

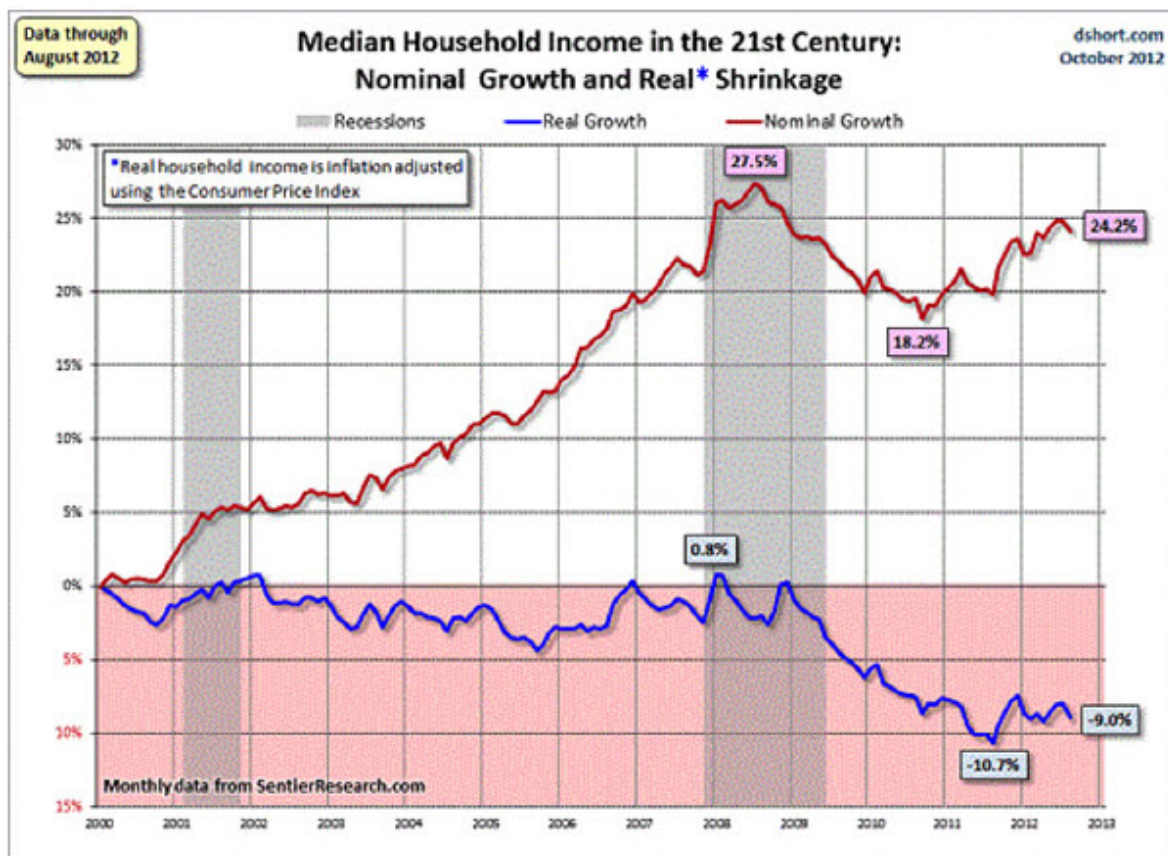
Why You Feel Poorer

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You feel poorer because you are poorer.

In the last fourteen years, has your income increased over 50%? If you think it has, has it done so after taxes? Even if it has, you likely have not kept up in terms of inflation.

If you are a retiree, living on fixed income, a pension or bonds, you certainly have become poorer. If you had bought the Dow-Jones on 12/31/1999 you would have entered at about 11,500. It closed last week at less than 17,100. That would have been an appreciation of 6,600, better than 50%. But, of course, that was before taxes.



As a retiree, you have seen your purchasing power stolen by Fed

policies. Whether you invested in fixed income or equities, you lost ground. Anyone in that position has seen their lives become poorer despite a lifetime of successful work and careful financial planning.

For those still working, most are losing purchasing power each year. Wages are not keeping up with inflation, even the understated numbers reported by government. In short, the decline of a once-great economic power is well underway. The country is no longer growing enough to raise everyone's standard of living.

Government has killed the golden goose and in an attempt to hide the obvious is debauching the dollars. Government tries to hide their own failure with phony statistics and a welfare state designed to placate the masses. Bread and circuses are deceptions not progress.

This charade will not work! It is merely a futile attempt to prolong the Ponzi scheme for a little longer. While the process continues, the parasites who plunder the productive ready expand in numbers. The productive either give up or remove their capital from the country. Those who stay build compounds with the walls around them to protect against the soon-to-become enraged masses. Bread and circuses precede poverty. They don't continue through it.

To understand the loss of purchasing power, look at this series of items:

Living Expense	Jan 2000	March 2014	% Increase
Barrel Of Oil	\$24.11	\$100	314.80%
Fuel Oil (Per Gallon)	\$1.19	\$4.07	242.00%
Gallon of Gas	\$1.27	\$3.51	176.40%
One Dozen Eggs	\$0.97	\$2.00	106.20%
Annual Healthcare Spending (Per Capita)	\$4,550	\$9,300	104.40%
Ground Beef (Per lb)	\$1.90	\$3.73	96.30%
Movie Ticket	\$5.25	\$10.25	95.20%
Average Private College Tuition	\$22,000	\$37,000	68.20%
Electricity (Per Kwh)	\$0.08	\$0.13	59.50%
New Car	\$20,300	\$31,500	55.20%
Coffee (Per lb)	\$3.40	\$5.20	52.90%
Natural Gas (Per Therm)	\$0.71	\$1.08	51.40%
Avg. Home Price (Case Shiller)	\$161,000	\$242,000	50.30%
Postage Stamp	\$0.33	\$0.49	48.50%
Avg Monthly Rent (Case Shiller)	\$635	\$890	40.20%
CPI	\$168.80	\$234.78	39.09%
PCE Deflator (Fed's Preferred Measure)	\$81.78	\$107.66	31.65%

Source: David Stockman

H/T Zerohedge

The last two items are what government claims is price inflation over this period. Wikipedia defines them as follows:

The **personal consumption expenditure** (PCE) measure is the component statistic for consumption in [GDP](#) collected by the [BEA](#). It consists of the actual and imputed expenditures of [households](#) and includes data pertaining to durable and non-durable [goods](#) and [services](#). It is essentially a measure of goods and services targeted towards individuals and consumed by individuals. [1]

The **PCE price index** (PCEPI), also referred to as the **PCE**

deflator, PCE price deflator, or the Implicit Price Deflator for Personal Consumption Expenditures (IPD for PCE) by the [BEA](#), and as the **Chain-type Price Index for Personal Consumption Expenditures** (CTPIPCE) by the [FOMC](#), is a United States-wide indicator of the average increase in prices for all domestic personal consumption. It is currently benchmarked to a base of 2009 = 100. Using a variety of data including U.S. Consumer Price Index and Producer Price Index prices, it is derived from the largest component of the [Gross Domestic Product](#) in the BEA's [National Income and Product Accounts](#), personal consumption expenditures.

The less volatile measure of the PCE price index is the **core PCE** (CPCE) price index which excludes the more volatile and seasonal [food](#) and [energy](#) prices.

In comparison to the headline [United States Consumer Price Index](#), which uses one set of expenditure weights for several years, this index uses a [Fisher Price Index](#), which uses expenditure data from both the current period and the preceding period. Also, the PCEPI uses a chained index which compares one quarter's price to the last quarter's instead of choosing a fixed base. This price index method assumes that the consumer has made allowances for changes in [relative prices](#). That is to say, they have [substituted](#) from goods whose prices are rising to goods whose prices are stable or falling. The last one, the PCE Deflator is used in government's calculation of real GDP growth. **To the extent that this number is understated, reported real GDP is overstated by an approximate amount. That is not an accident.**