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Alumni Newsletter

Liberty University - School of Business

Special points of interest:

- Dean's Letter
- Faculty Focus: Dr. John George
- Causes of the 2008 Financial Crisis - Prof. Robert Mateer

Letter from the Dean

It was delightful seeing many of you alumni during Homecoming this year, and I was especially gratified to meet Alan Rowe, the first graduate of Liberty University's School of Business. Alan is the president and CEO of First Commercial Bank in Florida, and his great success since graduating illustrates the success that many of you have enjoyed since you were here on Liberty Mountain.

In addition to Homecoming, this fall also saw a visit by Mr. Sam Moore, former owner and president of Thomas Nelson Publishers. Speaking in convocation, Mr. Moore pledged to support the School of Business, and he is seeking to assist Liberty in completing much of the 4th floor of DeMoss Learning Center for the School of Business. That location would help us move forward with several initiatives that are quite exciting to us.

First, we received approval this fall to offer a Bachelor of Science Degree in Business with a specialization in Human Resource Management. That specialization will prepare graduates to take the Professional Human Resource certification exam, a prestigious way to begin a career in HR.

Second, we developed a course of instruction for pastors and youth leaders in basic principles on organizational management, providing help in running churches or parachurch organizations. Some of those principles include managing the volunteer workforce, conflict resolution, marketing and program promotion, legal issues unique to churches and parachurch organizations, and accounting/budget/finance issues for the local ministry. Our goal is to one day offer this course in a one-day format for local and regional pastors and other church leaders.

Third, we plan on developing a Center for Free Market Economy to reinforce our commitment to free market principles. Additionally, our goal is to launch a trading room where finance students may actually invest monies under the guidance and direction of faculty, applying the principles the students learn in their finance classes.

As you can see, we've had a busy fall, but the best part of the year is hearing from our alumni, and we always look forward to receiving e-mails from you or seeing you when you return to campus. Please stay in touch with us by sending us updates on your professional, personal, and spiritual lives. Our new School of Business e-mail address is SchoolofBusiness@Liberty.edu, and you may always check out our website at https://www.liberty.edu/academics. Moreover, as you talk with friends who are alumni of our school, we'd love to have you share about this information link we're attempting to establish with you.

In this issue of the School of Business Alumni Newsletter, you'll read about the current financial crisis as analyzed by Prof. Robert Mateer, chair of the Finance & Economics Department. In addition, you'll enjoy reading the latest Faculty Focus about Dr. John George, professor of Business and longtime instructor of BUSI 400, Strategic Planning/Business Policy.

We pray you all have a wonderful new year, and we look forward to continuing these newsletters in the future.

Causes of the 2008 Financial Crisis

By
Prof. Robert Mateer
Dept. Chair of Finance and Economics

The world has been both riveted by and fearful of the great financial collapse of 2008. Around the globe, nations are struggling to respond to a crisis that has been likened to the Great Depression. Three causes of the 2008 financial crises have been mentioned in many media reports, including the greed of financial institutions, mostly investment bankers; the over-relaxed standards established by Fannie Mae and Freddie Mac as wholesalers purchasing real estate mortgages; and most important, decisions made for political expediency.

A little history is necessary to understand what happened in June, 2007 when "sub-prime" mortgages were broadly discovered and started going rapidly into default. Similar things happened in the early 1930s and, as a result, virtually all known lenders proceeded to make mortgages generally 30 years in length, conventional real estate mortgages only if the borrower had 20% down or took out insurance designed to provide the difference. Government programs have consistently existed that have allowed mortgages (FHA, VA, etc.) for very little down, but have only accounted for about 20% of total mortgages made.

A little m ore history is necessary. "Fannie Mae" (FNMA) was rechartered in 1954, "Ginnie Mae" (GNMA) in 1968 and "Freddie Mac" in 1970. These are known as GSAs or Government Sponsored Agencies. "Fannie and Ginnie" wholesaled government backed loans, but "Freddie" was allowed to handle conventional mortgages as well. In 1992 Congress pushed "Fannie and Freddie" through HUD (Housing and Urban Development) to increase their new loans up to 52% to borrowers with income below the median in their area (all low to moderate income areas). Then in 1996, HUD required "Fannie and Freddie" to make such loans as "special affordable" loans, typically borrowers with income less than 60% of their area's median income up to, 28% of new loans by 2008.

Why, you might ask, was the above done? It was political, it cost the government nothing, increased demand for housing, and was for "the common good," or housing for everyone. Also, the Carter Administration's Community Reinvestment Act of 1977 was expanded in 1995 by President Clinton, causing an increase of 80% in the number of real estate mortgages of commercial banks to go to low and moderate income families. From 1997 to 2005, the average price of a house in the U.S. more than doubled as a result of these excessive programs, allowing nonqualified buyers to buy houses. Yes, the financial industry made substantial fees by collateralizing and selling vast billions in long term bonds secured by subprime mortgage loans; bonds sold all over the world, but the mortgages would not have been made if Congress had not pushed "Fannie and Freddie" and the commercial banking industry into making those ill-conceived loans in the first place.

The financial industry knew since the 1930s that 20% down, a good job history, and taxes paid made a good quality borrower, but Congress in the name of the "common good" forced a very unwise policy on the taxpayers, a policy that has obviously created a world-wide recession.

Beware of trying to do good (the government) with "other people's money" (the taxpayer). Unfortunately, I know of no effort to reverse these Congressional rules, although probably all the low income home owners of the past 10-15 years have undoubtedly lost their homes to foreclosure, hardly the "common-good." A new administration in Washington is not likely to do anything other than chastise the financial world and give the Congress that started the above mess encouragement to do so into the future. Call it redistribution of wealth, tax dollars, or simply socialization of America by foolish mortgages and many other similar programs for the common-good. Such inevitable steps by our government officials will dramatically stifle entrepreneurship in America and chase income and jobs overseas

"...the average price of a house in the U.S. more than doubled..."

FACULTY FOCUS– Dr. John George:
By
Dr. Bruce Bell

Most graduates of Liberty's School of Business have heard that "in a ham and eggs breakfast, two animals are involved: a chicken and a pig. It is said that the chicken is interested in that breakfast, but the pig is committed!"

Every Business major from 1992 till 2005 has earned the Bachelor of Science degree by completing BUSI 400, the course in Strategic Planning and Business Policy—or simply Policy—with Dr. John George. After retiring from the U.S. Army as a lieutenant colonel in 1980, Dr. George served at the U.S. Military Academy at West Point as a staff representative for Officers' Christian Fellowship, a ministry he maintained until 1990.

"My wife Judy and I were called to Liberty in 1990, where I was assigned the rank of full professor and placed in charge of all graduate and undergraduate distance learning business programs," he said. Two years later he assumed responsibilities in the residential program as chair of the Management Department of the School of Business. While in that position he began teaching the course that would mark his service to the school and the university—BUSI 400.

Dr. George reflected recently on the early days of his work at Liberty. "We had a lot of challenges in the early 1990s," he recalled, "but under Dr. Jerry Falwell's steadfast, visionary leadership, Liberty not only survived but has become the magnificent university it is today."

A man of uncommon humility, Dr. George says that "the most important information about me is not the degrees I have or my military assignments I've completed. Rather, the most important aspect in my life is how I came to commit my life to Jesus Christ."

A 1958 graduate of the U.S. Military Academy at West Point, Dr. George served as an officer in the Army for nearly 22 years, including two years in Vietnam. Airborne, Ranger, and Special Forces qualified, he earned the Combat Infantryman Badge, as well as two Bronze Star Medals, five Air Medals, and the Legion of Merit.

"I was active in the chapel program, even serving in 1961 as president of the Men of the Chapel, but when a guest speaker asked how long I had been a Christian, I admitted, 'I'm not a Christian!' Shortly after that, a former West Point classmate explained how I could become a Christian through Christ's substitutionary death on the Cross."

To this day, Dr. George shares with passion his love for the Savior and his commitment to God's Word.

Dr. George has served as both a deacon and an elder in various churches where he and his family have attended. Moreover, he has discipled hundreds of young men and women, as well as conducted pre-marital and marital counseling since 1978.

In addition to his degree from the Military Academy, Dr. George has earned an MBA from the University of Alabama, an MA in Counseling from Liberty University, and a Ph.D. in Manpower, Industrial Relations, and Organizational Behavior from the University of Alabama. He and his wife Judy celebrated their 50th wedding anniversary this summer and have two children and six grandchildren.

In 2001, Dr. George was recognized as the Outstanding Faculty Member of Liberty University.

Today, Dr. George teaches the capstone course for Liberty's MBA. In that course he encourages his graduate students with words that may be familiar to many of his former students: "No discipline seems pleasant at the time, but painful. Later on, however, it produces a harvest of righteousness and peace for those who have been trained by it" (Hebrews 12:11).

Then he talks about the ham and eggs breakfast!

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