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It s government intervention, stupid! [1]

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President Bush?s plans to bail out subprime loans by freezing interest payments for adjustable mortgages is ill conceived enough. But did you know that it was another government intervention that goaded these people into making those mistakes in the first place? That is exactly what George Mason University Economist Walter E. Williams is saying in an interesting commentary for the Washington Post:

> *As with most economic problems, we find the hand of government. The Community Reinvestment Act of 1977, whose provisions were strengthened during the Clinton administration, is a federal law that mandates lenders to offer credit throughout their entire market and discourages them from restricting their credit services to high-income markets, a practice known as redlining. In other words, the Community Reinvestment Act encourages banks and thrifts to make loans to riskier customers.*

However, 96 per cent of mortgages are being paid in time. It is only 2 or 3 percent of homeowners who have to face foreclosures. The Bush bailout will help only few people at a huge cost for the rest of the economy. Above all it is a gross violation of contract rights in a free market (and could even be a Fifth Amendment violation) as Williams rightly states:

> *If a contractual agreement is willingly entered into and agreed upon by a borrower and lender, it is binding and if broken by one party or the other, harsh penalties should ensue.*

Since it was government intervention that got us into the mess more of the same does not make sense at all.

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