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From [The Times](#) December 31, 2007

## Top economist says America could plunge into recession

Suzy Jagger in New York

Losses arising from America's housing recession could triple over the next few years and they represent the greatest threat to growth in the United States, one of the world's leading economists has told *The Times*.

Robert Shiller, Professor of Economics at Yale University, predicted that there was a very real possibility that the US would be plunged into a Japan-style slump, with house prices declining for years.

Professor Shiller, co-founder of the respected S&P Case/Shiller house-price index, said: "American real estate values have already lost around \$1 trillion [£503 billion]. That could easily increase threefold over the next few years. This is a much bigger issue than sub-prime. We are talking trillions of dollars' worth of losses."

He said that US futures markets had priced in further declines in house prices in the short term, with contracts on the S&P Shiller index pointing to decreases of up to 14 per cent.

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“Over the next five years, the futures contracts are pointing to losses of around 35 per cent in some areas, such as Florida, California and Las Vegas. There

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feel the pinch

Wall Street braces itself for more sub-prime misery

is a good chance that this housing recession will go on for years," he said.

Professor Shiller, author of *Irrational Exuberance*, a phrase later used by Alan

Greenspan, the former Federal Reserve chairman, said: "This is a classic bubble scenario. A few years ago house prices got very high, pushed up because of investor expectations. Americans have fuelled the myth that prices would never fall, that values could only go up. People believed the story. Now there is a very real chance of a big recession."

He pointed out that signs at the beginning of 2007 that had indicated that some states were beginning to experience a recovery in house prices had proved to be false: "States such as Massachusetts had seen some increases at the beginning of the year. Denver also looked like it had a different path. Now all states are falling."

Until two years ago, each of America's 50 states had experienced a prolonged housing boom, with properties in some – such as Florida, California, Arizona and Nevada – doubling in price, fuelled by cheap credit and lax lending practices to borrowers who ordinarily would not have been able to secure a mortgage. Two years ago, the northeastern states of America became the first to slide into a recession after 17 successive interest-rate rises between June 2004 and August 2006 hit the property market.

Last week, new numbers from the S&P/Case Shiller index showed that house prices had declined in October at their fastest rate for more than six years, with homes in Miami losing 12 per cent of their value.

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Democrats, with huge influence in the media, know that everytime you mention the word 'recession' that it makes it more likely to happen. Most of a recession concerns is started from nervousness over future economic concerns which are purely emotional and generally not based on a factual cause. The emotional concern CAUSES the 'fact' which in itself creates more emotion and more likeliness of a recession. Democrats know this, and especially with the Iraq war becoming less of an issue, their hope is recession fears and media blitz discussions will turn the economy downward to help them get elected in 2008.

Vince Hugh, Cumming, Ga

What does abortion have to do with the economy? God's direct intervention perhaps? Speaking of selective sinfulness, He must really be steamed at those evil homos, Larry C. in partucular. A more compelling explanation of

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cause and effect would be an economic policy that has been fueled by excessive consumption and extreme indebtedness, on a personal and national scale that cannot and will not ever be paid off. Can a society comprising 6% of the world's population continue to expend 50% of the world's resources through reckless borrowing? We owe China big time for bankrolling the Iraq War. It's funded by budget "amendment" and not tax revenues, while the super rich continue to get a free pass at the expense of future generations. Is it still "Morning in America"? Time to wake up and smell the Voodoo coffee!

Stephan Zambero, Boise, Idaho

Okay, he's an economics professor at Yale. It means he's a pointy-headed academic who knows nothing about what goes on in the real world. Last I checked, people are still dragging themselves out of bed and dragging themselves to work in the interests of sustaining themselves and their families and making useless acquisitions. The subprime mess is a mess, but definitely overblown. The US economy is robust and in my opinion, can handle it. Look at what happened after the S&L crisis in the early 80s - over fifteen years of the S&P going up. Who knows what's going to happen in the next fifteen years, but we have all kinds of "experts" who think they're smart predicting disaster. One day one of them is going to be right. Probably not today!

econdude, Omaha, Nebraska

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