

Critical Review >

A Journal of Politics and Society

Volume 21, 2009 - [Issue 2-3: Causes of the Financial Crisis](#)

5,610 43

Views | CrossRef citations to date | 2 | Altmetric

Essays

CAUSE AND EFFECT: GOVERNMENT POLICIES AND THE FINANCIAL CRISIS

Peter J. Wallison 

Pages 365-376 | Published online: 13 Jul 2009

 Cite this article  <https://doi.org/10.1080/08913810902934158>

Sample our
Politics & International
Relations Journals 
>> **Sign in here** to start your access
to the latest two volumes for 14 days

 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

 Share

ABSTRACT

The underlying cause of the financial meltdown was much more mundane than a “crisis of capitalism”: The real origins lay in mostly obscure housing, tax, and regulatory policies of the U.S. government. The Community Reinvestment Act, the affordable-housing “mission” of Fannie Mae and Freddie Mac, penalty-free refinancing of home loans, penalty-free defaults on home loans, tax preferences for home-equity borrowing, and reduced capital requirements for banks that held mortgages and mortgage-backed securities combined with each other to create the incentives for both subprime lending and the housing bubble that eventually led to the financial collapse.

[< Previous article](#)

[View issue table of contents](#)

[Next article >](#)

Notes

1. See the extensive discussion of the Community Reinvestment Act's development in Hossain [2004](#).
2. Quoted in Mason [2007](#). The National Homeownership Strategy was removed from the Department of Housing and Urban Development website in 2007.
3. [Economagic.com](#), "Economic Time Series Page: US: Average Price of Houses Actually Sold," www.economagic.com/em-cgi/data.exe/cenc25/c25q07. The average price of homes sold increased from \$153,500 in the fourth quarter of 1995 to \$322,100 in the first quarter of 2007.
4. Federal National Mortgage Association, Fannie Mae's 2007 Annual Housing Activities Report, 5. Washington, D.C.: Department of Housing and Urban Development, 17 March 2008, <http://170.97.167.13/offices/hsg/gse/reports/2007aharfnmanarrative.pdf>
5. Federal National Mortgage Association, "2008 Q2 10-Q Investor Summary," 8 August 2008, 29-30, www.fanniemae.com/media/pdf/newsreleases2008_Q2_10Q_Investor_Summary.pdf; and Federal Home Loan Mortgage Corporation, "Freddie Mac Update," 30 August 2008, www.freddiemac.com/investors/pdffiles/investor-presentation.pdf
6. Joint Center for Housing Studies, The State of the Nation's Housing 2008, 39. Cambridge, Mass.: Harvard University, 2008, www.jchs.harvard.edu/publications/markets/son2008/index.htm
7. Ibid., 37.

Related research

People also read

Recommended articles

Cited by
43

[ECONOMIC POLICY AND THE FINANCIAL CRISIS: AN EMPIRICAL ANALYSIS OF WHAT WENT WRONG >](#)

John B. Taylor

Critical Review

Published online: 13 Jul 2009

[CAUSES OF THE FINANCIAL CRISIS >](#)

Viral V. Acharya et al.
Critical Review
Published online: 13 Jul 2009

[What Went Wrong? An Initial Inquiry Into the Causes of the 2008 Financial Crisis >](#)

John C Coffee Jr
Journal of Corporate Law Studies
Published online: 28 Apr 2015

[View more](#)

Information for

[Authors](#)
[R&D professionals](#)
[Editors](#)
[Librarians](#)
[Societies](#)

Opportunities

[Reprints and e-prints](#)
[Advertising solutions](#)
[Accelerated publication](#)
[Corporate access solutions](#)

Open access

[Overview](#)
[Open journals](#)
[Open Select](#)
[Dove Medical Press](#)
[F1000Research](#)

Help and information

[Help and contact](#)
[Newsroom](#)
[All journals](#)
[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)



Taylor & Francis
by **informa**...

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG