

Does unemployment lead to better health?

Previous studies on the effects of unemployment on health show that people exercise more during spells of unemployment. This finding has led some researchers to conclude that the unemployed, on average, experience improved health. However, these studies did not account for a reduction in an individual's total physical activity due to decreases in physical activity at work. In their working paper titled "Exercise, Physical Activity, and Exertion over the Business Cycle" (National Bureau of Economic Research, Working Paper 17406, September 2011), researchers Gregory J. Colman and Dhaval M. Dave attempt to determine how changes in employment affect an individual's total level of physical activity.

The researchers applied American Time Use Survey data from 2003 to 2010 to a model they constructed to determine how much time individuals spent working, exercising, and engaging in other activities. The researchers converted the time spent on each activity into a measure of both duration and intensity by calculating each activity's MET—that is, Metabolic Equivalent of Task, which measures the intensity of aerobic exercise.

Colman and Dave found that, on average, the increased time spent by the unemployed in recreational exercise is outweighed by the loss of the physical activity that had taken place on the job. Much of the time no longer spent at work is used for lower-energy activities such as housework, watching television, and sleeping. Stated differently, exercise METS among the unemployed in

the survey rose by about 3 but work METS falls by about 19. Among those who were laid off, the data show that their total daily physical exertion declined between 21 and 24 percent.

In general, recreational exercise declined upon employment. The increase in employment also crowded out time and energy previously spent on childcare, television watching, and sleeping. By linking increases in the employment-population ratio to declines in the share of people who exercise, the researchers estimated that the newly employed decrease their time spent exercising by approximately 27 minutes each day. This report shows, however, that their increased exertion at work could result in more energy expended overall despite the reduction in recreational exercise.

Is the U.S. housing market about to improve?

According to conventional housing models, new home construction is cyclical and generally lags behind changes in home prices. Because of the lag in new home construction, the supply of new homes tends to increase after home prices rise and decrease after the price of homes declines. In a traditional supply-and-demand relationship, home prices would fall when a weak economy causes the demand for new homes to slacken. Demand would drop off when mortgage interest rates rise, and would expand when personal income grows and when homebuyers expect home prices to appreciate.

In "When Will the U.S. Housing Market Stabilize?" (*Economic Letter*, Federal Reserve Bank of Dallas, August 2011), John V. Duca, David

Luttrell, and Anthony Murphy suggest, however, that booming home prices and new home construction in the mid-2000s were not solely attributable to traditional demand drivers such as low unemployment and personal income growth. The authors cite the relaxed mortgage credit standards implemented by lenders during the "subprime boom" as a key driver for increased housing demand. Lower down payment requirements caused upward pressure on housing prices, which led to a surge in new home construction.

At its peak in 2006, construction of single-family homes during the subprime boom reached 1.8 million units per year, well above the 1.1 million units required to accommodate population growth and replace physically depreciated structures. By mid-2009, new home construction had fallen about 75 percent from its peak. In June 2009, as the economy bottomed, Federal tax credit programs that had been enacted in 2008 and 2009 helped bolster the demand for housing by first-time home buyers. However, as the tax credit programs began to expire in mid-2010, the housing market succumbed to its fundamental weakness.

The authors note that the housing market continues to face obstacles in its effort to recover, such as high down payments required by cautious lenders, the delayed resolution of homes in foreclosure, and the existence of several million homes whose owners have mortgages that exceed the market value of those homes. On the other hand, the authors observe that the oversupply of homes may be overstated because foreclosures and mortgages which exceed the home's current value are

concentrated in just a few States, and homes in general have become more affordable.

Are we now on the path to recovery in the housing market? Taking into account both traditional and

non-traditional drivers of housing demand, the authors indicate that the econometric models they developed predict that home prices at the national level would resume declining after the expiration of

the U.S. tax credit in 2010, likely hitting bottom in late 2011 or early 2012. They forecast that house prices and construction of new homes will then stabilize and begin a slow recovery. □