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# Western Civilization and the Economic Crisis: The Impoverishment of the Middle Class

When Empire Hits Home, Part 2

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***This is Part 2 of the series, "When Empire Hits Home."***

**Part 1: War, Racism and the Empire of Poverty**

The western nations of the world have built their great wealth and societies on the exploitation and plundering of the people and resources of the rest of the world. The wealth, freedom, and structures of our societies have been built on the starvation, robbery, deprivation and murder of millions upon millions of the world's people, both historically and presently.

It seemed for a time that "Western Civilization" had worked, even if only for the west. We saw the emergence and growth of a vibrant middle class, which has its origins in the Industrial Revolution, out of which we also saw the formation of the "nuclear family." The middle classes of the west grew in wealth, education, and access. While the great problems of the world, and for the majority of the world's people, persisted and expanded exponentially, the great purpose of the middle class was siphoned and expanded into facilitating the development of a massive consumerist society. The function of the middle class became that of consuming, not necessarily contributing to determining the direction of society.

Nevertheless, life was good; or so it seemed. Thus, the people were by and large able to turn a blind eye to the plight of the world's majority. As the decades progressed, however, the great western empires, increasingly united under the umbrella of a US-led NATO empire, grossly expanded their plundering and exploitation of the rest of the world. New avenues for capitalist expansion needed to be found, more money to be made, more assets to be owned, more power to be had. As a part of this process, class structure was being reorganized, which meant that the middle class was to undergo an evolution.

In the past few decades, the middle class has been forced to survive on debt. In order to maintain the image of middle class, and to maintain the functions of the middle class (i.e., to consume), the middle class needed access to credit and had to descend into a class of debt. Now, as the world is undergoing a rapid social, political, and economic transformation, the middle class has been marked for death. As a debt crisis takes the nations of the world into debt servitude, the middle classes of the western world will lose their access to credit, and will be forced into repaying their debts. As nations fall under a debt crisis, the middle class will collapse with it. A class built and sustained on debt is not sustainable. We are entering into a period of rapid class transformation on a global scale.

The mirage of the middle class is steadily vanishing as our eyes adjust to the reality of our environment. The Empire we turned a blind eye to abroad, is about to hit home; what we do abroad, comes home to roost. The middle class is about to realize the true cost of empire.

**The Debt Class**

In 1958, the first successful modern credit card was launched by Bank of America, eventually evolving into what we know as Visa. The origins of MasterCard date back to 1966. The expansion of credit card usage grew exponentially through the following decades.

In 2004, PBS published a special report on the "secret history of credit cards." One of the researchers explained that, "The almost magical convenience of plastic money is critical to our famously compulsive consumer economy," as "With more than 641 million credit cards in circulation and accounting for an estimated $1.5 trillion of consumer spending, the U.S. economy has clearly gone plastic." However, credit card companies do not seek as an ideal customer the one who pays off their cards on a monthly basis:

"The industry's most profitable customers, the ones being sought by creative marketing tactics, are the "revolvers:" the estimated 115 million Americans who carry monthly credit card debt.

[. . . ] Some experts say the profitability of credit cards really began twenty-five years ago [in 1979], when the banking industry successfully eliminated a critical restriction: the limit on the interest rate a lender can charge a borrower. Deregulation, coupled with a revolution in technology that enables the almost real-time tracking of personal financial information and the emergence of nationwide banking, has facilitated the widening availability of credit cards across the economic spectrum. But for some, the cost of credit is often far greater than it appears."[1]

Robert McKinley, founder and chairman of Cardweb.com and Ram Research, a payment card research firm, explained that, "[Banks are] raising interest rates, adding new fees, making the due date for your payment a holiday or a Sunday on the hopes that maybe you'll trip up and get a payment in late," and thus, "It's become a very anti-consumer marketplace."[2]

It was in the origins of the neoliberal era, in the 1980s, that the west saw the ascendancy of credit cards. While the western nations of the world, in collusion with international banks and corporations, plundered the 'Third World' through "structural adjustment" at the behest of the World Bank and IMF, the middle classes of the western world were lulled into a debt trap from which they would not emerge:

"Between 1980 and 1990, the number of credit cards more than doubled, credit card spending increased more than five-fold and the average household credit card balance rose from $518 to nearly $2,700. With the cost of money sinking and average balances climbing, profits soared."[3]

In 2004, "the total amount of outstanding revolving consumer credit, which is primarily credit card debt, reached $743 billion," which was "nearly nine times the amount recorded 20 years" prior. Thus, "Credit card debt collection has not only become essential, it has become very profitable. The most recent data indicates credit card debt collectors generated $1.2 billion in revenue" as of 2004.[4]

In 1994, Federal Reserve figures in the United States showed that, "middle-class families

remain stuck with unusually high debt payments as a proportion of their income." As the New York Times reported:

"That high debt, resulting from stagnating wages while low interest rates have encouraged families to borrow, means consumers are living close to the financial edge, and ready to cut spending at any sign of economic trouble."[5]

One prominent economist even stated that, "The rate of consumer spending is not sustainable unless there is a noticeable pickup in the pace of income growth."[6] This has not occurred.

In 2006, a major report released by a US think tank revealed that, "The middle class today is less prepared for an economic emergency, such as losing a job or visiting an emergency room, than at any time since the late 1970s." The report, published 2 years before the outbreak of the global financial crisis, reported that:

"Despite a growing economy, a rising stock market and stronger corporate earnings that are helping the rich get richer, the middle class in America is caught in an unprecedented squeeze that makes it increasingly unstable."[7]

Among the conclusions of the report, it was revealed that, "Income for middle-class families has remained stagnant or flat since 2001," while "Prices for big-ticket items — housing, health care, college education and transportation — have skyrocketed, leaving families unable to save." Thus, "Middle-class families are borrowing record amounts of money to pay their monthly bills." One of the lead research economists at the think tank stated that, "Families are being forced to live beyond their means, just to pay for the basics, such as housing and health care," and that, "They are not only spending their current income but all their future income." Further, the report revealed:

"To maintain day-to-day consumption, Americans are taking on record amounts of consumer debt, researchers say — $5.2 trillion since 2001. In June 2006, families took on debt equivalent to 129% of their disposable incomes, a big increase from the 96% in March 2001.

Many homeowners are tapping into the equity in their homes, assuming more debt to pay for escalating energy and health-care costs. Falling home prices could force many of these middle-class families into foreclosure or back into apartments.

Middle-class families are also struggling with the ballooning costs of higher education. The total cost of tuition, fees, and room and board at four-year public colleges has increased 44% in the past four years."[8]

Of course, this is exactly what happened with the onset of the global financial crisis, as foreclosures ran rampant, and household debt levels soared to new heights. This issue is not only confined to America. In 2005, it was reported that:

"[T]here are more credit cards than people in the UK (67m, to be precise), and that personal debt is so huge Britain is more indebted than Argentina. If interest rates go up, the experts warn, the effect on ordinary people could be like a "time bomb". Credit card debt accounts for £2 billion and Britain has in total a £1 trillion debt mountain."[9]

In 2006, it was reported that on average, "a Briton has twice the debt of a European," and "Total consumer debt in the UK is at a record £1.3 trillion." While Europeans are also mired

in credit card debt, "the average Briton owes £3,175, compared to the average debt in Europe of £1,588," as "Borrowers from the UK now account for a third of all unsecured debt in western Europe."[10]

**The Middle Class in Crisis**

At the onset of the global economic crisis, as in, at the point in which the word "recession" was being used, in the Spring of 2008, it was reported that in the U.K., "The number of middle class families struggling to make ends meet has increased significantly, with debt advice agencies overwhelmed with pleas for help from households in affluent areas of the country." The financial problems of the middle class "[were] being driven by rising inflation, the increased cost of living and the downturn in the housing market." An article in the Telegraph explained that, "The face of debt has changed. Historically, it used to be mainly people on benefits and people in social housing who went to debt advice agencies." However, "Since the credit crunch started, there has been a big increase in professionals and home-owners coming for help – you just didn't see these people before at all." The middle class is "struggling with mortgages, secured loans, and credit card debts."[11]

The middle class in Britain has been plunged into a personal debt crisis, as professionals across the nation fall into the red. The middle class has been spending beyond its means; however, easy access to credit has been aided and abetted by the banks and financial institutions that gave away credit cards and loans without proper financial checks.[12]

At the same time, in America, it was reported in July of 2008 that years of spending beyond their means has left a record number of Americans "standing at the financial precipice." Americans "have amassed a mountain of debt that grows ever bigger because of high interest rates and fees." As the New York Times reported, "the increased availability of credit has contributed mightily to the American economy and has allowed consumers to make big-ticket purchases like homes, cars and college educations."[13]

It was reported in June of 2008, that despite the obvious onset of the economic crisis at that time, "Cash-strapped Americans are ringing up more and more purchases on their credit and debit cards, and there could be a steep price to pay ahead." One market strategist stated that, "Right now what we're seeing is the US consumer losing their disposable income as they have to spend more and more on necessities because of higher prices for gas and food."[14]

This debt crisis is a consumer debt crisis of the western world. An article in Macleans in March of 2009 explained that for Canadians, while "debt" used to be a "bad word" for nearly a century:

"[S]tarting in the 1990s our attitude to debt changed. As interest rates fell and soaring house prices made everyone feel richer, our nation of savers became a nation of borrowers. Debt emerged as the great enabler, the ticket to the trappings of a better life, to flat screen TVs and shiny new SUVs. Now the upward march of real estate has reversed course, taking the household net worth of Canadians with it."[15]

Now, Canadians are "at the point where regular Canadians are carrying even more debt than Americans. It's true we used to save much more—as recently as 1990 we socked away 13 per cent of our disposable incomes—but the average debt carried by Canadian households has jumped 71 per cent since then to $90,700, growing six times faster than the

average household income." The article elaborated, "the average Canadian family now owes more than 1.3 times its disposable income. That puts us in a slightly worse position that the typical American family, which owes just over 1.2 per cent of its disposable income." The middle class wealth was built on this debt, and so when the housing market began to collapse, it "exposed much of that wealth as a mirage." Foreclosures and bankruptcies have soared, and now, "paying down debts that once seemed quite manageable will become a crushing and onerous process."[16]

In August of 2009, Bank of America released a report in which they explained, "The consumer debt problem in the economy really is a debt problem for the middle class. The need to work off a chunk of that debt will sap middle-class families' spending power for perhaps years to come." The twisted irony here is that institutions like Bank of America encouraged and facilitated debt-based consumption, and engaged in far riskier debt-based transactions on a global scale, which caused the global financial crisis. Subsequently, the banks, like Bank of America, were given a blank check by the government that bought their bad debts, and are now going to charge the taxpayers, of which the Bank of America report states they need to "work off a chunk" of their own personal debt. They forgot to mention that the taxpayers would also be paying off the bankers' debts, too.

The Bank of America report further revealed that, "Lower-income families account for 40% of the population but just 12% of total consumption," while, "The middle class is 50% of the population and nearly as large a share of consumption, at 46%," thus, leaving "the wealthy to account for a hefty 42% of consumption." The report explained:

"In terms of their debt burdens, neither lower-income families nor the wealthy are constrained the way the middle class is constrained. . .

[The report] says the middle-class has suffered more than the wealthy from the housing crash because middle-class families tended to rely more on their homes to build savings through rising equity. Also, the wealthy naturally had a much larger and more diverse portfolio of assets — stocks, bonds, etc. — which have mostly bounced back significantly this year."[17]

Thus, the consumer society has already been altered. It will no longer be the middle classes that are the consuming class, but the wealthy. The middle class will be forced to deleverage and buckle under their debt burdens. This is only a radical acceleration of a several-decades long trend in Western society; the economic crisis simply sped up this process and is exacerbating its compound effects. Do not deceive yourself, this has been a long-time coming.

In May of 2009, it was reported that in the U.K., "The number of Britons in traditionally affluent areas who are being swamped by debt has more than doubled in the last six months," as "The recession and resulting increase in unemployment has hit white collar workers in the service sector particularly hard." One expert stated that, "We are seeing a higher percentage of middle and higher income clients who are struggling because of redundancy or the inability to manage their mortgage repayments, often alongside multiple credit card debts." He further articulated, "Inevitably, these higher levels of debt are leading to [an] increased number of clients having to look at bankruptcy or other insolvency solutions."[18]

In July of 2009, the IMF warned that "Britain's credit card debt crisis will get significantly

worse in the coming months with a wave of consumer payment defaults." The IMF said it "expects [that] £1.5bn of consumer debt across Europe will not be repaid, much of it in Britain which has the highest number of credit card borrowers on the continent." Further, the "failure to pay credit card bills is likely to increase as unemployment rises and the number of personal insolvencies, which reached 29,774 in the first quarter of the year, continues to rise."[19]

In October of 2009, it was reported that, "High earners are struggling with debt as much as people on low incomes, according to financial experts and advisory charities," as a direct result of the credit crunch and years of spending beyond their means, as "The withdrawal of easy credit as a result of the credit crunch has forced even those earning six-figure salaries to seek help with their debts."[20]

Now into 2010, central bankers are concerned about the massive debt levels of nations and consumers (that they played a central role in), and "they are warning about the need to raise interest rates to control this." However:

"When interest rates start to rise payments on these mortgages will rise to the point where some borrowers won't be able to manage. The fear is that foreclosures will then increase and there will be a repeat of the market collapse that started in the United States in 2007."[21]

As a result of the credit crunch in Canada, middle-income families have actually been increasing their credit and debt in order to stay afloat. In May of 2009, "household debt has reached an all-time high of $1.3 trillion in 2008," as "Canadian families are financing consumption activity with unearned money as they increasingly reach for credit to finance day-to-day living expenses." In October of 2009, the Bank of Canada reported that total household debt had risen to $1.4 trillion. In 2008, the average Canadian had a personal debt of almost $39,000, and the trend was on the rise. 58% of Canadians said their borrowing is to finance day-to-day living expenses. Between September 2008 and September 2009, 148,373 Canadians went into bankruptcy, with the trend rapidly increasing on a monthly basis, suggesting that the financial situation of Canadians is only getting worse.[22]

It was reported that over the course of 2009 in the United States, "Total credit-card debt outstanding dropped by $93 billion, or almost 10%." On the surface, this appears to be a good trend, suggesting that people might be paying off their debts. However:

"It turns out that while total debt outstanding dropped by $93 billion, charge-offs added up to $83 billion — which means that only 10% of the decrease in credit card debt — less than $10 billion — was due to people actually paying down their balances."[23]

In reality, "Consumers weren't paying down their credit cards at all: they were racking up billions of dollars in new debt, and defaulting on the old stuff." In late 2008 and early 2009, considered the worst period of the economic crisis, spending was down and panic was in the air. People were also trying to pay off their credit cards:

"Then two things happened: the panic started wearing off, and unemployment continued to rise. The urgency of paying down debt ebbed, even as spending naturally continued in the face of country-wide layoffs. And as a result, credit card debt continued its natural upward rise."[24]

The only way to stem the rise in credit card debt is to increase employment so that people can afford to pay off their credit card debt. However, due to governments bailing out the banks at trillions of dollars, the governments have put themselves at great risk of a fiscal debt crisis; thus, to pay off their debt, they will have to cut spending, which means exacerbating the unemployment rate, not stemming it.

The middle classes of the western world, surviving only on debt, are about to be subject to a “class default.” The wealthy class will be the consumption class, as the middle class is absorbed into the lower class and labour work force.

**The College Crisis**

Coupled with and central to a crisis in the status of the middle class, we are witnessing a growing crisis in which college graduates are finding it increasingly hard to find jobs. As record numbers of students graduate, they do so into a dwindling and ever-decreasing job market. With so many students having gone into extreme debt to attain an education, and graduate into a jobless market, we see the growth of a “crisis in expectations.”

As the Guardian reported in September of 2008, at the height of the global financial crisis, “Universities are producing too many graduates, leaving more than a million people in jobs for which they are over-qualified.”[25] Thus, there are too many graduates and too few jobs.

Alan Krueger, an economist at Princeton, explained in December of 2008 the misrepresentation of the official statistics for unemployment as put out by the Bureau of Labor Statistics. As he explained, to be counted as “unemployed,” it is required that someone:

“1) was without a job in the reference week; 2) made an effort to actively search for a job in the last four weeks; and 3) was available for work. A person who is not employed and does not meet this definition of unemployed is considered out of the labor force.”[26]

So, if you are unemployed and have given up on searching for a job, you are not counted in the statistics of unemployment. Further, if you are surviving on part-time work, you are not counted in the unemployment statistics. Students who can’t find a job and return to school are not counted among the unemployed. Thus, the official government numbers are a gross misrepresentation of the true degree of the crisis in employment.

In November of 2008, “the number of college graduates who were working fell by 282,000, while only 2,000 more college graduates were classified as unemployed,” as “Laid off college workers, who are unaccustomed to unemployment, may feel a stigma if they report themselves as actively looking for work, so they are uncounted among the unemployed.”[27]

From March of 2008, college graduates began abandoning the labour force, while high school graduates have been joining it. Many unemployed college graduates also decide to return to school instead of search for work. “Over the same period, the unemployment rate has risen more than twice as much for high school dropouts as for college graduates.” However, following March of 2008, when Bear Stearns collapsed and the severity of the financial crisis began to rear its head, the unemployment rate for college graduates accelerated and less-educated workers were increasingly getting the few available jobs. As economist Alan Krueger explained, “If funds for investment are not available because of the

financial crisis, however, companies will hire fewer skilled workers." Thus, we will see a trend in which college graduates will increasingly have to take up jobs in the service and labour economy.[28]

In January of 2009, it was reported that a poll of the UK's 100 best-known companies revealed that, "Students face a "very slim" chance of a graduate level job" over the summer of 2009, as one in six graduate-level jobs have already been cut. The intake of new graduates was to be cut by 17% over 2009.[29]

There were even reports in the UK that the "slump" in graduate jobs in the UK would result in "hobbling Scotland's economy for an entire generation." As the Scotsman reported, "Despite racking up debts of up to £13,000 to pay for their degrees, those leaving university in the summer face a battle for work." Further, "Dramatic falls in graduate opportunities could see soaring unemployment and increasing reliance on the welfare state." One university official stated, "Students about to graduate are having to adjust their expectations."[30]

Further, Scottish graduates "can expect to owe an average of £13,000 by the end of their degrees," while English graduates "who pay tuition fees, were predicted to graduate with an average of more than £17,500 of debt."[31]

The Sunday Times in the UK mentioned the story of one student, who, after 12 years of school, four years of university and a degree in Business Management, was now working on a factory production line. He said, "I want to do something that gives me opportunities, so that I can work towards something. I am qualified to do all sorts of things, but I am working in a factory." This crisis is affecting large swaths of graduates:

"They are among an army of graduates emerging from the education system who face the toughest employment prospects for years as the recession deepens. The government, having encouraged youngsters into higher education that has saddled many with large debts, is deeply worried. Graduate numbers are hitting a record high just as the number of jobs is shrinking."[32]

CBS reported in April of 2009 that graduates were entering the "toughest job market in decades," as:

"The jobless rate among college graduates has more than doubled from a year ago to 4.3 percent. Almost 2 million college graduates are unemployed and a recent survey by the National Association of Colleges and Employers predicts companies will hire 22 percent fewer graduating seniors than they did last year."[33]

There are even bigger problems for graduates, due to the excessive amounts of new unemployed, as college graduates are not simply competing against each other, but also a large amount of earlier college graduates who have more experience. There are around five unemployed workers for every opening, "so each job is a coveted prize." Interestingly, "many recent college grads are also often more willing to settle for lower-skilled jobs."[34]

In October of 2009, while people were being told that we were "in recovery," the job market remained abysmal. While we are told that the job market "lags behind recovery," we forget to use logic and realize the implications that the job market has for the near and long term future. Business Week did a special report on how "unemployment is ravaging just about

every part of the global workforce, [yet] the most enduring harm is being done to young people who can't grab onto the first rung of the career ladder."[35]

This crisis is affecting young people in every area, from high school dropouts to college graduates, from Britain to Japan. One indication, the author stated, was that, "In the U.S., the unemployment rate for 16- to 24-year-olds has climbed to more than 18%, from 13% a year ago." Thus:

"For people just starting their careers, the damage may be deep and long-lasting, potentially creating a kind of "lost generation." Studies suggest that an extended period of youthful joblessness can significantly depress lifetime income as people get stuck in jobs that are beneath their capabilities, or come to be seen by employers as damaged goods."[36]

Further, "the baby boom generation is counting on a productive young workforce to help fund retirement and health care." However, young people will get jobs with less pay and benefits, which "would mean lower tax payments for Social Security and Medicare." Amazingly, "Only 46% of people aged 16-24 had jobs in September, the lowest since the government began counting in 1948." However, this has also led to some commentators suggesting the solution is to slash "high minimum wages," saying that a "high" minimum wage has made it less attractive to hire young people. In this logic, the solution is to pay young people much less. This could very well turn out to be the "Lost Generation."[37]

In November of 2009, it was reported that, "New college graduates had 40% fewer job prospects" over 2009, and that while the prospects for 2010 are "better," they are "still not very promising," as "hiring of grads with any degree will decline by 2% compared to 2009."[38]

In December of 2009, it was reported that while the unemployment rate dropped in November for men and women, both black and white, (according to official statistics), "for recent college graduates and other young adults, the labor situation didn't just remain dire — it got worse." It was revealed that:

"For 20- to 24-year-olds, the jobless rate rose four-tenths of a percent to 16% in November, even as unemployment nationally slipped to 10% from 10.2%."[39]

The Telegraph reported in March of 2010, that over the course of 2009 in the UK, "there were 44.3 applications for each graduate vacancy but this year the total is expected to be even higher as a backlog of unemployed graduates make further attempts to find jobs."[40]

**Student Debt: The Other College Crisis**

In 2007, it was reported that a major crisis in the United States was in the increasing reliance upon private loans for students going to college, which were extremely unregulated:

"As college tuition has soared past the stagnant limits on federal aid, private loans have become the fastest-growing sector of the student finance market, more than tripling over five years to $17.3 billion in the 2005-06 school year."[41]

Student loans from the government have interest rates capped by law; student loans from

private financial institutions have "variable" rates, "like credit cards," that can reach 20%. There was an increasing trend with students piling up debts, which have no limits, as high and higher than $100,000. Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers said, "When a student signs the paper for these loans, they are basically signing an indenture. . . We're indebting these kids for life."[42]

In the midst of the financial crisis, "graduates across the country are entering the workplace with staggering liabilities. The average student debt has doubled since the mid-1990s." Further:

"[M]ore than two-thirds of all students now borrow money to finance their education, up from less than half in 1993. Among undergrads who borrow, the average finished school in 2004 with loans of $19,000, up from $9,000 a decade earlier."[43]

In graduate school, however, "debt is escalating the fastest":

"Master's students who borrow, however, finish with an average $36,000 in loans; law students with $66,000; medical students with $106,000; and dental students with $143,000."[44]

The Los Angeles Times reported in December of 2008 on the debt trap students are drawn into, where high interest rates and fees aren't disclosed up front. The article tells the story of one girl who graduated with a bachelor's degree in photography with $140,000 of debt, "some of it at interest rates as high as 18%. Her monthly payments are roughly $1,700, more than her rent and car payment combined." She had taken the loans simply to pay for tuition.[45]

One interesting fact to know is that the student loan market is worth (as of December 2008) $85 billion.[46] Yet, the $700 billion bailout granted by Congress to the bankers would also benefit student-loan companies, which "will unfairly reward companies that have profited from writing risky loans to students."[47] Meanwhile, the students suffer. A 'real' stimulus or 'bailout' would have been a student debt bailout; clear the slate and let students start anew.

Kathy Kristof writes for Forbes on the "Great College Hoax," where students are cultivated with an image that college is a "sure-fire path to a life of social and economic privilege." She tells the story of two students, who got into debt to go to law school, got married, and suffered under the burden of debt servicing, citing it as a major facet in their divorce. Kristof writes:

"The two disillusioned attorneys were victims of an unfolding education hoax on the middle class that's just as insidious, and nearly as sweeping, as the housing debacle. The ingredients are strikingly similar, too: Misguided easy-money policies that are encouraging the masses to go into debt; a self-serving establishment trading in half-truths that exaggerate the value of its product; plus a Wall Street money machine dabbling in outright fraud as it foists unaffordable debt on the most vulnerable marks."[48]

In January of 2009, student loan debt in Canada had reached $13 billion, which "does not include debt from provincial student loans or private debt, such as lines of credit." Thus, says one commentator in the Georgia Straight, "Today's generation of students is living in a debt crisis like no other in Canadian history." The article continues:

“Federal and provincial funding cuts to postsecondary education have created this debt crisis by passing the burden of funding our public education system on to those who can least afford it: students. According to Statistics Canada, tuition fees in British Columbia are nearly 10 percent above the national average, at just under $5,000. High tuition fees and student debt have undeniable long-term consequences on students and our society as a whole.”[49]

The Wall Street Journal reported in September of 2009 that even in the midst of the economic crisis, student loans in the United States were rapidly accelerating:

“[T]he total amount borrowed by students and received by schools—in the 2008-09 academic year grew about 25% over the previous year, to $75.1 billion. The amount of money students borrow has long been on the rise. But last year far surpassed past increases.”[50]

Further, odious debts are affecting major life choices of graduates, “forcing them to put off traditional milestones—from buying a first home to even marriage and having children.”[51] Thus, we have entered a period where college graduates face record high levels of debt and unemployment. More and more adults are moving back home instead of buying their own.[52]

As Reuters reported in January of 2010, while access to credit everywhere seemed to be limited, “one area of the credit market is rapidly expanding: student loans.” Student loans have risen to unprecedented levels, even in the midst of the economic crisis, and the perceived ‘recovery’.[53]

Looking at this in broader economic terms, the private lenders are doing what all the big banks did in the lead up to the financial crisis and the creation of the housing bubble: giving excessive loans to high risk individuals who will never be able to pay back the loan. This has created an “education bubble,” where students would go into extreme debt in order to get an education, and upon graduation would enter an intensely competitive and difficult job market. Even if they manage to get a job, it is likely not in the field of their education, and it is very likely that they will never emerge from their student debt.

Students are thrown into debt to take jobs that don’t exist, in order to pay loans they can’t afford on wages they won’t get. Though, the ‘popping’ of this bubble will have a greater social dynamic than economic, there will certainly be an economic dimension, as this is a strong indication of years and possibly an entire generation of slow or negative economic growth. If there are no jobs for graduates, then the skills required for those markets will disappear, and with it, the economic vitality they created. It is, however, the social aspect that poses a still greater threat. With a generation of educated youth thrown into debt servitude and unemployment, a generation of ‘expectations’ is failed. When that happens, students take to the streets.

**Class Default: What ‘Austerity’ Means for the Middle Class**

In June of 2009, the Bank for International Settlements (BIS) warned that while governments around the world “bailed out” the finance industry, they failed to reform or regulate any of the problems in financial markets that created the crisis, and “some rescue plans have pushed banks to maintain their lending practices of the past.” Thus, warned the BIS, “stimulus measures won’t be able to gain traction, and may only lead to a temporary pickup

in growth," and "A fleeting recovery could well make matters worse." Further, the BIS warned that governments "will find it harder to place debt, and could face rising funding costs – leading to spending cuts or significantly higher taxes."[54]

The BIS further warned that countries such as Australia "faced the possibility of a run on the currency, which would force interest rates to rise," and "fiscal stimulus packages may provide no more than a temporary boost to growth, and be followed by an extended period of economic stagnation." The BIS said that, "the biggest risk is that governments might be forced by world bond investors to abandon their stimulus packages, and instead slash spending while lifting taxes and interest rates."[55]

This essentially amounts to "austerity measures" imposed upon the Western 'developed' nations of the world, akin to the austerity measures imposed upon the nations of the 'Third World' through IMF and World Bank Structural Adjustment Programs (SAPs) following the 1980s debt crisis. This "austerity adjustment" will be endemic of the Western world. We are entering "a fiscal crisis of the western world."[56]

As the debt burden grows for western nations, they will be forced to raise interest rates, thus making payments on debt larger; currency devaluations will be required, in a stated attempt to encourage private investment; however, this will have the effect of causing inflation, where the prices of food and fuel and other essential commodities will rise dramatically. At the same time, countries will be forced to exponentially raise taxes and cut social spending in an attempt to gain revenue while cutting costs, in order to pay off the debt burden and reduce deficits.

The result of this will be the decimation of the public sector, as areas of education and health care as well as other public enterprises are dismantled, privatized and sold off to mega corporations and banks for pennies on the dollar, as a devalued currency would make purchasing companies and assets much cheaper than before. Concurrently, a massive privatization of infrastructure will take place, as roads, resources and other public assets are sold to multinational corporations. What will follow is what follows every time this is done in a 'Third World' nation: massive layoffs, spiraling unemployment and soaring poverty rates.

To know the extent of 'austerity' measures that will be imposed upon western nations, look to Europe, where nations already immersed in debt crises are undertaking 'austerity' reforms. In March of 2010, Greece unveiled a new round of 'austerity measures', which include salary cuts for state workers and tax hikes, and it "is likely to intensify public opposition in the Mediterranean nation, where strikes by unions in recent weeks have brought the country to a halt." Greece will "raise its value-added tax, a national sales tax, as well as taxes on fuel, tobacco and other items." One Greek government official stated, "It's going to be painful, people will protest, but we know Greece has no alterative."[57]

Right on cue, riots and protests broke out in Greece, with estimates of the number of people protesting between 20,000 and 60,000 in Athens alone. Even police and security forces were protesting many of the measures. Naturally, the riots were met by clashes with the police forces.[58] While Greece descended into crisis, British and American firms partook in aggressive speculative attacks against Greece in money markets, as the derivatives market booms with speculators hedging bets against a Greek default.[59]

As investors move their money away from buying Greek debt, signaling a lack of faith in Greece's ability to handle its debt load, the country subsequently plunges deeper into crisis,

“pushing the country further towards a possible debt spiral.” Speculative attacks are taking place against many countries, as “Alongside Portugal, Spain, Italy and Ireland, Greece has been the focus of widespread market selling over the past few weeks, with investors fearing the countries may be unable to repair their balance sheets alone.”[60]

Portugal, in an attempt to ‘forestall’ a debt crisis, has already begun imposing austerity measures, including “cutting welfare benefits and government hiring as well as selling assets and raising taxes.” Further, “Portugal aims to raise 6 billion euro ($8.2 billion) from privatizations, trim welfare benefits and slash other state expenditure in an effort to reduce the country’s heavy debt load.”[61] This is just the beginning of the austerity measures being imposed in these countries, which are scheduled under programs that are intended to last several years, until the deficits are brought down significantly.

**‘Austerity’ in America**

While it will likely be a little while longer before America is truly hit with harsh austerity measures to reduce its deficit, the groundwork is already being laid down. At the beginning of August, Timothy Geithner, the US Treasury Secretary who bailed out all the banks, said that, “Americans face tough choices in reducing the national deficit.” So after he gave the banks a blank check, saving them from their own institutional hubris, he acknowledged that indeed, someone must pay, and it will be the American people. Appearing before the Congress, Geithner, as well as former Fed Chairman Alan Greenspan said that, “the economy would not collapse.” However, considering their track record, this means absolutely nothing coming from them. What they did say that is worth noting, is that, “emergency steps, including the bailout plan last year and the economic stimulus bill this year, are expanding the federal budget deficit to unsustainable levels.” Geithner elaborated:

“We will not get this economy back on track, recovery will be not strong and sustained, unless we … can convince the American people that we’re going to have the will to bring these deficits down once recovery is firmly established.”[62]

Geithner refused to rule out tax increases, “saying President Barack Obama’s administration would take whatever steps were necessary to reduce the deficit,” and Greenspan said, “he believed the government eventually will impose some kind of value-added tax to raise revenue.” A value-added tax is a tax on the “transfer” of goods from production to delivery, which makes the price for the consumers higher. Thus, it is not a sales tax added onto the product, but is hidden in the product’s price, itself. Greenspan referred to the value-added tax as the “least worst solution.”[63]

We must be reminded that Obama’s economic team are all architects of the financial crisis, who in the past played pivotal roles in creating the conditions for the crisis to occur, and who are all closely aligned with the interests of Wall Street banks. They are now in charge of organizing the ‘solutions’ to the economic crisis they helped cause; they are there for the banks, not the people. Geithner was President of the Federal Reserve Bank of New York during the economic crisis, one of the key institutions of banking power, corruption, and the “black-ops outfit for the nation’s central bank.”[64] Now he runs the Treasury.

Top White House economic adviser Lawrence Summers was previously Deputy Treasury Secretary in the Clinton administration where he was a pivotal figure is the dismantling of banking regulations and expansion of the derivatives market, both of which were essential facets of the economic crisis. Paul Volcker, another top economic adviser to Obama, a

former Chairman of the Federal Reserve Board, was responsible for creating the 1980s debt crisis across the 'Third World' by raising interest rates dramatically, causing a wave of countries to default under their debt loads and leading to the re-colonization of the 'Third World' by the IMF and World Bank. These are men that should not be trusted to guard your piggy bank, let alone the national Treasury.

Lawrence Summers had, in the spring of 2009, promised that there would be no tax increases on the middle class; yet, in early August, he said he "would not rule out middle-class tax increases." In March of 2009, Summers said, "Let's be very clear. … There are no, no tax increases this year. There are no, no tax increases next year." In August, he said, "circumstances change and options cannot be ruled out."[65]

In March of 2009, it was reported that, "President Barack Obama is putting former Federal Reserve Chairman Paul Volcker in charge of a tax-code review aimed at closing loopholes, streamlining the law and generating revenue." Volcker, the head of the President's Economic Recovery Advisory Board, "will be examining ways of being even more aggressive on reducing the tax gap."[66] The tax gap is the difference between taxes that are owed and taxes that are collected. In other words, tax collection will be rapidly and aggressively increased.

While on the campaign trail, Obama vowed that anyone making less than $250,000 a year "will not see their taxes increase by a single dime." A golden rule of political rhetoric is to never believe what politicians say when they campaign. As the Wall Street Journal reported in August, Obama "was right, very strictly speaking: It's going to be many, many, many billions of dimes." Perhaps the most important tax hike will be the value-added tax, which "would apply to every level of production or service, and it is beloved by politicians in Europe because it raises so much money so easily without voters noticing."[67]

Obama's 2010 budget released in February of 2010 was most widely discussed for having increased taxes on the wealthy. Despite these seemingly progressive and pertinent measures, most commentary has been quite superficial, failing to see that the tax increases on the wealthy will do little to even dent the deficit. As one report noted:

"Taxing the rich will be one of the hot political stories this year. It will also divert attention from a much bigger story: Sooner or later, almost everybody in America is going to pay more in taxes."[68]

Since raising income taxes is widely unpopular, politicians will employ it as a 'last-resort', which leads the way for 'creative' tax hikes to take place, such as raising state and local sales taxes, and to crack down on tax evasion and increase penalties for filing taxes late. There is also the route of 'carbon' and energy taxes. Health care taxes are also likely to increase, as several states had already raised taxes on hospitals. The federal government could also reduce aid to states, forcing them to cut their own spending. However, again, the "holy grail" of tax experts is the value-added tax (VAT), which would have the effect of simply raising prices.[69]

In early February of 2010, Obama said he was "agnostic" about raising taxes on the middle class. Obama stated that the government "needs to consider all options for reducing the deficit, including tax increases and cuts in spending on entitlement programs such as Social Security and Medicare."[70] With the passing of so-called health care 'reform', roughly 12 new taxes will be levied against the middle class.[71]

The 2010 budget in the U.K. is “to carry out a £19 billion tax raid on the middle classes to help pay Britain’s record debt,” as well as “cuts and savings in public spending.”[72] Business Insider reported, following the British budget assessment, that America will likely have a similar increase in taxes, analyzing potential future taxes that may appear in America. Among these are raising the alcohol tax on a particular drink, such as wine coolers; an increased tax on tobacco, all drinking sales taxes, increased taxes on gasoline, taxes on waste and garbage, increased property taxes, income tax increases, social security tax increases, and a variety of others.[73]

In America, such an austerity budget would reduce funding programs for the unemployed, or those searching for jobs, spending on job growth would be cut and “gutted”, child spending would be cut, drug spending would be “destroyed,” dental services cut, retirees would be “ransacked,” salary cuts for public servants, carbon taxes would “hammer” consumers, education and science spending would be slashed, health spending would be cut, and welfare would be slashed.[74]

Dylan Grice, working for the Global Strategy arm of Societe Generale, a major international financial institution, wrote in late March of 2010 about the prospects of when it would be best to sell gold. In this report, he stated that, “developed market governments are insolvent by any reasonable definition.” In other words, the west is bankrupt. He suggested that America has the potential to fall into “an extreme inflationary event,” as governments tend to avoid an “explicit default” on their debt by allowing for an “implicit default” via inflation. He explained that a period of “short-term pain” would become necessary to deal with the financial reality of government debt. He explained that as Ireland undertakes harsh austerity measures to deal with its deficit, “These draconian fiscal policies wouldn’t have been possible five years ago. But the political winds have changed.”[75]

He explained that what is necessary for governments to undertake austerity measures, is to experience a fiscal crisis, in order to “force a majority acceptance of the implications of an overleveraged government.” He wrote that, “a government funding crisis is both inevitable and necessary. Dubai and Greece are merely the first claps of thunder in what is going to be a long emergency.” He elaborated:

“Eventually, there will be a crisis of such magnitude that the political winds change direction, and become blustering gales forcing us onto the course of fiscal sustainability. Until it does, the temptation to inflate will remain, as will economists with spurious mathematical rationalizations as to why such inflation will make everything OK… Until it does, the outlook will remain favorable for gold. But eventually, majority opinion will accept the painful contractionary medicine because it will have to. That will be the time to sell gold.”[76]

Make no mistake, a default is coming, and with that, the middle classes of the west should expect to be liquidated through inflation and ‘austerity’. Lest we forget, the reason why the people must pay, is because our governments have imperial foreign policies and serve the interests of powerful economic entities, such as the major international banks they bailed out.

**Banking on a Crisis**

As the nations of the western world have, since the onset of the global economic crisis, sought only to save the banks from their own bad investments, they have handed global

banks a blank check. The governments bought the bad assets of the big banks, taking the private debt and transferring it to public debt. Thus, the bad practices of banks were and are still being encouraged, as governments have shown their propensity to step in and “save” the banks. Thus, governments have chosen to privatize profit, and socialize the risk; this is the foundation of corporatist state structures, corporate socialism, or what is otherwise known as ‘economic fascism’.

In mid-September 2009, the BIS warned that, “The global market for derivatives rebounded to $426 trillion in the second quarter [of 2009] as risk appetite returned, but the system remains unstable and prone to crises.” The derivatives trade had risen by 16% “mostly due to a surge in futures and options contracts on three-month interest rates.” In other words, speculation is back in full force as bailout money to banks in turn fed speculative practices that have not been subjected to reform or regulation. Derivatives markets pose “major systemic risks” for the global financial system.[77]

The destructive practice of financial speculation, largely operating through the global derivatives trade, remains totally unregulated and continues to be active and growing. This only suggests that as nations around the world begin to buckle under their debt burdens, the major financial institutions (along with the global central banking system) which were the key architects of the global financial crisis, will now be able to profit from the collapse of nations.

Large financial institutions and speculators will be able to engage in capital flight, quickly removing their money from a nation’s currency, speculating that it will collapse, which often becomes a self-fulfilling prophecy. They will thus engage in currency speculation, speculation against debt burdens and national fiscal austerity programs. Countries that do not take the established method of imposing fiscal austerity through “Structural Adjustment” will face a speculative assault. As nations collapse, the banks will grow, further consolidate, and purchase major global assets.

This is why the financial system has not been subject to any actual regulations or structural reforms, because the financial crisis is far from over. The banks and mega-corporations must be permitted to grow and profit off of the crisis to come. Surely, several more banks and corporations will collapse, and we will witness an acceleration of the global consolidation of business and banking. However, as nations collapse, the banks and corporations at the top will profit.

It will be the people of the world, and the whole world over, who will be forced to pay for the crisis caused by the international collusion between banks and governments. Incessantly high taxes, rising inflation, mass unemployment and growing poverty will plunge the western world into a social crisis the likes of which have never before been seen.

**The Reorganization of Global Class Structure**

The world has already, in the past two years, witnessed the greatest transfer of wealth in human history.[78] What will follow is a global restructuring of class structure as the western educated middle class will largely be decimated and liquidated of all its material wealth. This is a new phase of globalization. As Robinson and Harris wrote in Science and Society Journal:

“One process central to capitalist globalization is transnational class formation, which has

proceeded in step with the internationalization of capital and the global integration of national productive structures. Given the transnational integration of national economies, the mobility of capital and the global fragmentation and decentralization of accumulation circuits, class formation is progressively less tied to territoriality."[79]

The authors argue that a global ruling class has emerged as a result of 'globalization', a class they refer to as the 'Transnational Capitalist Class' (TCC). The TCC "is a global ruling class. It is a ruling class because it controls the levers of an emergent transnational state apparatus and of global decision making."[80]

As governance 'goes global', social structures must follow in step. Globalization has led to the formation of a truly global economy, where states have less influence in global economic factors, and increasingly the world economic system is controlled by a powerful minority of banks, international financial institutions, and corporations. This process has been facilitated by the major nations of the world, primarily the United States, and it has in turn led to the formation of a truly global ruling class. David Rothkopf refers to this global class as the 'Superclass' and has concluded that it is a class consisting of roughly 6,000 individuals, roughly one member of the 'Superclass' for every one million people.

The economy has been effectively 'globalized'; the world's political structures are following the economy in being 'globalized', as nation states are reorganized into regional governance blocs modeled on the European Union, and ultimately a global state apparatus emerges. Concurrently, global social structures will also have to be 'globalized'.

The majority of the world's nations do not have a vibrant middle class population. For a global state to form, global class structures must be totally transnationalized; the ruling class is not the only global class structure to be formed, it is simply the first to be transnationalized. Thus, we have a situation in which we will see an increasingly concentrated global ruling class consolidate their control over the global levers of power while a global labour class is transnationalized, meaning that the middle classes of the world have been marked for liquidation.

This, however, is not a new phenomenon. The middle classes of the western world, primarily that of the United States, have for several decades, been subjected to the erosion of their material wealth. The middle class exists in theory; it is a class built and sustained by debt.

As the middle class evaporates into the lower labour-oriented class, there will be a number of major social changes that take place. As the Industrial Revolution changed class structure, the Post-Industrial Revolution will do the same. Suburbia will need to alter its landscape, as lawns become gardens for growing food. The family unit itself will significantly alter. As the Industrial Revolution led to the formation of the 'nuclear family', the Post-Industrial Revolution will lead to a re-emergence of the extended family, with multiple generations of families living together in the same house. Communities will have to come together or fall apart.

Already, "The number of people living with several generations under one roof in the United States is at its highest point in 50 years, as families cope with ruinous job losses and foreclosures":

"During the first year of the recession, the number of Americans living in such multi-generational families rose by 2.6 million, or more than 5 percent, from 2007 to 2008...

Now 49 million Americans — 16.1 percent of the population — live in homes with multiple generations. Many include adult children in their 20s."[81]

We are entering into the era of the 'Post-Industrial Revolution', a 'class cleansing' of the western world. The entire socio-political economic landscape is being redrawn and reorganized. The effects will be felt from the wallet to the family unit, itself.

The global financial crisis is a global class war. In 2006, Warren Buffett, one of the world's richest billionaires, said that what is going in is "class warfare," and that, "it's my class, the rich class, that's making war, and we're winning."[82]

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