

Is the United States Commander in Chief also Chief Financial Officer? Characterizing the President's role in generating and sustaining economic policy

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ABSTRACT

Mortgage backed bonds are a types of bonds that are collateralized by a pool of mortgages. Interest and principal payments for these bonds are based on the individual homeowners making their mortgage payments. Recently defaults have spiked on high-risk sub prime mortgages. Interest rates are very high for borrowers and home values are very low which makes it hard for homeowners to keep up with mortgage payments. This activity is forcing a number of lenders into bankruptcy and hedge funds and other big investors in securities backed by sub prime mortgages are taking strong financial hits. Presidents have been involved in the budget process since 1921, but not until the administration of Franklin Roosevelt in the 1930s have they been concerned on a regular basis with economic policy making. Presidential responsibility has been enlarged in budgetary and economic spheres. This study examines the importance and significance the Federal Reserve Board, The Council of Economic Advisers, and the President have on economic policies and our financial markets. A current situation in the economy - the rise in mortgage defaults and President Bush's proposals to alleviate this problem using Federal Housing Administration (FHA), stimulus program, or temporarily changing tax law- will be researched, compared, and contrasted. The anticipated outcomes of the policies will also be examined. The primary objective of the study is to produce original policy recommendations for the current mortgage default problem. However to reach this objective research must be conducted on the President, Federal Reserve, and The Council of Economic Advisers and their overall effect on our financial markets.