

# Borders bankruptcy, falling US home prices point to deepening slump

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A report this week documenting a continuing fall in home prices, following last week's bankruptcy filing by Borders, the country's second largest bookstore chain, shows that the basic US economy remains mired in slump despite soaring corporate profits and generally rising stock prices.

The decline in home prices, in particular, reflects the mounting social distress of tens of millions of Americans under conditions of near double-digit unemployment and an ever-expanding wave of home foreclosures. It underscores the superficial and unsustainable character of the so-called economic recovery—which, at any rate, is a recovery overwhelmingly for the wealthy.

On February 16, Borders Group Inc. filed for Chapter Eleven bankruptcy protection and identified 200 of its 642 stores that are to be closed in the next several weeks. The forty-year-old Michigan-based company added that it may close an additional 75 stores in the future.

The closures will result in the layoff of 6,000 of Borders' 18,000 employees.

On February 22, the S&P Case-Shiller home price index for December, 2010 was released, showing a decline of 1 percent as compared to the previous month across 20 major metropolitan areas—the fifth consecutive monthly decline. Home prices fell in 18 of the 20 cities surveyed.

Home prices fell to new lows in eleven cities. Over the past year, they fell 2.4 percent in the 20 largest cities and 4.1 percent in the fourth quarter of 2010. The 20-city index is already off 31.2 percent from its peak. Average home prices in Atlanta, Cleveland, Las Vegas and Detroit are now below the levels of eleven years ago.

A separate national survey by Case-Shiller showed

that home prices have fallen back nearly to their post-crash low point of early 2009. It reported a price decline of 3.9 percent in the fourth quarter and 4.1 percent for all of 2010.

In a conference call Tuesday, Robert Shiller, the Yale University economist who co-founded the index, said there was a “substantial risk” of home prices falling another 15 to 25 percent.

“Every place is pretty much getting hit a second time for essentially the same reasons,” Andrew LePage, an analyst with DataQuick Information Systems, told the *New York Times*. “Slow economic recovery, little job growth, still-tight credit, no more government stimulus, a pervasive and gnawing sense that prices could fall more, too few people getting jobs and too many worrying about losing the one they have.”

The price decline in recent months has been driven by a rising share of distressed home sales, resulting from the millions of homes that have been foreclosed over the past several years. The proportion of US mortgages in foreclosure at the end of 2010 matched an all-time high, the Mortgage Bankers Association said last week.

Realty/Trac, a California-based data seller, predicts that the number of homes receiving a foreclosure notice will climb by 20 percent in 2011, reaching a peak for the housing crisis.

Another indication of the mounting impact of the economic crisis is the financial report released Tuesday by Wal-Mart, the world's biggest retailer. The company reported a substantial profit in the fourth quarter of 2010, but acknowledged that its US sales declined for the seventh consecutive quarter during the Christmas shopping period.

Same-store sales declined 1.8 percent in the quarter from the previous year, and overall sales were down 0.5 percent. Store traffic also declined in both the fourth

quarter and for the year as a whole.

Households with annual incomes of \$70,000 or less make up 68 percent of the retail chain's business. It is losing sales to cheaper rivals, such as dollar stores.

Border's mass layoff was only the biggest of a string of major job cuts announced over the past week. The Labor Department on Tuesday reported that mass layoffs—defined as involving 50 or more workers—increased in January from the previous month. Such layoffs in January resulted in 149,799 lost jobs.

Major layoffs announced over the past week include:

- Minneapolis-based medical device maker Medtronic announced it will cut 1,500 to 2,000 jobs, some 5 percent of its workforce.

- Three contractors at the Fort Monmouth Army installation in New Jersey said they will lay off a combined total of 525 workers beginning next month. The military base is slated for closure. L-3 Services, CTSC LLC and Tecom-Vinnell Services filed notice of the layoffs with the state Labor Department.

- Petit Jean Poultry announced it will close its plant in Arkadelphia, Arkansas on April 1, ending 385 jobs.

- ConAgra Foods said it will lay off 230 workers from a Slim Jim production plant in Garner, North Carolina.

- A GE Energy distribution center in Mascot, Tennessee will close this year, eliminating the jobs of nearly 200 workers.

- Juice and jelly maker Welch Foods said it will cut 174 to 184 of the jobs at its plant in Lawton, Michigan this summer.

- Robb & Stucky, a high-end home furnishing retailer, filed a notice with the state of Florida that it intends to lay off 178 employees at its Ft. Myers corporate headquarters.

- Blue Heron Paper Company in Oregon City, Oregon will cease operations Friday, leaving some 175 workers without a job. The company announced the closure in a statement released Wednesday.

- Muller Martini Manufacturing announced it will close its two Oyster Point, Virginia production plants by the end of January 2012, eliminating 160 jobs.

- Wells Fargo announced Tuesday that it will close a customer service center in Jacksonville, Florida that employs 150 people.

- Milwaukee-based Marshall & Isley Corp. said it will cut employment by 143 positions.

Among the ongoing wave of public employee layoffs, the Providence, Rhode Island school district said Tuesday it had sent dismissal notices to every public school teacher because the budget process remained unresolved. Stockton, California school officials voted Tuesday to send layoff notices to nearly 500 employees, and the city council of the Detroit suburb of Allen Park approved the layoff of the town's entire 25-man fire department.



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