

# Dispossession of Wealth

Design Methodology 1 / Secondary Research

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- 1. Middle-class Americans bore the heaviest weight of the 2008 Financial Crisis.**
- 2. Wall Street banks faced mostly symbolic consequences and individuals made gains.**
- 3. Legislation in response to the crisis has failed to equally distribute the consequences of the financial collapse.**

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bore the heaviest weight  
of the 2008 Financial Crisis.**

# Loss of Personal Retirement Funds

- A quarter of Americans age 50 and over report exhausting all of their savings during the recession.<sup>1</sup>
- Unemployed workers claimed retirement benefits early.<sup>1</sup>
- Increased retirement insecurity caused many older workers to postpone retirement.<sup>1</sup>
- Retirement funds for families in the 50th percentile has stagnated since the recession, while families in the 90th percentile have seen recovery.<sup>2</sup>

1. Brandon, Emily. "10 Ways the Recession Has Changed Retirement." *US News*. May 27, 2017. <http://www.epi.org/publication/morrissey-senate-panel-retirement-security/>

2. Morrissey, Monique. "The State of American Retirement, how 401(k)s have failed most American Workers." *Economic Policy Institute*. March 3, 2016. <http://www.epi.org/publication/retirement-in-america/>

*Middle-class Americans bore the heaviest weight of the 2008 Financial Crisis.*

# Foreclosures

- People weren't able to pay their mortgages and ended up losing their homes
- 10 million households lost their homes, dwarfing the number that lost their homes during the Dust Bowl (about 2.5 million people)
- Minorities were hit especially hard by foreclosures

# Taxpayers

- The Emergency Economic Stabilization Act of 2008 provided \$700 billion to big banks to keep the economy from crashing into a depression <sup>1</sup>
- “We were told that the taxpayer was stepping in...to save the world from financial catastrophe. What we actually ended up doing was...committing American taxpayers to permanent, blind support of an ungovernable, unregulatable...financial system” <sup>2</sup>
- It is estimated by the Congressional Budget Office that the financial crisis cost taxpayers around \$21 billion <sup>3</sup>
- This means the cost for each individual in the US is around \$20,000 <sup>4</sup>
- However, it is impossible to place a value on the cost of human suffering

1 . Amadeo, Kimberly. "What Was the Bank Bailout Bill?" *The Balance*. May 18 2017. <https://www.thebalance.com/what-was-the-bank-bailout-bill-3305675>

2. Taibbi, Matt. "Secrets and Lies of the Bailout" *Rolling Stone*. January 4 2013. <http://www.rollingstone.com/politics/news/secret-and-lies-of-the-bailout-20130104>

3. Herbst, Moira. "The Bank Bailout Cost US Taxpayers Nothing? Think Again." *The Guardian*, *Guardian News and Media*, 28 May 2013, [www.theguardian.com/commentisfree/2013/may/28/bank-bailout-cost-taxpayers](http://www.theguardian.com/commentisfree/2013/may/28/bank-bailout-cost-taxpayers).

4.Porter, Eduardo. "Recession's True Cost Is Still Being Tallied." *The New York Times*, *The New York Times*, 21 Jan. 2014, [www.nytimes.com/2014/01/22/business/economy/the-cost-of-the-financial-crisis-is-still-being-tallied.html](http://www.nytimes.com/2014/01/22/business/economy/the-cost-of-the-financial-crisis-is-still-being-tallied.html).

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# “Justice is just a check someone else has to write.”<sup>1</sup>

- Because of statutes of limitations and technicalities, most justice efforts ended in settlements, paid by shareholders rather than any individual.<sup>1</sup>
- “Since 2009, 49 financial institutions have paid various government entities and private plaintiffs nearly \$190 billion in fines and settlements.”<sup>1</sup>

<sup>1</sup> . Cohan, William D., “How Wall Street’s Bankers Stayed Out of Jail.” *The Atlantic*, *The Atlantic Monthly Group*, September 2015.



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## 'Too Big to Fail'

- "...what it does is it creates incentives for these large institutions and their executives to pile on risk. It's a very simple **"Heads I win, tails the taxpayer bails me out"** <sup>1</sup>
- After the creation of new financial tools (like credit default swaps and derivatives) as well as more access to everybody's money; the banks began to do high risk gambling just like [before]. <sup>2</sup>

1 . Bennett, Geoff. "House Passes Bill Aimed At Reversing Dodd-Frank Financial Regulations" NPR. June 8 2017. <http://www.npr.org/2017/06/08/532036374/house-passes-bill-aimed-at-reversing-dodd-frank-financial-regulations>

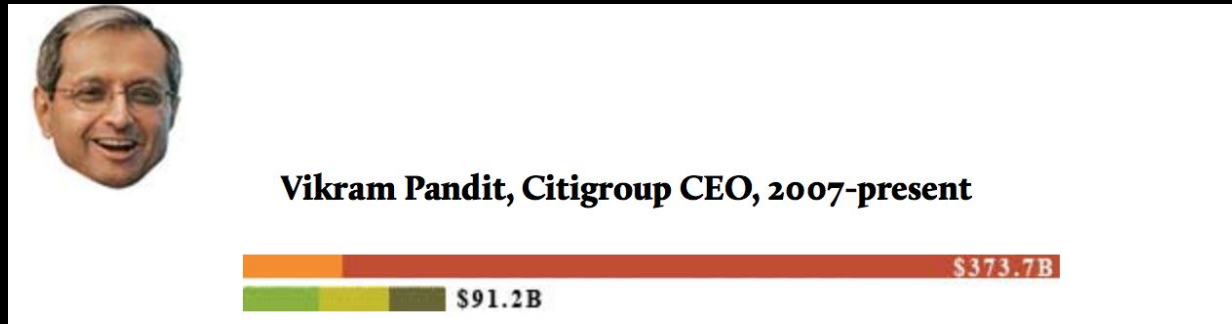
2. Collins, Mike. "The Bank Bailout" Forbes. July 14 2015. <https://www.forbes.com/sites/mikecollins/2015/07/14/the-big-bank-bailout/#56d005ea2d83>

Key Point Two / Dispossession of Wealth

Wall Street banks faced mostly symbolic consequences and individuals made gains.

## Big Bonuses

- As CEO, Jamie Dimon received a 74% raise to \$20 million after JPMorgan Chase settled with the Justice Department.<sup>1</sup>



*Credit: "9 Wall Street Execs Who Cashed In on the Crisis." Mother Jones, Mother Jones and the Foundation for National Progress, January/February 2010.*

<sup>1</sup> . Cohan, William D., "How Wall Street's Bankers Stayed Out of Jail." *The Atlantic*, The Atlantic Monthly Group, September 2015.

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## Low Home Ownership, Increase in Renting

- Home ownership rates — the percentage of households where occupants own the homes they live in — haven't rebounded. They're at their lowest level in more than 25 years.
- Foreclosures were taken up largely by investors, who were buying up properties as rentals.

"The housing market has recovered, but housing finance has not recovered."

*Legislation in response to the crisis has failed to equally distribute the consequences of the financial collapse.*

## Regulations Repealed

- On June 8, 2017 the House passed the Financial Choice Act, which scales back or eliminates many of the post-crisis banking rules.<sup>1</sup>
- This bill would “defang Dodd-Frank by repealing the so-called Volcker Rule, which prevents government-insured banks from making risky bets with investments.”<sup>1</sup>
- Banks have spent about \$1 billion lobbying against Dodd-Frank<sup>2</sup>
- In April 2016, “Five out of eight of the country's biggest banks do not have credible plans for winding down operations during a crisis without the help of public money”<sup>3</sup>

1 . Bennett, Geoff. “House Passes Bill Aimed At Reversing Dodd-Frank Financial Regulations” NPR. June 8 2017. <http://www.npr.org/2017/06/08/532036374/house-passes-bill-aimed-at-reversing-dodd-frank-financial-regulations>

2. Herbst, Moira. “The Bank Bailout Cost US Taxpayers Nothing? Think Again.” The Guardian, Guardian News and Media, 28 May 2013, [www.theguardian.com/commentisfree/2013/may/28/bank-bailout-cost-taxpayers](http://www.theguardian.com/commentisfree/2013/may/28/bank-bailout-cost-taxpayers).

3. Reuters. “Too Big to Fail Banks Fail Regulatory Test on Living Wills” Fortune, Finance. April 13 2016. <http://fortune.com/2016/04/13/living-wills-banks/>

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# Mergers

- “...the money went to the banks with no strings attached, no conditions, no incentives, just essentially piles of money given to them **without any instructions whatsoever...**” <sup>1</sup>  
*-Neil Barofsky, former inspector general of TARP (Trouble Asset Relief Program)*
- Many banks that were bailed out have only grown in size—they were able to acquire their rivals during the crisis. <sup>2</sup>
- The 12 largest banks now control 70% of all bank assets. <sup>2</sup>

1 . Breslow, Jason. "Neil Barofsky on the "Broken Promises" of the Bank Bailouts" Frontline. August 1 2012. <http://www.pbs.org/wgbh/frontline/article/neil-barofsky-on-the-broken-promises-of-the-bank-bailouts/>

2. Jenkins, Patrick. "What happened to the 'too big to fail' banks?" Financial Times. April 2017. <https://www.ft.com/content/0bd8f4d4-76de-11e7-a3e8-60495fe6ca71>

**Regulation efforts were not effective  
and currently we are not prepared  
for another financial crisis.**