

Volcker: “The Financial System is Broken” and “the Mortgage Market Has Become a Subsidiary of the U.S. Government”

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Paul Volcker [spoke](#) at the Chicago Federal Reserve Bank on September 23rd, as part of a symposium co-sponsored by the IMF.

He [said](#):

The financial system is broken. We can use that term in late 2008, and I think it's fair to still use the term unfortunately. We know that parts of it are absolutely broken, like the mortgage market which only happens to be the most important part of our capital markets [and has] become a subsidiary of the U.S. government.

Volcker is right that the mortgage market has become a subsidiary of Uncle Sam. And it is ironic that government-owned GSEs Freddie and Fannie are shareholders of MERS – one of the main sources of mortgage fraud in the country. See MERS' [website](#), and [this presentation](#) by Congressman Grayson.

Volcker also said:

I don't think anyone doubts that the underlying problem in the markets is the too big to fail syndrome, and the bailouts

For more on too big to fail banks, see [this](#). For details on bailouts, see [this](#) and [this](#).

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