

UNEMPLOYMENT: SOME ASPECTS OF
THE NEW ZEALAND EXPERIENCE, 1960-1981.

A thesis presented in partial
fulfilment of the requirements
for the degree of Doctor of
Philosophy in Economics at
Massey University.

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1984

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ABSTRACT

In the late 1960s both Friedman and Phelps argued that there existed a "natural" rate of unemployment which could not be reduced in the long run through an expansion of demand without accelerating inflation. The co-existence of rising unemployment and spiralling inflation throughout much of the 1970s was seen as evidence in support of the propositions of Friedman and Phelps and led to the conclusion that the natural rate of unemployment had risen and was continuing to rise. Theoretical support was provided by the development of job-search theory which attributed the rise in unemployment to rational, voluntary decisions on the part of the unemployed.

This thesis examines the unemployment experience of New Zealand over the period 1960-1981 in the context of the job-search model. That New Zealand has an unemployment problem is established in Part One by a comparative study of New Zealand data with that from seven other industrialized nations. This study also depicts the pattern of New Zealand's unemployment experience and shows it to be in keeping with the search model as it is subsequently developed in Part Two.

Our representation of the search model enables us to identify a number of tests of search in the New Zealand context and these are conducted in Part Three. Not unexpectedly the empirical analysis is

hindered by the paucity of labour force data in New Zealand.

Although some attempt is made to adjust the data to meet our needs this is only partially successful and care must therefore be taken in interpreting the results. In general we find that there is some evidence for the existence of the phenomenon of search in the New Zealand labour market but that its contribution to the rise in unemployment since the mid 1970s is negligible.

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