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Effects of the Financial Crisis and Great Recession on American Households

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In this paper we present evidence from high-frequency data collections dedicated to tracking the effects of the financial crisis and great recession on American households. These data come from surveys that we conducted in the American Life Panel - an Internet survey run by RAND Labor and Population. The first survey was fielded at the beginning of November 2008, immediately following the large declines in the stock market of September and October 2008. The next survey followed three months later in February 2009. Since May 2009 we have collected monthly data on the same households. This paper shows the levels and trends of many of these data which summarize the experience and expectations of households during the recession.

We find that the effects of the recession are widespread: between November 2008 and April 2010 about 39 percent of households had either been unemployed, had negative equity in their house or had been in arrears in their house payments. Reductions in spending were common especially following unemployment. On average expectations about stock market prices and housing prices are pessimistic, particularly long-run expectations. Among workers, expectations about becoming unemployed have recovered somewhat from their low point in May 2009 but still remain high. Overall the data suggest that households are not optimistic about their economic futures.

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