Boogeyman Economics: Notes on Sources and Methods

This memo provides the sources for and methodological details behind the claims I make in my essay, "Bogeyman Economics," from the winter 2012 issue of *National Affairs. National Affairs* does not include footnotes or bibliographies by convention. However, given the number of claims I make in the piece and their discordance with conventional wisdom, I want to document them so that other analysts may subject them to verification. I hope that these notes will also inspire further research on the topics I cover and greater use of the data sources involved.

On economic volatility:

See my report at http://npc.umich.edu/news/events/census_sipp_conf/winship.pdf for extended analyses of earnings and income instability through 2009. My data and statistical code is available at http://bit.ly/gPbf0C. For details on Jacob Hacker's problematic early volatility estimates, see Chapter Three of my doctoral dissertation at http://www.scottwinship.com/dissertation.html. My alternate estimates are in that chapter as well. For Hacker's most recent analyses, see Figure 7 of http://economicsecurityindex.org/upload/media/Economic_Security_Index_Full_Report.pdf and Figure 4 of http://www.economicsecurityindex.org/upload/media/Great_Recession_Report_Dec.pdf.

My volatility chart shows the percentage of adults age 25 to 54 experiencing a one-year drop in inflation-adjusted income of 25 percent or more. The line for 1967-68 to 1995-96 shows estimates from the University of Michigan's Panel Study of Income Dynamics (PSID). The line for 1984-85 to 2009-10 shows estimates from the Census Bureau's Survey of Income and Program Participation (SIPP). Gaps in the SIPP series are connected through linear interpolation, shown as dashed lines. The PSID series has been scaled downward to roughly align with the SIPP levels in the years they overlap; the SIPP estimates are likely to be more accurate for several technical reasons. For one, incomes are measured monthly rather than annually—making for more accurately recalled reports when participants are interviewed and mitigating the problem of changing household composition. Loss of sample members ("attrition") is also a smaller problem in the SIPP. The "2010" data point compares income measured from August 2008 to July 2009 and income measured from August 2009 to July 2010 (the most recent twelve-month period available when I wrote the essay).

Hacker's latest results rely on the Census Bureau's Current Population Survey (CPS) rather than the SIPP, which he used in the previous year's report. He gives four rationales for the switch. One amounts to arguing that the results are not much affected, but a comparison of the two series (see above links) shows that not to be true. He also argues that there are gaps in the SIPP, which is true and the reason that my chart includes interpolations between years. Further, the SIPP is smaller than the CPS and cannot be used for state estimates. That is also true, but it is not relevant for estimating volatility at the national level. Finally, he says that there is worse attrition in the SIPP panels because they are longer

than the one-year CPS panels. But he does not bother to actually show this is true, and research indicates that over short periods, such as one year, attrition rates are actually lower in the SIPP.

Some downsides of the CPS are noted in the technical appendix to his report, but downplayed in the report itself. First, it is difficult to match the same person across two years. There are no unique person identifiers in the data, so one has to match observations on address, age, sex, and other variables. That makes for lots of error, which of course shows up as higher volatility. Second, there is much more missing income data in the CPS than in the SIPP, which requires remedies the validity of which are in doubt. Third, the CPS does not try to follow movers, meaning the population of interest is non-movers rather than all people.

To these shortcomings, I would add that the CPS requires respondents to report the income of all current household members over the preceding calendar year, while the SIPP asks about monthly income every three months. This difference means that SIPP respondents are likely to recall income more accurately than CPS respondents, and the reports will be less affected by changes in household composition. In the CPS, respondents report last year's income for this year's household members, regardless of whether they lived in the household last year, and they do not report last year's income for last year's household members who no longer live with them. The SIPP, with interviews every three months, is less affected by changes in household composition.

On job security:

For the claim that job turnover has increased, see Henry Farber (2008), "Short(er) Shrift: The Decline in Worker-Firm Attachment in the United States." in Katherine S. Newman, ed. *Laid Off, Laid Low* (New York: Columbia University Press).

The share of job separations that are employee-initiated come from the Bureau of Labor Statistics Job Openings and Labor Turnover Survey (JOLTS)—see www.bls.gov/jlt. For the 1984 figure, see http://www2.census.gov/prod2/sipp/wp/SIPP_WP_101.pdf. The same finding holds for worker reports in 1986 and 1993—see https://springerlink3.metapress.com/content/gql231t51361l223/resource-secured/?target=fulltext.pdf&sid=wj12nwen0vjhfezrz3bk3jfa&sh=www.springerlink.com (ungated version at http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.27.9328&rep=rep1&type=pdf).

Evidence on the share of job separations followed by short unemployment spells comes from http://www.bls.gov/osmr/pdf/ec020050.pdf.

For the Labor Department's measures of unemployment (official and alternate) see http://www.bls.gov/cps/cpsatabs.htm. For the share of people experiencing unemployment at some point over a calendar year, see http://www.bls.gov/schedule/archives/all_nr.htm#WORK and various issues of the Bureau of Labor Statistics *Monthly Labor Review* (e.g., http://www.bls.gov/opub/mlr/1981/06/rpt5full.pdf, which gives figures for several years in the 1970s).

See www.bls.gov/cps for the figures showing "the share of men between the ages of 25 and 54 who were not working in a typical week rose from 5 percent in 1968 to 12 percent in 2007, while their rate of unemployment in a typical week officially rose only from 1.7 to 3.7 percent."

The share of non-working working-age men who say they do not want to work comes from my own computations using the Census Bureau's Current Population Survey. The question availability and wording changed over the years, but I compared estimates from the 2007 March supplement, the 2007, 1993, 1994, and 1989 "outgoing rotation groups", and the 1989, 1979, and 1969 May supplements. Available on request.

For the share of adults out of work for 27 weeks or more (at a point in time or ever) during 2001-03; the share ever unemployed at all during 2001-03 and 1996-98; and the share of unemployed out of work for less than two weeks during 2001-03, see http://www.cbo.gov/ftpdocs/87xx/doc8770/10-31-LongtermUnemployment.pdf. The CBO study used the Survey of Income and Program Participation (SIPP) to follow a panel that began in late 2000 and early 2001 through the end of 2003 and a second panel that began in early 1996 and ended in 2000.

Estimates of the number of job seekers per job opening are from my computations; see http://www.brookings.edu/opinions/2011/0909_jobs_winship.aspx for details.

I estimated the fraction of workers experiencing unemployment from 2008 to 2010 as follows. In 2008, 13 percent of workers were unemployed at some point during the year, and 16 percent were in 2009 and 2010. (See http://www.bls.gov/schedule/archives/all_nr.htm#WORK.) The corresponding figures for 2001-2003 were 10, 11, and 11 percent. The 2001-2003 CBO study showed that 25 percent of workers were unemployed at some point during the three years. Dividing 25 by the sum of the three annual figures gives a ratio that may then be applied to the three annual figures for 2008-2010, yielding an estimate of 36 percent unemployed at some point over the three years. One in three workers reported in a Pew Research Center poll in May 2010 that they had been unemployed at some point "during the recession." (See http://pewresearch.org/pubs/1643/recession-reactions-at-30-months-extensive-job-loss-new-frugality-lower-expectations).

The estimated fraction of workers experiencing a bout of unemployment lasting 27 weeks since 2008 may be arrived at two different ways. Assume that 20 percent of the 36 percent of workers experiencing unemployment (see previous paragraph) were out of work at least once for 27 weeks or more. (It was 11 percent from 1996-1998 and 16 percent from 2001-2003, according to the CBO.) Then 7 percent of Americans have suffered an unemployment spell this long since the start of the recession. Alternatively, take the share of workers with a 27-week unemployment spell between 2001 and 2003 and divide it by the point-in-time percent of the unemployed out of work for 27 weeks or more averaged over 2001-2003. Apply that ratio to the point-in-time percent of the unemployed out of work for 27 weeks or more averaged over 2008-2010 and the result is again 7 percent.

The same figure for 1996-98 is again from the CBO study. An estimate of ten percent today is enough to build in an adjustment for the growth in the share of the population who have dropped out of the labor force and do not show up as unemployed. For the fraction experiencing any unemployment in a

calendar year during 1996-98 and 2008-2010, see http://www.bls.gov/schedule/archives/all_nr.htm#WORK.

The chart showing unemployment trends uses numbers from the Census Bureau's Historical Statistics of the United States and official figures from the Bureau of Labor Statistics.

On retirement security:

The 1950 estimate of pension coverage is from Sylvester J. Schieber and Patricia M. George (1981), *Retirement Income Opportunities in an Aging America* (Employee Benefits Research Institute), p. 54. For the 1975, 1992, and 1999 estimates from the Labor Department, see http://www.dol.gov/ebsa/publications/bullet1995/e_4.htm and Table E4 of https://www.dol.gov/ebsa/PDF/1999pensionplanbulletin.PDF. The Employee Benefits Research Institute provides independent estimates for 1992 and 2009 using the Current Population Survey. The figures are 40 and 39 percent (see Figure 19 of http://www.ebri.org/pdf/briefspdf/EBRI_IB_10-2010_No348_Participation.pdf).

Trends in employer costs for retirement savings and health care are based on the Bureau of Labor Statistics Employer Costs for Employee Compensation data, adjusted for inflation using the Personal Consumption Expenditures deflator from the Bureau of Economic Analysis. See ftp://ftp.bls.gov/pub/special.requests/ocwc/ect/ececchist.pdf, ftp://ftp.bls.gov/pub/special.requests/ocwc/ect/ececqrt.pdf, and ftp://ftp.bls.gov/pub/special.requests/ocwc/ect/ececqrtn.pdf.

The Poterba paper cited is James Poterba, Joshua Rauh, Steven Venti, and David Wise (2007), "Defined contribution plans, defined benefit plans, and the accumulation of retirement wealth," *Journal of Public Economics* 91: 2062-2086.

Studies comparing different cohorts' retirement preparedness and wealth include Congressional Budget Office (2004), "The Retirement Prospects of the Baby Boomers."Economic and Budget Issue Brief; Haveman et al. (2007), "The Sufficiency of Retirement Savings: Comparing Cohorts at the Time of Retirement." in Brigitte Condie Madrian, Olivia S. Mitchell, and Beth J. Soldo, eds. *Redefining Retirement: How Will Boomers Fare?* (Oxford: Oxford University Press); Manchester, Weaver, and Whitman (2007), "Baby Boomers versus Their Parents: Economic Well-Being and Health Status" in Brigitte Condie Madrian, Olivia S. Mitchell, and Beth J. Soldo, eds. *Redefining Retirement: How Will Boomers Fare?* (Oxford: Oxford University Press); and Butrica, Iams, and Smith (2007), "Understanding Baby Boomers' Retirement Prospects." in Brigitte Condie Madrian, Olivia S. Mitchell, and Beth J. Soldo, eds. *Redefining Retirement: How Will Boomers Fare?* (Oxford: Oxford University Press). An exception is Center for Retirement Research (2006), "Retirements at Risk: A New Retirement Risk Index." (Chestnut Hill, MA: Center for Retirement Research), which finds that the share of the population at risk of inadequate savings rose between the 1980s and 2004. For a critique of their methods, however, see Scholz and Seshadri (2008), "Are All Americans Saving 'Optimally' For Retirement?" Paper prepared for

the 10th Annual Joint Conference of the Retirement Research Consortium, August 7-8, 2008, Washington, D.C.

See Figure 3 at http://research.upjohn.org/cgi/viewcontent.cgi?article=1190&context=empl_research for median wealth figures of adults age 47 to 64.

For the Pew Research Center surveys asking about delay of retirement, see http://pewsocialtrends.org/files/2010/11/759-recession.pdf. My claim that, "Census Bureau figures imply that of all the 62- to 64-year-olds working in 2009, only 5 percent would not have been working if 2007 conditions had prevailed," is based on computations using the March Current Population Survey. In 2009, 61 percent of adults age 62 to 64 were working, up only from 58 percent in 2007. The difference, divided by the 2009 share, is 4.6 percent of the 2009 level. My claim about rising employment since the mid-2000s is also based on CPS computations.

On trends in retirement age, see Stephen J. Rose (2010), *Rebound: Why America Will Emerge Stronger From the Financial Crisis*.

On debt:

I computed bankruptcies as a percent of households using U.S. Bankruptcy Court data and the Census Bureau's Current Population Survey. Available on request.

The share of families with debt or credit card debt and median amounts of debt are from the Federal Reserve Board's Survey of Consumer Finances. See http://www.federalreserve.gov/econresdata/scf/files/bulletin.tables.int.xls. For the 1989 to 2009 estimate in the change in median debt, see http://www.federalreserve.gov/econresdata/scf/files/bulletin.tables.int.xls and http://www.federalreserve.gov/econresdata/scf/files/2009p_feds_appendix_tables_final.xls.

Mortgage foreclosures and delinquencies are from the Mortgage Bankers Association. See http://www.census.gov/prod/2007pubs/08abstract/banking.pdf and http://www.mbaa.org/NewsandMedia/PressCenter/75706.htm. The number of homeowners comes from the Census Bureau (http://www.census.gov/hhes/www/housing/hvs/hvs.html).

On student loan debt, the Federal Reserve Board figures are at http://www.federalreserve.gov/econresdata/scf/files/bulletin.tables.int.xls. The Chiteji paper is at http://www.transad.pop.upenn.edu/downloads/chiteji.pdf. The student loan debt of the median graduate in 2008 is from my computations using the National Center for Education Statistics' Baccalaureate and Beyond survey.

On the return to a college degree over a career, see http://www.census.gov/prod/2011pubs/acs-14.pdf, Table 2-C. For the earnings premium in individual years, see http://www.census.gov/hhes/socdemo/education/data/cps/historical/tabA-3.xls.

On Health Insurance:

For CBO estimates of the effect of the ACA on coverage, see Table 3 at http://www.cbo.gov/ftpdocs/121xx/doc12119/03-30-HealthCareLegislation.pdf, which gives a figure of 92 percent coverage in 2021 for nonelderly U.S. residents. I use 84 percent as the pre-reform estimate (the 2010 figure from the NHIS, see notes below). I then add Medicare recipients to the numerator and denominator of the CBO 2021 estimate (from http://www.cbo.gov/budget/factsheets/2011b/medicare.pdf, page 3). Since a very small number of non-elderly Medicare recipients are included in the original CBO figure, I double-checked the number against Census Bureau projections of the 65+ population, and the results were the same.

Estimates of the uninsured cited in the text for 1988 to 2010 are from the Census Bureau. See http://www.census.gov/hhes/www/hlthins/data/historical/orghihistt1.html and http://www.census.gov/newsroom/releases/archives/income_wealth/cb11-157.html#tablec. Estimates of trends in private coverage among the non-elderly are from the National Center for Health Statistics. See http://www.cdc.gov/nchs/data/nhsr/nhsr017.pdf and http://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201106.pdf.

In the health insurance chart, I take 1940, 1947, and 1957 estimates from the Health Insurance Information of America (cited in http://www.cdc.gov/nchs/data/series/sr_10/sr10_066acc.pdf). I take 1953, 1958, and 1963 estimates from the Health Information Foundation (cited in the same report). Estimates from the National Center for Health Statistics' National Health Interview Survey are used for 1959, 1963, 1968, 1970, 1972, 1974, 1984, and 1997-2010. The source documents include http://www.cdc.gov/nchs/data/series/sr_10/sr10_066acc.pdf, http://www.cdc.gov/nchs/data/series/sr_10/sr10_117.pdf, http://www.cdc.gov/nchs/data/series/sr_10/sr10_162.pdf, and http://www.cdc.gov/nchs/data/nhis/earlyrelease/201106_01.pdf. Finally, I show two different series from the Census Bureau's Current Population Survey, the first from 1988 to 1999, and the second from 1999 to 2010. Those come from http://www.census.gov/hhes/www/hlthins/data/historical/orghihistt1.html and http://www.census.gov/hhes/www/hlthins/data/historical/files/hihistt1B.xls. The line in the chart is the fitted trend using a fourth-order polynomial using the Health Insurance Information of America estimates for 1940 and 1947, the Health Information Foundation estimates for 1953 and 1958, and the NHIS estimates thereafter. I mistakenly fit the trend using only data through 2006 (from an early version of the chart), but using the 2007-2010 NHIS data does not alter the visual display meaningfully.

For the share of private health expenditures covered by insurance, see Centers for Medicare and Medicaid Services, National Health Expenditure Data at http://www.cms.hhs.gov/NationalHealthExpendData/downloads/nhe2009.zip. I exclude from the denominator "worksite health care" and "other private revenues", which are technically both sources of private expenditures, but small in magnitude. If they are included, the change from 1980 to 2009 is from 48 percent to 65 percent rather than from 51 to 70 percent.

For the employee share of premiums in 1987 and 2009, see https://www.cms.gov/NationalHealthExpendData/downloads/bhg09.pdf, Table 4.

Estimates of spells without health insurance come from the Census Bureau (http://www.census.gov/sipp/p70-17.pdf, http://www.census.gov/sipp/p70s/p70-43.pdf, and http://www.census.gov/prod/2003pubs/p70-92.pdf) and from Third Way (http://content.thirdway.org/publications/159/Third_Way_Report_-_Checking-Up_on_Harry_and_Louise.pdf). The Third Way report looks at adults aged 22 to 64. I compare it to the Census Bureau report for 1985-87, which shows breakdowns for ages 25-44 and 45-64.

Miscellanea:

In the conclusion, I attribute views to a number of people. Benjamin Friedman's argument about generosity being greater in flush economic times is from *The Moral Consequences of Economic Growth* (Knopf, 2005). For William Julius Wilson's elaboration of the same argument, see *The Bridge Over the Racial Divide* (University of California Press, 2001). For Alan Greenspan's view that worker insecurity was keeping inflation tempered, see http://www.nytimes.com/1997/02/27/business/job-insecurity-of-workers-is-a-big-factor-in-fed-policy.html?pagewanted=all&src=pm, and for Robert Reich's concurrence, see his *Locked in the Cabinet* (Vintage, 1998).