LECTURE 24

HYSTERESIS EFFECTS ON UNEMPLOYMENT

APRIL 23, 2013

I. DETERMINANTS OF THE NORMAL OR NATURAL RATE OF UNEMPLOYMENT
   A. Normal and cyclical unemployment
   B. What determines the normal unemployment rate?
   C. What can cause normal unemployment to change?
   D. Historical evolution of the NAIRU
   E. Why do we care about the NAIRU and whether it has risen?

II. THE IMPACT OF PROLONGED RECESSION ON THE NORMAL UNEMPLOYMENT RATE (BALL PAPER)
   A. Possible linkages
   B. Phenomenon Ball is investigating
   C. Can labor market flexibility variables explain the rise in the NAIRU?
   D. Ball’s empirical evidence of a hysteresis effect
   E. Policy implications

III. POSSIBLE SOURCES OF A RISE IN THE NAIRU IN THE UNITED STATES SINCE 2007
   A. Hysteresis effect
   B. Sectoral change
   C. House lock

IV. EVIDENCE ON THE NAIRU RECENTLY FROM THE BEVERIDGE CURVE (VALLETTA AND KUANG PAPER)
   A. What is the Beveridge curve?
   B. Has the Beveridge curve shifted recently and does that imply a rise in the normal unemployment rate?
   C. Other explanations for the recent behavior of the Beveridge curve
   D. Comparison to forecasters’ views

V. CONCLUSIONS