

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

Masterson, Zacharias, Rios-Avila, Ed Wolff

Discussion of paper presented to IARIW-BOK Conference

by Arthur Grimes

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arthur.grimes@motu.org.nz

www.motu.org.nz



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!)

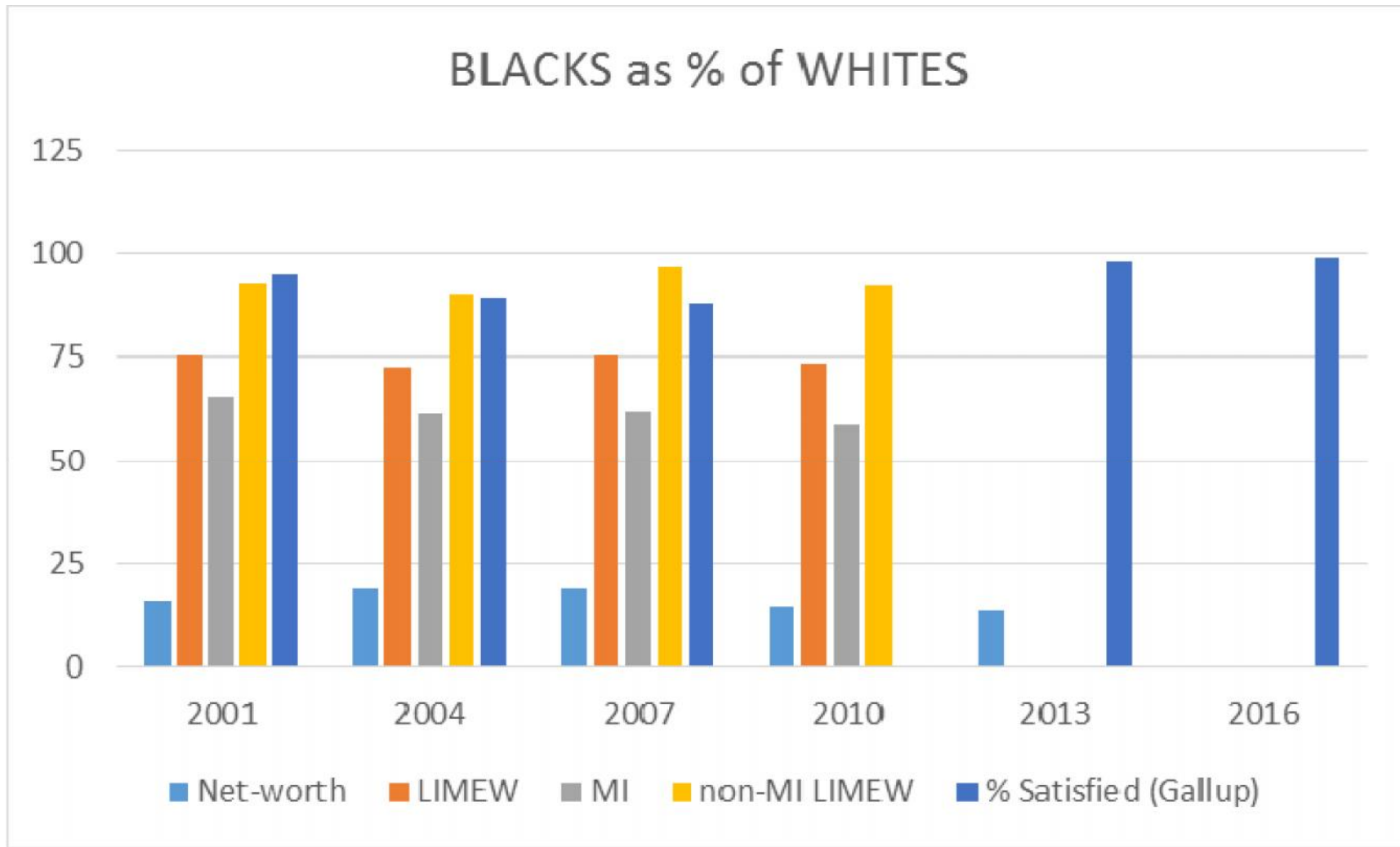
- GR saw temporary GDP per capita decline & rise in unemployment; prolonged participation rate reduction
- Share of wealth of top 10% rose from 1983-2007
 - Then **big jump to 2010** (& further rise thereafter)
 - WHITE net worth = 8*BLACK net worth in 2013
 - Wealth share of bottom 50% is negative (in 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

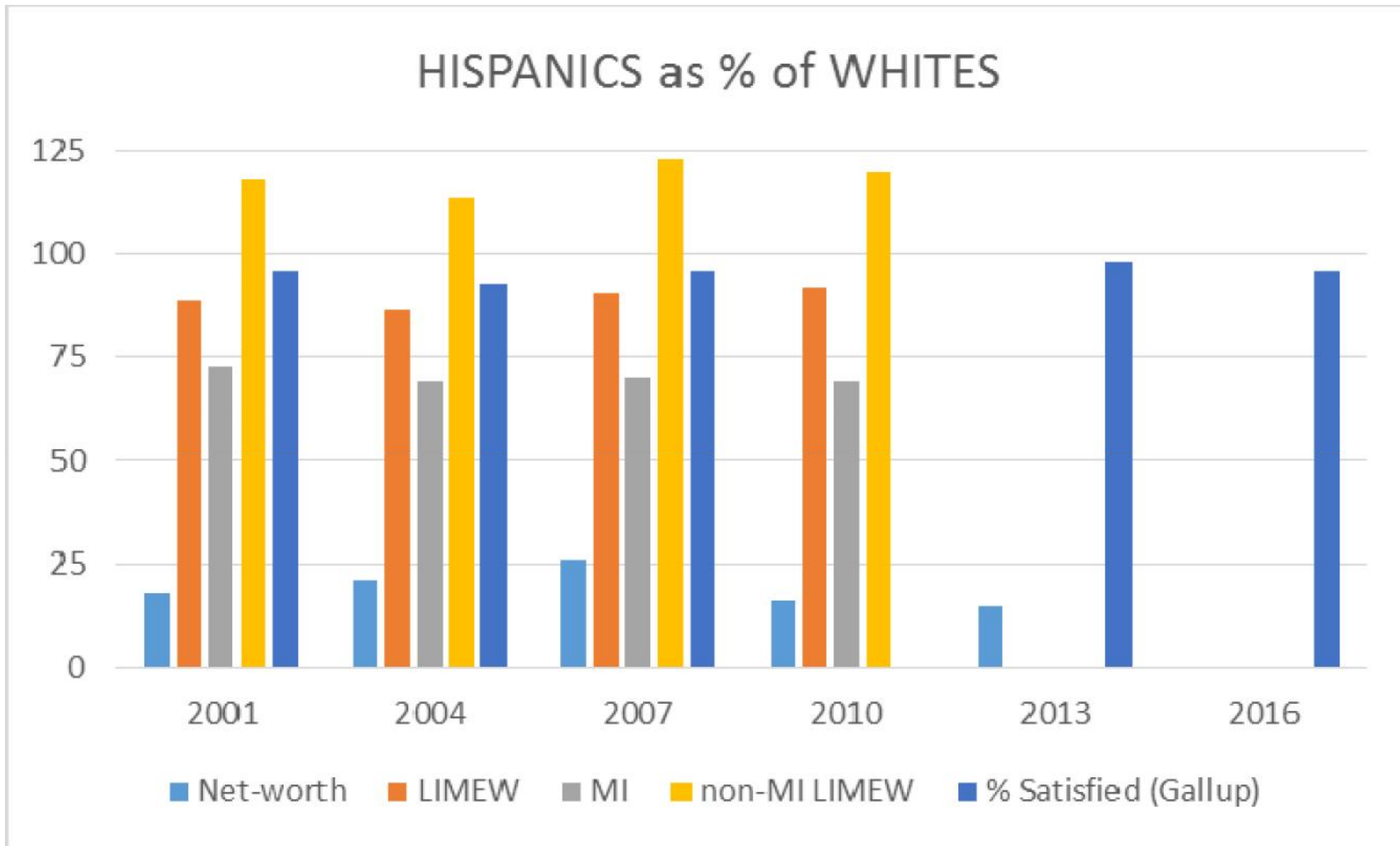
- Are households equivalized
 - If not, what differences would this make?
- How is home production calculated
 - Opportunity cost of time or market rates ?
- Why did imputed rent rise during GR when house prices and home ownership rates both fell
 - A large rise in rents?
- Why are BLACK employment rates 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**

