

Macro Roundup Article

Headline: [The Active Role of the Natural Rate of Unemployment During Cyclical Recoveries](#)

Article Link: <https://www.nber.org/papers/w31848>

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Tweet: Robert Hall and @MariannaKudlyak argue the natural rate of unemployment has fallen in the aftermath of the financial crisis to 3.5%.

Summary: The decade-long expansion starting in 2009 combined near constant inflation with continuing declines in unemployment from 10% to 3.5%. Phillips curves constructed with constant natural rates and constant slopes became untenable as this process unfolded. Our investigation of the recovery starting in 2009 concludes in favor of a declining natural rate. The logical basis for this conclusion is that the anchored inflation rate must have converged to the Fed's target rate of 2% over such a long period of stable inflation so close to that target. A bedrock principle of the New Keynesian model is that in an economy with actual inflation equal to its anchor, the observed unemployment rate must equal the natural rate.

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Primary Topic: Business Cycle

Topics: Academic paper, Business Cycle, GDP, Unemployment/Participation, Workforce

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