. New homes are selling at a rate of 276,000 a year, down from a 1.4 million rate in 2005.

13. For the first time in US history, banks own a greater share of U.S. residential housing net worth than all individual Americans put together. And government agencies are using "Foreclosure Mills" to grab more. <http://motherjones.com/politics/2010/07/david-stern-djsp-foreclosure-fannie-freddie>

14. 500,000 new claims for unemployment compensation were filed on August 20, 2010, the highest number recorded... since 2009.



15. More than 40 million Americans are on food stamps, and the US Department of Agriculture projects that number will go up to 43 million Americans in 2011.

Summing up, I'd say that not only is our jobless recovery an oxymoron, but that any recovery at all is a federal pipe dream. Present economic conditions look awful. We are experiencing the hangover from the biggest credit binge in recorded history. And those bank loan problems of 2007 have not been fixed, so lending, jobs, and increased consumer spending are not likely to happen soon either

But there seem to be two beliefs about our present condition today: there are those who can handle the current bad news and are hunkering down to a new normal, and there are those who ignore the economic truth and watch singing and dancing on TV. Obviously I'm in the first, and much smaller, camp.

Walter Cronkite was known as the most trusted man in America.
http://en.wikipedia.org/wiki/Walter_Cronkite Perhaps if he were still alive and allowed to honestly read the gloomy stats above on the CBS Evening News, we would handle the truth better. If the permabull propagandists on nightly TV went away, and if kindly Uncle Walter were reading such morbid statistics, I'll bet he'd also talk about the honest virtues of gold as a way to protect wealth. He'd also mention how gold and silver have been in bull markets since February 2001. Then he'd say Americans need gold and silver, because... "that's the way it is."

FF is also depressed about the economy, but he ignores TV, and reads gold websites, including www.321gold.com, www.jsmineset.com, www.gold-eagle.com, as well as <http://harveyorgan.blogspot.com>, and www.zerohedge.com, etc.

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Get Rich, Get Happy, and Get to Heaven" with Monetary Metals."

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