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# Hundreds of Billions of Dollars

CrimethInc.

September 24, 2008

What the hell is going on with the economy? As part of our commitment to serve all the investors, bankers, and realty agents who rely on this site, we've solicited a brief introductory analysis.

Capitalism without failure is like religion without sin—it just doesn't work. Far from abnormal, the boom/bust cycle is as predictable as the furious scapegoating and wild-eyed cheerleading that accompany it. But every situation, even the most predictable, presents unique opportunities. We present this analysis in the interest of deriving strategic advantages from our enemies' temporary imbalance.

So what exactly is going on with the economy right now? The only honest answer is that no one is exactly sure. The American financial system operates on a variety of levels of transparency, making it impossible to know with certainty who has what and how much it is worth. The system also relies upon a high level of interconnectedness between different institutions and industries, making it difficult to predict the implications of failure.

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But we can identify a few things that may give us the beginnings of a coherent answer.

The basic outline of the situation is this: starting in the mid-1990's, the American government began deregulating the banking industry, repealing laws that had governed the terms of credit and investment since the Great Depression, due in large part to the money-soaked lobbying of commercial banks. Simultaneously, it created institutional and consumer incentives for home buying, motivated in part by statistical evidence that home ownership was the single greatest determinate of a family's financial success. At the same time, the dot-com boom was putting (fake) money into consumers' and bankers' pockets, and although that bubble burst in 2001, it was quickly replaced by a new bubble in real estate.

Thus began a massive surge in home buying. Part of this uptick in buying was made possible by "sub-prime mortgages": loans with adjustable interest rates given to people who probably can't afford to buy a house in the first place. They function much like credit cards: if homebuyers miss a payment, which they are likely to do, the interest rate doubles or even triples, dramatically increasing the cost of their monthly payments. These were attractive loans for banks to make since they assumed that all but a few homeowners would continue making payments after the upward adjustment of their interest rates.

The scheme seems idiotic in hindsight. A huge rise in demand for homes led to rapidly rising real estate values. To keep the market booming, less qualified buyers were found and given sub-prime mortgages to buy houses at inflated prices. Because prices were rising and wages were stagnant, lots of people with sub-prime mortgages were unable to keep up with payments. Their interest rates rose, but instead of paying banks a premium, many of them had to stop paying entirely. Now, at least two million of the seven million sub-prime mortgages used to buy homes since 1998 are expected to default.

What exactly led to the failures of Lehman Brothers, AIG, Morgan Stanley, Fannie Mae, and Freddie Mac, the news of which has cable news anchors on the verge of tears? The precise answer is more complicated than space allows. To put it in very general terms, the trading of sub-prime loans became a market unto itself, a market that was almost completely unregulated and pushed to wildly unrealistic heights by mountains of debt. When the loans themselves started going bad, the obscure little financial products based on them—which had been virtually printing money for investment banks—turned to shit. All of a sudden banks had a lot less money, making it impossible for some of them to pay for everything else they do.

Now, the U.S government is planning to buy most of those bad loans for \$700 billion. This will take them off the balance sheets of banks and put them on the balance sheet of the Federal government. Naturally, Wall Street is ecstatic, for the moment.

Where things go from here is difficult to predict, but we can safely assume that there will be a lot less money floating around for loans, at least for a while. This means businesses will have a harder time expanding and fewer people will be able to afford homes, cars, and higher educations. This will have broad negative implications for the economy and growth will almost definitely slow; whether that will be an apocalyptic recession or a brief lull is up for debate. And if the federal government ends up spending upward of \$1 trillion bailing out failing businesses, we can expect less government spending for a good long while.

What does all of this mean for anarchists and our projects? It means that our context is about to change. As if the change in presidential administration weren't enough of a game-changer, this will shift the terrain even more. Here's some highly subjective advice for taking advantage of the new circumstances:

- 1) This is going to sound insane, but if you have been thinking about buying a house or land, try to do it in the next 18

months, especially if you won't need a mortgage. Reasonable mortgages will be hard to come by, even if you have good credit, but real estate prices are going to continue to drop. Looking at a house priced in the low five figures or less in some dying Rust Belt city? Negotiate downward as much as possible—which you'll likely have the leverage to do—and pull the trigger.

In places like Greece, anarchist neighborhoods—yes, neighborhoods—are the foundation from which much anarchist resistance, from community meals to bank robberies, is launched. This could be our generation's chance to establish something similar.

2) Be the wrecking ball to gentrification's fragile edifice. The housing bubble facilitated the rapid gentrification that has transformed many neglected inner-city neighborhoods into atrocious playgrounds for young affluent types. During that process, anarchists weren't exactly the sand in gentrification's proverbial diesel engine. Now we have the chance to make up some ground.

The credit crunch will make it temporarily more difficult to expand or even maintain the current reach of gentrification, leaving gentrifying areas more vulnerable to resistance. The recent RNC solidarity actions in Pittsburgh have been an inspiration to many, but keep in mind that going on the offensive also means establishing alternatives that allow more and more of us to survive and resist outside of the labor market. If mutual aid can effectively substitute for spending money, that can be just as damaging to business as a broken window.

3) Propagandize. The contraction of the economy and the change in presidential administration both provide powerful propaganda opportunities. We can offer a unique economic analysis by providing a total critique of capitalism—prominently explaining the natural role played by the boom/bust cycle—and offer the immediate, tangible alternative of mutual aid, unlike authoritarian Leftists who can offer

only ineffectual protest and a dystopian vision of the future. Anti-capitalist and anti-political propaganda that is intelligible and relevant to non-anarchists will play better over the next year or two.

That said, you can't fire a cannon from a canoe. Propaganda alone is just more useless paper. It should function as a component of direct action, whether that means Really Really Free Markets or riots. When it appears as part of an amazing experience or a useful gift, what otherwise would have appeared to be extremist claptrap is suddenly worth reading.