

Research Updates

New paper accepted for publication

19 January 2018 · Rubén Hernández-Murillo ·

Our paper, (Guisinger et al. 2018), was just accepted for publication in *Regional Science and Urban Economics*.

References

1. 2018

- “A State Level Analysis of Okun’s Law.” Guisinger, Amy Y., Rubén Hernández-Murillo, Michael T. Owyang, and Tara M. Sinclair. 2018. *Regional Science and Urban Economics* 68 (January): 239–48. doi:10.1016/j.regsciurbeco.2017.11.005.

Abstract:

Okun’s law is an empirical relationship that measures the correlation between the deviation of the unemployment rate from its natural rate and the deviation of output growth from its potential. This relationship is often referred to by policy makers and used by forecasters. In this paper, we estimate Okun’s coefficients separately for each U.S. state using an unobserved components framework and find variation of the coefficients across states. We exploit this heterogeneity of Okun’s coefficients to directly examine the potential factors that shape Okun’s law, and find that indicators of more flexible labor markets (higher levels of education achievement in the population, lower rate of unionization, and a higher share of non-manufacturing employment) are important determinants of the differences in Okun’s coefficient across states.

BibTeX entry:

```
1. @article{rsue2018,
2.   title = {A State Level Analysis of Okun's Law},
3.   author = {Guisinger, Amy Y. and Hernández-Murillo, Rubén and Owyang, Michael T. and Sinclair, Tara M.},
4.   journal = {Regional Science and Urban Economics},
5.   year = {2018},
6.   month = jan,
7.   volume = {68},
8.   pubtype = {Journal},
9.   pages = {239--248},
10.  doi = {10.1016/j.regsciurbeco.2017.11.005},
11.  keywords = {Correlated unobserved components; Potential output; Natural rate of unemployment},
12.  url = {https://research.stlouisfed.org/wp/2015/2015-029.pdf}
13. }
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Links to file:

- journal website (doi) (<http://dx.doi.org/10.1016/j.regsciurbeco.2017.11.005>)

- working paper (pdf) (<https://research.stlouisfed.org/wp/2015/2015-029.pdf>)
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