



Written by [Sheldon Richman](#) on October 12, 2012

## Clinton's Legacy: The Financial and Housing Meltdown

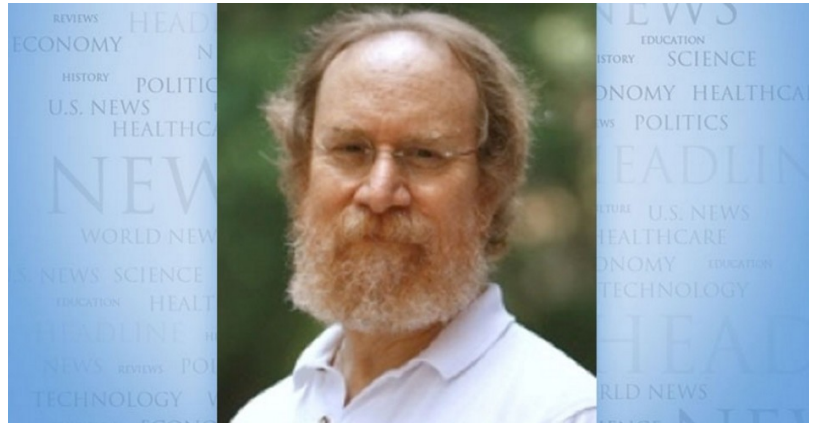
Bill Clinton is certainly full of himself these days. That might have something to do with the fact that no one is likely to ask why he hasn't owned up to his share of the blame for the housing and financial bust.

The former president is treated like an elder statesman whose tenure in office was so good that even some Republicans look back fondly on it. On the surface his economic record looks good, but it would be rash to credit Clinton. During his time in office the information revolution took off, boosting productivity and economic growth. And when his Democratic Party lost control of Congress in 1992, Clinton had to accept spending restraints, which meant less government obstruction to economic growth.

Clinton, however, sowed the seeds of the Great Recession by helping to inflate the housing bubble, a key part of the financial debacle of 2007. But this wasn't because he (not George W. Bush) signed two financial deregulation bills. Although Clinton legalized interstate banking in 1994 and commercial/investment banking combinations in 1999, that had nothing to do with the meltdown.

Then why *is* Clinton culpable? Because his secretary of housing and urban development, Andrew Cuomo, current governor of New York and a likely 2016 presidential aspirant, accelerated easy-housing policies and inflated the housing bubble, setting the stage for its collapse.

The meltdown was the consequence of a combination of the easy money and low interest rates engineered by the Federal Reserve and the easy housing engineered by a variety of government agencies and





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policies. Those agencies include the Department of Housing and Urban Development (HUD) and two nominally private “government-sponsored enterprises” (GSEs), Fannie Mae and Freddie Mac. The agencies — along with laws such as the Community Reinvestment Act (passed in the 1970s, then fortified in the Clinton years), which required banks to make loans to people with poor and nonexistent credit histories — made widespread homeownership a national goal. This all led to a home-buying frenzy and an explosion of subprime and other non-prime mortgages, which banks and GSEs bundled into dubious securities and peddled to investors worldwide. Hovering in the background was the knowledge that the federal government would bail out troubled “too-big-to-fail” financial corporations, including Fannie and Freddie.

The housing boom could last for a while, but the bust was inevitable. When the Fed raised interest rates, things went kaboom. The Great Recession was on; we’re still suffering its effects. Without these government housing and monetary policies, the crisis would never have occurred.

Clinton’s contribution to the crisis lay in his appointment of Cuomo to HUD. Cuomo became HUD secretary in 1997 after becoming assistant secretary in 1993. In a heavily researched [2008 article](#) in the *Village Voice*, Wayne Barrett writes,

Andrew Cuomo, the youngest Housing and Urban Development secretary in history, made a series of decisions between 1997 and 2001 that gave birth to the country’s current crisis. He took actions that — in combination with many other factors — helped plunge Fannie and Freddie into the subprime markets without putting in place the means to monitor their increasingly risky investments. He turned the Federal Housing Administration mortgage program into a sweetheart lender with sky-high loan ceilings and no money down, and he legalized what a federal judge has branded ‘kickbacks’ to brokers that have fueled the sale of overpriced and unsupportable loans. Three to four million families are now facing foreclosure, and Cuomo is one of the reasons why.



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Barrett continues,

Perhaps the only domestic issue George Bush and Bill Clinton were in complete agreement about was maximizing home ownership, each trying to lay claim to a record percentage of homeowners, and both describing their efforts as a boon to blacks and Hispanics. HUD, Fannie, and Freddie were their instruments, and, as is now apparent, the more unsavory the means, the greater the growth....

*Cuomo ... did more to set these forces of unregulated expansion in motion than any other secretary and then boasted about it, presenting his initiatives as crusades for racial and social justice.*

[Emphasis added.]

Bill Clinton gave Cuomo that power and backed his aggressive policies to the hilt. Bill Clinton, then, shares responsibility for the Great Recession. When will he be held accountable?

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