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Distributional Effects of the Great Recession: Where Has All the Sociology Gone?

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Keywords

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Abstract

We review the main distributional effects of the Great Recession and the ways in which those effects have been organized into narratives. The Great Recession may affect poverty, inequality, and other economic and noneconomic outcomes by changing individual-level behavior, encouraging the rise of new social movements or reviving older ones, motivating new economic policy and associated institutional change, or affecting the ideologies and frames through which labor markets and the key forces for economic change are viewed. The amount of sociological research within each of these areas is relatively small (compared with the amount contributed by other disciplines) and has focused disproportionately on monitoring trends or uncovering the causal effects of the Great Recession on individual-level behavior. We review this existing research and point to opportunities for sociologists to better understand how the Great Recession may be changing the economy as well as our narratives about its problems and dysfunctions.

INTRODUCTION

The Great Recession (GR), the longest economic downturn since the Great Depression, is of course one of those defining events that has become deeply ingrained in our collective conscience. It is widely known that the financial collapse in 2007 initially erased more than half of the capitalization of the stock market, that housing prices fell dramatically and left many Americans underwater, that banks stopped lending and many construction and construction-related workers lost their jobs, that the crisis quickly became economy-wide with unemployment climbing to as high as 10%, that tax revenues in turn fell as employment and income declined, and that there were real and legitimate worries during the early years of the crisis that the downward spiral would continue unchecked (see Grusky et al. 2011 for an overview of the early crisis years). Although the banks were bailed out and fiscal and monetary policy ultimately broke the fall in employment, the labor market recovery has been slower, at least for many key indicators, than in past recessions.

The purpose of this article is to review the research literature on the effects of the GR on poverty, inequality, and labor market outcomes. It is an attractive time to attempt this mopping-up exercise because a relatively long series of post-recession data is now available, because that series is extensive enough to distinguish between crisis, recession, and recovery stages, and because some of the more protracted lagged effects can begin to be detected. It may also prove to be the right time should the next recession occur soon and insofar as scholars of the GR decide to retool and refocus on that follow-up recession.

We organize our review in terms of the types of distributional effects that have been examined. It is useful to distinguish between GR effects on (a) individual-level behavior (e.g., employment behavior), (b) protest movements and other events (e.g., minimum wage movements), (c) top-down institutional change (e.g., regulatory change), and (d) narratives and ideologies about labor markets (e.g., the rise of so-called structural accounts). These types of effects may generate changes in poverty, the distribution of income, and all manner of other forms of inequality. It might accordingly be imagined that sociologists have been heavily involved in this broadly defined line of research on GR effects. Although sociologists have indeed contributed impressively to analyses of the causes of the GR (e.g., Pernell-Gallagher 2015, Fligstein & Habinek 2014, Swedberg 2013, MacKenzie 2012, Dobbin & Jung 2010, Fligstein & Goldstein 2010, Krippner 2010, Mizruchi 2010), there has been rather less sociological research on its effects on poverty, inequality, and the institutions that govern the amount and type of poverty and inequality. This prompts the simple question: Where has all the sociology gone?

The shortfall of sociology on such GR effects takes two forms. Most obviously, the total amount of sociological research on GR effects is quite small, at least relative to the amount completed by other disciplines (especially economics). The thin presence of sociology also shows up, however, in the methods with which GR effects are characteristically explored, with much of the existing research taking the form of descriptive monitoring of trends or individualistic analysis of GR effects on micro-level behavior. The latter line of research examines, for example, the scarring effects of GR exposure on birth weight, extended unemployment, premature retirement, and much more.

This research is impressively cumulative, typically rests on convincing methods for inferring causality, often is based on careful cross-national comparison, and has advanced our understanding of the GR's wide breadth of consequences. But it also appears to have squeezed out research on other questions of interest. If scholarship on the Great Depression had likewise been confined to showing that individuals exposed to the Great Depression experienced various types of immediate harm, we would have missed out on important research on its effects on social movements (Berman 1998), its role in bringing about World War II and the New Deal (Rauchway 2008, Amenta & Carruthers 1988), and its other effects on gender inequality, racial inequality, and associated

macro-level outcomes (e.g., Elder 1999, Dobbin 1993, Humphries 1976, Milkman 1976). Although the GR may not yet have had any equally profound effects, there are nonetheless all manner of potential extra-individual effects of real consequence, effects that are arguably worth examining as time passes and its longer-term influence can be felt. We review such extra-individual studies as have already been carried out as well as discuss some unexploited opportunities within this area of inquiry.

Why, it might be asked, has research on the GR focused on individual-level effects? It is likely relevant that such effects are comparatively easy to tease out and will readily show up in the GR's immediate aftermath. The prevalence of individualistic studies also reflects the types of causal inference that are currently fashionable. In some circumstances, the GR may be treated as a bona fide exogenous shock (e.g., an across-the-board firing of all workers in a firm), thus allowing scholars to identify its effects in ways that rely on quite defensible assumptions. Because it is fashionable to identify causal effects with these types of natural experiments, and because the GR provides new opportunities for such research, it is hardly surprising that the contemporary GR literature features many analyses of just such individual-level effects. The timing of the GR thus coincided fortuitously with the growing commitment to new approaches to inferring causality. We review the resulting rich individual-level literature in some detail as well as examine some unexploited opportunities to explore extra-individual effects of the GR.

The review that follows is accordingly divided into three sections. We first cover the large research literature aimed at monitoring trends in employment, poverty, income inequality, and other distributional outcomes. The objective of this monitoring literature has been to chart the movement of key indicators during the course of the recession and recovery, to compare the GR with previous downturns, and to examine how different population groups have responded to it. The resulting body of evidence is both broad and deep and has contributed to our understanding of how the GR has developed and progressed.

We next review the causal studies that examine how the GR, as a key historical event, may have affected individual-level productivity, labor force entry or exit, consumption practices, retirement behavior, and much more. We organize this literature, which is quite voluminous, by examining the pattern of GR effects from the early life-course (e.g., birth-weight effects) to old age (e.g., retirement effects). We then turn to the more limited research literature exploring GR effects on macro-level events (e.g., social protest) and policy (e.g., tax policy). It has long been assumed that business cycles and other economic fluctuations may create a demand for fundamental institutional reform that will then result in bottom-up movements or top-down change. We review the existing literature on such macro-level institutional effects and identify new research questions that might be fruitfully posed as we move into the recovery period and longer-term effects become potentially identifiable.

In the final section, we consider the ideological effects of the GR, in particular the various theories of the labor market and the future of work and inequality that the GR has spawned or at least influenced. We appear to be in a period of unusual ferment about the future of poverty and inequality that was likely generated, in part, by the economic and labor market problems that the GR exposed. This literature on labor market theories and narratives, which we take as the ideological fallout of the GR, is of course not usually treated as a dependent variable in the sense that we do so in this section. It is useful to proceed in this way, we argue, because the ideological effects of the GR may well prove in the end to be the most important ones. That is, just as the popularity of the Keynesian account in the 1950s and 1960s may be understood as the main ideological fallout of the Great Depression, so too is it important to study how contemporary representations of the labor market and economy have been affected by the GR.

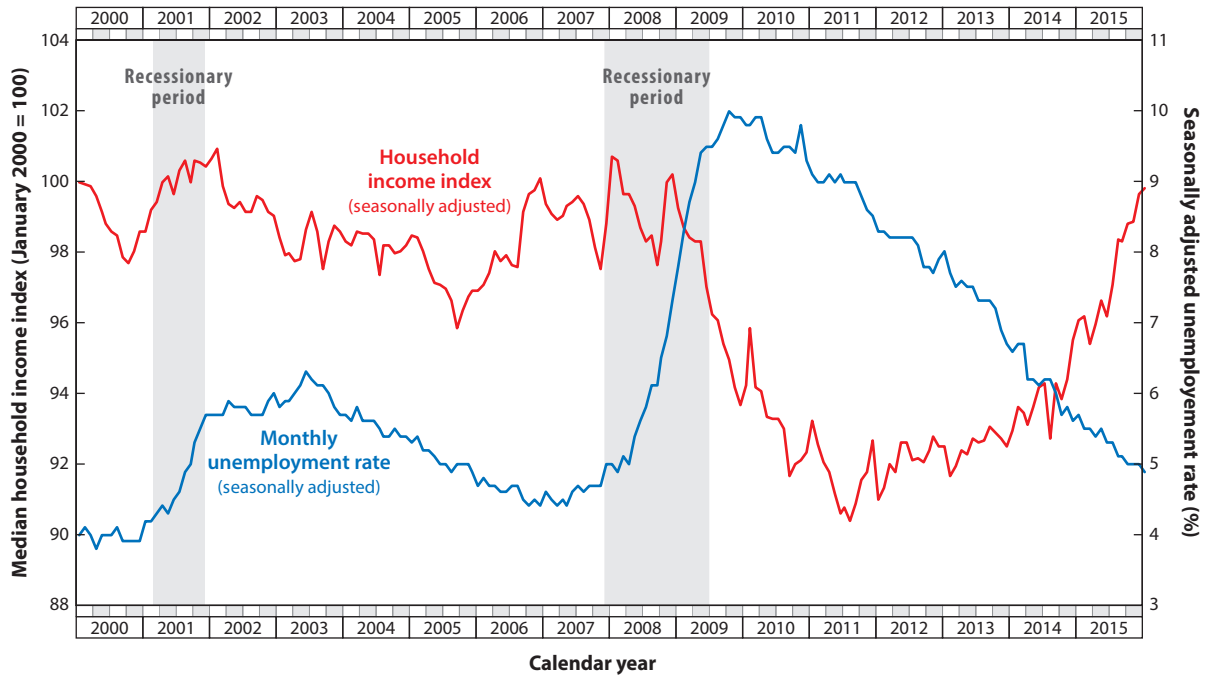


Figure 1

Median household income and unemployment rate: January 2000 to April 2015. Figure adapted from Green & Coder (2015) with permission.

We focus throughout on the US case but also draw out comparisons with other countries whenever doing so casts light on that case. Although a full cross-national review of the GR would be useful (see Jenkins et al. 2012), the US case is so distinctive and the amount of scholarship on that case so large that a US-only review is a very natural bracketing.¹

DESCRIPTIVE MONITORING

We lead off with a discussion of ongoing research on trends in employment and unemployment (Figures 1–3, 7), median household income (Figure 1), poverty and program use (Figure 4), income inequality (Figures 5, 8), and wealth inequality (Figure 6). This is a useful exercise because many of the debates in the field reduce to competing hypotheses about the existence or pattern of trends in various labor market outcomes.

In discussing the GR's effect on the labor market, the usual starting point is of course the precipitous rise in unemployment from early 2008 to early 2010, an outcome that is dramatically illustrated in Figure 1 with seasonally adjusted monthly unemployment rates (Green & Coder 2015, Thompson & Smeeding 2014). This graph further shows the steady decline in unemployment from early 2011 and the steady increase in median income from late 2011.

The stark rise in unemployment during the GR would be less troubling if most of this unemployment were short in duration. It is useful to examine trends in the duration of unemployment

¹We focus here on the potential contribution of sociology to research on the GR. For other relevant reviews of the GR, see Kalleberg & von Wachter (2016), Danziger (2013), and Grusky et al. (2011).

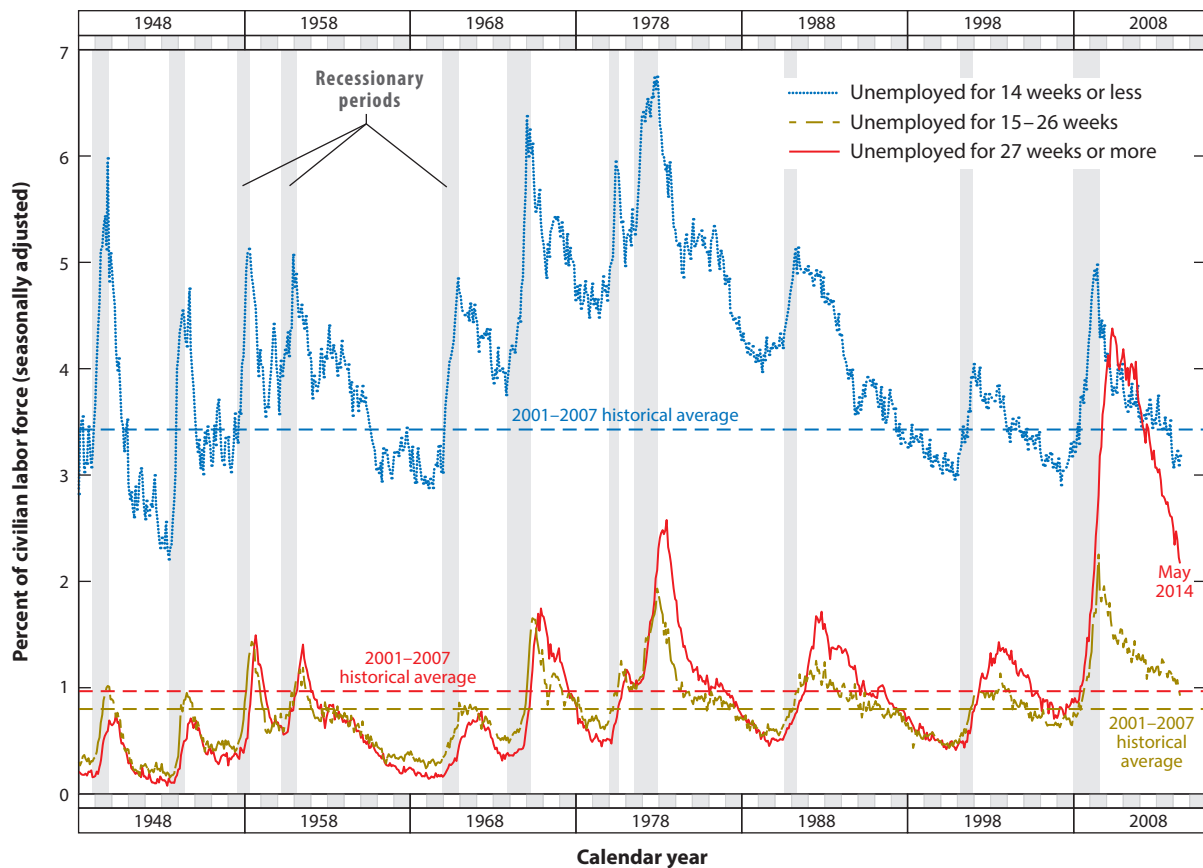


Figure 2

Unemployment rates for those unemployed 14 weeks or less (*blue line*), 15–26 weeks (*dark yellow line*), and 27 weeks or more (*red line*). Figure is adapted from Krueger et al. (2014) with permission and is based on the Bureau of Labor Statistics Current Population Survey.

by decomposing the overall unemployment rate, as displayed in **Figure 1**, into duration-specific rates (see Krueger et al. 2014). This decomposition (**Figure 2**) reveals the record rise in the long-term unemployment rate over the course of the recession, the continuing growth in long-term unemployment even after the recession officially ended, and the persistence of these high rates well into the recovery. Before the GR, the share of the unemployed who were out of work for more than half a year was far lower, averaging approximately 10% during recoveries and approximately 20% during recessions (Krueger et al. 2014). By contrast, that share reached as high as 45% in the GR and averaged more than 40% in 2010, 2011, and 2012. As of November 2015, the long-term unemployment rate comprised 26% of the unemployed, meaning that it is still well over the rate that prevailed in prior recessions.

Although the decline in unemployment lagged well after the GR's official end, it is nonetheless clear from both **Figures 1** and **2** that unemployment has finally begun to swiftly decline. Can we conclude that the labor market is returning to full health? The evidence suggests otherwise. Because many people who would like to work will stop looking for work during economic downturns (and thus no longer register as unemployed), the economy's capacity to provide jobs is better measured with the prime-age employment ratio, defined as the ratio of employed 25- to

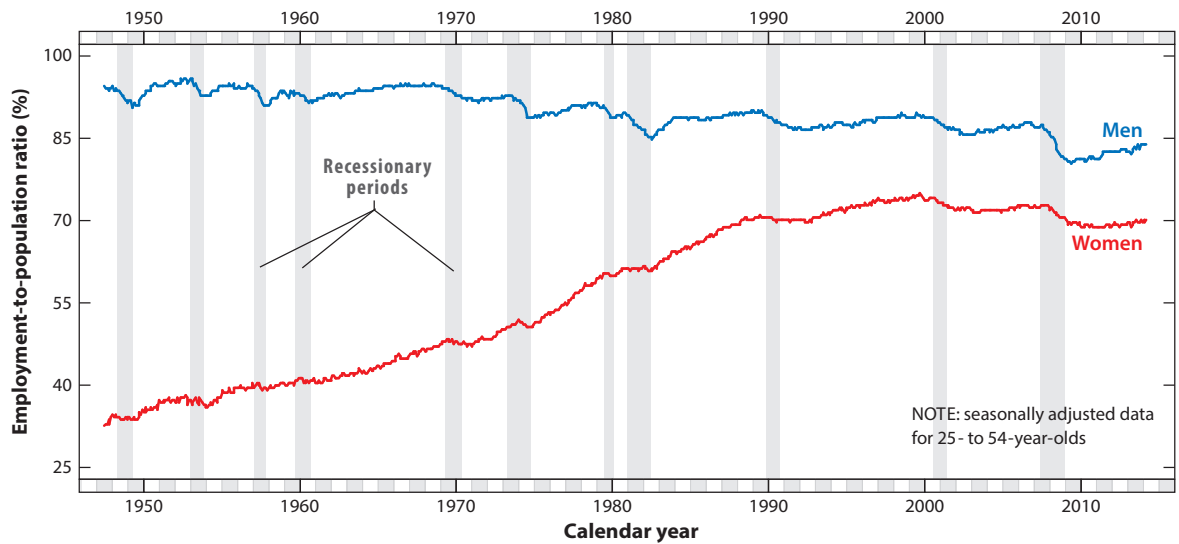


Figure 3

Prime-age employment ratio calculated by month and gender. Figure adapted from Hout & Cumberworth (2014) with permission.

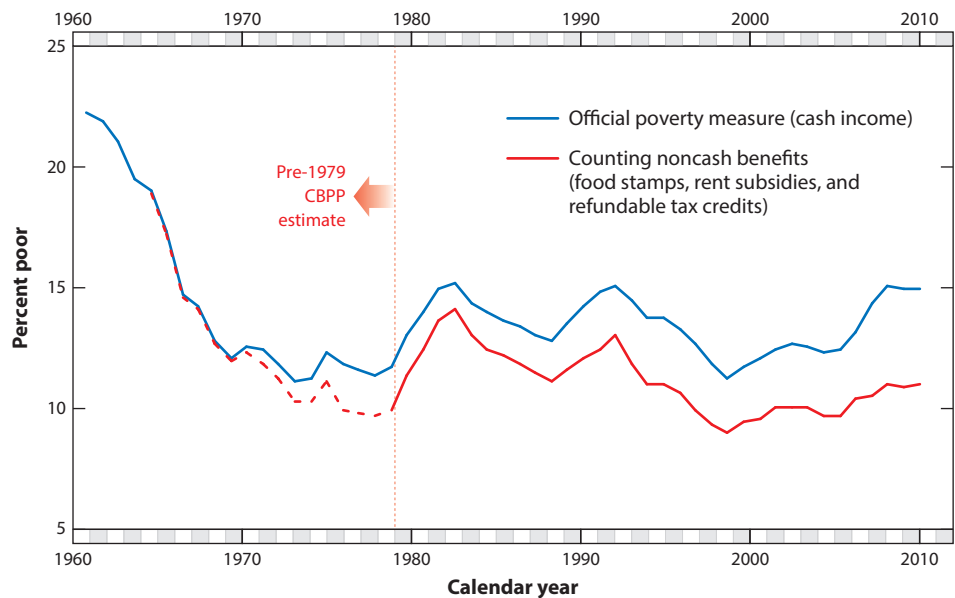


Figure 4

Poverty rate with and without noncash benefits: 1960 to 2012. Figure adapted from A. Sherman (2013) and J. Sherman (2013) with permission. Abbreviation: CBPP, Center on Budget and Policy Priorities.

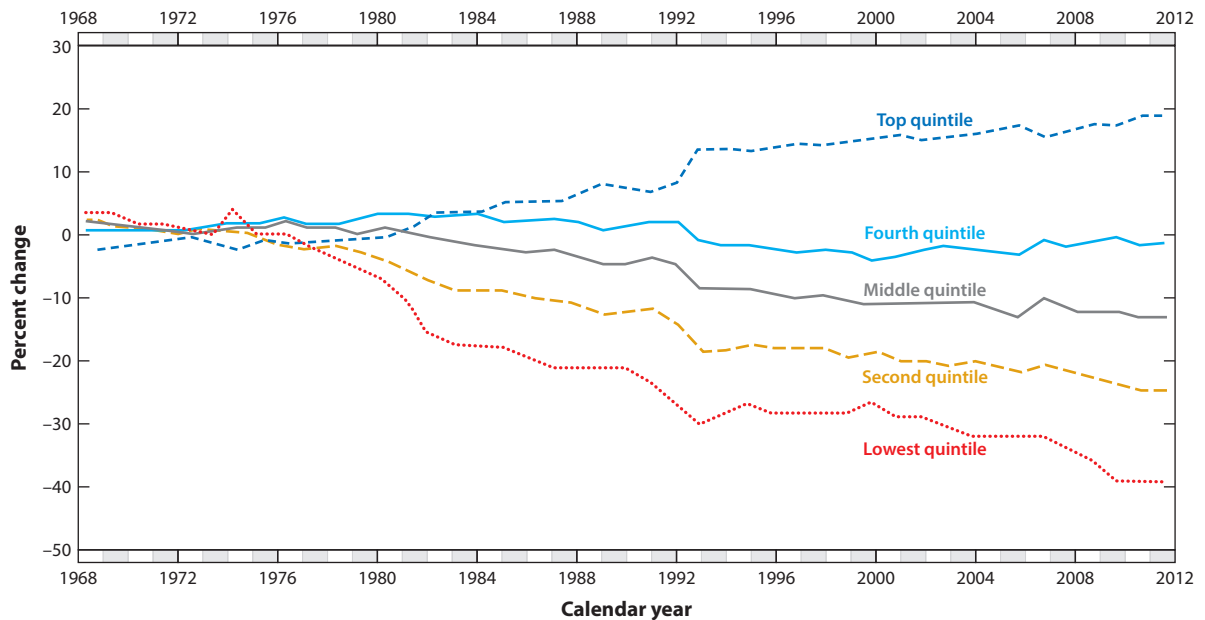


Figure 5

Percent change in shares of adjusted household income by quintile (share of income of each quintile relative to share in 1967). Figure adapted from DeNavas-Walt et al. (2013, table A-2, pp. 40–44) with permission.

54-year-olds to the total population of that same age (e.g., Hout & Cumberworth 2014, 2015). This measure, which is presented in **Figure 3**, shows that 88% of men 25–54 years old were employed in January 2007, which was the employment ratio’s local peak. The GR drove that rate down. At the low point 3 years later, only 80% of men were employed, a decline of 8%. The unemployment rate begins to decline thereafter (**Figure 1**), whereas the prime-age employment ratio has only partially recovered and is still down approximately 3% from its prerecession high. In all prior recessions, the prime-age employment ratio likewise declined for men, but the decline was less precipitous and the recovery swifter. The story is little better for women: Although women’s employment declined much more slowly during the recession, the recovery thereafter has been exceedingly modest. The upshot is that, for women and men alike, another recession may be experienced before full recovery in the prime-age employment ratio is achieved (for a related prediction, see Young 2012).² The balance of this review focuses in part on what we know—and do not know—about the sources and implications of this “jobs disaster” (Varner et al. 2014, p. 4).

We next consider trends in poverty. Although employment and poverty are closely related, the strength of that relationship is weakening (Page 2014, Stevens 2014), and it is accordingly important to track poverty alongside employment. In **Figure 4**, the long-run trend in the official poverty rate is presented, a time series that reveals a precipitous drop in poverty between 1960 and 1970 and simple recession-induced fluctuations in the period between 1970 and the 2000s. The same pattern shows up again with the GR: The official poverty rate increased from 12.5% in

²Although employment and labor hours fell sharply, output per hour increased even as wages stayed the same (Lazear et al. 2013, Mulligan 2011). The bulk of the evidence suggests that this trend is the result of workers willing to work harder for a given wage (Lazear et al. 2013) and firms making do with less (Lazear et al. 2013). It does not appear to be attributable to a change in worker quality or composition.

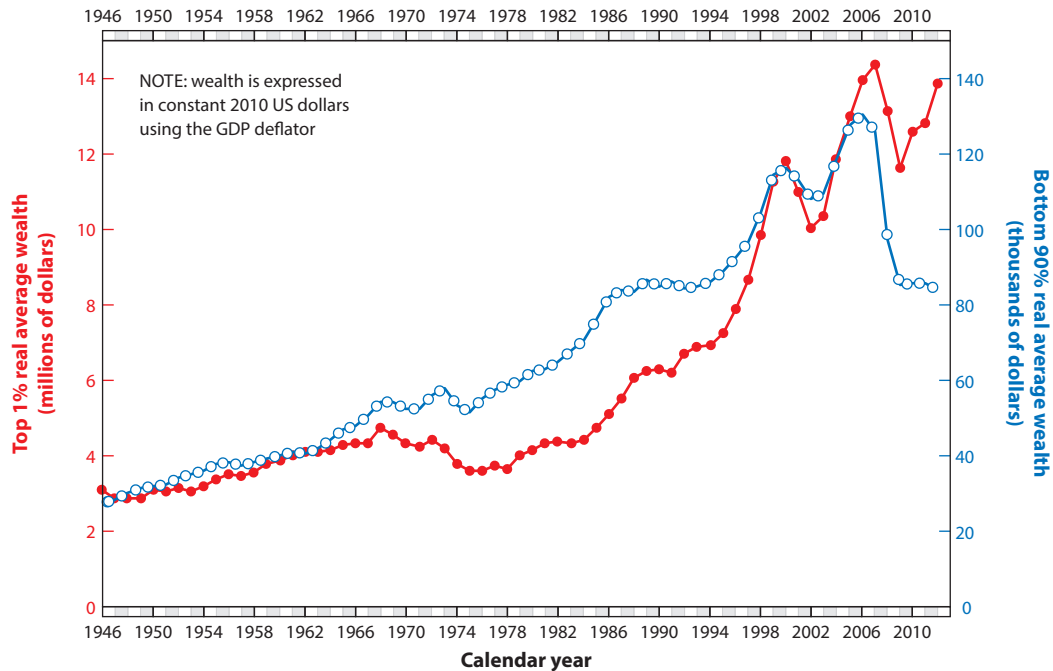


Figure 6

Real average wealth of bottom 90% and top 1% of families. Figure adapted from Saez & Zucman (2014) with permission.

2007 to 15.1% in 2011 and has since declined only moderately (to 14.5% in 2013). The available evidence also suggests that extreme poverty, defined as living on less than \$2/day, increased during the GR and has remained at high levels thereafter (see Shaefer & Edin 2013). It follows that, for poverty and prime-age employment alike, the effect of the GR has been substantial and enduring (see DeNavas-Walt & Proctor 2014, Varner et al. 2014, Danziger et al. 2012).

It might be thought that the persisting high poverty rate implies that safety net spending, which of course ramped up during the GR, failed to have the intended poverty-reducing effect (see House Budg. Comm. 2014). This conclusion would be misguided. The official poverty rate is so high in part because it does not count many of the benefits, such as refundable tax credits and noncash benefits, now provided to the poor. When these benefits are factored in, **Figure 4** shows that (a) the official poverty rate is reduced from 15% to 11% (in 2012), and (b) the effect of these benefits, as measured by the gap between the blue and pink lines, grew substantially during the GR (Sherman & Trisi 2015, Danziger & Wimer 2014, Short 2014, Fox et al. 2013, Moffitt 2013, A. Sherman 2013, J. Sherman 2013). As Varner et al. (2014) put it, the economy continues to fall well short of providing enough jobs, whereas the safety net has “stepped up by supplementing at least some of the foregone earnings and raising many above the poverty threshold” (p. 4). Among means-tested programs, the earned income tax credit (EITC) and the child tax credit (CTC) played a major role in reducing working poverty, whereas the Supplemental Nutrition Assistance Program (SNAP) was especially important in reducing both working and nonworking poverty. In 2012, the EITC and CTC together lifted 10.3 million people above the threshold established by the Supplemental Poverty Measure released by the US Census Bureau, and SNAP lifted 10.3 million people above that threshold. The poverty-reducing effects of housing assistance (4.0 million people), Supplemental Security Income (5.1 million people), and Temporary Assistance for

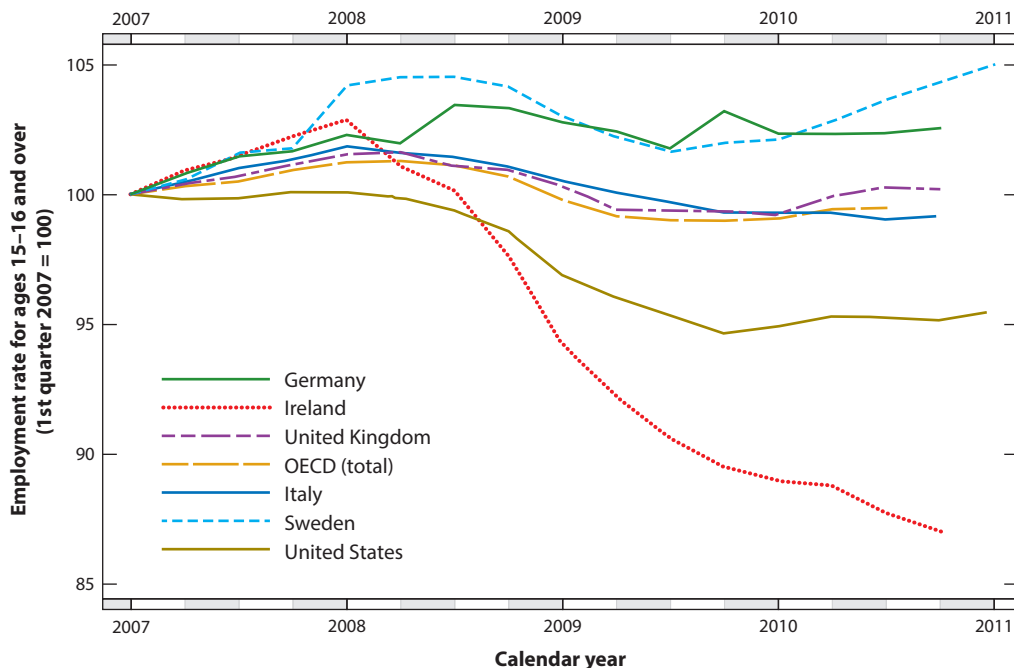


Figure 7

Employment rate for individuals ages 15–16 and over. For details on sources, coverage, and definitions, see Labor Force Statistics in Organisation for Economic Co-operation and Development (OECD) Countries (http://www.oecd.org/els/emp/LFSNOTES_SOURCES.pdf), updated July 2015. Figure adapted from Jenkins et al. (2012) with permission.

Needy Families (1.3 million people) were more limited (see Sherman & Trisi 2015; also see Jusko 2015, Jusko & Weisshaar 2014, Slack & Myers 2014, Bitler & Hoynes 2013, Gordon 2012).

We next consider the effects of the GR on households at each income quintile. As **Figure 1** shows, median income declined in the GR and has only slowly recovered since, but of course trends in the median may not well characterize trends in the full distribution. We thus present income shares of all five quintiles using data from the Census Bureau that adjusts for household size (Fisher et al. 2015, DeNavas-Walt & Proctor 2014, Thompson & Smeeding 2014).³ These data tell a tale of ongoing divergence during the postrecession period (**Figure 5**): The share of income received by the bottom three quintiles of the distribution declined substantially; the fourth quintile held its own; and the share of the top quintile dropped slightly with the crisis but then continued to rise.⁴ If the share held by the top 1% is instead considered (e.g., Saez 2008, updated with data through 2014 at <http://eml.berkeley.edu/~saez/saez-UStopincomes-2014.pdf>), one finds a sharp fall in 2008–2009 but then a rebound thereafter that makes up for the loss. It follows that the GR was but a small “speed bump” (Thompson & Smeeding 2014) in the overall rise in inequality. The

³When total income is declining, it is of course possible for income shares to increase even as absolute income does not. For this reason, **Figure 5** should be understood as speaking to trends in inequality, not to trends in economic well-being.

⁴The data presented in **Figure 4** are instructive, but it is well to bear in mind their limitations. The definition of money income used by the Current Population Survey may mislead by virtue of (a) ignoring near-cash transfers and refundable tax credits and thus understating resources for poorer families and (b) ignoring taxes and thus overstating resources for better-off families (see Fisher et al. 2015).

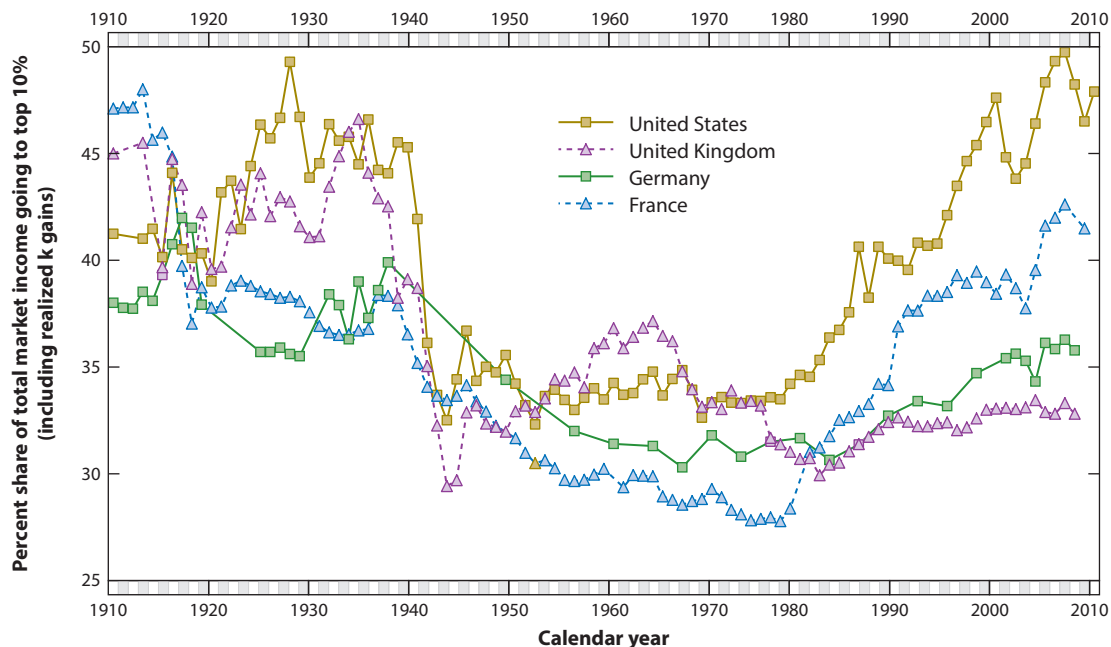


Figure 8

Top decile income shares; see the World Wealth and Income Database (<http://www.wid.world/>) for details. Missing values are interpolated using the top 5% and top 1% series. Figure adapted from Piketty & Saez (2013) with permission.

shifting income shares during the GR, mainly due to job losses at the bottom of the distribution, only accelerated long-term trends that have been unfolding since the 1980s.

The trend in wealth inequality is similar. Because the long-run trend is especially revealing here, we again turn to recent analyses of administrative data (Saez & Zucman 2014; cf. Kopczuk & Saez 2004). Using income tax data, Saez & Zucman (2014) apply reported capital income (e.g., dividends, interest, rents) to impute levels of wealth, taking care to correct for forms of wealth that do not yield taxable income. The effects of the GR are nicely revealed by plotting trends in real average wealth (expressed in constant 2012 US dollars) for the top 1% and the bottom 90%. As **Figure 6** shows, the GR initially led to losses for both groups (between 2006 and 2009), with the top 1% experiencing a decline from \$14 million to less than \$12 million in real average wealth and the bottom 90% experiencing a decline from \$130 thousand to slightly more than \$80 thousand. It follows that the percentage loss was much greater for the bottom 90% than the top 1%. Even more importantly, there is no evidence of a post-2009 recovery in the wealth of the bottom 90%, yet the top 1% has almost fully recovered their lost wealth (see also Keister & Lee 2014, Pfeffer et al. 2014, Wolff 2014). The wealth data thus again tell a tale of recession-induced divergence. The average real wealth of the bottom 90% of families is no higher in 2012 than it was in 1986, whereas the average real wealth of the top 1% is approximately 2.7 times greater in 2012 than in 1986. What accounts for this rapid increase in wealth at the top? It derives in large part from the rise in income earned by top wealth holders. As Saez & Zucman (2014) put it, income inequality has a “snowballing effect” on the wealth distribution, with top incomes leading to high rates of saving that then work to increase the concentration of wealth. The takeoff in inequality and in wealth are in this sense closely linked.

The last pair of graphs allows us to compare the US recession experience to that of peer countries. The two key features of the US experience, the jobless recovery and the quick resumption in the takeoff, can be cast in especially sharp relief via this comparison. We begin, then, by comparing employment rates across the OECD countries and then turn to comparing trends in income inequality.

The distinctiveness of the US employment experience is well conveyed by plotting the employment rate averaged across all OECD countries and for six late-industrial countries that represent the range of positive (i.e., Germany, Sweden), middling (United Kingdom, Italy), and problematic (United States, Ireland) employment records (**Figure 7**). The trend line for the OECD average makes it clear that employment declines outside of the United States have, on average, been quite contained and sometimes are more limited than would have been predicted on the basis of often substantial GDP declines (see Jenkins et al. 2012). The United States is thus distinctive both in terms of the extent of the employment decline and the extent to which that decline has remained locked in place even as the economy recovered. This is not to suggest that the United States is a lone outlier on recession-induced employment problems. As **Figure 7** also shows, Ireland has experienced far more extreme problems, with the main cause being the especially sharp contraction in the construction sector and the country's especially deep exposure to banking losses.⁵

The second distinctive feature of the US experience, the relatively quick resumption of the takeoff in income inequality, may be partly attributed to employment problems within the working-class industries (e.g., construction, manufacturing). To be sure, the upper class experienced substantial losses in realized capital gains in the early stages of the recession (Morelli et al. 2015, Piketty & Saez 2013), but those losses proved to be more transitory than the employment problems in the working class (Hout & Cumberworth 2014). We accordingly find that the share going to the top 10% continues to increase in the United States (**Figure 8**). This result is consistent with the larger claim, which is explored in more detail below, that the compressive effects of the GR were at best quite transitory.

We have so far reviewed the extensive literature describing trends in employment, poverty, service use, income inequality, and wealth inequality during and after the GR. Although we have featured research oriented toward careful characterizations of the often complicated trends in evidence, there are at least two larger summary statements that the foregoing descriptive results would appear to support. We conclude this section by reviewing evidence in support of (a) the summary claim that the GR is mainly an inequality-enhancing recession in which the most disadvantaged groups are always the most harmed and (b) the associated summary claim that the GR breaks the mold and differs from past recessions in various key ways.

The backdrop to the first of these two claims is a history of recessions in the twentieth century in which the disadvantaged were invariably hard hit. The Great Depression was, by contrast, famously compressive in the long run: The market crash of 1929 triggered a small income compression that was then followed by a more substantial compression in the 1940s as the institutional reforms of the New Deal played out (see Piketty & Saez 2013, Grusky et al. 2011). It is important, then, to ask whether the GR resembles the Great Depression in this regard or is instead like every other recession of the twentieth century. The empirical evidence on this point is clear: The time series

⁵The other countries with employment declines more extreme than those of the United States are Iceland, Spain, Greece, and Hungary (see Hout 2016a). We cannot of course cover the cross-national research literature in any great detail here (see Arpaia & Curci 2010, Hoffmann & Lemieux 2014, Freeman 2013, Rinne & Zimmermann 2012, Burda & Hunt 2011, Boysen-Hogrefe 2010, Möller 2010).

presented in **Figures 5, 6, and 8** indicate that the momentary compression immediately after the crisis was not long-lived and that the upward trend in inequality appears to be resuming.⁶

It follows that, at least with respect to trends in economic inequality, the GR may come to be understood as a simple Matthew effect recession in which the disadvantaged are hardest hit.⁷ Does this same conclusion hold with respect to other forms of disadvantage? The recession might have disproportionate effects on other types of disadvantaged groups (e.g., blacks, Latinos, immigrants, poorly educated workers, women, young workers) by virtue of (a) directly discriminatory processes that are unleashed during moments of scarcity, (b) “satisficing” and other suboptimal behaviors that become necessary because of a shortage of resources (e.g., taking jobs below one’s ordinary reservation wage), or (c) the indirect collateral fallout that arises when disadvantaged groups are concentrated in industries, regions, or occupations in which the recession’s effects are strongest (see Hines et al. 2001).

We cannot review in full the large literatures that lay out the descriptive pattern of such effects or seek to locate their sources from among these possibilities. As a summary statement, a Matthew effect narrative nonetheless seems not to be far off, given such evidence as (a) the rapid decline in the net worth of black and Latino households during the recession (e.g., Wolff 2014, Wolff et al. 2011; see also Rugh & Massey 2010), (b) the strong protection that a college degree affords against a range of poor employment outcomes (e.g., Redbird et al. 2013), (c) the disproportionate increase in poverty among disadvantaged racial and ethnic groups (e.g., Danziger et al. 2012), (d) a ramp-up in transfer payments that didn’t fully address the rise in deep and extreme poverty (largely because the EITC assists the working poor), and (e) the very slow recovery in women’s employment (which offset the delayed downturn in women’s employment). At the same time, there are of course some prominent countertrends, including the positive labor market outcomes of immigrants (e.g., Cadena & Kovak 2013, Kochhar et al. 2010; also see Massey 2012) and the resilience of some low-skill industries as compared to harder-hit construction, manufacturing, and public administration sectors (e.g., Hout & Cumberworth 2014). The latter complications arise in part because, as with past recessions, the GR has been a vehicle for industrial restructuring and thus disproportionately affects sectors that have historically been the province of somewhat privileged workers.

The second summary statement that might be ventured is that the GR, far from being some run-of-the-mill recession, has had labor market effects that have often been quite distinctive. We have already reviewed much evidence revealing extreme and long-lasting effects on labor market outcomes. We are referring, for example, to (a) a record-high rate of job loss in which nearly one of six workers reported a loss in the 2007–2009 period (Farber 2015), (b) a spike in unemployment that was much higher than in earlier recessions (**Figure 1**), (c) an unusually deep and protracted decline in the prime-age employment ratio (**Figures 2, 6**), (d) a dramatic growth in the ranks of the long-term unemployed (Kroft et al. 2014, Farber 2012, Elsby et al. 2011, Aaronson et al. 2010, Katz 2010), (e) an especially sharp spike in unemployment within the construction industry (e.g.,

⁶The effects of the GR do not register identically across all income concepts. If, for example, trends in inequality in disposable income are examined by including transfer income and subtracting federal and state taxes, it is found that inequality did not rise within the GR itself (whereas **Figure 5**, by contrast, shows an uptick in the shares of the top two quintiles even before the recession ends). The same caveat holds for consumption inequality. Although there is, then, some cross-series disagreement about the effects of the GR itself, there is little disagreement about what is happening in the recovery period, as all conventional measures show that inequality has been rising since mid-2009 (see Fisher et al. 2015, Thompson & Smeeding 2014).

⁷The Matthew effect, a term coined by Merton (1968), refers to processes of cumulative advantage and disadvantage. It was originally applied to understand the cumulative processes by which fame begets fame and status inequalities accordingly grow. The relevant text from the Gospel of Matthew is “For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken even that which he hath” (Matthew 25:29, King James Version).

Hout & Cumberworth 2014), and (f) an unusually severe and protracted decline in consumption (Petev & Pistaferri 2012, De Nardi et al. 2011). These assorted results support the view that, whatever its causes may have been, the GR brought about a labor market disaster of proportions not seen since the Great Depression (Hout & Cumberworth 2014).⁸

CAUSAL EFFECTS

The latter narratives go beyond raw description in the sense that they organize the data and tell a story about how the recession played out. In this regard, the narratives may be understood as organizing frames, but they of course fall far short of true causal claims about recession effects on the labor market behavior of individuals. We turn next to a second stream of literature that moves more wholeheartedly into causal analysis. As we argued in the introduction, this research stream has focused disproportionately on GR effects on individual-level behavior, although there is also a smaller literature on GR effects on macro-level outcomes. We review each of these literatures in turn.

The individual-level literature on the economic effects of the GR is mainly the province of economists and thus proceeds from a different sensibility than the foregoing monitoring literature. In the descriptive analyses reviewed above, there is an abiding interest in how disadvantage begets disadvantage, an approach that leads to descriptive studies of how ascriptively defined groups (e.g., poor children, blacks, women) fare in a recession. This orientation underlies, for example, the Matthew effect narrative about the GR.⁹ The economic sensibility instead leads one to ask how unlucky events, such as exposure to a recession, may or may not affect outcomes by changing the structure of incentives and inducing new behaviors accordingly. Under this approach, there is less interest in describing how a particular disadvantaged group is faring, and instead a premium is placed on identifying the underlying causal effect of exposure to a recession for groups that may be disadvantaged only by virtue of that exposure.

This sensibility can be illustrated with the well-developed literature on the scarring effects of bad luck (to which both sociologists and economists have contributed). The starting point for this literature is the standard neoclassical view that any effects of bad luck will be temporary and inconsequential over the long run insofar as labor markets are perfectly competitive spot markets (Friedman 1953). Under this formulation, the earnings of a worker principally reflect tastes for leisure and prior investments in human capital, and the effects of bad luck (e.g., exposure to a recession) will only be transitory. In more recent models of wage determination, various types of frictions in the labor market are allowed, and bad luck and other labor market shocks may then have more persistent effects (e.g., Akerlof & Yellen 1986). The long research tradition on the possible scarring effect of recessions can accordingly be understood as but one example of a larger interest in understanding whether bad luck has short- or long-term effects on life and career outcomes.

The available research implies that scarring effects are indeed in evidence across the various stages of the life-course in which a recession may be experienced. The GR has even been shown to

⁸This is not to gainsay the equally important point that some of the claims of distinctiveness have proved to be overblown. The well-known “mancession” argument might be nominated, for example, as the most famously overblown claim, as it turned out that the prime-age employment ratio did ultimately decline for women (Figure 3). There is likewise only limited evidence on behalf of the once-popular argument that the housing crisis prevented the unemployed from selling their homes and taking new jobs (see, e.g., Farber 2012).

⁹It should be stressed that there is also a well-developed literature in economics documenting that disadvantaged workers are hurt most in recessions and may gain most in expansions (e.g., Hines et al. 2001; see also Hoynes et al. 2011, Sabarwal et al. 2011, Ghosh 2010).

have an in utero scarring effect: In a recent paper, Vardardottir (2015) shows that first-trimester exposure to the GR leads to a sizable reduction in birth weight and an increased likelihood of neonatal disease, with the size of this scarring effect roughly equivalent to the effects of smoking or drinking during pregnancy. Because neonatal disease and low birth weight have been shown to reduce adult lifetime earnings (e.g., Duncan & Magnuson 2011, Evans et al. 2011), the expectation is that children experiencing such first-trimester exposure will, on average, pay an economic penalty relative to children born earlier or later. This hypothesis can of course only be subjected to definitive testing when the exposed birth cohort enters the labor market and any earnings deficit is directly observed.

There is likewise evidence of a scarring effect for young adults who graduate from college during a recession. In an important paper, Oreopoulos and colleagues (2010) show that graduating in the “wrong” year indeed matters, with recession graduates suffering large earnings losses that fade only slowly over a period of 8–10 years after graduation. This penalty arises because recession graduates start to work for lower-paying employers and are less mobile thereafter (also see Kahn 2010, Oreopoulos et al. 2006).

It is also costly to lose a job during a recession. Although it is well established that unemployment and mass job displacements are associated with a persisting reduction in earnings (e.g., Gangl 2006, Jacobson et al. 1993), a true recession effect requires that such reductions grow larger when unemployment occurs during a recession. The available evidence reveals just such a result: As shown by Davis & von Wachter (2011), men lose an average of 1.4 years of predisplacement earnings when displaced in a strong economy (i.e., an unemployment rate below 6%), whereas they lose 2.8 years of predisplacement earnings when displaced in a weak economy (i.e., an unemployment rate above 8%). Likewise, Farber (2015) shows that those who lost jobs in the GR have been less successful at finding new jobs, especially full-time jobs, than had been the case in earlier periods (also see Pedulla 2016, von Wachter et al. 2009). The latter result is consistent with the unprecedented growth in long-term unemployment during the GR.

We have so far discussed the scarring effects of recessions for those in utero, for those graduating from college, and for those who experience unemployment or displacement after entering the labor market. Is there also a recession effect for older workers nearing retirement? Although there indeed is, the direction of that effect varies with the employment status of the worker. For workers who have already lost their jobs in the recession, the likelihood of withdrawing from the labor market is greatly elevated (Farber 2015), an effect that reflects the diminished opportunity cost of exiting when a weakened labor market makes it difficult to find a job comparable to the one lost (see also Johnson 2012, Rutledge & Coe 2012). But what about older workers who remain employed during the recession? In this case, worries about the weakening labor market are less relevant, whereas worries about reduced retirement incomes might instead come to the fore (due to the decline in the valuation of equity markets). The available research suggests that, consistent with such reasoning, the steep drop in stock market valuation may have delayed retirements substantially (Goda et al. 2011, Gustman et al. 2011, McFall 2011, Coile & Levine 2009).

These results imply that bona fide recession effects on economic outcomes are not only detectable before birth but also extend late into the life-course. In many cases, the hypotheses underlying these effects are motivated by simple rational action formulations, with the recession seen as changing the expected costs and benefits of a given behavior (e.g., retiring). The recession is also presumed to be exerting effects by increasing stress (e.g., in utero scarring), affecting the health of workers, changing the selective processes underlying certain labor market outcomes (e.g., firing, hiring), and changing the attributions that employers make about current and future workers.

The foregoing literature on the effects of the GR on individual-level economic behavior has, perhaps predictably enough, been dominated by economists. The much smaller literature on GR

effects on individual-level sociopolitical attitudes has, by contrast, been mainly the province of political scientists and sociologists. The starting point for this literature is the hypothesis that a major economic downturn, like the GR, might well increase popular support for redistributive policies and other forms of government activism (e.g., Kelly & Enns 2010, Erikson et al. 2002). As against this hypothesis, the US public opinion data show that, far from stimulating activist attitudes, the recession in fact reduced overall support for government activism on such major social problems as poverty, racism, health care, and income inequality (Brooks & Manza 2013, p. 729; Margalit 2013; also see Luttig 2013, Shaw & Gaffey 2012, Kenworthy & Owens 2011). Although those who lost income or their jobs during the GR did adopt more activist stances (Owens & Pedulla 2014), these individual-level effects were relatively small and quite transitory (Margalit 2013; see also Bermeo & Bartels 2014).

It should by now be obvious that there is a formidable literature on individual-level GR effects even when attention is limited to that portion of this literature that is relevant to the labor market, inequality, and redistributive policy. The broader literature includes additional analyses of GR effects on health, happiness, demographic behavior, charitable giving, and much more (e.g., Hout 2016a,b; Burgard et al. 2013; Morgan et al. 2011; Reich 2011). The field has clearly taken to documenting its effects on a host of outcomes.

In our introductory comments, we suggested that this individual-level literature, as rigorous and impressive as it is, may have had the unfortunate effect of squeezing out other important research questions. It is instructive in this regard to contrast the research on the GR with that on the Great Depression. For all manner of reasons, the scholarly research on the Great Depression has not focused on rigorously establishing the many ways in which the downturn harmed the individuals exposed to it, however profound those effects likely were. These individual-level effects were, to the contrary, largely taken for granted (cf. Jahoda et al. 1933), and there was rather more emphasis on examining the effects of the Great Depression on social movements (e.g., the socialist movement), social institutions (e.g., the New Deal), economic ideologies (e.g., Keynesian narratives), and various key historical events (e.g., World War II). The literature has in this sense long been a macro-level one (e.g., Rauchway 2008, Berman 1998, Dobbin 1993, Amenta & Carruthers 1988). There is a reasonable concern that contemporary scholarship on the GR has underinvested in these more difficult macro-level questions because of our preference for the rigorous causal analysis and the clever methodological display. We thus conclude this section by considering the types of macro-level questions that, with the advantage of passing time, might begin to be taken on. As will become clear, some of these questions have already been addressed, albeit typically only glancingly.

As a useful starting point, one might ask whether the “combustible potential” of the GR has been realized (Achen & Bartels 2005, p. 34), a potential that might be expressed through protest, various types of movement activity, and heightened radicalism on the left or right. There are three classes of questions within this area that deserve more attention.

The Quantity Question

The obvious starting point is to ask whether we are moving into a period of high movement activity. The Great Depression is the obvious standard here: It stressed and shattered political systems around the world, swept socialist governments into power, and led to the rise of the Nazis and the fall of the Weimar Republic. Although a political fallout of that magnitude seems unlikely for the GR, one might nonetheless expect rising economic insecurity to heighten grievance levels (e.g., Taylor-Gooby 2013, Tarrow 1994), increase xenophobia and extremism (e.g., McLaren 2003, Huntington 1991, Lipset 1959), and otherwise lift the amount of movement activity. This suggests the seemingly simple question: Is there indeed a post-GR increase in movement activity

in the United States (see Beissinger et al. 2014 for relevant results from Europe)? If indeed there is an increase, one might further ask whether it is attributable to the GR itself, to post-GR political policies or political campaigns (e.g., the Sanders campaign), to a general concern with rising inequality, or to other forces altogether. Insofar as there is no evidence of a post-GR uptick in movement activity, one might instead ask what accounts for that quiescence. The existing literature on contemporary US movements, although clearly relevant and illuminating, has mainly focused on single cases and thus cannot directly answer questions of the prior sort (see Cramer 2014, Milkman 2014, Grusky et al. 2013, Chomsky 2012, Williamson et al. 2011; cf. McAdam & Kloos 2014).

The Quality Question

It is just as important to examine how, if at all, the GR affected the type and character of movement activity. Is there evidence, for example, of a radicalization of protest activity? We might anticipate a new extremism on either the left or right: Whereas the GR itself presumably supports extremism on the left (e.g., the Occupy movement), the post-GR rise in safety-net spending and other government programs might alternatively or additionally support a counterreaction on the right (e.g., the Tea Party, support for the Trump campaign, attack on public-sector unions). It is equally possible that the GR has mainly supported the rise of more moderate left-leaning movements (e.g., the minimum wage movement). Although there is much relevant evidence on these issues from Europe (e.g., Beissinger et al. 2014, Bermeo & Bartels 2014), the US literature has, by contrast, again tended to focus on case studies of single movements (e.g., Cramer 2014).

The Spillover Question

Because the Great Depression unleashed a powerful wave of protests and electoral insurgencies, it is of course natural to focus, as we have above, on the political fallout of the GR. The Great Depression nonetheless had far more sprawling effects: It is notable for its spillover effects on intercountry conflict and war, gender relations, race relations, and much more (e.g., Milkman 1976). Was the GR, by contrast, a much more contained event? This seems unlikely. It is now quite clear, for example, that it played an important and perhaps defining role in delaying the US response to climate change (Scruggs & Benegal 2012). It might similarly be asked how it affected the war on terrorism, geopolitical relations, immigration reform, and other national or international movements that may have been either sidelined or bolstered (see Wallerstein et al. 2013).

We have to this point focused on GR effects on social movements, protest, and other outcomes outside the domain of everyday institutionalized politics. It is equally important to examine GR effects on political policy of the more standard institutionalized sort. The descriptive outlines of the US policy response are of course well documented: The Troubled Asset Relief Program kept financial institutions solvent by purchasing equity or assets from them; the American Recovery and Reinvestment Act provided fiscal relief for state governments, benefit increases and tax cuts for households, and investments in infrastructure and technology; the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act extended temporary income and payroll tax cuts and provided additional funding for emergency unemployment compensation; and the Dodd–Frank Wall Street Reform and Consumer Protection Act consolidated regulatory agencies, increased the transparency of derivatives, established a new consumer protection agency, and introduced new tools for financial crises (see Bitler & Hoynes 2013, Moffitt 2013, Oh & Reis 2012). This reform and stimulus package has been variously interpreted, with those on the right

characterizing it as government overreach and those on the left emphasizing that it falls short of the widely anticipated “New New Deal” featured on the November 24, 2008 cover of *Time Magazine*.

The more important matter, however one might characterize the reforms, is understanding why we ended up with this particular package. This line of inquiry leads to many unanswered questions: Can the relatively moderate reach of the US reform package be attributed to the outsized influence of conservative lobbyists and elites (the elite capture narrative)? Should the absence of a “New New Deal” instead be attributed to early political overreach and the accordingly quick antiregulatory backlash on the right (the Tea Party story)? Or was it a wholly strategic decision to expend scarce presidential and elite political capital on healthcare reform (the scarce capital narrative)? Should we instead recognize the legitimate success of the stimulus in managing the crisis and reducing the need for more fundamental reform (the Keynesian story)? Or was the safety net largely successful in mitigating the most extreme suffering and reducing the demand for reform (the pacification story)? Or, finally, should we point to the extreme and growing physical segregation of the poor and their associated loss of voice (the voiceless poor story).

This is not to suggest that questions of this sort have gone altogether unaddressed (e.g., Bermeo & Bartels 2014, Hacker & Pierson 2011). Rather, our twofold point is that (a) the macro-level literature is but a minor cottage industry (when compared to the individual-level literature) and (b) there has been quite limited participation of sociology, a discipline seemingly tailor made for macro-level inquiry, within this cottage industry. We leave it to the concluding section to address how this happened and how it might be rectified.

THE IDEOLOGICAL FALLOUT

The purpose of this penultimate section is to discuss the ideological effects of the GR on contemporary representations of the labor market and its dysfunctions. In the preceding section, we discussed the evidence that, among the general public, the GR has reduced support for redistributive initiatives and other forms of government activism (e.g., Bermeo & Bartels 2014, Owens & Pedulla 2014, Brooks & Manza 2013, Margalit 2013, Kenworthy & Owens 2011; also see McCall 2013a,b). We now turn, however, to academic and policy discussions about the US labor market and its dysfunctions, with a focus on how the GR has reoriented those discussions. Why devote an entire section to the academic fallout of the GR? It is precisely because these discussions are, far from being wholly academic, in fact very influential in driving labor market policy. Within the labor market domain, the views of social science elites may well be more influential than those of the diffuse general public, thus making it important to understand how such elite understandings are being shaped by the GR.

This point is well illustrated by recalling how the Great Depression affected elite understandings of the labor market and its dysfunctions. In the midst of the Great Depression, it was of course Keynes (1933) who successfully pushed the position that inadequate aggregate demand could lead to prolonged periods of high unemployment, with the implication that fiscal and monetary policy could then be used to increase demand and employment. In the aftermath of World War II, this understanding of labor markets came to be dominant and remained so until the stagflation of the 1970s, when many economists (e.g., Lucas 1995) called the effectiveness of fiscal policy into question (see also Friedman & Schwartz 1963). The simple question that we take on here is whether the GR is ushering in new understandings of the contemporary labor market that may then shape labor market policy in the post-GR period.

In **Table 1**, we list six competing narratives, each of which features a particular diagnosis of contemporary labor market dysfunctions. As indicated in the columns of **Table 1**, these narratives

Table 1 Labor market narratives

Narratives	What did the Great Recession reveal about the US labor market?	Great Recession effects on the US labor market	Labor market effects on the Great Recession
a. Cyclical problem			
Aggregate demand	Vulnerable to cyclical change in demand	Cyclical reduction in aggregate demand	None
b. Structural problems in labor market			
Mismatch	Vulnerable to friction	Exacerbated mismatch (e.g., housing lock)	Prolonged Great Recession
Disincentive	Vulnerable to disincentives	Exacerbated disincentives	Prolonged Great Recession
c. Structural problems outside labor market			
Joblessness	Exposed rapid decline in prime-age employment	None emphasized	Prolonged Great Recession
Inequality	Exposed reliance on credit-based consumption	None emphasized	Induced Great Recession
Precariousness	Especially vulnerable to cyclical change in demand	None	None

often contain claims about how the GR affected labor market functioning or, conversely, how the labor market affected the length or severity of the GR. This table also distinguishes between narratives that (a) treat the high rates of unemployment and other labor market problems as wholly cyclical, (b) attribute these problems to intrinsic dysfunctions within the labor market itself, and (c) attribute these problems to political or institutional dysfunctions outside the labor market.

The first row of **Table 1** represents the cyclical account that there is nothing intrinsically dysfunctional about contemporary labor markets. The dramatic GR-induced increase in unemployment (**Figure 1**) is taken, for example, to simply reflect a correspondingly dramatic decline in aggregate demand, a decline of precisely the sort that a major recession entails. According to Okun's law, the unemployment rate should rise by approximately 1% for every 2% shortfall in real output growth, a rule of thumb that appeared to be violated early in the recession (Elsby et al. 2011) but that ultimately held when the early data were corrected (Rothstein 2012). The rise in unemployment was, moreover, well distributed across industrial sectors and demographic groups, thus again suggesting an across-the-board shortfall in aggregate demand (Rothstein 2012). By the logic of this account, the contemporary labor market might well be dysfunctional in various ways, but there is nothing in the performance of key labor market indicators during the recession that in itself suggests dysfunction. We are instead witnessing the expected labor market fallout of a decline in aggregate demand, a fallout that can then be treated, just as Keynes would have advocated, with the usual stimulative fiscal and monetary policy (Romer 2011). This account, if indeed it comes to be the principal takeaway from the GR, undercuts the usual hand-wringing about contemporary labor market institutions and instead focuses us laser-like on the matter of delivering the requisite demand.

The mismatch account, by contrast, is a head-on indictment of contemporary labor markets (**Table 1**, row 2). Under this account, the dramatic uptick in unemployment during the GR partly arises from institutional problems in the labor market, in particular various structural mismatches between the types of labor supplied by workers and the types demanded by employers. These mismatches, which imply that workers are either unprepared or unwilling to fill the jobs on offer, then lead to unemployment in excess of what the shortfall in aggregate demand would imply (see Kahn 2015 for a review). This account was famously summarized by Narayana Kocherlakota,

then President of the Federal Reserve Bank of Minneapolis, as follows: “Firms have jobs, but can’t find appropriate workers. The workers want to work, but can’t find appropriate jobs. There are many possible sources of mismatch—geography, skills, demography—and they are probably all at work” (Kocherlakota 2010). Although Kocherlakota later moderated his views and advocated for stimulative monetary policy (see Appelbaum 2014), the structuralist account continues to be popular in a more modest form, especially among some business and political leaders.

The main supporting evidence for this account is the notable rightward shift in the Beveridge curve describing the relationship between aggregate unemployment and aggregate vacancies (e.g., Krueger et al. 2014). For any given level of vacancies, the level of unemployment became higher during the recession, a result that suggests that the labor market is not matching workers to vacancies as efficiently as in the past. The GR itself might have generated some of these inefficiencies. There has been much research, for example, examining whether unemployed homeowners have been unable to move because they are underwater and cannot sell their homes. The house lock hypothesis implies that, as the housing crisis unfolded, unemployed homeowners should have become less mobile relative to unemployed renters, a pattern that Farber (2012) was unable to find (see also Daly et al. 2011, Farber 2015, Kaplan & Schulhofer-Wohl 2015, Kothari et al. 2013, Modestino & Dennett 2013, Ferreira et al. 2010).¹⁰ The evidence on skill mismatch is more mixed. Although Rothstein (2012) shows that employment declined similarly across sectors (thus suggesting an aggregate demand–based source of unemployment), Sahin et al. (2013) conclude that occupational mismatch could explain as much as 29% of the increase in unemployment between 2006 and 2009. Likewise, Davis et al. (2013) found evidence of a decline in hires per vacancy, although they stress that employers may have failed to fill vacancies for reasons other than skill mismatch (see also Barnichon et al. 2012, Rothstein 2012).

The mismatch hypothesis is often combined with the further claim that increases in safety net spending during the recession reduced incentives to work and hence the supply of labor (e.g., Mulligan 2011, 2012). This version of structuralism, which we have tagged the disincentive account (**Table 1**, row 3), of course pulls back on Kocherlakota’s (2010) claim that “workers want to work.” It suggests instead that the labor supply curve may be affected when the safety net is expanded substantially by extending unemployment insurance (or in other ways). Although some of the available research supports such claims (e.g., Hagedorn et al. 2013), most of it suggests that only a small fraction of the persistent increase in unemployment can be attributed to a decline in worker search effort when unemployment benefits are extended. For example, Rothstein (2012) finds that such reductions in search effort explain, at most, a fifth of a percentage point of the unemployment rate. This is too small, Rothstein (2012, p. 17) argues, to “create any meaningful structural barriers to labor market recovery” (also see Katz 2010).

The final set of accounts in **Table 1** likewise rejects the view that simple cyclical factors can fully account for labor market problems during the recession, but the emphasis in these accounts shifts from intrinsic labor market dysfunction to external forces that then impinge on the labor market (see **Table 1**, Section c). The joblessness account, for example, treats the jobs disaster of the GR as partly reflecting such external forces as technology and globalization. However effective recent stimulative policy may have been in increasing employment, these external forces surely made the task much harder and, so it is feared, may continue to do so over the long run, perhaps profoundly. The key piece of evidence here: The dramatic decline in prime-age employment, as

¹⁰The house lock account arguably locates the source of labor market problems in forces outside the labor market. We have nonetheless included the mismatch hypothesis in Section b of **Table 1** because it also refers to other types of mismatch that are partly attributable to labor market dysfunction (e.g., skill mismatch).

charted in **Figure 2**, predates the onset of the GR. The rise of nonworking poverty likewise begins well before the onset of the GR (Danziger & Wimer 2014).

The looming question of the post-GR period, the answer to which may set our future labor market policy, is whether technology and automation may lead to further declines in prime-age employment. Although it has long been argued that new technology creates more jobs than it destroys, Summers (2015) has recently suggested that a joblessness account can no longer be dismissed out of hand (also see Brynjolfsson & McAfee 2015, Kearney et al. 2015, Karabarbounis & Neiman 2014). This view rests on the possible ascendancy of labor-efficient industries. Even now, the leading firms in the economy (e.g., Apple) are formed around the control of intellectual property rights (e.g., patents, copyrights, trademarks), and any tasks unrelated to the production of such rights are subcontracted and performed overseas (Thiel 2014). We can continue to have record-high profits and declining employment insofar as (a) the main comparative advantage of the United States is ferreting out and exploiting these rent-generating opportunities (e.g., Grusky 2012), and (b) the resulting employment effects are mainly felt overseas.

The first account of Section c in **Table 1** thus focuses on the deep external forces of technology and globalization and views any intrinsic labor market dysfunction (e.g., mismatch) as relatively minor in comparison. The careful reader will note that it accordingly treats rising inequality as wholly epiphenomenal. The main alternative view, which is represented in the second row of Section c, emphasizes that rising polarization and income inequality have created a growing disconnect between earnings and consumption (Bertrand & Morse 2013, Rajan 2011, Kumhof & Ranciere 2010; cf. Bordo & Meissner 2012). This is not just an argument about how the GR unfolded but also a cautionary story about the country's vulnerability to economic shocks as income inequality grows ever more extreme. The main empirical question at stake is whether the bottom 90% responds to its declining earnings and income by adjusting its consumption. If the 90% appreciates that the decline is permanent and adjusts its consumption downward, it will not accumulate debt and rising inequality is unproblematic. However, insofar as the downward income shock is viewed as transitory and consumption remains at the previous high level, then household debt will grow and the financial system becomes more vulnerable. This debt-increasing effect of inequality, which Piketty & Saez (2013) suggest may have contributed to financial fragility, again leads us to reform that focuses on institutions outside the labor market itself (see also Philippon & Midrigan 2011). It might, for example, be used to justify a taxation regime that reduces income inequality or, at minimum, maintains it at a stable level.

The other main alternative to the joblessness account, that of rising precarity (e.g., Kalleberg 2013), emphasizes the declining quality of jobs more so than joblessness itself. Here again, the precarity that was very much in evidence in the GR (e.g., part-time jobs, spot labor markets, subcontracting) is projected as our future, at least insofar as present forces operate unimpeded. Whereas the joblessness account rests hard on technology-driven automation (coupled, in some accounts, with globalization), the precarity account instead emphasizes that (a) financialization increases the pressure on firms to turn to precarious work as part of a strategy to deliver short-term profits to shareholders (Tomaskovic-Devey & Lin 2011) and (b) neoliberal policies have weakened the power of unions, increased slack in the labor market, and accordingly kept wages low and jobs precarious (see Kalleberg 2013, Lin & Tomaskovic-Devey 2013, Wright 2012, Krippner 2011, Treas 2010).¹¹ This formulation, unlike the joblessness one, does not run up

¹¹ It is of course more difficult for employers to fill precarious jobs in a labor market without much slack (and precariousness and joblessness will accordingly tend to coexist).

against the brute and unavoidable imperative of new efficiencies (i.e., cost-saving technologies). It is often argued, to the contrary, that well-known institutional alternatives to a precarious-work economy (e.g., flexicurity, permanent employment) may increase productivity over the long run. Although Germany's resort to work sharing might have seemed inefficient during the recession, Freeman (2013) suggests that it paid off amply by allowing Germany to quickly and efficiently ramp up production as soon as the recovery took hold.

We wish to advance two conclusions from this review of current debates on the relationship between the recession, the labor market, and the external forces of technology, globalization, income inequality, and financialization. The most important conclusion is that the future of US labor market policy will be affected in no small measure by which of these competing views wins out. As consequential as public opinion sometimes is (e.g., Brooks & Manza 2013), it is mainly academics and intellectual elites who set US labor market policy, elites who are deeply ensconced in precisely the literatures reviewed above. The second conclusion is that, here again, sociologists have been strangely absent from the debate. Although stock sociological ideas have been incorporated in many of the narratives of **Table 1**, sociologists themselves have, for the most part, participated principally in the discussions around financialization and precarity. This is surprising given that there is much relevant sociological research on spatial mismatch (e.g., Logan 2012), joblessness (e.g., Shaefer & Edin 2016), consumption cascades (e.g., Schor 2004), and the takeoff in income inequality (e.g., Liu & Grusky 2014).

CONCLUSIONS

The simple agenda behind this review was to examine whether the GR has fundamentally transformed poverty, inequality, employment, and other distributional outcomes in the United States. We have examined the main trends in these outcomes (i.e., the descriptive literature), the causal effects of the recession on individual- and macro-level behavior (i.e., the causal literature), and the recession's influence on contemporary narratives about the labor market and its dysfunctions (i.e., the GR's ideological effects). We make no effort here to summarize our lengthy review of each of these key fields.

We instead return to our recurring observation that sociologists have played a relatively limited role in this research literature. Although the GR is the most exhaustively studied recession in the history of social science, it has not been sociologists, for the most part, who have led this literature. Moreover, insofar as sociologists have been involved, they have been particularly invested in monitoring trends in poverty, inequality, or other labor market outcomes and in identifying the causal effects of the recession on various types of individual-level behavior. By contrast, sociological and social science research on the Great Depression has been less focused on documenting how the downturn harmed the individuals exposed to it, perhaps because that type of individual-level effect was taken for granted. If this earlier scholarship had likewise been confined to showing that individuals exposed to a downturn were harmed, we would have missed out on the immensely influential studies of how it led to socialist protest and swept in new socialist governments, created the conditions for the New Deal, and ushered in decades of Keynesian hegemony. It is perhaps unlikely that the GR will have equally momentous effects. We have nonetheless laid out some important unanswered questions about whether the "most serious economic calamity of our lifetimes" (Treas 2010, p. 3) is opening up new types of social protest, new policy options, and new understandings of contemporary labor markets.

Which of these various unanswered macro-level questions should play a central role in the next wave of sociological research on GR effects? The most pressing task, we would argue, is to better understand how the GR and our new post-GR culture and politics are changing the narratives with

which the late-industrial economy and its dysfunctions are described. The preceding section introduced some of the stylized facts upon which these new narratives may be developed. As **Table 1** reveals, the GR has cast long-standing labor market problems in sharp relief (e.g., declining prime-age employment) as well as uncovered new problems, worries, and dysfunctions (e.g., rising credit-based consumption). This is, then, clearly a moment of cultural turmoil, reminiscent of the 1930s and 1940s, that will likely either generate a new dominant narrative or refurbish the existing neoliberal one. The winning narrative, if indeed there is a clear winner, may reorient policy in the early twenty-first century just as the Keynesian narrative reoriented policy in the mid-twentieth century.

What types of questions does a macro-level approach of this sort open up? In the following paragraphs, we attempt to lay out some of the questions of interest, although our list is obviously far from exhaustive.

A Big-Reach Narrative?

As a starting point, it bears noting that a great many narratives are currently in play, with some stressing overarching causes (e.g., globalization) and others stressing the problems themselves (e.g., joblessness) more than their putative causes. The old neoliberal narrative, for example, features a certain set of causes (i.e., market failures) that are presumed to underlie our economic problems and that must then be corrected to improve economic and other outcomes. Although some of the newer narratives are likewise big-reach causal statements about the effects of globalization, automation, or rising inequality, others are more pragmatic statements about the key dysfunctions of late industrialism that must be corrected. The latter narratives are hardly narratives at all (i.e., antinarrative narratives): The tendency is to go directly to such problems as joblessness, precarity, or low wages and advocate for various common sense programs (e.g., flexicurity, minimum wage reform, guaranteed annual income) that address those problems without necessarily proffering any strong theory of their sources. The 2016 presidential campaign may be understood, in part, as a contest between candidates who feature big causes (e.g., Trump, Sanders) and those who worry more pragmatically about consequences (e.g., Clinton). Which type of narrative will win out? Is the winning narrative the antinarrative? Or is there a public clamor for big theory? The course of our future economic policy rests in part on whether the post-GR narrative ambitiously rests on a diagnosis of fundamental causes that then undergirds a reform program with all the reach of neoliberalism.

A New Inequality Narrative?

The inequality narrative, which is surely in ascendancy, is a hybrid form that treats inequality at once as a cause of many economic problems (e.g., unequal opportunities) and a problem unto itself. As inchoate as this narrative now is, it is possible that ever-rising inequality will ultimately become the key fact around which a new prescriptive narrative (e.g., a protax narrative) is founded, especially if the takeoff in income inequality continues apace. Although **Figure 4** shows that the GR did not lead to a very prominent rise in posttransfer poverty, the effect of the GR on income inequality was, by contrast, a quite transitory speed bump followed by a quick resumption of the ongoing increase. The relentlessness of the takeoff may ultimately call into question the long-standing assumption that US ameliorative policy must be oriented either toward meeting quite basic needs (poverty policy) or toward equalizing opportunities rather than outcomes (mobility policy). This line of inquiry points, then, to new research on the sources of the inequality narrative's popularity,

the role of the GR and post-GR politics (e.g., the Occupy movement, the Sanders campaign) in legitimating that narrative, and the contribution of economic research to ramping it up.

Intellectuals on the Road to Power?

The foregoing suggests the possibility that elite economists will be the main architects of this new post-GR narrative. If so, this is hardly a new development. In understanding the post-Depression rise of the Keynesian narrative, one cannot rule out the powerful effect of Keynes himself, especially his famous open letter to President Roosevelt (Keynes 1933). There is no shortage of economists who might become the next Keynes in this sense: It is not implausible, for example, that Piketty's (2013) research will prove to be a driving force behind the rise of inequality-based policy or that Summers's (2015) recent openness to automation-focused accounts will lead to the dominance of a new joblessness narrative (see Fourcade et al. 2015). The larger question at stake here is whether intellectuals and arcane academic debates are, seemingly against all odds, indeed determining which narratives win out.

The Fall of Capitalists?

The rise of neoliberalism was, like the rise of Keynesianism, partly driven by the economist class, but there is no denying its attractiveness to the entrepreneurial and capitalist class as well. It is unclear, however, whether entrepreneurs and capitalists will continue to play an equally central role in the development of a post-GR narrative. The early evidence suggests that their role is more circumscribed: Although mismatch theory, for example, has long been favored by capitalists, it has not fared well in academic debates or even in elite opinion circles (Appelbaum 2014). Does this suggest that elite intellectuals are becoming increasingly autonomous? Or will a new brand of Silicon Valley capitalists, ever more entranced by the automation narrative, successfully move that narrative into mainstream economics?

The Role of Politics

It is hardly the case that intellectuals and capitalists are the only narrative-constructing classes. It is also a main job of politicians and the larger political class to craft narratives about the main forces behind economic trends, the rise of inequality, and new labor market processes. The key question here is whether these developments will change and transform conventional party platforms or be interpreted in terms of them. Although it is fashionable to complain about the strong hold of partisan mantras, we cannot rule out the possibility that the GR, the joblessness it has induced, and the ongoing run-up in inequality have been so transformative that they will ultimately reshape the political playbook. If even Donald Trump openly worries about inequality and the role of money in buying political outcomes, it is not implausible that all candidates of the future will have a full-throated inequality policy, just like most now have a well-developed poverty policy. We would do well, then, to investigate how winning and losing narratives are forged out of this complicated dance between intellectuals, capitalists, and politicians.

Feedback Effects

The effects of the GR on the political playbook appear to be especially susceptible to various types of backlash and feedback. The antipoverty transfers precipitated by the GR led, for example, to a backlash against the "dependency" that they putatively induced, a backlash that then energized

the Tea Party and produced widespread support for Trump's politics. These types of backlash effects may work to preserve the neoliberal account against the disruptive potential of the GR and to conserve the old political playbook even as its inadequacies become increasingly apparent. We clearly need to know more about why backlash of this sort is so prominent, the conditions under which it takes hold, and its effects on the development of narratives.

The foregoing types of questions play precisely to the strengths of our discipline. We are not asking narrowly drawn economics questions about how late-industrial economies really work. We are not adopting a copy-the-economists causal inference problematic in which the goal is to ferret out the true effects of economic downturns on individual behavior. We are instead asking fundamentally sociological questions about how class, politics, protest, and scholarship interact to create an imaginary about how the late-industrial economy works. It is of course the direct province of sociology to examine how facts are created, crafted, and deployed in ways that ultimately win the day and provide the lens through which we then see the world. Although there are important sociological books about how the neoliberal imaginary became dominant (e.g., Prasad 2012, Hall & Lamont 2009), we now need to understand how it will be replaced or at least retooled to withstand the challenges that the GR has seemingly presented.

We appreciate that research injunctions of this sort typically have little effect. If there is to be any chance of an effect, it is important to lay out why the triumph of the individual-level harm literature may be attributable to sources other than a straightforward calculation of its scholarly payoff. Although there is no denying the impressive success of this literature, it is also important to appreciate that its popularity is partly due to matters of timing. When the GR hit, it was becoming increasingly popular in the social sciences to attempt to identify causal effects via exogenous shocks, a commitment that of course meshed well with the opportunities that an economic downturn presented. The timing of the GR thus coincided fortuitously with this new methodological zeitgeist.

It might of course reasonably be argued that the macro-level research opportunities outlined here could not be prosecuted with methods nearly as convincing. This is likely true. At the same time, there are real advances in our capacity to link macro-level outcomes to micro-level processes (e.g., Bruch & Atwell 2015), advances that can often be exploited to good effect. Even when those methods are unavailable, it should not be assumed that we are always better off simply abandoning the difficult research effort. If the only available basis for answering a pressing macro-level question is some wholly impressionistic or journalistic assessment, then the appropriate standard for deciding on a possible research investment is simply whether that low threshold can be passed. It would be unfortunate in this case to unthinkingly insist upon the much higher methodological standard of the literature on individual-level harm. The simple but obvious point here is that such a stiff standard, had it been insisted upon in the past, would have cut out some of the most influential and important research on the Great Depression.

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