Too Much Money

Too much money makes many people stupid. After the prosperity and growth of the 1980's, Clinton thought that he could expand the prosperity to more people by enacting government programs without consequences.

In the **Investor's Business Daily** editorial, **Bill Clinton, Home Wrecker**, the writers explore the policy that began the housing bubble and collapse.

> *Rewind to 1994. While everyone was worried about Clinton socializing health care, he was busy socializing mortgages. To boost minority homeownership, Clinton toughened anti-redlining rules and launched a federal assault on mortgage underwriting standards.*
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> *He enlisted no fewer than 10 federal regulatory agencies to crack down on prudent lenders. He named his anti-bank SWAT team the Interagency Task Force on Fair Lending.*
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> *"I want to target new (housing) markets, underserved populations, tear down the barriers to discrimination wherever they are found," Clinton said. "We have to do a better job of reaching the underserved; of eradicating discriminatory practices that prevent minorities from finding, financing or buying the home of their choice.*
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> *"We can widen the circle of homeownership beyond anything we have ever seen," he added.*
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> *Indeed, Clinton's policies for the first time threw millions of previously unqualified buyers into the mortgage mix, fueling an unprecedented housing bubble.*
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> *Between 1995 and 2005, according to a new book, "The Great American Bank Robbery," minorities accounted for nearly two-thirds of household growth and contributed a whopping 49% of*

the 12.5 million rise in homeowners over the decade.

HKO comments:

It is hard to avoid the desire to share the wealth when there is plenty to share, but when this overrides basic prudent lending standards then the prosperity shared is short lived and in this case very destructive.

This does not excuse reckless leverage in the case of the banks, but it does raise the risk of regulators who are pressured politically to become blind to reality.

Too much money often makes for bad decisions in the private sector as well, but it is more likely to cause systemic failure when it precipitated by the volume, power and force of government.