Business cycles then and now

In his introduction to a *Journal of Economic Perspectives* symposium on business cycles, J Bradford De Long presented a straightforward comparison of the long expansions of the post-World War II era. Several of the indicators he chose to characterize these long expansions as they reached the 30-quarters mark will be familiar to readers of the *Review*:

Indicator	*1960s*	*1980s*	*1990s*
Annual percent growth in employment	2.1	2.5	1.5
Annual change in unemployment rate	–.3	–.7	–.3
Starting unemployment rate (percent)	6.3	10.7	6.6
Ending unemployment rate (percent)	3.6	5.3	4.5
Underlying trend productivity growth rate (percent)	–2.9	.7	1.2

In the face of the fact that the long expansions of the 1960s and 1980s, like all the expansions before them, ended in recessions "in which real, nominal, and financial variables follow patterns that bear a close resemblance to the ideal type of 'recession'," De Long notes that the business cycle seems to have persisted "with at least qualitative continuity in its mechanism and effects."

In her symposium paper, Christina D. Romer suggests an even longer period of historical continuity, both qualitative and quantitative: "Major real macroeconomic indicators have not become dramatically more stable between the pre-World War I and post-World War II eras, and recessions have become only slightly less severe on average." One measure—duration of recession—may actually have gone up by a month from an average of 9.7 months for the nine pre-World War I recessions Romer analyzed to 10.7 months for the nine recessions since the end of World War II. On the other hand, the duration of expansions has increased even more, rising from an average 34 months before the First War to 51.5 months since the Second.

Job loss and older men

Involuntary job loss has lasting effects on the employment of older men, according to Sewin Chan and Ann Huff Stevens. In *Job Loss and Retirement Behavior of Older Men*, a working paper from the National Bureau of Economic Research, they come to this conclusion based on an analysis of 1984 to 1996 employment data from the Health and Retirement Study on men 50 and older who had lost a job due to a layoff or business closing.

Chan and Stevens found that men in their fifties have a three-quarters chance of re-employment within 2 years of losing a job, while for a 62-year-old, the chance is less than one-third. Moreover, the jobs that older men obtain after displacement can be short-lived. While three-quarters of job losers in their fifties find another job at some point within 2 years, only 61 percent of them are actually employed at the end of the 2 years, based on Chan and Stevens' estimates.

The researchers also compared those who had lost a job between 1984 and 1996 and those who had not. They found that for 55-year-olds, only half were working 1 year after the loss of a job, whereas 95 percent of the nondisplaced men were working.

The gap between the employment-population ratios of men who have been displaced in their fifties and those who have not persists for at least 7 years, say Chan and Stevens. The retirement of non-displaced workers accounts for some of the reduction in the gap over time.

Wage gaps and segregation

During the past few decades, labor economists often have investigated differences in wages by sex, race, and ethnicity. These differences are explored with a new data set in a recent NBER working paper, *Why are Racial and Ethnic Wage Gaps Larger for Men than for Women? Exploring the Role of Segregation Using the New Worker-Establishment Characteristics Database*, by Kimberly Bayard, Judith Hellerstein, David Neumark, and Kenneth Troske. They note that wage gaps by race and ethnicity have been larger for men than for women, and they study to what extent the larger gaps for men can be explained by segregation. Their results suggest that employment segregation contributes in an important way to black-white and Hispanic-white wage differentials for men.

The data examined by the authors is their New Worker-Establishment Characteristics Database (NWECD), constructed with matched data from the 1990 Decennial Census and the 1990 Standard Statistical Establishment List. After restrictions for workers' hours and the size of establishment, the sample for this study of segregation consisted of 637,718 workers in 32,931 establishments out of the full NWECD sample of 1,056,653 workers matched to 153,291 establishments.

Bayard, Hellerstein, Neumark, and Troske analyzed segregation along four dimensions: occupation, industry, establishment, and job cell (occupation within an employer). They found that a higher degree of segregation between Hispanic men and white men than between Hispanic women and white women accounts for most of the larger Hispanic-white wage differential for men. They also estimated that segregation contributed to about one-third to one-half of the larger black-white wage differential for men. □