Inequality Trends — 2005–2009

Bush (W.) Administration (Second Term)

Metrics and Measured Outcomes

Metric	Observed Change	Score	Interpretation
Real median household income	▲ briefly, then ▼▼ sharply in 2008	+1	Modest gains through 2007 reversed abruptly as the recession that began in December 2007 accelerated into a full financial crisis by late 2008, driving unemployment sharply higher.
Income share of bottom 50%	▼ continued decline through the boom, disrupted by the crash	+1	The long-run divergence continued through the housing-boom years; the 2008 crash temporarily compressed top realized incomes but did not reverse the underlying trend.
Wealth share of top 10%	▲ boom, then a mixed crash	+1	Financial-asset values fell sharply in 2008, but middle-class wealth — concentrated in leveraged home equity — fell proportionally further than the more diversified holdings of wealthier households.
Homeownership by age cohort	▲ record highs, then ▼▼ foreclosure collapse	+1	Homeownership peaked near 69% in 2004-2005 before the subprime collapse triggered a foreclosure wave that fell hardest on marginal and lower-income borrowers who had only recently gained access.
Labor share of national income	▼ falling sharply as the recession deepened	+1	Mass layoffs beginning in late 2008 pushed unemployment toward 8% by the term's end, with job losses concentrated among wage earners while financial-sector losses were substantially backstopped.
Intergenerational mobility indicators	~neutral within term	+0	The crisis's mobility effects, particularly through the destruction of family wealth and home equity, would play out over the following decade rather than being observable within this term.

Raw metric total: +5 **External adjustment:** +2 **Net score:** +7

Policy Levers and Their Effects on Inequality

This term opened with routine tax and bankruptcy legislation and ended in the most severe financial crisis since the Great Depression. The Bankruptcy Abuse Prevention and Consumer Protection Act (2005) made personal bankruptcy substantially harder to obtain, and the Tax Increase Prevention and Reconciliation Act (2005) extended the 2003 dividend and capital gains tax cuts through 2010. The housing bubble that had been inflating since the late 1990s peaked around 2005-2006; the Case-Shiller real home price index nearly doubled between 1996 and 2006 (a roughly 85% inflation-adjusted increase, per Bureau of Labor Statistics analysis), before subprime mortgage defaults began triggering a collapse in 2007.

The government's crisis response was large, urgent, and distributionally asymmetric. The Federal Reserve's rescue of Bear Stearns (March 2008), the conservatorship of Fannie Mae and Freddie Mac (September 2008), and the $700 billion Troubled Asset Relief Program (October 2008) protected the financial system's creditors and counterparties, while comparable direct relief for the roughly 12 million homeowners left with negative equity did not materialize on a similar scale. Research found that households in the bottom four-fifths of the wealth distribution lost nearly 40% of their net worth between 2007 and 2010, versus 14% for the top fifth. An external adjustment of +2, the largest applied in this treatise so far, reflects the scale and asymmetry of this crisis: an intervention that stabilized the financial system while housing wealth held disproportionately by middle- and working-class households absorbed the greatest losses.

Placement on the Wealthy ↔ Common Man Scale

With a net score of **+7**, this period is classified as described below.

Classification: Good For Wealthy