In the fall of 2008, the U.S. economy began to unravel. I was teaching a graduate seminar in Marx at the time. Among the readings I had assigned was Jürgen Habermas’s *Legitimation Crisis*. I’d used the book before. It read differently this time.

**Part I. Legitimation Crisis**

Although Habermas self-identified as a Marxist at the time (not in the book itself, but in interviews), he doesn't think Marx has gotten everything right. Marx is right, he thinks, that there is a direction to history, and that there are various stages of development. Marx is right that technological development and class struggle are key factors in explaining the transformation of social systems.

Marx is wrong, however, to think that moralities and worldviews are simply reflections of underlying, more basic, economic conditions. Worldviews and moralities, Habermas insists, have their own rationally-reconstructable, stage-like developmental trajectories, which set limits on the range of options available to particular societies when they come under stress.

Marx is also wrong to think that a severe economic crisis will more or less automatically generate revolutionary class consciousness among the working class. The transition from an "objective" crisis to a "subjective" one is more complicated than Marx imagines. For a socio-economic system to be radically transformed, a "systems crisis" must become an "identity crisis," that is to say, an economic crisis must ultimately change the self-identity of enough people in
such a way as to allow/compel them to become agents of change. Whether or not this happens depends on an array of psychological and cultural factors quite distinct from the severity of the economic crisis.

It should be noted that Habermas is less pessimistic than first-generation critical theorists as to the efficacy of mass advertising, mass entertainment and mass communication in turning us all into mindless robots, incapable of questioning the legitimacy of the given socio-economic order. This might happen—but it hasn't happened yet. For a very important reason. Certain crucial areas of life are highly resistant to administrative control. Habermas emphatically insists: "There is no administrative production of meaning (70)."

What about capitalism? Is it secure? To understand contemporary "crisis tendencies," says Habermas, we must recognize that "advanced capitalism" is significantly different from the "liberal capitalism" of Marx's day. One difference, which he notes, is quite obvious to us at the present moment. The state has come to assume responsibility for the economy. It is held responsible by an electorate that demands government intervention when the economy sours.

But will state intervention work? If not, how might things play out? These are the questions we are facing right now. These are the questions with which Habermas grappled thirty-six years ago.

According to Habermas, we must distinguish various kinds of crises: economic crises, rationality crises, legitimation crises and motivation crises. Economic crises are the ones with which we are all familiar: serious inflation and/or recession. A "rationality crisis" occurs at the political-administrative level, when, given the conflicting demands of various constituencies, the government is unable to resolve the economic crisis it is expected to handle. A "legitimation
crisis" occurs when the people lose faith in their basic institutions. A "motivation crisis" occurs when motivational patterns important for the functioning of the system break down.

As a textbook example of this process, think of the crisis that occurred nearly two decades after *Legitimation Crisis* was published, not in an advanced capitalist society, but in the other "super-power." Think of the collapse of the Soviet Union.

First we had an *economic crisis* in the form of seemingly permanent stagnation. Rather than overtaking the West, as its citizens hoped, and as many in the West feared, the gap between the Soviet Union and the West, which had narrowed significantly from the time of the Russian Revolution to the mid-seventies, suddenly began moving in the opposite direction. The state tried to turn things around, instituting reforms: loosening up the central planning apparatus, trying to introduce profit calculations and other market motivations into enterprises--but to no avail--hence a *rationality crisis*. Soon enough the Soviet government faced a *legitimation crisis*. Russians stopped believing in the system. Concurrent with this legitimation crisis was a *motivation crisis*, epitomized by a popular slogan of the day among working people, "They pretend to pay us. We pretend to work."

**Part II. The Current Economic Crisis**

Let us leave Habermas for a moment. We'll come back to him. Let us now take a closer look at what we are facing today. We're in an economic crisis. Why? Let's begin with the standard story. A subprime mortgage debacle caused a general liquidity crisis, which, in turn, provoked a severe recession. A "housing bubble" led to a proliferation of subprime mortgage lending. These subprime mortgages, along with most other home mortgages, were sold to investment banks, which sliced and diced them, repackaged them as "mortgage backed
securities," then sold them to eager investors everywhere. But when housing prices stopped rising, and when "teaser" interest rates gave way to market rates, homeowners began to default in large numbers, especially those to whom the "subprime" mortgages had been granted. Suddenly no one could tell what mortgage-backed securities were worth, since it was virtually impossible to ascertain, for a given security, how much income it could be expected to generate, given that many of its pieces (how many?) were in or near default. So the markets for these securities, and for most other "collateralized debt obligations," froze. Suddenly there were no buyers at all for these particular pieces of paper.

Okay, so what? Investors can't sell certain pieces of paper. So what? Now we get to the commercial banks—where the rubber hits the road, where finance meets the “real” economy. Commercial banks, which make loans to individuals and businesses, hold many of these "pieces of paper." When money is deposited in a bank, as you know, it is not simply stashed in a vault. A bit of it is (as required by law), but most of it is either loaned out to customers or used to purchase securities. If extra cash is needed to make new loans or to return to depositors who want to take their money out, the banks can simply sell their securities to raise the cash. Or at least they could before the crisis. Suddenly they couldn't. No one would buy these "toxic" securities. This gave us a "liquidity crisis." (I'm oversimplifying some, but this is the basic picture.)

A liquidity crisis means businesses, which typically borrow to buy raw materials and pay their workers, then repay the loans with sales proceeds, are forced to cut back, lay off workers, and consumers, unable to access easy credit, cut back their spending. Workers without jobs and consumers without credit cause aggregate demand to drop, triggering more layoffs, lower demand still. We get a recession--or worse.
This story is accurate enough, as far as it goes. We can spice it up, if we like, with takes of Wall Street greed, over-confident "quants," irrational exuberance, irresponsible rating agencies, duplicitous lenders and the like, but none of this gets at the underlying structural reasons for the crisis. To uncover these, we need a deeper, more Marxian-Keynesian analysis.

Let's begin with Marx's basic insight: The seemingly irrational "overproduction" crises of capitalism are rooted in the defining institution of capitalism itself: wage labor. The commodification of labor gives rise to a contradiction. Since labor is a cost of production, capitalists strive to keep the wage rate low. At the same time capitalists need to sell their products, so they need wages to be high. Hence an ever-present crisis tendency: if workers don't have the money to buy what is produced, production is cut back, workers are laid off, demand drops further . . . the familiar downward recessionary spiral.

"But wait!" you might say, "Not so fast." Workers aren't the only ones that purchase goods. So do capitalists. If the gap between what is produced and what workers can buy is filled by the purchases of capitalists, there won't be any crisis.

We are touching here on a key difference between Marx's analysis and Keynes's. Whereas Marx focuses on the constraints to worker consumption, Keynes focuses on the behavior of the capitalists. Let's follow the Keynesian trail at this point.

What do capitalists buy? Consumer goods, to be sure, but not nearly enough to close the gap. It is a fundamental feature of a capitalist society that capitalists do not simply consume the surplus that workers have created. What gives capitalism is fundamental dynamic is the fact that capitalists routinely reinvest a portion of their profits, so that they can reap even greater rewards in the future.
But what does "reinvestment" mean in real, material terms? Well, it means buying capital goods, not consumer goods--the extra machinery and raw materials to be utilized during the next production period to produce more than was produced in the preceding period. So long as the capitalists keep reinvesting, the economy can keep growing, can remain healthy, can avoid recession. But if the capitalists don't invest, then the economy slumps.

Moreover, as Keynes emphasized, the market's invisible hand will not automatically turn things around. To the contrary, market incentives often make matters worse: if the economy begins to slump, prices drop, companies go bankrupt, workers are laid off, demand drops further, etc. Therefore, governments must intervene when a recession threatens. If government action isn't swift and substantial, a recession can turn into a full-blown depression.

What are governments supposed to do? The received wisdom of the past three decades has focused on monetary policy: keep the money supply growing so that credit for business expansion is always available. When a recession threatens, a) cut interest rates, so as to make business and consumer borrowing (and hence business and consumer spending) more attractive, and b) provide structurally-sound banks with liquidity (cash) in times of trouble so they can keep lending. As you know, these remedies have been applied massively during or current crisis.

Monetary policy is suitably Keynesian, but Keynes--and his more radical followers--also pushed for something else, namely fiscal policy: large-scale government employment and purchases, the costs of which should be allowed to exceed tax revenues when recessions threaten. This, of course, is a significant part of the Obama stimulus package (though not nearly a large enough part, according to many of Obama's left-liberal critics).

But notice, neither monetary nor fiscal policy addresses Marx's insight. What if wages are too low? Habermas has characterized "advanced capitalism" as involving a "quasi-political
class compromise" that permits labor to organize and bargain collectively, so that workers can share in the productivity gains. For several decades following WWII, this development, combined with Keynesian monetary and fiscal policies, worked. It produced what is sometimes referred to as capitalism's "Golden Age."

But here’s a peculiar fact: in the mid-1970s, real wages stopped rising--and have been flat ever since; that is to say, right about the time *Legitimation Crisis* was published, the social democratic compromise came to an end (at least in the U.S.). Median household income has grown only modestly since 1973, up only 16% in 35 years--and this increase is due almost exclusively to the large influx of women into the workforce, greatly increasing the number of two-income households. As Paul Krugman notes, "For men ages 35-44--men who would a generation ago, often have been supporting stay-at-home wives--we find that inflation-adjusted wages were 12% higher in 1973 than they are now." Yet worker productivity has increased steadily. GDP has more than tripled.² Here's a picture of what has happened, taken from a lecture by U. Mass./Amherst economist Richard Wolff:³

How is this possible--an ever-widening difference between productivity gains and workers' wages? Who has been buying the products? Why hasn't the economy been in recession
for the last quarter-century or so—as the Marxian analysis would suggest should have been the case?

Some of the money has been invested in the real economy—hence productivity has continued to grow. Some of the surplus went into the ever more lavish lifestyles of the über-rich, but still, even with their yachts and villas and private jets, the upper one or two percent of the population can't consume nearly enough to keep the economy humming. Another large, far more important portion has been loaned to working people. In effect, instead of raising wages, the capitalist class has lent out a large piece of their profits to the working class—to be repaid with interest, of course.

The "debt explosion" has been striking. In 1975 outstanding household debt stood at 47% GDP. It currently stands at 100%. That is to say, the amount of debt people are in, adjusted for inflation, is twice what it was 30 years ago. Over the last several decades there has been a surge of debt: home equity loans, credit card debt, students loans, automobile loans. Never before have so many borrowed so much.

Here's a logical truth: What can't go on, won't. It applies to the current situation. Debt levels cannot keep increasing indefinitely when incomes are stationary.

Might we be able to reform the system so as to return to a high wage, social democratic, post-WWII-type economy? This possibility would seem to be out of reach. We are now living in a global economy. High wages drive businesses abroad. Indeed, this need to stay globally competitive was a key factor in ending the social democratic "class compromise" in the first place.

What is to be done? It is sobering to realize that Keynesian stimulations of the standard sort, the kinds undertaken by the Roosevelt administration and now by the Obama
administration, did not bring an end to the Great Depression. As Krugman reminds us, "it took the giant public works project known as World War II--a project that finally silenced the penny pinchers--to bring the Depression to an end."\textsuperscript{6}

Well, there isn't going to be a World War III. Our embarrassing, tragic debacles in Iraq and Afghanistan have demonstrated unequivocally the limits of conventional warfare, and no major power is insane enough these days to play the nuclear card. This is not bad news--for us as human beings, that is. But it does close off another Keynesian route out of the current crisis.

So--if traditional Keynesian monetary and fiscal policies can't end this recession, and if there's not going to be another major war to pull us out, what are we going to do? Frankly, it is not clear to me that there is anything we can do to get us out of the economic mess we are in--short of restructuring of our basic economic institutions in ways that go well beyond what is being currently contemplated by even the most radical elements of "respectable" opinion.

I may be wrong. Perhaps a combination of judicious policies and good luck will pull us out of this recession. But even if this should turn out to be the case, we are far from home free. For there is another major crisis waiting in the wings, one presciently foreseen by Habermas thirty-six years ago.

\textbf{Part III. Back to Habermas}

As the present crisis makes clear, a healthy capitalism requires \textit{economic growth}. When growth falters, we don't glide smoothly to a steady-state economy. We crash. So, when growth slows, we scramble madly to get people buying again, consuming more. But this growth imperative presents us with a profound problem. Habermas called it the "ecological balance."
The established mechanisms of growth . . . are faced with two important material limitations: on the one hand, the supply of finite resources--the area of cultivatable and inhabitable land, fresh water, . . . and non-regenerating raw materials. . . ; on the other hand, the capacities of irreplaceable ecological systems to absorb pollutants, such as radioactive byproducts, or carbon dioxide. . . . (42, my emphases).

These words were written a third of a century ago. I do not need to tell you that they are not dated.

My argument thus far has aimed at establishing two theses: 1) The current tools available to the government appear to be insufficient to bring us out of the current economic crisis. 2) Even if some combination of Keynesian macroeconomics and luck should return the economy to vigorous growth, we will still be confronted with another, even less tractable, potentially more devastating, crisis. That is to say, we are in a tight corner. To combat the recession, our economists urge us to spend, spend, spend, while our environmentalists tell us that our overconsumption is killing the planet. To use Habermas's terminology, we are entering a full-scale rationality crisis. What follows?

According to Habermas, a necessary precondition for systems-change is for the rationality crisis to provoke a legitimation crisis. That has not yet happened. To be sure there is widespread distrust of the elites who govern us, more now than at any time in recent history. The general public has long been cynical about politicians and corporate CEO. Now the "Masters of the Universe," those Wall Street wizards who made so much money because they were (presumably) so much smarter than the rest of us, have also tumbled from their pedestals.
There is a countervailing force to delegitimation. The Obama victory was stunning, and triggered a resurgence of hope. But suppose the Obama rescue efforts fail—as FDR's failed—and that no World War comes along to save capitalism. Suppose more and more people come to see the present system as inherently flawed, in need of radical restructuring. What if we do wind up with a full-blown legitimation crisis?

According to Habermas, the next stage is a "motivation crisis." But what exactly is that? Habermas's discussion of this stage is intriguing in its details, but murkier than his discussion of the other crises in terms of outcome. His basic thesis is that the motivational patterns essential for the functioning of advanced capitalism—civil privatism and familial-vocational privatism—are being systematically eroded, while at the same time the emergence of functionally equivalent motivations are precluded by the developmental logic of our normative structures. This developmental logic points to universal values derived from a communicative ethics, and—his key claim—these values are incompatible with capitalism.

Advanced capitalism is formally democratic, but it depends for its existence in the passive acquiescence of the citizenry to rule by those who will protect the interests of the capitalist class. But there is a deep tension here, for "the political theories of the bourgeois revolutions demanded active civic participation in democratically organized will-formation" (76). According to Habermas, this tension has been contained by the authoritarian residues of pre-bourgeois culture. We have long been conditioned to accept elite rule, rule by "the fathers" who always know best. But patriarchal ideology, and with it the "authoritarian personality" that so worried first-generation critical theorists, is disappearing. The authoritarian father has largely vanished, in part because of the women's movement, in part because of more egalitarian patterns of child rearing.
There are other motivational problems. Education no longer guarantees commensurate employment. More and more young people are receiving more and more education, but "the connection between formal schooling and occupational success [has become] looser"(81). Moreover, "fragmented and monotonous labor processes are increasingly penetrating even those sectors in which an identity could previously be formed through the occupational role. Intrinsic motivation to achieve is less and less supported by the structure of labor processes in spheres of labor dependent on the market" (82).

Suppose we do experience a profound "motivation crisis." How might the motivation crisis be resolved? Societal breakdown would seem to be the logical result--one thinks of the motivation crisis that preceded the USSR implosion--although Habermas does not say this explicitly. (A common saying in pre-implosion Russia: "They pretend to pay us; we pretend to work.") Habermas worries about the replacement of the current system by "an administrative system shielded from parties and the public," one that no longer needs legitimation, but he is not willing to accept the anti-democratic claim that this is the only choice for highly complex societies.7 Habermas's hope lies with the young--better and more highly educated than ever before, less susceptible to authoritarian (patriarchal) leaders, more imbued with universal values.

But what are the young to do? They should not "retreat to a Marxistically embellished orthodoxy," for we must have "theoretical clarity about what we do not know." The young are called upon instead to "expose the stress limits of advanced capitalism to conspicuous tests, . . . and to take up the struggle against "the stabilization of a nature-like social system over the heads of its citizens," a system that would give up on a concept Habermas refuses to relinquish: "old European human dignity" (143).
These words bring *Legitimation Crisis* to a close. In short, we are left with critique, with protest, with struggle—but no indication whatsoever as to what positive program these "young radicals" might advocate.

**Part IV. Beyond Habermas, Back to the Present, On to the Future**

I don't think we should fault Habermas for not providing us with a theoretical sketch of a better alternative. There was so much back then, as he realized, that we did not know. Think for a moment of the economic "experiments" then going strong: The Soviet Union's centrally-planned economy had not yet entered its terminal decline. Maoist China was promoting a distinctive "Chinese road to socialism." There were experiments with markets under socialism underway in Hungary. Yugoslavia was experimenting with both markets and worker-self-management. How was this all going to play out? No one knew at the time. No one *could* know.

That was then, 1973, and this is now, 2009. We know more now than we did back then—and we are in the midst of an economic crisis far more serious than anything heretofore experienced in the postwar West. How do things stand now? What alternatives are *we* facing?

At least four come to mind:

♦ A return to "Golden Age" social democracy-- the Obama promise? I've argued that that won't work.

♦ Fascism, friendly or otherwise? This option would not seem likely either. Fascism as an economic model (authoritarian capitalism) has been tried, not only by Mussolini and Hitler, but also by lots of anti-communist military and civilian dictatorships since WWII. None of
these economies have flourished. None of instigating regimes has survived. I don’t see fascism as a threat, at least not at this point in time--though one should not disregard the ugly, race-tinged virulence being stirred up by the Rush Limbaugh's, Ann Coulter's and Glenn Beck's of America

♦ Managed stagnation? This is Paul Krugman's current prediction: "disastrously high unemployment persisting years into the future":

All the wise heads will tell us that 8 or 9 percent unemployment--maybe even 10 percent--is the "new normal," and that only irresponsible people will want to do anything about the situation.8

In my view, this is our most likely short-term future. What about longer term?

♦ A new form of democratic socialism? Let's think about that.

Mainstream opinion, of course, finds this option incredible. In his recent The Return of Depression Economics and the Crisis of 2008, Krugman asks, "Who now can use the words of socialism with a straight face? As a member of the baby boomer generation, I can remember when the idea of revolution, of brave men pushing history forward, had a certain glamour. Now it is a sick joke. . . . The truth is that the heart has gone out of the opposition to capitalism."9 Yet surprisingly the iconoclastic Krugman strikes a different note, just a paragraph later:

Capitalism is secure, not only because of its successes--which have been very real--but because no one has a plausible alternative. This situation will not last forever. Surely
there will be other ideologies, other dreams, and they will emerge sooner rather than later if the current economic crisis persists and deepens.\textsuperscript{10}

Last March another Nobel laureate, Amartya Sen, writing in the \textit{New York Review of Books} about the European conference on “A New Capitalism,” hosted by Nicolas Sarkozy and Tony Blair, asks, "Should we search for a new capitalism or for a 'new world'. . . that would take a different form?"\textsuperscript{11} This (rhetorical?) question calls to mind Sen's observation a decade earlier that solutions to the problems of global inequality, grinding poverty and environmental degradation "will almost certainly call for institutions that take us beyond the capitalist market economy."\textsuperscript{12}

In my Fall 2008 course \textit{Legitimation Crisis} was followed by my own \textit{After Capitalism}. In that book, published in 2002 (a revised edition underway) I propose a set of institutions that "take us beyond the capitalist market economy." I draw on what we now know that Habermas didn’t. I argue that a competitive market economy in which large corporations have been replaced by democratically-run enterprises, and our Byzantine financial markets by a transparent, democratically-accountable network of public banks would be as efficient as a capitalist economy and vastly more egalitarian. Moreover, such an economy would not be vulnerable to financial crises, nor would it face the growth imperative that has begun to wreak such ecological havoc under capitalism. Indeed it would be an economy in which increased leisure, rather than increased consumption, would be the principle economic motivation.

Unfortunately, there is no time now for me to fill in the details of what I am convinced is an economically viable alternative to capitalism, a version of "market socialism" that democratizes both labor and capital, or to provide the arguments for my claims.
Instead of details and arguments, let me close with Keynes. At a time reminiscent of our own, as the world entered "the Great Depression," Keynes took time to speculate about a new world, a world after capitalism, a world without "rentiers," a world in which the technical and cultural accomplishments of past generations could be savored by all:

We shall use the new-found bounty of nature quite differently than the way he rich use it today, and will map out for ourselves a plan of life quite otherwise than theirs. . . . What work there still remains to be done will be as widely shared as possible--three hour shifts, or a fifteen-hour week. . . . There will also be great changes in our morals. . . . I see us free to return to some of the most sure and certain principles of religion and traditional virtue--that avarice is a vice, that the extraction of usury is a misdemeanor, and the love of money is detestable, that those walk most truly in the paths of virtue and sane wisdom who take least thought for the morrow. . . . We shall honor those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things.13

Keynes wrote these words in 1930, when "the prevailing world depression, the enormous anomaly of unemployment, the disastrous mistakes we have made, blind us to what is going on under the surface."14 His projection was for "a hundred years hence," i.e. 2030--no longer a distant horizon.

Another world is possible. We know that. Or at least we should know that. One can’t help but wonder if Keynes might be right. Might there be things "going on under the surface"
right now that could bring us to a sustainable, democratic, human world? Might there be things we can do enhance this possibility? Here's Habermas again, in an interview given in 1979:

I'm firmly convinced that the Left in general, and the Marxist Left in particular, can claim one advantage over all other political forces. This is the belief in the possibility of introducing theoretical analyses with middle- or long-range perspective into day-to-day politics. This is one tradition that should not be sacrificed.¹⁵

So we need theoretical clarity as to what is possible. We also need a movement. A movement requires young people. (A Left movement, that is--have you noticed the age profile of those tea-baggers?) Is there any reason to share Habermas's optimism as to the potentiality of youth? Two pieces of evidence:

The first is anecdotal. For the first time ever, this past semester, I used my book, *After Capitalism*, in a lower-level undergraduate course in social/political philosophy. I've used it often in graduate and upper-division undergraduate courses but never in a core course. But given the anxiety that the current crisis has provoked in students, I decided to try it out.

Judging from class discussion and ungraded reaction papers, I can say that the response was overwhelmingly positive. I paired Schweickart with Milton Friedman (whom I defended vigorously when presenting). Almost everyone preferred Economic Democracy to Friedman's capitalism. In a poll following small-group discussion, everyone in the class said that inequality in our society is excessive, 20 of 29 thought it outrageously so. Everyone in the class felt we live in a polyarchy (in which a stable minority class has at least as much power as elected officials),
not a democracy. 26 of 29 expect us to eventually move beyond capitalism, although—a note of pessimism—only 9 expect this to happen in their lifetimes.

My second piece of evidence: a more scientific poll, conducted in a—shall we say—"more neutral" setting. Last April Rasmussen conducted a national telephone survey on the capitalism, socialism question. Whereas adults over forty strongly favor capitalism over socialism (only 13% favored socialism), adults under 30 were almost evenly divided: 37% preferring capitalism, 33% socialism, 30% undecided.

Perhaps there are things "going on under the surface" right now worthy of our attention.

Notes

1 He doesn't use that self-description in Legitimation Crisis, but in an interview published in the special issue of Telos honoring his fiftieth birthday, Habermas remarks, "For us, as Marxists, there is the problem of interpreting the experiences of these movements [for black liberation, women's liberation, nuclear disarmament] . . . . (Spring 1979): 165. So far as I know, Habermas has never repudiated that identification.


3 This figure is taken from a videotaped lecture delivered October 5, 2008, available at http://tinyurl.com/3pthrx.

4 Barry Cynamon and Steven Fazzari, "Household Debt in the Consumer Age: Source of Growth, Risk of Collapse," Capitalism and Society, v.3, no. 2 (2008): 18. Another relevant statistic: personal outlays as share of disposable income was 88% in 1981—i.e., the average household saved 12% of its income). Today it is 100%—i.e, zero net savings (Ibid. p. 8). (This doesn't mean that nobody saves. It means that massive amounts of the social surplus have been loaned out to finance consumer spending.)

5 Home equity loans became available in late 1980s. In 2005 mortgage equity withdrawals reached $800b, a full 9% of disposable income, up from 2% in 1995. [Robert Brenner, The Economics of Global Turbulence (New York: Verso, 2006), p. 321.] Credit card debt is equally substantial, and has also mushroomed over the last several decades, from $55b in 1980 to $880b in 2006. (Even when adjusted for inflation, the expansion is astonishing—up seven-fold from 1980. [2008 New York Times Almanac (New York: Penguin, 2007), p. 334.] Student loans have also increased substantially. Some 8.5 million post-secondary students and their parents owe $87b. Today the typical graduate of a four-year college or university owes $20,000, more than
double what the typical graduate owed a decade ago. [Lynnette Khalfani, Zero Debt College Grads (New York: Kaplan Publishing, 2007), pp. vii-viii.] Automobile loans dwarf student loans. An estimated $575 billion in new and used auto loans are written every year, large numbers of which (100% of those originating with the automaker financiers) are repackaged and sold as securities. The average amount financed was $30,738 in 2007, up 40% in the last decade. [Ken Bensinger, "New Cars That Are Fully Loaded--With Debt," Los Angeles Times (December 30, 2007), p. A-1.]


7 Niklas Luhmann was an influential proponent of this thesis. Habermas engages Luhman's argument at length in the penultimate section of Legitimation Crisis.


10 Ibid.


14 Ibid. p. 359.