The Housing Depression Deepens

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Economy: The collapse of residential real estate prices just officially exceeded the scale of the Great Depression's housing crisis. Using mortgages as a welfare program turned out to be long-lasting poison.

Home prices have fallen by 33%, according to Standard & Poor's Case-Shiller data, since the housing market began its long, hard collapse in 2006 — with a further decline expected in the months ahead.

During the Depression, by comparison, prices fell 31%. In about a dozen U.S. cities, the prices of residences in March were at their lowest since the housing crisis began.

Investment strategist Barry Ritholtz, while believing comparisons to the Great Depression to be overblown, noted on his Big Picture blog earlier this month that the sales volume of new homes has fallen 82% during today's cycle, vs. a comparable 80% decline from 1929 to 1933.

As S&P noted when it published its latest housing data, the price rebound of 2009-2010 was artificial, due largely to use of the first-time homebuyers 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," S&P observed. "Further, while last year saw signs of an economic recovery, the most recent data do not point to renewed gains."

That means rather than the much-noted "double dip," the housing crisis is actually in an alarmingly steady, though masked, free fall.

Even when the current decline hits bottom, Capital Economics senior economist Paul Dales warned in a Fox News interview Wednesday, there's unlikely to be "any significant or sustained rises." Rather, he said, we'll probably see "a couple years of pretty much no recovery whatsoever."

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As Dales pointed out, the boom preceding the collapse "was characterized by homeownership becoming the norm for pretty much anyone."

After the Republican-controlled 104th Congress forced welfare reform down an eager-to-be-re-elected President Bill Clinton's throat in 1996, it wasn't long before liberal

Democrats made housing a new avenue for wealth redistribution, bullying banks to give mortgages to people with rotten credit histories.

The securitization of mortgages, in which they were bundled and sold as often exotic financial instruments to investors, made it easier for lenders to lend to borrowers who had no business getting a mortgage — and show the government they weren't discriminating against the poor and minorities.

The lenders were fully backed by the corrupt and defective pseudo-private "government-sponsored enterprises" of Fannie Mae and Freddie Mac, which as Cato Institute senior fellow Johan Norberg describes them, "allow private owners to take any risks they can imagine, pocket any profits for themselves, but count on taxpayers to take care of any losses."