Double-dip plunge in US home prices

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US home prices fell for the eighth consecutive month in March, bringing them below the previous low point since the housing bubble burst in 2007. The disastrous housing data, contained in the monthly Standard & Poor's/Case-Shiller index of 20 large cities, released Tuesday, points to a further slowdown in the US economy and belies official talk of an economic recovery.

The report showed that prices of single-family houses in the cities surveyed fell 0.2 percent in March from February on a seasonally adjusted basis. The decline left the S&P/Case-Shiller US National Home Price Index at 138.16, below its low point of 139.26 in April 2009 and at its lowest level since March 2003.

Home prices were 3.6 percent below their level in March 2010.

For the first quarter of 2011, the national home price index fell 1.9 percent on a seasonally adjusted level. On an adjusted basis, prices sank 4.2 percent in the quarter and were down 5.1 percent from the first quarter of 2010. Coming on the heels of a fourth quarter 2010 decline of 3.6 percent, the even worse first quarter 2011 results indicate that the renewed plunge in home prices is gaining momentum.

Between February and March, prices declined in 18 of the 20 biggest US metropolitan areas. Twelve cities recorded their lowest levels of the current cycle.

Of the 20 cities surveyed, Minneapolis recorded the sharpest year-on-year descent, 10 percent. It was followed by Phoenix, down 8.4 percent; Chicago, 7.6 percent; Seattle, 7.5 percent; Tampa, 6.9 percent; and Charlotte, 6.8 percent.

David M. Blitzer, chairman of the Index Committee at S&P Indices, said in a statement accompanying the data: "Atlanta, Cleveland, Detroit and Las Vegas are the markets where average home prices are now below their January 2000 levels. With a March index level of 100.27, Phoenix is not far off."

He went on to say, "This month's report is marked by the confirmation of a double-dip in home prices across much of the nation. Home prices continue on their downward spiral with no relief in sight."

He added, "The rebound in prices seen in 2009 and 2010 was largely due to the first-time home buyers tax credit. Excluding the results of that policy, there has been no recovery or even stabilization in home prices during or after the recent recession. Further, while last year saw signs of an economic recovery, the most recent data do not point to renewed gains."

The grim home price figures are consistent with other recent reports on the US housing market. Last Friday, the National Association of Realtors released its April index of pending sales of existing homes, showing a drop of 11.6 percent as compared to March. Economists had predicted only a 0.9 percent decline.

So far this year, according to the *New York Times*, construction of single-family homes is down 22 percent compared to 2010. Sales of new single-family homes are the lowest since records were first kept in 1963.

The lack of any recovery in the housing market is a crucial indicator of the real state of the US economy. The current crisis began with the implosion of the housing bubble that had been built up over previous years on the basis of credit inflation, speculation and swindling on the part of the major banks and mortgage companies, carried out with the blessings of the government.

The housing collapse burst the credit bubble and precipitated the Wall Street crash of 2008 and the ensuing US and global recession. Without an end to the housing slump and revival in home building and house prices, no genuine or sustainable recovery is possible.

Behind the continuing depression in housing stands near-Depression levels of unemployment—officially at 9 percent, with 13.7 million counted as unemployed, including 5.8 million out of work for six months or more, a massive overhang of foreclosed homes (nearly 4 million over the past five years), declining wages and tight consumer credit.

Just as the Obama administration has rejected any serious measures to provide jobs and relief for the unemployed, it has opposed policies to help embattled homeowners facing default and foreclosure. The tax credit for first-time home buyers was allowed to lapse last year, and Democratic proposals to allow bankruptcy courts to reduce the principal on mortgages for households filing for personal bankruptcy

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protection were dropped in the face of opposition from Wall Street. The banks oppose any steps to help homeowners that could impinge on their profits, and the administration and congressional Democrats have complied with their demands.

The entire focus of the administration and both big business parties is on slashing spending on bedrock social programs such as Medicare, Medicaid and Social Security, while at the state and local level the bipartisan assault on public sector jobs, wages and collective bargaining rights continues unabated.

In addition to the housing figures, other recent economic data point to a slowing economy. On Tuesday, the Institute for Supply Management-Chicago Inc. said its business barometer declined to 56.6 in May, the lowest level since November 2009, and sharply down from 67.6 in April. Economists had forecast that the gauge would fall only to 62. The measure's 11-point drop in May was the biggest since October 2008, the height of the financial crisis.

Also on Tuesday, the Conference Board released its report on household sentiment in May, showing a drop in its index to 60.8 from a revised 66.0 reading the prior month. Economists had predicted a rise to 66.6. The report showed growing fears of inflation and deepening pessimism on jobs. Those expecting more jobs in the coming six months decreased to 15.9 percent from 17.8 percent, while those expecting fewer jobs rose to 20.8 percent from 18.7 percent.

The latest data follows similarly negative reports released last week. The Commerce Department reported that consumption growth in the first quarter of this year was weaker than it had previously projected and as a result it was not upwardly revising its initial estimate of a mere 1.8 percent growth in the US gross domestic product for the first three months of the year. That figure compares to a modest 3.1 percent growth in the final quarter of 2010.

The Commerce Department said personal consumption expenditure in April was up 0.4 percent, below the 0.5 percent forecast by economists. In real terms, discounting inflation, consumption rose only 0.1 percent over the month.

In addition, the Labor Department report on unemployment benefits, released last Thursday, showed that new claims for jobless benefits once again topped the 400,000 mark, totaling 424,000 for the week ended May 21.

The official economic recovery has overwhelmingly benefited the wealthiest social layers and the corporations, while leaving tens of millions of workers facing the prospect of poverty. In the two years since the official end of the recession, in June of 2009, the S&P 500 stock index has soared 43 percent on record corporate profits.

But the country has recovered only 1.8 million of the nearly 9 million jobs lost in the downturn. This compares to an average 5.3 million job gains in the same period of the 1970s and 1980s post-recession recoveries. The economy has grown at an average annualized rate of 2.8 percent through the first seven quarters of the present official recovery, according to Barclays Capital. That compares to the average 6.8 percent growth in the months after the 1973-75 and 1981-82 recessions.

American household wealth is still down $8.9 trillion from its peak, and one in four homeowners with a mortgage owes more than his or her home is worth on the market.

The manner in which the Obama administration, acting as the executive of the US capitalist class, has utilized the crisis to launch a social counterrevolution against the working class is indicated in figures on pay reported Tuesday by the *Olympian* newspaper. The Washington state newspaper wrote:

"National pay figures on rank-and-file workers, who hold 80 percent of nongovernmental jobs, show a steady rise in earnings from the mid-1990s through 2008—and then a significant drop the past two years. In April, average hourly earnings for production and non-supervisory employees was $8.76 an hour when adjusted for inflation, down from $8.93 two years ago."

The article went on to note that retail workers averaged $7.57 an hour in April 2006, according to government figures, but as of last month the average had fallen to $7.02—a 7 percent decline.

Meanwhile, the newspaper reported, the median compensation for chief executives of large US public companies climbed 27 percent to $9 million from 2009 to 2010, according to an analysis by the corporate research firm GovernanceMetrics International.

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