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Underwater Nation: As the Rich Thrive, the Rest of Us Sink

By Chuck Collins
March 23, 2017

Are you or a loved one having trouble staying afloat? You're truly not alone.

While the media reports low unemployment and a rising stock market, the reality is that almost 20 percent of the country lives in "Underwater Nation," with zero or even negative net worth. And more still have almost no cash reverses to get them through hard times.

This is a source of enormous stress for many low and middle-income families.

Savings and wealth are vital life preservers for people faced with job loss, illness, divorce, or even car trouble. Yet an estimated 15 to 20 percent of families have no savings at all, or owe more than they own.

They're disproportionately rural, female, renters, and people without a college degree. But the underwater ranks also include a large number of people who appear to be in the stable middle class. Health challenges are a major cause of savings depletion for these people, both in medical bills and lost wages.

Plenty more Americans could be vulnerable.

A financial planner will advise you to put aside three months of living expenses in financial reserves, just in case. So if your living expenses are \$2,000 a month, you should try to have \$6,000 in “liquidity” — money you can easily get to in an emergency.

But 44 percent of households don’t have enough funds to tide themselves over for three months, even if they lived at the poverty level, according to the Assets and Opportunity Scorecard.

Even having a positive net worth doesn’t mean you can always tap these funds, especially if wealth takes the form of home equity or owning a car.

A Bankrate survey found that 63 percent of U.S. households lack the cash or savings to meet a \$1,000 emergency expense. They’d have to borrow from a friend or family, or put costs on a credit card.

Seven percent of U.S. homeowners are underwater homeowners, with mortgage debt higher than the value of their homes. And more and more people have taken on credit card debt to pay the bills. Meanwhile, student debt is rising rapidly and is projected to become one of the biggest factors in negative wealth.

Conservative scolds will blame individuals for “living beyond their means” and being financially irresponsible. And individual behavior is important. But the financial stresses facing millions of families are more likely the result of four decades of stagnant incomes.

Half the workers in this country haven’t shared in the economic gains that have mostly gone to the rich. Their real wages have stayed flat while health care, housing, and other expenses continue to rise.

So not everyone is on the edge at this time of dizzying inequality, after all. The 400 wealthiest billionaires in the U.S. have as much wealth together as the bottom 62 percent of the population.

This is only possible because of the expanding ranks of drowning Americans.

Some politicians will scapegoat immigrants or other vulnerable people for this suffering. When this happens, hold on tight to your purse or wallet. They’re trying to distract you from the rich and powerful elites who are rigging the rules to get more wealth and power.

They want to deflect your attention away from the reality that your economic pain is the result of deliberate government rules that give more tax cuts to the super-rich and global corporations, keep wages down, push up tuition costs, and let corporations nickel and dime you for all you’re worth.

Congress and the Trump administration are proposing to cut health care, pass more tax cuts for the rich, and give global corporations even more power over you. They promise benefits will “trickle down.”

Unless we speak up, the only trickle will be the expansion of Underwater Nation.

