



SUMMARY

U.S. households lost on average nearly \$5,800 in income due to reduced economic growth during the acute stage of the financial crisis from September 2008 through the end of 2009.¹ Costs to the federal government due to its interventions to mitigate the financial crisis amounted to \$2,050, on average, for each U.S. household. Also, the combined peak loss from declining stock and home values totaled nearly \$100,000, on average per U.S. household, during the July 2008 to March 2009 period. This analysis highlights the importance of reducing the onset and severity of future financial crises, and the value of market reforms to achieve this goal.

KEY FINDINGS

- **Income.** The financial crisis cost the U.S. an estimated \$648 billion due to slower economic growth, as measured by the difference between the Congressional Budget Office (CBO) economic forecast made in September 2008 and the actual performance of the economy from September 2008 through the end of 2009. That equates to an average of approximately \$5,800 in lost income for each U.S. household.
- **Government Response.** Federal government spending to mitigate the financial crisis through the Troubled Asset Relief Program (TARP) and support for housing-related GSEs Fannie Mae and Freddie Mac will result in a net cost to taxpayers of \$230 billion according to the CBO. This is approximately \$2,050 per U.S. household on average.
- **Home Values.** The U.S. lost \$3.4 trillion in real estate wealth from July 2008 to March 2009 according to the Federal Reserve. This is roughly \$30,300 per U.S. household. Further, 500,000 additional foreclosures began during the acute phase of the financial crisis than were expected, based on the September 2008 CBO forecast.
- **Stock Values.** The U.S. lost \$7.4 trillion in stock wealth from July 2008 to March 2009, according to the Federal Reserve. This is roughly \$66,200 on average per U.S. household.
- **Jobs.** 5.5 million more American jobs were lost due to slower economic growth during the financial crisis than what was predicted by the September 2008 CBO forecast.

¹ UPDATE 4/29/10: A previous version of the executive summary erroneously stated that each U.S. household lost \$11,000, on average, through a combination of lost income and wages and the costs of government interventions to mitigate the financial crisis. This executive summary has been updated to correctly report that each U.S. household lost on average nearly \$5,800 in income, of which \$3,250 was lost wage income. In addition, costs to the federal government due to its interventions to mitigate the financial crisis amounted to \$2,050, on average, for each U.S. household. All the data and figures in the report remain accurate.