Housing Bubble Refuses to Re-Inflate

Housing sales dropped by more than 25 percent nationwide in July, according to the National Association of Realtors, after a federal tax credit for first time home buyers expired in June.

The National Association of Realtors explained:

> Existing-home sales, which are completed transactions that include single-family, townhomes, condominiums and co-ops, dropped 27.2 percent to a seasonally adjusted annual rate of 3.83 million units in July from a downwardly revised 5.26 million in June, and are 25.5 percent below the 5.14 million-unit level in July 2009.

Home sales dropped despite record low interest rates that have been suppressed by the Federal government. The National Association of Realtors noted that:

> According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage fell to a record low 4.56 percent in July from 4.74 percent in June; the rate was 5.22 percent in July 2009. Last week, Freddie Mac reported the 30-year fixed was down to 4.42 percent.

In addition, the *New York Times* has explained that the federal government's Fannie, Freddie, FHA, and Ginnie Mae (which re-purchase or guarantee 86 percent of the home housing market) have once again reduced lending standards almost down to "no down payment" loans of the housing boom era of the last decade. "The government is allowing buyers to put only a token amount down, guarantees lenders against default and regularly issues proclamations that the worst is over," the *Times* reported August 25. Yet none of this government stimulus for the still-overpriced housing market has worked.

The *Times* claimed that the whole nation was impacted by the July housing drop-off. "No region was immune in July, with sales in the Northeast dropping 30 percent, the Midwest falling by a third, the South down 20 percent and the West off 23 percent." But that wasn't exactly true. Manassas, Virginia realtor Sue Jacobs told National Public Radio on August 24 that her area was seeing a real estate boom. "I would say that on average, we have probably in the last 12 months seen approximately a 10 percent increase in prices." This contrasts with an increase of less than one percent nationally. And the increase has little to do with Civil War aficionados relocating to the site of the first major engagement of the war between the states. It's largely because Manassas is an ex-burb of Washington, D.C., located just 25 miles southwest of America's city of economic "stimulus." The Washington, D.C.-area market — jobs as well as housing — has been in a boom because of all the money flowing to the capital region for the past year.

A slogan for the free market used to be that "a rising tide lifts all boats," meaning that free markets and small government spur an economy and increase the wealth of all. But in today's government-manipulated markets, the only boats getting lifted are those fortunate enough to be on the government payroll.