

Bankers, Brokers, Bubbles and Bailouts

The Causes & Consequences of the Financial Crisis



United for a Fair Economy

29 Winter Street, Boston, MA 02108

Web: www.faireconomy.org

April 2009

The Nation at a Crossroads

★ ***Growing Insecurity***

Layoffs & job instability

Stagnant wages

Insecure retirement

Plummeting stock market

★ ***Greater Burdens***

Rising costs of health care, child care, education, & utilities; and housing costs are still very high

Longer work hours

Loss of family time

★ ***Stress, Isolation and Scapegoating***

Anger at immigrants

Families hunkering down

Gated communities; growing prison population

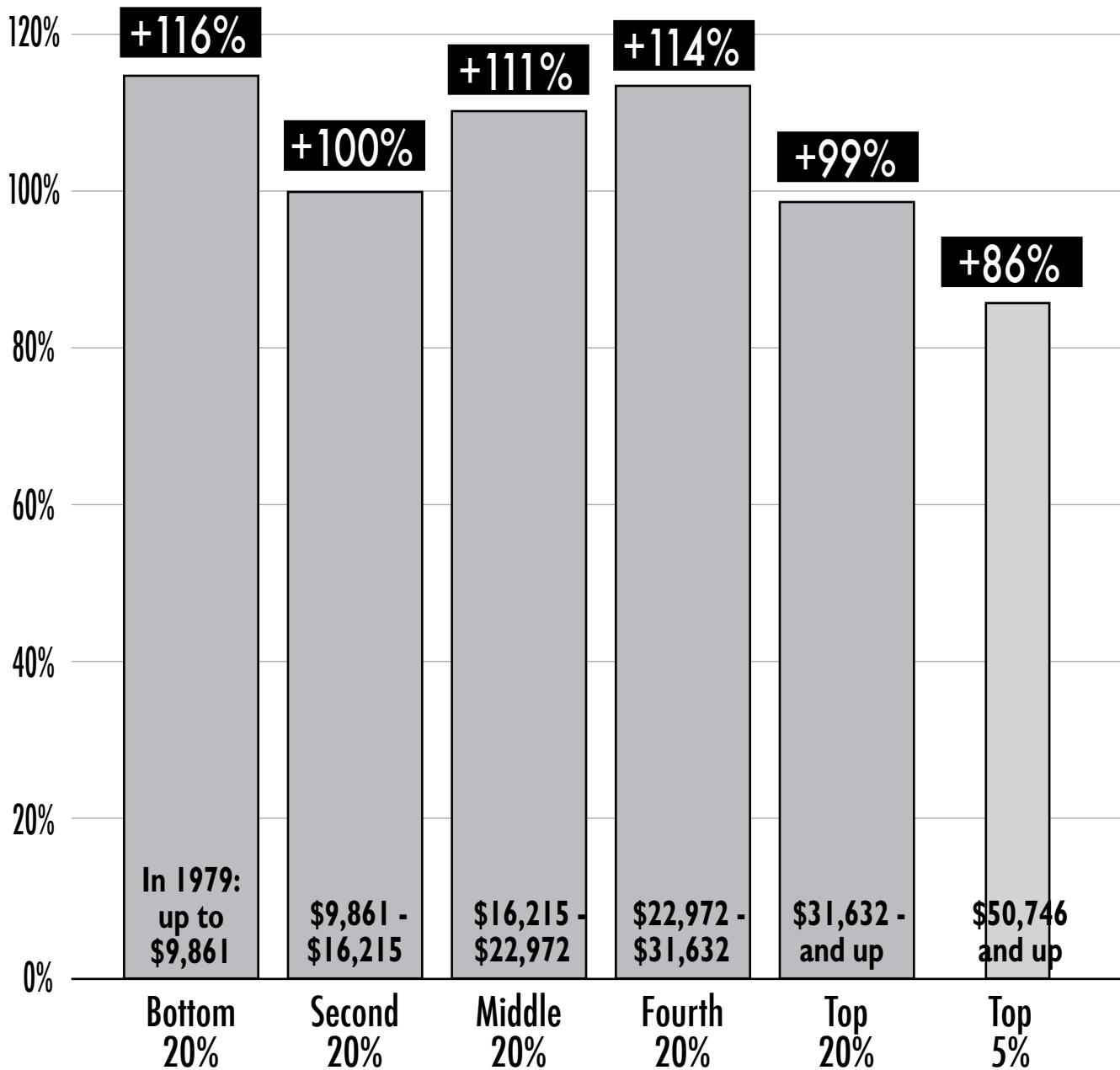
Fear of crime

Endless war



1947 to 1979 – Real Family Income Growth by Quintile & for Top 5%

We All Grew



Sources: Analysis of Census Bureau data from Mishel, Lawrence and Bernstein, Jared, *The State of Working America 1994-95*, p. 37. Income ranges in 1979 dollars, from March 2000 Census Current Population Survey, Table F-1.



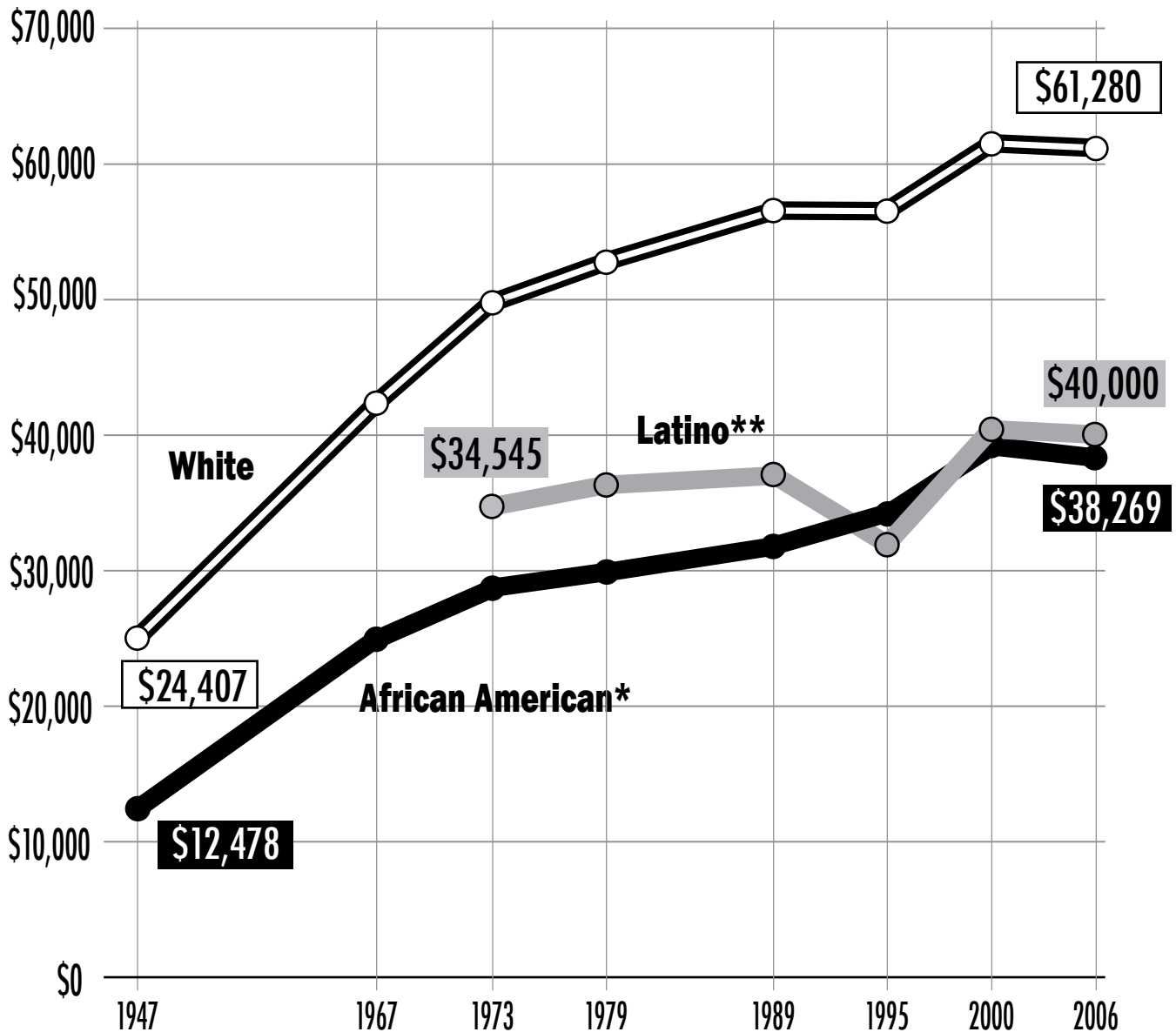
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Median Family Income by Race, 1947-2006

Racial Income Inequality Persists



Source: Analysis of US Census Bureau data in Table I.3 in *The State of Working America 2008/2009* by Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, Economic Policy Institute. **All income in 2006 dollars.**

* Prior to 1967, data for African Americans included all "non-whites."

** The Census Bureau uses the term "Hispanic." We prefer "Latino." Persons of Latino origin may be of any race.



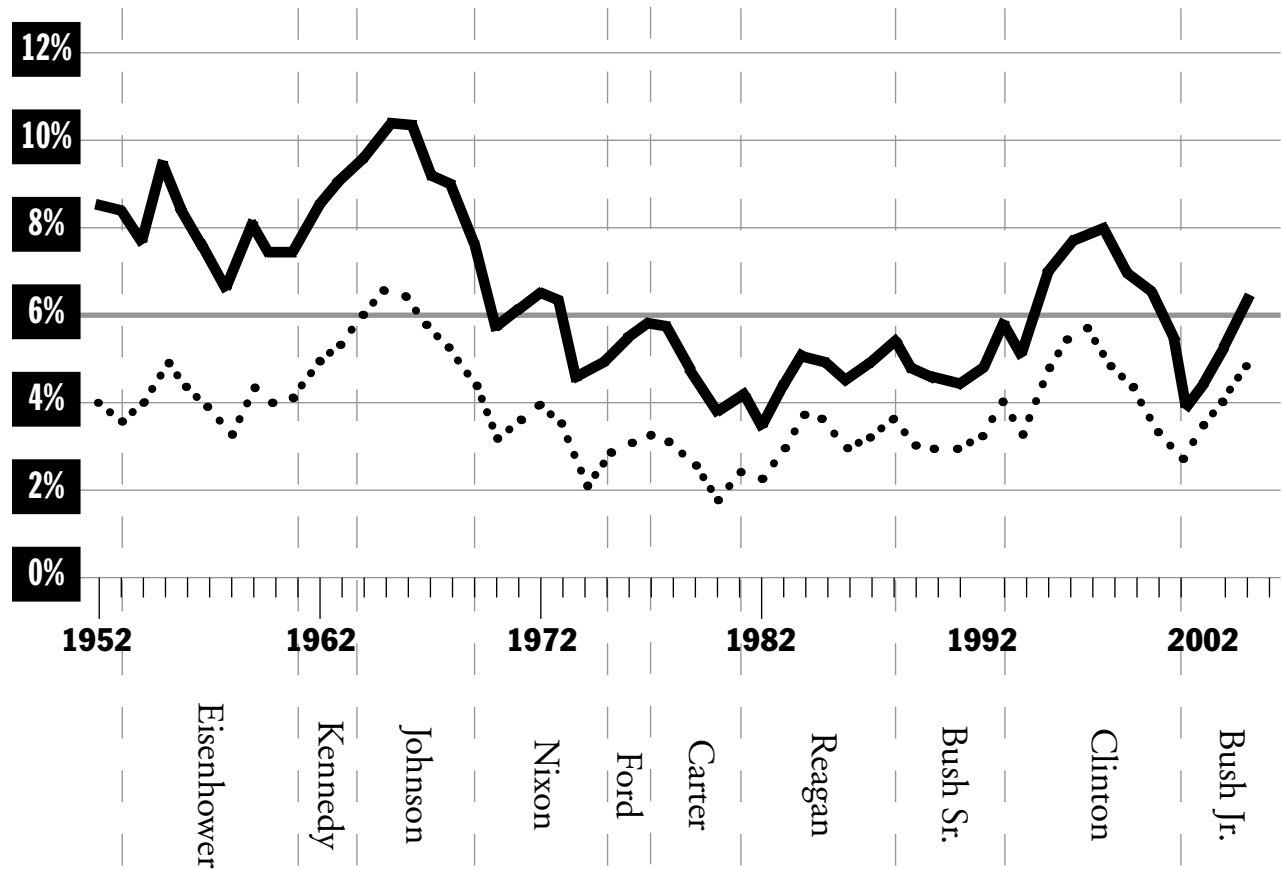
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Rate of Profit, 1952 - 2004

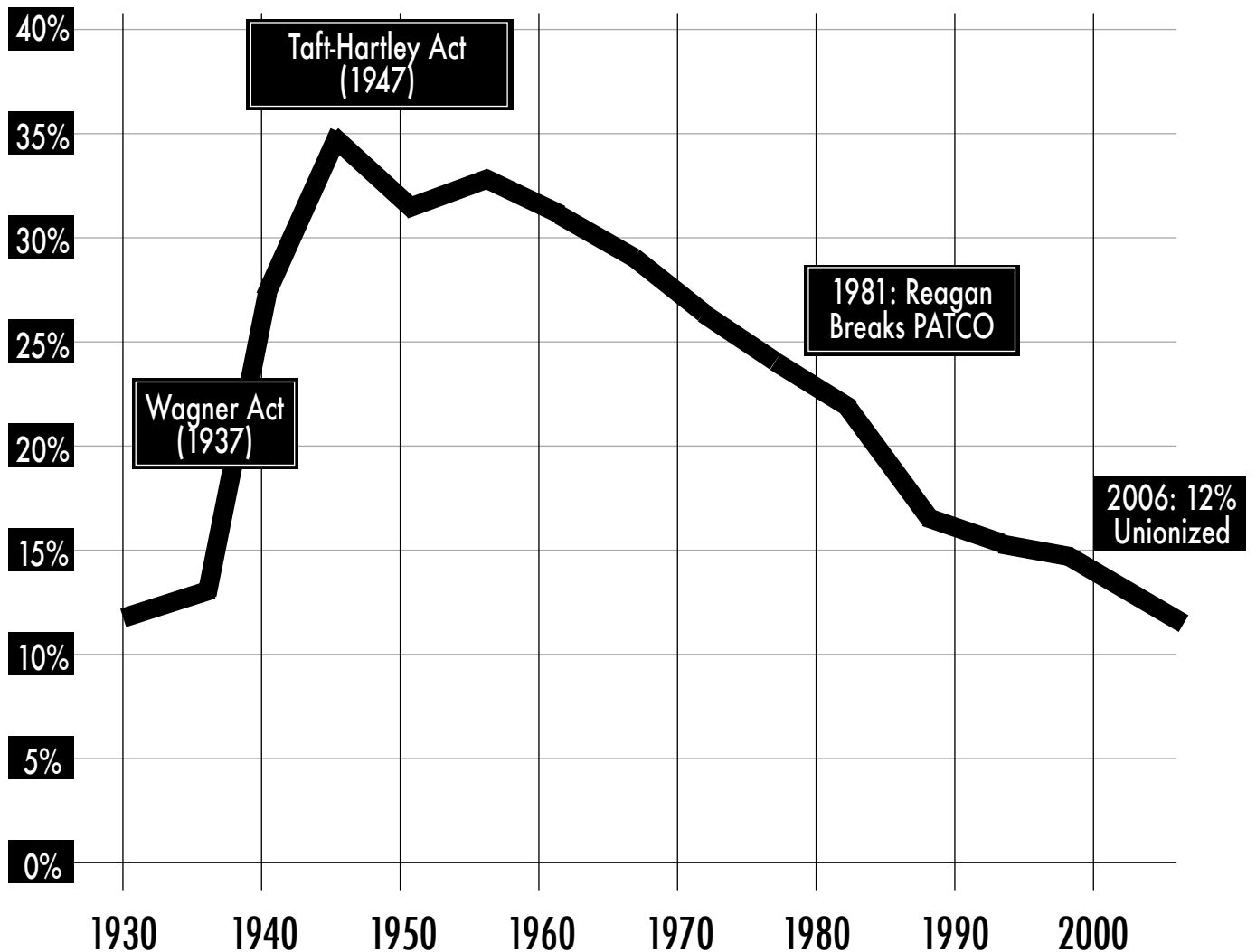
Corporate profits fell sharply after the mid-1960s.



Source: *Left Business Observer*; data from Federal Reserve and Bureau of Economic Analysis data. The profit rate is defined as corporate profits (with IVA and CCA_{adj}) from the national income accounts, before and after taxes, divided by the Federal Reserve's estimates of the value of the tangible capital stock, from their flow of funds accounts. Corporations are nonfinancial corps only.

Percentage of the Workforce in a Union, 1930-2006

*Anti-union policies weakened the power
and voice of workers*



Source: Bureau of Labor Statistics

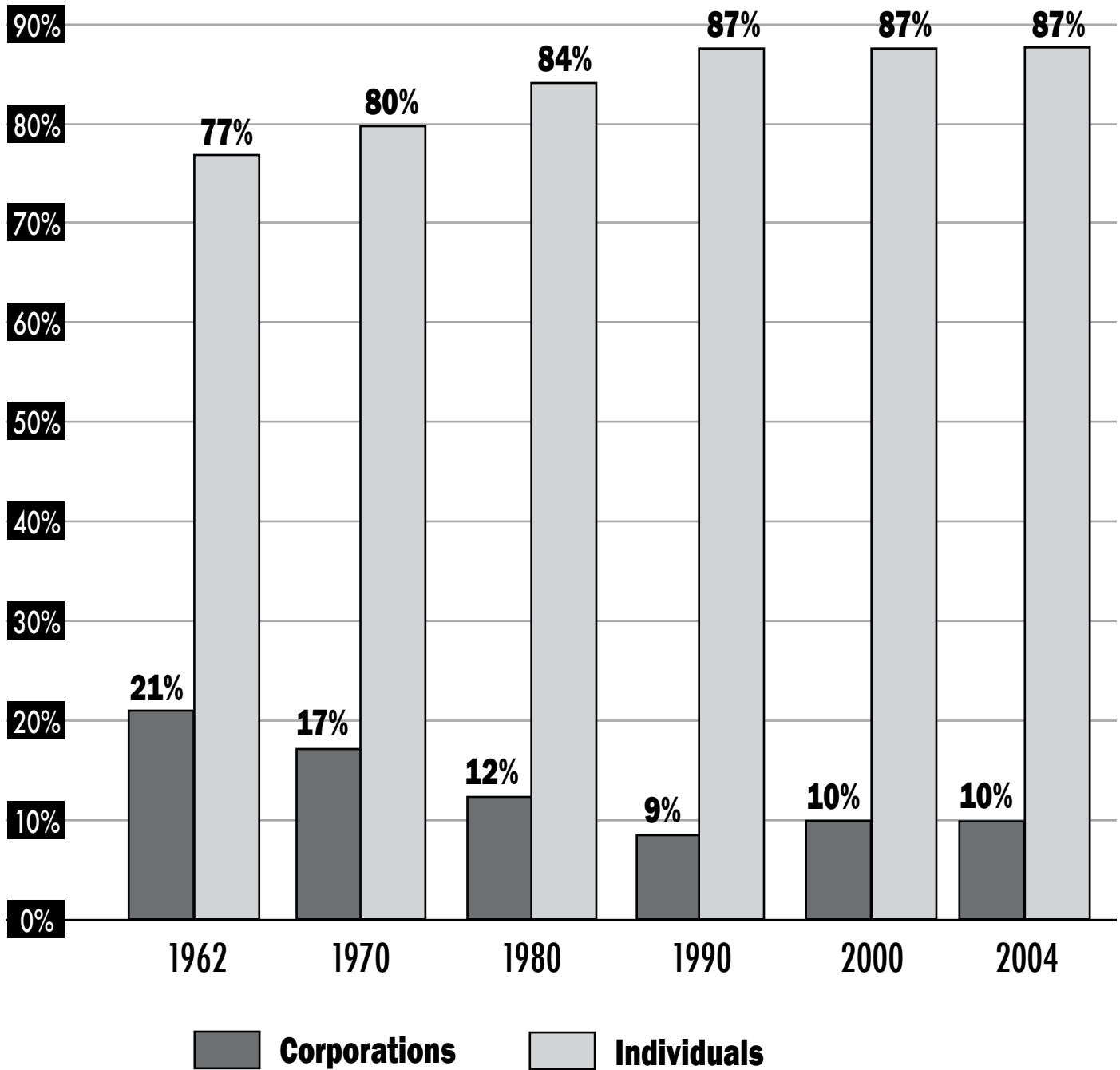


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Percent of Federal Tax Collections from Individuals & Corporations



Source: Congressional Budget Office, "Revenues by Major Source, 1962 to 2004."



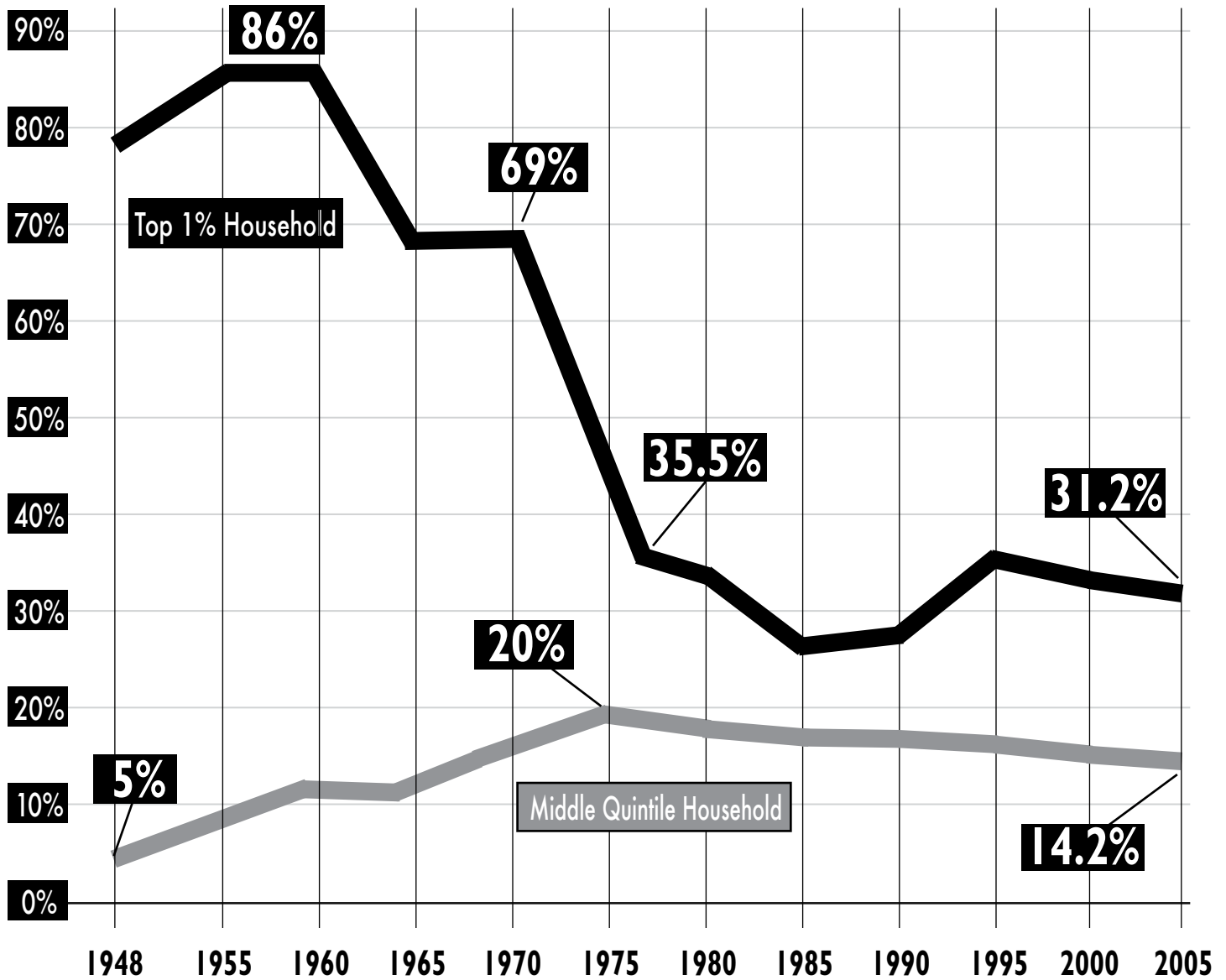
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Effective Federal Tax Rates (Income Tax + Payroll tax) for the Top 1% and the Middle Quintile of Households, 1948-2005

Tax Breaks for the Wealthy - No Tax Relief for Working Families



Sources: For the Top 1%: 1948-77: Kevin Phillips, *Boiling Point* (Random House: 1993) p. 110, citing "Statistical History of the United States," (U.S. Government Printing Office: 1976) p. 1112; For 1979-2003: Congressional Budget Office, "Effective Federal Tax Rates: 1979-2003," December 2005. For the Middle Quintile Family: 1948: Phillips (1993) p. 110, citing Statistical History of the United States (1976), p. 1112, figure is for median family; For 1955-75: Phillips (1993) p. 110, citing Alan Lerman, U.S. Department of the Treasury Office of Tax Analysis, figures are for median family; For 1979-2005: Congressional Budget Office (op cit).



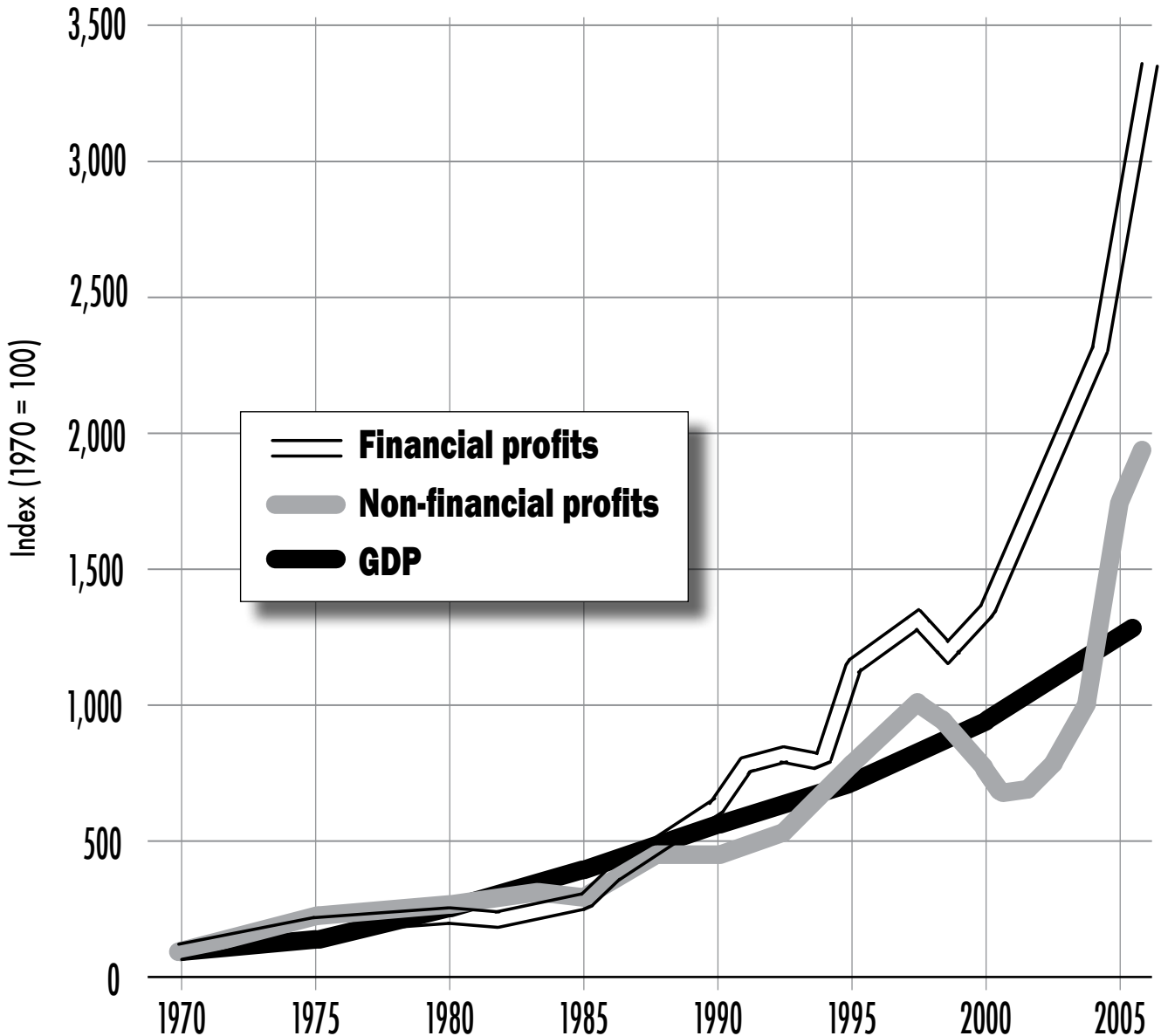
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Growth of Financial & Non-financial Profits Relative to GDP, 1970 - 2006

Profits, particularly in the financial sector, rose dramatically in the late 1990s.



Source: John Bellamy Foster and Fred Magdoff, *Monthly Review*, December 2008. Analysis of *Economic Report of the President, 2008*, Corporate profits by industry-Table B-91, Gross Domestic Product-Table B-1.



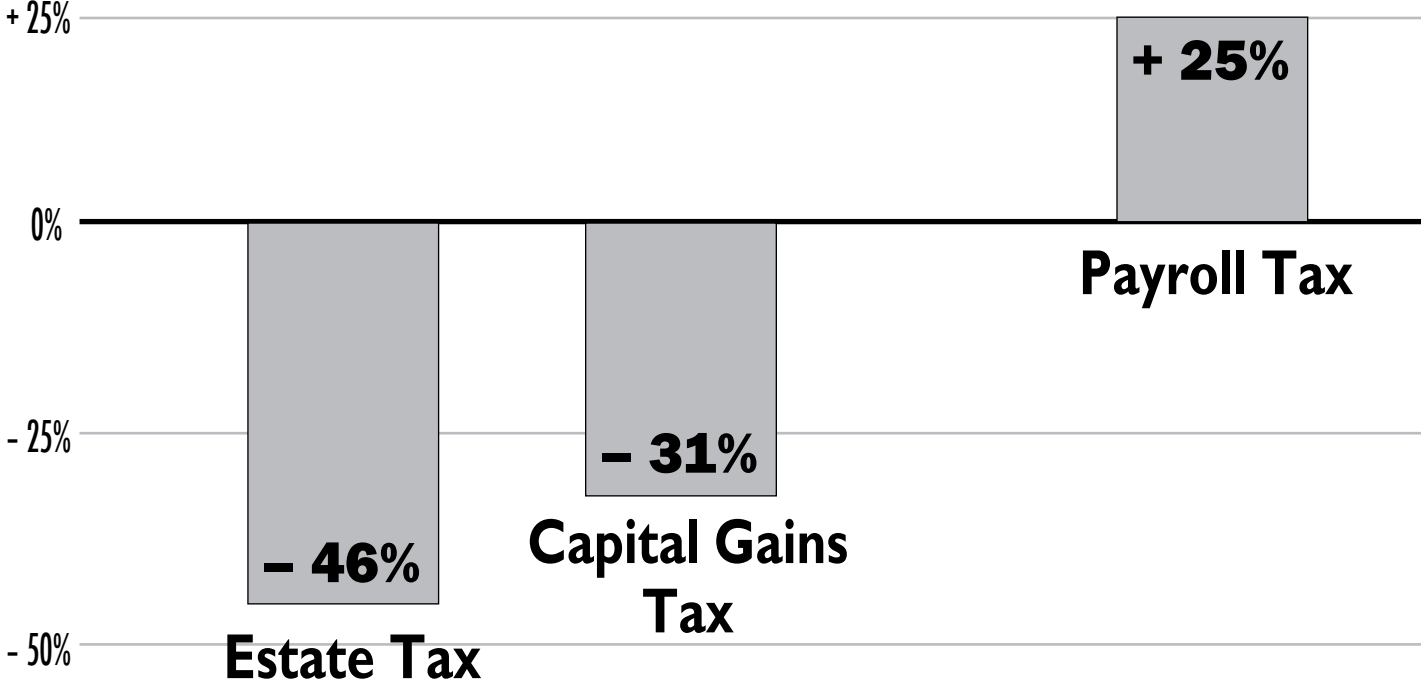
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Change in Top Federal Tax Rates on Wealth & Work since 1980

People with investment income and large amounts of inherited wealth have received a multitude of tax breaks in recent years



Top Tax Rates on Wealth & Investment Income

Top Tax Rate on Work

Source: UFE calculations from Tax Policy Center data (www.TaxPolicyCenter.org) for Payroll Tax (through 2005 and Capital Gains Tax (through 2002) and the Heritage Foundation for the Estate Tax (through 2005).

“Greed is Good”



“Ladies and gentlemen ... greed, for lack of a better word, is good.”

— Gordon Gekko, a fictitious corporate raider, at a meeting of shareholders in the 1987 movie “Wall Street.”



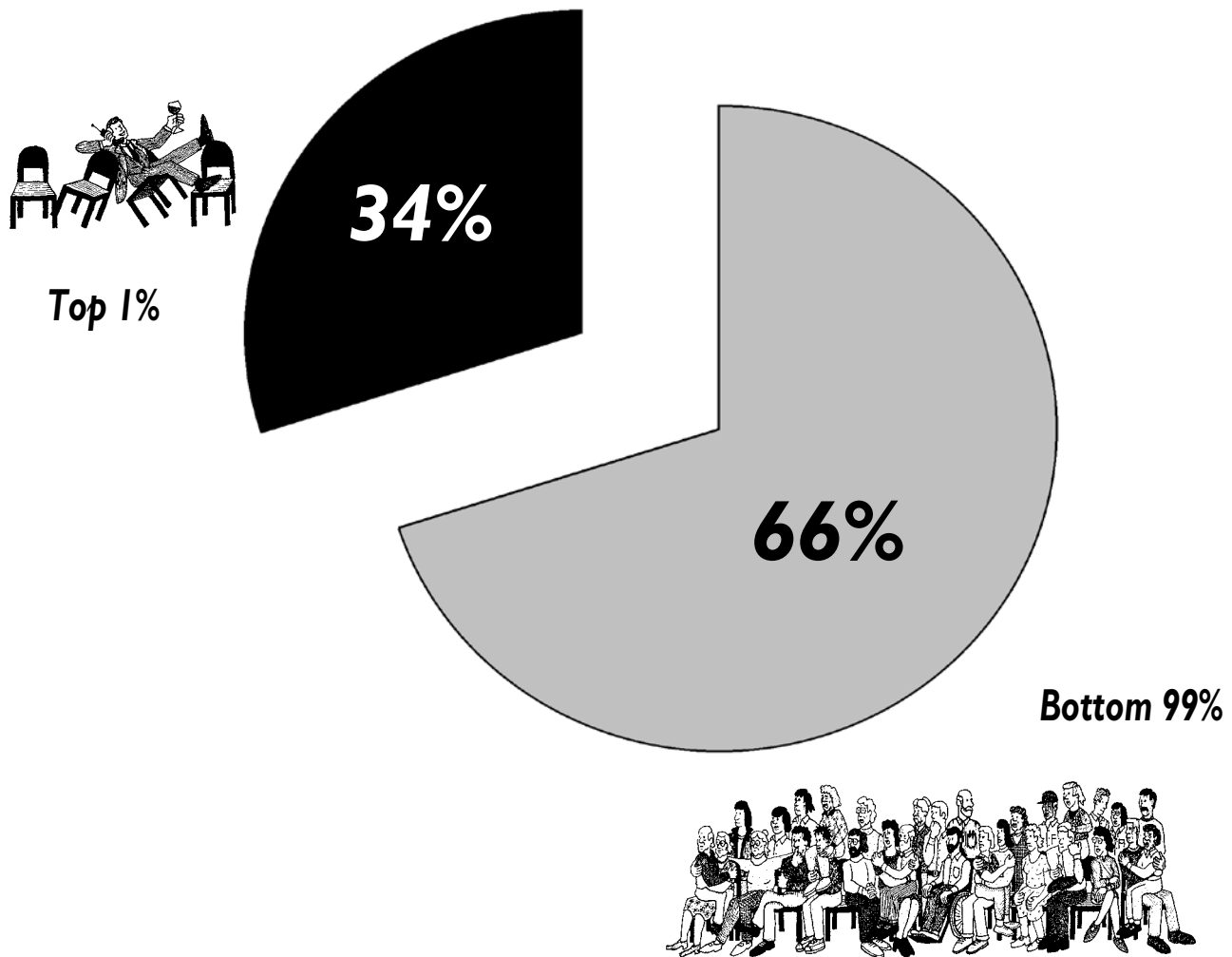
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Ownership of Household Wealth in the U.S. in 2004



The average wealth of the top 1% (\$14.8 million) has grown from **125** times in 1962 to **190** times the median net worth in 2004 (\$77,900)!

Source: Edward Wolff (2006) cited in Table 5.1 and 5.4 in *The State of Working America 2006/2007*, Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, Economic Policy Institute.



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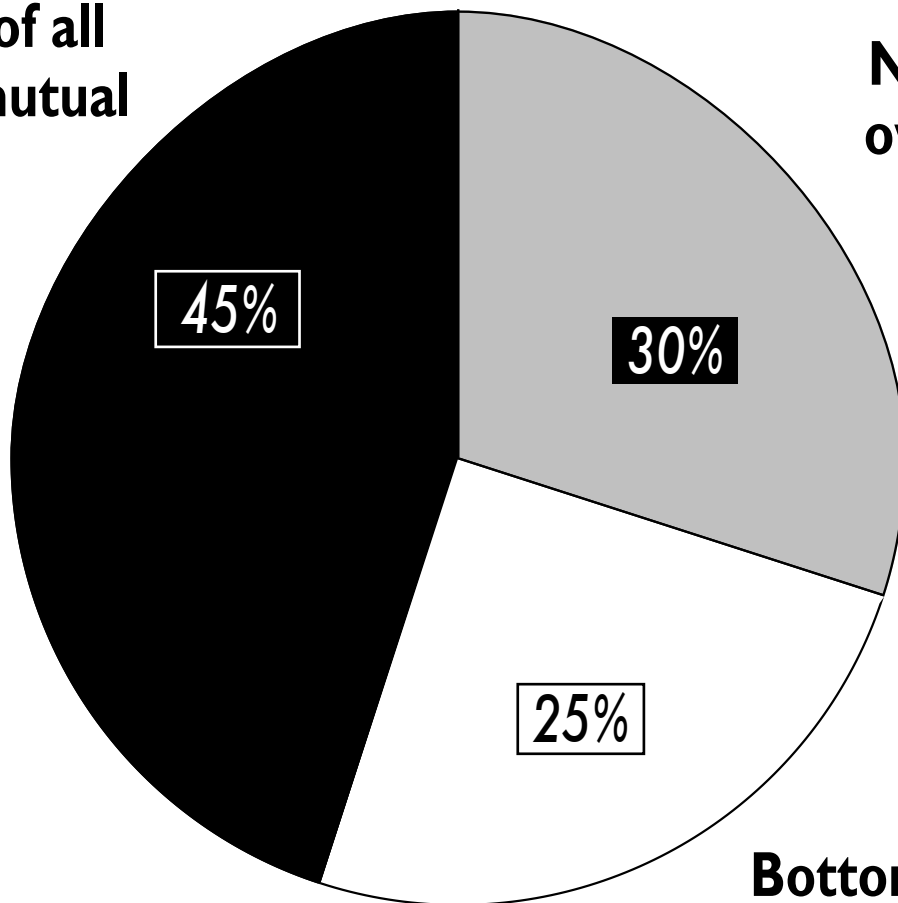
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Ownership of Stocks and Mutual Funds, 2004

Who really wins when the stock market rises?

Wealthiest 1% own 45% of all stocks & mutual funds

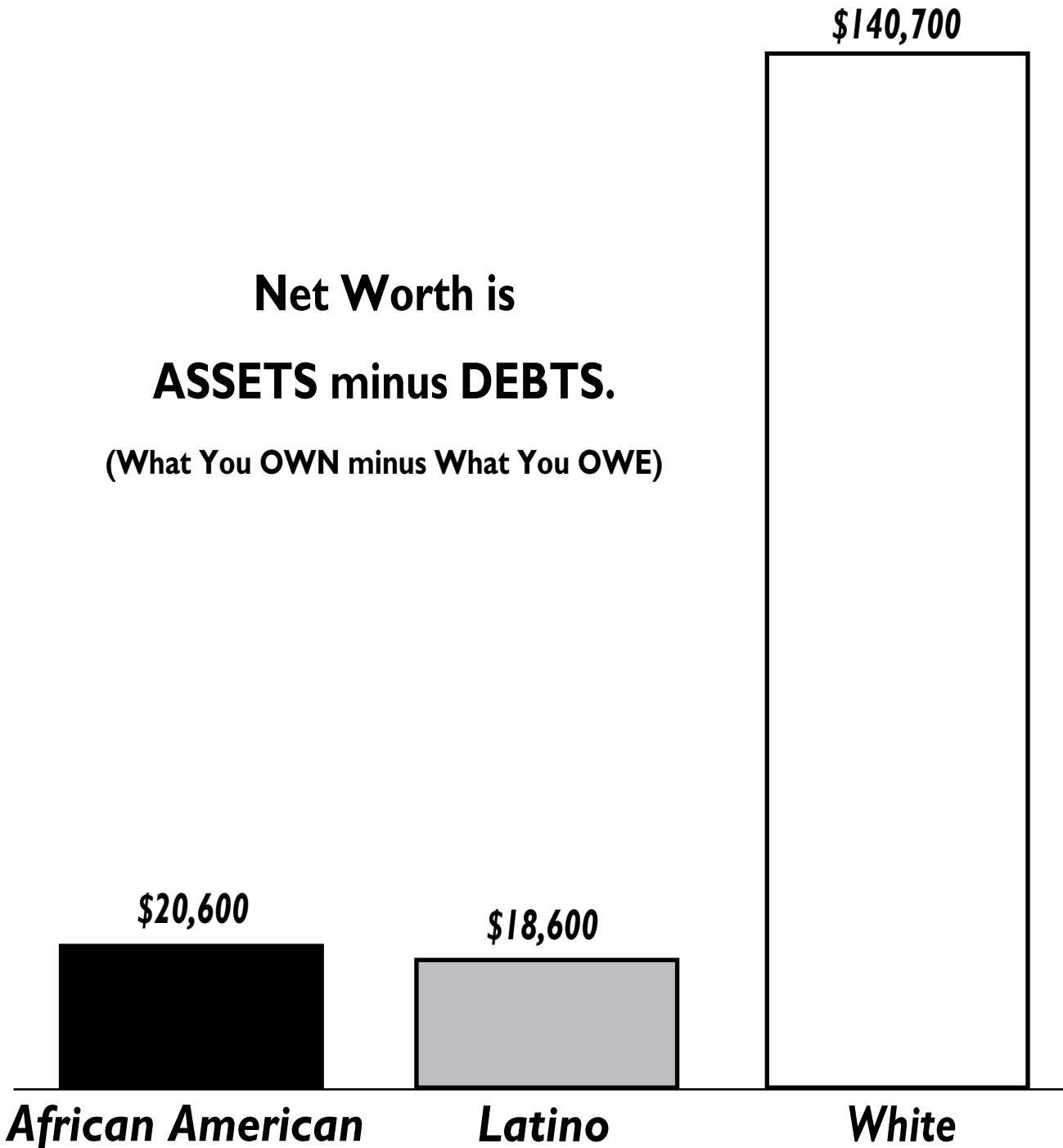


Next 9% own 30%

Bottom 90% own 25%

Sources: UFE analysis of Arthur B. Kennickell, *Currents and Undercurrents: Changes in the Distribution of Wealth, 1989-2004*, Survey of Consumer Finances, Federal Reserve Board.

Family Median Net Worth by Race, 2004



Source: Survey of Consumer Finances, Federal Reserve Board, 2006.



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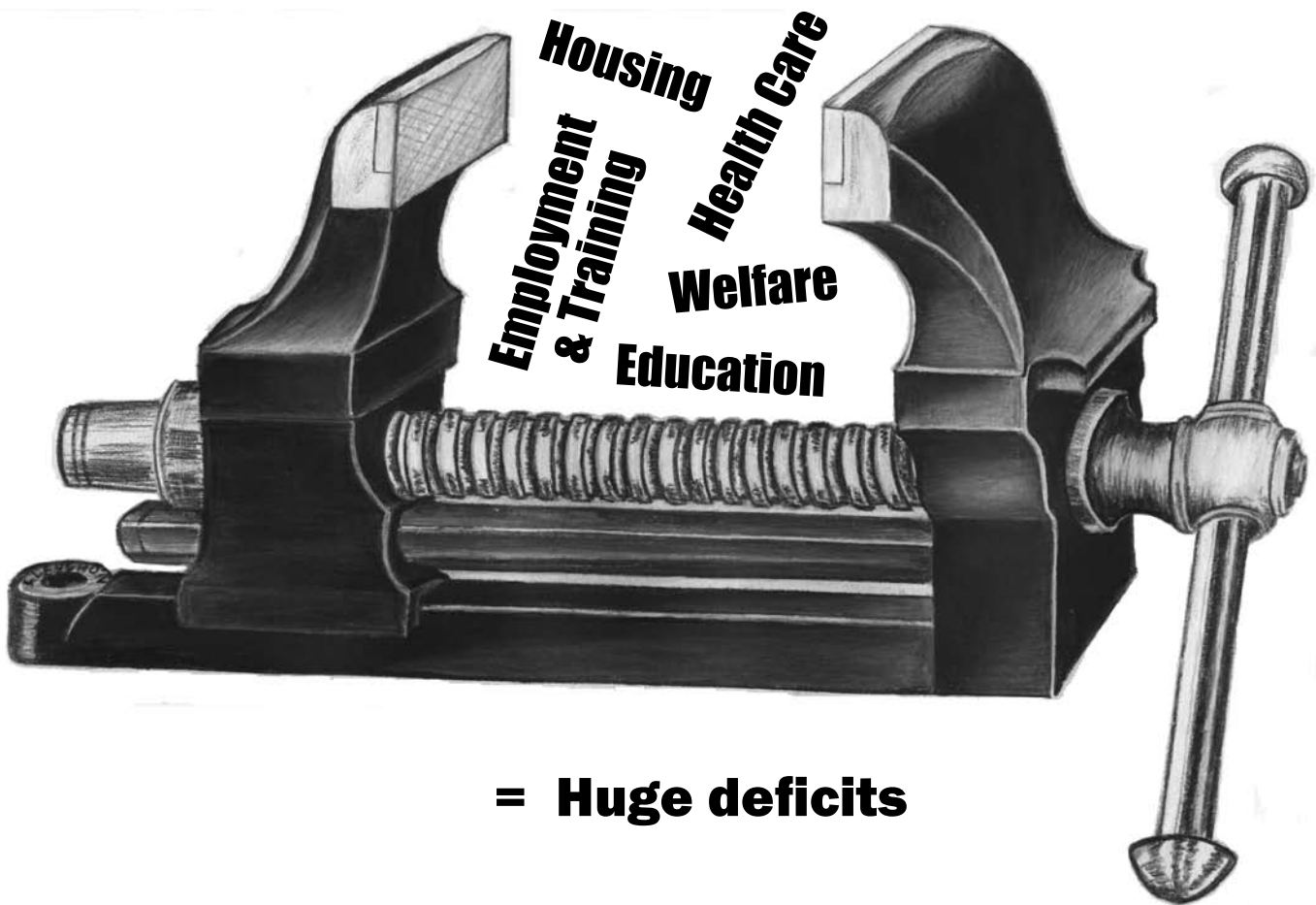
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Using “Strategic Deficits” in the 1980s

**Big increases
in military
spending**

+

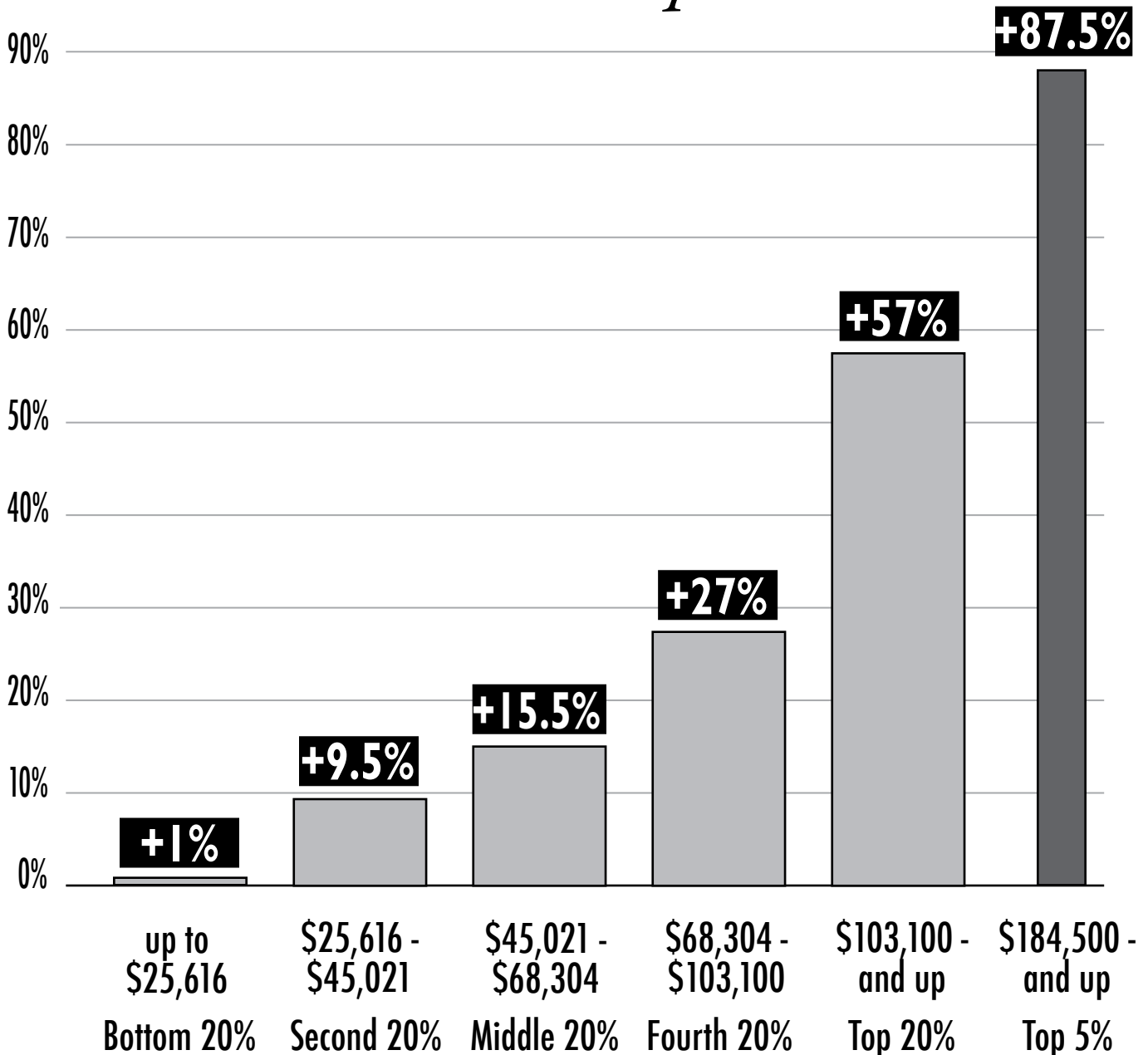
**Tax cuts
(mainly for
the wealthy)**



The result was a squeeze on social spending.

Real Family Income Growth by Quintile & for Top 5%, 1979 - 2006

We Grew Apart



Source: U.S. Census Bureau, Historical Income Tables - Families, Table F-3: Mean income, Table F-1: Income Limits. Percentage change based on average income for each income group in 2006 dollars.



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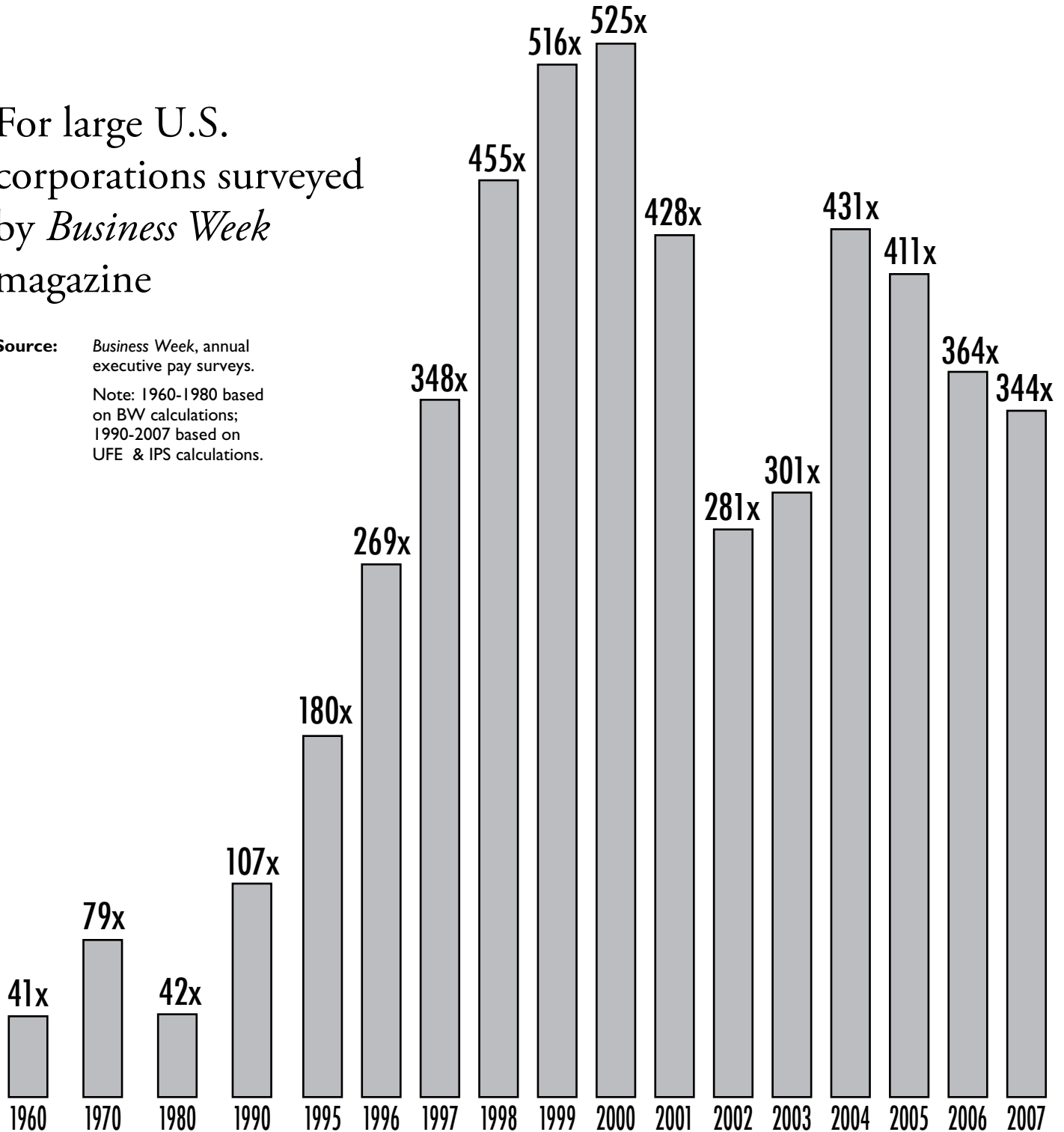
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CEO Pay as a Multiple of Average Worker Pay, 1960-2007

For large U.S. corporations surveyed by *Business Week* magazine

Source: *Business Week*, annual executive pay surveys.
Note: 1960-1980 based on BW calculations; 1990-2007 based on UFE & IPS calculations.

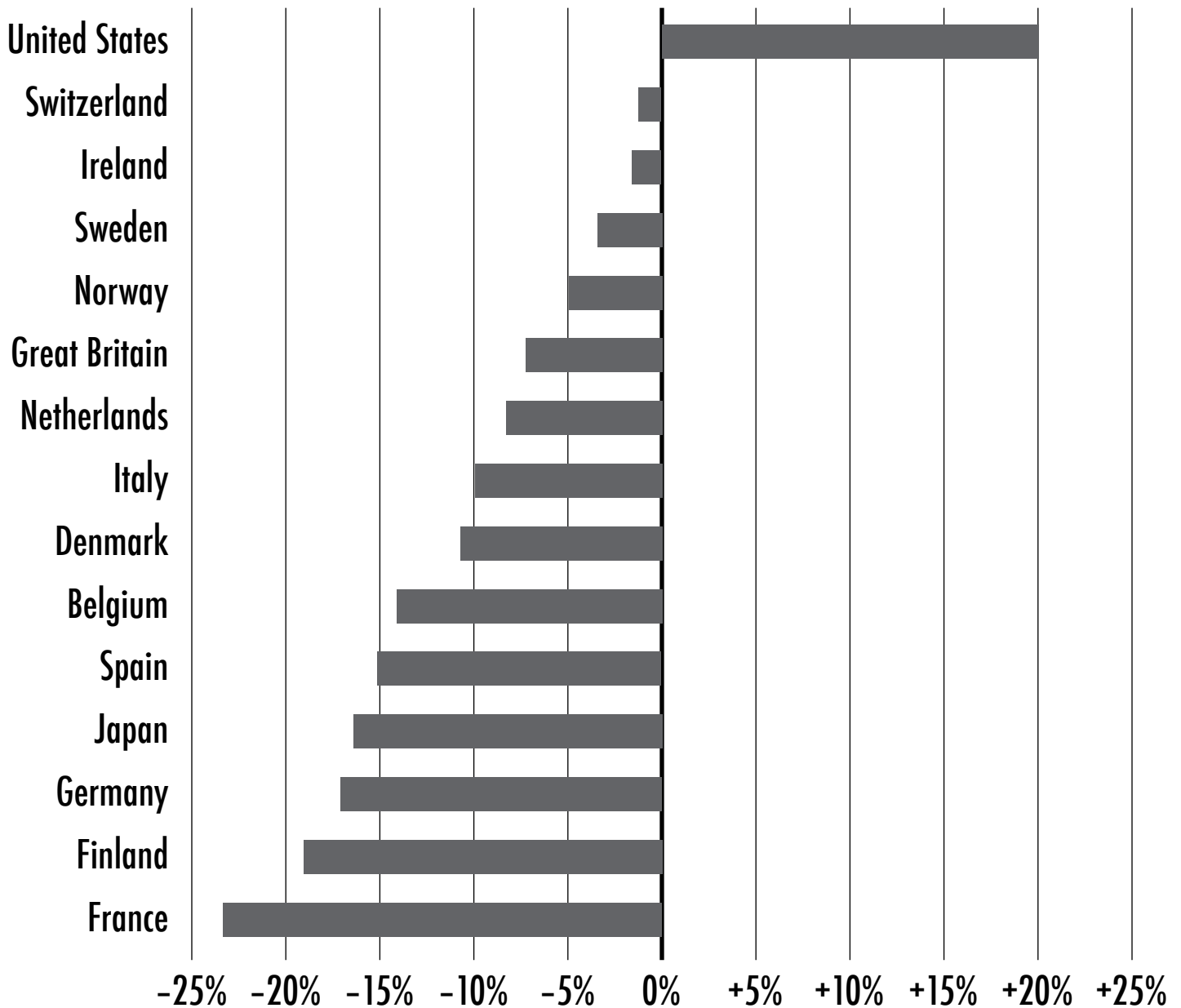


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Trends in Hours Worked Since 1970



Source: *Capitalism Hits the Fan - Richard Wolff on the Economic Meltdown*, Media Education Foundation (DVD, 2009) <www.mediaed.org>. Original source data: <http://www.census.gov/compendia/statab/past_years.html>.



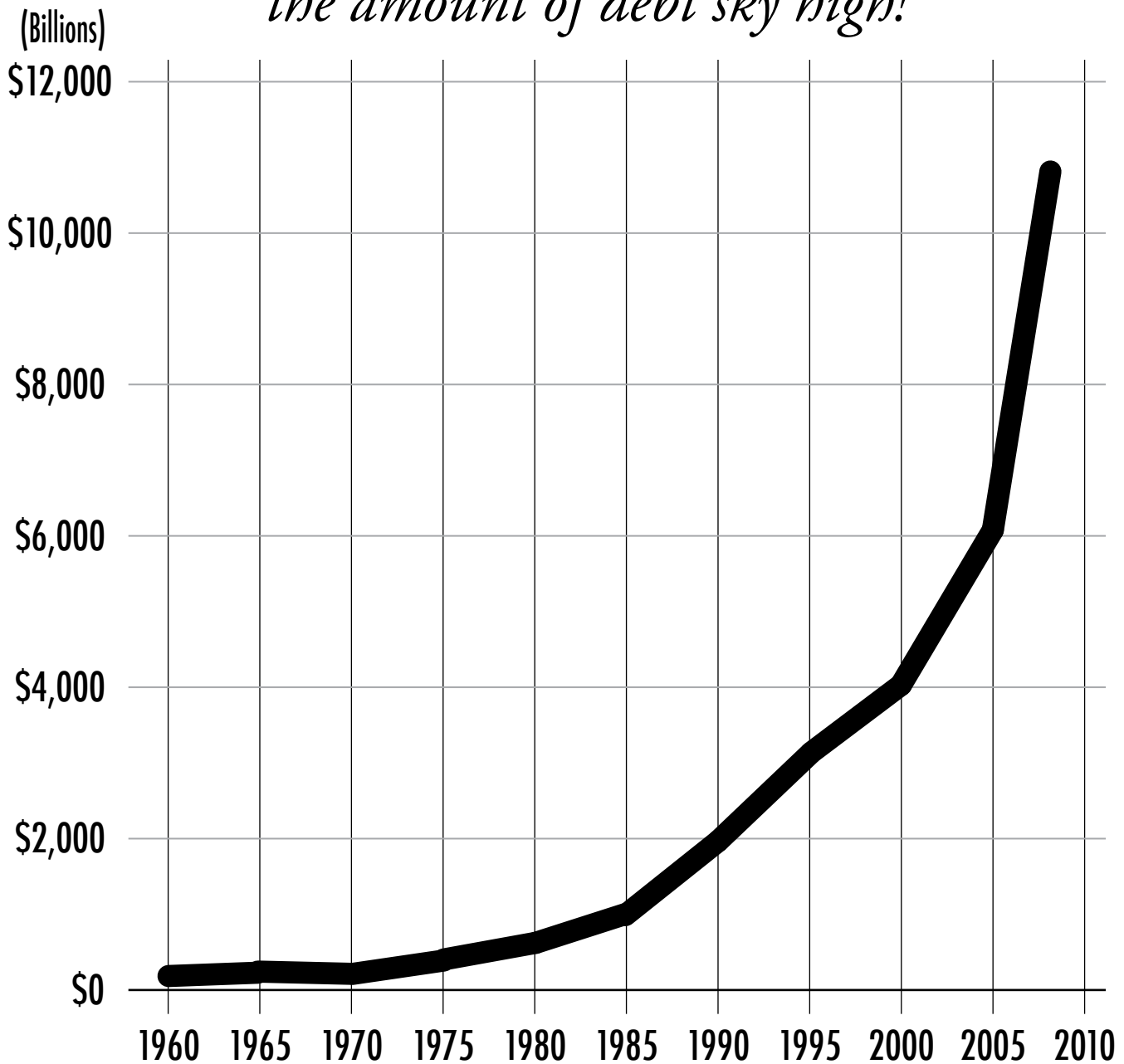
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Total Mortgage Debt

Deregulation of mortgage lending drove the amount of debt sky high!



Source: *Capitalism Hits the Fan - Richard Wolff on the Economic Meltdown*, Media Education Foundation (DVD, 2009) <www.mediaed.org>. Original source data: <http://www.census.gov/compendia/statab/past_years.html>.



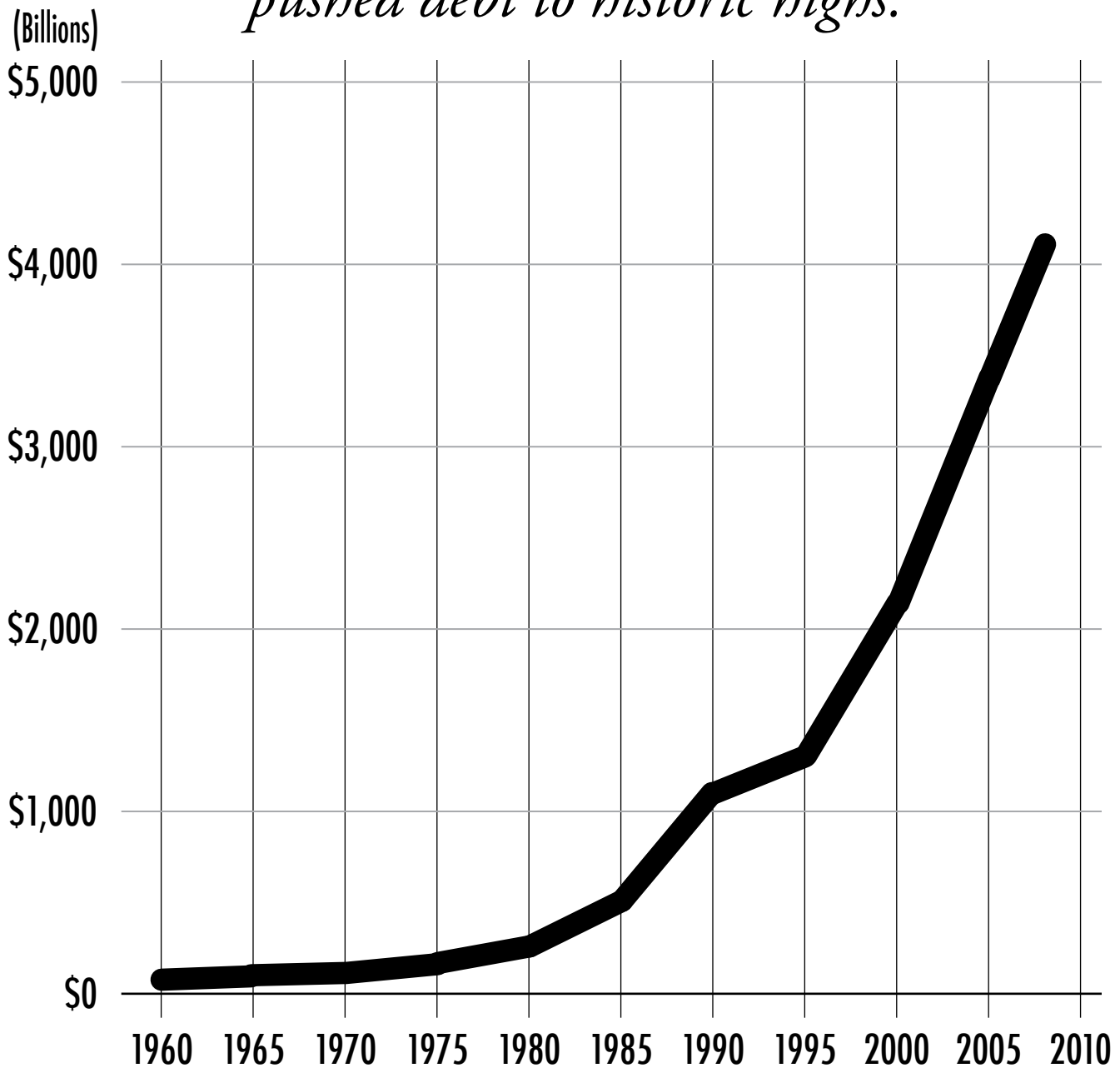
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Total Credit Card Debt

Stagnant wages and easy credit terms pushed debt to historic highs.



Source: *Capitalism Hits the Fan - Richard Wolff on the Economic Meltdown*, Media Education Foundation (DVD, 2009) <www.mediaed.org>. Original source data: <http://www.census.gov/compendia/statab/past_years.html>.



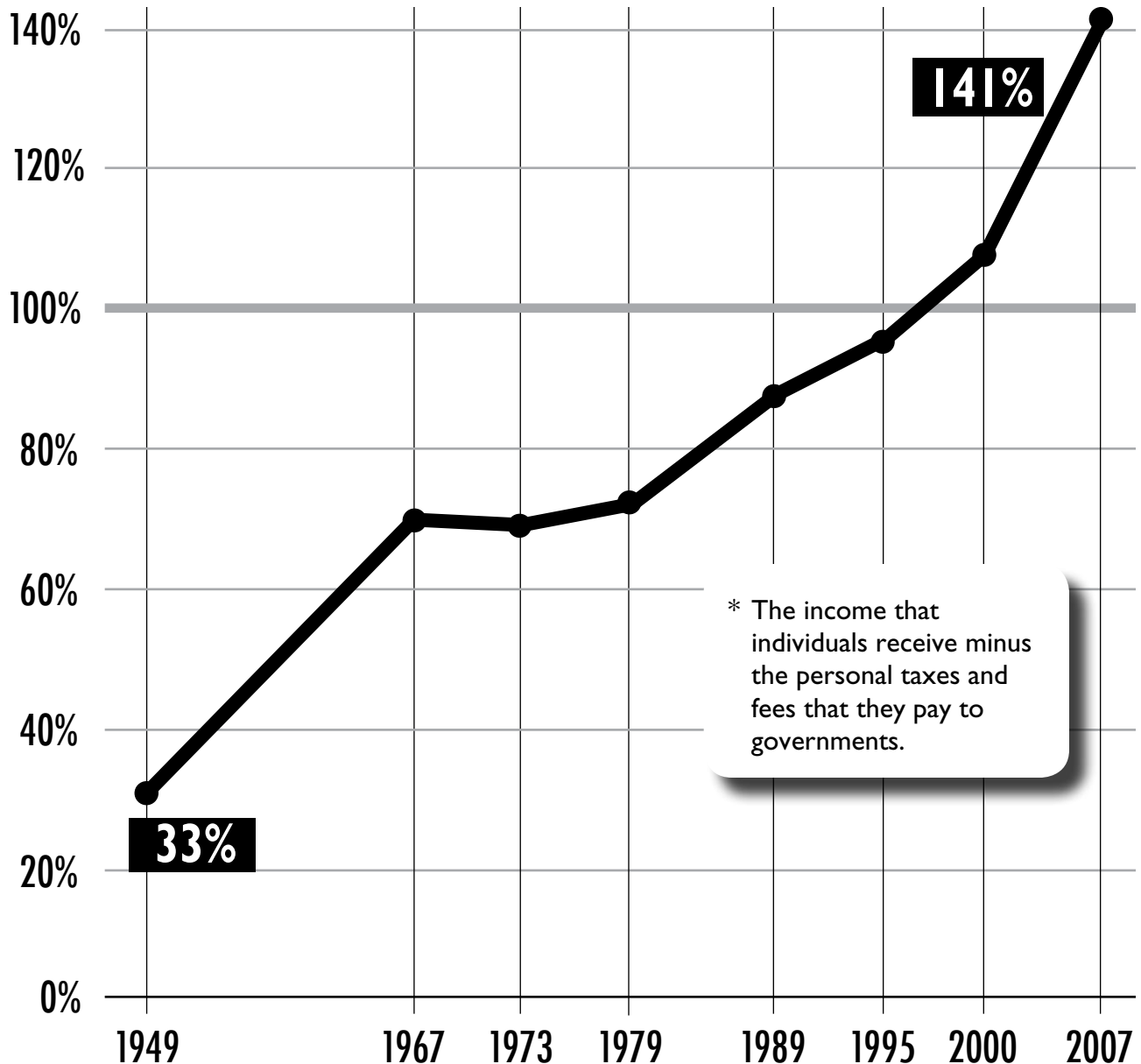
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Household Debt as a Percentage of Disposable Personal Income*

To make ends meet, families are forced to go deeper into debt



Source: Analysis of Federal Reserve Board data (2008a) in Mishel, Bernstein, and Shierholz, *The State of Working America 2008/2009*, Economic Policy Institute (Cornell University Press, 2008) p. 284.



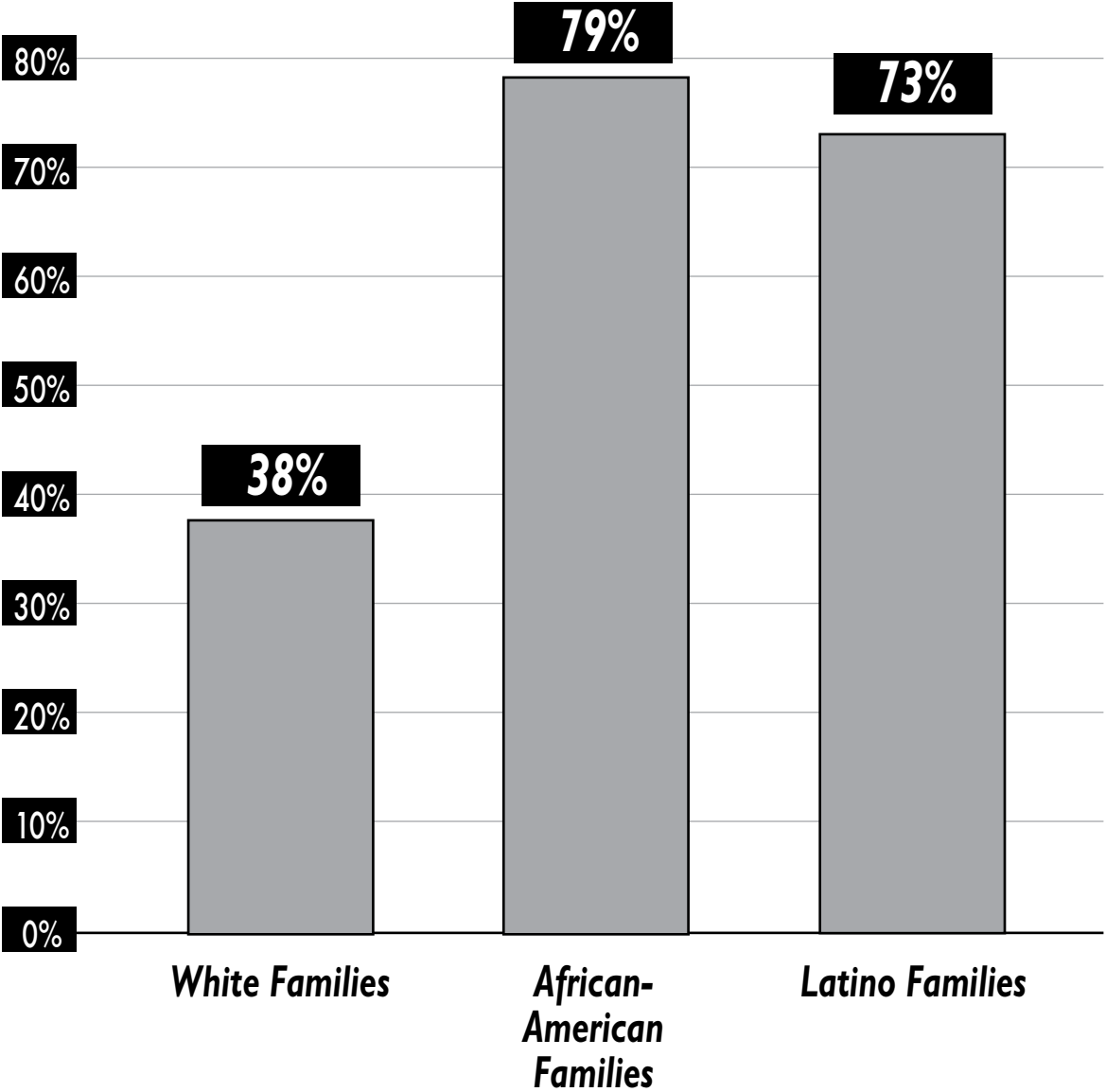
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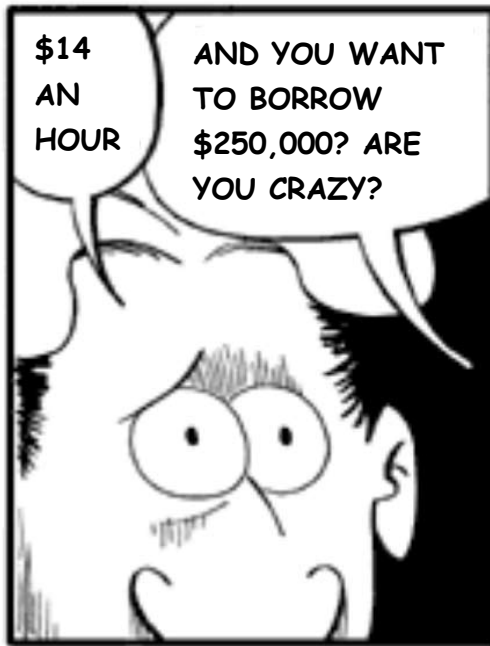
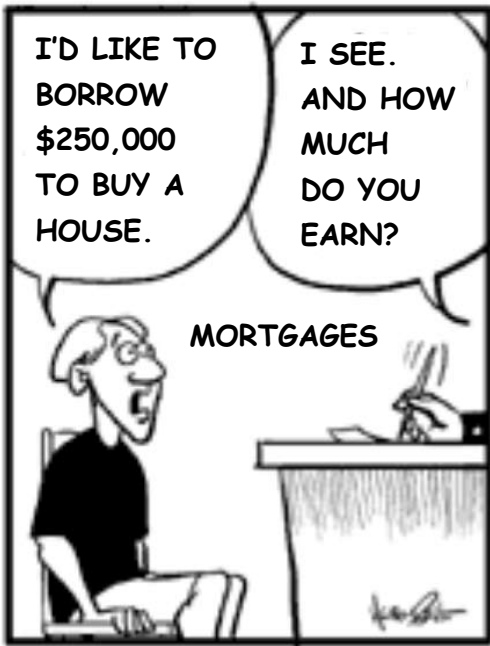
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Percentage of Families Whose Savings Would Run Out in 3 Months or Less

Many families are forced to live on the edge.



Source: Oliver, Melvin and Shapiro, Thomas M., *Black Wealth, White Wealth* (1995), p. 87.



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Principles of the Solidarity Economy

- ★ **Solidarity and Cooperation**
- ★ **Equity in all Dimensions (race, class, ethnicity, gender, etc.)**
- ★ **Social and Economic Democracy**
- ★ **Sustainability**
- ★ **Pluralism; Grassroots-level Organizing; Diversity**
- ★ **People and Planet First**



A Program for Economic Recovery

★ **Challenge Corporate Rule**

Pass the Employee Free Choice Act

Nationalize, re-organize, decentralize giant financial institutions

Oppose predatory lending

Support the rights of immigrant workers: pass the DREAM Act

★ **Close the Wealth & Income Gaps**

Prevent foreclosures & evictions through direct action & legislation

Support asset development to close the racial wealth divide

Support progressive taxes; prevent repeal of the Estate Tax

Pass the Income Equity Act (limits tax-deductibility of CEO pay)

Reform the CORI system (Massachusetts)

★ **Support Other Economic Fairness Issues**

Invest in jobs; build a green infrastructure

Oppose Free Trade Agreements; support Fair Trade

Reduce military spending

Protect Social Security

Pass single-payer, universal health care

Expand food stamps, unemployment benefits, aid to states

Support fair elections — get big money out of politics

Advocate for economic rights as human rights

