1.5 million Americans filed for bankruptcy in 2010

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The number of people in the US filing for bankruptcy rose by 9 percent last year to 1.53 million, as more working families fell victim to job losses, plunging home values and unforgiving creditors.

The figure was the highest since 2005 when changes in the bankruptcy laws making it more difficult and costly to file led to a sharp decline in the number of Americans seeking court protection. The recent spike in cases—despite the added costs and legal hurdles—is indicative of just how desperate large segments of the American population are despite the official claims of an economic recovery.

Over the last three years—as the economic recession and 2008 crash took hold—4 million consumers filed for bankruptcy, with last year's numbers matching the record levels reached before 2005. While most filers earn less than $30,000 and lack a college degree, a growing percentage of families with incomes above $60,000 and college degrees are being forced into bankruptcy.

As tens of millions are finding it impossible to pay their bills, the corporations and banks are raking in record profits, top executives are pocketing huge payouts and the richest 2 percent of the population is celebrating the tax cut handed to them by Obama and the congressional Republicans.

Now, the debate in Washington is dominated by a drive to forge a bipartisan consensus to slash social spending, cut taxes and regulation on big business and reduce wages and benefits in order to make American corporations more competitive and profitable. This only underscores the class chasm between the corporate-political elite and the masses of working people who are facing a social catastrophe.

The growth in personal insolvency last year was seen in virtually every part of the country, according to the American Bankruptcy Institute. The sharpest rise was in the Southwest and Southeast, with Nevada recording 15,000 filings per million, more than double the 6,600 filings per million recorded nationwide. The state has the nation's highest unemployment rate and credit card and mortgage delinquency, and one in every 99 homes is in foreclosure, according to realtytrac.com.

After Nevada, Georgia and Tennessee had the highest filing rates, each with more than 10,000 filings per million, according to the report. The states with the highest year-to-year increase were Hawaii (22 percent), California (19 percent), Utah (19 percent) and Arizona (18 percent).

Families are being driven into bankruptcy after a spouse has lost a job or had their working hours cut, or a small business has gone under, according to local news reports. Mortgage payments and other bills became too much to handle, with families receiving 15 to 18 calls a day from creditors before they filed for court protection.

Tracy Compo of Tucson, Arizona told the *Las Vegas Review-Journal* troubles began three years ago when her husband could no longer get overtime at work. Efforts to get the bank to modify their loan failed and they were forced into foreclosure on their home. They tried to raise income by selling off possessions—jewelry, clothes and anything else to pay the bills—but credit card debt continued to mount, and in December they filed for bankruptcy in hopes of getting a new start.

"It's very depressing," Compo, a 32-year-old mother of three, told the *Review-Journal*, "It's degrading—like you've lost all sense of control. I hate it. I'm embarrassed by it."

In Nevada, bankruptcy lawyers said business showed no signs of slowing, with one attorney saying he increased his staff by a third just to handle the demand. "It's as busy as it was last year, and it is going to get even busier," Anthony DeLuca told the Las Vegas newspaper.

In South Florida personal bankruptcy filings rose by a staggering 40 percent, the *Sun-Sentinel* reported, with the number of cases in Palm Beach, Broward and Dade counties rising from 24,681 in 2009 to 34,579 in 2010. Local reports attribute the sharp rise to the pace of home foreclosures, joblessness in the state—where the unemployment rate is 12 percent—and a wave of business closures.

David Langley, a bankruptcy lawyer in Plantation, told the *Sun-Sentinel* that many of his cases involved clients who were in construction, real estate or related businesses and professions. "There is a ripple effect—the little restaurant that was near the construction site or near some real estate firm" ended up having to file for bankruptcy. Often, he said, he filed both personal bankruptcy and business bankruptcy for the owner.

Medical expenses are one of the biggest causes of personal bankruptcy, with a Harvard University study carried out before the economic downturn attributing 62 percent of all filings to health care debts. The study noted that 78 percent of those filing bankruptcy had medical insurance.

According to the Economic Policy Institute, family health insurance premiums more than doubled between 1999 and 2009, far outpacing workers' earnings and overall inflation, as employers increasing dumped the costs of medical care on their workforces.

The sharp increase in long-term joblessness—the most dire since the Great Depression—has worsened the situation. More and more families are forced to rely on credit cards to pay for food, utilities and other basic necessities, in addition to picking up the cost of their health insurance.

Increasingly those who still have a job are facing wage cuts and being forced into part-time and temporary positions. In the past, home equity loans—based on the rising value of their homes—could be gotten to offset the decline in income. These are no longer an option as homeowners owe far more than the dwindling value of their homes. The tightening of consumer credit has also pushed people over the edge, after they borrowed in an effort to prevent bankruptcy.

The crisis is affecting every demographic group. A 2010 study from the University of Michigan Law School, "The Rise in Elder Bankruptcy Filings," found that those 65 and older are the fastest-growing segment of the US population seeking bankruptcy protection, owing a median $22,562 to credit card companies. "The findings are both striking and ominous," says John Pottow, author of the study. "While multiple factors, such as health problems and medical debts, contribute to elders' financial distress, the dominant force appears to be overwhelming burdens related to credit cards."

While the Obama administration has handed the Wall Street bankers trillions and the wealthy a massive tax cut, it has done nothing to provide relief to those losing their homes, income and life savings. A report last month by the Congressional Oversight Committee noted that the Treasury Department's Home Affordable Modification Program has produced negligible results. Only half a million mortgage holders got help to save their homes, at least temporarily, since the program began in March 2009. During that period nearly 4 million households received foreclosure notices with the Federal Reserve expecting another 4.25 million over the next two years.

The political establishment—dominated as it is by the representatives of the corporate and financial elite—is oblivious to the social catastrophe facing working people. Obama's vice president, Joe Biden, who received large donations from the credit card industry, was one of the most fervent Democratic supporters of the reactionary 2005 legislation, which made it more difficult for working class and middle-class families to escape their debt burdens, while awarding as much as $1 billion a year to creditors, mostly banks and credit card issuers.

Signing the bipartisan bill into law—just a few short years before both parties gave Wall Street the largest handout in history—President Bush declared, "America is a nation of personal responsibility, where people are expected to meet their obligations. If someone does not pay his or her debts, the rest of society ends up paying them."