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A Doozie Of A Recession

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Of course George W. Bush will blame it all on the war and two hurricanes. In fact, it's a direct result of his own flawed economic policies and the "borrow and spend" lifestyle he sparked, not only within government, but consumers as well.

I am referring to the looming recession. It's going to be a doozie. And it has begun, as it always does, when consumers suddenly discover they can no longer keep pace with their bills.

That would have happened a couple of years ago already, had it not been for the housing bubble. Like all bubbles it was ordinary folk who eagerly fueled the Ponzi, an inverted pyramid sure to topple once it became top-heavy. As with all previous bubbles, everyone crushed by that inevitable collapse figured they were too smart to get caught by it. They figured they'd be well out of Dodge with the booty long before that happened.

So they bought homes bigger than they needed, and each time rates dropped or prices jumped in their area they refinanced, pulling a bit more booty out each time; for a pool, landscaping, or a new car. They had time. The economists said there was no bubble, prices were going up because of natural demand, not speculation. And so they stayed in Dodge. They let it ride, they let it all ride on successive spins of the wheel of fortune.

But now the hot housing market has begun to cool. Prices in the hottest markets

have flattened. Houses listed for sale have grown as those who waited too long rush to cash in. Days on the market are marching upward as buyers become increasingly scarce.

That's only one indication that the end is near for George W. Bush's phony recovery -- a "recovery" bought with tax cuts he cannot repeat, and with consumer spending fueled by borrowed money, which is no longer available. Hell, consumers may not even be able to make good on the money they've already borrowed. The indicators indicate that is so:

The percentage of overdue US credit card accounts jumped to a record in the second quarter as gasoline prices surged, the American Bankers Association said. Consumers had more trouble making payments on personal, auto and home-equity loans during the three-month span, the bankers group said. Delinquencies on these loans, collectively, rose to 2.22 percent from a revised 2.03 percent in the prior quarter, the group said. Delinquencies on home-equity loans increased to 2.75 percent of all such loans, up from a revised 2.61 percent. Delinquency rates for indirect auto loans, which are made by auto dealers and held by banks, increased to 2.08 percent from 1.87 percent the previous quarter. Those for direct auto loans gained to 2.07 percent from 2.04 percent.

This is a particularly bad time for consumers to be tapped out. It comes at the beginning of the holiday spending season which can account for nearly half of many retailers income for the year. It comes just as gasoline prices reach European levels, hitting low-wage workers hardest, especially if they have to commute to work. It comes just as the first chills of winter begin spreading south from Canada and as heating oil and natural gas prices spiral to unheard-of highs.

Here's where it starts:

Credit Card Minimum Payments on the Rise

San Diego, CA (PRWEB) October 4, 2005 -- The minimum payments that credit card companies charge on a monthly basis are increasing. For credit card customers that either pay their bill in full every month or those that can afford substantially more than the minimum, this isn't going to be an issue and could even be benefit to them. For the approximately 40 million people that only pay the minimum, however, this could be devastating.

When the recession can no longer be denied, the President will blame it on 9/11, the war he started, the hurricanes and the disruption in energy production they caused. Like Michael Brown, he will blame everyone and everything, but himself.

But we know.

Stephen Pizzo is the author of numerous books, including "Inside Job: The Looting of America's Savings and Loans," which was nominated for a Pulitzer.

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