Research Paper

Financialization of the American Dream in the 21st Century in the US as a World Leading Country

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Abstract

American Dream is a national ethos of the United States, which was first coined by James Truslow Adams in the 20th century, meaning everyone should have the opportunity to reach what s/he desires according to his/her abilities and attempts. Although the concept of American Dream existed from the beginning days of the establishment of the United States, it has undergone significant changes throughout the country's history. This study investigates the effect of the financialization of the economy (the increase of the importance and the size of the financial sector relative to the entire economy) in the 21st century on the three key elements of the American Dream—homeownership, employment, and income—from George Bush's presidency in 2001 to the end of Barack Obama's presidency in 2016. The theoretical framework of the study is the American Dream Theory and the financialization of capitalization, and its methodology consists of a qualitative historical analysis. The result of the study indicate that financialization of the economy in the 21st century caused the American Dream to become more financialized: while presidents Bush and Obama promised to realize American Dream for all Americans, in practice, their administration policies were more in the interest of financial institutions and the rich, rather than low and middle-class Americans.

Keywords: American Dream, Barack Obama, Employment, Financialization, George Bush, Homeownership, Income

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1. Introduction

The United States emerged as a leading country in the world after World War Two. As the country was left immune from the war destructions, it became wealthier, compared to the European countries involved in the war. After the war, the US started helping Europe to rebuild itself and revive its economy, which helped the country to emerge as a world-leading nation. The United States has a national ethos, the American Dream, which is tantalizing not only for Americans, but also for many nations worldwide. It is often cited as equal opportunity for everyone, regardless of their religion, ethnicity, educational background, etc. to reach what they wish through hard work and perseverance.

It is often believed that the term “American Dream” was first coined by the historian, James Truslow Adams in his book *The Epic of America.* The book was published in 1931, at the time when the great depression was gripping the United States. Adams, in the book described the American dream as "that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement" (Adams, 1931, in Jillson, 2016, p. 20).

However, the notions of “better life” and “equal opportunity” have had different meanings for different groups of people in different eras throughout the American history. For example, Puritan Pilgrims, in the seventeenth century had the dream of freedom to practice pure protestant denomination and free themselves from the wickedness of Holland and England’s Protestants. They believed that hierarchy is vital for social order and God has allowed hierarchy in the society based on religion, gender, race, class, or ethnicity. In the 18^{th} century, in the law and custom of the country, still remained hierarchy and social, economic, and political discrimination against women and minorities. Blacks were slaves with no equal rights with the whites. At the time, while religion was still powerful, the emphasis on achieving material wealth, self-improvement, and wisdom became part of the American identity (Jillson, 2016). For the Founding Fathers, American dream had a more political connotation, than an economic or a religious one. Later, however, the American Dream became mostly related to the country's economic situation, and can be divided into three phases of agricultural, industrial, and financial conditions.

From the beginning of the creation of America, the country's economy was dependent on agriculture. The agricultural economy lasted until the mid-19th to 20th centuries, during which people earned their living and satisfied their needs through agriculture (Knoll, 1993); the American Dream was therefore agricultural. In the mid-nineteenth century, America was transforming into a country with expanding cities, factories, corporations, and wage workers, which turned the country's economy into an industrial economy and the relative abundance of capital determined the wages; the American Dream therefore became industrial in a sense that people as wage workers tried to satisfy their needs by working in factories and corporations. The last phase, the financial American Dream began in the late 20th century, during which the financial sector gained a more prominent and influential role in the economy of the United States, and became influential in the lives of Americans in a sense that more than the government, the financial sector was involved in the livelihood of Americans to satisfy their needs; the American Dream therefore became financialized.

This article, presents an overview of the changes in the concept of American Dream from the 17th century, with a focus on the last phase, the financial American Dream. It investigates the economic side of the American Dream and evaluates the effect of the financialization of the economy on the three elements of the concept, namely equal opportunity for Americans in homeownership, employment, and income during George Bush and Barack Obama presidencies, whose result was the financialization of the American Dream. By homeownership in the United States, we refer to a system in which houses belong to the banks and people who want to buy them should pay loans for a long time. In addition, the study considers Americans as a whole and does not differentiate between people of color or minorities.

2. Theoretical Framework

2.1. American Dream Theory

The study selected the American Dream Theory by Messner and Rosenfeld (1994) and the financialization of capitalism as its theoretical framework. According to the American Dream Theory, the institution of the economy and monetary success has come to prominence, and since there is immense pressure on people to reach monetary success, they resort to illegitimate means to make economic success accessible for themselves. This feature of the American Dream (economic success) explains why corporate fraud, which offers economic success to "corporate executives" happens (Messner & Rosenfeld, 1994, in Choo & Tan, 2006). In an environment where there is immense pressure for monetary success, and where the pressure leads corporate executives to disregard or exploit regulations, justification and rationalization for monetary success by various means proliferate. Since monetary success has no end, and it is always possible to have more money, the desire and greed for more money are endless (Messner & Rosenfeld, 1994, in Choo & Tan, 2006).

2. 2. Wall Street changes throughout history

Wall Street has historically gone through several phases (Geisst, 2012). The first phase includes the early years of its creation from 1790 to the beginning of the Civil War. During the time, trading techniques were developed. Between independence and the Civil War, Americans' dreams and investments were mainly on land. At the time of the independence of America, land was used more for productive purposes than homeownership. The first financial crash of Wall Street happened during this era due to land speculation (Geisst, 2012).

The second phase encompasses the time between the Civil War and 1929, during which American industry and Wall Street were consolidated and great industrialists and bankers emerged to create industrial trusts. The era includes the development of railways and trusts, the robber barons and most notably the money trust. Money trust was in place until 1929, the occurrence of the Great Depression, while four years later, the financial system became regulated.

The third phase dates from 1929 to 1954, during which the modern era in the financial world started with the New Deal legislation. The new regulators shattered trusts in the 'financial community and the large utility holding companies'. Social Darwinism was no longer allowed to rule Wall Street. Small businesses had rights and were supported by 'the new federal securities laws'. The fourth phase began in the late 1950s, when small investors became familiar with the market. Many securities firms, in addition to their traditional clients like insurance companies and pension funds, served retail clients as well.

Since 1934, banking and securities businesses have been separated to protect the banking system from a market crisis like the 1929 financial crash. However, as the technology improved, the old protections were removed and all banking activities were integrated 'under one roof'. In the 1990s, Bill Clinton repealed the Glass-Steagall Act and conflated the risk-taking actives of investment banks with commercial banks. Nowadays, Wall Street activities have become financialized; they includes stock markets, bond markets of different sizes, 'commodity futures markets and other derivatives markets' (Geisst, 2012).

3. Methodology

This research aims to evaluate the effect of the financialization of the economy on three elements cited in the American Dream (homeownership, employment, income) in the 21st century, from 2001 to 2016. Historical analysis was selected as the study's methodology.

The qualitative historical analysis approach employs primary historical documents, as well as the interpretations of historians regarding the development. This method suggests examining the presence or the absence of certain qualities in a special phenomenon (Thies, 2002). Historical analysis is used to search for facts, even though facts are not always clear-cut and obvious. Yet, a researcher interprets a fact according to his/her implicit or explicit theoretical orientation. Political scientists seek "basic information" in primary and secondary sources that include information on which scholars have a high degree of consensus, such as well-known developments (Topolski, 1999, in Thies, 2002). However, "latent events" are the events that contemporary scholars cannot always fully understand; they are therefore interpreted only in retrospect. Examples of such events are the long effects of the industrial revolution, or the cold war on the country's economy (Bailyn, 1982, in Thies, 2002).

An important part of research is the researcher's interpretation and judgment based on historical facts. As a researcher, one should revise his/her understanding of the past. For political scientists, it is important to carefully consider and choose appropriate facts, which may be done through an investigation of two types of sources: primary and secondary sources. Primary sources are the original source about an event, while secondary sources are the ones written about the event after the time it has happened. Primary sources include diaries, memories, chronicles, newspapers, international documents, and the official documents of a country, while secondary sources are the ones that interpret, describe, or analyze information from primary sources. One of the ways for researchers to use secondary sources effectively is that they use their own judgments about a historical event, and/or choose among different interpretations of the event (Lustick, 1996, in Thies, 2002). The researcher has selected this method for using secondary sources in this study.

4. Historical Background

the American Dream was mainly a spiritual dream at the time of the Puritans and Quakers. They believed more in a community, rather than separate individuals. They also believed in a hierarchy based on religion, gender, class, or ethnicity. However, gradually individual rights and opportunities, as well as material success gained priority over common interests (Miller, 1956, in Jillson, 2016). In the eighteenth century, the age of the Enlightenment, while religion was still powerful, the emphasis on achieving material wealth, self-improvement, and wisdom became part of the American identity. After that, when the American government was established, the American Dream became largely political. The Founding Fathers took their view towards government from John Lock's theory of natural rights of life, liberty, and property (Jillson, 2016). Yet, Jefferson, one of the Founding Fathers, put the pursuit of happiness in the place of property.

Faculty psychology was another important theory in this era, according to which there is natural aristocracy, which allows reason to be divided into two other faculties, passion and interests, through which people should be led. Elites contended that God assigned the land of America to enforce freedom, but only wealthy white citizens would enjoy this virtue. The next theory was Social Darwinism, according to which the fittest people will survive in competition, as a result of which, individualism, achieving material wealth, and liberty became part of the American identity. In addition, hierarchy and discrimination against women, blacks, and minorities still remained in the society since, according to the elites only wealthy white citizens would enjoy liberty (Jillson, 2016).

The third phase was the economic American Dream, which was divided into agricultural, industrial, and financial dreams. During the agricultural economy (mid-19th to 20th centuries), people earned their living and satisfied their needs through agriculture (Knoll, 1993) and American Dream was agricultural. Due to the abundance of natural resources in America, by working on their land, people could produce different kinds of agricultural products. The more they produced, the higher wages they could earn (Knoll, 1993).

At the turn of the twentieth century, America was gradually transformed from the agricultural economy to an industrial one with cities, factories, corporations, and wage workers. As a result of this transformation, the goal of having a better life changed to possessing material wealth. The gap between the poor and the rich, in the twentieth century in America, was emerging due to the rise of large corporations and poor work conditions (Jillson, 2016).

After World War I, the US became an economic power, since it produced a large amount of the world's output. In 1929, the stock market crashed and the Great Recession gripped the United States. The Americans therefore lost their confidence in the American Dream. To tackle the recession, Roosevelt designed a government-assisted American Dream, which allowed government presence in the social and economic life of Americans, while ruling out uncontrolled individualism and unregulated laissez-faire (Jillson, 2016). However, the next president, Truman, replaced Roosevelt's freedom of want and freedom from fear. With the promise of freedom of enterprise, which became—and still is—an inseparable part of the American Dream. Freedom of enterprise excluded government interference in the market (Churchwell, 2018).

A drastic change in the American Dream happened in the 1970s, when Richard Nixon, annulled the Breton Woods system, resulting in a drastic rise of speculative capital and the related profit, while declining the profit from industrial production. Furthermore, the increase in the amount of speculative capital shifted financial sectors from traditional banks to risky investments, money manipulation, and financialization. The role of finance in the economy and the influence of money on politics and lobbying increased (Chomsky, 2017). The result was the increasing influence of the rich on politics. Income inequality began at this time and the economic benefits of middle-class Americans began to decline (Hyman, 2018). In the late 1970s, during Carter's presidency, under the influence of Friedman's economic principles, the power shifted towards business policies. Carter's economic policy was deregulation. As a result, the role of financial institutions, including banks, insurance firms, and investment companies became more prominent in the American society (Smith, 2012).

The financialization of the economy was completed by the next president, Ronald Reagan. When Reagan took office, the political and economic inclination of the United States turned to national rights. He believed government stands in the way of the American Dream and prevents individuals from achieving their dream. The policies of the Reagan Administration helped the financialization of the American Dream. For Reagan, American Dream was not a national dream but a dream of a nation of individuals. The American Dream promised prosperity for a great number of people; yet, what happened in the 1980s was a widening gap between the rich and the poor (Kimmage, 2011).

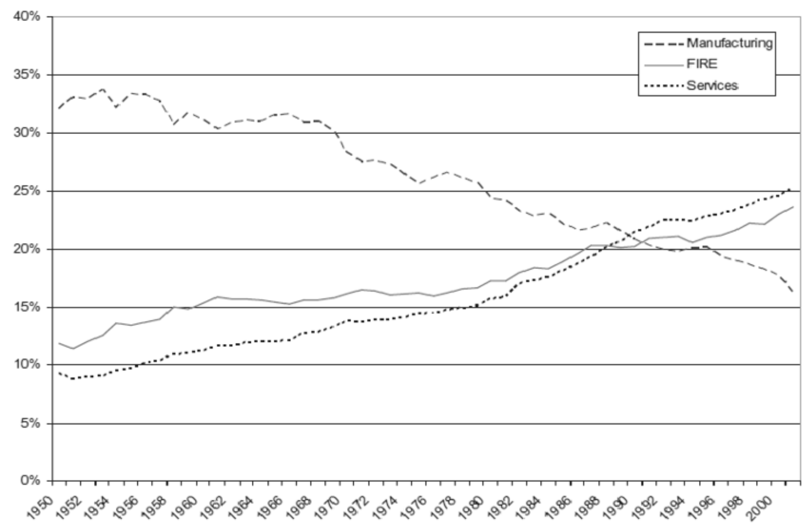
The next president, Bill Clinton, continued the pro-business and pro-deregulation policies of the Reagan administration, which caused the Democrat party's policies to shift to the right (Kimmage, 2011). Clinton's major contribution to the financialization of the economy was repealing the Glass-Steagall Act, which conflated risk-taking investment banks' activities with the activities of commercial banks. According to certain economists, the repeal of the Act led to the financial crisis of 2008 (Chomsky, 2017).

5. American Dream in the 21st Century

In 2000, the United States faced recession caused by the dot-com bubble burst. During George W. Bush's presidency, the crisis continued. As illustrated in Figure (1), the financialization of the economy of the US, which had already started in the 1970s, accelerated at the beginning of the 21st century.

According to figure (1), while the share of GDP in the financial sector had a smooth rising trend from 1950 (12%) to 1980 (17%), from 1980 to 2001 the financial sector share of GDP rose to 23% in 2001. In other words, while in 30 years (from 1950 to 1980), the rise was 5%, in 21 years (from 1980 to 2001) and the percentage rise was 6%. This is while the manufacturing share of GDP fell sharply from 32% in 1950 to 17% in 2001.

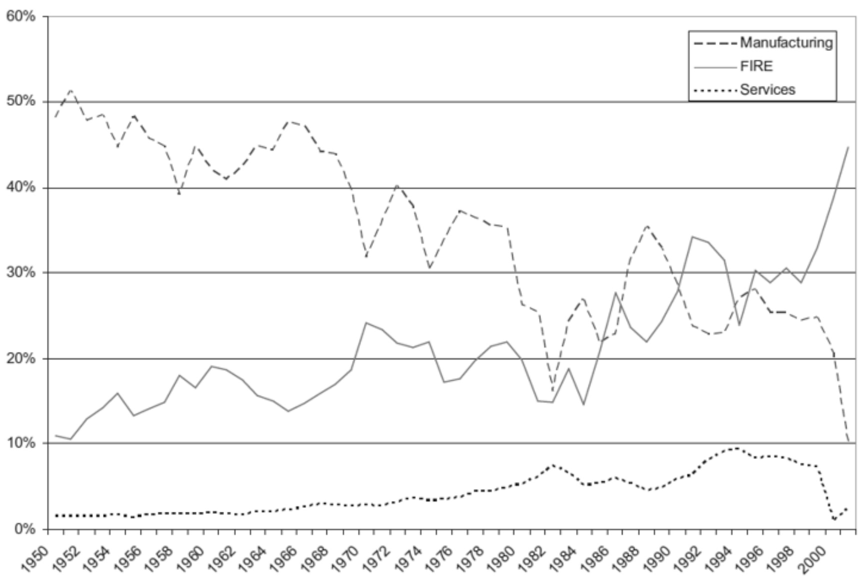
Figure 1: Relative Industry Shares of Current-Dollar GDP in US Economy 1950-2001



Source: Ortiz (2014)

According to figure (2), during the same period, the percentage of corporate profits rose from 11% in 1951 to 20% in 1980, while from 1980-2001, it rose to 40%. This is while the manufacturing profit fell from 49% in 1950 to 37% in 1980, while from 1980 to 2001 it fell to 22%.

Figure 2: Relative Industry Shares of Corporate Profits in US Economy 1950-2001



Source: Ortiz (2014)

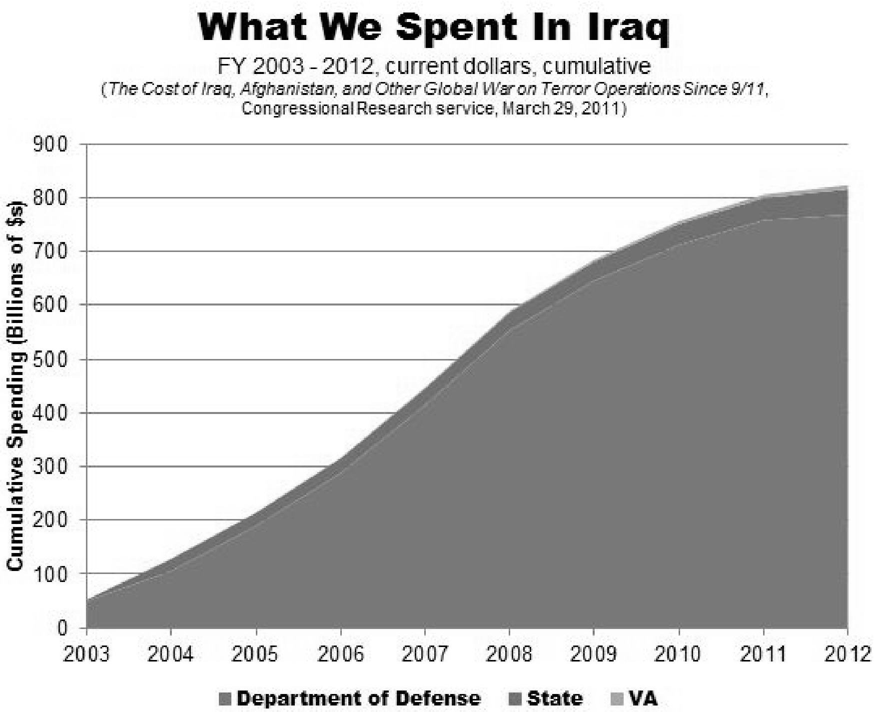
President Bush committed himself into continuing the deregulation policies of the previous administrations. In general, the Bush administration policies related to the American Dream can be divided into three main parts: 1. Tax cuts, 2. Housing deregulation, 3. Privatization.

5. 1. 1. Tax Cuts

At the beginning of Bush's presidency in 2001, September 11 terrorist attack happened. In response to the terrorist attacks, President Bush maintained that he wanted to make war on terror and to export the American Dream to the Middle East by establishing democracy and prosperity in Iraq and Afghanistan (Kimmage, 2011). The Bush administration allocated a significant budget for wars in Afghanistan and later in Iraq, on the pretext of Iraq having weapons of mass destruction in 2003 (Glantz, 2008).

However, according to the Watson Institute for International and Public Affairs' Research Center at Brown University, aside from heavy civilian and US military casualties in Iraq and Afghanistan, the result of his operations in these two countries imposed heavy debt on the United States and had an immense negative impact on its economy, in a sense that the money should have been spent on public services and infrastructure instead of war. According to Watson Institute for International and Public Affairs, between 1.4 and 3 million more jobs would have been created if the money had been spent on education, health care, or green energy instead of war. Furthermore, war spending "financed entirely by debt" made borrowers, such as new homeowners, be charged with higher interest rates (Costs of War, 2019). According to figure (3), a lion share of the Bush government's budget was spent on wars on terror, while at the same time his administration's domestic policies were tax cuts.

Figure 3: The cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11.

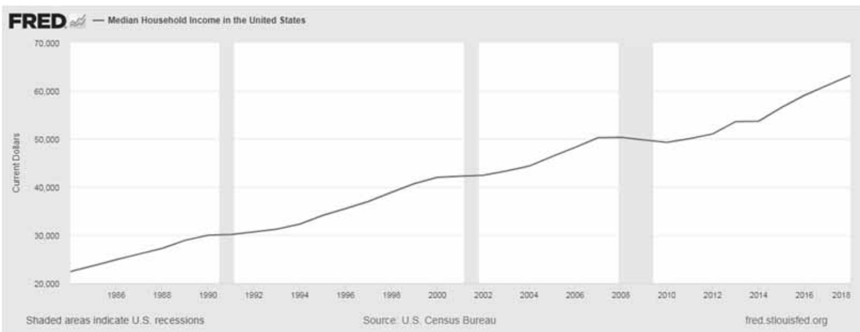


Source: Congressional Research Service (2012)

To recover the American economy, the Bush Administration signed into law massive tax cuts in 2001 and 2003, namely the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). The aim of the Economic Growth and Tax Relief Reconciliation Act of 2001, published on the US congress website, was to revive the economy after the dot-com-related recession. The tax cut wanted to cut the income tax rate to benefit taxpayers, among other goals (Economic Growth and Tax Relief Reconciliation Act of 2001, 2001).

The goal of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), published on the US congress website, was to cut a series of taxes for businesses, and aimed to accelerate the 2001 EGTRRA tax changes. The act aimed to accelerate the recovery of the American economy by allocating more money to businesses and investors through tax cuts and encouraging investment in the stock markets to revive the American economy (Jobs and Growth Tax Relief Reconciliation Act of 2003, 2003). However, the tax cuts did not act equally for the different strata of the American people. The high-income taxpayers benefited most from the laws.

Figure 4: Median Household Income in the United States.



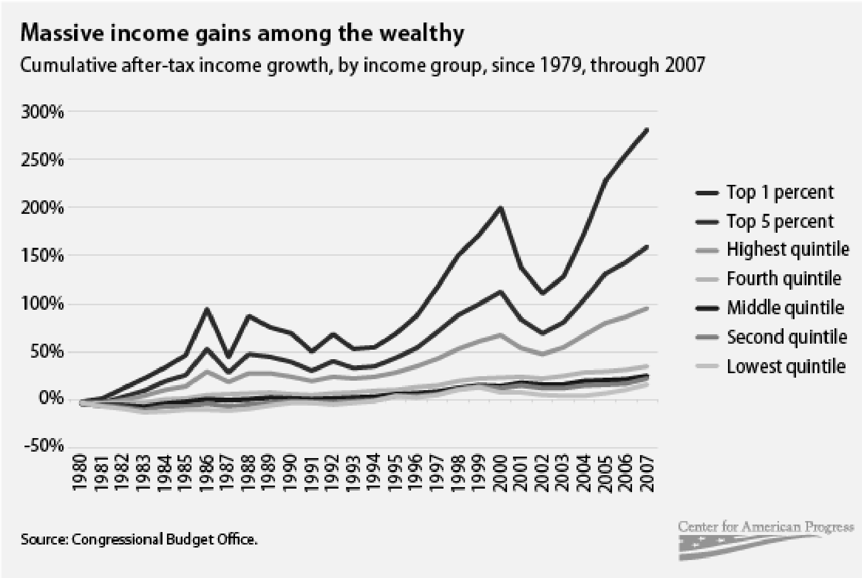
Source: US Census Bureau (2020)

As illustrated in figure (4), the median income of American households increased from 2000 to 2003, but the tax cuts could not lessen the inequality in income distribution among the different economic strata of Americans. In fact, according to figure (5), comparing incomes before tax cuts and after that, the income distribution became more drastically unequal. The income disparity therefore continued from 2001 to 2008.

Later, in 2006 in his assertions in Chicago, published on the White House website, President Bush defended the 2003 tax cut. According to him, "American families all across this country have benefited from the tax cuts on dividends.... Half of American households—that's more than 50 million households—now have some investment in the stock market" (President Discusses Strong and Growing Economy, 2006).

However, as can be seen in figure (5), President Bush's remarks were not completely correct. While it was true that 50% of Americans owned a few shares of stocks, the key point was that the wealthiest owned a lion share of the stocks. As a result, they received the largest part of dividends and benefited most from the tax cut on the dividends. That is the reason for which the top 1% of Americans benefited most from the tax cuts. The tax cuts increased therefore the wealth of the wealthiest instead of helping to create smaller owners. According to figure (5), the income of the top earners in the United States increased drastically since 2001, while the income of middle-class Americans barely rose at the same time period.

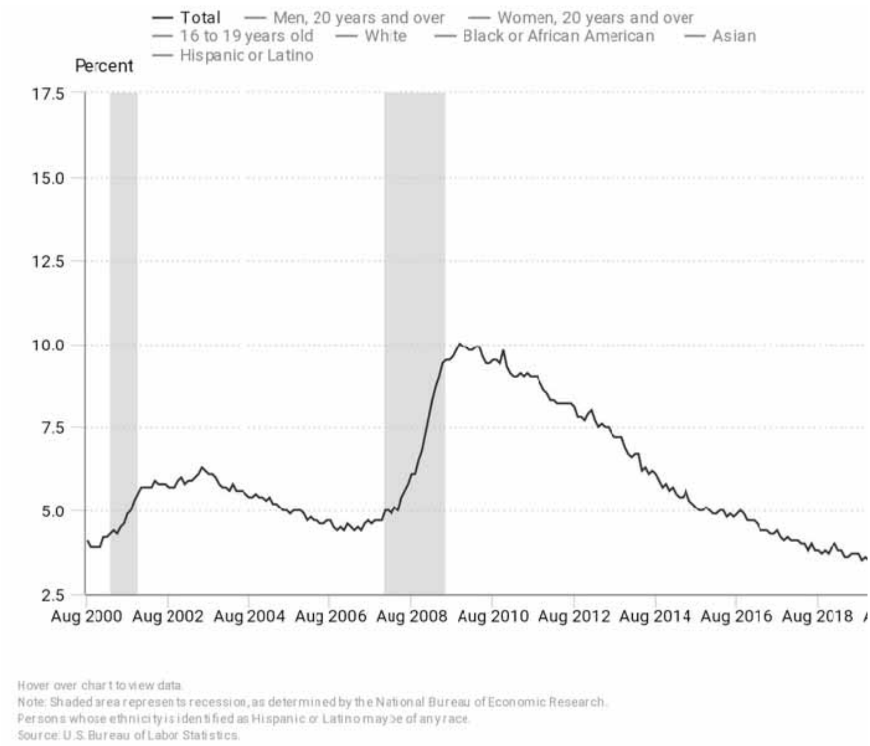
Figure 5: Massive income Gains Among the Wealthy.



Source: Congressional Budget Office (2021).

Furthermore, according to the Watson Institute for International and Public Affairs' Research Center at Brown University, the Bush administration wars on terror imposed a heavy cost on the American taxpayers in a way that if the cost was spent for Americans, about 1.4 to 3 million more jobs would have been created (Costs of War, 2019). Yet, according to figure (6), the rate of unemployment was reduced from 2004 to 2006, which was higher than in the last years of Clinton's presidency. According to the council of economic advisors, due to uncertainty in the economic future of the country, businesses did not hire new employees; instead, they started to dismiss their workers. As a result, as can be seen in figure (6), the unemployment rate rose sharply during the 2007-8 financial crisis (Council of Economic Advisors, 2014).

Figure 6: Civilian Unemployment Rate.



Source: US Census Bureau (2019)

Cutting taxes further widened the gap between the rich (including the financial sector) and the poor. Despite President Bush's speech, the tax cuts further helped the financialization of the American Dream because he claimed that through the two tax cut laws, Americans' the quality of Americans' lives would increase.

However, in practice, the Bush administration, by enforcing the tax cuts widened the gap between the rich and the poor. The two above-mentioned laws were aligned with the interest of the financial sector, rather than the interest of the low and middle-income Americans.

5. 1. 2. Housing deregulation

Most Americans think of homeownership as the major realization of the American Dream. Owning a home helps them to feel independent and confident about the future (Be´land, 2007). However, housing deregulation accelerated under President Bush. In the first years of the new millennium, due to the ease/removal of the mortgage approval rules, which began in the late 1990s: the opportunity to become a homeowner increased therefore, for the parts of the population who previously considered the dream of homeownership unattainable. More homebuyers could therefore borrow subprime mortgages from banks. President Bush assumed homeownership as part of the American Dream. In an address at the St. Paul AME Church in Atlanta on June 17, 2002, which was published on the White House website president Bush said:

> I do believe in the American Dream.... Owning a home is a part of that dream, it just is. Right here in America if you own your own home, you're realizing the American Dream.... There is a home ownership gap in America. The difference between Anglo America and African American and Hispanic home ownership is too big.... And so that's why I propose and urge Congress to fully fund the American Dream Down payment Fund. This will use money, taxpayers' money to help a qualified, low income buyer make a down payment (Bush, 2002).

In 2003, President Bush signed into law the American Dream Down Payment Assistance Act to increase the homeownership rate by helping first home buyers with the down payment and helping minorities own homes (American Dream Down Payment Act, 2003). According to the act, low-income, first-time home buyers could receive adjustable interest rate loans with no or low interest. The loans required minor or no proof of income (American Dream Down Payment Assistant Act, 2003). As a result, all strata of the society, including the middle class and the poor, good or bad credit borrowers, could enjoy bank loans for mortgage. On the other side, deregulation allowed banks to trade hedge funds with derivatives. Banks then asked for more mortgages to support the profitable sale of these derivatives. They created interest-only loans affordable for subprime borrowers. By removing the barriers of homeownership and the rise in mortgage approval rates, the number of homebuyers increased and the house price rose subsequently. President Bush's policy therefore helped the housing bubble to become greater. As supply outreached demand, the housing prices fell, and the housing bubble burst in 2008. Accordingly, many borrowers stopped borrowing more than the worth of their homes. The result was mortgage delinquencies, foreclosures, and a reduction in the value of mortgage-backed securities. Rating agencies had securitized subprime mortgages with false ratings and the mortgages issuers did not concern if the borrowers could pay back the loans (Smith, 2012). As a result, the financial crisis of 2008 occurred. Due to the deregulation homeownership policies of the Bush administration, the president’s promise to help low-income buyers own homes could not be realized. As can be seen in figure (7), home ownership rate, despite its rising trend at the beginning of the new century, fell sharply since 2007 up to 2016. This again proves the core argument of the study that while President Bush contended that by enforcing the American Dream Down Payment Assistant Act, low-income people can own a home and enjoy realization of their dream, in practice the Act led to widespread loss of homes due to deregulations, while the big crisis-hit financial institutes enjoyed government bailouts. In other words, the Bush administration prioritized the financial sector over the interest of the American people.

Figure 7: Homeownership Rate for the United States (1970-2020).

Source: US Census Bureau (2020)

5.1.2.1. Emergency Economic Stabilization Act of 2008

In 2008, the congress approved the Emergency Economic Stabilization Act and President Bush signed it into law to counter the financial crisis. According to the law, the Secretary of Treasury had the authority—through the Troubled Asset Relief Program or TARP—to either buy or insure over 700 billion dollars of financial institutions' troubled assets to strengthen the financial sector

(Troubled Asset Relief Program: Implementation and Status, 2013).

The Bush administration used 234 billion dollars of TARP funds in the last months of his presidency in the following sectors:

1. Banks and thrifts, from which 165 billion dollars was invested in the eight largest financial institutions of the United States. Additional funds were supposed to guarantee the assets of two of the largest banks
2. American International Group (AIG), which received 40 billion dollars in addition to funds from the Federal Reserve
3. Auto industry, which received 20 billion dollars in loans (Troubled Asset Relief Program: Two Year Retrospective, 2010)

The Bush administration therefore used about half of the TARP fund to support country's largest financial institutions. In fact, the Bush administration's Emergency Economic Stabilization Act was to the benefit of the already-financially-strong financial sector, rather than supporting the country's entire financial sector, which again illustrates the preference of the government for the wealthier part of the population**.** Since the enactment of the Act happened during the last months of the Bush administration, the other impacts of the Act will be assessed in the section on Barack Obama's presidency.

5.1.3. Privatization

President Bush's homeownership policy was part of his slogan the "ownership society". During his first term, President Bush mainly focused on tax cuts, and after September 11th terrorist attacks, on national security issues. But in his second term, President Bush focused on his domestic agenda 'ownership society'. According to the slogan, individuals instead of government or employers, should shoulder their own financial and economic responsibility. In 2004, in his remarks published on the White House website about "ownership society" president Bush said:

> ...if you own something, you have a vital stake in the future of our country. The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country (Fact Sheet: America's Ownership Society: Expanding Opportunities, 2004).

President Bush extended this policy to health care and social security. To privatize social security at the beginning of his presidency in 2001, president Bush appointed the Commission of Strengthening Social Security and Creating Wealth for all Americans. In his remarks in the first day of the commission's activity, published on the White House website, President Bush (Bush, 2001) said:

> …Social Security reform should reinforce personal ownership and possessive individualism: Personal savings accounts will transform Social Security from a government IOU into personal property and real assets; property that workers will own in their own names and that they can pass along to their children. Ownership, independence, access to wealth should not be the privilege of a few. They're the hope of every American, and we must make them the foundation of Social Security.

In his speech, the president maintained that social security privatization gives access to ownership, independence, and access to wealth for all Americans from all walks of life, to convince people they all have interest in social security privatization. In order to legitimize the 'ownership society' slogan, in his 2004 speech, published on U.S. Government Publishing Office website, President Bush discussed the issue of job insecurity in the country. He said:

> Today, people are changing jobs and careers quite often, and the workforce has changed…and in times of change, I understand that ownership brings stability to our neighborhoods and security to our families. In changing times, it helps if you own something. It helps bring security to you. By paying a mortgage instead of rent, by putting money into your own retirement plan, you're storing up wealth for your family (Bush, 2004).

According to these remarks, President Bush consigned the burden of paying lifetime retirement payments to individuals. President Bush resorted to a market economy by cutting taxes, deregulations, and ownership society policy to make families participate in the market. He entered people into the market and reduced the responsibility of the state, arguing that it will help people to improve their financial status. Yet, the policy further helped the financialization of the economy and the American Dream.

The three policies of President Bush, namely tax cuts, deregulation, and privatization illustrate the fact that the Bush administration promoted the market, while restricting the state. While President Bush contended that the policies help all Americans to have better financial status, his administration's financialization of the American Dream led to widening the gap between the wealthy and the rest of society; the wealthiest became wealthier, while the middle-class and lower-middle-class Americans became poorer. While the Bush administration bailed out important banks to prevent their bankruptcy, most people lost their homes. Corporations and banks therefore benefited most from government post-financial-crisis policies, while the unemployment increased sharply from 2006 to 2009 and the income disparity continued to raise during Bush's presidency. Homeownership, while increased from 2000 to 2004 due to housing deregulation, started to fall drastically in 2006 after the bubble burst.

5. 2. Barack Obama's Presidency

Barak Obama took office as the president of the United States in 2008. His presidency commenced with the worst economic crisis since the 1930s depression. The economic policies of the Obama administration were based on the Chicago school economics of free market, which is based on minor government intervention in the economy (Smemo, 2019). President Obama reinstated Ben Bernanke as Federal Reserve chair. He assigned Timothy Geithner, who had the same economic strategies as Hank Paulson, the former Secretary of Treasury, as the country's new Secretary of Treasury, and picked Lawrence Summers as National Economic Council Director. In addition, he continued bailing out the country's largest banks (Smemo, 2019). In this way, he did not launch a radical reform in the policies of the previous government.

At the time, and due to the financial crisis in the country, the American public faith in the American Dream had significantly decreased, as they felt that the government continually helped the more economically and politically powerful parts of the population (Hanson & White, 2011). At the beginning of his victory, President Obama said:

> When our fellow Americans are denied the American Dream, our own dreams are diminished. And today, the cost of that dream is rising faster than ever before. While some have prospered beyond imagination in this global economy, middle-class Americans—as well as those working hard to become middle class—are seeing the American Dream slip further and further away (Obama, 2007, in Hanson & White, 2011).

In his book *The Audacity of Hope: Thoughts on Reclaiming the American Dream*, Obama tried to present himself as an example of the American Dream, who has achieved his position from poverty with a migrant father from Kenya and who can revive the American Dream (Obama, 2006). Even when he was elected as the president of the United States, he called his victory the victory of the American Dream. In his victory speech, Obama (2008) said:

> If there is anyone out there who still doubts that America is a place where all things are possible, who still wonders if the dream of our founders is alive in our time, who still questions the power of our democracy, tonight is your answer.

President Obama, promised not to forget the middle-class, blaming Bush's tax cuts for the benefit of the wealthy and the increasing pay of the CEO, even though most Americans experienced hardship. In his campaign on November 2007, whose transcription was published on the CNN website, Obama (2007) promised an American Dream agenda and said: "I will put some wind at the backs of working people, to lower the cost of getting ahead, and to protect and extend the opportunity for the middle class". The Obama administration took several steps to tackle the economic crisis and to increase Americans' income, employment, and rate of homeownership, which will be discussed in the following sections.

5. 2. 1. Increasing Employment and Income

To increase employment, the Obama administration took several measures, which include:

5.2.1.1. The American Recovery and Reinvestment Act of 2009

To recover the economy, President Obama signed into law a fiscal stimulus package or the American Recovery and Reinvestment Act of 2009 (ARRA). The law was based on the Keynesian theory entailing public spending while reducing private spending to reduce unemployment (Peschek, 2011). It is argued that the Obama administration promoted state roles to tackle unemployment. The Act included fiscal relief to states and local governments during the economic recession to cut unemployment, to keep and create jobs, to help economic recovery, to aid the ones suffered most by the financial crisis, to increase public spending, and to "stabilize state and local government budgets" to prevent any tax increases at the state and local levels and prevent cutting vital services and to cut the income tax on working families (Council of Economic Advisors, 2014).

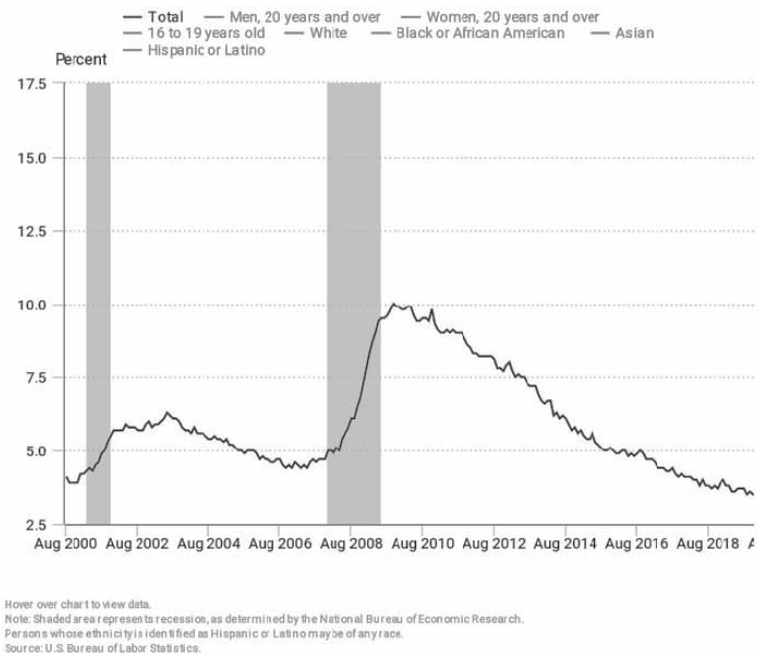
The amount of the efficiency of the law could be assessed through formal documents:… According to the Congressional Budget Office (CBO) report, published on the website of the US congress, the Act, in the third quarter of 2010, helped the employment of approximately 1.4 to 3.6 million people and decreased the rate of unemployment by 0.8-2% (Estimated Impact of the ARRA on Employment and Economic Output, 2010), which indicates that promoting the role of government was beneficial and could decrease the unemployment rate.

According to figure (8), unemployment decreased sharply in

2009 and 2010. This is while according to the employment report of the Bureau, the decline of unemployment was partly due to the exclusion of the labor force who have stopped looking for jobs (The Employment Situation – August 2011, 2011).

In general, the unemployment rate from 2010 to the end of the Obama Presidency had almost a falling trend. The act was fruitful to reduce unemployment to a certain degree, and increasing the role of the government had a significant role in decreasing the rate of unemployment. However, it seems that if the fund for the Act had been larger, or if the government had introduced a complementary similar act, the rate of unemployment would have become much lower.

Figure 8: Civilian Unemployment Rate (2000-2018).



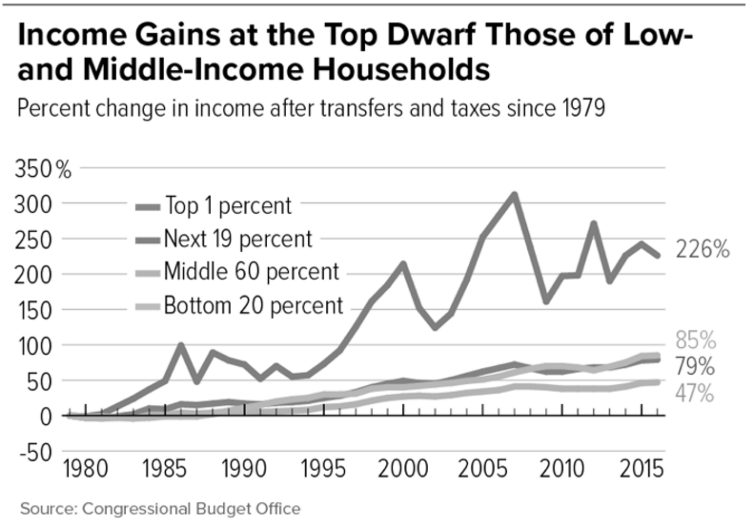
Source: US Census Bureau of Labor Statistics (2020)

5. 2. 1. 1. 1. Tax Increase

President Obama attempted to moderately increase tax on the ones with higher incomes to reduce income inequality. In 2010, President Obama signed into law the 2010 Tax Relief Act. The act, which was earlier known as the Middle-Class Tax Relief Act of 2010, aimed to extend the 2001 and 2003 Bush tax cuts for middle incomers. However, the Republicans of the Congress, opposing his proposal, forced President Obama to expand Bush's tax cuts for the rich, besides cutting the tax for the middle-class Americans. In return, they agreed to extend jobless benefits for the ones who had been unemployed for a long time and accepted a one-year payroll tax cut for most of the workers (Smith, 2012). This indicates that while the Obama administration attempted to help low and middle-class Americans by cutting their taxes, for the Congress Republicans, the interest of the wealthy, including the financial sector, was more important. In addition, while President Obama tried to curb the gap between the rich and the poor, the Republicans of the Congress were not satisfied with, forcing the president to compromise with them, favoring the prioritization of the wealthy over the rest of the Americans.

On January 2, 2013, President Obama signed the American Taxpayer Relief Act of 2012 (ATRA 2012, also known as Obama Tax Increase) after a long battle with the Congress. The Act, which was published on the US congress website, includes the expiration of some provisions of Bush tax cuts, which were extended temporarily by the Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010. This made the 2001 Bush tax cut permanent for lower incomers, and raised the tax rate for higher incomes (American Taxpayer Relief Act of 2012, 2012). However, despite such attempts by the Obama administration, according to figure (9), the inequality between high and middle as well as low incomers continued to grow steadily.

Figure 9: Income Gains at the Top Dwarf Those of Low- and Middle- Income Households.



Source: Congressional Budget Office (2021)

5. 2. 1. 2. Dodd-Frank Wall Street Reform and Consumer Protection Act

The other measure taken by the Obama administration to tackle the financial crisis and increase employment was to regulate banks. The Obama administration enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act or Dodd-Frank in 2010, which aimed to regulate the financial markets to make it safer for the taxpayers and the consumers to use the financial system. The main goals of the Act, published on the US congress website, was increasing the financial stability of the country by improving the transparency of the financial system, ending bailouts to protect taxpayers, and protecting consumers from 'abusive financial services practices', in order to end 'too big to fail' (Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010). However, the Act had several problems. The main problems include:

5. 2. 1. 2. 1. Neglecting Shadow Banking

According to Calomiris (2018), Acharya and Richardson (2012), Ludwig, (2012), and Acharya, Cooley, Richardson, Sylla & Walter (2011), the first problem of the Dodd-Frank Act was that it did not deal with shadow banks (financial institutions and firms whose functions are similar to banks) and excluded the shadow banks from supervision reform, as a result of which non-regulated shadow banks increased their share of similar services. In this way, due to costly imposed rules, fewer financial sectors regulate themselves (Calomiris, 2018; Acharya & Richardson, 2012; Ludwig, 2012; Acharya et al. 2017).

5. 2. 1. 2. 2. Alignment with the Interest of Big Banks

According to Dolar & Dale (2019), Calomiris (2018), and Andriosopoulosa et al.(2016), the second problem was the fact that the new regulations were mostly aligned with the interest of the big Wall Street banks, since the burden of complying with the rule were much heavier for smaller banks compared to the big ones. This caused the wealth to be transferred from the small banks to the big banks. This disproportionate burden of the Act cost therefore benefited large financial institutions at the expense of the small ones, and contravened the goal of the Act to end "too big to fail" (Dolar & Dale, 2019; Calomiris, 2018; Andriosopoulosa, et al., 2016).

5. 2. 1. 2. 3. Business Becoming Costly

According to Smith and Muñiz-Fraticell (2013), and Nwogugu (2016), the third problem of the Act was the fact that doing business became more costly. The added costs were either directly, through licenses or business reforming, or indirectly imposed on consumers in a business. This caused many involved in the business to avoid regulation or follow the least costly path to increase their gain. Furthermore, describing the classes covered by the Act made the consumers of the Act seek help from lawyers to restructure their business to avoid or minimize federal control. In this way, it provided a significant profit for Washington lobbyists, law firms, and financial service consultants (Smith & Muñiz-Fraticell, 2013; Nwogugu, 2016).

Again, instead of helping the people, especially low-incomers to have access to banks, the Act helped big banks corporations to impose high-cost regulations on banks, causing fewer banks to regulate themselves. Furthermore, the banks that regulated themselves had to pay high fees. The Act thus did not help the regulation of the banks, but caused more banks to use loopholes to circumvent the regulations. The act helped the financialization of the economy and the American Dream by acting in favor of big banks and corporations instead of the mainstream American people. President Obama promised to help low-incomers and middle-class Americans, but ended with supporting big corporations and banks.

5.2.3. Increase of Homeownership Rate

To increase homeownership, the Obama administration took several measures.

5. 2. 3. 1. Public - Private Investments Program (PPIP) and Home Affordable Modification Program (HAMP)

To restore confidence in the housing markets, the Treasury Department launched a program dubbed Public-Private Investments Program (PPIP) in 2009, which in fact was the continuation of George Bush's TARP program. It was designed to make private equity firms and hedge funds and private capital become interested in buying devalued or toxic bank assets by allocating a large amount of government subsidy (US Treasury, 2009, in Ghosh & Mohamed, 2010).

However, Timothy Geithner, the Secretary of Treasury, faced criticisms for only focusing on the market, ignoring people who faced foreclosures due to the subprime mortgage crisis. However, Geithner, defended his stance in his book, claiming that he would not consider "spending billions of taxpayer dollars to restructure mortgages for families who would lose their homes even with government help" (Geithner, 2014). This evidently proves the mentality of part of the Obama administration, that the government has no responsibility to help its citizens to have homes; rather, the priority should be put on the financial sector.

President Obama then took several measures, including the Home Affordable Modification Program (HAMP) as part of TARP in 2009 to save homeowners from foreclosures. According to the website of the US Department of Treasury, HAMP reduces monthly mortgage payments of homeowners who face foreclosure to an affordable amount for a long time (Home Affordable Modification Program, 2009). Based on the transcription of his speech, published on the Reuters website, President Obama boasted about the program as a way out of the financial crisis "unraveling of homeownership, the middle class, and the American Dream itself" (Obama, 2009).

However, according to Congressional Oversight Panel (2010), HAMP was not significantly effective firstly due to the fact that HAMP was voluntary for mortgage servicers. Although the treasury can pressure the servicers to participate in the program, it cannot force them to make any modifications to their services. This failure has made the Treasury incapable of influencing, overseeing, and forcing the servicers to enact the modifications (December Oversight Report, 2010).

The California Reinvestment Coalition also contended that the voluntary nature of the program limited its success. Its survey on mortgage counselors indicated that servicers did not comply with HAMP and the Treasury did not oblige them to enforce the program. (California Reinvestment Coalition, Chasm between Words and Deed, 2010, in December Oversight Report, 2010). Moreover, instead of punishing the servicers who contravene, the rules of the program, HAMP focused on 'establishing a tone of program compliance'. (Treasury conversations with panel staff, 2010, in December Oversight Report, 2010). This was while the Treasury reluctantly sufficed to 'vaguely' threaten to contravene HAMP rules and despite reports of errors by servicers, none of them experienced any financial penalties (December Oversight Report, 2010).

Another drawback of the voluntary nature of the program was the potential withdrawal of services. Although the volunteer participants of the program signed a contract, the contract did not explicitly address servicer withdrawal; It was not therefore clear whether servicers could withdraw from HAMP without Treasury's approval, which caused ambiguity about the penalties if a servicer decided to withdraw from the program (December Oversight Report, 2010).

Again, the Act was not effective to save low-income people and the ones who lost their job and were on the verge of losing their homes. On the other side, the program was voluntary and not attractive for mortgage servicers due to the interest issue. As a result, the Act, again, mostly benefited the interests of the financial sector, rather than the American people, which further depicts the financial nature of the American Dream, as it continually prioritized the financial sector despite its commitment to benefit *all* Americans and help them reach their dream of owning a home.

5. 2. 3. 2. Home Affordable Refinancing Program (HARP)

The second part of TARP was the Home Affordable Refinancing Program (HARP), whose aim was to help the borrowers who could not refinance their mortgages to refinance into "more affordable mortgages". HARP was for borrowers who owned loans from Freddie Mac or Fannie Mae (Home Affordable Refinance Program, 2009). However, Fannie Mae and Freddie Mac refinanced far fewer mortgages under HARP than was planned.

One reason was the fact that HARP was first only allocated to homeowners whose mortgages were not above 105 percent of their home value; as a result, millions of homeowners with "negative equity" could not benefit from the program. After a few months, the limit was extended to 125 percent of the home value of the homeowners, but the number of eligible homeowners did not increase significantly. This is due to the fact that since the government-sponsored enterprises (GSEs) charged more for higher-risk mortgages, HARP had less tendency to help homeowners whose homes' mortgages were larger than the worth of their homes (Board of Governors of the Federal Reserve System, 2012, in Schwartz, 2012). Once more, the financially weaker citizens were not included in the government help program. The Act did not therefore help a significant number of homeowners and contravened President Obama's promise to help low and middle-class Americans, which is, again, further evidence of the financialization of the American Dream.

5. 2. 3. 3. Helping Families Save Their Homes Act of 2009

The Congress passed the Helping Families Save Their Homes Act of 2009, which, with the help of the insurance program of the Federal Reserve Administration allowed homeowners to avoid foreclosure. The act was useful for borrowers whose home loans are higher than the value of the home in the market (Regulatory Impact of Implementing "Helping Families Save Their Homes" Act, 2009). However, the Senate refused to amend allowing bankruptcy judges to modify mortgages on primary residences. In addition, the Act refused to amend "the personal bankruptcy code" to modify the terms of the mortgage without the need for lender approval (Wallach, 2015, in Smemo, 2019). As a result, the policy helped to further increase the inequality of the distribution of wealth in the country (Herring et al., 2014, in Smemo, 2019), the "financialization of urban policy" (Lake, 2015, in Smemo, 2019) and the financialization of the American Dream.

All of these hint at prioritizing financial institutes by both the Obama administration and the Congress. As a result of such policies, the distribution of wealth became increasingly unequal in the country. Such policies were to an extent effective in preventing the foreclosure of over two million houses and helped millions of households to keep their homes longer (Immergluck, 2011 & US Department of Housing and Urban Development and US Department of the Treasury, 2012, in Schwartz, 2012). However, their effect was small in size compared to the actual size of the crisis. According to figure (10), the unemployment rate had a falling trend, while, although the income rate had rising trend, the income of the lower and middle-class Americans rose smoothly, while that of the wealthier rose drastically during the period.

Overall, the policies of the Obama administration were to the benefit of financial institutions and banks, rather than the American people, and similar to Bush's administration, the outcome of his administration's policies promoted the financialization of the American Dream.

Figure 10: Homeownership Rate for the United States.

Source: US Census Bureau (2020)

6. Conclusion

This study evaluated the process of the financialization of the American Dream in the 21st century from President George W. Bush to President Barak Obama's administration. The process can be summarized as follows:

From President Bush to President Obama's tenure, both the financialization of the economy and the American Dream accelerated. The Bush administration took several policies to improve employment, income, and homeownership—the three elements of the American Dream—for Americans. However, President Bush's policies aligned with the interest of the wealthy, rather than low and middle-income Americans. President Bush's 2001 and 2003 tax cuts caused the gap between the rich and poor to become widened. The tax cut of 2003 especially made the wealthiest enjoy the most from the tax cut on dividends, since they had a great share of the stocks. His American Dream Down Payment Assistance Act removed the barriers of homeownership and caused millions of Americans to lose their homes. His 'ownership society policy' reduced the responsibility of the government, while increasing the role of the market in the lives of Americans. The Troubled Asset Relief Program (TARP), which aimed to provide more liquidity for the credit system, gave a greater amount of TARP funds to companies that had political ties or lobbies, compared to those not enjoying such ties. During Bush's presidency unemployment increased sharply from 2006 to 2009. The income disparity increased drastically. Homeownership increased from 2000 to 2004 due to housing deregulation, but suffered a significant fall after the bubble burst.

When Obama became president, he blamed Bush for the increasing gap between the wealthy and the poor. Even though he showed himself as an example of the American Dream and promised to create millions of jobs, to annul Bush's tax cuts for the wealthy, and to give the Federal Reserve more control over the financial institutions, he did not make radical changes to the Bush administration policies, although he called for a degree of government intervention. He took some measures to increase the rate of Americans' employment, income, and homeownership. The American Recovery and Reinvestment Act of 2009' or ARRA, which was based on the Keynesian theory, was fruitful to decrease unemployment to a certain degree. The unemployment during the Obama administration had a falling trend. The Dodd-Frank Wall Street Reform and Consumer Protection Act or Dodd-Frank, whose goals included lowering the risk of trading derivatives, and making derivatives market transparent, helped big banks corporations, instead of people's access to banks, by not sealing loopholes effectively and not imposing high-cost regulations on banks, which caused few banks to regulate themselves. The number of unbanked people therefore increased after the act. The public-Private Investments Program (PPIP) aimed to make private equity firms and hedge funds and private capital interested in buying devalued or toxic bank assets by allocating a large amount of government subsidy. However, the Treasury Department only focused on the market, ignoring people who faced foreclosures due to the subprime mortgage crisis. The Home Affordable Modification Program (HAMP) let homeowners extend their loans, delay their payments temporarily, and lessen their interest rates and/or mortgage principles, but it was not effective to save a significant number of low-income people, especially those who lost their jobs and were on the verge of losing their homes. The program was voluntary and not attractive to mortgage servicers due to the interest issue. As a result, the Act was not to the benefit of people, but mostly considered the interest of the financial sector. The second part of TARP, the Home Affordable Refinancing Program (HARP) aimed to help homeowners to refinance their mortgages "under more affordable terms" through Fannie Mae and Freddie Mac. However, Fannie Mae and Freddie Mac refinanced far fewer mortgages under HARP than was planned. The Act therefore did not help a considerable number of homeowners and again contravened Obama's promise to help low and middle-class Americans. The Congress also passed the Helping Families Save Their Homes Act of 2009. However, the Senate refused to amend allowing bankruptcy judges to modify mortgages on primary residences. In addition, the Act refused to amend the personal bankruptcy code to adjust mortgage terms without approval from the lender. As a result, the policy helped to further increase the inequality of the distribution of wealth in the country. Once more corporations were prioritized over the interest of the American people. During the Obama presidency, the unemployment, income, and homeownership had a falling trend.

This study added further to the theoretical framework that American Dream has shifted toward financialization, in parallel with the financialization of the economy. The intellectual foundations of the United States, from the beginning of their creation including John Locke's Theory of Natural Rights, Founding Fathers' use of faculty psychology (natural aristocracy of wealth should lead people) to Social Darwinism (suggesting low taxes, small government, and limited regulation to let the fittest be the winners in the competition) paved the way for the financialization of the American Dream. In the past, the policies of several presidents, such as President Nixon's termination of the Breton Woods system and President Carter's deregulation policy, had drawn the country closer to the financialization of the American Dream: President Reagan's pro-business and pro-small government belief—which indicated that the government stands in the way of the American Dream—and President Clinton's repealing of Glass-Steagall Act actualized the financialization of the American Dream. However, the policies of President Bush and President Obama accelerated the process of the financialization of the American Dream. The result of the policies of these two presidents caused the gap between the rich and the poor to increase from the beginning of the 21st century until 2016. The income of the few rich increased, while that of the middle class and lower middle class decreased or increased slightly. The middle class has been contracted in the new millennium. Most people from the middle to low-income families have lost their homes or have not afforded to buy a house. The homeownership rate had a lowering trend since the beginning of the financial crisis. This means that while president Bush contended that deregulation and privatization help Americans to achieve their dreams, and while President Obama promised to decrease the gap between higher and lower-income Americans, in practice their administration prioritized the interest of financial institutions to the interest of people.

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