

Jal: talgross@mit.edu

Josh: angrist@mit.edu

◦ Office hours: T 2-4

Read 2-4 papers per day

Unemployment

◦ Data come from the CPS.

◦ 50-70k people surveyed each month

◦ How to define unemployment? See the flow chart.

◦ Either U, E, or NILF
 unemployed employed not in labor force

Suppose you have: $u_0, u_{10}, u_{20}, \dots$

◦ census provides these

◦ how to impute unemployment rate for years prior to CPS? (1947)

◦ i.e. u_t for intercensal years.

We have y_t every year.

$$u_t - \underbrace{[\alpha + \beta t]}_{\text{trend}} = -[y_t - (\gamma + \delta t)]$$

◦ interpolation of related series.

$$\Rightarrow u_t = [u_0 + (u_{10} - u_0) \frac{t}{10}] - [y_t - (y_0 + (y_{10} - y_0) \frac{t}{10})]$$

for $t = 0, \dots, 10$

This was Lieberget's (sp?) approach

Romer: the cyclical properties of the interpolated \hat{u} depend on the cyclical properties of output. This violates Okin's Law.

- This will overstate the volatility of unemployment.

Romer reimputes, correcting for this volatility, producing a less volatile series.

- "the stabilization of the business cycle was a figment of the data."

1935 - Social Security Act OA

1939 - Survivor's Act S

1956 - Disability Insurance DI

1972 - SSI (Nixon)

- supplemental sec. income

- insurance you would receive if never worked before