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« A street in California lined with foreclosed houses up for sale. (Getty Images)

# Falling Home Prices to Break Back of U.S. Economy, Mayors Concerned

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City leaders are getting desperate as they watch skyrocketing foreclosures and plummeting property values.

The intensifying mortgage crisis in America is about to drive 1.4 million more homes into foreclosure next year and push national property values down by at least 7 percent. As a result, city leaders are getting desperate.

The **prediction** released by the U.S. Conference of Mayors paints a gloomy picture, with soaring foreclosures, plummeting home prices, reduced property tax revenue, and increased blight and crime advancing across the nation. The report comes as the non-partisan mayors' group begins special meetings in Detroit to address the housing crisis and its associated problems.

The group, representing 1,100 cities with populations of over 30,000, warns that cities and states will be left scrambling to cope with the situation.

"Not that long ago economists said housing was the backbone of our economy," Trenton, N.J., Mayor Douglas Palmer said.

"Today the foreclosure crisis has the potential to break the back of our economy, as well as the backs of millions of American families, if we don't do something soon."

Detroit itself has suffered disproportionately. Property values have plummeted as the city has lost half its population over the past 30 years. Entire blocks in poverty-stricken areas lie abandoned.

According to **BusinessWeek**, many investors believe that home prices have much further to fall before they stabilize. Futures contracts (which allow speculators to gamble on the direction of home prices) show that traders expect double-digit declines in 9 out of 10 of America's biggest housing markets.

The Standard & Poor's Case-Shiller home price index shows that home prices dropped 4.5 percent from the third quarter of 2006. The past quarter saw prices decline at the fastest rate since the index was created.

Robert Shiller, the index's developer, says homeowners face a historic downturn in the housing market and that the current market is "out of the range of historical data" because the boom itself was far beyond any for which reliable data exists. He says declining home prices in the neighborhood of 50 percent are feasible in many areas.

Back in 2004, the *Trumpet* warned that America was experiencing the **biggest housing bubble ever**: "We are truly in uncharted territory. Yet the U.S. economy has been perking along largely because it's been propped up by the greatest housing bubble ever known. We've shown how that simply cannot continue. When it starts to unravel, it will likely lead to the biggest bubble bust in world history, hurtling the U.S. economy into chaos …. The shock waves could lead to a major global recession like we've never seen." ▪

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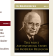
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