

MONTHS INTO THE ECONOMIC RECOVERY, 71 PERCENT AMERICANS STILL CUTTING BACK ON EXPENSES: ARE WE ENTERING INTO A NEW ERA OF FRUGALITY?



Is the world getting poorer? Are the rich countries financial resources dwindling? In a world populated by a seven million sea of humanity to pinpoint exactly what an average person earns and spends, is not an easy task – suffice to say that there are those who find making ends meet difficult and there are those for whom inflation and the ever increasing rising cost of living are irrelevant and unrelated matters - the former barely managing to put food on the table for his family, whilst the latter treats the latest offerings from Apple and Samsung as playthings, their exorbitant prices of little consequence to them. However, one thing can be said with certainty, there is no denying that for a majority of the people, especially in the US, life has become a little more harder than what it was a few years ago. Poverty shows no sign of abating. 47 million people from 22 million families are surviving on food stamps. Tens of millions are jobless, those that have them fear that they may lose them anytime and are willing to be exploited by their employers, by working more hours and getting paid less. Almost 60 percent of the new jobs in the country are low-skill, low-wage jobs – sixteen percent of the country's entire population lives below the poverty line, in pain and penury, leading lives of rejection and dejection. A survey conducted earlier this year showed that 40 percent of the US people are living paycheck to paycheck – one major unanticipated expense, an accident, a car repair, a hospital bill and they could be facing a major monetary disaster. This year the shopping season was well below expectations. Shoppers have curbed their tendency to buy big and replaced it by caution and penny-pinching. The Americans want to spend as less as possible, so that their debts do not escalate beyond unmanageable levels. Austerity and frugal consumption have taken over the lives of the younger generation. Spending big is no more the in-thing. The modern generation is just not interested in buying lavish homes in the suburbs or big cars – they prefer to buy a small livable pad, nearer to their places of work. They are rejecting lavish lifestyles for comfort and convenience and understand that there is no need to buy anything just for the sake of owning one, if they can do without it, they will. If something is available online, it is cheaper and in many cases free, so they stopped buying music, physical books, magazines and newspapers – not only does it make economic sense, they need occupy less space in their homes. Many Americans, the youth and the elderly, instead of owning a car, seek car-share services. Lavish spending was ostentatious and wasteful, more intended to keep up with the Jones and a pretense to tell the world that you've made it. On the other hand frugal consumption is about smarter, more prudent, wiser spending, where you make your dollar go further and cut out the wastefulness of earlier indulgences. The new frugal compensation is not because the people don't have money or they have less of it – it's part of a new consciousness that it is better to save than to spend and that before you make any purchase ask yourself, do I really need it? Americans have suddenly opened up to all things economical during this downturn. They have become fiscally more responsible. Jonathan Clements, director of financial education with Citi Personal Wealth Management, says that a survey conducted by them revealed that around half the American population, either does not buy things or buys only those things that are absolutely imperative and unavoidable. Almost three-fourths of the US population says they have cut back on their everyday expenses. Only time will tell, but my hunch is we're entering a new era of frugality," he concluded.

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