Policy Impact Detail - Bush (W.) Administration (Second Term) (2005–2009)

15 Important Policies / Decisions and their relevance to inequality

Query used to generate the 15-item list

What were the 15 most important decisions, policy changes, or legislation undertaken by the Bush (W.) Administration, Second Term (2005-2009)?

1. Bankruptcy Abuse Prevention and Consumer Protection Act (2005) - made personal Chapter 7 bankruptcy substantially harder to obtain.

2. Energy Policy Act of 2005 - energy tax incentives and regulatory provisions.

3. Hurricane Katrina response (2005) - federal disaster response widely criticized for its speed and adequacy.

4. Tax Increase Prevention and Reconciliation Act (2005) - extended the 2003 dividend and capital gains tax cuts through 2010.

5. Pension Protection Act (2006) - tightened corporate pension funding rules and encouraged 401(k) auto-enrollment.

6. Deficit Reduction Act of 2005 - reduced Medicaid and student loan subsidy spending.

7. Housing bubble peak and subprime mortgage lending expansion (2005-2006).

8. Economic Stimulus Act of 2008 - distributed tax rebate checks to most American households.

9. Bear Stearns collapse and Federal Reserve-assisted acquisition by JPMorgan Chase (March 2008).

10. Housing and Economic Recovery Act of 2008 - created the FHFA and the Hope for Homeowners refinancing program.

11. Fannie Mae and Freddie Mac placed into federal conservatorship (September 2008).

12. Lehman Brothers collapse (September 2008).

13. Emergency Economic Stabilization Act of 2008 - created the $700 billion Troubled Asset Relief Program (TARP).

14. Initial automotive industry bridge loans (December 2008).

15. Military Commissions Act (2006) - established procedures for trying detainees at Guantanamo Bay.

Relevance to Inequality (evaluation of the 15 Important Policies)

#	Policy / Decision	Meaningful impact?	Direction (Favorable To)	Impact
1	Bankruptcy Abuse Prevention and Consumer Protection Act (2005) - made personal Chapter 7 bankruptcy substantially harder to obtain.	Yes	Wealthy (favored creditors; made debt relief harder for consumers)	Moderate-High
2	Energy Policy Act of 2005 - energy tax incentives and regulatory provisions.	No		
3	Hurricane Katrina response (2005) - federal disaster response widely criticized for its speed and adequacy.	No		
4	Tax Increase Prevention and Reconciliation Act (2005) - extended the 2003 dividend and capital gains tax cuts through 2010.	Yes	Wealthy (extended low rates on capital income)	Moderate-High

#	Policy / Decision	Meaningful impact?	Direction (Favorable To)	Impact
5	Pension Protection Act (2006) - tightened corporate pension funding rules and encouraged 401(k) auto-enrollment.	Yes	Common Man (strengthened retirement security and expanded automatic savings)	Moderate
6	Deficit Reduction Act of 2005 - reduced Medicaid and student loan subsidy spending.	Yes	Wealthy (spending cuts fell on lower-income Medicaid and student-loan beneficiaries)	Moderate
7	Housing bubble peak and subprime mortgage lending expansion (2005-2006).	Yes	Mixed / eventually Wealthy (temporarily broadened access, followed by concentrated losses in the crash)	High
8	Economic Stimulus Act of 2008 - distributed tax rebate checks to most American households.	Yes	Common Man (broad-based rebate checks reached most households)	Moderate
9	Bear Stearns collapse and Federal Reserve-assisted acquisition by JPMorgan Chase (March 2008).	Yes	Wealthy (protected a failing investment bank's creditors)	Moderate
10	Housing and Economic Recovery Act of 2008 - created the FHFA and the Hope for Homeowners refinancing program.	Yes	Mixed / Common Man (aimed at struggling homeowners; take-up was limited)	Low-Moderate
11	Fannie Mae and Freddie Mac placed into federal conservatorship (September 2008).	Yes	Wealthy (protected GSE bondholders at taxpayer expense)	High
12	Lehman Brothers collapse (September 2008).	No		
13	Emergency Economic Stabilization Act of 2008 - created the $700 billion Troubled Asset Relief Program (TARP).	Yes	Wealthy (stabilized the financial system; comparable direct homeowner relief did not follow at similar scale)	High
14	Initial automotive industry bridge loans (December 2008).	Yes	Common Man (protected autoworker jobs and manufacturing communities)	Moderate
15	Military Commissions Act (2006) - established procedures for trying detainees at Guantanamo Bay.	No		

Narrative Analysis - Items with Meaningful Inequality Impact

Only a subset is expanded here to keep this as a true companion report.

Emergency Economic Stabilization Act / TARP (2008) - inequality impact

Facing what Treasury officials described as the risk of a second Great Depression, Congress authorized $700 billion to stabilize the financial system, ultimately used for direct capital injections into banks, support for the auto industry, and eventually foreclosure-prevention efforts. The program's realized cost was much lower than authorized (roughly $31 billion net), and most of that net cost came from the homeowner-assistance portion rather than the bank-support portion.

The inequality relevance lies less in TARP's direct fiscal cost than in its asymmetric urgency and scale relative to the response for homeowners. Financial institutions received rapid, large-scale support that stabilized their solvency within months, while comparable relief for the roughly 12 million households with negative home equity did not materialize on a similar scale or speed — a disparity widely noted by economists and policymakers across the political spectrum. Because home equity constitutes a much larger share of middle- and working-class wealth than of top-decile wealth, this asymmetry had a directly regressive effect on the distribution of the crisis's costs.

Impact rating: High. The defining asymmetry of the entire 1977-2025 period: rapid, large-scale stabilization for financial institutions alongside comparatively limited and slower direct relief for homeowners.

Fannie Mae and Freddie Mac conservatorship (2008) - inequality impact

As mortgage defaults mounted, the federal government placed the two government-sponsored mortgage enterprises into conservatorship, backstopping their obligations to prevent a collapse that would have frozen most of the U.S. mortgage market. The action protected the enterprises' bondholders and preserved the flow of mortgage credit nationally.

The inequality dimension mirrors TARP's: the intervention was necessary to prevent a much broader collapse in mortgage availability, which would have harmed prospective homeowners across the income distribution. But the immediate beneficiaries were the enterprises' creditors and the broader financial system, while the underlying losses driving the crisis — mortgage defaults concentrated among subprime and lower-income borrowers — continued to accumulate largely without comparable direct relief for those borrowers themselves.

Impact rating: High. A necessary systemic stabilization whose direct beneficiaries were institutional creditors rather than the households whose defaults precipitated the crisis.

Housing bubble and subprime lending collapse (2005-2009) - inequality impact

The expansion of subprime and other high-risk mortgage lending in the mid-2000s temporarily broadened homeownership access, including for many lower-income and first-time borrowers who would not have qualified under more traditional lending standards. When home prices began falling in 2006-2007, these borrowers, often carrying adjustable-rate or otherwise fragile loan structures, defaulted at much higher rates than prime borrowers.

The resulting foreclosure wave destroyed wealth on a scale and with a distributional pattern rarely seen in this treatise's period: households in the bottom four-fifths of the wealth distribution lost nearly 40% of their net worth between 2007 and 2010, compared with 14% for the top fifth, according to Federal Reserve Survey of Consumer Finances data cited by multiple research organizations. Because home equity represents 50-70% of middle-class wealth but only 15-30% of top-decile wealth, the crash converted a temporary, boom-driven broadening of access into a historically large wealth-inequality shock.

Impact rating: High. Arguably the single most consequential inequality-relevant episode in the entire 1977-2025 period for its effect on the wealth (rather than income) distribution.

Bankruptcy Abuse Prevention and Consumer Protection Act (2005) - inequality impact

This law tightened eligibility for Chapter 7 bankruptcy (which discharges most unsecured debt) by imposing a means test that pushed many filers into Chapter 13 (which requires a repayment plan), and added new documentation and counseling requirements. It passed after a multi-year lobbying effort by the credit card and consumer lending industry.

The inequality relevance is direct: the law shifted bargaining leverage toward creditors and away from financially distressed households at almost precisely the moment — just before the 2008 crisis — when millions of households would face mortgage and consumer debt distress. Filing rates dropped sharply immediately after passage but rebounded as the financial crisis deepened, with many financially distressed households facing higher legal and procedural costs to obtain the same relief that had been more accessible before 2005.

Impact rating: Moderate-High. A creditor-favoring shift in bankruptcy law whose timing, just before the largest household-debt crisis of the period, amplified its practical significance.

Sources

- Congress.gov - Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 summary
- Congress.gov - Emergency Economic Stabilization Act of 2008 (TARP) summary
- Congress.gov - Housing and Economic Recovery Act of 2008 summary
- U.S. Department of the Treasury - About TARP (program cost and structure)
- The Century Foundation - A Tale of Two Recoveries: Wealth Inequality After the Great Recession
- Federal Reserve Survey of Consumer Finances - household net worth by wealth percentile, 2007-2010
- Wikipedia - Subprime mortgage crisis and 2008 financial crisis (background and timeline)
- U.S. Bureau of Labor Statistics - historical unemployment rate series, 2005-2009
- U.S. Bureau of Labor Statistics, Monthly Labor Review (Dec. 2010) - Housing Bubble and Bust, Case-Shiller real price index data