

Bankers, Brokers, Bubbles and Bailouts

The Causes & Consequences of the Financial Crisis & Great Recession



9/15

The Nation at a Crossroads

Our Jobs

Layoffs & job instability
Stagnant wages
Insecure pensions
Longer work hours

Our Families

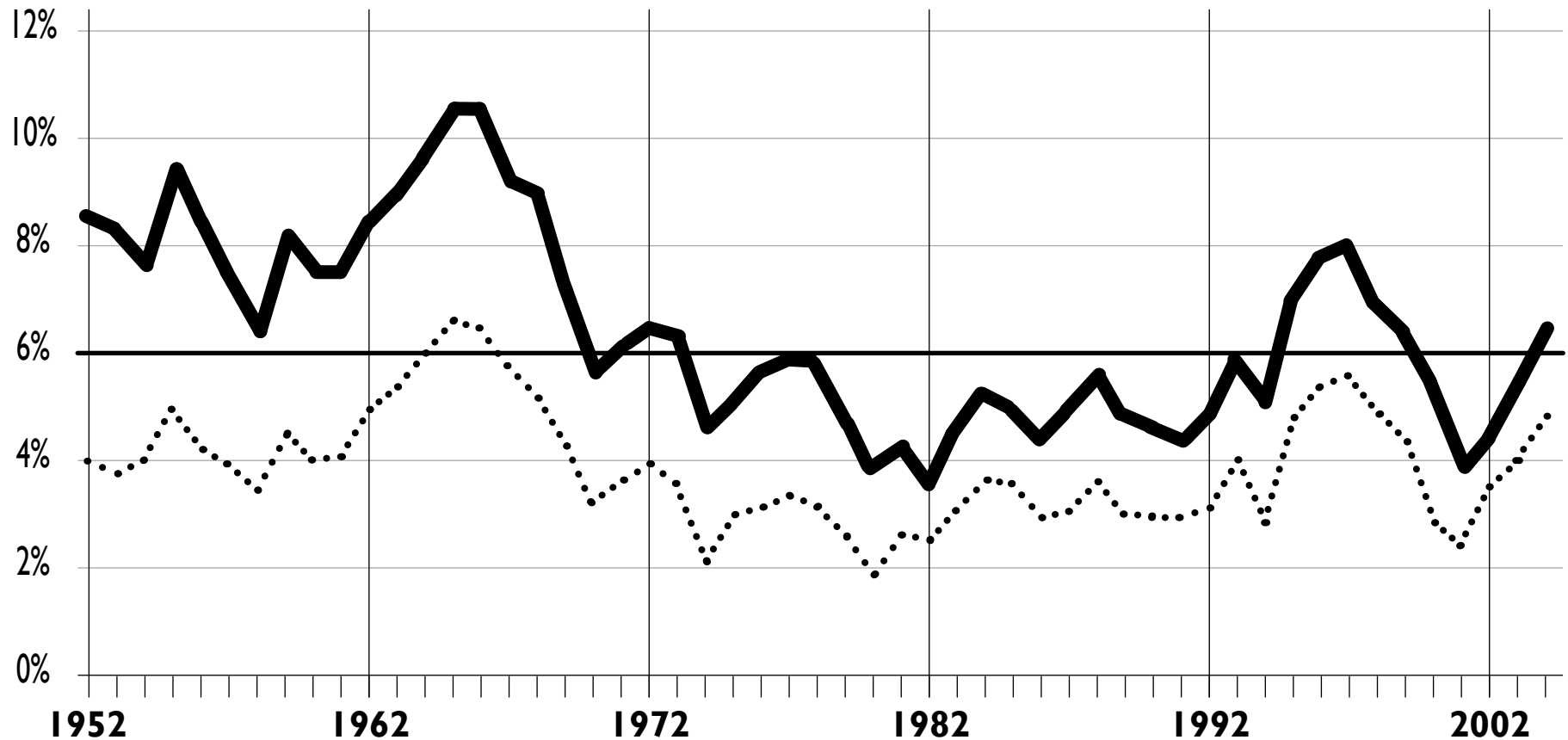
Loss of family time
Rising costs of housing,
health care, education,
utilities, and food

Our Communities

Cut backs in necessary services
Anger at immigrants
Fear of crime
Collapsing infrastructure (bridges, roads, rail)

Rate of Profit, 1952 - 2004

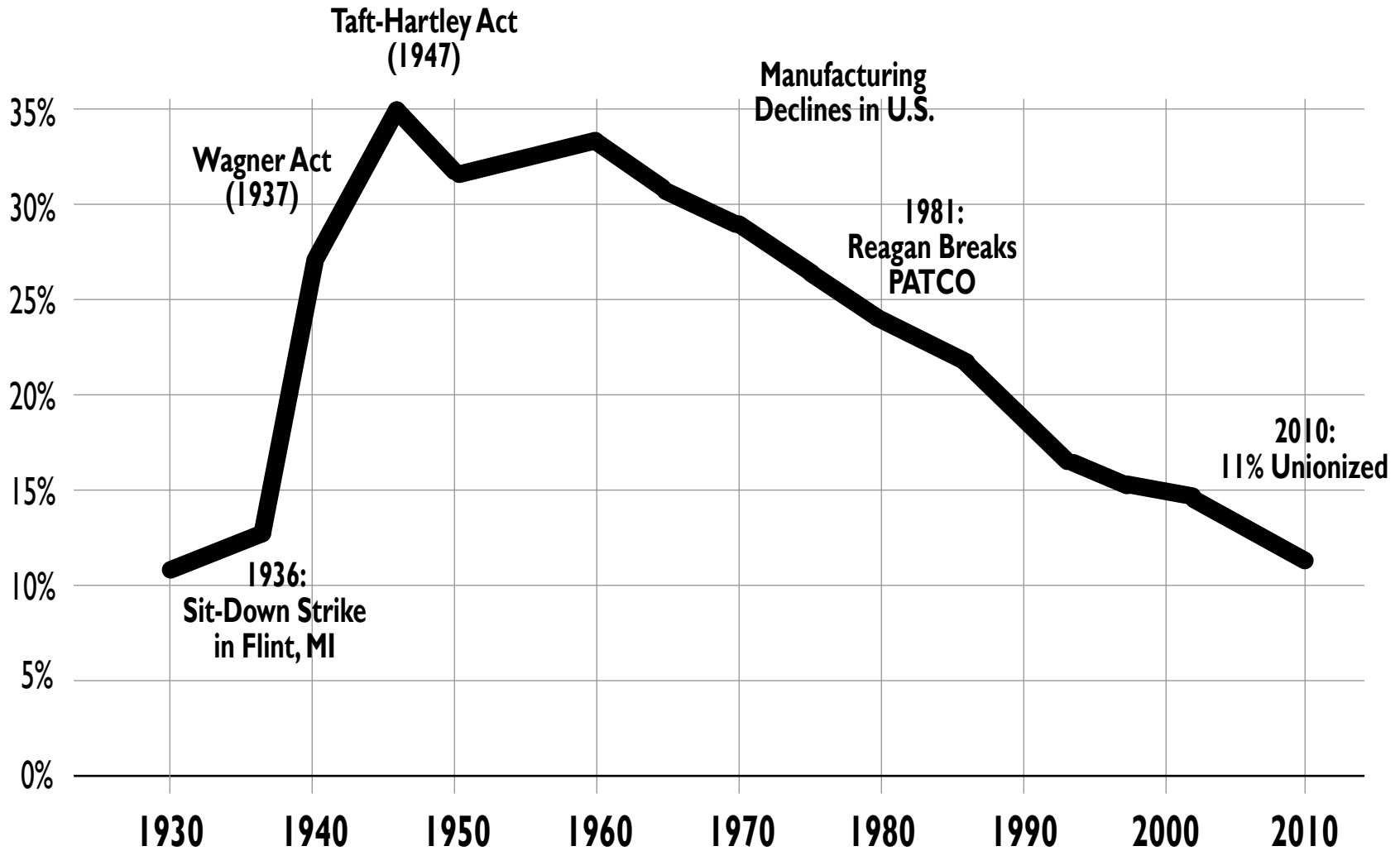
Corporate profits fell sharply after the mid-1960s.



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

Percentage of the Workforce in a Union - 1930-2010

Anti-union policies weaken the power & voice of workers

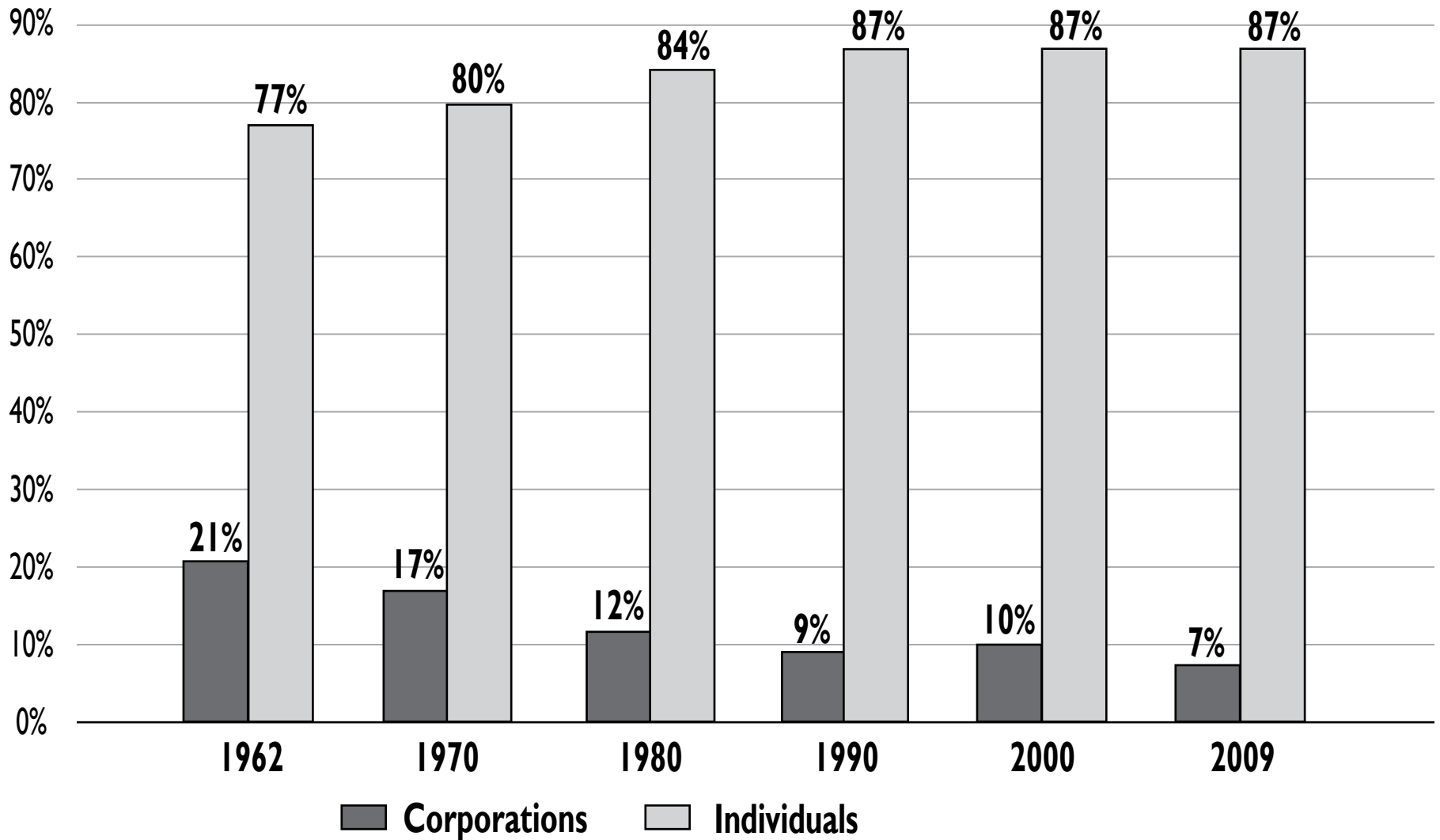


Source: Bureau of Labor Statistics



Percent of Federal Tax Collections from Individuals & Corporations

Taxes have been shifted from corporations to individuals



Source: Congressional Budget Office, "Revenues by Major Source, 1962 to 2004" and for 2007: "Revenues by Major Source, 1968 to 2007."



“Greed is Good”

*“Ladies and gentlemen
... greed, for lack of a
better word, is good.
Greed is right. Greed
works. Greed clarifies,
cuts through to the essence
of the revolutionary
spirit... and greed will
save that malfunctioning
corporation, the USA.”*



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

The Strategy to Implement Reaganomics

“I simply want to reduce government to the size where I can drag it into the bathroom and drown it in the bathtub.”

— Grover Norquist, Americans for Tax Reform



Defame

- “Government is just big bureaucracy without accountability.”
- Public sector workers are “overpaid” and “lazy.”

Defund

- Taxes are cut to reduce government spending.
- Education & human services are cut at federal and state levels.

Deregulate

- Standards are cut for workplace & food safety.
- Environmental rules are undercut with trade treaties.

and **Privatize**

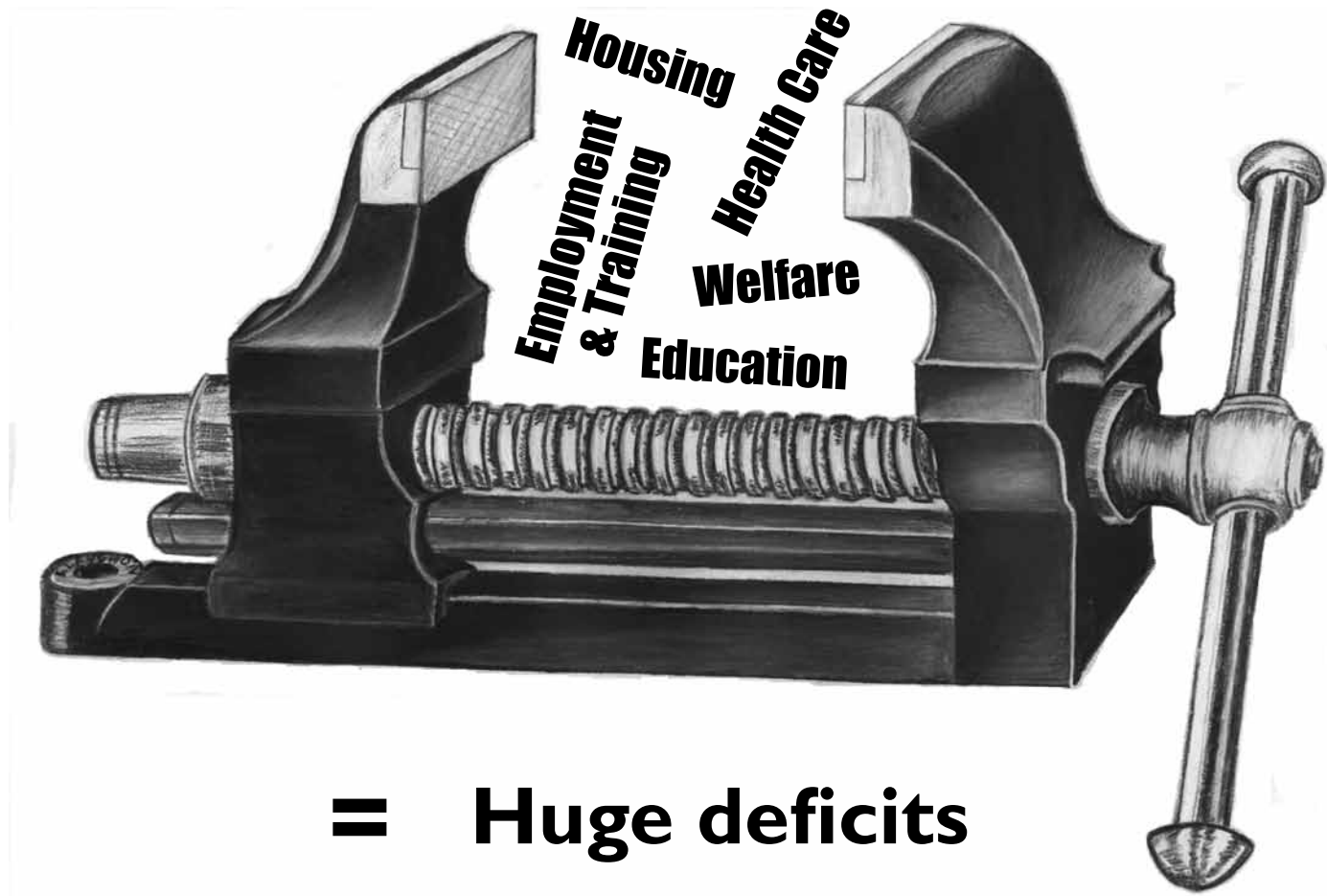
- Easier for corporations to profit off the public’s basic needs.

Using “Strategic Deficits” in the 1980s

**Big increases
in military
spending**

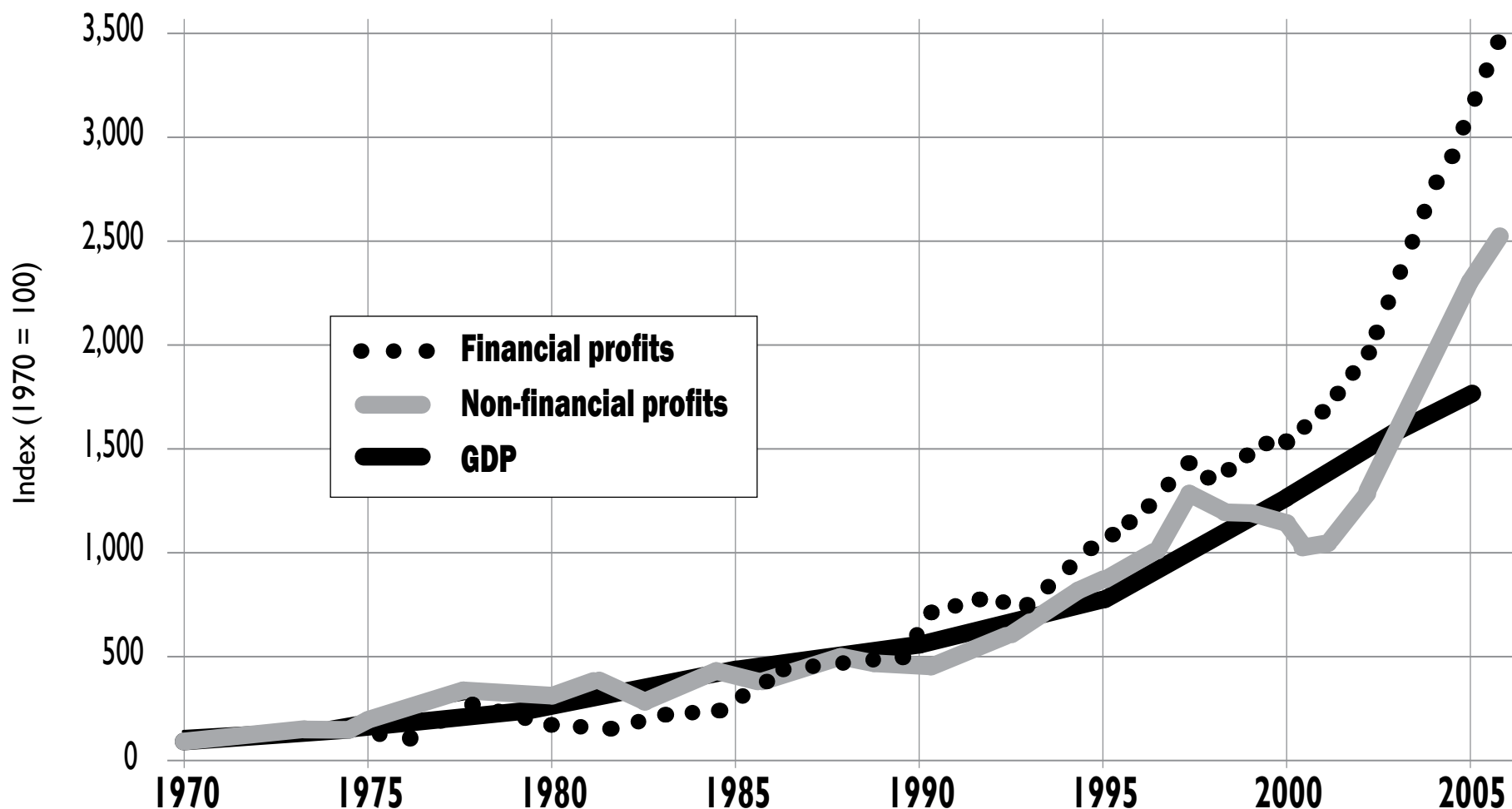
+

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



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

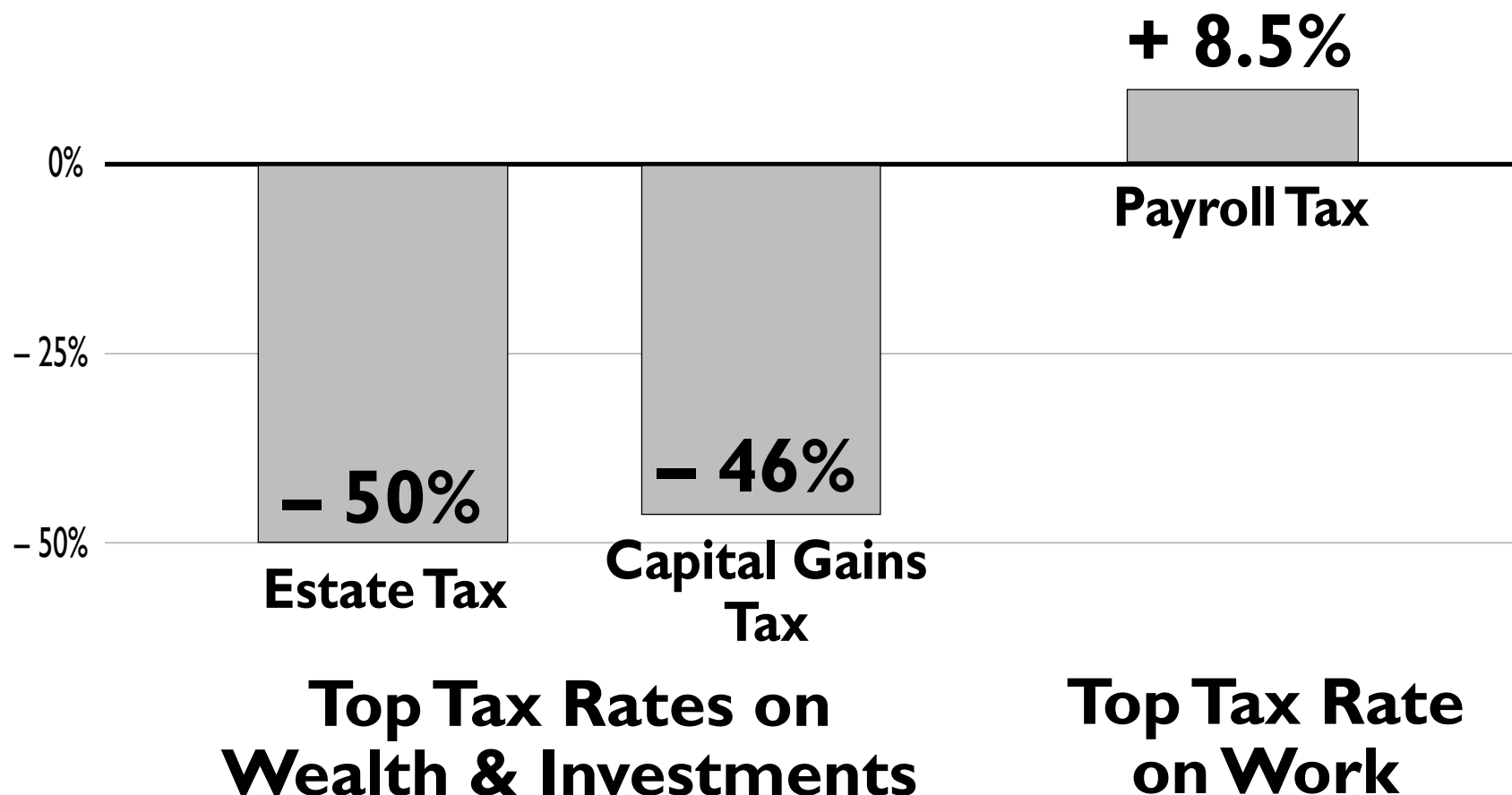
Profits, particularly in the financial sector, rose dramatically in the late 1990s.



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

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

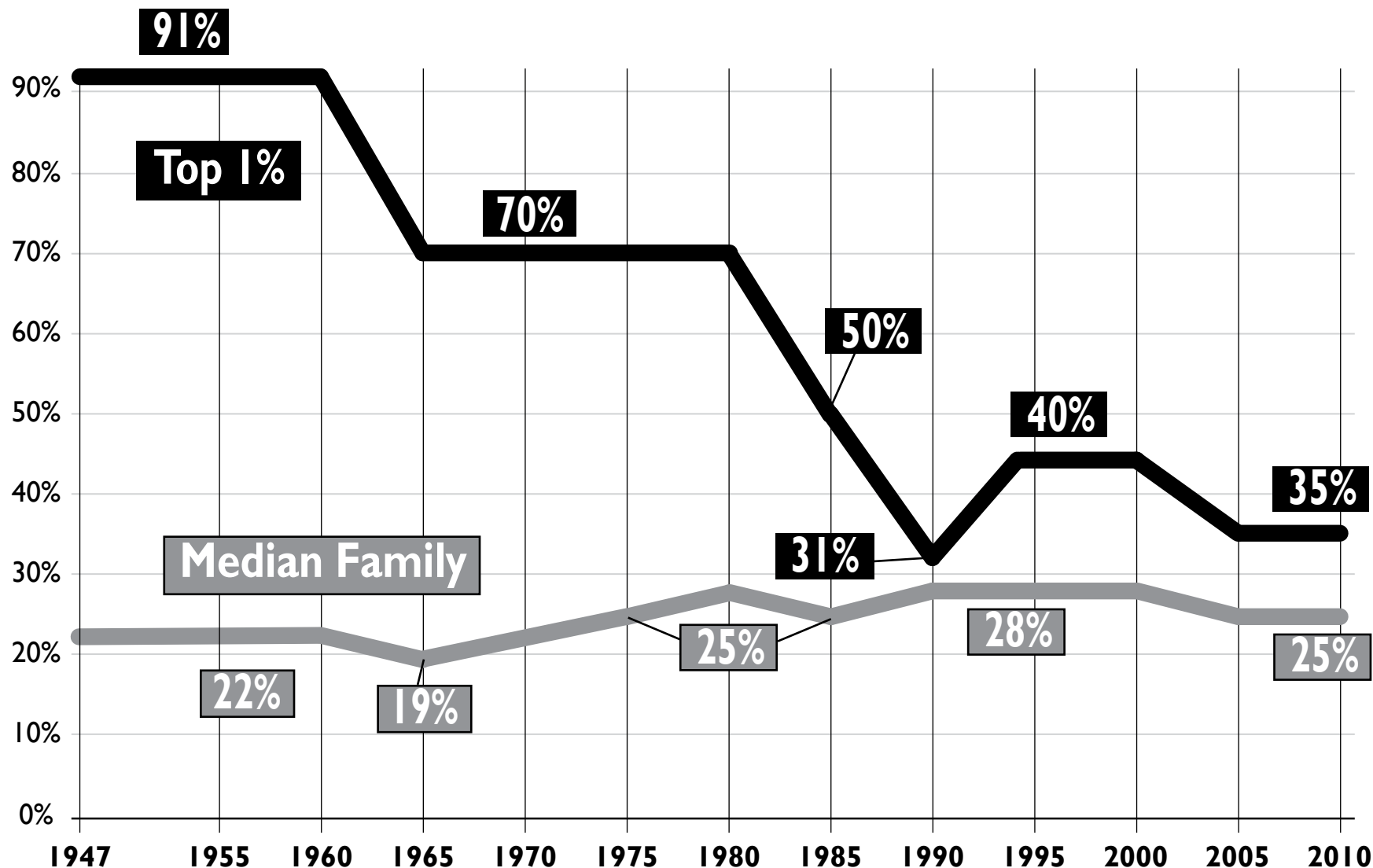
Taxes have been shifted from wealth to work



Sources: For Payroll Tax: UFE calculations from Tax Policy Center data <www.taxpolicycenter.org> "Historical SS Tax Rates" for 1980, and IRS Publication 15 (Circular E) <www.irs.gov> for 2011. For Capital Gains Tax: UFE calculations from Tax Policy Center data, "Individual & Corporate Capital Gains 1955-1999" for 1980, and *Wall Street Journal*, "Tax Changes for 2011: A Checklist" for 2011. For the Estate Tax: UFE calculations from the IRS, "The Estate Tax: Ninety years and counting" for 1980, and HR. 4853 - Title III of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010" for 2011.

Federal Tax Rates for the Top 1% and the Median Family 1947-2010

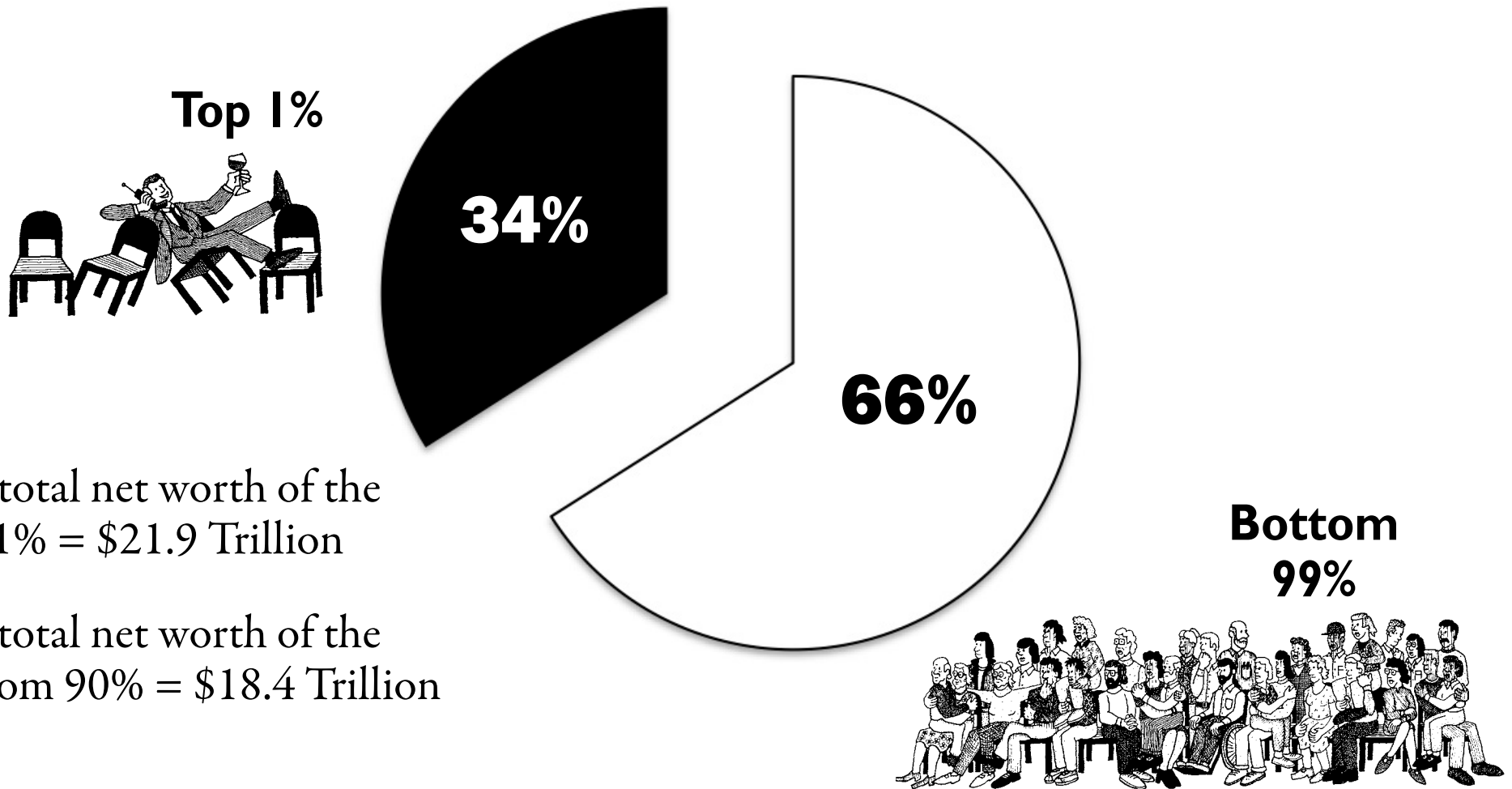
Big tax breaks for the wealthy - No tax relief for working families



Source: Tax Foundation <<http://www.taxfoundation.org/files/federalindividualratehistory-200901021.pdf>>.



Ownership of Household Wealth in the U.S., 2007



The total net worth of the top 1% = \$21.9 Trillion

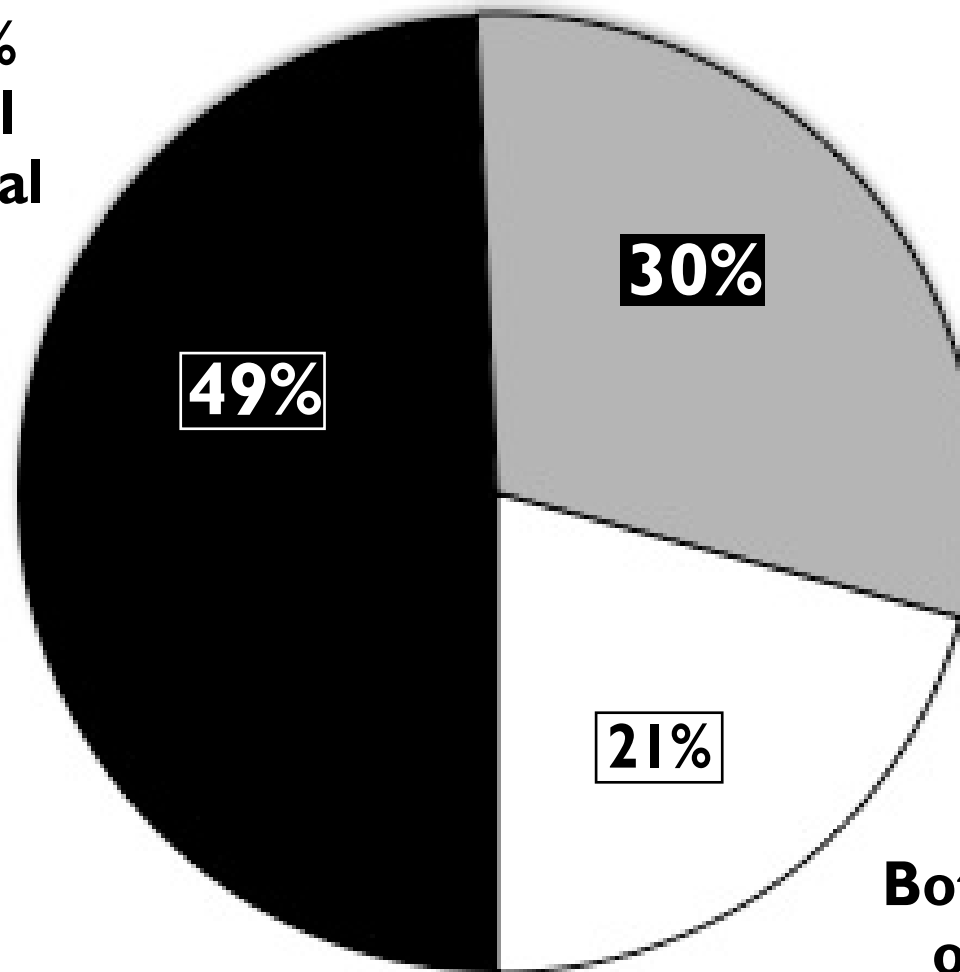
The total net worth of the bottom 90% = \$18.4 Trillion

Source: *Ponds and Streams: Wealth and Income in the U.S., 1989 to 2007* by Arthur B. Kennickell, Federal Reserve Board
<<http://www.federalreserve.gov/pubs/feds/2009/200913/200913pap.pdf>>.

Ownership of Stocks and Mutual Funds, 2004

Who really wins when the stock market rises?

**Wealthiest 1%
own 49% of all
stocks & mutual
funds**



**Next 9%
own 30%**

**Bottom 90%
own 21%**

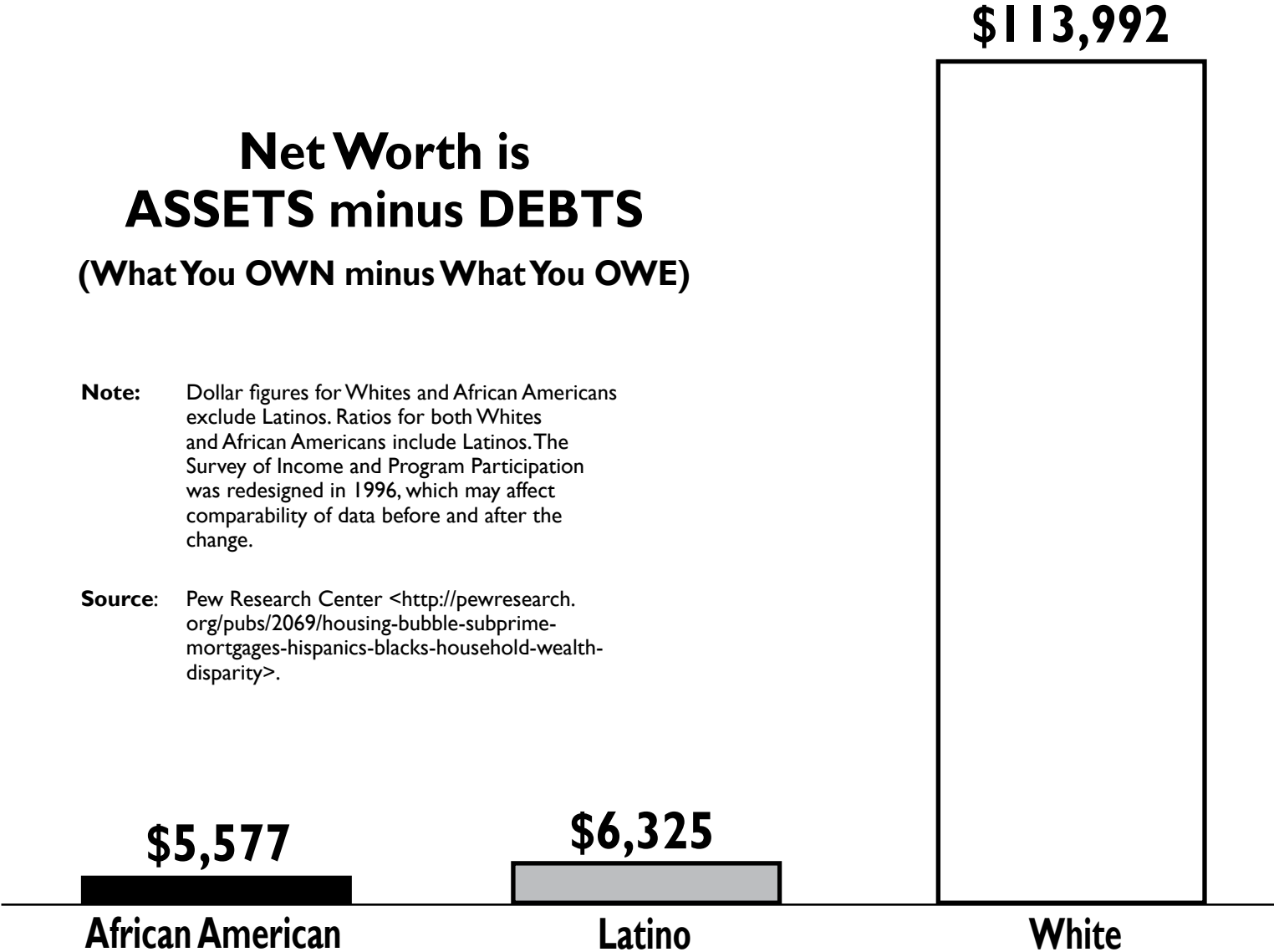
Source: Analysis of Survey of Consumer Finances, Federal Reserve Board (2007) by LVTfan Blog <http://lvtfan.typepad.com/lvtfans_blog/2010/01/farewell-to-c-lowell-harriss-professor-of-economics---dec-29-2009.html>.

Household Median Net Worth by Race, 2009

**Net Worth is
ASSETS minus DEBTS**
(What You OWN minus What You OWE)

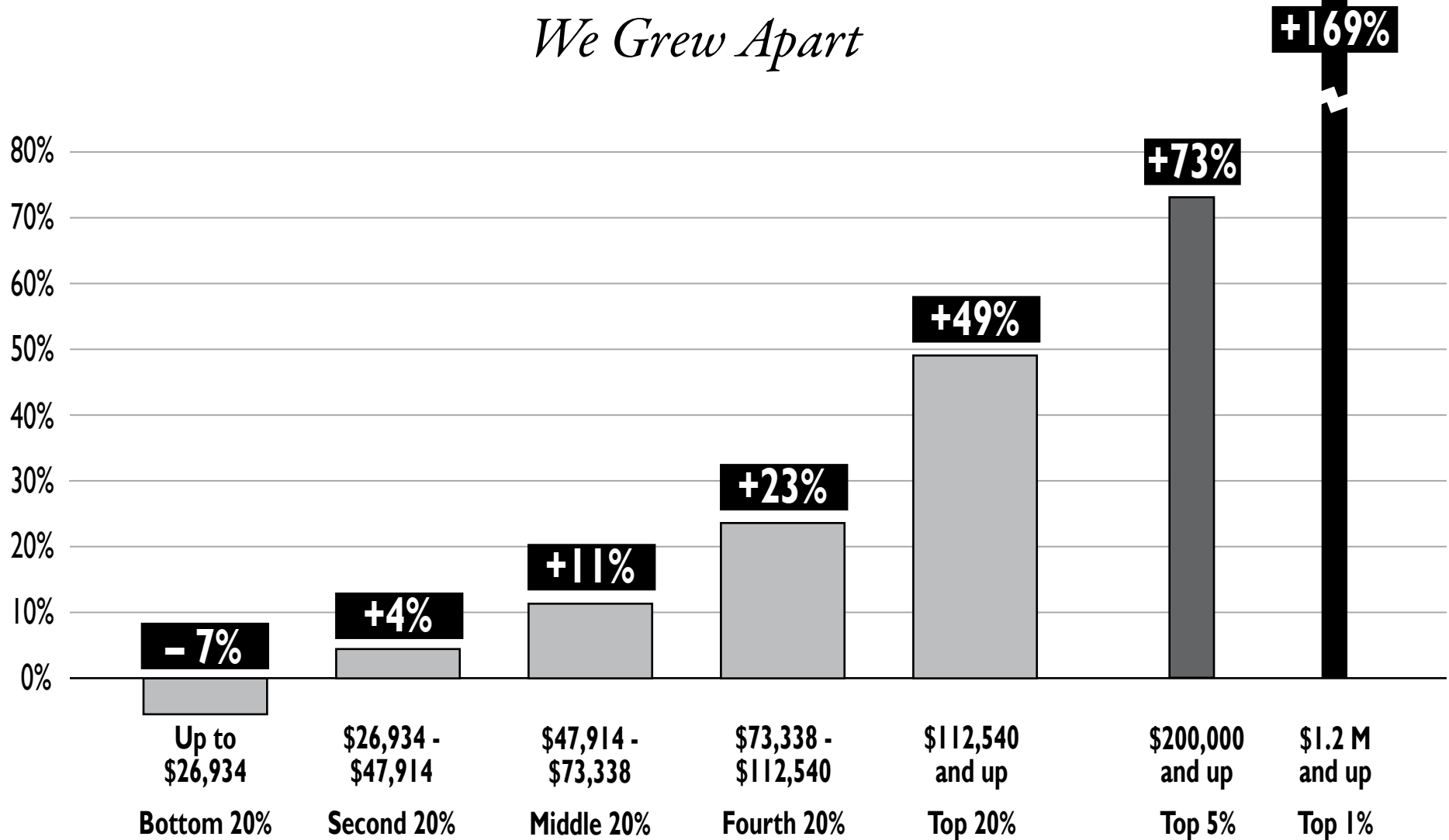
Note: Dollar figures for Whites and African Americans exclude Latinos. Ratios for both Whites and African Americans include Latinos. The Survey of Income and Program Participation was redesigned in 1996, which may affect comparability of data before and after the change.

Source: Pew Research Center <<http://pewresearch.org/pubs/2069/housing-bubble-subprime-mortgages-hispanics-blacks-household-wealth-disparity>>.



Real Family Income Growth by Quintile & for Top 5% & Top 1%, 1979 - 2009

We Grew Apart

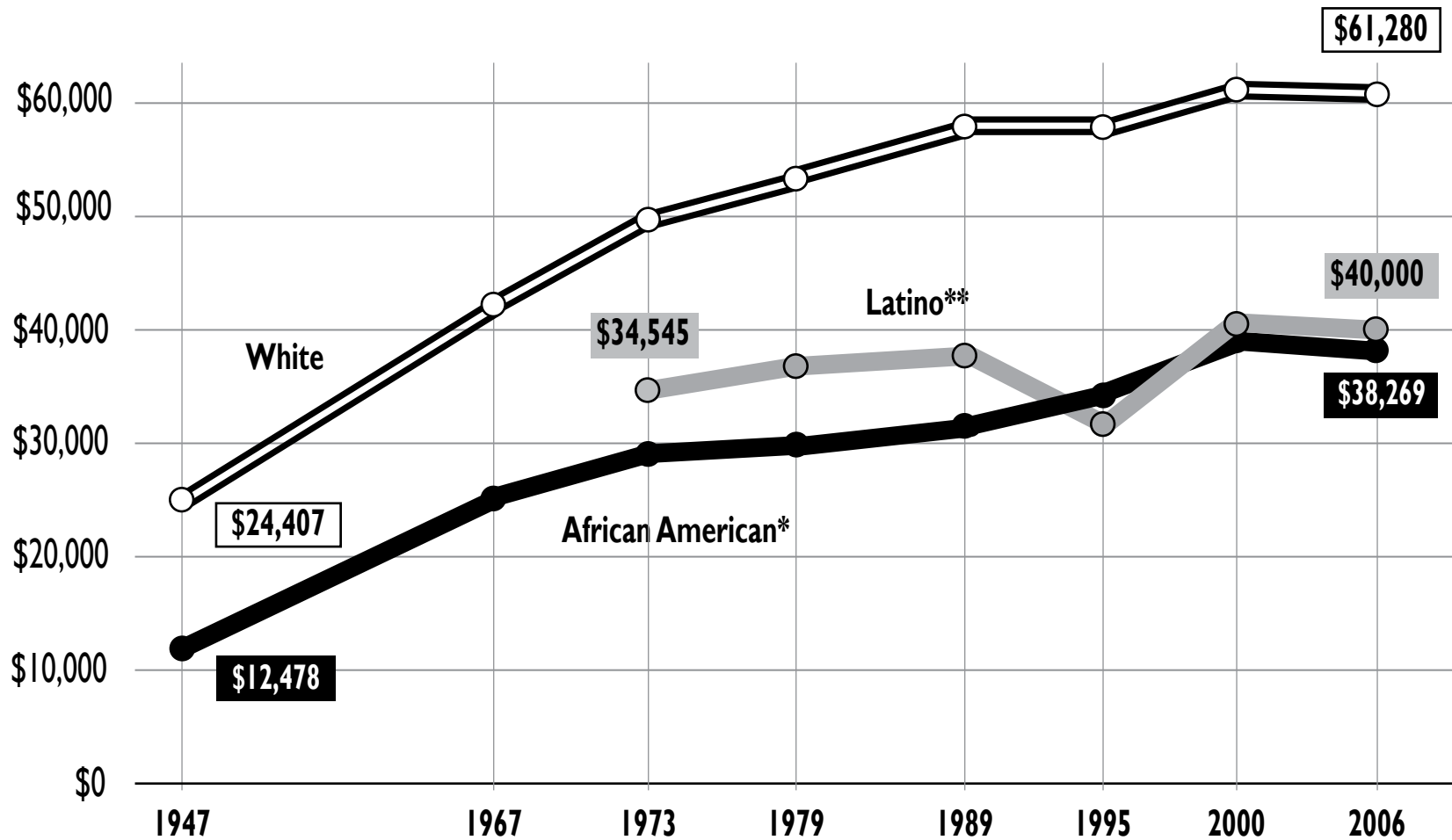


Source: US Census Bureau, Historical Income Tables, Tables F-1, F-3 <<http://www.census.gov/hhes/www/income/data/historical/families/index.html>>. Data for the Top 1% from Emmanuel Saez. <<http://elsa.berkeley.edu/~saez/>> is for 2008 and excludes income from capital gains.



Median Family Income by Race, 1947-2006

Racial Income Inequality Persists



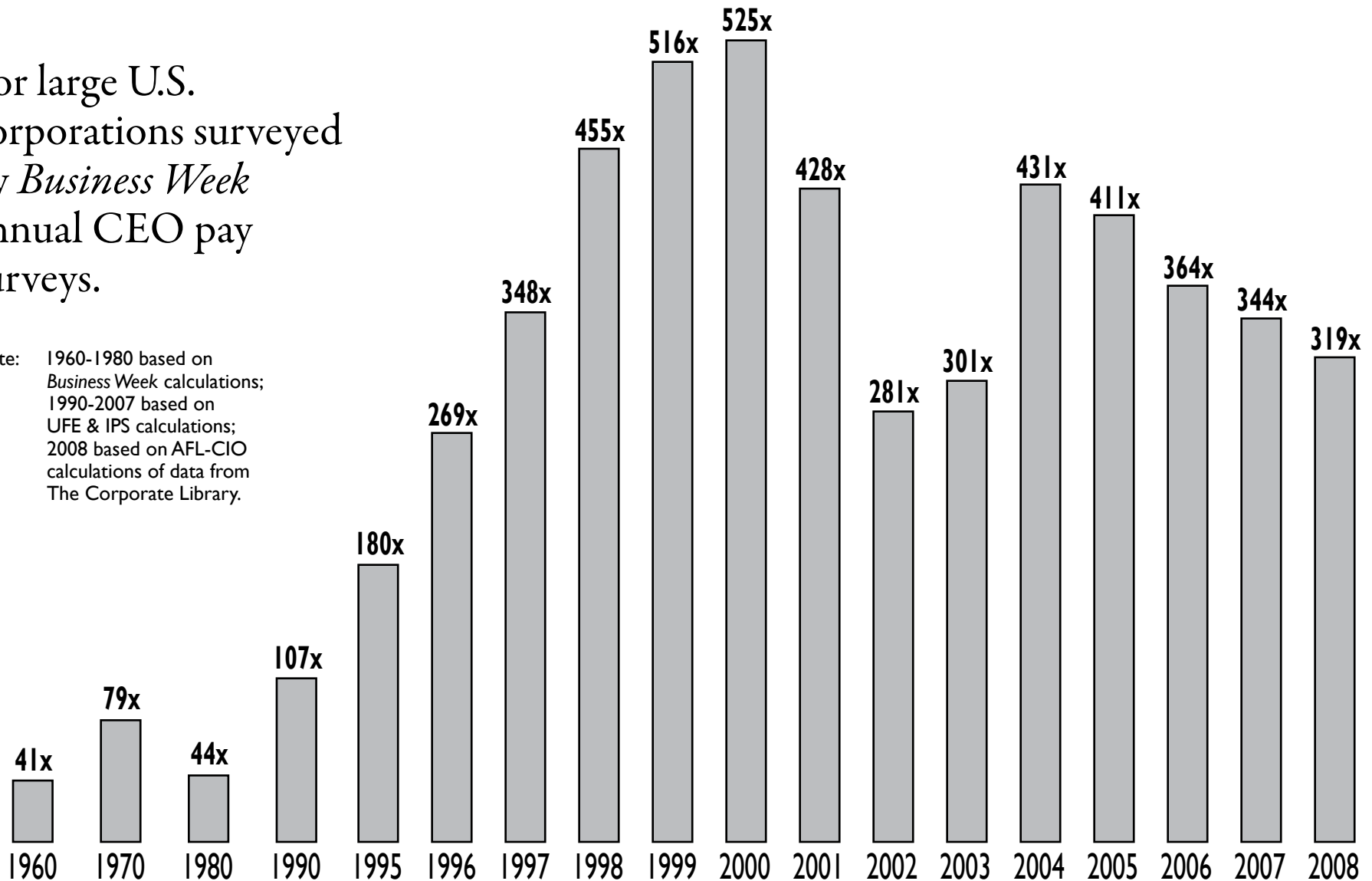
Source: Analysis of US Census Bureau data in Table 1.3 in *The State of Working America 2008/2009* by Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, Economic Policy Institute. All income in 2006 dollars. * Prior to 1967, data for African Americans included all “non-whites.” ** The Census Bureau uses the term “Hispanic.” We prefer “Latino.” Persons of “Latino” origin may be of any race.



CEO Pay as a Multiple of Average Worker Pay, 1960-2008

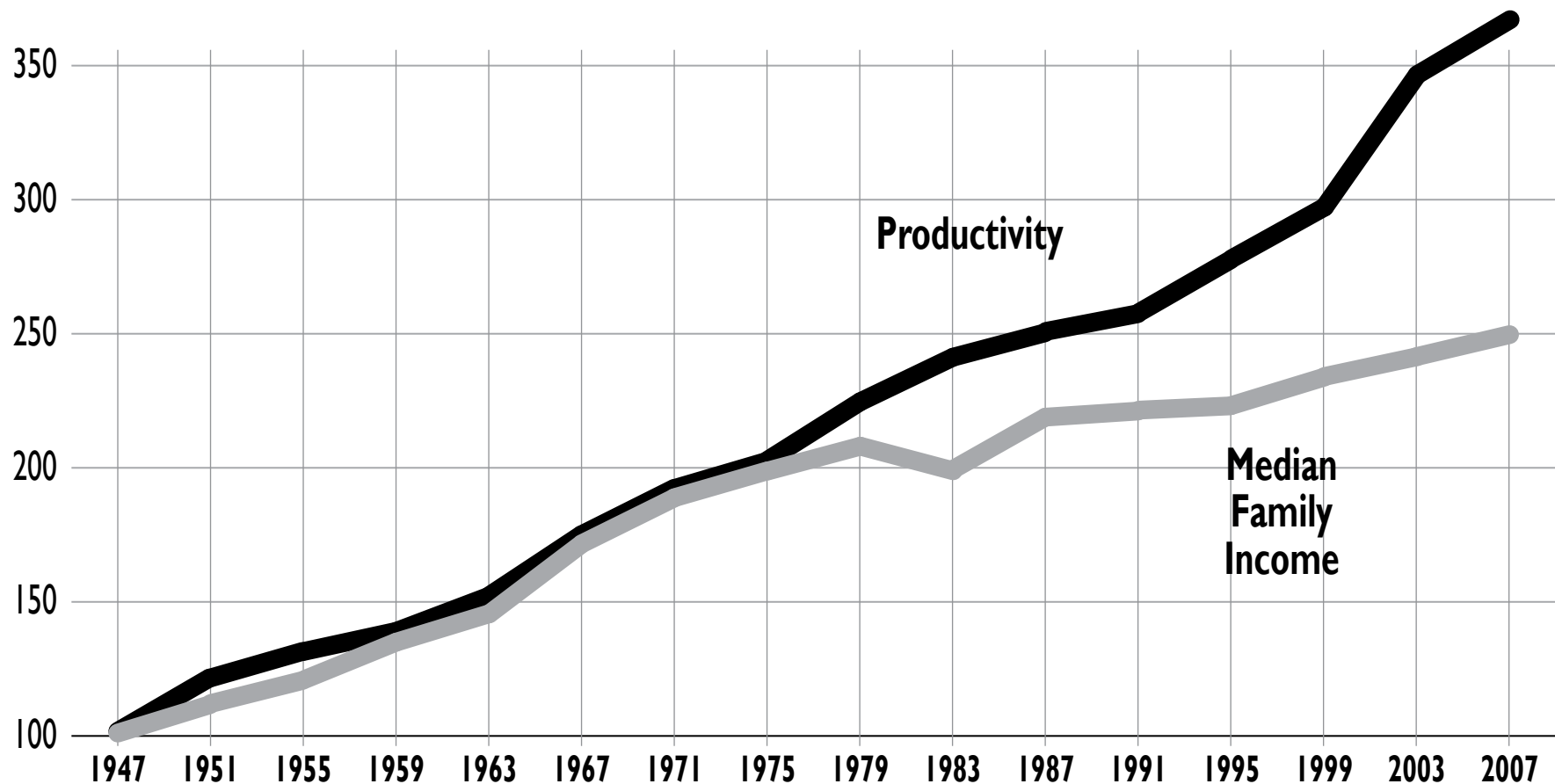
For large U.S. corporations surveyed by *Business Week* annual CEO pay surveys.

Note: 1960-1980 based on *Business Week* calculations; 1990-2007 based on UFE & IPS calculations; 2008 based on AFL-CIO calculations of data from The Corporate Library.



Productivity and Median Family Income, 1947-2007

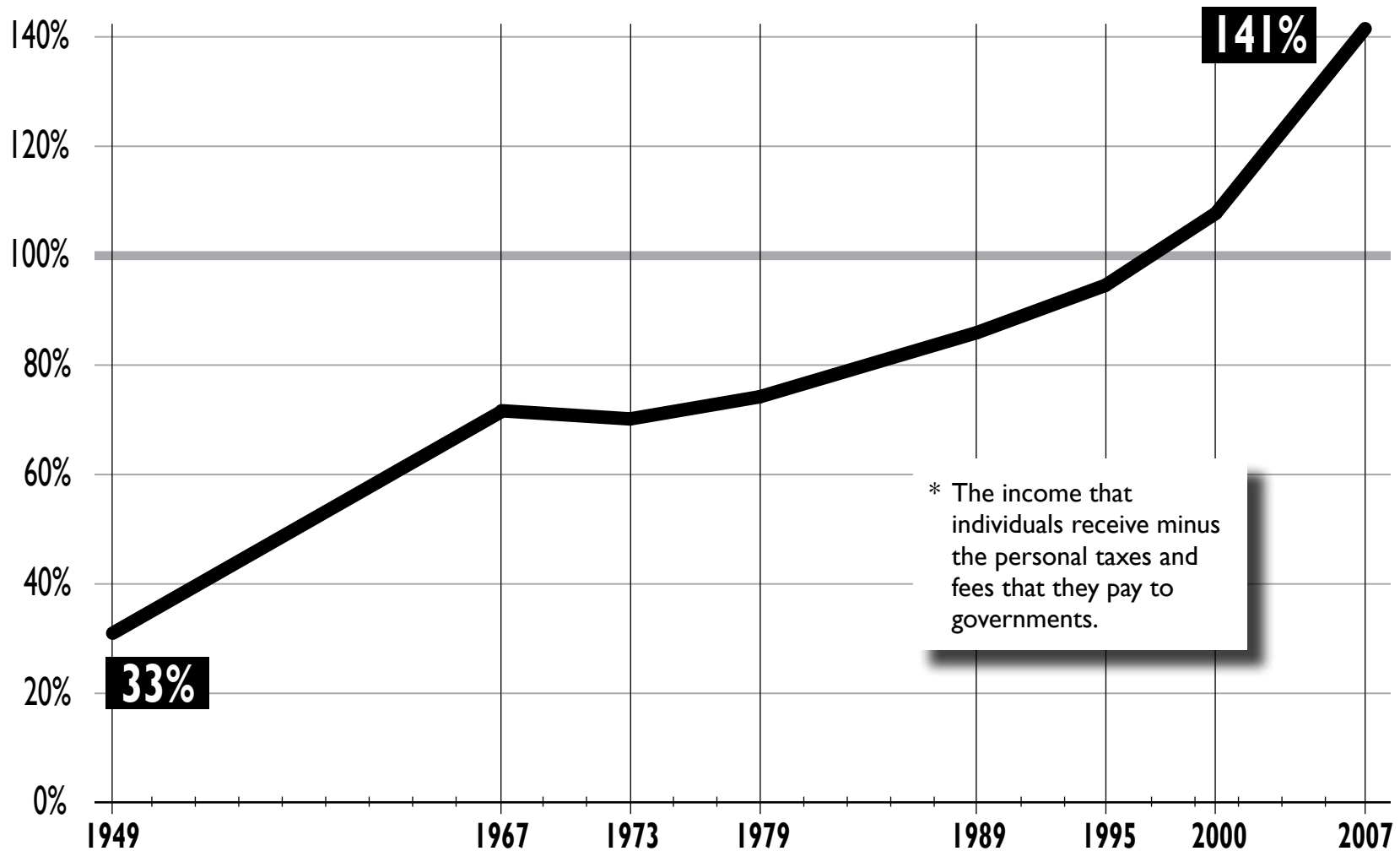
Since the mid-1970s, family income hardly grew while productivity soared!



Source: Analysis of US Census Bureau and US Bureau of Labor Statistics in *The State of Working America 2008/2009*, Figure 1G, by Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, Economic Policy Institute.

Household Debt as a Percentage of Disposable Personal Income*

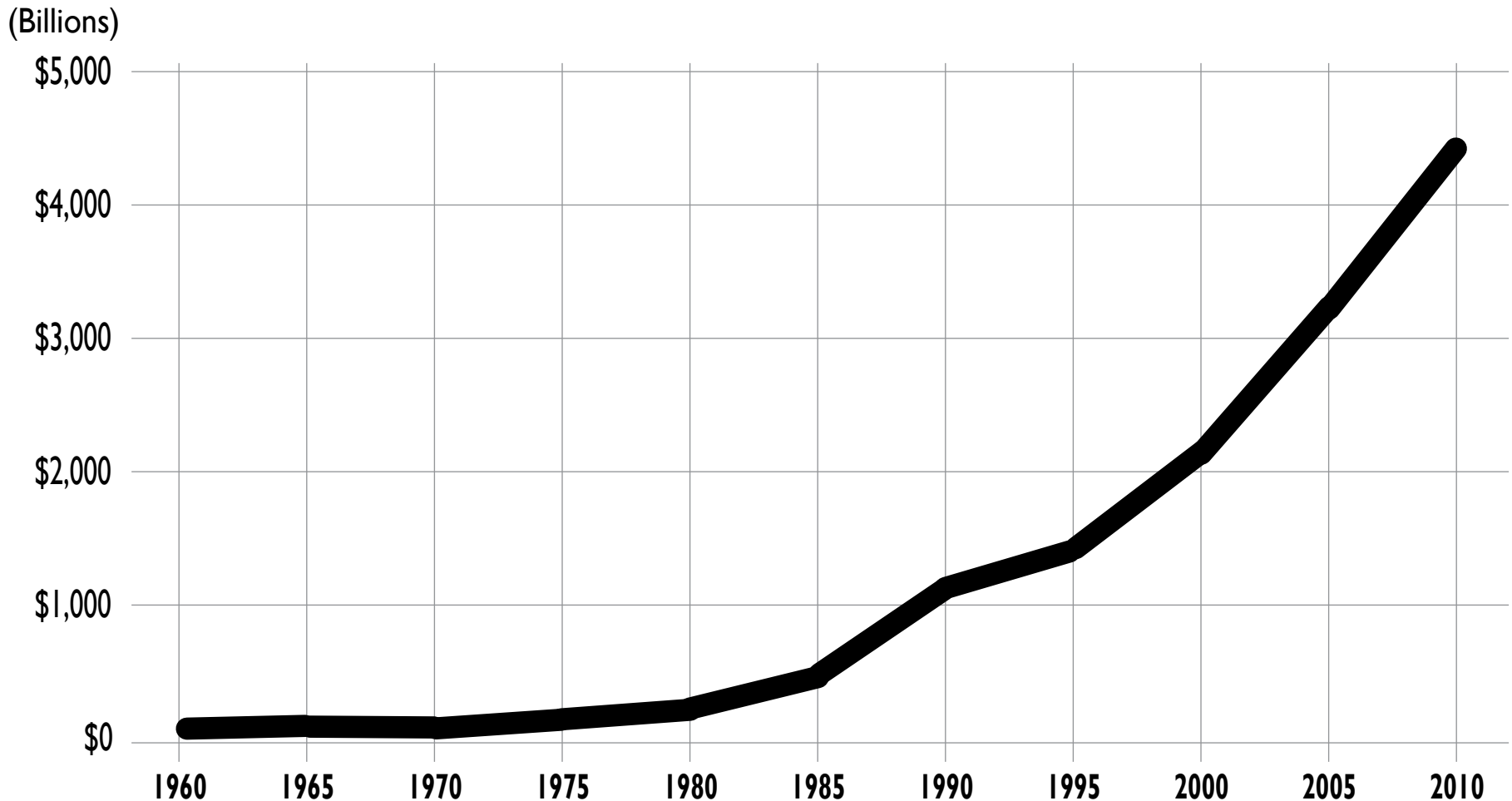
To make ends meet, families go deeper into debt



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.

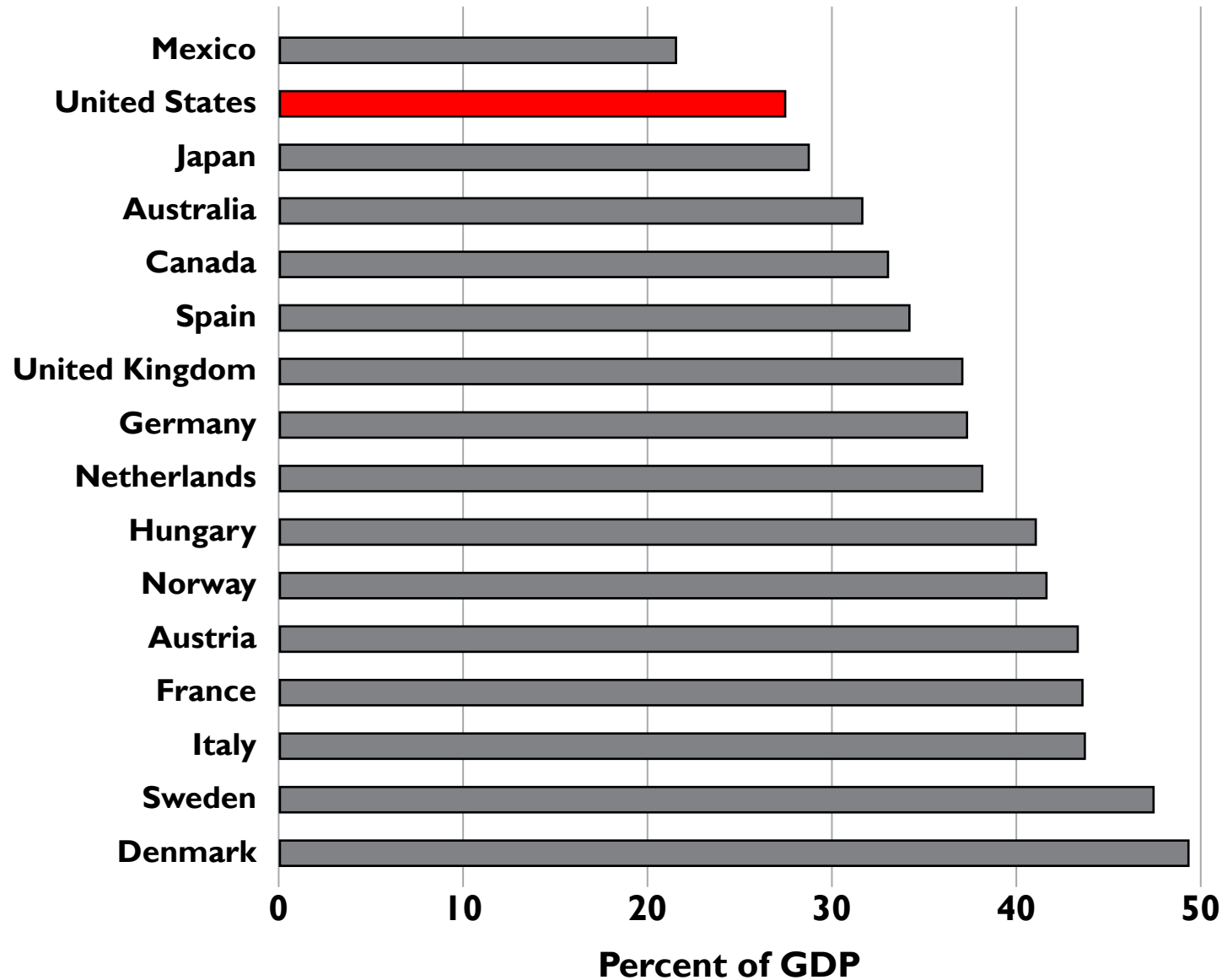
Total Credit Card Debt, 1960 - 2010

Stagnant wages & easy credit terms pushed consumer debt to historic highs!



Source: *Capitalism Hits the Fan - Richard Wolff on the Economic Meltdown*

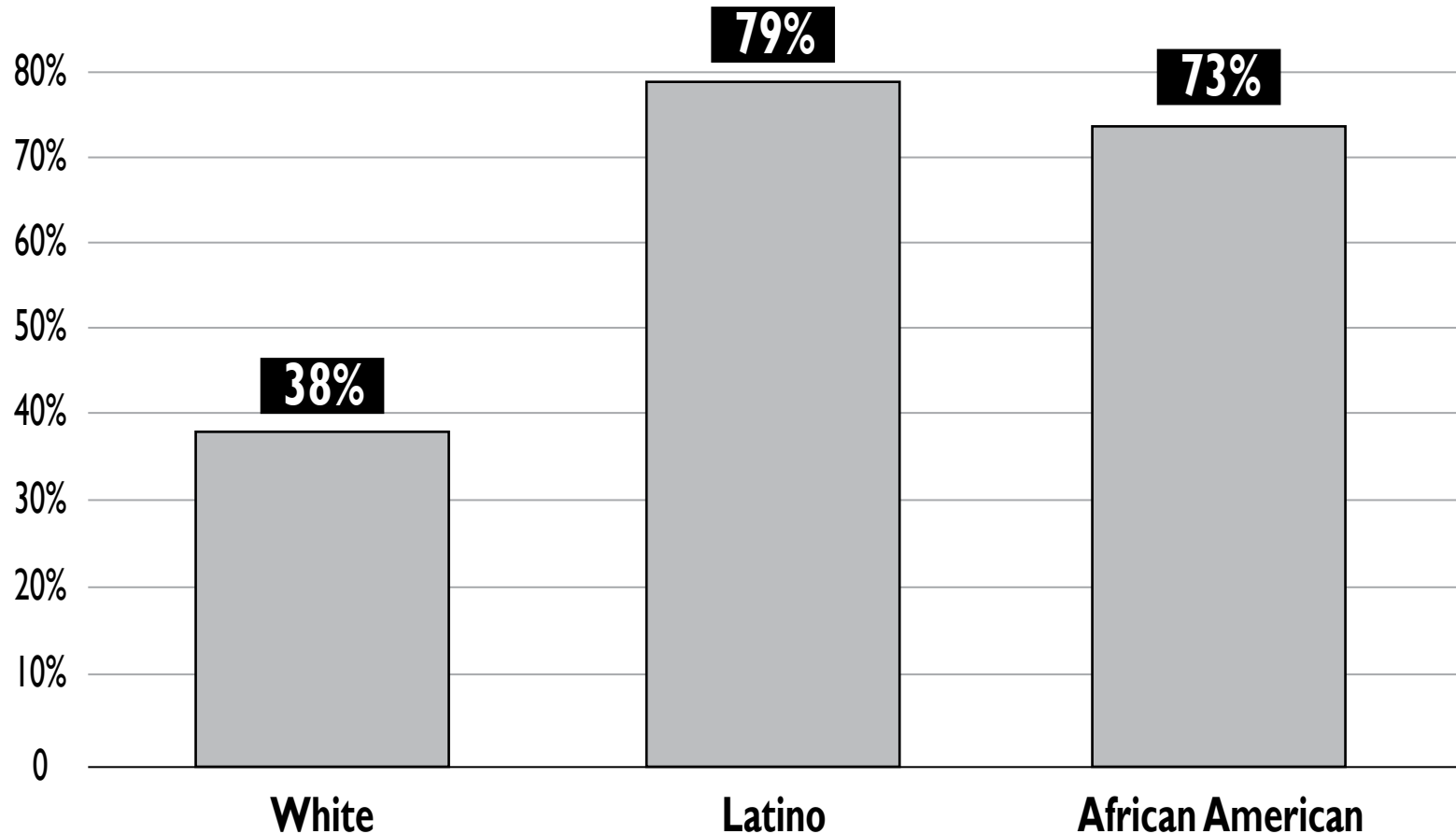
Tax Revenues as a Percentage of GDP by Country



Source: Organization for Economic Cooperation and Development (OECD, 2008).

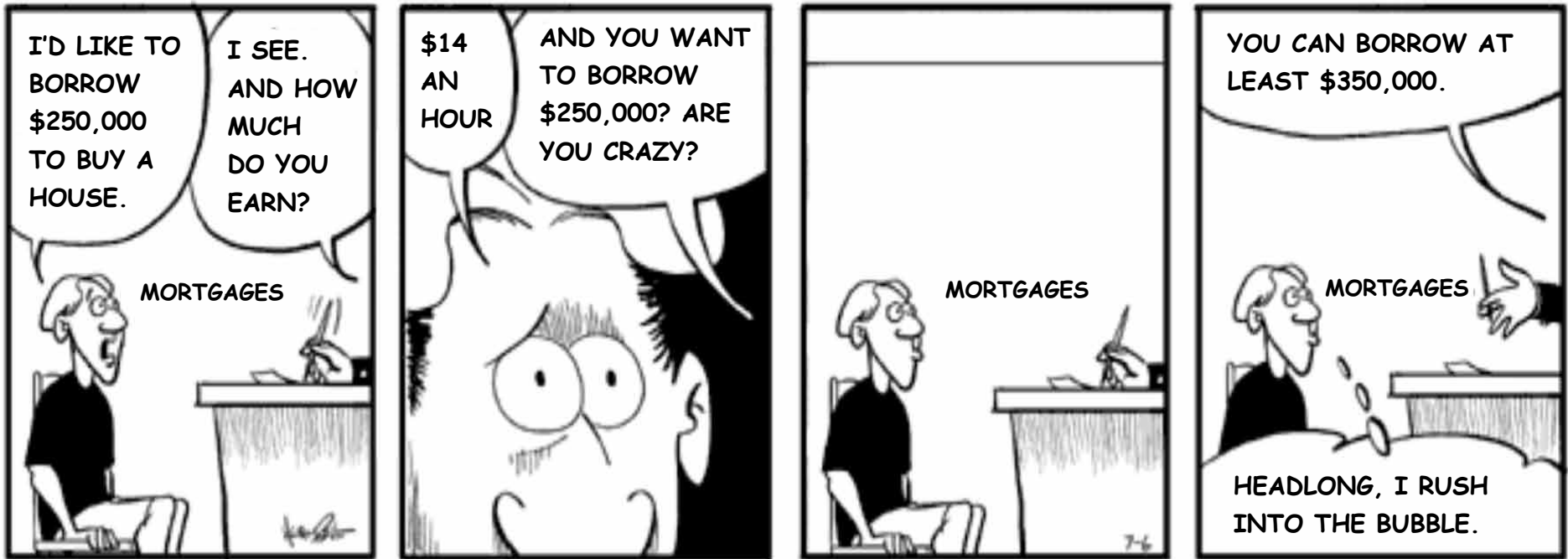
Percentage of Families Whose Savings Would Run Out in 3 Months or Less

Many families are forced to live on the edge.



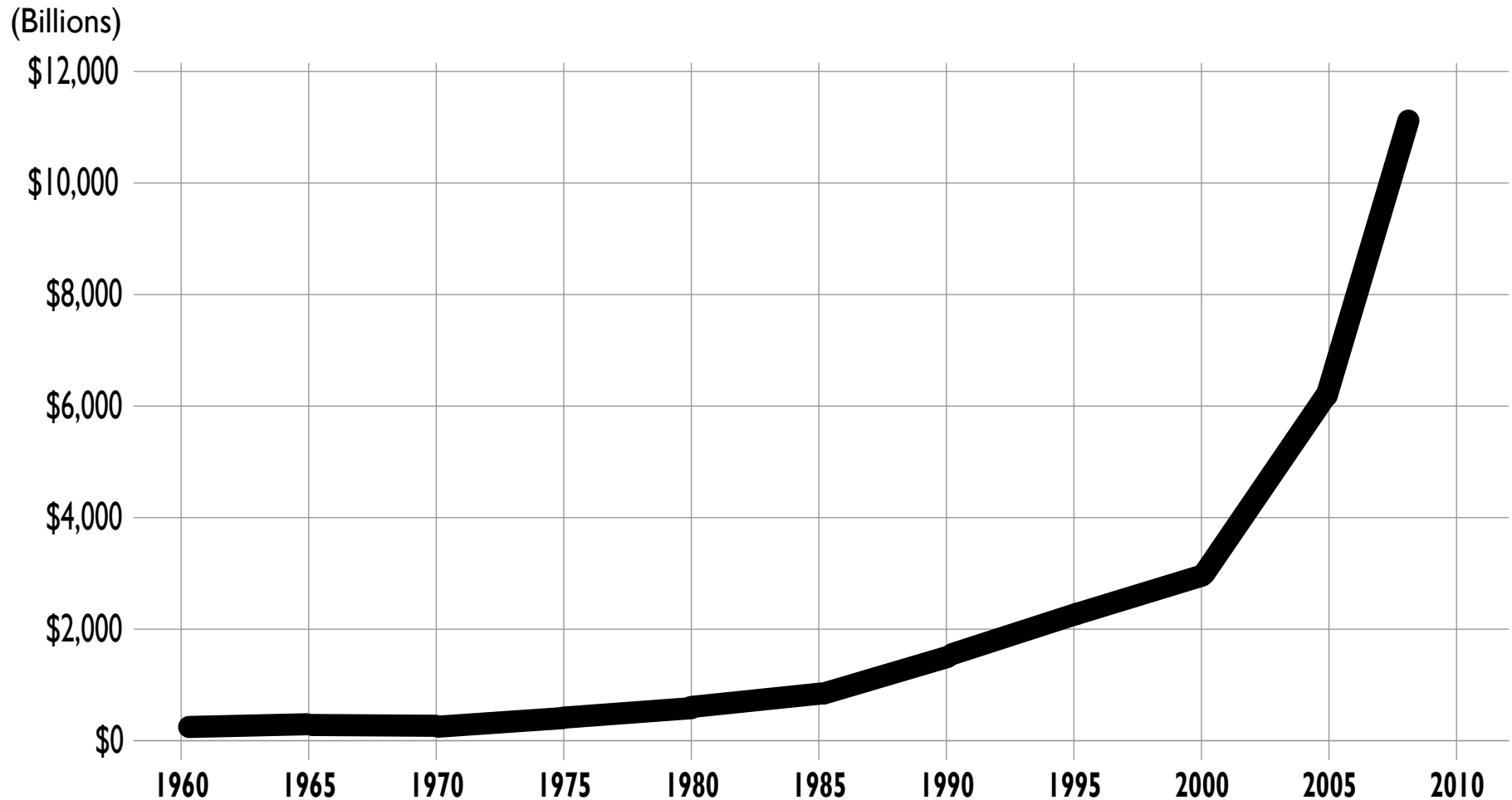
Source: Oliver, Melvin and Shapiro, Thomas M., *Black Wealth, White Wealth* (2006 edition), p. 89.

Into the Bubble



Total Mortgage Debt, 1960 - 2008

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

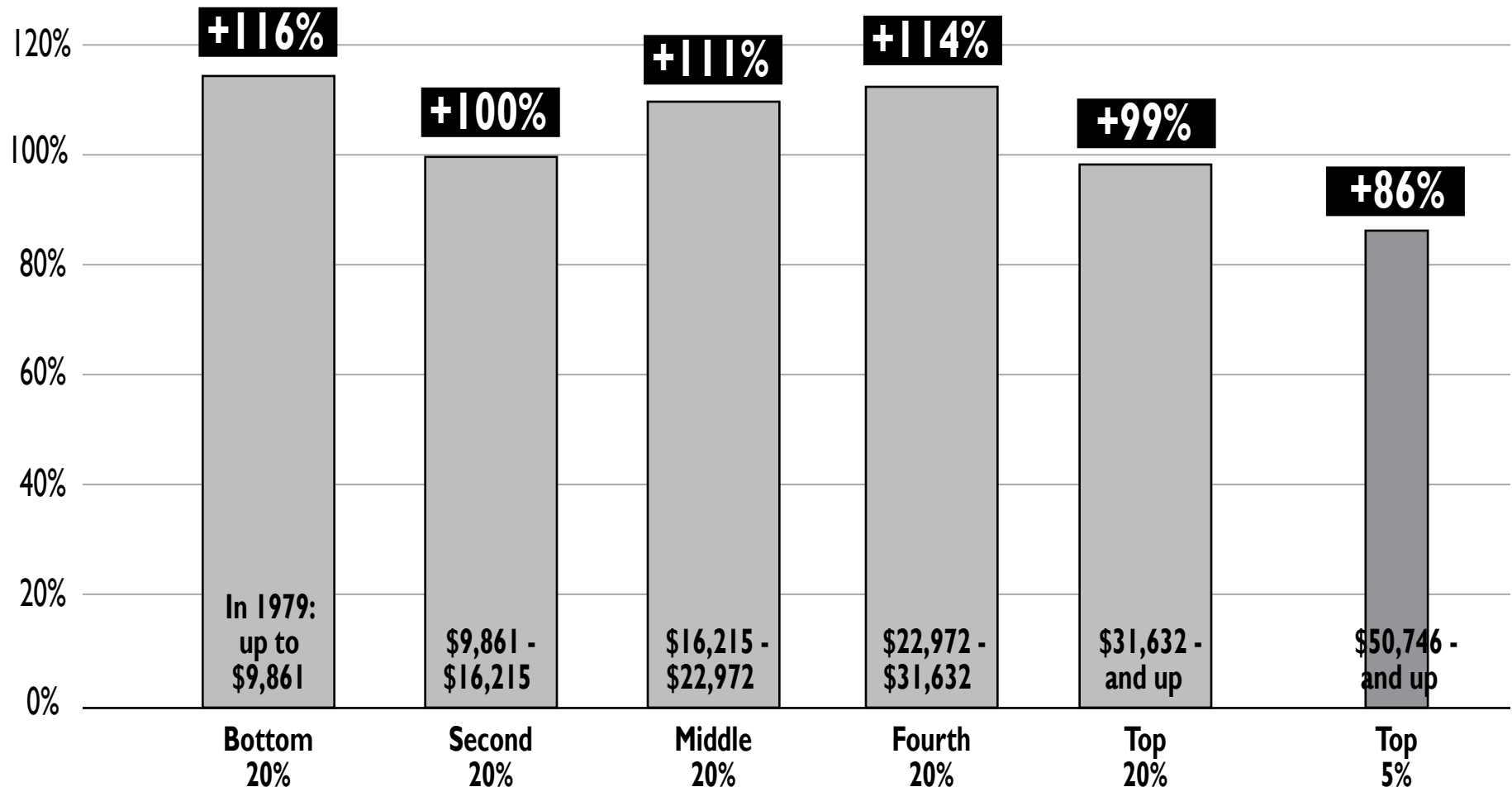


Source: *Capitalism Hits the Fan - Richard Wolff on the Economic Meltdown*



Real Family Income Growth by Quintile & for Top 5%, 1947 - 1979

We All Grew



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



Principles of the Solidarity Economy

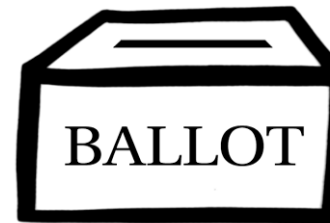
- ★ **Solidarity and Cooperation**
- ★ **Equity in all dimensions (race, class, ethnicity, gender, etc.)**
- ★ **Political and Economic Democracy**
- ★ **Sustainability**
- ★ **Pluralism; Grassroots-level Organizing; Diversity**
- ★ **People and Planet First**

Program for a Fair Economy

★ Educate & Change the Conversation



★ Campaign to Build Power & Change the Rules



★ Build a Movement



Keep the Momentum Going

