

The Impact of the Great Recession on Economic Well-being: How Different are OECD Nations and Why?

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This paper will present new estimates of the Index of Economic Well Being (IEWB) for the period 1980-2010 for OECD countries, with particular emphasis on the contrast between 1980-2007 and 2008-2010. The IEWB is based on the idea that the economic well-being of a society at a point in time depends on its level of effective current consumption per capita, its accumulation of productive assets to sustain future consumption, its level of inequality and poverty in the distribution of current income and the insecurity of future individual incomes. Within OECD nations, during the periods of growth preceding the Great Recession, movements in the IEWB often diverged from trends in GDP per capita, particularly due to cross-national differences in policy choices influencing income distribution and economic security. The Great Recession of 2008 had major impacts on all four components of the IEWB – per capita consumption, asset accumulation, income distribution and economic security. However, the size and nature of the economic shock differed across OECD nations, and was buffered to differing degrees by the very different social protection systems in place in each country. Hence, the impact of the Great Recession on each dimension of well-being differed significantly across countries, even at similar levels of the recession's impact on GDP. The paper therefore asks: which country's mix of institutions, policies and economic structure best mitigated the impact of the Great Recession on economic well-being?

References:

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