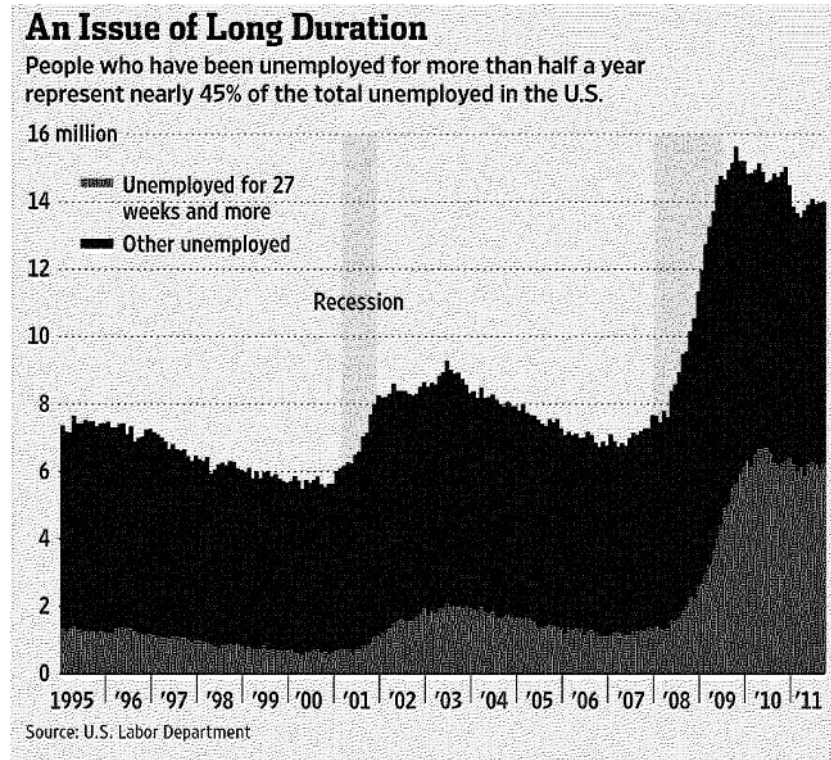


U.S. NEWS

Looking Behind Long-Term Unemployment



[Capital]

BY DAVID WESSEL



Herman Cain, the Republican presidential candidate, avoids carefully calibrated talking points. "If

you don't have a job and you're not rich, blame yourself," he said in a Wall Street Journal interview.

Beneath Mr. Cain's blunt words lurks an economic hypothesis: That there's nothing much government policy can do to bring unemployment down from today's 9.1% rate. That most of the 14 million jobless are lazy or not qualified for available jobs or won't move. That the 9.3 million involuntarily working part-time aren't looking hard enough or aren't suited to full-time work. And that offering unemployment benefits for up to 99 weeks does more harm than good because it makes the unemployed too picky.

This line of thinking is being deployed to make the case in

Congress, on the campaign trail and inside the Federal Reserve against increasing spending or cutting taxes or administering more monetary medicine. After all, if the unemployed aren't willing or able to fill jobs that muscular stimulus might produce then there's little wisdom in borrowing more money or chancing inflation. We just have to suck it up.

But according to Fed governor Daniel Tarullo, a veteran of the Clinton White House and Obama presidential campaign who has spent the last few months consulting with Fed and other labor economists for a speech on the job market he is to deliver Thursday at Columbia University, there is little evidence that the bulk of today's unemployed would still be unemployed if the economy were growing faster or that the bulk of today's unemployment is, in the jargon of economists, "structural."

There's no doubt that some people can't find work because their skills aren't in demand; few laid-off construction workers will

get hired as web designers. Or that some people don't look for work very diligently as long as they can collect unemployment benefits. Or that some employers are having trouble finding workers with the specific skills they need—complaints that preceded the recession. Or that some, perhaps many, of the 6.25 million Americans who have been out of work for six months or more won't ever go back to the jobs they lost. Some may never work again.

The question is how many is "some."

"Most of the difference between the pre-recession unemployment and the current unemployment rate is attributable to an aggregate demand shortfall," said Mr. Tarullo. Which means if



Cosa si cela dietro alla disoccupazione di lungo periodo (ca)



the Fed or the Congress did more to bolster demand, more Americans would have jobs.

Consider the evidence:

◆The Labor Department count 14 million unemployed and 3.1 million job openings, or 4.6 jobless workers per job opening. Before the recession, the ratio was 1.5. If every opening were filled instantly, there would still be many unemployed.

◆Wages aren't rising. "We don't see rapid wage growth almost anywhere, which is what you would expect if firms were bidding up the wages of qualified workers and were unable to find qualified workers among the unemployed," said Harvard University's Lawrence Katz.

◆Unemployment is up across ages, occupations, industries and years of schooling. "We had a fast-advancing economic decline with layoffs and hiring freezes in a broad range of sectors of the economy. That is not compatible with an increase in structural unemployment being the big explanation," Mr. Tarullo said.

◆Data gleaned from help-wanted ads, surveys and government tallies did hint at a growing mismatch during the recession between skills jobless workers have and those employers want, but that "mostly has receded since 2009," says Mike Elsby, a University of Edinburgh economist. The economists who have done the most careful study—a team from the New York

Federal Reserve Bank, New York University and Columbia—estimate that between 12% and 33% of the five-percentage point increase in the unemployment rate is due to this mismatch.

◆Americans have, for years, been less likely to move from one state to another for reasons that aren't clear, and there was reasonable speculation that those who couldn't sell their houses wouldn't move to where the jobs are. But the latest data suggest that phenomenon is, as Mr. Elsby puts it, "quantitatively negligible."

"If the government could engineer a recovery through some combination of fiscal and monetary policy," says Robert Shimer of the University of Chicago, "would the unemployment rate fall? Yes."

One danger looms, though. A person out of work six months probably will find it easier to get a job than someone out of work for one or two years or more. "If you don't get unemployment down more quickly than it seems to be going now," Mr. Tarullo says, "we are going to have more of a structural unemployment problem." The best way to prevent a plague of long-term unemployment is to up the odds that those out of work for only a short while get hired soon. As Fed Chairman Ben Bernanke, a man hardly given to overstatement, said the other day: "The unemployment situation we have, the job situation, is really a national crisis."

