



FEDERAL  
RESERVE  
BANK *of*  
ST. LOUIS

*National Conference of State Legislatures  
Forum on Economic Opportunities for Families*

# How Strong Is the Economy? A Family-Level Perspective

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William R. Emmons

Federal Reserve Bank of St. Louis

June 28, 2018

These comments do not necessarily represent the views of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

# How Strong Is the Economy?

## A Family-Level Perspective

- **Macroeconomic data look good, including unemployment, poverty and wealth.**
- **As always, family experiences are varied.**
- **Three demographic “fault lines” distinguish between thriving and struggling families:**
  - **Age (and birth year)**
  - **Education**
  - **Race and ethnicity**
- **We should strengthen vulnerable families when the economy is strong.**

# Unemployment Rates Near Record Lows

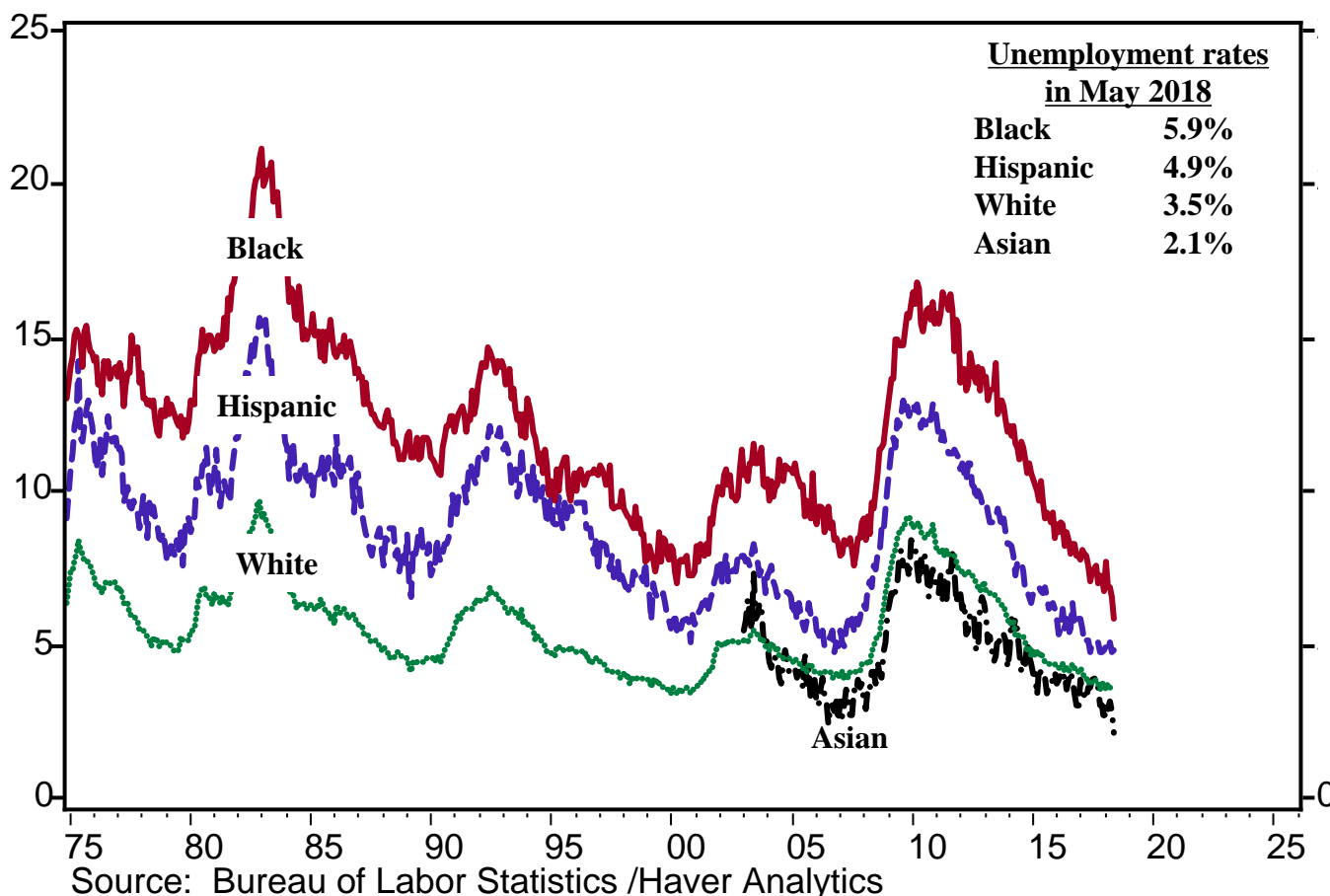
Black Unemployment Rate

Hispanic or Latino Unemployment Rate

Civilian Unemployment Rate: White (SA, %)

Civilian Unemployment Rate: Asian 16 yr + (SA, %)

Percent



Lowest  
Unemployment  
Rates\*

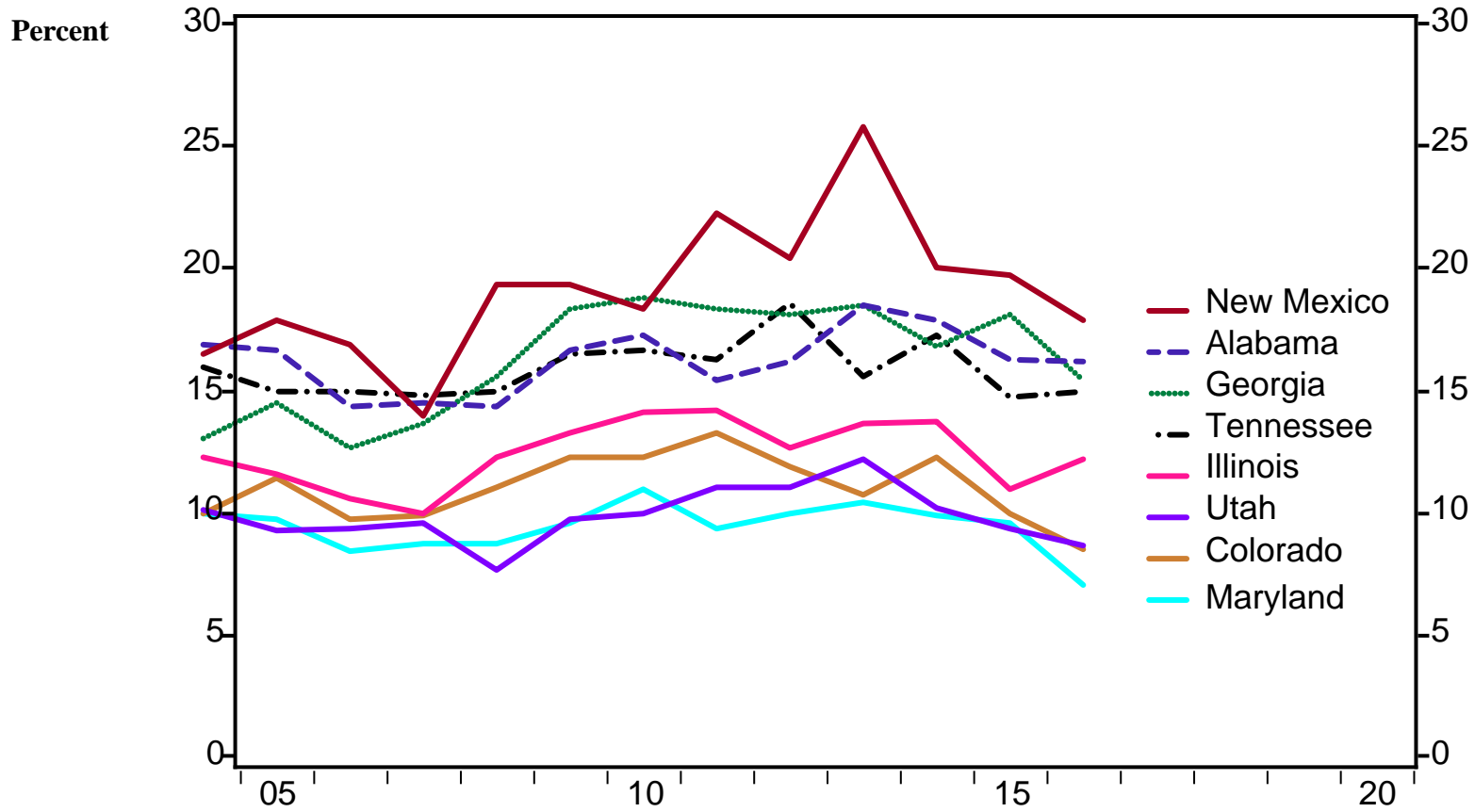
Black 5.9%  
(May 2018)  
Hispanic 4.8%  
(Apr. 2018)  
White 3.0%  
(1968-69)  
Asian 2.1%  
(May 2018)

\*Beginning of  
Unemployment  
Data Series

Black 1972  
Hispanic 1973  
White 1954  
Asian 2003

# Poverty Rates Are Declining

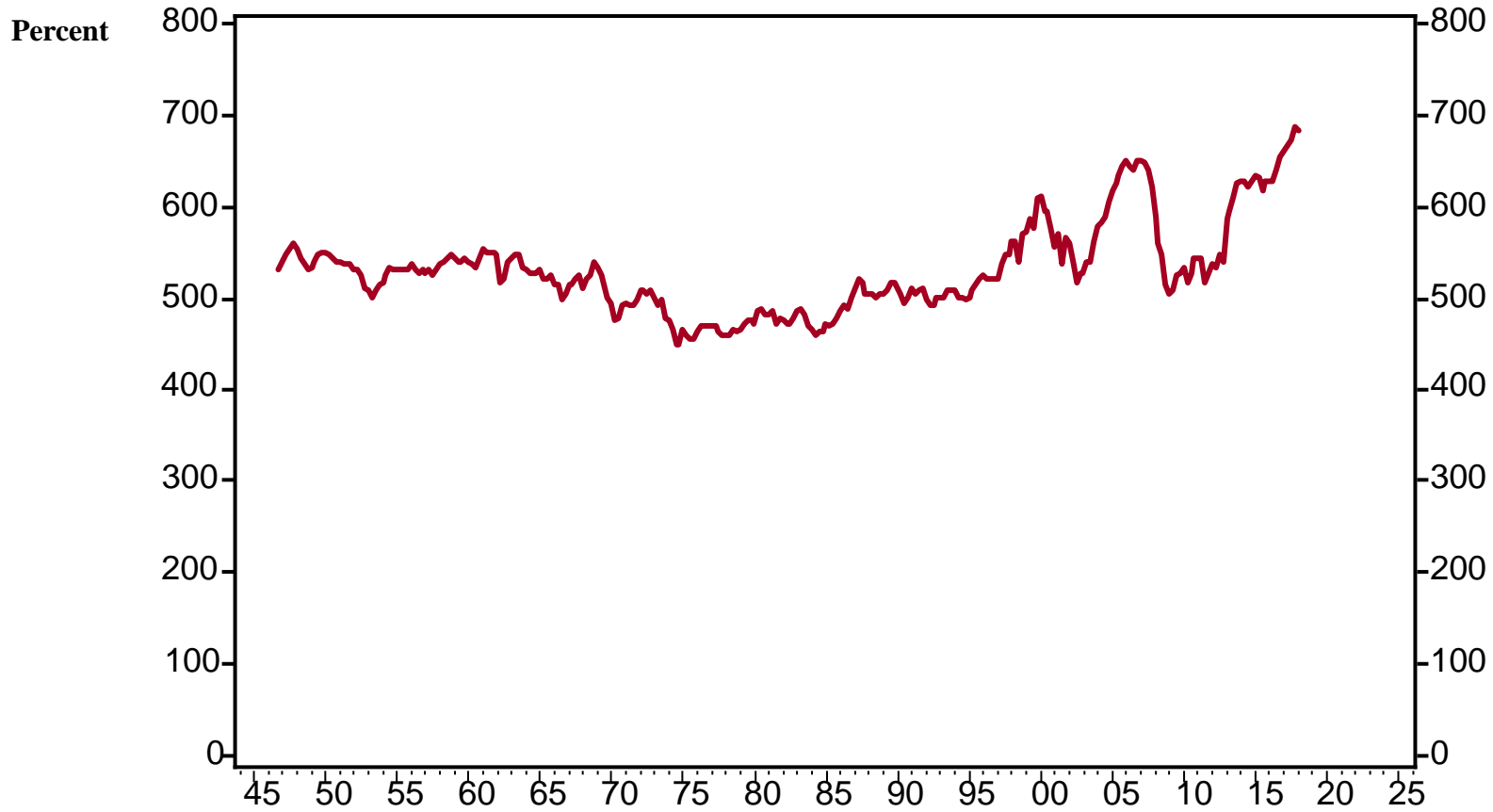
Poverty Rates: □ □ Percent of Population Below the Poverty Level



# Household Wealth Is At All-Time High

Household Wealth Relative to Disposable Personal Income

Percent



Source: Federal Reserve Board /Haver Analytics

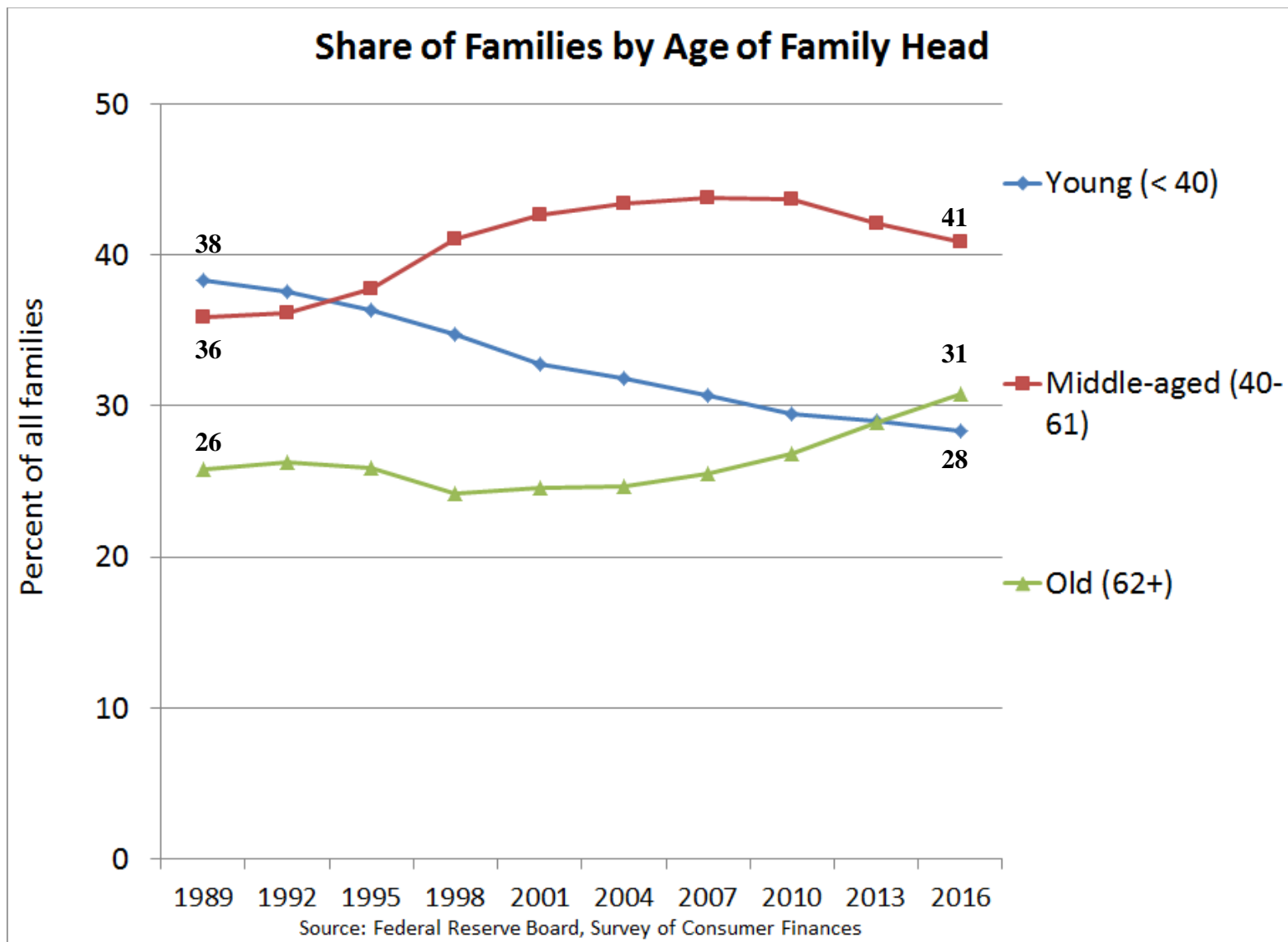
# But Prosperity Is Shared Unequally

- **Fault line #1: Age and birth year**
  - How old are you now?
  - In what decade were you born?
- **Fault line #2: Education**
  - What is your (or your spouse's) highest completed level of education?
  - What is your parents' level of education?
- **Fault line #3: Race and ethnicity**
  - Do you identify as non-Hispanic white; Hispanic of any race; African-American or black; other race or ethnicity or multiple?

# Fault Line #1: Age and Birth Year

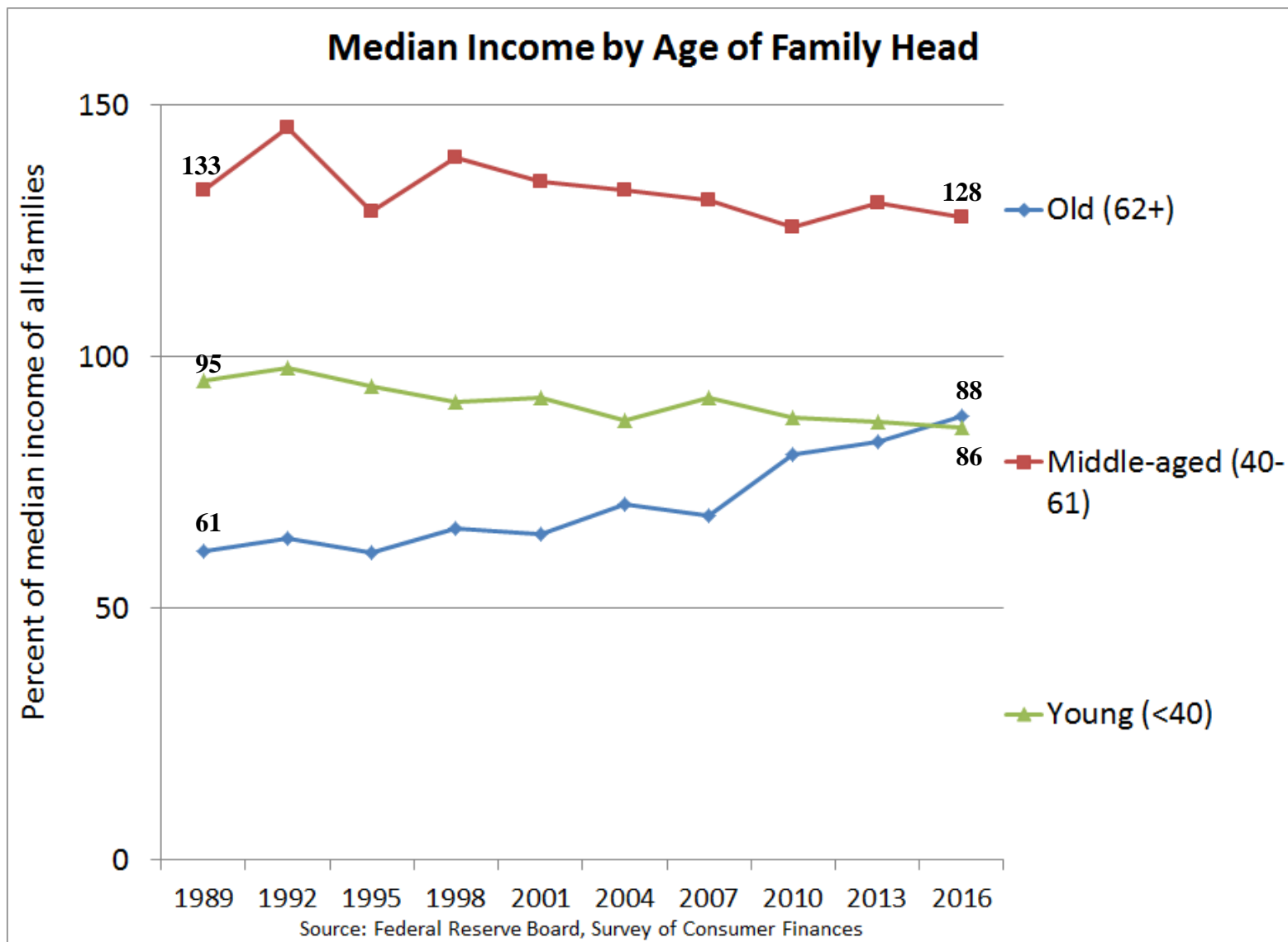
- **Young families always face economic and financial challenges.**
- **The Great Recession hit younger families the hardest, through job loss, wage stagnation and housing difficulties.**
- **Today's seniors (born in the 1920s, 1930s, 1940s) are in better economic and financial shape than any previous generation.**

# Declining Number of Young Families



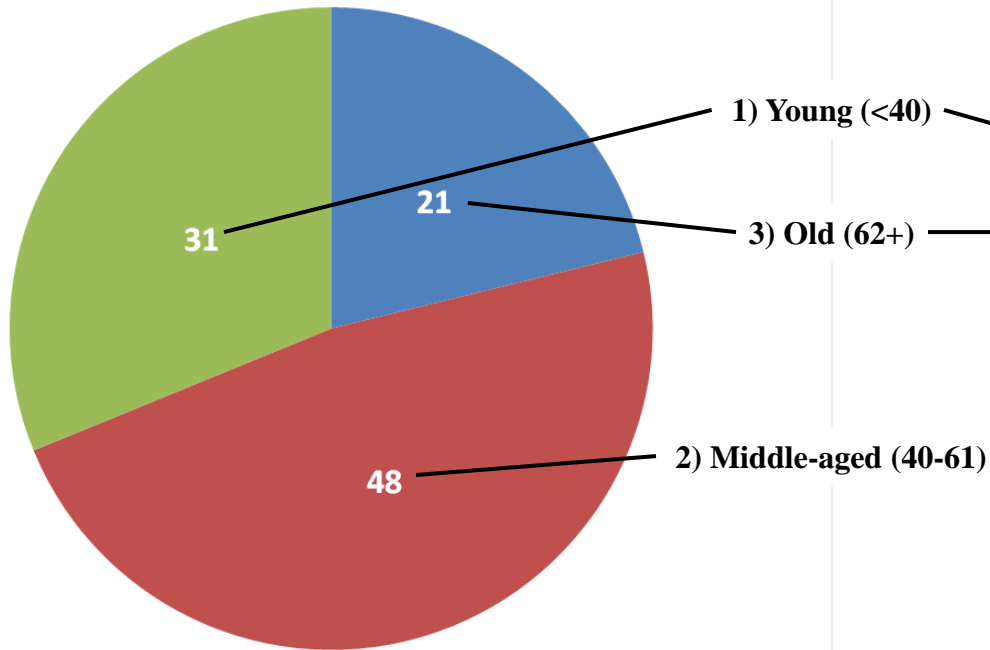


# Biggest Income Gains Among Old

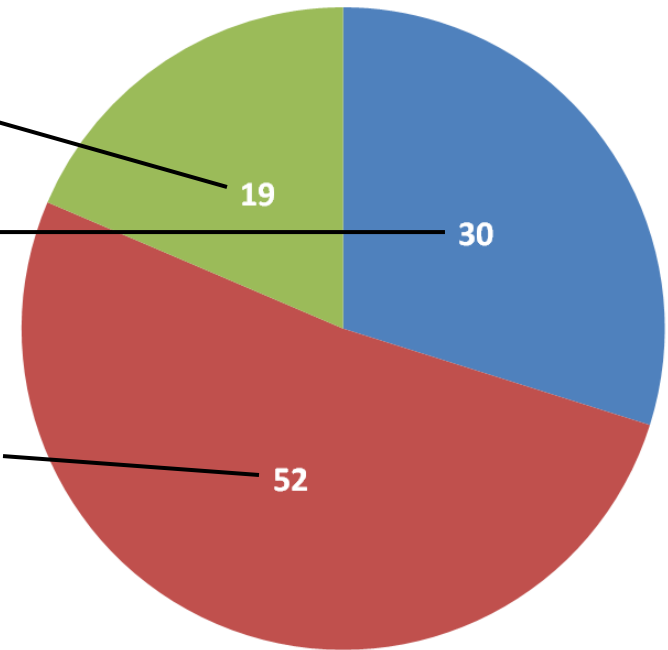


# Result: Income Shifting Toward Older Families

1989 Share of Family Income by Age of Family Head



2016 Share of Family Income by Age of Family Head



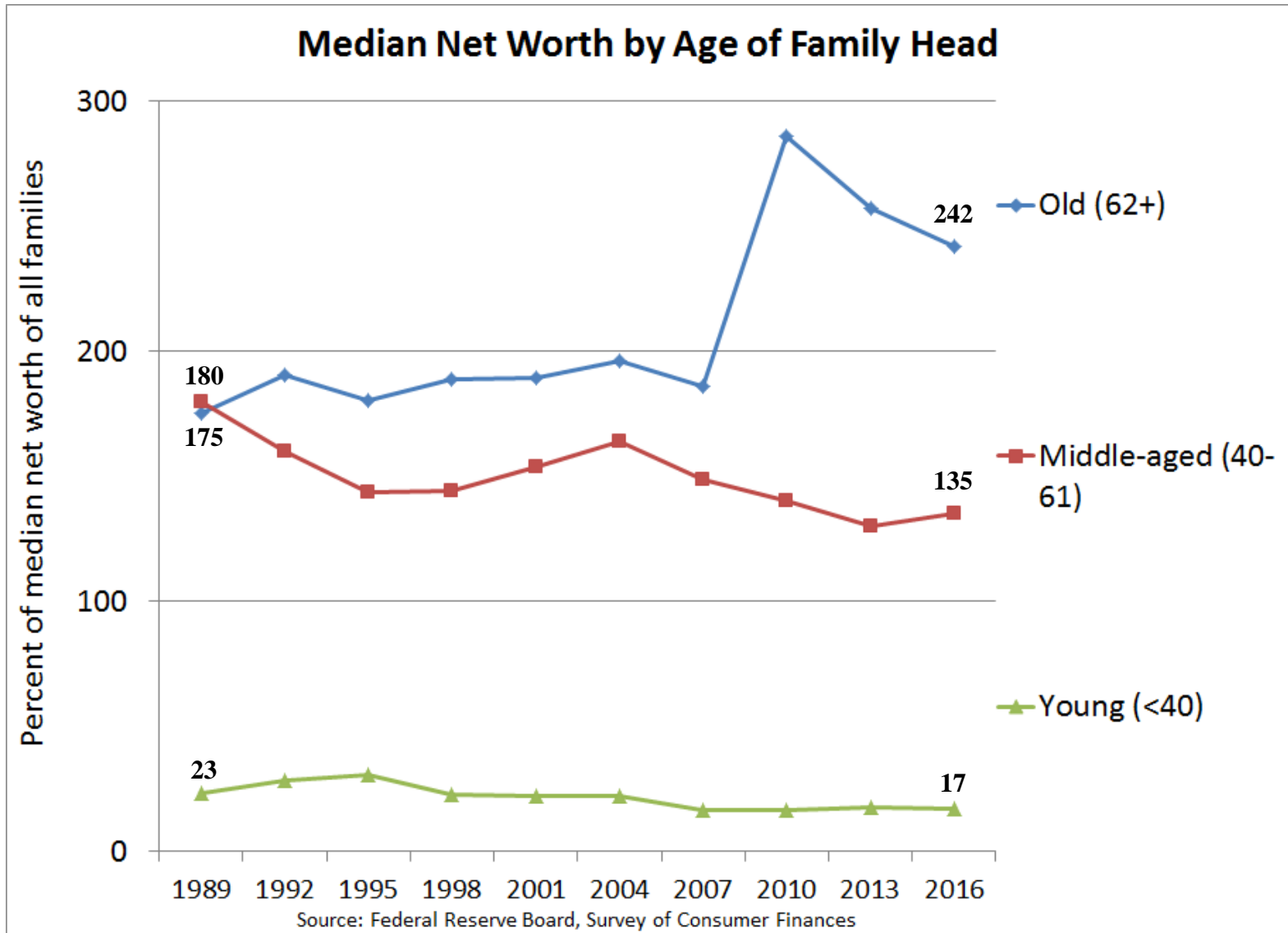
**Population Shares in 1989**

Young	38%
Middle-aged	36%
Old	26%

**Population Shares in 2016**

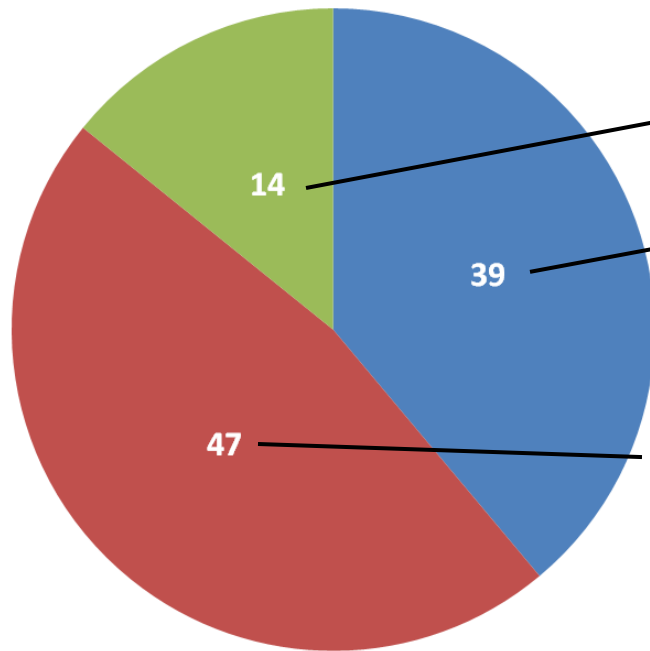
Young	28%
Middle-aged	41%
Old	31%

# Older Families Have Become Much Richer

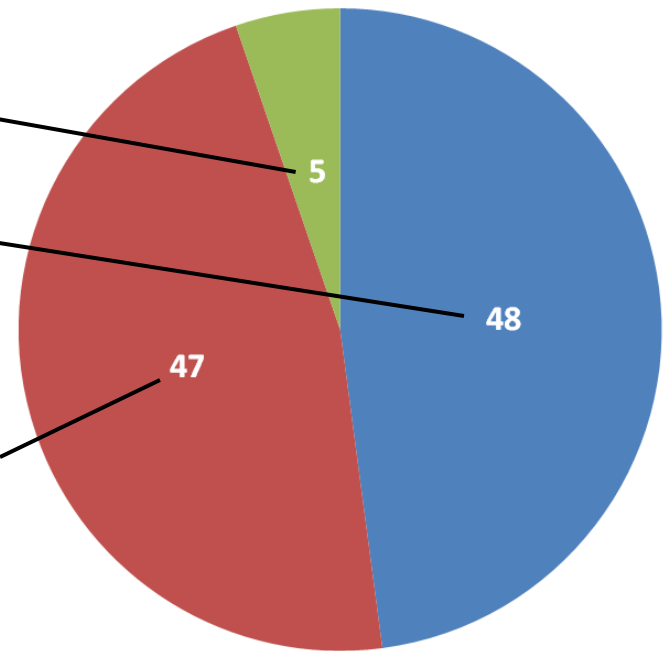


# Young Share of Wealth Declining Sharply

1989 Share of Family Wealth by Age of Family Head



2016 Share of Family Wealth by Age of Family Head



**Population Shares in 1989**

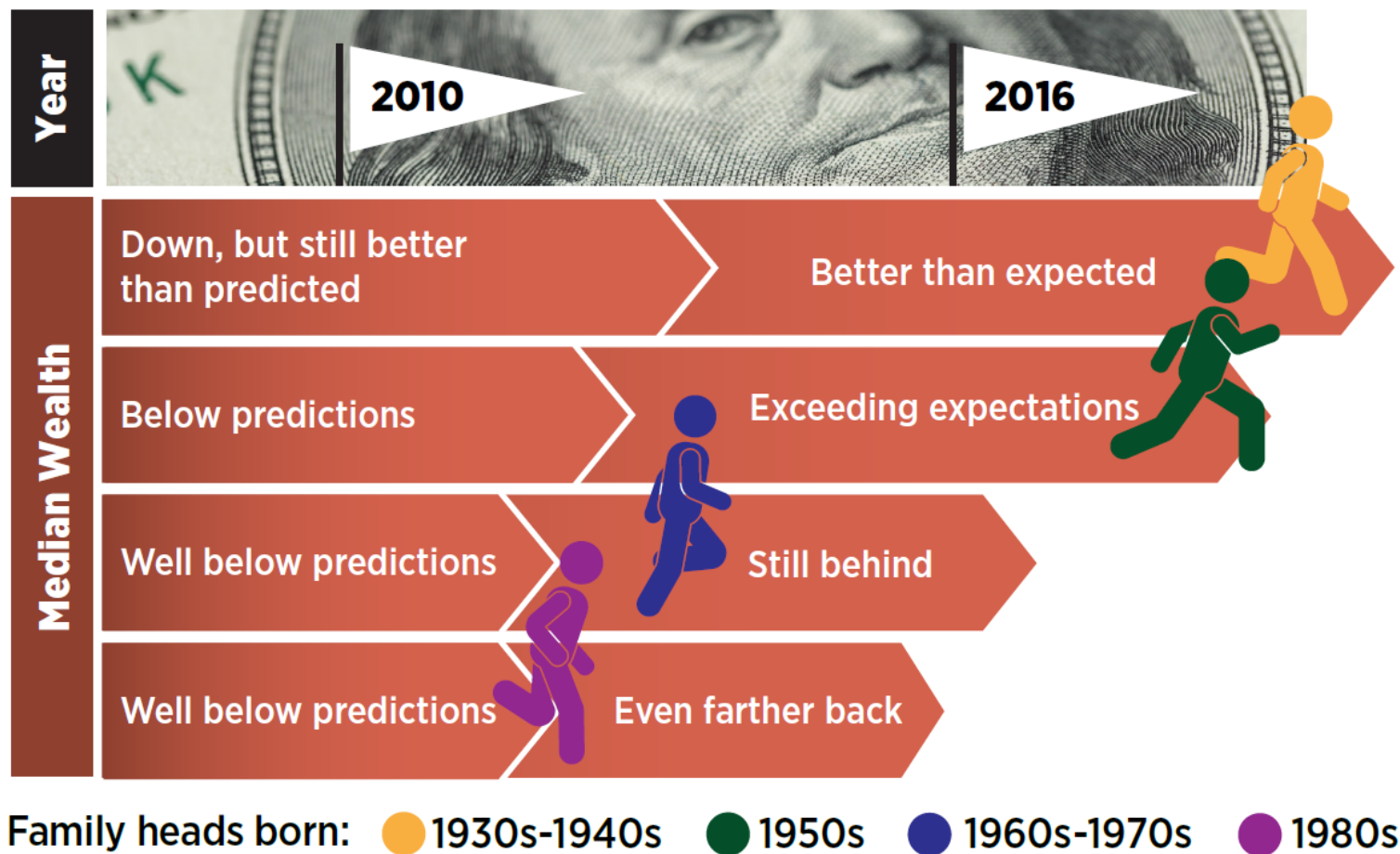
Young	38%
Middle-aged	36%
Old	26%

**Population Shares in 2016**

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Middle-aged	41%
Old	31%

# When You Were Born Makes A Difference

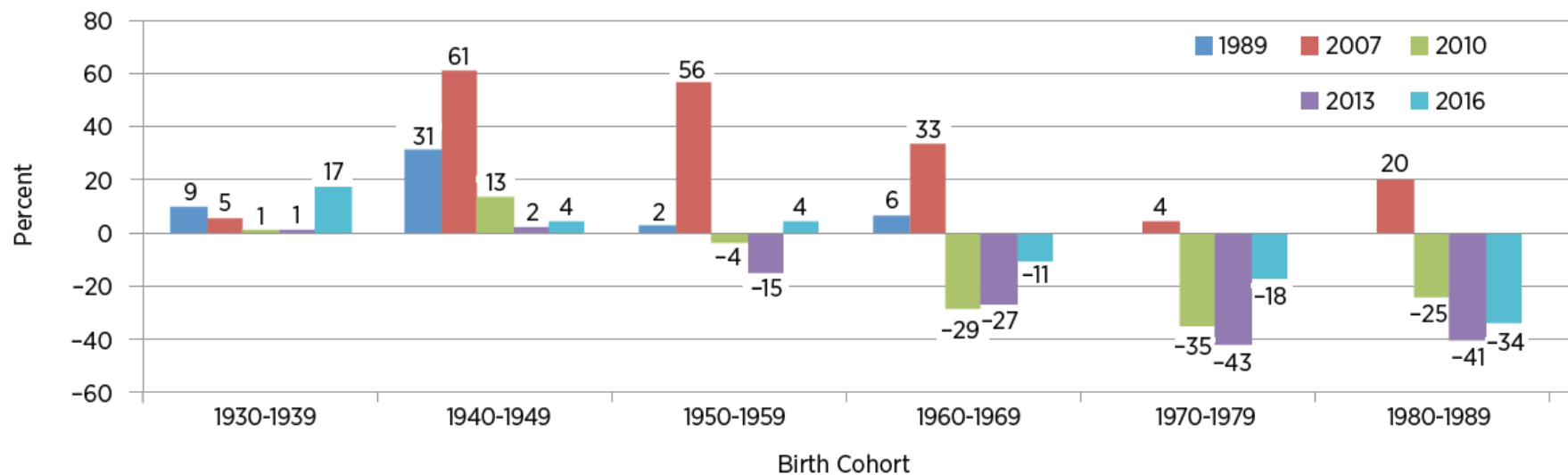
## TRACK RECORD after the 2008-09 Great Recession



Source: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. "A Lost Generation? Long-Lasting Wealth Impacts of the Great Recession on Young Families." *The Demographics of Wealth 2018 Series*, Federal Reserve Bank of St. Louis, May 2018, Essay No. 2.

# Seniors Doing Better than Young Families

Figure 4: Deviation of Median Wealth from Predicted Value



NOTES: Predicted value was based on life cycle. For information on how median net worth was predicted, see Sidebar 2. Appendix 2 offers more-technical details.

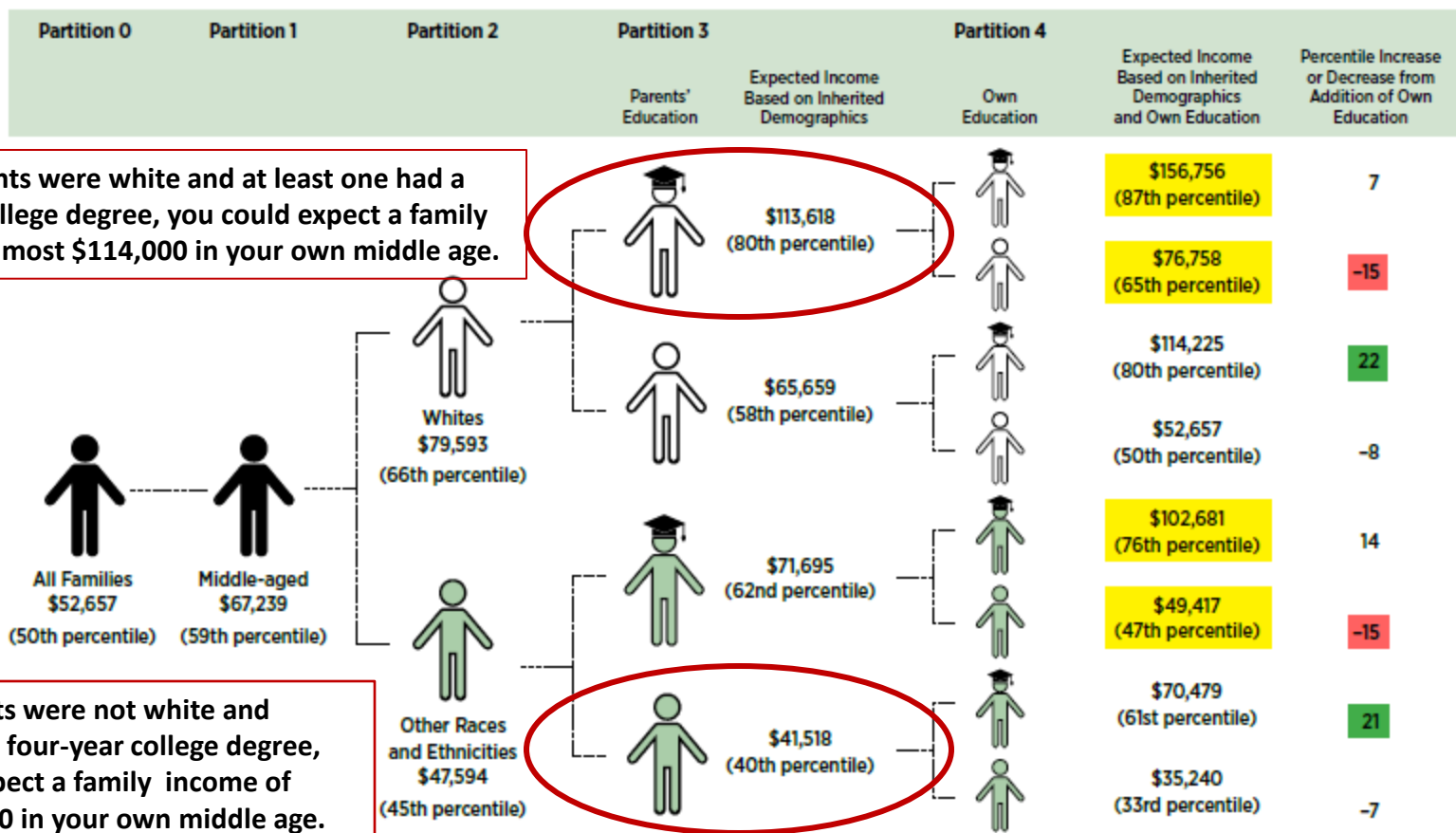
Source: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. "A Lost Generation? Long-Lasting Wealth Impacts of the Great Recession on Young Families." *The Demographics of Wealth 2018 Series*, Federal Reserve Bank of St. Louis, May 2018, Essay No. 2.

## Fault Line #2: Education

- **Your parents' education matters a great deal for your own success as an adult, including your likelihood of attending and finishing college.**
- **The economy continues to reward people with college-level skills.**
- **College is not available to, and does not pay off equally for, everyone—your parents matter there, too.**

# Who Your Parents Were Makes A Difference

Figure 5. Median Middle-Aged Family Income by Inherited Characteristics and Own Education



If your parents were white and at least one had a four-year college degree, you could expect a family income of almost \$114,000 in your own middle age.

If your parents were not white and neither had a four-year college degree, you could expect a family income of about \$42,000 in your own middle age.

NOTES: Percentile rank is determined by the position of the median family in a particular partition element relative to the overall distribution of all families. Numbers highlighted in yellow in the next to last column represent the "head-start" effect. The last column shows the difference in

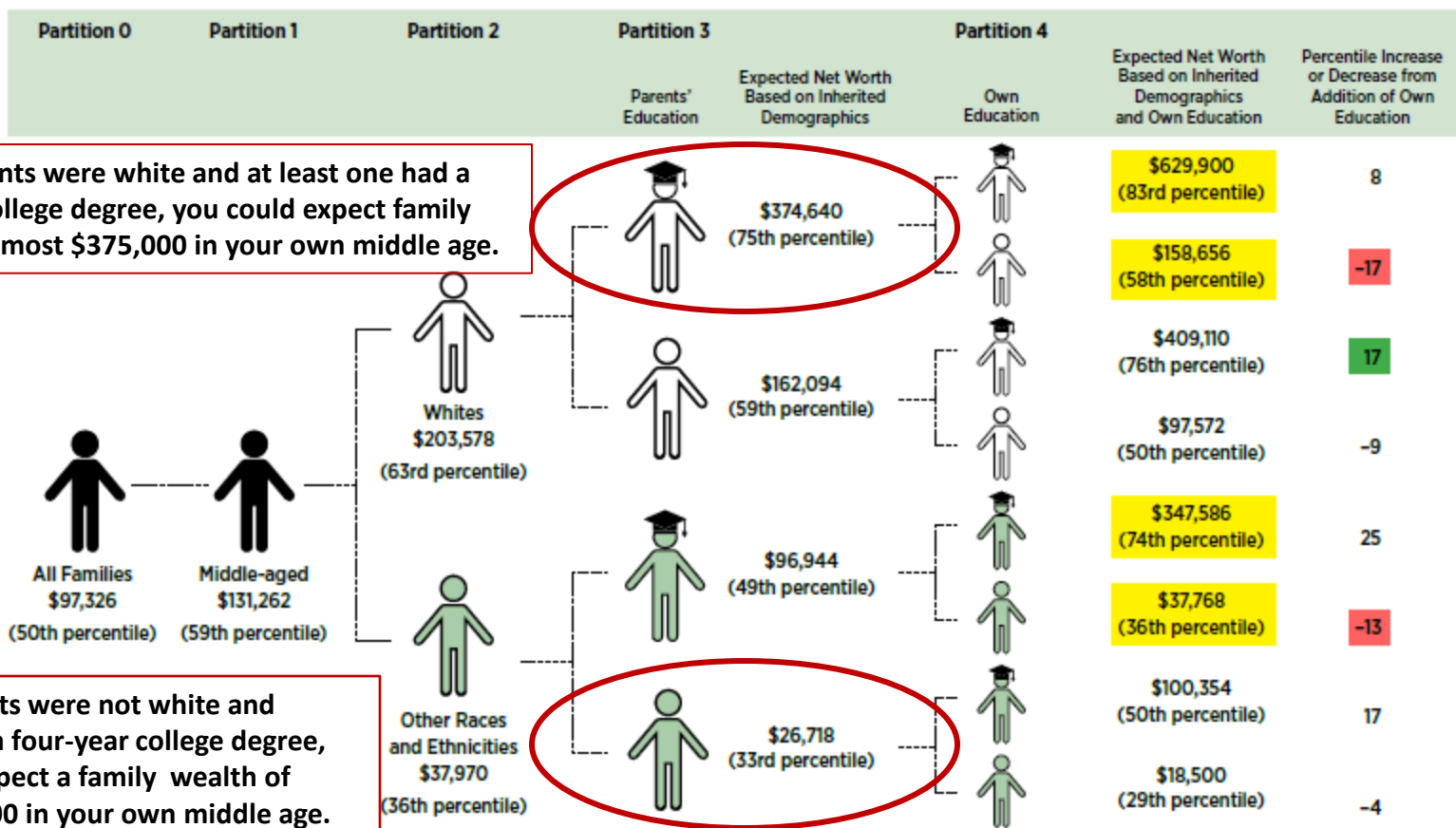
overall percentile ranks between the relevant elements in Partitions 3 and 4. Numbers highlighted in green represent the "upward-mobility" effect. Numbers highlighted in red represent the "downward-mobility" effect.

Source: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. "The Financial Returns from College across Generations: Large but Unequal." *The Demographics of Wealth 2018 Series*, Federal Reserve Bank of St. Louis, February 2018, Essay No. 1.



# Who Your Parents Were Makes A Difference

Figure 6. Median Middle-Aged Family Net Worth by Inherited Characteristics and Own Education



NOTES: Percentile rank is determined by the position of the median family in a particular partition element relative to the overall distribution of all families. Numbers highlighted in yellow in the next to last column represent the "head-start" effect. The last column shows the difference in

overall percentile ranks between the relevant elements in Partitions 3 and 4. Numbers highlighted in green represent the "upward-mobility" effect. Numbers highlighted in red represent the "downward-mobility" effect.

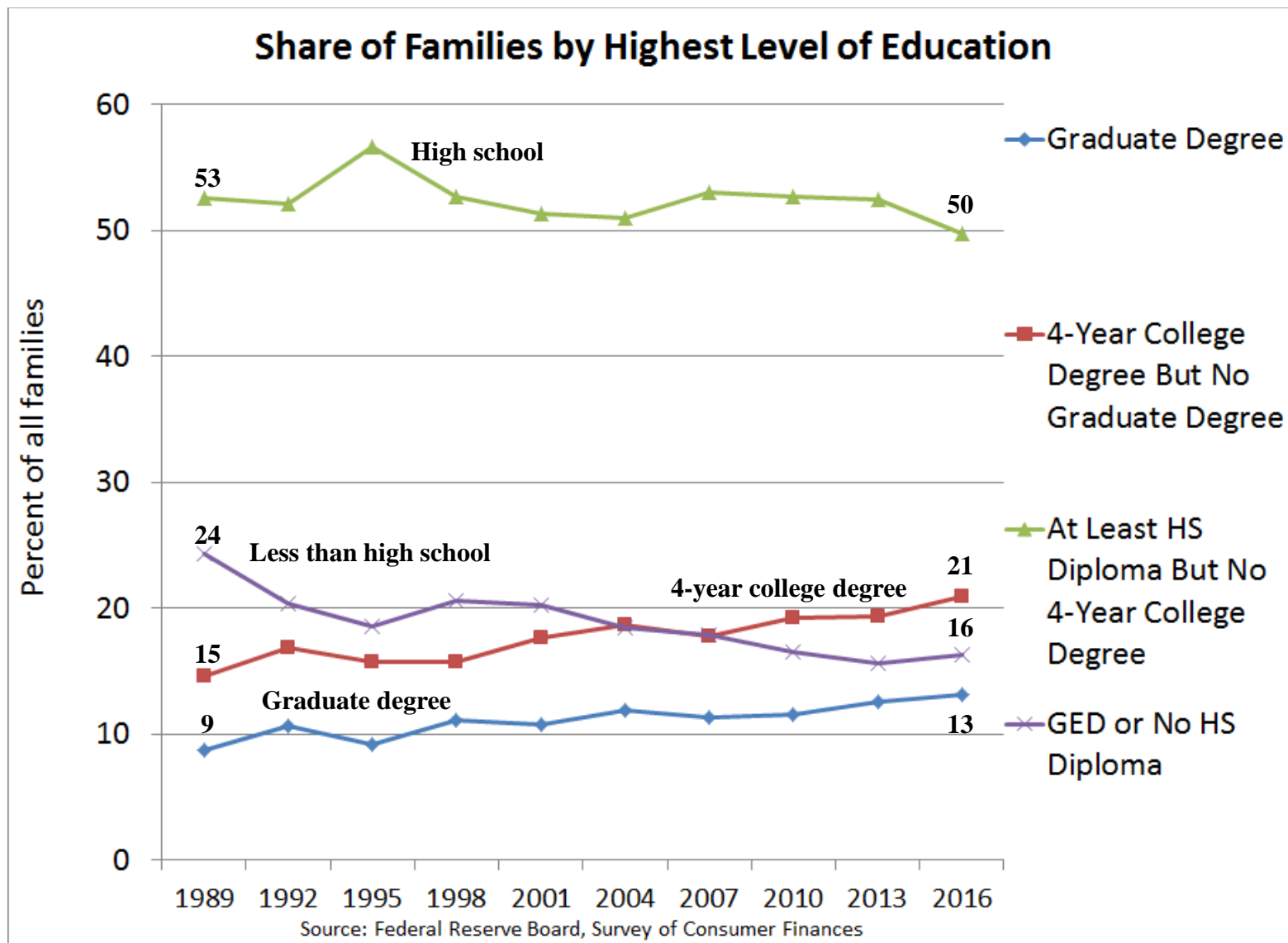
Source: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. "The Financial Returns from College across Generations: Large but Unequal." *The Demographics of Wealth 2018 Series*, Federal Reserve Bank of St. Louis, February 2018, Essay No. 1.

# Acorns Don't Fall Far From the Tree

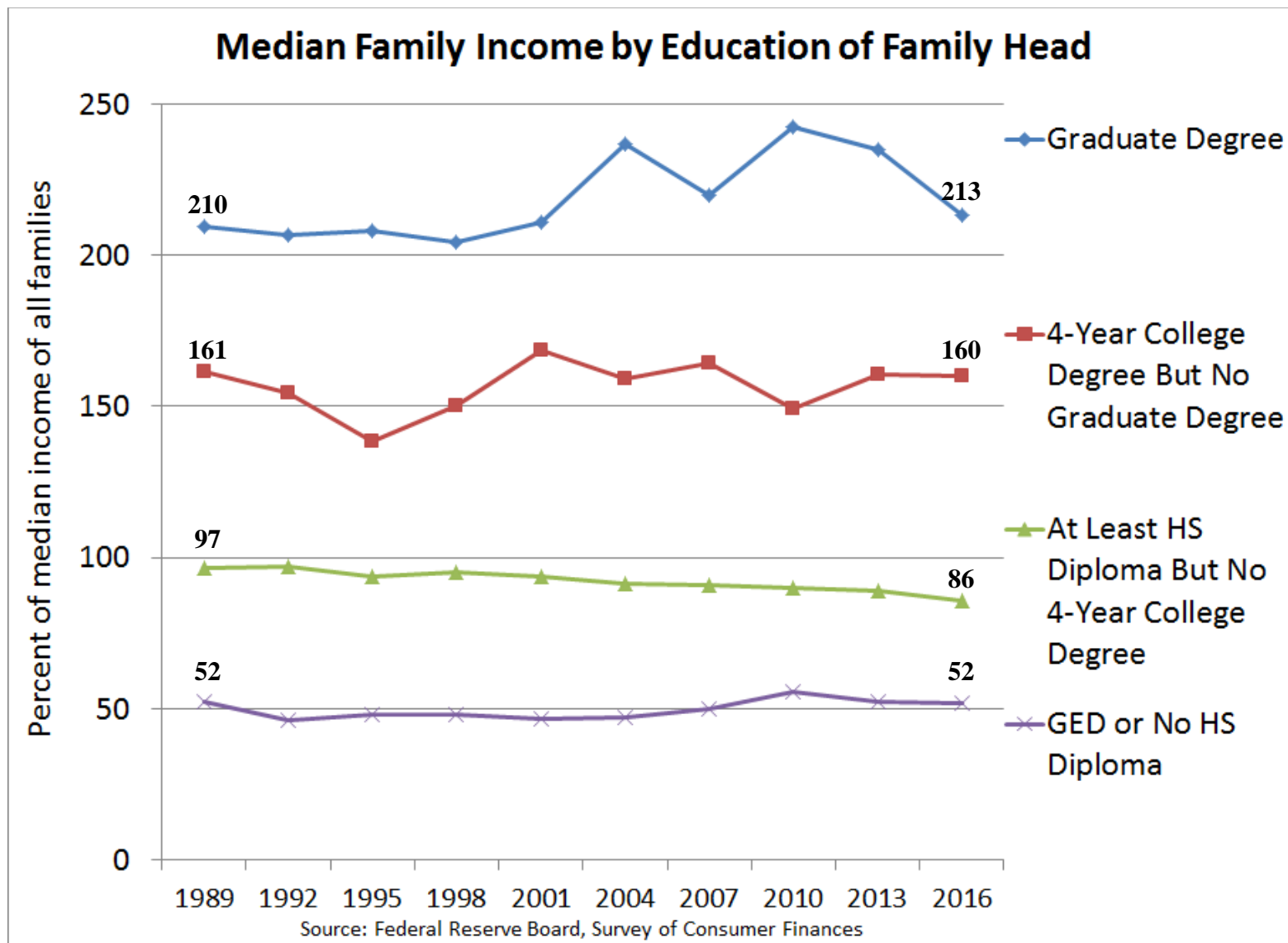
- **Odds you will obtain a four-year college degree if your parents were:**
  - **White college graduate(s): 72%**
  - **Non-white college graduate(s): 50%**
  - **White non-college graduate(s): 38%**
  - **Non-white non-college grad(s): 20%**

Source: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. "The Financial Returns from College across Generations: Large but Unequal." *The Demographics of Wealth 2018 Series*, Federal Reserve Bank of St. Louis, February 2018, Essay No. 1.

# Most People Are Not College Graduates

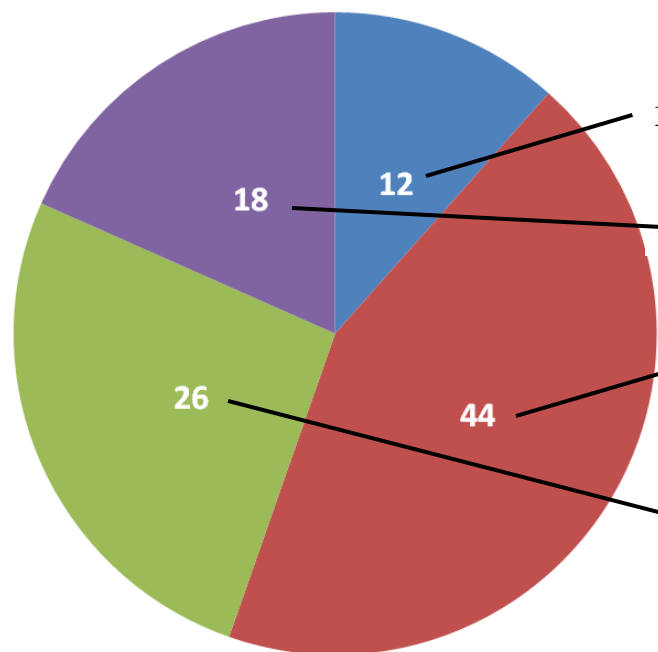


# Most People's Incomes Are Slipping

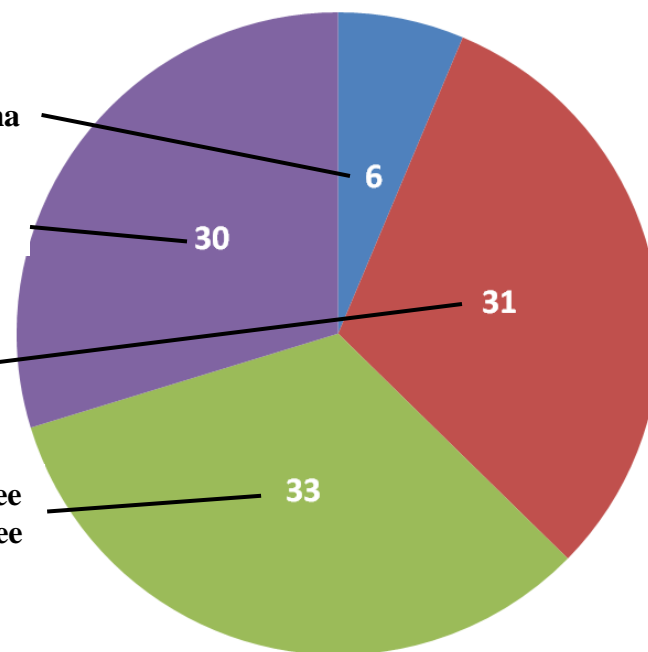


# Result: Income Shifting Toward Better-Educated

1989 Share of Family Income by Education of Family Head



2016 Share of Family Income by Education of Family Head



## Population Shares in 1989

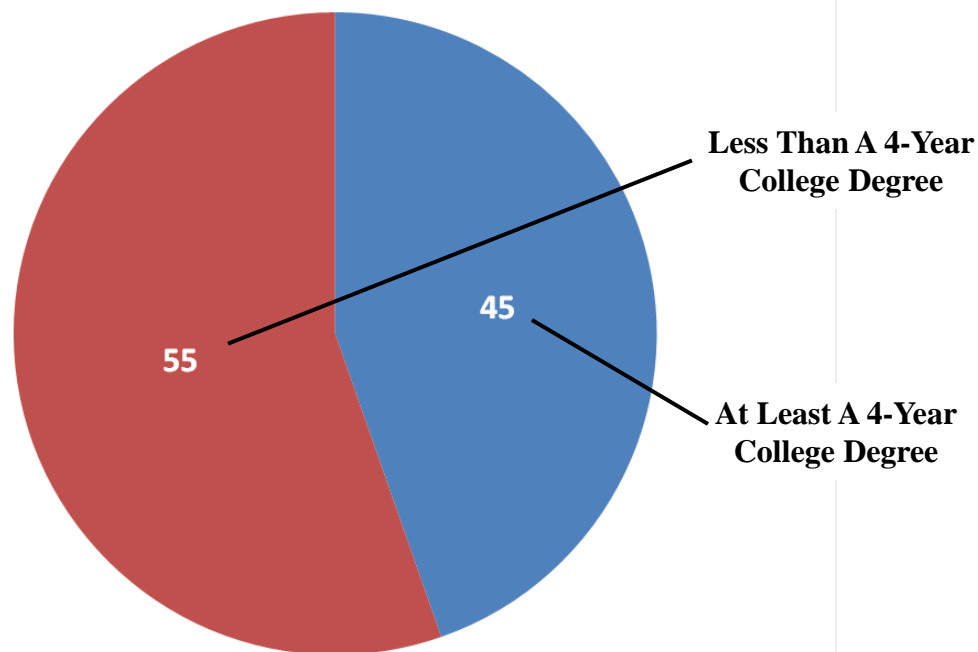
Less Than A 4-Year College Degree	77%
At Least A 4-Year College Degree	23%

## Population Shares in 2016

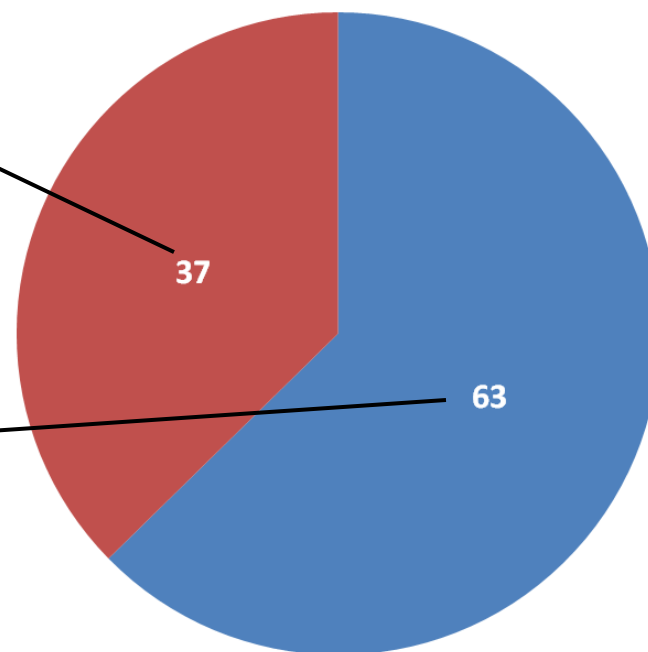
Less Than A 4-Year College Degree	66%
At Least A 4-Year College Degree	34%

# College-Educated Families Earn 2/3 of All Income

1989 Share of Family Income by Education of Family Head



2016 Share of Family Income by Education of Family Head



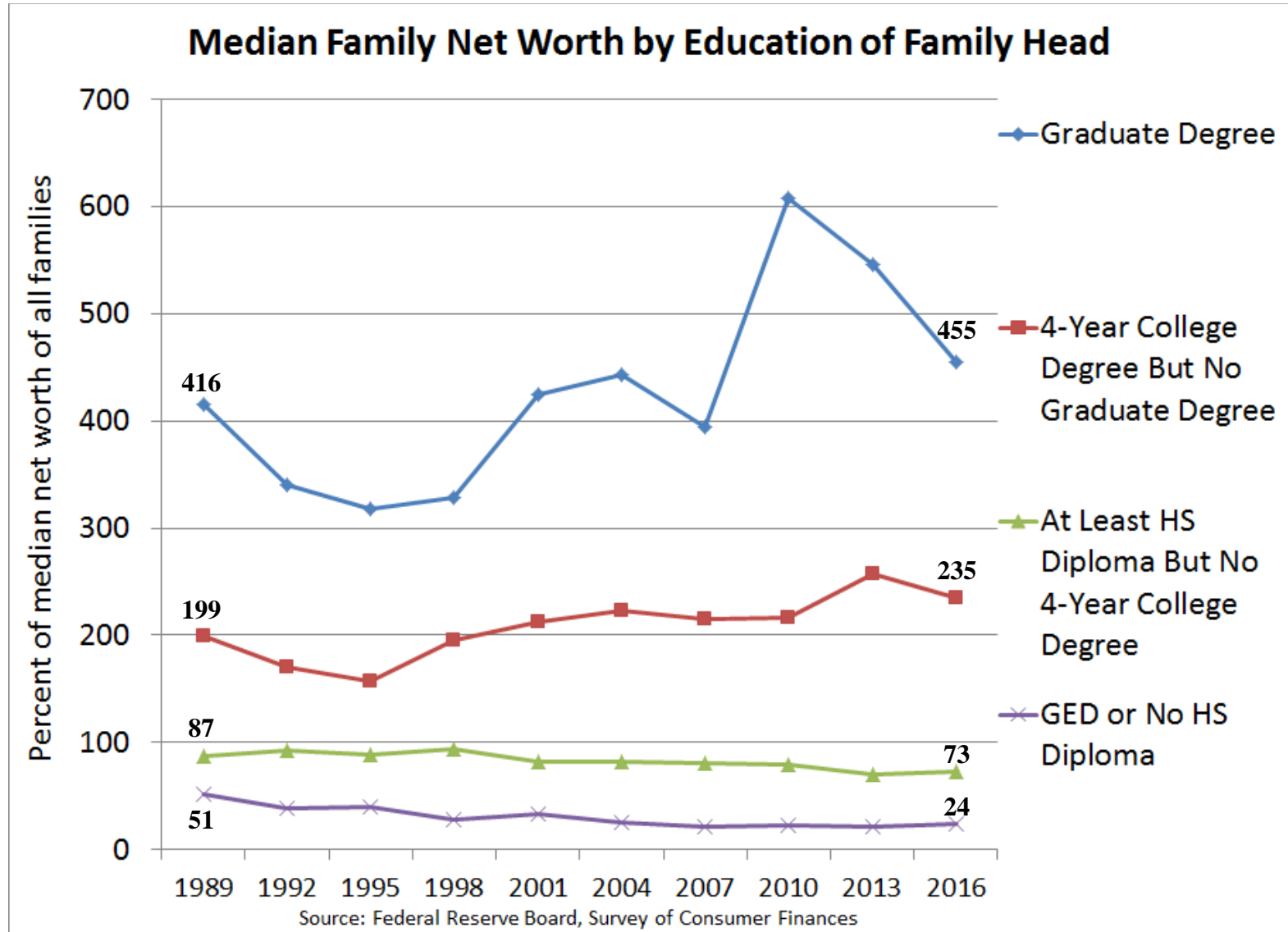
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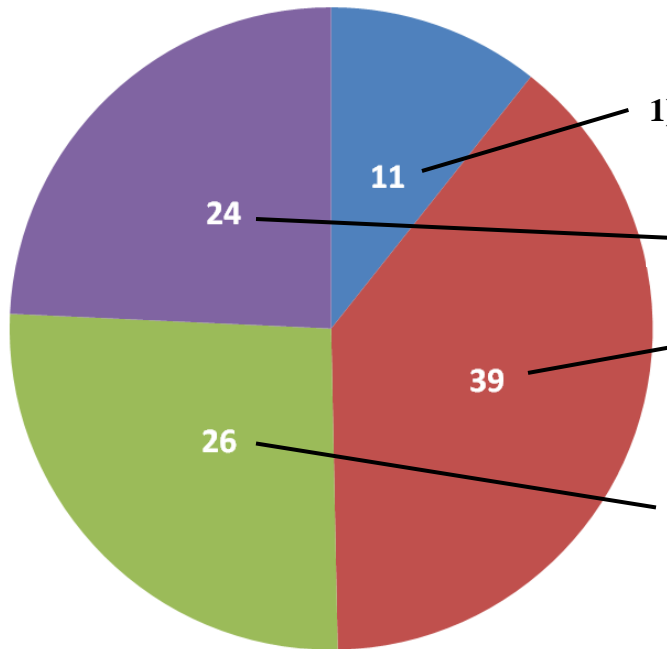
Less Than A 4-Year College Degree	66%
At Least A 4-Year College Degree	34%

# College-Educated Becoming Richer

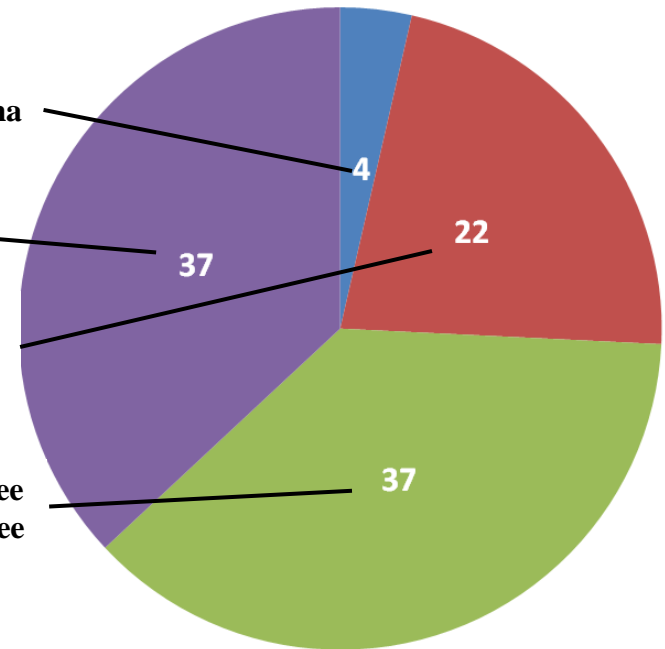


# Result: Wealth Shifting Toward Better-Educated

1989 Share of Family Wealth by Education of Family Head



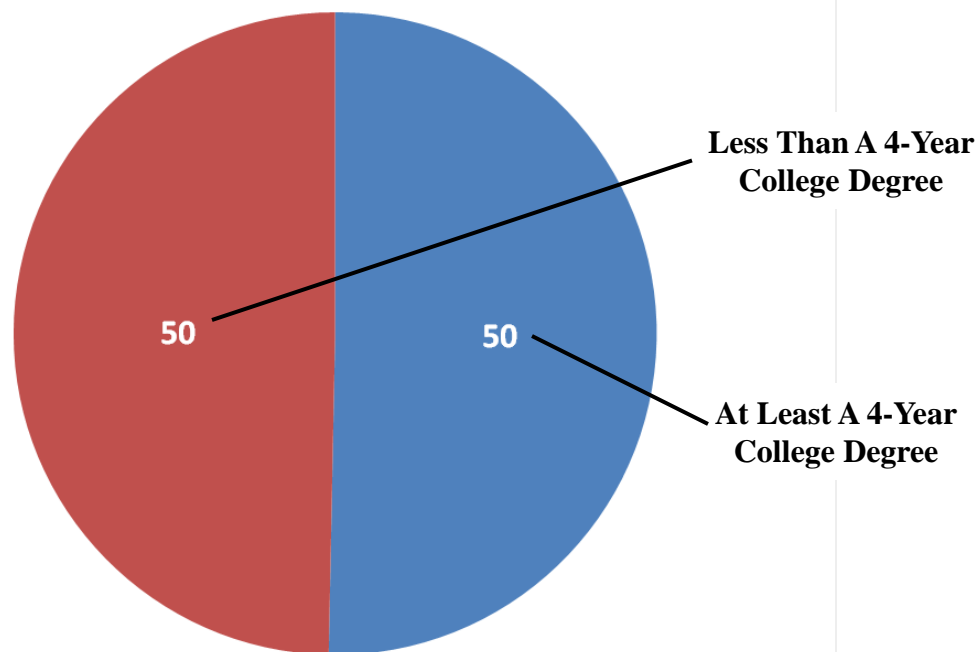
2016 Share of Family Wealth by Education of Family Head



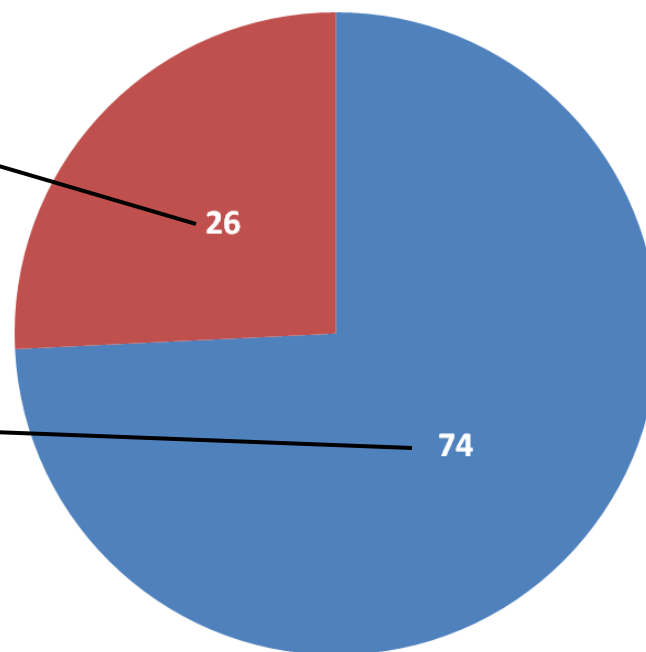


# College-Educated Families Own 3/4 of All Wealth

1989 Share of Family Wealth by Education of Family Head



2016 Share of Family Wealth by Education of Family Head



**Population Shares in 1989**

Less Than A 4-Year College Degree	77%
At Least A 4-Year College Degree	23%

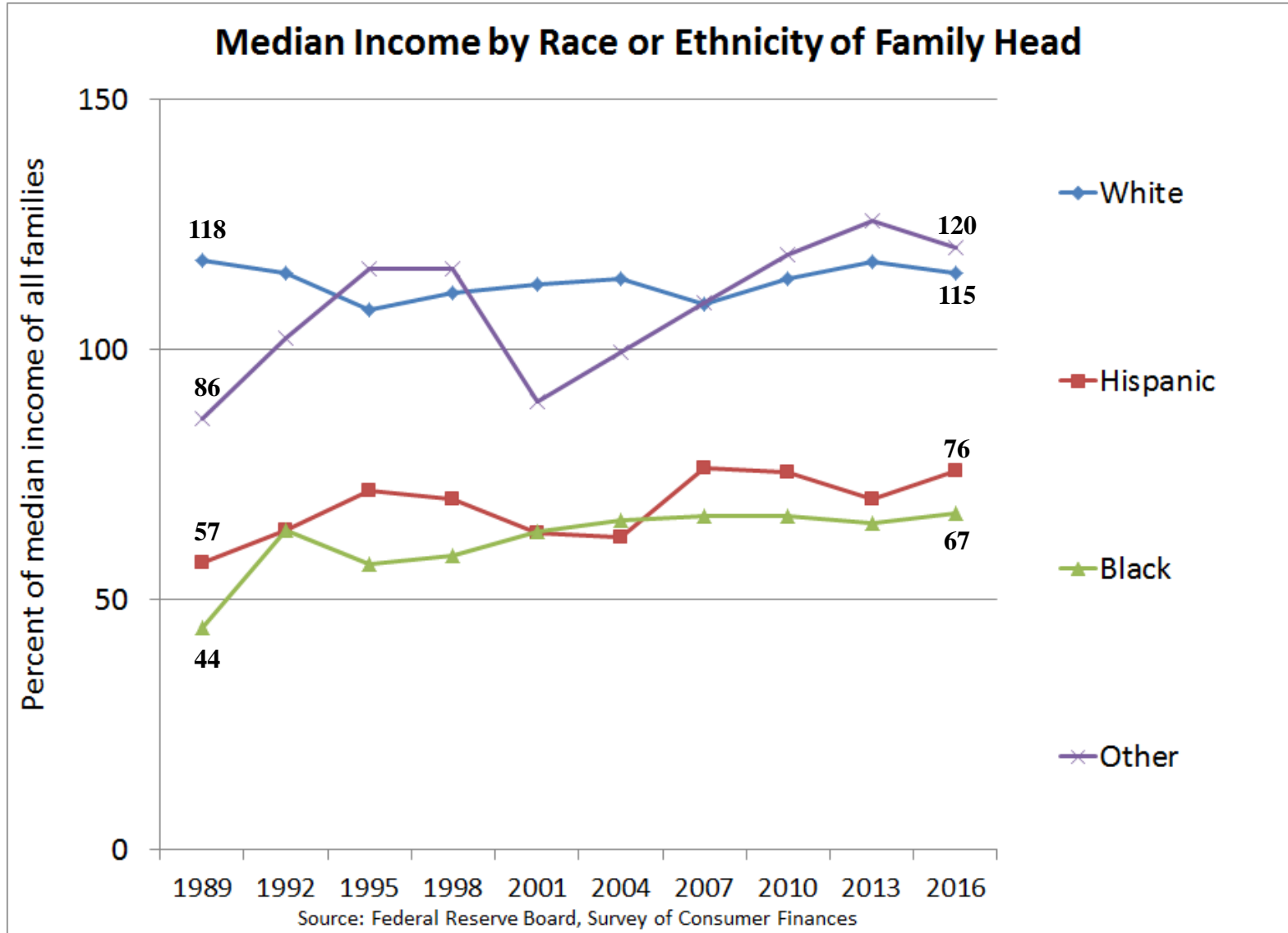
**Population Shares in 2016**

Less Than A 4-Year College Degree	66%
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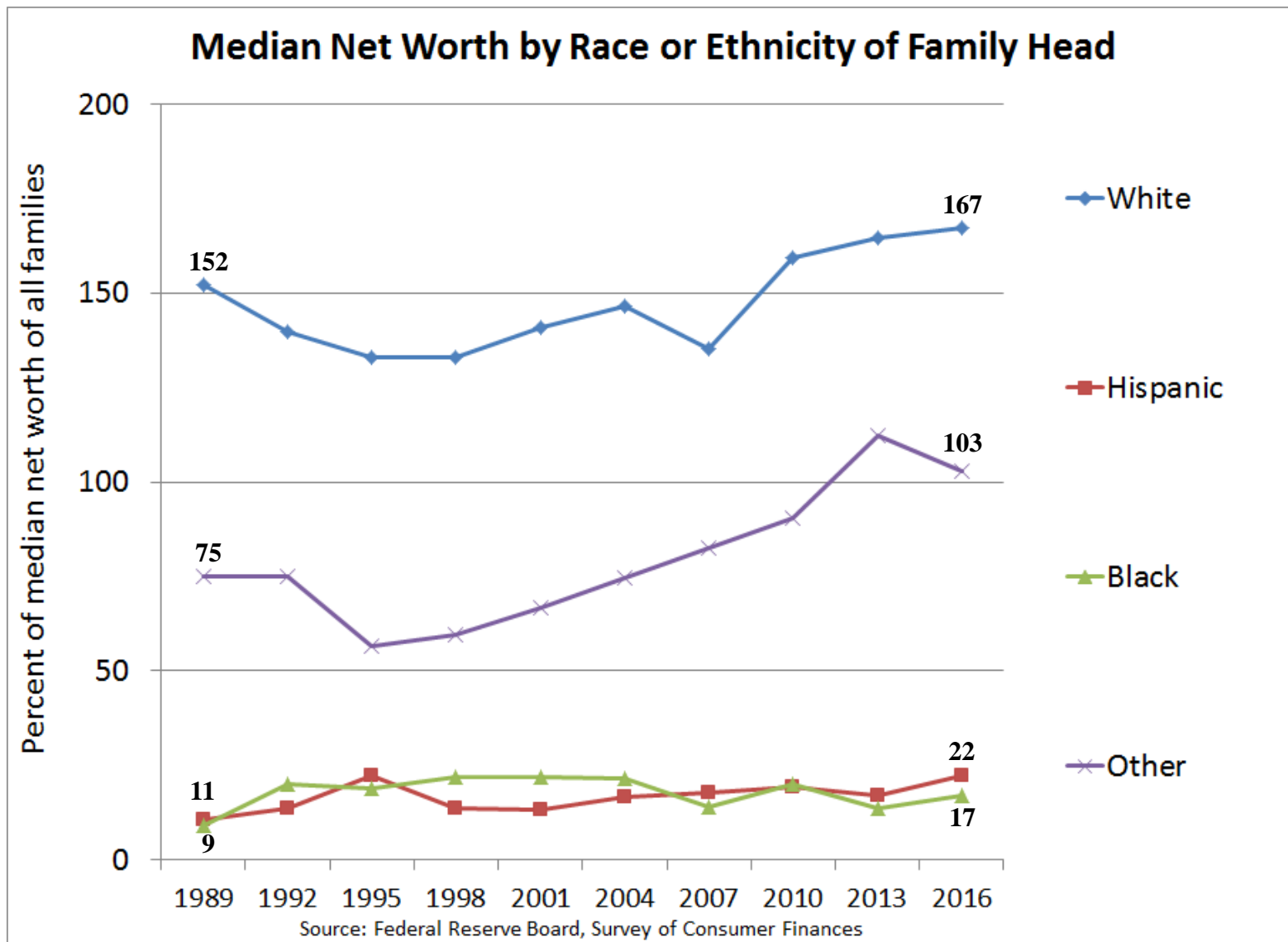
## Fault Line #3: Race and Ethnicity

- **The legacy of historical discrimination is amplified by intergenerational linkages in education, income and wealth.**
- **The nation is becoming more diverse and opportunities are equalizing but convergence of economic and financial outcomes is slow.**
- **An important challenge for policymakers is to identify and eliminate remaining barriers to achievement related to race and ethnicity.**

# Racial/Ethnic Convergence of Incomes...

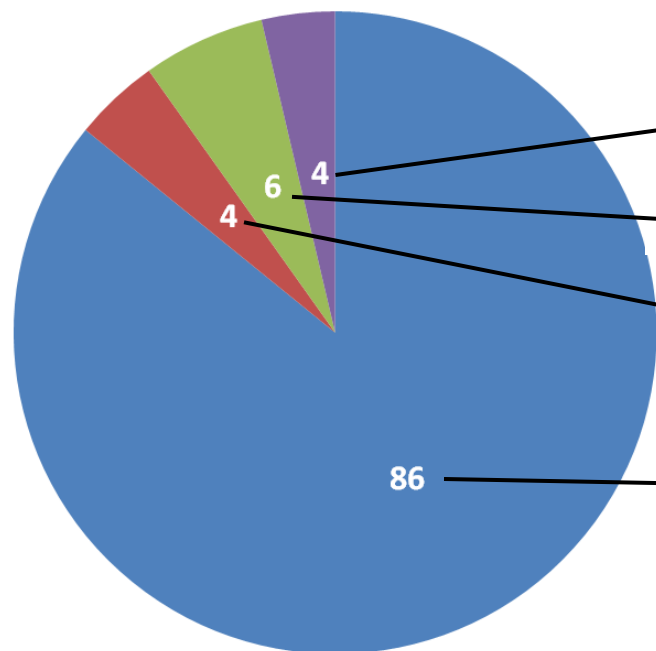


# ... But Not of Wealth

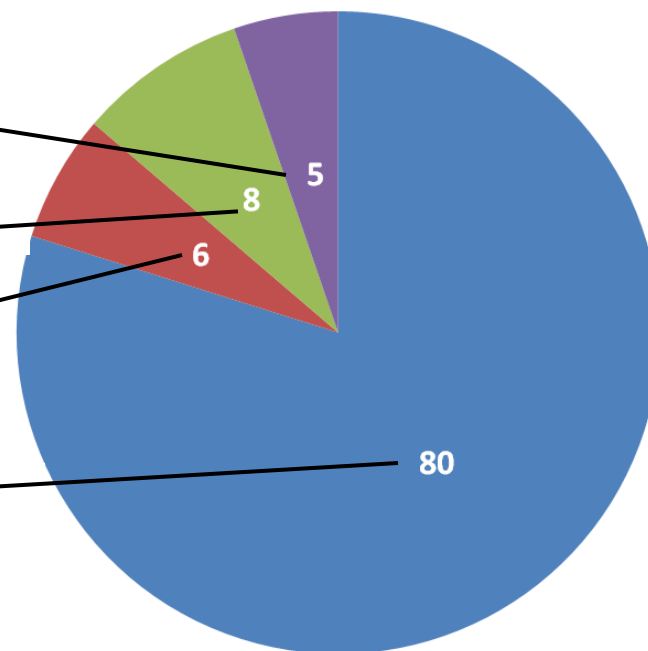


# Non-White Income Share Increased from 14% to 20%

1989 Share of Income by Race or Ethnicity of Family Head



2016 Share of Income by Race or Ethnicity of Family Head



## Population Shares in 1989

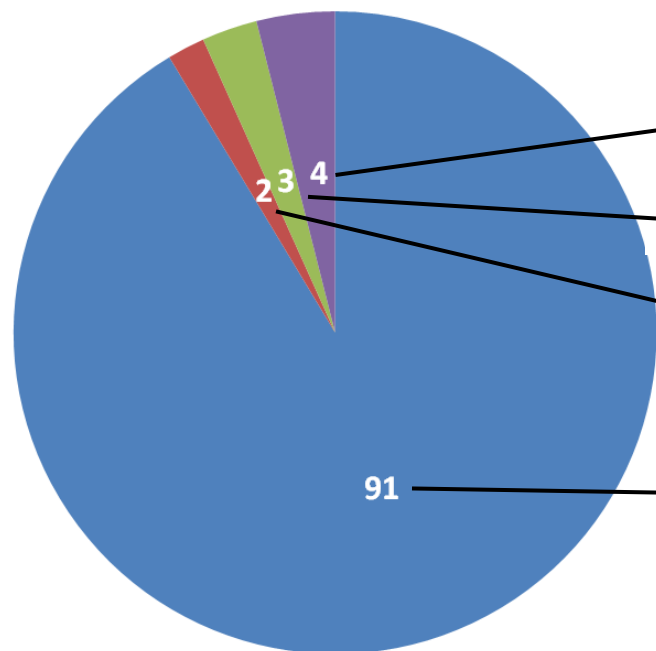
White	75%
Hispanic	8%
Black	13%
Other	5%

## Population Shares in 2016

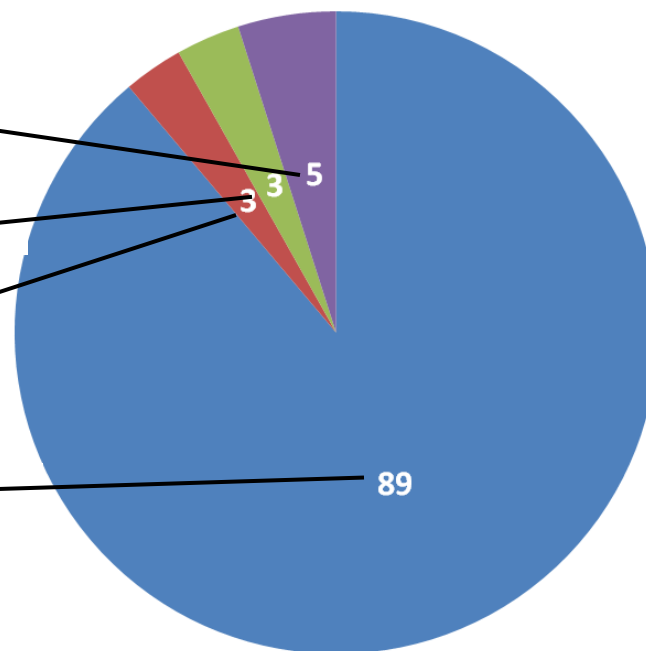
White	68%
Hispanic	11%
Black	16%
Other	5%

# Non-White Wealth Share Increased Only 9% to 11%

1989 Share of Wealth by Race or Ethnicity of Family Head



2016 Share of Wealth by Race or Ethnicity of Family Head



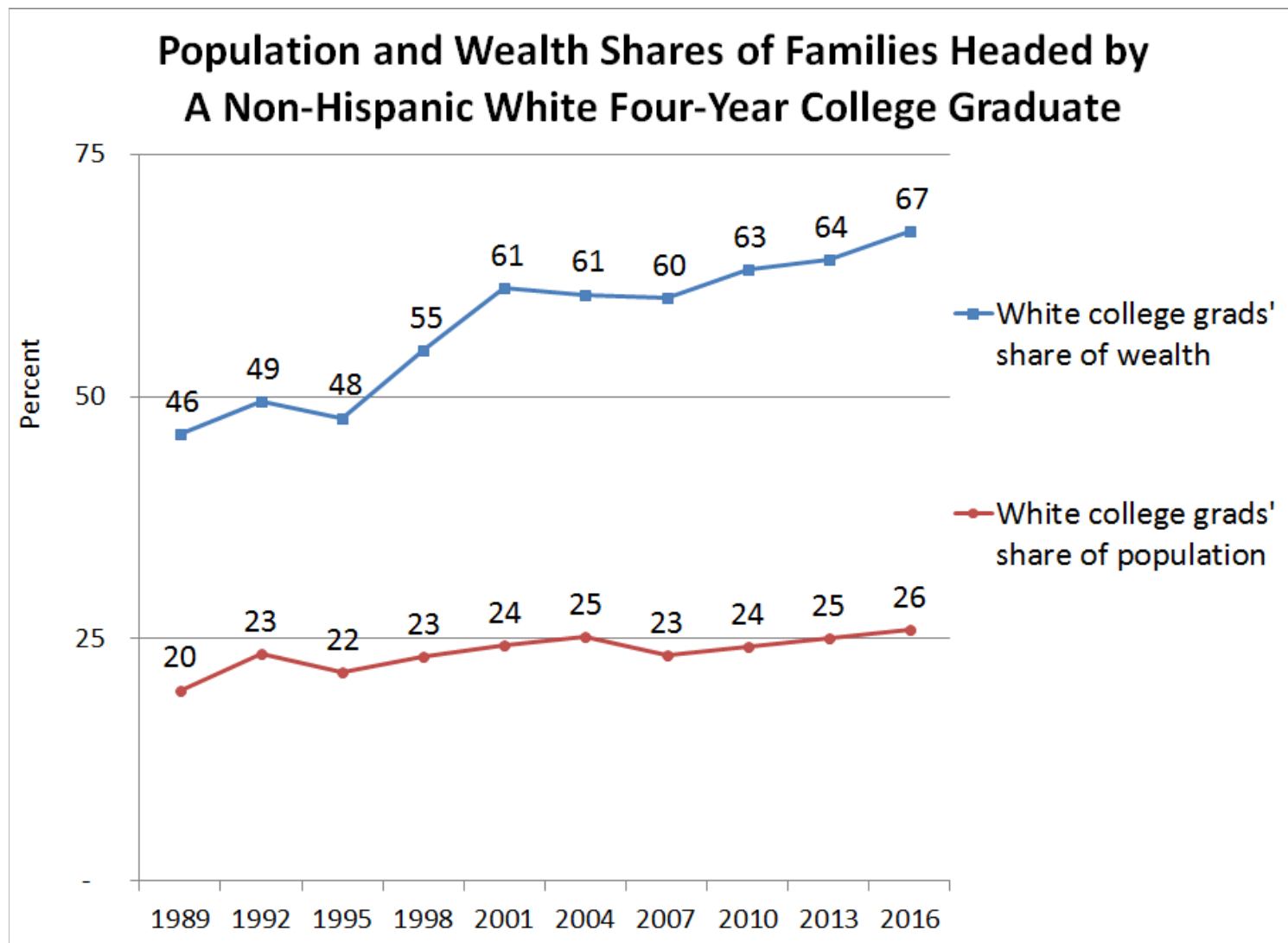
**Population Shares in 1989**

White	75%
Hispanic	8%
Black	13%
Other	5%

**Population Shares in 2016**

White	68%
Hispanic	11%
Black	16%
Other	5%

# White College Grads Own Most Wealth



Source: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. "The Decline of the White Working Class." *The Demographics of Wealth 2018 Series*, Federal Reserve Bank of St. Louis, September 2018 (forthcoming), Essay No. 3.

# In Sum: How Strong Is the Economy?

## A Family-Level Perspective

- **The economy looks good at the macro level and, in some ways, very good.**
- **But economic and financial conditions are very uneven at the micro or family level.**
- **Weak & vulnerable families are likely to be:**
  - **Young or middle-aged**
  - **Not college graduates**
  - **African-American or Hispanic**
- **Building a stronger future economy requires *all* families to be strong.**