cepr

CENTER FOR ECONOMIC AND POLICY RESEARCH

What We're In For

Projected Economic Impact of the Next Recession

John Schmitt and Dean Baker

January 2008

Contents

About the Author

John Schmitt is a Senior Economist and Dean Baker is Co-Director at the Center for Economic and Policy Research in Washington, DC.

Executive Summary

Recent historical experience argues that the labor-market effects of the next recession will last far longer than the formal recession itself. This report uses the experience of the last three recessions to predict labor market outcomes of a recession in 2008.

A recession that is mild-to-moderate by recent historical standards would be formally over in six to nine months (as was the case of the early 1990s and early 2000s downturns); a recession that is severe by recent historical standards would last about two years (the total number of months in recession during the 1980-82 "double-dip" downturn). Based on the experience of the last three recessions, however, the labor-market recession would last between three years (the length of the labor-market recession in the early 1990s and early 2000s recessions) and four years (the length of the labor-market recession in the severe recession of the early 1980s).

If the next recession follows the pattern set by the three most recent downturns, a recession in 2008 would raise the national unemployment rate by between 2.1 (a mild-to-moderate recession) and 3.8 percentage points (a severe recession along the lines of the early 1980s), increasing the number of unemployed Americans by between 3.2 million and 5.8 million. Based on the historical pattern, the unemployment rate and the number of unemployed would continue to increase through 2010 (to 6.7 percent in the case of a mild-to-moderate recession) or 2011 (to 8.4 percent in the case of a more severe economic downturn).

Depending on its severity, a recession in 2008 would see the black unemployment rate increase to between 11.3 percent and 15.5 percent, from a 2007 level of 8.3 percent. For black teens, recent historical experience suggests that the unemployment rate would climb to between 37.3 percent and 41.4 percent, from a 2007 level of 29.4 percent.

Depending on the severity of the downturn, the experience of the last three recessions suggests that the national employment rate would fall about two percentage points, implying a loss of between 4.2 and 4.6 million jobs.

In the event of a mild-to-moderate recession, health-insurance coverage would fall 1.4 percentage points nationally, leaving an additional 4.2 million individuals without health insurance. Strictly comparable data are not available for the severe recession of the early 1980s, but the effects of a recession of that magnitude on health-insurance coverage would likely be much larger.

A mild-to-moderate recession would reduce the median family income by just over $2,000 per year (in constant 2006 dollars) by 2010. A severe recession would reduce inflation-adjusted median family income by almost $3,750 per year by 2011.

A recession would also increase the national poverty rate by between 1.6 and 3.5 percentage points (from a 2006 level of 12.3 percent), raising the number of individuals living in poverty by between 4.7 million and 10.4 million people.

Introduction

The deflation of the largest and longest-lasting housing bubble in U.S. history is now making it all but inevitable that the United States will enter a recession in 2008. The last few weeks have seen a remarkable degree of consensus across most of the economics profession around the need for a sharp short-term stimulus to the economy. The goal is to avoid a recession or, in the likely event that that isn't possible, to make the recession shorter and more shallow.

The unusual level of agreement around the need for strong measures stems from the economic profession's familiarity with the huge economic and social costs of recessions. In this paper, we use the experience of the last three U.S. recessions --1980-82, 1990-91, and 2001-- to make some simple predictions about the likely impact of a recession on a series of important economic and social outcomes. The last three recessions provide a useful benchmark because two of the recessions -- 1990-91 and 2001-- were relatively mild as recessions go, while the 1980-82 recession (actually two back-to-back recessions) was the worst since the Great Depression of the 1930s.

The methodology we use is simple. First, we examine how key economic variables such as the unemployment rate, family income, and health-care coverage changed over the course of each of the last three recessions. We track how each of these variables behaved from the time the economy entered recession through the time that the economy hit bottom. Then, we take the current levels of these same variables and assume that they will change by the same amount as they did in the earlier recessions.[1]

NBER Recessions versus Labor-Market Recessions

Using the semi-official designation of a recession --periods of "significant decline in economic activity spread across the economy, lasting more than a few months" as determined by the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER)[2]-- recessions are typically fairly short events. As **Table 1** demonstrates, according to the NBER, the 2001 recession was over in just seven months (March to November 2001) and the preceding 1990-91 recession lasted only nine months (July 1990 through March 1991). The double-dip recession of the early 1980s, the most severe since the Great Depression, had more staying power --a total of 24 months spread over a three-year period-- but, as we will see, even in this case, the labor-market effects of the recession lasted much longer.

For the labor market, recessions are long and protracted events. The second panel of Table 1 shows the gap between the labor-market peak (defined as the low point of the national unemployment rate) and the labor-market trough (defined as the high point of the national unemployment rate). In the last two recessions, the unemployment rate continued to rise for three years after reaching its previous cyclical low (from 1989 until 1992, and from 2000 until 2003). In the more severe recession of 1980-82, the unemployment rate continued to rise for four years after the onset of the labor-market recession (from 1979 until 1983).[3]

---

1 To sharpen the analysis, we use the average experience of the two most recent, mild, recessions.

2 See http://www.nber.org/cycles/cyclesmain.html.

3 Actually, the unemployment rate was 0.1 percentage point lower in 1983 (9.6 percent) than it had been in 1982 (9.7 percent), but the difference is small and the level in 1983 was the second highest level recorded in the entire postwar period.

TABLE 1
Key Recession Dates and Data

	1980-1982	1990-1991	2001
NBER			
Peak	Jan 1980	Jul 1990	Mar 2001
Trough	Nov 1982	Mar 1991	Nov 2001
Labor market			
Peak	1979	1989	2000
Trough	1983	1992	2003
Unemployment rate (%)			
Peak	**5.8**	**5.3**	**4.0**
Year 1	7.1	5.6	4.7
Year 2	7.6	6.8	5.8
Year 3	**9.7**	**7.5**	**6.0**
Year 4	**9.6**	6.9	5.5
Year 5	7.5	6.1	5.1

Source: NBER is the National Bureau of Economic Research. See http://www.nber.org/ for complete description of NBER recession dating procedures. The 1980-82 recession is actually two recessions: one from January 1980 through July 1980 and a second from July 1981 through November 1982. Labor market peaks and troughs based on unemployment rates (in bold) from Economic Report of the President, February 2007, Table B-42.

The final panel of Table 1 gives an idea of the duration and severity of unemployment associated with even relatively short recessions. In the most recent, and mildest of the three recessions, the unemployment rate increased from a pre-recession low of 4.0 percent in 2000, to 4.7 percent in 2001 (the year of the NBER-defined recession), to 5.8 percent in 2002, before peaking at 6.0 percent in 2003; the unemployment rate only began to fall, and even then, slowly, in 2004 (to 5.5 percent). The pattern in the early 1990s recession was similar. The pre-recession low point for unemployment was 5.3 percent in 1989. In 1990, the year that the NBER-defined recession started, the unemployment rate increased to 5.6 percent. The next year (1991), during which the economy was, in principle, in a recession for only three months, the unemployment rate jumped to 6.8 percent, and continued to rise in 1992, to 7.5 percent. It wasn't until 1993 that the unemployment rate reversed, falling back to 6.9 percent, but still 1.6 percentage points above its pre-recession low. The labor-market effects of the 1980-82 recession were even deeper and longer-lasting. The unemployment rate was 5.8 percent in 1979, the year before the recession. In the first year of the recession (1980), unemployment rose to 7.1 percent, then to 7.6 percent in 1981, then to 9.7 percent in 1982, the official end of the recession. The unemployment rate, however, remained almost unchanged at 9.6 percent in 1983, the first year of the "economic recovery" using the NBER definition. Even by 1984, two years into the recovery, the national unemployment rate averaged 7.5 percent.

Recessions and Labor-Market Outcomes

Recessions have far-reaching impacts on a range of economic and social outcomes. We concentrate here on the effect of labor-market recessions on the unemployment rate, the employment rate, median family income, health-insurance coverage, and the national poverty rate.[4] **Table 2** summarizes the experience of these variables during the last three labor-market recessions. We review the basic historical trends and then use the same data as the basis for our projections for the likely effects of the next recession.

---

4 The employment-to-population rate, which gives the share of a population that is in work. Inflation-adjusted income, in 2006 dollars, of the median family. The share of the population with health-insurance coverage of any form.

Table 2 shows the pre-recession level of each of our variables of interest, as well as the changes in each of these variables from their values at the onset of each labor-market recession (1979, 1989, and 2000) through the trough of the same labor-market recession (1983, 1992, and 2003). At the preceding cycle's peak, the unemployment rate, for example, was 5.8 percent in 1979, 5.3 percent in 1989, and 4.0 percent in 2000. Over the course of the ensuing recessions, the unemployment rate increased by 3.8 percentage points by 1983, 2.2 percentage points by 1992, and 2.0 percentage points by 2003. For black teens (the last row of the first panel), the unemployment rate increased 12.0 percentage points (from 36.5 percent) during the early 1980s labor-market recession; 7.3 percentage points (from 32.4 percent) during the early 1990s recession; and 8.5 percentage points (from 24.5 percent) in the early 2000s recession.

In addition to raising the unemployment rate, recessions also reduce the share of the population in jobs.[5] The second panel of the table shows corresponding data for employment rates (the share of the population with a job). For the entire population aged 16 and older, employment rates fell in all three recessions: down 2.0 percentage points (from 59.9 percent) in the early 1980s; down 1.5 percentage points (from 63.0 percent) in the early 1990s; and down 2.1 percentage points (from 64.4 percent) in the early 2000s. The effects on the employment rate of African Americans (fifth row of the panel) were even larger, with a 4.3 percentage-point decline in the 1980s recession, a 2.0 percentage-point decline in the 1990s recession, and a 3.5 percentage-point decline in the early 2000s.[6]

Recessions also drive down family incomes, in part, because family members experience layoffs, longer periods looking for work, and reductions in work hours even when members are working, and, in part, because recessions tend to depress workers' wages. The third panel presents the annualized growth rate in the inflation-adjusted median family income during roughly symmetric periods before and after the onset of each recession. Before the 1980-82 recession (between 1976 and 1979), real median family income was growing at a 2.6 percent annual rate. During the labor-market recession between 1979 and 1983, however, real median family income fell at a 1.6 percent annual rate. A similar pattern held for the next two recessions, with median family income rising in the expansions (up 1.3 percent per year in the late 1980s and 2.1 percent per year in the late 1990s), and then falling sharply during the recessions (down 1.4 percent per year 1989-1992, and 0.9 percent per year 2000-2003).[7]

Recessions also have the effect of reducing the share of the population with health insurance, a result of job loss, workers' declining bargaining power, and benefit cuts by employers squeezed by the economic contraction. The fourth panel of Table 2 reports changes in the share of the population with any form of health insurance (private or public) over the course of the last two labor-market recessions (the Census Bureau does not publish directly comparable data for the earlier period). In both recessions, the share of the population with health insurance fell 1.4 percentage points. Finally, recessions have inevitably led to increases in the national poverty rate, as lower-income individuals see their employment rates fall, their hours cut back, and their wages decline. In the early 1980s labor-market recession, the national poverty rate, for example, jumped 3.5 percentage points.

---

[5] Increases in the unemployment rate do not translate one-for-one into declines in the employment rate because the economy includes a third group of people classified as "not in the labor force" --including students, homemakers, retirees, and discouraged workers.

[6] Note that the long-term rise in women's employment rates was so strong in the early 1980s that it offset the employment rate declines usually associated with a recession.

[7] As noted above, the long-term rise in women's employment rates more than offset the negative employment effects of the early 1980s recession, making the early 1980s recession a poor basis for projecting employment effects on women.

TABLE 2
Economic and Social Impact of Last Three Labor Market Recessions

	1980-82		1990-91		2001	
	Pre-recession cyclical peak	Change in recession	Pre-recession cyclical peak	Change in recession	Pre-recession cyclical peak	Change in recession
Unemployment rate	(%)	(p.p.)	(%)	(p.p.)	(%)	(p.p.)
All (16+)	5.8	3.8	5.3	2.2	4.0	2.0
Men (20+)	4.2	4.7	4.5	2.6	3.3	2.3
Women (20+)	5.7	2.4	4.7	1.6	3.6	1.5
Teens (16-19)	16.1	6.3	15.0	5.1	13.1	4.4
Blacks (16+)	12.3	7.2	11.4	2.8	7.6	3.2
Hispanics (16+)	8.3	5.4	8.0	3.6	5.7	2.0
Black teens (16-19)	36.5	12.0	32.4	7.3	24.5	8.5
Employment rate	(%)	(p.p.)	(%)	(p.p.)	(%)	(p.p.)
All (16+)	59.9	-2.0	63.0	-1.5	64.4	-2.1
Men (20+)	76.5	-5.1	74.5	-2.4	74.2	-2.5
Women (20+)	47.7	1.1	54.9	-0.1	58.4	-0.9
Teens (16-19)	48.5	-7.0	47.5	-6.5	45.2	-8.4
Blacks (16+)	53.8	-4.3	56.9	-2.0	60.9	-3.5
Hispanics (16+)	58.3	-3.2	62.2	-3.1	65.7	-2.6
Black teens (16-19)	25.4	-6.7	28.7	-5.9	29.8	-8.1
Annual growth in real	(p.p.a.)	(p.p.a.)	(p.p.a.)	(p.p.a.)	(p.p.a.)	(p.p.a.)
median family income	2.6	-1.6	1.3	-1.4	2.1	-0.9
	(%)	(p.p.)	(%)	(p.p.)	(%)	(p.p.)
Health-insurance coverage	n.a.	n.a.	86.4	-1.4	85.8	-1.4
	(%)	(p.p.)	(%)	(p.p.)	(%)	(p.p.)
Poverty rate	11.7	3.5	12.8	2.0	11.3	1.2

Source: See appendix for data sources. Unemployment rates are as a share (%) of the labor force; employment rates are a share (%) of the indicated population; health-insurance coverage and the poverty rate are a share (%) of the total population. Changes in the unemployment rate, the employment rate, health-insurance coverage, and the poverty rate are all in percentage-point terms (p.p.). Annual growth in real median family income is the annualized percentage-point change (p.p.a) in the three years to the preceding labor-market peak or from the labor-market peak to the labor-market trough, adjusted for inflation using the CPI-U-RS.

Increases in the poverty rates were smaller, but still substantial, in the two most recent recessions -- up 2.0 percentage points in the early 1990s and up 1.2 percentage points in the early 2000s.

Recessions also have the effect of reducing the share of the population with health insurance, a result of job loss, workers' declining bargaining power, and benefit cuts by employers squeezed by the economic contraction. The fourth panel of Table 2 reports changes in the share of the population with any form of health insurance (private or public) over the course of the last two labor-market recessions (the Census Bureau does not publish directly comparable data for the earlier period). In both recessions, the share of the population with health insurance fell 1.4 percentage points. Finally, recessions have inevitably led to increases in the national poverty rate, as lower-income individuals see their employment rates fall, their hours cut back, and their wages decline. In the early 1980s labor-market recession, the national poverty rate, for example, jumped 3.5 percentage points. Increases in the poverty rates were smaller, but still substantial, in the two most recent recessions --up 2.0 percentage points in the early 1990s and up 1.2 percentage points in the early 2000s.

Making Projections

To gauge the likely economic and social impact of the next recession, we look to the experience of the U.S. economy during the last three recessions, as summarized in Table 2. Our approach is straightforward. We project the impact of the next recession assuming that variables will follow the same general trajectory that they followed in the past three recessions.

Table 3 summarizes our projections under the assumption that the economy enters a recession this year. Since the two most recent recessions were mild-to-moderate, we take the average of these two recessions to set a lower bound on the labor-market effects of the next recession. We use the data for the severe 1980-82 recession to give an idea of the kind of effects we might expect to see if the next recession is severe.

The first column in Table 3 presents the value of each of our variables of interest in the most recent period for which data are available (2007 in the case of unemployment and employment rates, 2006 in the case of health insurance, family income, and the poverty rate). The next four columns show our projections for each of these variables in the case of a mild-to-moderate recession along the lines of the 1990-91 or 2001 recessions. To generate the mild-to-moderate projections, we have assumed that the next labor-market recession lasts, as the 1990-91 and 2001 labor-market recessions did, for three full years after the labor-market peak, in this case, through 2011. We further assume that the change between the current level of each variable and the level by 2011 will be identical to the average change over the last two recessions. Since trying to model the dynamics of these variables is complicated and not likely to be particularly accurate, we use simple linear interpolation to project values of each variable in the intervening years between the last peak (2007) and 2011.

We can illustrate the procedure, first, using the national unemployment rate. In 2007, the unemployment rate stood at 4.6 percent. In the 1990-91 recession, the unemployment rate increased 2.2 percentage points in the four years between the peak (1989) and the trough (1992); in the 2001 recession, the unemployment rate increased 2.0 percentage points in the four years between the peak (2000) and the trough (2003). We take the average of these two changes (2.1 percentage points) and assume that four years after the current peak (assumed to be 2007), the unemployment rate will be 2.1 percentage points higher in 2010 (6.7 percent) than it was in 2007 (4.6 percent). To simplify, we then assume that the unemployment rate will rise in equal increments between 2007 and 2010 in order to create projections for 2008 and 2009.

To project the impact of a severe recession, we follow the same steps, using the change in each variable during the early 1980s labor-market recession to fix the impact of a severe recession now.

We also extend the effects over an additional year in order to reflect the longer duration of the early 1980s recession. In the case of the national unemployment rate, the total increase in the early 1980s recession was 3.8 percentage points, so we add 3.8 percentage points to the 2007 unemployment of 4.6 percent, to arrive at a projected unemployment rate of 8.4 by 2011. As before, we fill in the intervening years' projections assuming a smooth and equal increase in unemployment between 2007 and 2011.

We use the same basic procedure for all variables in the table and in the case of unemployment and employment rates provide breakdowns for some key demographic groups.

TABLE 3
Projected Impact of Recession on Labor-Market Outcomes, 2008-2011

	Most recent year	Projected recession						
		Mild to Moderate			Severe			
	2006/ 2007	2008	2009	2010	2008	2009	2010	2011
Unemployment rate (%)								
All (16+)	4.6	5.3	6.0	6.7	5.6	6.5	7.5	8.4
Men (20+)	4.1	4.9	5.7	6.6	5.3	6.5	7.6	8.8
Women (20+)	4.0	4.5	5.0	5.6	4.6	5.2	5.8	6.4
Teens (16-19)	15.7	17.3	18.9	20.5	17.3	18.9	20.4	22.0
Blacks (16+)	8.3	9.3	10.3	11.3	10.1	11.9	13.7	15.5
Hispanics (16+)	5.6	6.5	7.5	8.4	7.0	8.3	9.7	11.0
Black teens (16-19)	29.4	32.0	34.7	37.3	32.4	35.4	38.4	41.4
Employment rate (%)								
All (16+)	63.0	62.4	61.8	61.2	62.5	62.0	61.5	61.0
Men (20+)	72.8	72.0	71.2	70.4	71.5	70.3	69.0	67.7
Women (20+)	58.2	58.0	57.9	57.7	58.5	58.8	59.0	59.3
Teens (16-19)	34.8	32.3	29.8	27.4	33.1	31.3	29.6	27.8
Blacks (16+)	58.4	57.5	56.6	55.7	57.3	56.3	55.2	54.1
Hispanics (16+)	64.9	64.0	63.0	62.1	64.1	63.3	62.5	61.7
Black teens (16-19)	21.4	19.1	16.7	14.4	19.7	18.1	16.4	14.7
Change real median family income (p.p.a)	$59,894	-1.2	-1.2	-1.2	-1.6	-1.6	-1.6	-1.6
Health-insurance (%)	84.2	83.7	83.3	82.8	--	--	--	--
Poverty rate (%)	12.3	12.8	13.4	13.9	13.2	14.1	14.9	15.8

Source: See notes to Table 2; see text for description of method; see appendix for data sources. Data for the unemployment and employment rates in the first data column refer to 2007; data for family income, health-insurance coverage, and the poverty rate refer to 2006.

The unemployment rate for African Americans would hit 11.3 percent by 2010, from 8.3 percent in 2007. The rate for teens would jump to 20.5 percent, from 15.7 percent in 2007; for black teens, unemployment would reach 37.3 percent by 2010, compared to 29.4 percent in 2007. If the recession is as severe as the early 1980s recession, the impact on unemployment would be substantially worse. By 2011, the overall unemployment rate would climb to 8.4 percent; for African Americans, 15.5 percent; for teens, 22.0 percent; and for black teens, 41.4 percent.

What We're In For

The projections in Table 3 paint a grim picture for the labor market for at least three to four years from the onset of the next recession. Assuming only a mild-to-moderate recession, the national unemployment rate would rise to 6.7 percent, up from 4.6 percent in 2007.

If recent historical experience holds, the national employment rate --the share of the population in work at any given time-- would fall between 1.8 and 2.0 percentage points, depending on the severity of the downturn. Employment rates would remain well below their 2007 peaks even after 2010 or 2011.

In the event of a mild-to-moderate recession, the share of the population with health-insurance coverage would fall by 1.4 percentage points nationally by 2010. Although strictly comparable data are not available for the severe recession of the early 1980s, the effects on health-insurance coverage of a downturn of that magnitude would likely be substantially larger than what we saw in the two most recent and much milder recessions.

Since median family income tends to decline sharply in recessions, even a mild-to-moderate recession would reduce the median family income by 1.2 percent per year for three years through 2010. A severe recession would reduce the median family income 1.6 percent per year for four years through 2011.

A recession would also increase the national poverty rate by between 1.6 and 3.5 percentage points (from a 2006 level of 12.3 percent).

Table 4 puts the projections in Table 3 in more concrete terms. For example, the 2.1 percentage-point increase in the unemployment rate projected by 2010 in Table 3 under the assumption of a mild-to-moderate recession would mean an additional 3.2 million unemployed workers. The projected 3.8 percentage-point increase in unemployment in the event of a severe recession would translate into 5.8 million more unemployed workers by 2011.

The 1.8-2.0 percentage-point drop in the employment rate would mean the loss of between 4.2 and 4.6 million jobs between now and 2010 or 2011.

In the case of a mild-to-moderate downturn, the 1.2 percent per year fall in median family income translates to a loss in family income for the typical family of over $2,000 per year by 2010 (with smaller losses in each of the intervening years). The steeper 1.6 percent per year decline in the case of a severe recession would cost the typical family over $3,700 per year by 2011.

Even in the event of mild-to-moderate downturn, a recession this year would, if the recent historical pattern holds, throw an additional 4.7 million people into poverty by 2010. A severe recession would increase the portion of the population living in poverty by over 10 million people.

Conclusion

Labor-market recessions last far longer than the technical recessions declared by the NBER. Long after financial markets and employers have begun to recover from an economic downturn, workers continue to suffer from high levels of unemployment, depressed levels of employment, falling incomes, loss of health insurance, and outright poverty.

Even a mild-to-moderate recession along the lines of the recessions of the early 1990s and the early 2000s would likely see the unemployment rate rise above 6.5 percent, with 3.2 million more unemployed workers, 4.2 million fewer jobs, a $2,000 per year drop in inflation-adjusted incomes for the typical family, 4.2 million more people without health-insurance coverage of any form, and 4.7 million men, women, and children thrown into poverty. Minority workers would suffer disproportionately, with the black unemployment rate rising to 11.3 percent, and the rate for black teens increasing to over 37 percent. If historical precedent holds, these effects would not bottom out until sometime in 2010.

TABLE 4
Projected Impact of Recession on Labor Market Outcomes, 2010-11

| | Most recent year | Projected recession | |
| | | Mild to moderate | Severe |
	2006/2007	2010	2011
Unemployed (thousands)			
All (16+)	7,078	3,231	5,847
Men (20+)	3,259	1,947	3,736
Women (20+)	2,718	1,053	1,631
Teens (16-19)	1,101	333	442
Blacks (16+)	1,445	522	1,253
Hispanics (16+)	1,220	610	1,176
Black teens (16-19)	235	63	96
Employment decline (thousands)			
All (16+)	146,047	-4,173	-4,636
Men (20+)	75,337	-2,535	-5,278
Women (20+)	64,799	-557	1,225
Teens (16-19)	5,911	-1,265	-1,189
Blacks (16+)	16,051	-756	-1,182
Hispanics (16+)	20,382	-895	-1,005
Black teens (16-19)	566	-185	-177
Decline real median family income (inflation-adjusted 2006$)	59,894	-2,043	-3,742
Lost health insurance (thousands)	249,829	-4,154	--
People in poverty (thousands)	36,460	4,743	10,375

Source: See notes to Table 3. Health insurance, median family income, and poverty projections assume 2007 levels are identical to 2006. All projections assume no change in national population between now and 2011. Both assumptions lower the estimated impact of the recession measured in number of individuals or inflation-adjusted dollars. The 1.4 percentage-point decline in health-insurance coverage rates in the case of a mild-to-moderate recession would mean that about 4.2 million individuals would lose health insurance.

A severe recession, along the lines of the early 1980s, would have far worse effects. The unemployment rate would likely increase to 8.4 percent, increasing the pool of unemployed by over 5.8 million workers. The economy would lose a total of 4.6 million jobs. The inflation-adjusted income of the typical family would fall almost $3,750 per year, and the number of Americans living in poverty would rise by 10.4 million. Again, racial minorities would bear a disproportionate share of the economic hardships. Blacks, for example, would account for 1.3 million of the total 5.8 million worker increase in unemployment. If the historical pattern repeats itself, the labor market would not likely begin to recover until 2011.

Appendix

Unemployment Rate

Bureau of Labor Statistics, http://www.bls.gov/, series: All (16+) LNU04000000; Men (20+) LNU04000025; Women (20+) LNU04000026; Teens (16-19) LNU04000012; Blacks (16+) LNU04000006; Hispanics (16+) LNU04000009; Black Teens (16-19) LNU04000018.

Employment Rate

Bureau of Labor Statistics, http://www.bls.gov/, series: All (16+) LNU02300000; Men (20+) LNU02300025; Women (20+) LNU02300026; Teens (16-19) LNU02300012; Blacks (16+) LNU02300006; Hispanics (16+) LNU02300009; Black Teens (16-19) LNU02300018.

Health-insurance Coverage

U.S. Census Bureau, Historical Health Insurance Tables, Table HI-1, http://www.census.gov/hhes/www/hlthins/historic/hlthin05/hihistt1.html and U.S. Census Bureau, Historical Health Insurance Tables, Table HIA-1, http://www.census.gov/hhes/www/hlthins/historic/hihistt1.html.

Family Income

U.S. Census Bureau, Historical Income Tables--Families, Table F-6, http://www.census.gov/hhes/www/hlthins/historic/hlthin05/hihistt1.html and U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2006*, Table 1, http://www.census.gov/prod/2007pubs/p60-233.pdf.

Poverty Rate

U.S. Census Bureau, Historical Poverty Tables, Table 2, http://www.census.gov/hhes/www/poverty/histpov/hstpov2.html.