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Research article

Structural rate of unemployment, hysteresis, human capital, and macroeconomic data

Jean-Marie Le Page*

Panthéon-Assas Paris II University, Paris, France

* Correspondence: Email: jean.lepage@wanadoo.fr; Tel: (33)615586439.

Supplementary

Appendix

Unemployment rate dynamics when:

$$\Gamma_t = \left(\frac{C}{u_t}\right)^{\gamma}; \gamma > 0, C > 0$$
(12)

If the rate of growth is, over a long time, equal to the potential rate g^* , the unemployment rate is the natural one. Then, $g^* = \left(\frac{c}{u^*}\right)^{\gamma} - 1$, which implies that $C = (1 + g^*)^{1/\gamma} u^*$.

We combine Equations (1) and (13) with this value of \tilde{u} to obtain:

$$\dot{u}_t = c - \chi u_t^{-\gamma} \text{ with } \chi = b(1 + g^*)(u^*)^{\gamma}$$
(13)



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