



The job rule

By [Justin Wolfers](#)
Marketplace, Friday, June 24, 2011

Millions of Americans are jobless. Many are now falling into the category of long-term unemployed. So how do you create jobs in this economy?

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KAI RYSSDAL: We've just covered debt so let's turn to the other main storyline of this economy: jobs and growth. It's really one story. Unemployment's at 9.1 percent, the gross domestic product number that came out this morning showed that the economy is still growing, slowly, though. And there's an intuitive connection between the two. More growth means more jobs stands to reason. But commentator and economist Justin Wolfers says there is a formula the experts like to use, and in our economy today, things just don't add up.



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JUSTIN WOLFERS: The latest economic forecasts suggest that output will grow by about 3 percent in each of the next few years. That sounds like the basis for a useful economic recovery. But it's not.

There's an old rule-of-thumb called Okun's Law, which links economic growth with unemployment. This rule says that when you can get the economy to grow faster than 3 percent, then unemployment will fall. But growth of 3 percent won't lower the jobless rate. Unfortunately, that's the forecast.

You see, it's not enough just for output to rise. If we can make that extra stuff just by working harder or smarter, unemployment won't fall. And there's also population growth, which means we need to grow just to absorb new entrants to the labor market. And there are also millions of discouraged workers, who will likely return to the labor market as soon as there are jobs to be found.

The economy is stuck in a strange kind of limbo. The good news is that it isn't shrinking, and the crisis is over. But the bad news is that it isn't growing fast enough to get unemployment down. With the crisis behind us the urgency is gone, but the unemployment problem remains.

Now the same forecasters who are predicting tepid economic growth are also predicting unemployment will fall. This has me puzzled because tepid growth rarely lowers unemployment. These forecasters are effectively predicting the end of Okun's Law. But why? And are we really ready to bet our economic prospects on this? I'm not. It just doesn't add up. Instead, I think we're seeing a severe case of wishful thinking.

Next time you hear a politician talking optimistically about the recovery, remember: Normal growth isn't enough. Reducing unemployment requires a lot more than we're seeing.

RYSSDAL: Justin Wolfers is an associate professor at the University of Pennsylvania's Wharton School of Business. Send us your comments -- [click on this contact link](#).

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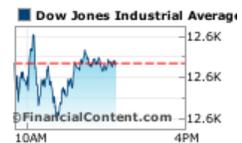
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