



Issues with new economic model

What is the issue?

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A new macroeconomic model states that in USA especially black men are much more likely to lose their jobs.

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What is the new macro-economic model?

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- It looked at things as the distributions of income, wealth and employment, seeking to understand how they change over time and through the business cycle.

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- This documented systematic differences in the way American men and women participate in the labour force over the course of their lives.

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- There are two papers cast significant doubt on the wisdom of assuming a race less and genderless society.

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- According to this model, Quantitative economic models that ignore such differences can be poor guides to understanding the impact of government programs such as Social Security on savings and employment.

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What are the issues with the economic model?

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- This model is blind to race and gender, as if macroeconomic policies

typically affect blacks the same as whites and women the same as men.

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- Academic macroeconomists get a lot of criticism for using models that oversimplify the world for example, by having one “representative agent” stand in for all consumers.

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- The kinds of heterogeneity that economists study remain quite limited.

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- Gender has figured in some work, but is typically ignored.

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- No work within any research program should focus explicitly on race.

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- Economics is supposed to be concerned with figuring out what makes people better off, and how we can have more of it.

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- For decades, macroeconomists have operated with the presumption that such questions are best addressed using models that ignore race and gender differences.

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- The more we learn about these differences, the clearer it becomes that this is a mistaken models and it needs a change.

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Source: Financial Express

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