Bank Failures, Regulation, and Inequality in the United States
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Federal deposit insurance and federal bank regulation enacted as part of Glass-Steagall (June 1933)

Start of bank deregulation (March 1980)

Share of Income Held by Top 10% (Right Axis)

Total Deposits of Failed and Assisted Institutions as % of GDP (Left Axis)

Total Bank Failures (Number of failures = Left Axis x 450)


Note: David Moss prepared this chart with the assistance of Darin Christensen and Arthur Kimball-Stanley and is deeply indebted to Mitchell Weiss for his insightful observation about the pattern of inequality.

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Comments on Bank Failure/Regulation/Inequality Chart

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• There are remarkable correlations between bank failures (and financial crises), financial regulation/deregulation, and income inequality across U.S. history.
• Bank failures and financial crises were common in the U.S. until 1933. Then federal financial regulation was dramatically strengthened (starting in 1933). Bank failures and financial crises virtually disappeared after that, for nearly 50 years, but reappeared after financial deregulation commenced beginning in the 1980s.*
• Income inequality followed a remarkably similar pattern: rising in the lead up to the Great Depression, falling sharply after that, remaining at a historically low level from the 1940s through the 1970s, and then rising sharply after that.
• It is also striking that the two peaks in inequality occurred in 1928 and 2007 – in each case immediately before a major financial crisis.
• Of course, correlation is not causation. We do not yet know if there are meaningful connections between financial crises, financial regulation or deregulation, and income inequality. But the patterns across American history are sufficiently striking that further investigation of possible connections seems merited.