

Comments on 'Economic Vulnerability in the U.S. – Measurement and Trends'

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Summary

- Economic vulnerability measured in the U.S.
- Time span is 1989-2009.
- Data comes from eight cross sections of U.S. Survey of Consumer Finances (SCF).

Methodology

- 12 vulnerability indicators are chosen.
- Indicators are dichotomous.
- Health risks – (i) having ‘poor’ health and (ii) having no health insurance.
- Unemployment risks (i) being unemployed and (ii) forecast probability of unemployment.
- Income risks (i) volatility and (ii) uncertainty.

Methodology

- Income adequacy – (i) spending exceed income and (ii) absolute poverty measure.
- Savings adequacy (i) Do actual savings cover desired precautionary savings.
- Liquidity (i) denied credit, (ii) unable to make repayments, (iii) high repayment to income ratio.

Methodology and Results

- Indicators combined using Alkire-Foster method to give a vulnerability index.
- Trends examined through time. Mostly small but negative trends over the time period.

Critique

- Data set appears to be very rich. Ideal for measuring insecurity.
- Measurements taken from many different angles. Appropriate way to measure something as broad and nebulous as economic 'vulnerability'.
- Indicator methodology appears suitable.

Critique

- Central result (insecurity not increasing) not consistent with expectations and other studies.
- Instructive to ask why.
- Confidence in the methodology is gained however by (i) sharp increases in index during Great Recession and (ii) index behaving appropriately with age, income, education etc.

Critique

- Consider robustness of results with respect to continuous rather than dichotomous indicators.
- Unsure about income adequacy indicator.
- Neutral result probably caused by aggregation of offsetting trends.
- Could be of interest to examine correlations between indicators and present partial aggregations of clusters of indicators.

Critique

- Most rough indicators suggest increased insecurity.
- Income volatility, bankruptcy rates, health insurance and unemployment rate.