

THE FUNDAMENTALS OF THE ECONOMY ARE STRONG?!?!? A NEW TWIST MCCAIN AND “PSYCHOLOGY”

The shit is hitting the fan on Wall Street today, as century-old banks suffocate under the weight of the Big Shitpile, AIG is hemorrhaging under its Fannie and Freddie holdings, and experts are holding their breath to see whether there'll be a run on other investment firms. As the ~~NYT~~ WaPo describes, the consequences of today's collapses will be monumental.

The U.S. financial system this weekend faced its gravest crisis in modern times, as regulators resorted to triage on Wall Street to contain the spreading damage from a meltdown in the housing and mortgage market.

Two of the world's biggest investment banks, Merrill Lynch and Lehman Brothers, appeared almost certain to disappear, Merrill into the arms of banking behemoth Bank of America and Lehman into bankruptcy. American International Group, once the country's largest insurer, was seeking a financial lifeline. This came just seven days after the government took over housing finance giants Fannie Mae and Freddie Mac.

For all the drama of the weekend, these were the first steps – but far from the last – in finding a fundamentally new architecture for the financial world. The titans of Wall Street have, over the past 72 hours, been forced to reckon with the reality that the financial sector they built is, in its current

form, too big, uses too much borrowed money and creates too much risk for the broader economy.

But in spite of the crisis, John McCain thinks the fundamentals of the economy are still strong.

"You know," said McCain, "there's been tremendous turmoil in our financial markets and Wall Street and it is – people are frightened by these events. Our economy, I think, still the fundamentals of our economy are strong. But these are very, very difficult time. And I promise you, we will never put America in this position again. We will clean up Wall Street. We will re-reform government."

Between that claim, and McCain advisor Donald Luskin's claim yesterday that "Things today just aren't that bad," I can't help but remember when, earlier this year, McCain repeatedly claimed that our economic problems were all psychological. Just pretend it's not bad, McCain seems to believe, and it'll all go away.

Though, given the scope of today's crisis, I'm more worried about what this says about McCain's psychological health than his lectures to us that our economic problems are all in my head. If McCain really thinks the fundamentals are strong, he's not just dangerous, he's nuts.

Update: Oops! Gave the NYT credit for the WaPo's work.