Lectures 21: Technological Progress and Unemployment

- Y = F(K,A N) … simplify to
- Y = AN =>
- N = Y/A
- Does employment rise or fall with an increase in A? (Technological U – The Luddites -- France today)
  - The long run
  - The short run

Back to AD/AS

- Figure 13-1
- In the short run, there could be insufficient demand…
- Figure 13-2: Does Y grow more or less than A?
- Empirical evidence: Ambiguous

Back to Price and Wage Setting

- Price setting

$$P = (1+\mu)\, W/A$$

- Wage setting

$$W = A^e\, P^e\, F(u,z)$$

Back to the Natural Rate

- Natural: Expected = Actual

PS: $W/P = A/(1+\mu)$

WS: $W/P = AF(u,z)$

$$AF(u^n,z) = 1/(1+\mu)$$

Figure 13-4

Sluggish A-expectations?

Figure 13-5 (sluggish A^e ?)

Figure 13-6

The US During the 1990s

- Table 1 (page 276)
- Figure 13-2

Inequality

- Tables 1 and 2 (page 279)
- Figure 13-7