

History of U.S. Gov't Bailouts

September 29, 2008 4:23 pm EDT

With the flurry of recent government bailouts, we decided to try to put them in perspective. The circles below represent the size of U.S. government bailout, calculated in 2008 dollars. They are also in chronological order. Our chart focuses on U.S. government bailouts of U.S. corporations (and one city). We have not included instances where the U.S. government aided other nations.

Check out how the Treasury did [in the end](#) after initial government outlays.



Industry/Corporation

Year

What Happened

Cost in 2008 U.S. Dollars

Penn Central Railroad 1970

In May 1970, Penn Central Railroad, then on the verge of bankruptcy, appealed to the Federal Reserve for aid on the grounds that it provided crucial national defense transportation services. The Nixon administration and the Federal Reserve supported providing financial assistance to Penn Central, but Congress refused to adopt the measure. Penn Central declared bankruptcy on June 21, 1970, which freed the corporation from its [commercial paper](#) obligations. To counteract the devastating ripple effects to the money market, the Federal Reserve Board told commercial banks it would provide the reserves needed to allow them to meet the credit needs of their customers. (What happened [after the bailout?](#))

\$3.2 billion

●	Lockheed	1971	In August 1971, Congress passed the Emergency Loan Guarantee Act, which could provide funds to any major business enterprise in crisis. Lockheed was the first recipient. Its failure would have meant significant job loss in California, a loss to the GNP and an impact on national defense. (What happened after the bailout?)	\$1.4 billion
●	Franklin National Bank	1974	In the first five months of 1974 the bank lost \$63.6 million. The Federal Reserve stepped in with a loan of \$1.75 billion. (What happened after the bailout?)	\$7.7 billion
●	New York City	1975	During the 1970s, New York City became over-extended and entered a period of financial crisis. In 1975 President Ford signed the New York City Seasonal Financing Act, which released \$2.3 billion in loans to the city. (What happened after the bailout?)	\$9.4 billion
●	Chrysler	1980	In 1979 Chrysler suffered a loss of \$1.1 billion. That year the corporation requested aid from the government. In 1980 the Chrysler Loan Guarantee Act was passed, which provided \$1.5 billion in loans to rescue Chrysler from insolvency. In addition, the government's aid was to be matched by U.S. and foreign banks. (What happened after the bailout?)	\$3.9 billion
●	Continental Illinois National Bank and Trust Company	1984	Then the nation's eighth largest bank, Continental Illinois had suffered significant losses after purchasing \$1 billion in energy loans from the failed Penn Square Bank of Oklahoma. The FDIC and Federal Reserve devised a plan to rescue the bank that included replacing the bank's top executives. (What happened after the bailout?)	\$9.5 billion
●	Savings & Loan	1989	After the widespread failure of savings and loan institutions, President George H. W. Bush signed and Congress enacted the Financial Institutions Reform Recovery and Enforcement Act in 1989. (What happened after the bailout?)	\$293.8 billion
●	Airline Industry	2001	The terrorist attacks of September 11 crippled an already financially troubled industry. To bail out the airlines, President Bush signed into law the Air Transportation Safety and Stabilization Act, which compensated airlines for the mandatory grounding of aircraft after the attacks. The act released \$5 billion in compensation and an additional \$10 billion in loan guarantees or other federal credit instruments. (What happened after the bailout?)	\$18.6 billion
●	Bear Stearns	2008	JP Morgan Chase and the federal government bailed out Bear Stearns when the financial giant neared collapse. JP Morgan purchased Bear Stearns for \$236 million; the Federal Reserve provided a \$30 billion credit line to ensure the sale could move forward.	\$30 billion

●	Fannie Mae / Freddie Mac	2008	The near collapse of two of the nation's largest housing finance entities was yet another symptom of the subprime mortgage and housing market crisis. In an effort to prevent further turmoil within the financial market, the U.S. government seized control of Fannie Mae and Freddie Mac and guaranteed up to \$100 billion for each company to ensure they would not fall into bankruptcy.	\$200 billion
●	American International Group (A.I.G.)	2008	When AIG was unable to secure a private-sector loan, the federal government intervened by seizing control of the insurance giant.	\$85 billion
●	Auto Industry	2008	In late September 2008, Congress approved a more than \$630 billion spending bill, which included a measure for \$25 billion in loans to the auto industry. These low-interest loans are intended to aid the industry in its push to build more fuel-efficient, environmentally-friendly vehicles. The Detroit 3 -- General Motors, Ford and Chrysler -- will be the primary beneficiaries.	\$25 billion
●	Troubled Asset Relief Program	2008	The Bush administration has proposed a rescue plan to ease the current crisis on Wall Street. If approved by Congress, the Treasury Department will be authorized to purchase up to \$700 billion of distressed mortgage-backed securities and other assets and then resell the mortgages to investors.	\$700 billion

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