

Wednesday, October 17, 2007

### **Buy now, pay later, buy now, pay forever...**

Back in my previous life as a failed musician, I wrote a song called Multi-Media World and the title of this post were the closing lyrics in the outro of that song. Around the same period of my life, I had zero financial literacy, was being hounded by debt collectors for my student loans and maxed out credit cards and had zero prospects.

I realize in retrospect, I had no business having credit cards back then. I also realize that most people have no business having a credit card today. Easy credit destroys lives. I was lucky, because 1) I was a middle class brat who had financially solvent parents to bail him out and 2) I was young enough to have the luxury of time on my side when it came to rebuilding my life from near bankruptcy, and most fortunate of all 3) the scenario I foresee in our collective near futures hadn't transpired yet.

Having hit the big "40" this year, I understand that I'm not exactly young anymore, and I know people who are twenty years older than me who are swamped in debt, maxed out on credit cards, living in serially refinanced homes driving leased vehicles have no savings and I can't for the life of me think how they're going to bounce back from that, let alone have a shot at retirement. "My advice?" when asked, "you better become wealthy, somehow, and soon".

Since there are no courses in financial literacy in our schools or colleges, encouraging young people to watch documentaries like Maxed Out before they get that first credit card is a must.

I've been planning a series of blog posts called Bleak Future where I pontificate on the downside of today's burgeoning debt crisis and impending economic collapse. It isn't pretty and I hope I'm wrong, but one of the things I do see which I will elaborate on in a future post is the emergence of a new underclass, especially in the US, living a brutal cut below the "working poor" whom we'll call "the indentured servant class". They will be comprised of people who have dug themselves into debt holes so deep, and given the recent changes to bankruptcy laws in the US, unable to ever get out from under it, they will succumb to a form of effective slavery, owing fealty to their creditors and servicing it with labour, forever.

I can see a reduced set of rights for anybody in it: perhaps they won't be able to vote or own assets until their debt is discharged. They may be the first to be conscripted into military service. Have less access to medical and legal aid. It will be easy to institutionally dehumanize this new underclass because, the conventional wisdom will admonish "they got themselves into it".

To make matters worse, if today's public educational systems are any indicators, they will provide no tools, skills or education to our young people on how to avoid this fate. It will be up to us, the parents to make sure our kids are financially literate enough not to fall for the smoke and mirrors "buy now lay later" mania which is at the very core of our public awareness today.

I hope we're up to the task.

Posted by Mark Jeftovic in Financial Literacy at 12:33