



Written by [Thomas R. Eddlem](#) on October 14, 2011

Herman Cain Admits He “Missed” Economic Crisis

"What I missed in 2005 was just how bad Fannie Mae and Freddie Mac had distorted the housing market," Cain [told](#) Todd. "I honestly did not realize just how bad it was, just how bad the whole bundling and derivatives thing was, and that we were on the brink of a total financial meltdown. So I learned later on by looking into it deeper that the situation was a lot worse than I thought in 2005."



As late as September 1, 2008, Cain [wrote](#) that the economy seemed to be on solid ground: "The supposed failure of Bush's economic policies has been a constant theme of the Democrats since the 2006 elections, when the Democrats regained control of the House and Senate by convincing enough of the voters that the economic sky was falling, and that the war in Iraq could not be won. Based on all of their convention speeches, they plan to continue those themes right through Election Day on November 4." Wall Street giant Lehman Brothers filed for bankruptcy just two weeks after Cain's column was published, and President Bush subsequently began pushing for the TARP bailout bill (a bill also [backed by both then Senator Barack Obama and Herman Cain](#)).

Three years earlier, on August 17, 2005, Cain [wrote](#) that media "coverage of the Bush economy reads like a collection of Democratic Party press releases, calling a strong economy everything from struggling to volatile or dicey.... That kind of ignorance makes homeowners fear that their most expensive possession could turn worthless overnight. That won't happen." The housing market collapsed two years later.

MSNBC's Chuck Todd next [asked](#) Cain in the October 12 interview "How do you reassure voters that, despite all the experience you're running on in the business community, your time on the Fed, you missed the housing bubble and you missed the economic collapse?"

"Well, it's real simple, Chuck," Cain [replied](#). "I have economic advisers working with me now who spend time studying these various analyses. When I wrote those papers, I was only responding to reports that I — like everybody else — was getting through the media.... I will have people around me do deeper analyses on some of these things."

Of course, "everybody else" did not miss the housing crisis or the financial bubble. One of Cain's rivals



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didn't miss it. Here's a small selection of Ron Paul quotes calling the housing crisis years before the collapse with amazing accuracy (among a virtual library of similar statements):

- **Ron Paul [September 6, 2001](#):** "The Federal Reserve credit created during the last eight months has not stimulated economic growth in technology or in the industrial section. But a lot of it ended up in the expanding real estate bubble, churned by the \$3.2 trillion of debt maintained by the GSEs, the Government Sponsored Enterprises. The GSEs, made up of Fannie Mae, Freddie Mac and the Federal Home Loan Bank have managed to keep the housing market afloat in contrast to the more logical slowdown in hotel and office construction.... Instead of the newly-inflated money being directed towards the stock market, it now finds its way into the rapidly expanding real estate bubble. This too will burst as all bubbles do. The Fed, the Congress, or even foreign investors can't prevent the collapse of this bubble."

- **Ron Paul [July 16, 2002](#):** "However, despite the long-term damage to the economy inflicted by the government's interference in the housing market, the government's policies of diverting capital to other uses creates a short-term boom in housing. Like all artificially-created bubbles, the boom in housing prices cannot last forever.... Perhaps the Federal Reserve can stave off the day of reckoning by purchasing GSE debt and pumping liquidity into the housing market, but this cannot hold off the inevitable drop in the housing market forever. In fact, postponing the necessary but painful market corrections will only deepen the inevitable fall."

- **Ron Paul [September 10, 2003](#):** "Like all artificially-created bubbles, the boom in housing prices cannot last forever. When house prices fall, homeowners will experience difficulty, as their equity is wiped out. Furthermore, the holders of the mortgage debt will also have a loss. These losses will be greater than they would have otherwise been had government policy not actively encouraged over-investment in housing."

Cain's statement that "I have economic advisers working with me now who spend time studying these various analyses" is probably worth a closer look. The one economic adviser that Cain has made public is Wells Fargo financial adviser [Rich Lowrie](#) of Ohio. While it's not clear what Lowrie had stated about the looming housing crisis, it is clear he works for a bank that [received \\$25 billion in TARP bailout funds](#).

By way of contrast, Ron Paul's economic adviser is Peter Schiff. Schiff was laughed at regularly on national television shows in 2005-07 by "mainstream" economists, but was so accurate in warning about the housing bubble/bust that fans built a YouTube video "[Peter Schiff was right](#)" that has garnered millions of views.

The Paul campaign's official blogger, Jack Hunter, [suggested](#) that between Cain and Paul "there is no comparison. One was absolutely right and the other was absolutely wrong. No one is perfect and this is especially true of politicians, but to be so horribly wrong — even arrogantly wrong — about one of the worst financial crises in American history does not bode well for anyone seeking this nation's highest office. Would anyone hire Cain as an economic adviser? If not, then why would anyone hire him for President?"

Photo of Herman Cain: AP Images

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