Critical Review ›
A Journal of Politics and Society
Volume 21, 2009 - Issue 2-3: Causes of the Financial Crisis

5,631 Views | 44 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 44

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

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

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