The Great Recession & Racial Inequality: Evidence from Measures of Economic Well-being

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Main questions

• Examines changes in overall economic wellbeing & inequality in USA during (& before) Great Recession (GR)

• Emphasis on difference between & within racial groups

• Emphasis on LIMEW rather than MI:
  • LIMEW: Levy Institute Measure of Economic Well-being
    A measure of ‘objective’ (full income) well-being that includes labour market income, income from wealth (housing and non-housing), cash transfers less taxes, non-cash transfers, public consumption, household production
  • MI: Money income
Some key findings (+ many others!)

• GR saw temporary GDP per capita decline & rise in unemployment; prolonged participation rate reduction

• Share of wealth of top 10% rose from 1983-2007
  • Then **big jump to 2010** (& further rise thereafter)
  • WHITE net worth = 8*BLACK net worth in 2013
  • Wealth share of bottom 50% is negative (in 2013)
  • NB: Fed Res survey finds 47% can’t find $400 for an emergency
  • This pattern plus concentration of wealth in WHITES & OTHERS underlies many of the inequality results

• Inequality rose over 1989-2000, then flat (LIMEW & MI)
  • Largest within group inequality is for WHITES
  • Intragroup changes in inequality dominate between-group

• Public consumption & net transfers both help the level of inter-racial inequality & cushion the effect of the GR
  • But BLACKS & HISPANICS still relatively very disadvantaged
Some queries

• Are households equivalized
  • If not, what differences would this make?

• How is home production calculated
  - Opportunity cost of time or market rates?

• Why did imputed rent rise during GR when house prices and home ownership rates both fell
  • A large rise in rents?

• Why are BLACK employment rates so low (cf all others)
  • And why did BLACK & HISPANIC employment rates rise after GR when WHITES & OTHERS didn’t?

• How do these objective measures relate to subjective wellbeing measures?
  • See next 2 slides
NB: “2001” LIMEW & MI are actually 2000
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Overall

• Very interesting data
• Wealth is important
• So too is public sector (public consumption & transfers)
• SWB data (% satisfied) may indicate that non-MI components of LIMEW (incl public components) are major determinants of SWB
  • Especially for BLACKS & HISPANICS?
• This aspect seems worthy of further research