The Great Discomfort is coming

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The Great Discomfort is coming. A financial crisis could expose just how fragile middle class security has become.

For decades, millions of people have been encouraged to believe that a professional job, a growing pension fund and an increasingly valuable home would provide lasting economic security. But what happens if all three assumptions fail at once?

Stock markets are at extraordinary levels. The AI boom has many of the characteristics of a financial bubble. Yet even if that bubble bursts, businesses will continue adopting AI, potentially threatening professional employment. Meanwhile, falling confidence, insecure jobs and financial turmoil could put further pressure on house prices.

The consequences would go far beyond economics.

A generation that believed following the rules would guarantee prosperity could discover that the system never provided the security it promised. Pensions could fall in value. Careers could disappear. Housing wealth could evaporate. Expectations of inheritance could prove misplaced.

That could produce a profound political reaction.

Some people may respond to insecurity by looking for scapegoats and embracing authoritarian politics. Others may conclude that neoliberal capitalism itself has failed.

The question is what happens when a comfortable middle class suddenly discovers it isn’t secure at all.

I am calling that process the Great Discomfort, and I expect it to start soon. The question is, are you ready for it? Now is your moment to be so.

https://www.youtube.com/watch?v=9tH0744Dz4s?si=U7lklPfV2vvdovaV

This is the audio version:

https://www.podbean.com/player-v2/?i=jv9xx-1b53e99-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

The Great Discomfort is coming. By that I mean a financial crisis could shatter middle-class security, and it could happen in the next year or two. Those who are within the middle classes who think themselves immune to risk are not. That is the message of this video. The jobs, savings and homes of the middle class are now all exposed to enormous risk to their value, and the assumptions underpinning the lives of the middle class are becoming very fragile. Very soon, the comfortable middle-class could face an almighty shock.

Middle-class security rests on three basic beliefs.

The first is that secure professional jobs will provide reliable incomes for them. They also think their children will enjoy the same employment security, and we can join those two assumptions into one.

The second key assumption is that they think share and house prices will continue to rise. And that means they think that their financial wealth will provide security for them for the future forever.

And third, they think this life can continue. The good times are here to stay as far as they're concerned, and they do not wish to consider an alternative.

I'm sorry to say that none of these assumptions is true. That's why I think we will get a Great Discomfort. The stock market boom will not last. Markets in the UK and USA are at record highs. Every boom produces claims that this time it is different, and history suggests that those claims should not be trusted. The AI boom has all the characteristics of another bubble, and even the Bank of England are saying so. And when that bubble bursts, markets could fall dramatically.

A crash could destroy middle-class wealth. Middle-class savings are now exceptionally exposed to stock market valuations. That is because of the privatisation of the whole pension arrangement, which most middle-class people now have. And that leaves these people particularly exposed to stock market valuations with very little control over what will happen within their pension funds, largely because they haven't bothered to find out how they can take that control.

A major market fall could wipe out substantial paper wealth for the middle classes, as a result. And in that case, retirement expectations could suddenly look much less secure, because the security people think they might have will genuinely be lost. The resulting loss of confidence could be just as important as the loss of wealth.

And at the same time, AI will threaten jobs even if the AI bubble bursts. A financial crash will not stop businesses using AI. That is an incredibly important point to note. The dot-com bubble burst, but the internet continued to rise, and struggling companies will have even greater incentives to cut costs. Professional and middle-class employment will therefore become increasingly threatened. And young people will find traditional career paths disappearing even faster than they already are.

Following the established rules will no longer guarantee anyone from the age of 16 to 66 any form of security. The dream of matching your parents' well-being will then disappear in a way that few can, as yet, imagine. And the middle-class, remember, are not just those who have the wealth, but those who assume they will inherit the wealth. I come across this curious behaviour quite often these days.

And the housing market could be the next point of vulnerability for this very comfortable middle-class. Signs of stress are already appearing in house prices. Falling confidence and insecure employment could accelerate the trends we're already seeing with falling house prices, and a slow decline, which we're witnessing at present, could turn into something much more serious.

Negative equity could trap households in homes worth less than the debts that they owe on them. And the resulting financial and personal stress could last for years and have a major impact, not just on those households who cannot move when they might need to do so, but also upon the economy as a whole as mobility disappears and people cannot take up jobs that they'd like to move to.

What summarises all this? Well, neoliberal certainty will be shattered. Many middle-class people have completely internalised neoliberal thinking. They've been taught that their success reflects individual ability. They've been encouraged to ignore all the social scaffolding that supports them. They are blind to the well-being of others unlike themselves. And meanwhile, the belief has developed that financial assets provide the basis for long-term economic security. And a crisis could expose how fragile all these assumptions really are.

This could create an existential crisis for the middle classes. The shock will be about more than lost money. The whole of their understanding of status and security could disappear overnight. People who believe themselves safe and protected will discover their vulnerability. Their confidence in the existing economic order could disappear. The political consequences could be profound.

Let’s not pretend otherwise. Some will turn to the far-right. Economic insecurity creates a powerful demand for explanations, and migrants and the working class could become convenient targets. At the same time, democratic government itself could be blamed. Personal misfortune could be turned into resentment against others, and the possibility of a powerful right-wing reaction as a consequence of this collapse in middle-class confidence cannot be dismissed.

Others will rightly blame the con-trick that is the neoliberal system. They will realise that it is neoliberal capitalism that has failed them. The fact is that ever-rising asset prices could never have provided permanent security. That’s because inflating asset values does not itself create new real wealth. The fact that a house has doubled in price provides no more houses. That is the perfect example of the misunderstanding that has underpinned this perception of wealth, which has never been real.

Financial instability has always been inherent within this economic model as a consequence, and repeated financial crises this century and last have already demonstrated that weakness.

But let’s be clear, the political choice people will make at this point in time will be fundamental. One response will be to seek security through division and authoritarianism. Another will demand a new architecture for society. That second alternative must be based upon mutual well-being because that is the only way in which real worth can be created that will prove that speculation is no longer the basis for the society that we live in.

The struggle between those responses will shape what follows. Although society has always won out against abuse in the end, the road to that may be tortuous, and I’m flagging that up now. This discomfort could be very uncomfortable indeed.

And the point of this is that the middle class is not invulnerable at this moment. They’d like to think they are, but they’re not. Their jobs, pensions, savings and homes can no longer guarantee them permanent security. Neoliberalism encouraged people to believe otherwise, but a financial crisis now could bring that worldview to its knees. The resulting discomfort could transform politics as well as economics.

What replaces the old certainties will be what will define our future for generations to come. What’s needed now? An informed middle class is needed now that realises that they, along with the working class, have been taken for a ride. But will they realise that? Time alone will tell. If they do, we have a chance. If they don’t, life is going to become very uncomfortable indeed. That Great Discomfort could be very miserable, and that’s all down to whether the right-wing exploits this situation to put themselves in power, at the cost to everyone, including the middle class, who will have already lost all the status that they think they have at present.

That’s what I think. What do you think? There’s a poll down below. Please let us have your comments. This is a difficult topic. It may well affect you. You might have strong opinions on it. If so, please like and share this video. Please do subscribe to the channel. Please do tick the bell button so you will be notified when we make a new video. And if you’d like to support our work, there is a button down below so you can buy Tom and me a coffee, and we’d really appreciate that.

Poll

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