

Breaking AND Entering

How the Collapsing Economy
Is Creating A New Crime Wave
And What You Can Do About It
To Protect Your Family And Home



BY: BILL HEID & BRIAN BRAWDY

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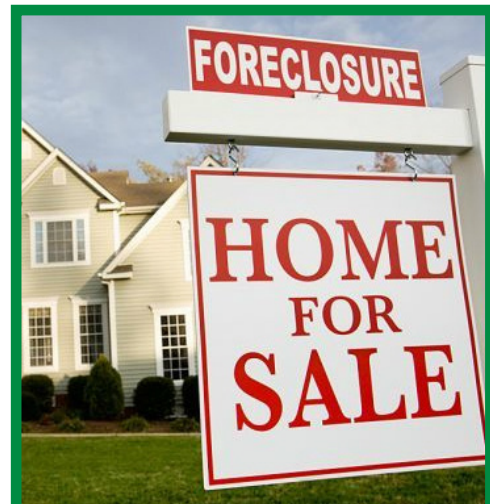
Part 1: How the Emerging Economy Will Put Even More People Out of Work

The Great Depression forged the identities of a generation of Americans. Their mindset and habits remained unchanged long after the economy recovered. It is no wonder that this event had such an impact on so many people. In 1933, at the lowest point of this event, over 25%—1 in 4 people—were unemployed. The rate for non-farm workers was even worse. In industry and business, the unemployment rate was 37%.¹

This was the era that spawned Bonnie and Clyde, Baby Face Nelson, Frank Nitti, Machine Gun Kelly, and the inimitable Al Capone—some of America’s most notorious criminals. It was also the time that produced the oft-romanticized, semi-outlaw hobo. The Shantytowns and Okie migrants chronicled by John Steinbeck in *The Grapes of Wrath* really existed.

The recent economic downturn, or the “Great Recession” as some have dubbed it, has many disturbing parallels with the Depression of the 1930s. One thing is as true now as it was then: desperate times drive people to desperate measures. Our unemployment rate is hovering around 10%—officially. While that figure isn’t as high as it was in the Great Depression, many believe the unofficial rate is much higher, since official figures do not reflect people who have simply given up looking for work. The last time the unemployment rate was 10% was during the early 1980s, when unemployment stayed above 10% for 8 months straight.²

Unemployment is just part of the picture. Home foreclosures are at a record high. Over one million homes were seized in 2010, putting entirely new segments of the population out on America’s streets with no shelter, food, or clothing. Today’s homeless are like the storied hoboes of the Great Depression³—and their numbers are growing at the rate of about 20,000 new homeless people per year. There doesn’t seem to be an end in sight as there is a full pipeline of future foreclosures coming, with an estimated 5 million homeowners seriously delinquent on their mortgage payments.⁴



Over a million homes were foreclosed upon in 2010. The trend is not expected to slow any time soon.

Unemployed and Underemployed

Currently, over 40 million Americans—1 in 8—officially live in poverty.⁵ For 2011, the poverty line is defined as an annual income for a family of four below \$21,945.⁶ Of those 40 million, 15.4 million live in extreme poverty, which is defined as living on half of the poverty level, or roughly \$10,000 a year.⁷ The number of people receiving food stamps is at an all time high. At this writing, forty million Americans are receiving food stamp assistance from the government. These are working people (you must be employed to qualify) that still can't afford to put food on the table.⁸

Even Uncle Sam Is In the Bread Line

In 2008, as Americans ran out of money and the companies that form the backbone of the U.S. economy began to teeter on the edge of failure, Uncle Sam stepped in to lend a hand ... and in the process, robbed from Peter to pay Paul. The government pumped billions into the economy at a time when it was already running a deficit of hundreds of billions per year.

The national debt is now over \$14 trillion, a figure so huge that it is difficult to even conceive. Spread over the U.S. population of just over 300 million people, that works out to roughly \$46,000 per person.⁹ Every American man, woman, and child owes the equivalent of an extremely nice new car or about 2 years of a college degree to cover the nation's debt. And the government isn't stopping there. Since 2007, the government has been adding roughly \$4 billion per day to the debt.¹⁰ The 2011 annual deficit is projected to be over \$1.4 trillion. That amount would buy 10,500 F-35 jet fighters for our military, 37 million Chevy Volts for our highways, or 44 million years of tuition at Harvard for our children.¹¹



The 2011 budget deficit of \$1.4 trillion would be enough money to pay for 44 million years of tuition at Harvard University.

Many argue that the national debt and the annual deficits have reached unsustainable levels. The national debt is now equal to the Gross Domestic Product of the United States.¹² That means it would take every penny of market value of the goods and services produced in the United States for a year to pay off the national debt. What is even more unsettling is that the annual deficit has reached the alarming level of 10% of the GDP. This is a benchmark only attained during four traumatic periods of U.S. history: The Civil War, World War I, World War II, and today.¹³

We are approaching the debt and annual deficit levels of some of the most unstable national economies in the world. The so-called PIGS countries—Portugal, Ireland, Greece, and Spain—are teetering on the edge of financial disaster. The U.S. deficit as a percentage of its GDP is beginning to resemble those countries.¹⁴ The United States is now the leading debtor in the world.¹⁵ The only thing separating the U.S. from the fate facing the PIGS countries is our projected growth ... but only barely. All of the countries facing national doom have a negative projected growth in their economies for the next several years. The U.S. has a small growth projected, roughly 3.3%. However, it wouldn't take much—a terrorist attack, a natural disaster, or a housing market that cannot pull itself out of the doldrums—to take the PIGS and turn them into USPIGS.¹⁶

The Chinese Dragon

Of all the U.S. debt owned by foreign countries, nearly 1 out of every 4 dollars is owned by China.¹⁷ This means that China has an inordinate ability to influence U.S. monetary policy. Many economists worry that China will get fed up with irresponsible U.S. monetary policy and begin selling off U.S. securities. If this happens, interest rates will skyrocket. Brian Battle, vice-president of Performance Trust Capital Partners in Chicago, said that, “it may be only a matter of when, not if, China starts reducing its U.S. debt holdings.”¹⁸

China is making moves to supplant the greenback as the primary reserve currency with their own yuan, or “redback.” In a visit to the U.S. in early 2011, China's president, Hu Jintao, told several American newspapers that the international dollar-based currency system was a “product of the past.”¹⁹ China firmly believes that if another currency were to compete with the dollar for reserve status, it would force the United States to be more disciplined in its approach to its own monetary policy.²⁰

The Weak Dollar Makes it Hard All Over

The decline of the dollar makes it hard for American businesses to expand and hire workers. One of the side effects of the mortgage crisis in the U.S. housing industry is that banks have become much more reluctant to loan money, not just to potential homeowners, but to everybody. Small businesses are especially feeling the crunch as the credit market dries up. Since smaller businesses do not have a lot of excess capital lying around, they depend on small business loans. Without those loans, businesses cannot grow and cannot hire new employees.²¹

The Government is Out of Options

The federal government's ability to affect the economy is dependent on several "levers" in the hands of the Federal Reserve. These tools collectively make up the monetary policy. One of these tools is the control of interest rates for reserve notes, which in turn affects real interest rates for regular loans and long term interest rates for things like mortgages. Normally, in slow times, the Fed can give the economy a shot in the arm by lowering interest rates. That in turn spurs borrowing and growth.²² However, on December 16, 2008, in an effort to expand credit and get the economy moving again, the Fed lowered interest rates to a range of 0% to .25%. It had no effect on the sluggish economy.²³ The prime rate has stayed near zero ever since; the Fed's chief lever is now useless.²⁴

The only avenue left to the Fed to try and get things moving again is directly increasing the nation's money supply. What many people refer to as "printing more money" is really just increasing the credit limit of the Fed, thereby allowing it to buy up assets. Massive buying is supposed to drive up the price of assets, lower interest rates, and give banks more capital reserves to turn into loans for businesses and individuals. This process is called "quantitative easing."²⁵ So far, the U.S. has tried this twice during the current recession: the first time in 2008 (QE1), and the second in the fall of 2010 (QE2). In QE1, the Fed moved to buy up hundreds of billions of dollars of mortgage-based government securities, despite the fact that it already held about \$800 billion in Treasury notes. At the end of QE1, the Fed owned \$2.1 trillion in mortgages, Treasury notes, and bank debts.²⁶

The middle part of 2010 saw a mild resurgence in the economy, and the Fed curtailed its spending spree. But by the fall, it was clear that QE1 hadn't worked, so the Fed gave it another try, announcing in November 2010 that it would buy \$900 billion of long-term Treasury bonds through the 3rd quarter of 2011. At this writing, it remains to be seen if the new round of buying, QE2, will have the desired effect.²⁷

Quantitative easing is more an art than a science, as no one is really sure how much buying is enough. If you don't buy up enough, it will be too small to have an effect; if you buy too much or too often, it will look as if the government is being irresponsible with its money. Every time you increase the money supply, you decrease the value of dollars in people's pockets and in the reserve holdings of other countries. This causes a loss of confidence in the strength of the dollar.²⁸

If these actions by the Fed don't work, there are two other things the government can do. They can change their spending and change their taxation, but these economic policies usually have a longer lag time before their effects are felt in the economy in general. However, both actions have a direct impact on peoples' wallets and on the services they receive from the government.

In responding to the current recession, Congress has only hit around the edges of spending cuts. The airwaves are full of rhetoric about cutting wasteful government spending. And yet, all of the cuts so far enacted have only been a drop in the bucket. In terms of real dollars, the non-partisan Congressional Budget Office determined that the FY 2011 spending bill passed by the Congress and signed by the president cut only \$352 million from a total projected budget of \$3.82 trillion, and a projected deficit of \$1.6 trillion.²⁹

The real money, nearly 57% of the budget, is being spent on entitlements: the so-called mandatory spending—Social Security, Medicare, and Medicaid. Defense spending makes up almost 20%, and interest on the national debt takes the last 6.5%.³⁰

You cannot balance a budget that is spending \$1.40 for every dollar it takes in by limiting cuts to only 16% of the budget. If you eliminated all of the non-Defense Department agencies of the federal government, including all foreign and education aid, you would still have a deficit of roughly \$1 trillion.

“You cannot balance a budget that is spending \$1.40 for every dollar it takes in by limiting cuts to only 16% of the budget.”

So, if the current tactic isn't working, the government can only raise taxes or lower entitlements. Neither is a popular option, but the government may be forced to do both to balance its books. Doing either or both of these things, according to traditional Keynesian economics, would likely drive another nail in the coffin of the U.S. economy. According to Keynes, boosting government spending and simultaneously cutting taxes is how to boost the economy.³¹ It looks as if the government may be poised to do just the opposite.

While everyone is in favor of theoretically cutting the federal budget, there are very few segments of the American population that would not be affected. One entitlement program that has recently come under congressional scrutiny is the federal food stamp program. As we have already seen, the number of people who depend on food stamps in order to eat has skyrocketed in the last couple of years, and now 14% of the U.S. population is enrolled in the program. Congress is looking skeptically at the Obama administration's fiscal year 2012 request of \$71 billion, which represents a 9% increase in funding from the previous year. Congress is considering cuts that will reduce funding for this program. Supporters of food stamps (officially called the Supplemental Nutrition Assistance Program) say that cutting this program at a time when the economy is tanking will be yanking the rug out from under American families in need. Those in favor of reigning in the budget say that restructuring the program into block grants to states will make the program more efficient and less expensive.³² Whatever the outcome of this contentious debate, the net result on the budget will be minuscule.

But Washington does seem to be coming around to recognizing the reality that it is the big three entitlement programs—Social Security, Medicaid, and Medicare—that are on a path to completely consume the entire federal budget. In the spring of 2011, a small bipartisan group of senators, the so-called ‘Gang of Six,’ began pushing a total package of spending cuts and tax increases that attacked all sectors of the federal budget, including cuts in defense spending and a restructuring of the major entitlements. They claimed the cuts would slash \$4 trillion off of the deficit over the coming decade and would begin to erase the debt.³³ However, the group had a tough time getting support for their plan since it seemed to contain enough ideas to offend the sensibilities of politicians from the entire political spectrum. The group suffered a key loss in May 2011 when the most conservative of its members, Republican Senator Tom Coburn of Oklahoma, resigned from the group, saying that he could not support the group’s plans for the Medicare program.

All parties recognize that a fundamental change in the structure of the big three entitlement programs is essential to balancing the budget. That recognition, however, has not stopped the inevitable political posturing. As we went to press with this report, little progress was being made.

An ancient Greek proverb says, “A society grows great when old men plant trees whose shade they know they shall never sit in.” The U.S. is now in a time when such old men are needed.

Part 2: What Happens When the Money Stops

The government has, over decades, built a society that has become increasingly dependent on government money to maintain its lifestyle. Economist Gary Shilling has stated that 58% of the population is dependent on government money. Teachers, students, civil servants, military, government contractors, welfare and Social Security recipients, and people in public housing are all completely hooked on government dollars.³⁴

So Who is Really Paying the Bill?

According to figures released by the Congressional Budget Office, the middle class—households with an income between \$34,300 and \$141,900—accounted for 50.5% of all taxes paid. Households in the top 1% with an income over \$352,900 paid 26%. On the other end of the spectrum, households making less than \$34,000 paid 5%.³⁵



Much of the middle class, from students to teachers, from civil servants to government contractors, is dependent on government money.

People are becoming ever more dependent on government subsidies and handouts. One of the problems with trying to cut government spending is that those cuts will inevitably come out of somebody's pocket. Currently, 1 in 6 Americans receives some kind of direct government assistance. A record number of Americans are making it from day to day only because of assistance from Social Security, Medicare, food stamps, and unemployment payments.³⁶ This translates into 20 cents out of every dollar of Americans' disposable income coming from the government.³⁷ In 2010, salary and wages only accounted for 51% of Americans' income. This is the lowest rate since the government began keeping track in 1929.³⁸

In addition to outright assistance payments from the government, there are many other ways in which Americans are dependent on the government for substantial portions of their incomes. The government is peppered with small programs that put government dollars in the pockets of Americans. One such program in 2009 and 2010, as part of the 2009 stimulus package, was the "Making Work Pay" tax credit. This small program gave out anywhere from \$150 to \$800 to lower income Americans in the form of a tax credit.³⁹ For many recipients of this program, the amount of the credit they received exceeded what

they paid in taxes. Even though the individual benefit amount was not great, the program cost the government millions of dollars to implement.

The Welfare Society No More

The federal government is rapidly approaching a cliff where the entitlement programs will soon consume the entire federal budget. Draconian budget cuts and sharp tax increases are the only road out of the mess. The 58% of Americans that get their incomes in some form from government funds will suddenly be without. Those teetering on the edge of financial disaster will have the safety net pulled out from under them and will lose everything. How will this affect society? How will the newly destitute react?

Many studies have suggested that, as hard economic times push people to the brink, they turn to crime to put food on their tables. If people feel like they have nothing left to lose, desperation sets in, and traditional morals are set aside out of need. A study by the Virginia Department of Criminal Justice Services found a direct correlation between a rise in unemployment and poverty rates, and the frequency of property and violent crimes.⁴⁰

Hot Commodities

In Brooklyn, New York, thieves have begun hitting houses, or at least the outside of them. Residents in historic neighborhoods are noticing that their prized and iconic wrought iron fences are disappearing. Victims speculate that, rather than selling the fences to a junk yard for scrap (a wrought iron gate would fetch about \$12), the thieves are selling them to antique dealers for hundreds of dollars. Many expect that at some point, the thieves will try and sell the gates and fences back to their former owners.⁴¹

In South Carolina, industrial and residential copper thefts are causing \$48 million in property losses annually. This has become such a problem that the state legislature is considering a requirement that would make copper sellers obtain a permit from the police if they intend to sell more than 10 pounds of copper to scrap dealers.⁴²

“The FBI now considers copper thefts to be a national security threat with so many communications and electrical systems being disabled.”

Thieves are obtaining copper in ever more creative ways. In a muffler shop in Ohio, thieves broke in and stole the cash from the register, but their real target was 130 catalytic converters and the copper they contained. The city of Fresno, California has begun sealing its manhole covers with concrete because miles of copper wire have been disappearing from the utility tunnels

under the street. In Picher, Oklahoma, thieves felled the town's telephone poles and made off with 3,000 feet of copper wire, causing a power blackout in the process. Across the nation, utility companies are spending millions to replace wiring and equipment just to keep the power on and emergency communications systems functioning. Some municipalities that are already running over budget cannot afford to replace the stolen wiring. As a result, many areas of these cities are living in the dark. Due to the number of communications and electrical systems being disabled, the FBI now considers copper thefts to be a national security threat.⁴³

Another commodity increasingly becoming a target for thieves: prescription drugs. Since 2007, the wholesale theft of drugs from pharmacies, drug warehouses, and shipping containers has increased 350%. The National Drug Intelligence Center reports in 2010, \$184 million worth of prescription drugs were stolen. The problem has become so acute that several U.S. senators have proposed a new law that would make drug theft a federal crime.

One of the differences between stolen pharmaceuticals and traditional street drugs is where they end up. Thieves have found it more lucrative to repackage and resell the drugs to the warehouses from which they stole them. Drug warehouses claim that they only buy pharmaceuticals from legitimate producers and sellers, but this doesn't always appear to be the case. Besides the illegality, this practice creates an increasing risk to public health, as many drugs require specific storage conditions to retain their potency. This doesn't seem to be much of a concern to the thieves. In 2009, a refrigerated truck of insulin worth nearly \$11 million was stolen in North Carolina. Months later, the Food and Drug Administration received numerous reports of diabetics becoming ill due to bad insulin. The insulin was traced directly back to the stolen shipment that was not kept properly insulated by the thieves.⁴⁴

Even a few otherwise normal Americans are taking their turn on the lawless side. "Drive-offs," where a driver fills up his car at a gas station and then leaves without paying, are on the rise nationwide. Other kinds of gas theft beyond the traditional "gas and dash" are also increasing as well. One of the most common types of gas theft takes place in residential neighborhoods. Thieves drill holes in gas tanks and drain the gasoline right out of their neighbors' cars.⁴⁵ In some areas, thieves are turning to more wholesale theft, using specially modified flatbed trucks that are essentially rolling gas tanks to steal gas in larger quantities. One station in California had 528 gallons (worth \$2,300) stolen. The thieves in this case are suspected to have hit several gas stations around the Golden State.⁴⁶

Flash Robberies

With youth unemployment so high, a new and disturbing crime trend is gaining traction—the “flash robbery.” This phenomenon is a perversion of the relatively harmless “flash mob,” in which large groups of people use a social media outlet such as Twitter to gather for a pre-organized activity in a public space, such as a dance or a pillow fight in a library or in a train station. But instead of good clean fun, these groups use social media to plan a group crime. In April 2011, in Las Vegas, a group in their teens and twenties targeted a convenience store. They marched into the store en masse, laughing and joking, and proceeded to rob the store blind. In this instance, no one was hurt, but that is not always the case. As with any large group, mob psychology can quickly develop, and woe be to any poor and defenseless store clerk that gets in the way.

In a recent flash robbery in Minnesota, a convenience store clerk was assaulted as the group left the scene of the crime.⁴⁷ In Washington, DC, a t-shirt store owner was shoved violently to the ground as she tried to protect her merchandise from a group of over 20 thieves. Two weeks later, also in DC, a trendy clothing store in the Dupont Circle neighborhood was robbed of \$20,000 in merchandise by a gang while the store employees watched helplessly.⁴⁸ In what may or may not have been a prearranged incident in Philadelphia, a group of young people laughed and joked as they rampaged through the City of Brotherly Love’s vibrant Center City District, stealing bags, purses, and cell phones from outdoor diners, assaulting anyone who got in their way. They left one woman with a broken leg and another lying in the street after being punched in the jaw.⁴⁹

So far, most of the flash crimes have been directed against convenience stores. The mobs are stealing food and normal every-day goods, not money. Scott Decker, a professor of criminology at Arizona State University, said that, “young people are risk-takers; they do things in groups more often than adults do. A medium like Twitter plays into the characteristics of a young person’s behavior.”⁵⁰ In a survey of stores conducted by the National Retail Federation, 95% of the stores surveyed reported that they had been victimized by an organized crime of this type in the past year, and 80% of them reported that this situation had gotten worse in the past three years.⁵¹

Even the Cops Are Out of Money

It is not solely the newly poor and desperate who are responsible for a rise in crime during hard times. There is another factor at work. Robert McCrie is a professor of protection management at the John Jay College of Criminal Justice in New York. He points out that, during hard economic times, it is not only individuals who suffer, but also businesses, public institutions, and those charged with keeping the peace. During times of financial duress, police departments will take austerity measures, such as cutting down on patrols to save

on gas and tires. Businesses might cut back on their security guards and electronic surveillance. Thus, lean times create opportunities for crime that wouldn't normally exist.⁵²

In one large city, Pontiac, Michigan, the city police department was forced to close because there was no longer a big enough tax base to support the police force. Law enforcement in this high-crime area has been turned over to the Sheriff's Office of Oakland County, the county in which Pontiac is located.

This will surely lead to higher crime as the already-stretched county police add an entire declining city to their jurisdiction.⁵³



Due to prison overcrowding caused by budget shortfalls, 46,000 convicted criminals are due to be released onto the streets of California.

And the police are not the only part of the criminal justice system that is facing curtailed operations due to budget crunches. The prison system is severely underfunded, and, as a result, overcrowded. In May 2011, the U.S. Supreme Court upheld a lower court ruling that the severe overcrowding in California's state prison system was violating the constitutional rights of inmates. California's prisons are currently filled to 200% of their intended capacity, and a U.S. District Court ordered the state to reduce its inmate population to a mere 137% of intended capacity. The state appealed to the Supreme Court and lost, so the state is facing a court-ordered requirement to release 46,000 convicted criminals back out into society before their sentences are completed.⁵⁴

South Africa's Violent Crime: A Vision of Our Future?

A family is gathered around the dinner table to share news of the day. The parents have just gotten home from work and the children from school. The windows are open and only the screen door at the front of the house is latched, allowing the family to enjoy the cool breeze. Suddenly an armed gang of four men in their twenties tears open the front door. They hold the entire family at gunpoint, demanding that they turn over all of their valuables, open the safes, and give them the PIN numbers to their ATM cards. If things do not go smoothly, the thieves do not hesitate to resort to torture, rape, and murder to get what they are after.

This is becoming an all too frequent daily scenario in South Africa. Every day, over 50 houses are robbed in that country.⁵⁵ According to a report by the U.S. State Department, the days of the classic cat burglar, the criminal who sneaks in a window and robs a family while they

are away, are long gone. Thieves prefer to rob houses while the entire family is home so that they can increase their loot. Often, they will load up the family's car with their own stolen possessions and drive away scot-free.⁵⁶ The really scary part about this scenario is the rise in violent crime in South Africa over the last 3 to 4 years.

According to Dr. Rudolph Zinn, a criminal justice professor at the University of South Africa, a staggering 97% of all house robbers are armed. 30% of them have committed murder, or have stated that they would not hesitate to do so if a victim resisted.⁵⁷

Outcomes are even worse when women and children are present. In 2010, sexual assaults against adult women rose 20% over 2009. Sexual assaults against children during the same time period rose over 36%, and even attempted murder against children rose a staggering 46%.⁵⁸ This is truly a society that has, in many areas, completely gone over the edge of sanity.

Another terrifying tactic noted by the State Department is that thieves will watch a house toward the end of a work day, and as the family car pulls into the driveway, the thieves will pull in behind them, trapping the family. They will either just take the car, or force the family into their home and rob them (or worse) and then steal the car as well.⁵⁹

What has driven this country to the brink of madness? The explosion of violent crime in this country is a relatively recent phenomenon. It is a telling statistic that 90% of the people committing these heinous acts are unemployed. The overwhelmed South African police and courts cannot keep up. Only 7.7% of residential thefts lead to convictions. By comparison, the conviction rate in the U.S. is 53%.⁶⁰

The overall unemployment rate in South Africa is 25%.⁶¹ According to the World Bank, nearly 43% of South Africa's population lives below the poverty line.⁶² Yet despite these bleak statistics, the World Bank rates South Africa's economy as "upper middle income."⁶³ So how do you explain the relative affluence of South Africa as a nation, while huge numbers of people in the country are unemployed and millions live below the poverty line? And why the explosion in violence? The key lies in the growing gap between rich and poor in the country.

The gap between rich and poor is measured by something called the Gini Coefficient, which ranks countries on a scale from 0 to 1. Zero indicates that all of the money is spread equally amongst the entire population of a country. A rating of 1 indicates that one person in the country has all of the wealth. South Africa's Gini Coefficient is .67, which is among the highest in the world. So the country is basically a powder keg of people wallowing in crushing and pervasive poverty, living amongst and around people with great wealth.⁶⁴

The long history of apartheid and the hostility between the Black African population and the minority of European descendents certainly fans the flames, but it is the wealth disparity that provides the primary fuel. It is no wonder that in 80% of home burglary cases, the thieves were aided by the household staff of the residence being robbed.⁶⁵

Class Warfare: Coming to the U.S.A.?

So what does South Africa have to do with us? It is a warning that must be heeded. The Gini Coefficient for the U.S. is .45, much lower than South Africa, but it has been rising for the past several decades. A quick look at other Gini scores from around the globe puts the U.S. in bad company. According to the CIA World Fact Book, at .45, the U.S.'s Gini neighbors are the Cote d'Ivoire and Uruguay. In fact, the U.S. is a complete outlier in the developed world.

"Countries with income disparities comparable to the U.S. are Mexico, Uganda, Rwanda, the Philippines, and Iran."

The country with the lowest Gini score is Sweden at .23, and the next 20 scores on the list are all in Europe. The score for the European Union as a whole is .31. The U.S. stands alone as the developed country with the highest Gini score. Countries with income disparities comparable to the U.S. are Mexico, Uganda, Rwanda, the Philippines, and Iran. And the European country with the highest Gini score is Portugal—the 'P' in the PIGS countries that are teetering on the edge of financial collapse.⁶⁶

Another of the PIGS countries, Greece, is seeing a rising tide of violence and crime that is rocking the nation to its core. As the nation's economy crumbles to the ground, both civil unrest and brutal crime are rampant. Criminologist Angelos Tsigris said, "Greek society as a whole is at a breaking point." In May 2011, pharmaceuticals executive Manolis Kandaris' wife was going into labor. He grabbed his car keys and a video camera and ran out of the house to start their car to go to the hospital. A band of thieves stabbed him to death outside of his house to steal his camera.

The Mayor of Athens, Giorgos Kaminis, said, "I'm losing my city." He compared the situation in the historic cradle of western civilization to that of Lebanon in the 1970s, just before the Lebanese Civil War. Groups of ultranationalists are roaming the streets of the capital, beating any immigrants whom they happen to find, and in May of 2011, they firebombed a police precinct. As in the United States, the economic difficulties are also hitting police departments and other public safety agencies. Of the 500 police cars and motorcycles that normally patrol the streets of Athens, only 1/3 of them are operational because the police haven't been able to afford to keep the rest running.⁶⁷

These gruesome anecdotes are supported by hard numbers. In 2004, Greece was a model of

stability. It was still basking in the glow—and substantial EU investment—from the Olympic Summer Games, and crime was at an all time low. Then the government’s irresponsible fiscal policies caught up with them, the worldwide economic crisis began in 2008, and the crime rates began to climb. From 2007 to 2009, armed thefts in the capital nearly doubled, jumping from 26,872 to 47,607 in just two years. Homicides likewise doubled in that same two-year span.⁶⁸

So the income disparity level in the United States is firmly planted alongside the developing world, its economy resembles the PIGS, and it is the largest debtor nation in the world. And every bad statistic is getting worse. Unemployment is up, mortgage foreclosures are up, and the government is facing massive spending cuts and tax increases. Can the U.S. be far away from similar crises facing Johannesburg, Athens, Lisbon, and Dublin? Many believe that it’s only a matter of time.

Part 3: How to Protect Yourself

There are a number of things you can do to help protect you and your family from large-scale civil unrest and a huge spike in crime rates. But some of them may take a little time, so don't wait until things become too unstable to start. By then it will be too late.

The first rule in real estate, as we all know, is location, location, location. Take a look at the area in which you live. Do you live in a marginal neighborhood that is prone to crime? If so, you should relocate. As we see in countries like South Africa, it is in areas that are already relatively depressed that large-scale lawlessness and civil unrest begins. The closest targets will become the first victims. Middle class areas near economically depressed areas of big cities will surely become a lawless playground for the desperate.

Many people will find this a hard pill to swallow right now. It is not only the poorer populations living on the economic fringes that have been affected by the financial downturn. Many people are "upside down" in their homes right now, meaning they owe more on their mortgages than their homes are worth. Or maybe you remember back in 2008 when your house was worth \$100,000 more than it is today, and you just need the real estate market to "come back" before you sell. This is a decision that each family will have to make individually. But remember, if the bottom really does fall out, you may be wishing that you had sold "back in 2011," when your house wasn't in the middle of a war zone and housing prices fell off of a cliff.

So, if you move, where should you go? If you have the flexibility to move to an entirely new part of the country, study areas that already have low crime rates. The FBI provides annual crime statistic reports that are available on their website at <http://www.fbi.gov/about-us/cjis/ucr/crime-in-the-u.s/2009>. Many websites on the internet analyze the FBI data and produce lists of "safest cities." Just be sure to heed the warning on the FBI webpage about drawing erroneous conclusions from individual crime statistics, and look at a wide variety of resources

Often, areas with higher median incomes have a lower crime rate, but this statistic alone can often be misleading. Rather, you should look for areas in which the incomes are relatively homogenous, where there is not a great disparity in income levels of the people living near each other. Bruce McIndoe, president of iJet Intelligent Risk Systems, explains it this way: "If you have low incomes in an area of high incomes, it creates a crime vector between the 'haves' and the 'have-nots'."⁶⁹

*"If you have low incomes
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'have-nots.'"*

Another good indicator of a safer area is the local unemployment rate. Even areas that have a lower-than-average income tend to have a low crime rate if most of the citizenry have jobs. People who are working hard for a living tend to have a higher regard for the civic conditions of their areas. About these kinds of areas, McIndoe says, “High growth cities with low unemployment are safer. When people are gainfully employed, they are more invested in their city.”⁷⁰

Where to relocate to is a personal choice that will largely depend upon your research and your own comfort level. The first and seemingly most obvious choice for many would be to move out to the country, away from the large urban population centers. These areas are less likely to attract hoards of criminals. On the other hand, you will be largely dependent upon yourself and your family for your own defense and survival.

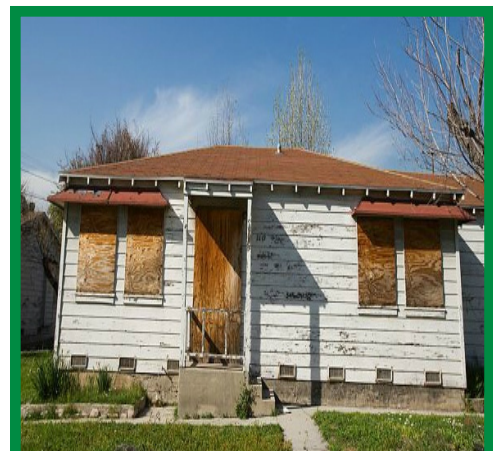
For some who may not feel comfortable being so isolated, there exist large areas in this country of far-flung suburbs, the so-called “ex-urbs,” that are further away from the densely crowded cities, but are still around friends and neighbors who can lend a hand in the event of an emergency or home invasion. However, the drawback of these areas is that they represent a target-rich environment that may attract those looking for easy scores in soft targets.

The choice of where to relocate will largely depend on whether or not you feel self-reliant enough to go it alone, or whether you feel that there is more safety in numbers and would rather be around others who can lend a hand in a crisis.

Hard Homes

No matter where you live, as crime escalates, you will need to make your home a more difficult target for thieves. As we have seen in South Africa, gangs of thieves are breaking into houses, most often when the inhabitants are home, precisely because they are soft targets. As businesses such as banks and stores have increased their own security precautions, thieves look for easier opportunities. Often with personal homes, they can just waltz unimpeded through the front door

There are a variety of steps you can take to make your house both less attractive to thieves and easier to defend, should you need to.



Run down or abandoned homes are magnets for criminals and drug addicts.

First, when you are buying a home, take a good look at the neighborhood you are buying in. Are there lots of run down or abandoned homes? Are there many vacant, foreclosed homes? These can be magnets for criminals and drug addicts. As you survey the neighborhood, make sure that you also see what it is like at night. How dark is it? Are there adequate street lights? Are the utility lines buried? Buried lines make it much harder for potential thieves to cut telephone and power lines.

After you buy your house, or if you are working with the house that you already live in, start by assessing the outside. Any shrubs that are planted up against the house, if they are short plants, should be trimmed so that they do not reach above the window sills. If they are tall plants, trim them so that there is no foliage within three feet of the ground. The key is to make sure that the plants do not provide a potential thief with a place to hide.⁷¹

Every door leading to the outside of your house should be equipped with a properly installed double cylinder deadbolt lock that is keyed from both sides. Avoid keyed interior locks if at all possible since in a panic situation, finding keys to unlock doors wastes precious life-saving time. The only exception to this would be a door that is made primarily of glass that has no other way to secure it.

Don't overlook the door between the attached garage and the living space of the house. Doors that only have locks on the doorknobs are virtually worthless for barring unwanted entry. Above all, as with any locking and security system, it is totally useless if it isn't being used.

All entryways should be well lit so that you can see the area around the entry from inside the house. You can also install inexpensive motion sensors that will activate the lights when it senses movement in front of it. If you have a mail slot in the door, you should structurally block it off so that a thief cannot reach in and manipulate the lock. If your door doesn't have a window, you should install a peep hole so that you can clearly see who is knocking on your door before you open it.⁷²

The best way to protect windows, after ensuring that all locks work properly, is to install full-window storm glazing. Thieves are usually reluctant to break windows because of the noise they make, and a full storm window puts another layer of protection over the windows.

Alarm systems are also very effective deterrents, though they are expensive to install in an effective way. Many also offer alarm monitoring that alert police or fire departments in the event of an emergency.

The Human Element

Hardening your house is the first line of defense against criminals. But what do you do once criminals are already inside? The most important thing to do is to have a plan for every family member so that they will know what to do if an alarm goes off at 3 o'clock in the morning, or if you hear the proverbial bump in the night. You should periodically run drills with the entire family to be sure they understand the plan.

The ultimate tool that you should have to protect your family is a firearm. Studies show again and again that gun ownership deters crime.^{73,74,75} You and your family should be familiar with whatever type of weapon you choose, whether it be a handgun or a shotgun. You should measure out the distances within your house and train to use the gun at those distances.⁷⁶

Since most of us don't sleep with emergency equipment in our pajamas, you should prepare an emergency bag that contains support items you would need in the event of a home invasion and that is stored near you for easy access where you hear that inevitable crunch of feet on broken glass. This bag needs to be easy to find and grab in the dark. These support items might include a cell phone to call the police (or possibly family members in other rooms), extra ammunition, two flashlights (in case one fails), and whatever else you deem necessary in the event you need to get your family out of the house. If you've had no choice but to put keyed deadbolts on the doors, an extra set of those keys to those locks should be included in this bag.

Hopefully, you will never have to use your weapon to shoot an intruder in your home. Hardening the shell of your house and taking other measures to convince a would-be thief to move on down the block are all preferable options, but sometimes the worst case scenario does happen. The time to think about it is not in the middle of the night when your spouse nudges you because she heard something downstairs.



Caption: Every adult in your household should be trained to use a weapon safely.

Conclusion

So where is all of this headed? Will the U.S. follow in the footsteps of Greece, where government “austerity” in the form of massive cuts to social programs combined, with huge tax hikes are destroying the social fabric of the country? John E. Silvia, the chief economist for Wells Fargo, thinks so. “To me,” he said, “the plot in Greece and Portugal sounds a lot like the same plot that’s going on in the United States. But the characters have different names.”⁷⁷ The options available to the U.S. government to correct years of overspending are the same as those faced by the Greek government: cut services and raise taxes.

As people’s personal finances blow away with the wind, or in our case, the real estate market, and the government safety net that has been woven since World War II becomes unraveled, crime will increase dramatically as people become more desperate. More than ever before, the ability of the police to enforce the laws will be hampered by budget cuts, not to mention the increasing cost of equipment and supplies. People will no longer be able to rely on the police to protect their lives and property.

The prudent thing to do is to take reasonable measures to protect your family and your property. As conditions spiral out of control, the people who are most likely to come through turbulent times unscathed are those who are prepared to defend themselves and to handle whatever situations arise. And if somehow, being the resilient country that it is, the U.S. pulls itself out of its current dismal trajectory, being prepared for unforeseen circumstances is never a bad thing. Even in the most prosperous of societies, crime is ever present.

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