PERSISTENT PUZZLE IN ECONOMICS: PERSISTENT ECONOMIC SLACK

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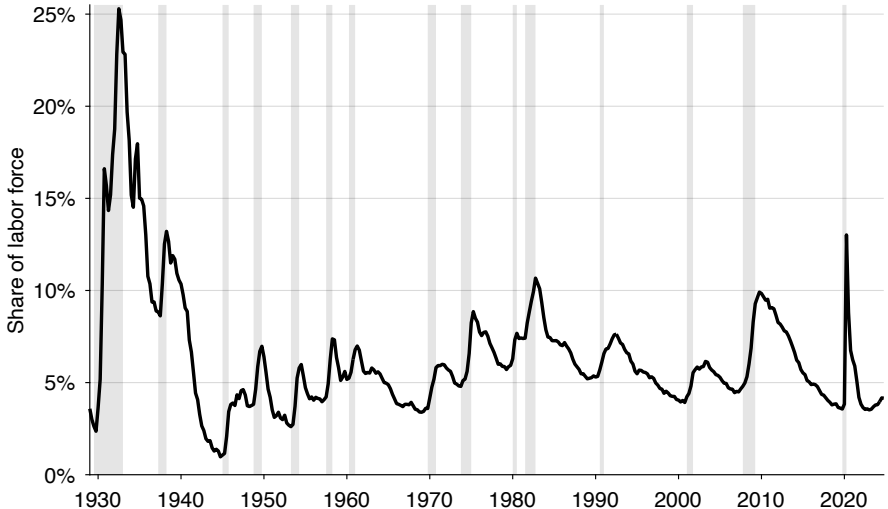
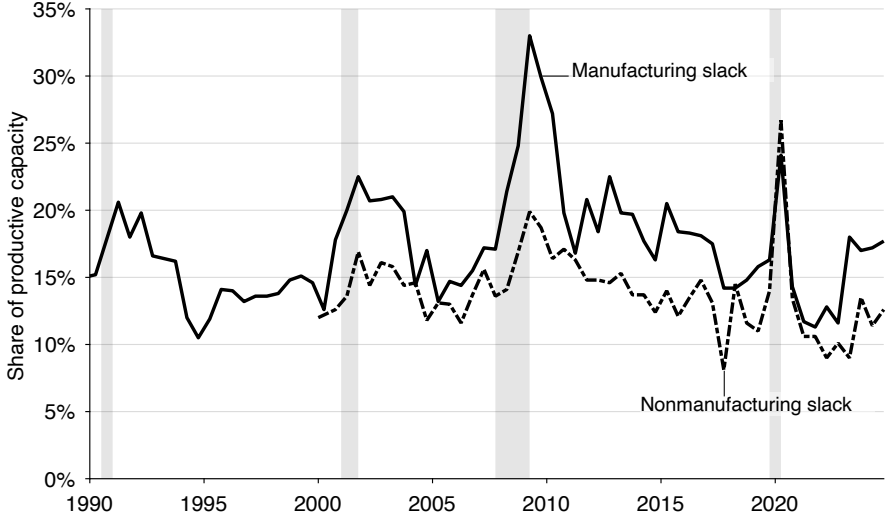
Book available at https://pascalmichaillat.org/18/

1. SLACK IS ALMOST EVERYWHERE AT ALL TIMES

US UNEMPLOYMENT RATE AVERAGE 6.4%

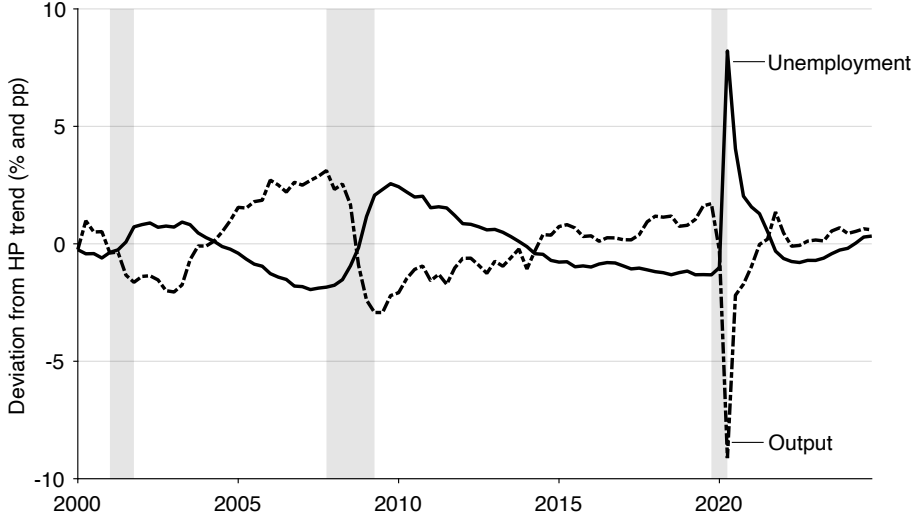


US PRODUCT-MARKET SLACK RATE AVERAGE 14%–17%

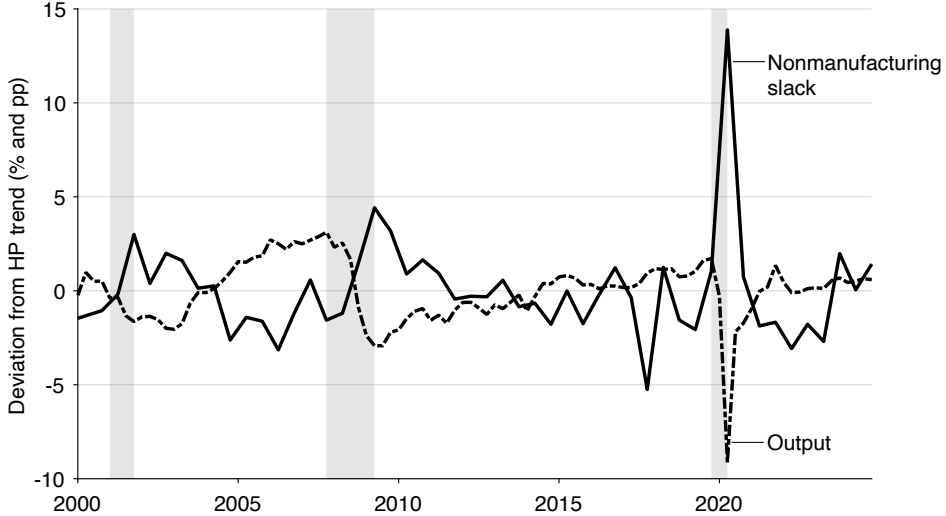


2. BUSINESS CYCLES ARE FLUCTUATIONS IN SLACK

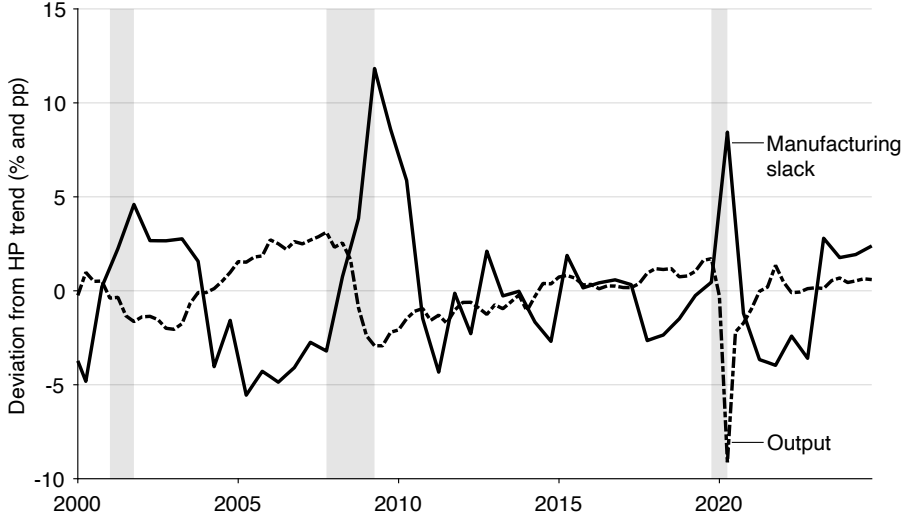
CORRELATION BETWEEN LABOR-MARKET SLACK AND OUTPUT: -0.90



CORRELATION BETWEEN NONMANUFACTURING SLACK AND OUTPUT: -0.72

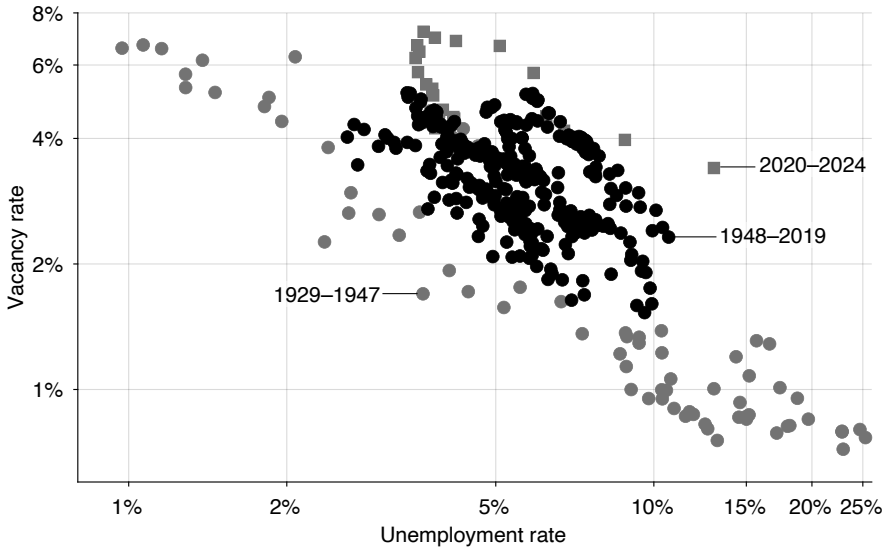


CORRELATION BETWEEN MANUFACTURING SLACK AND OUTPUT: -0.65

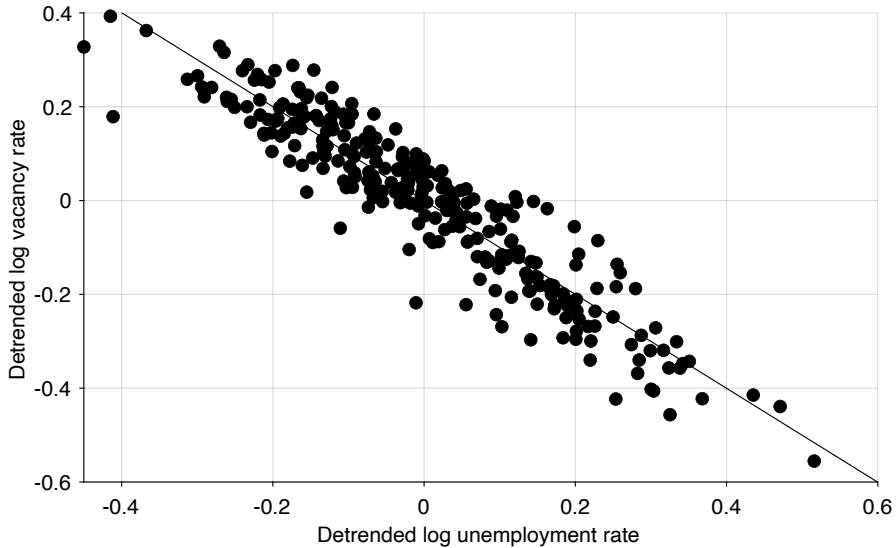


3. BUYERS TRY TO BUY WHILE SELLERS TRY TO SELL

US BEVERIDGE CURVE IS VISIBLE SINCE 1929

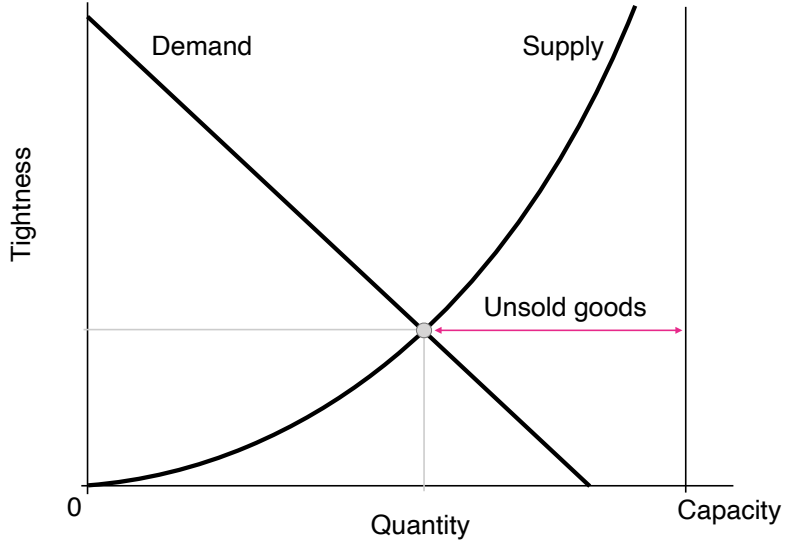


US BEVERIDGE CURVE IS A RECTANGULAR HYPERBOLA

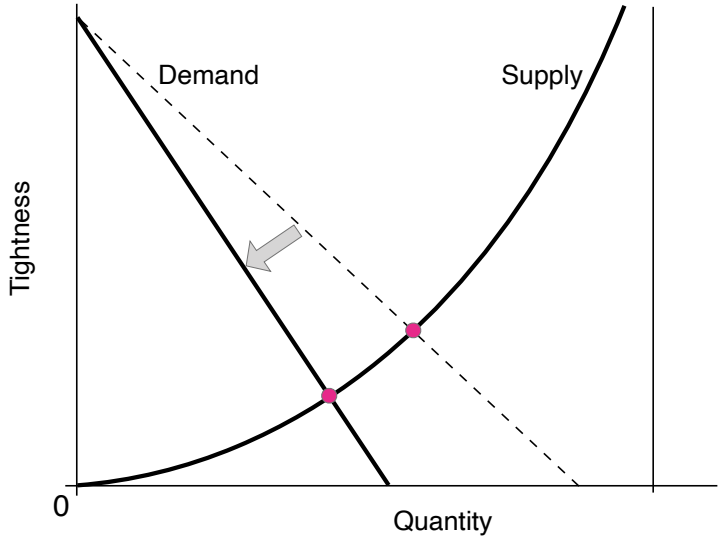


4. SLACKISH MARKETS EQUILIBRATE THROUGH TIGHTNESS, NOT PRICE

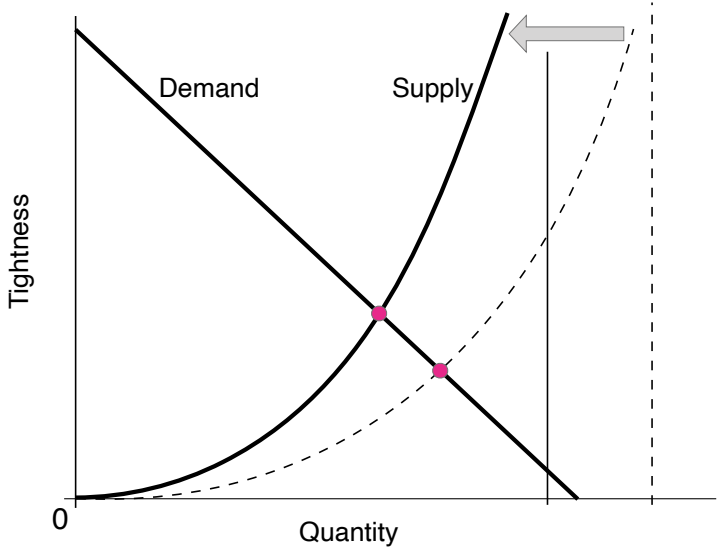
SUPPLY-DEMAND DIAGRAM FOR SLACKISH MARKET MODEL



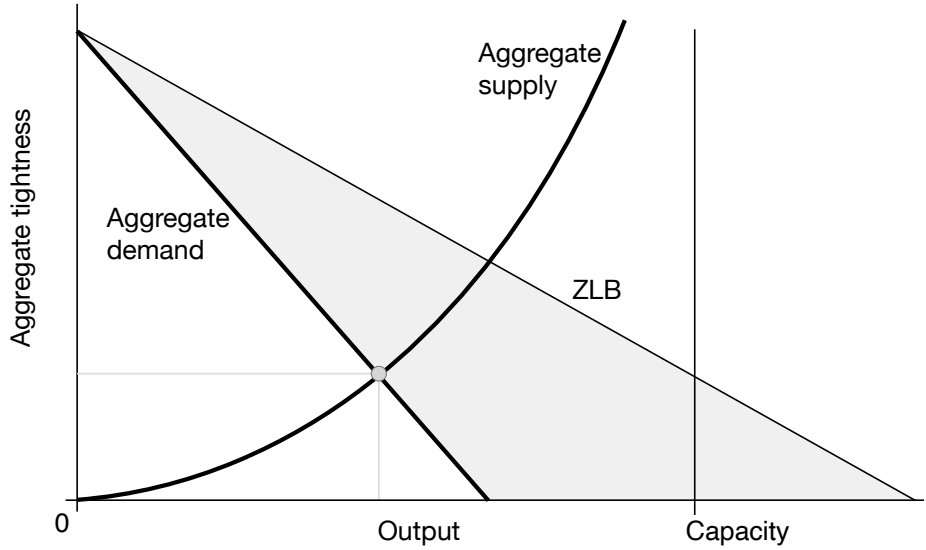
DEMAND SHOCK: POSITIVE TIGHTNESS-OUTPUT CORRELATION



SUPPLY SHOCK: NEGATIVE TIGHTNESS-OUTPUT CORRELATION

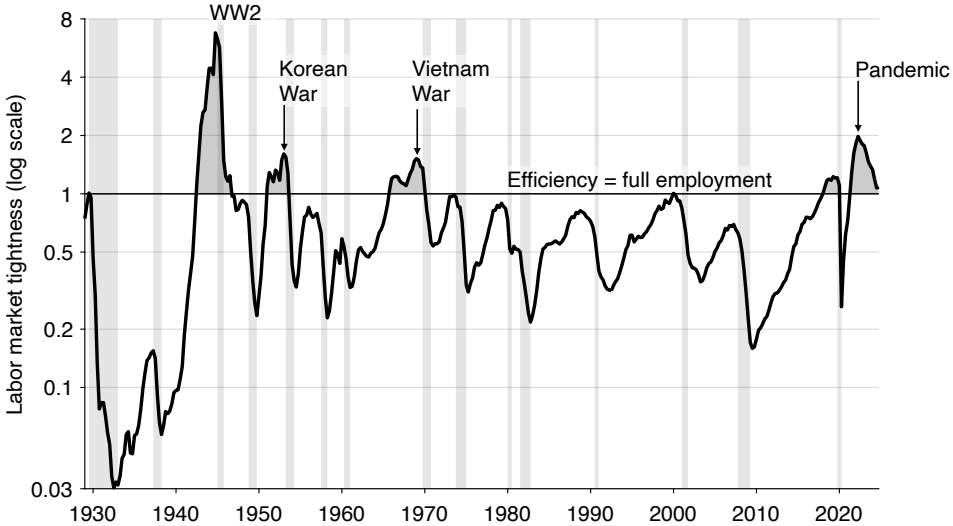


SLACKISH BUSINESS CYCLE MODEL CAN BE REPRESENTED SIMILARLY



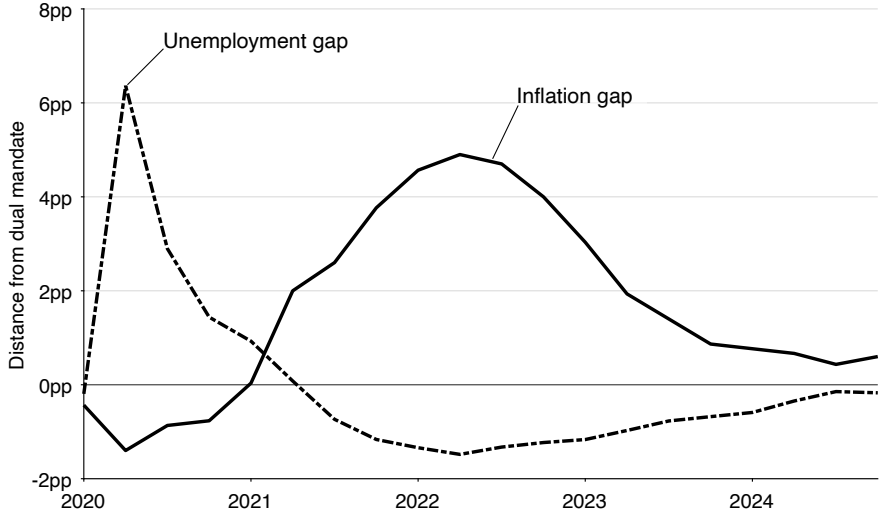
5. SLACKISH MARKETS ARE GENERALLY INEFFICIENT

US LABOR MARKET IS GENERALLY INEFFICIENTLY SLACK

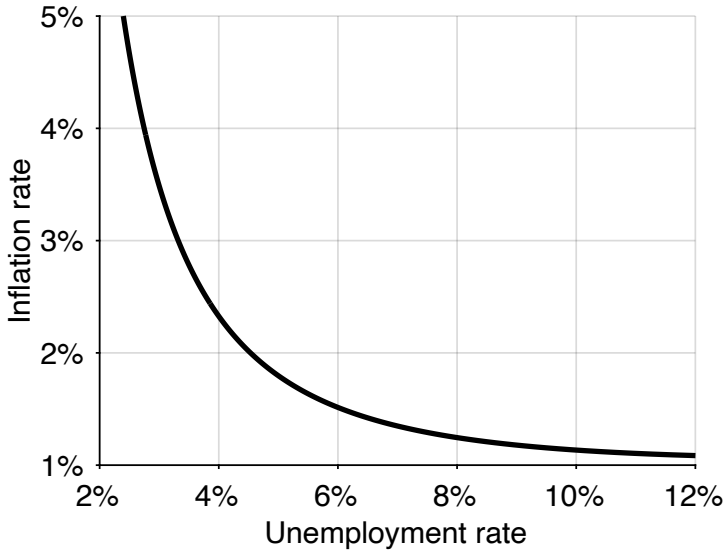


6. SLACK MIGHT DETERMINE INFLATION TOO

SLACK AND INFLATION DURING THE US PANDEMIC RECOVERY

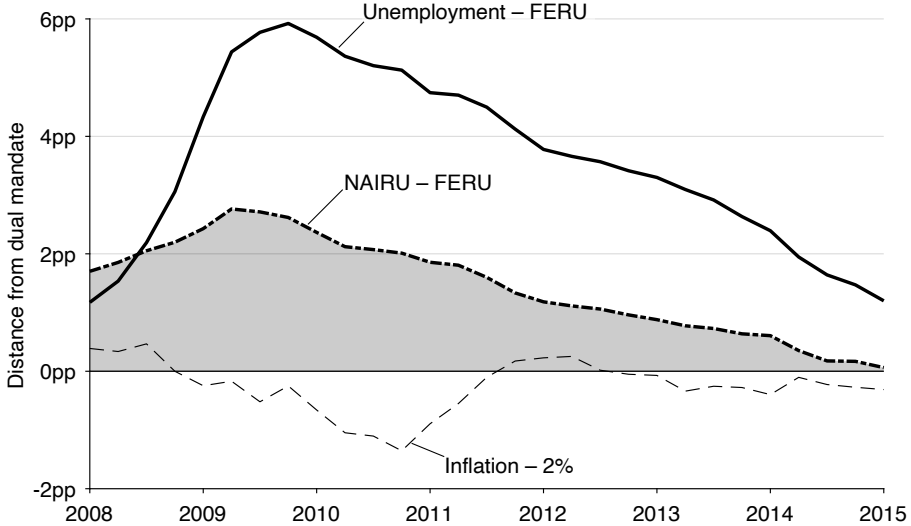


THE SLACKISH PHILLIPS CURVE IS QUITE CONVEX

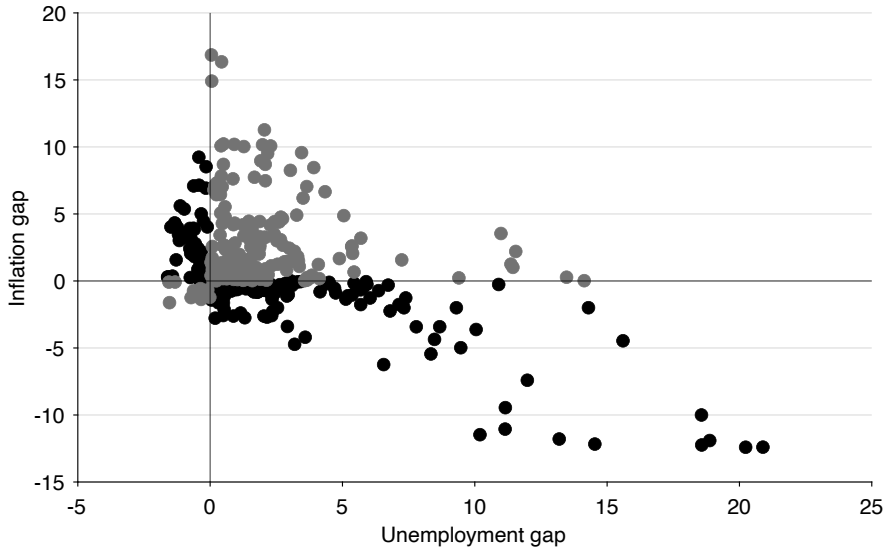


7. SLACK DETERMINES OPTIMAL MONETARY AND FISCAL POLICY

16 MILLION WORKER-YEARS LOST DURING GREAT DEPRESSION



MONETARY POLICY CANNOT BE OPTIMAL 47% OF THE TIME



OPTIMAL STIMULUS PACKAGE DURING GREAT DEPRESSION