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

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Supplementary

Appendix

Unemployment rate dynamics when:

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

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:

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

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