FORECLOSURES ARE DRIVING UP UNEMPLOYMENT

I've written several times about how lucky I feel that I can move. We're going to take an absolute bath on selling our house (a 30% drop in value for a house bought 8 years ago). But at least we have enough money to get out of that house and move to a new job.

Many people in the states worst hit by the foreclosure crisis–FL, NV, AZ, CA–can't do that. Which means they have to stick with crappy jobs because there's no way they can move to where people are hiring.

Which is what Rortybomb explains this IMF paper shows.

> This paper looks to analyze structural unemployment by regressing a "skills-mismatch index" (SMI), which quantifies mismatches on education level. as well as regressing foreclosure rates on unemployment rates.They find that structural unemployment is 1%-1.75%, with skills being 0.5%. That means housing hurdles run from 0.5% to 1.25% of unemployment.   So that means the large majority of structural unemployment is housing related.
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> This paper shows that a large majority of structural unemployment is the result of underwater mortgages and foreclosures. In addition, when foreclosures are added into the regression alongside [skills-mismatch index], SMI loses some of its value, and when a cross term is added skills loses a bit more. Right now, the story is one of foreclosures.So groups that fight foreclosures, say what many over-

> worked and under-paid community organizers do now, are groups that fight to reduce structural unemployment for everyone. Same with those trying to get cramdown and right-to-rent and better short sales. Which is a worthwhile thing to be doing.

And it’s not just that being in a house that has lost value makes it harder for an individual to move to a job (or a better job). It’s that the crappy housing market is bringing everyone down in areas worst hit by it.

Rortybomb analogizes what the banksters (and, I would add, Treasury) have done by letting the housing crisis fester like it has to a corporation coming into a town and releasing burning chemicals.

> Let’s say that Bank of America and drove a truck full of chemicals into a town square and proceeded to burn the chemicals. The toxic fumes of these chemicals caused a statistically significant number of workers to be so sick that they ended up not able to work and detached from the labor force and forced major costs onto municipalities. We’d tax the hell out of BoA for burning those chemicals, right? Externalities and all that.So let’s replace “burning toxic chemicals” with “foreclosures.” It’s the same story. Especially foreclosures that haven’t been reviewed by a judge, or foreclosures where there wasn’t proper representation or where a right-to-rent or modification was available. So why aren’t we taxing the hell out of foreclosures?

The foreclosure crisis is killing entire states. And yet the priority still seems to be focused on rescuing the banksters, not the homeowners.