Echoes from the distant past show nothing has been learned

The discussion today:

> The unemployment rate dropped to its lowest level in nearly 18 years in April, feeding a debate that has long puzzled economists: **How low can joblessness fall before a boon for the economy turns into a burden?**

Flash back more than twenty years.

In 2001, Alan Blinder and Janet Yellen published "The fabulous decade – Macroeconomic lessons from the 1990s".

In chapter 6 "The Fed forbears and the Phillips Curve cooperates", we read:

> The state of the U.S. economy looked superb at the start of **1996, and it just kept getting better over the ensuing years**.
>
> **The unemployment rate belied the popular view that NAIRU was between 5.5% and 6% by falling steadily right through 1999**. By December 1999, unemployment stood at 4.1%, its lowest level in twenty-nine years.
>
> Real GDP growth averaged 4.5% during those four years – **well in excess of contemporaneous estimates of potential output growth**.
>
> And yet, aside from one upward adjustment of 25 basis points in March 1997, the federal funds rate was not raised again until June 1999.
>
> **The FOMC watched, scratched its collective head, worried that the good luck would soon end and inflation would again rear its ugly head**.
>
> One important question for macro-historians is why the Fed chose to forbear **even as the unemployment rate drifted down to levels that previously had been associated with accelerating inflation**. Part of the answer is simply that,

> despite the inflation fears of FOMC hawks and many outside forecasters, the worst never came to pass. **Inflation did not rise; on the contrary, it fell**.

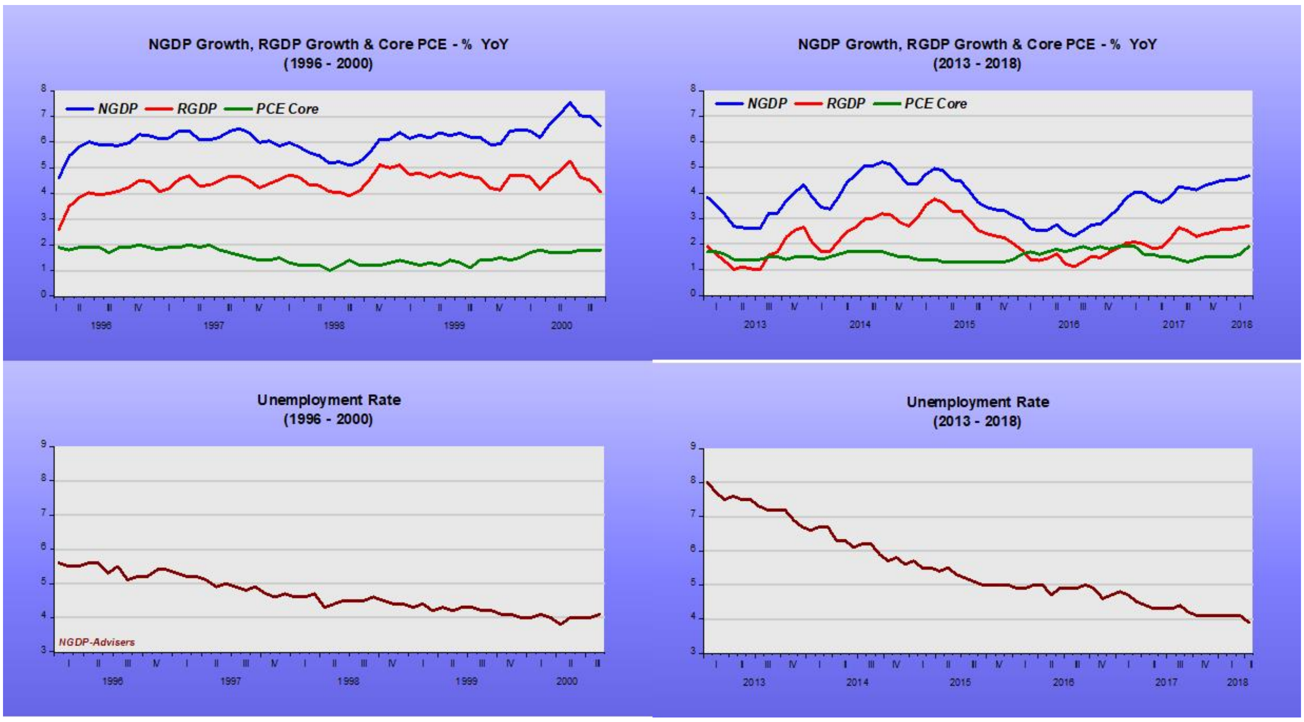
Among the reasons: Surprisingly Moderate Wage Inflation. Why?

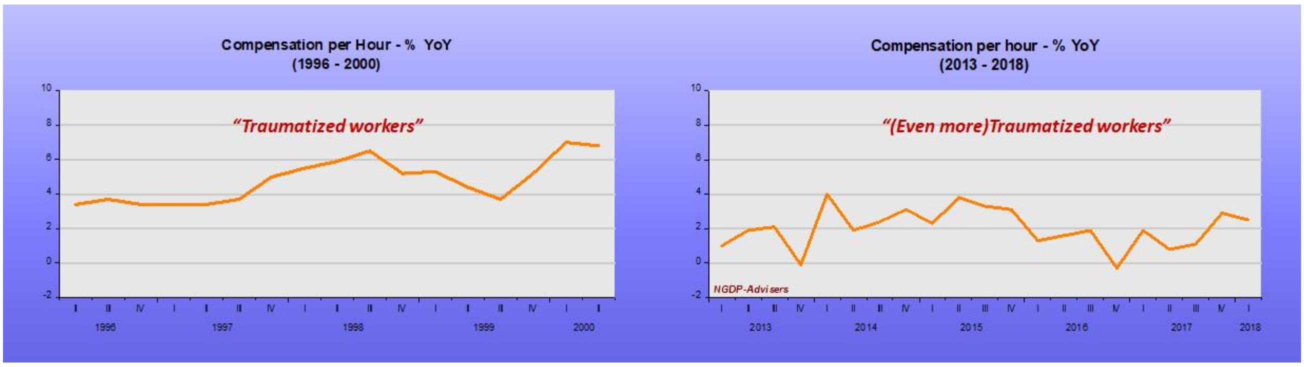
> According to what might be called the “**traumatized worker hypothesis**”, after being terrorized by corporate restructuring, suffering through a recession, and then struggling through an initially “jobless” recovery, American workers became more concerned with job security than with real wage increases.

Fast forward more than twenty years and we read:

> Former Fed Vice Chairman Alan Blinder points to his “**traumatized worker**” theory. “Workers still remember the bad old days and they’re more interested in job security than they are in seeking out a raise,” he said.

The panel illustrates.





Why can´t we become smarter? At least come up with new ideas and arguments!