

# Opinion

## Financial crash leaves political mess in economy

By CHRIS VARMECKY  
STAFF WRITER  
CJV5043@PSU.EDU

With last week's collapse of the investment bank mammoth Lehman Brothers Holdings, a federal takeover of mortgage lenders Fannie Mae and Freddie Mac, and the subsequent bailout of AIG, the sensationalism in the media would have led some to believe that the entire American economy is teetering on the brink of destruction.

These seemingly earth shattering events sparked the unprecedented intervention by the United States federal government to the tune of nearly \$1 trillion in the form of mortgage securities purchases and financial bailouts.

Amidst the atmosphere of financial turmoil, the two candidates sparring for the 2008 presidency engaged in a back-and-forth schoolyard brawl,

each asserting that their populist message was the appropriate one to bring accountability to Wall Street and end the tyrannical corporate practices perpetrated against the "little guy."

McCain's newfound populism, in a dubious effort to usurp Obama's misguided message of change, brought the hammer slamming down on free markets, and it conjoined McCain with the likes of those advocating more stifling restrictions on capitalism. Akin to the idealists in the democratically controlled Congress, McCain's ploy to inflict more restrictions on Wall Street only exasperates our current mess.

However, what McCain neglects to point out is that unfettered capitalism was not the catalyst that spawned these unprecedented failures in the financial markets.

Last week's chaos was a product of quasi-privatized institutions mandated by Clinton era policies

to loan people money with essentially no down payment, no verification of income and no collateral in the case that the borrower would happen to default on his or her loan.

Capitalism is not to blame. The finger of ridicule should be point at Congress's failure to reform these government-backed entities years ago when the Bush administration and John McCain were calling for it.

According to a Sept. 11, 2003 article in the New York Times, the Bush administration pushed for "the most significant regulatory overhaul in the housing finance industry since the Savings and Loan's crisis."

This recommendation consisted of a formation of a new agency within the Treasury Department to supervise Fannie and Freddie in the midst of compiling a \$1.5 trillion outstanding debt, manipulating its accounting to

hoodwink investors and failing to adjust to rising interest rates.

Nevertheless, much to the duress of the Bush administration, congressional Democrats blocked legislation to tighten regulation on these mortgage behemoths because they did not want to interfere with financing for low income and affordable housing.

Current Chairman of the House Financial Services Committee Barney Frank, D-Mass., at the time even trumpeted that, "These two entities -- Fannie Mae and Freddie Mac -- are not facing any kind of financial crisis."

He went on to say that, "The more people exaggerate these problems, the more pressure there is on these companies, the less we will see in terms of affordable housing."

Ironically, it's these same do-nothing congressional Democrats (today) who are now lambasting the Bush administration's

economic policies, swindling the American people to believe that Bush's nonexistent policies of massive deregulation are to blame. It's apparent that Democratic ideals along with failure to reform the system, obstructed by congressional Democrats, were at the center of this fiasco.

Despite the populist rhetoric spewing from McCain's mouth these days, he foresaw the dangers that these government-sponsored entities or GSEs posed. McCain cosponsored the Federal housing regulatory Reform Act of 2005, and he warned that if Congress failed to act, "the American taxpayers will continue to be exposed to the enormous risk that Fannie Mae and Freddie Mac pose to the housing market, the overall financial

Please see **CRASH**  
on page 10

## President's Corner

By NATHANIEL HEZEKIAH  
SGA VICE PRESIDENT  
NZH111@PSU.EDU

Hello, students, faculty and staff of Penn State Harrisburg.

I'm Nathaniel Hezekiah, vice president of your Penn State Harrisburg Student Government Association.

Currently, we are taking bold steps in improving the campus atmosphere. Our first event of the year will be an art festival, which will be a THON fundraiser, on Oct. 18. Everyone is encouraged to come out and support the cause. My initiative for this academic semester will be to focus on ways to improve and promote more club cooperation on events in Penn State Harrisburg. Another goal is to bridge the gap between undergraduate and graduate students and I'm looking forward to any suggestions as to helping to achieve this goal. Finally, I would like to strongly encourage our current freshmen on campus to get involved some way in any organization you feel you can

strongly benefit.

If you've look around the campus lately, there is an increase in the number of events going on around campus.

Recently, I overheard a comment that "there's always something going on here."

My reply to that comment is, "There's a lot more events coming in the near future."

Starting with intercollegiate and intramural sports already beginning this semester, more Penn State pride will be noticeable on campus. The numerous events ranging from guest speakers, game shows, club meeting and many other great social events this semester could be considered one the busiest in the school's history. Most notable is the Martin Luther King Lecture Series, which is sponsored by Diversity and Educational Equity Committee (DEEC) here at Penn State Harrisburg. The lecture series allows speakers from various backgrounds to come and discuss their experiences in their field and discuss topics that could

affect us as students in life after college. The main topic in the lecture series might be focused on diversity, but there is so much more you can learn once you step in to one of those forums.

In your Student Government Association Update since last issue, the general weekly meeting has had many positive outcome over the past couple weeks. Topics discussed in the most recent meetings focused on the ratification and implementation of the new constitution, new appointments to the Senate and Executive Board and finally the Inner Club Council. Look forward to open forums, senators will hold in order to allow faculty and students to communicate to each other any complements, questions and/or comments regarding specific majors for each individual school. Recently the SGA was out in support to promote students introducing themselves and conversing with Chancellor Madlyn L. Hanes. The event helped students discuss a wide range of topics with the



chancellor and also with members of the SGA. If you are interested in what is going on with SGA and have yet to attend any of the meetings and you would like to sit on a meeting, they are held in room 128 of the TL building every Thursday at 12:30 p.m.

To all the students here at Penn State Harrisburg, I hope for the greatest success for you as you continue your education in the next couple of weeks with examinations and papers due

dates closely arriving. Despite the educational demand college might offer, do not be afraid to get involved in anything you are interested in here on campus. If what you like is not here on campus, take a step in being innovative and start a club to get what you are interested on campus. If there are in questions or comments to anything I have written or general interest question feel free to contact me at nzh111@psu.edu.