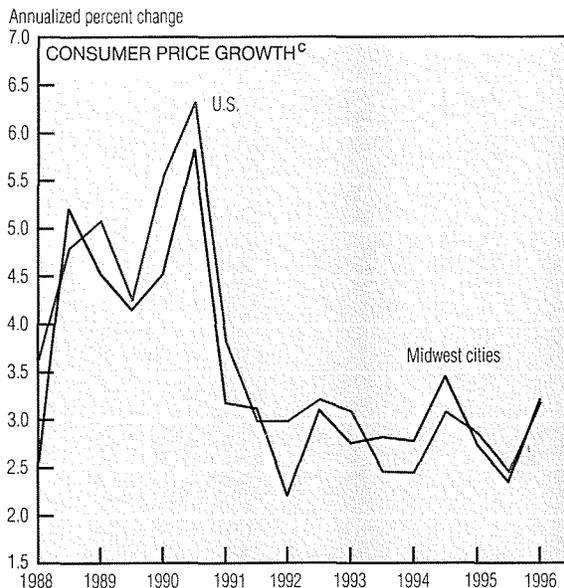


**Selected Statistics for Midwest and U.S. Economies<sup>b</sup>**

	Midwest	U.S.
Population (thousands)	61,394	260,341
Manufacturing output (\$ billions)	940.4	3,003.5
GDP (\$ billions)	1,374.5	6,244.4
Percent of population holding a bachelor's degree	11.4	12.3



a. Seasonally adjusted.  
 b. Population data are for 1994; manufacturing output (measured in value of shipments) and GDP data are for 1992; and educational attainment data are for 1990.  
 c. All data are semiannual.  
 d. All data are third quarter over third quarter.  
 SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; and U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

Some policymakers view the concept of NAIRU, the non-accelerating inflation rate of unemployment, as consistent with an equilibrium unemployment rate. Although it is often associated with full employment, the NAIRU is not zero because even in equilibrium, an adjusting economy experiences some unemployment due to natural turnover and job-seeking.

Certain economists feel that any unemployment rate above (below) the NAIRU portends an inflation decrease (increase). Unfortunately, the

NAIRU is not measured directly, but must be inferred from past price and unemployment data, so there is considerable uncertainty about the rate's value at any given time. Some economists have begun to suggest that the U.S. rate has fallen from 6% to 5.5%, with significant implications for current policy.

One way to gain a clearer picture of the NAIRU is by examining regional evidence. For example, the Midwest's economy accounts for more than a quarter of all U.S. output. More important, its labor force

does not differ much from that of the nation as a whole. In recent years, midwestern unemployment rates have consistently been well below the U.S. average. However, the region's prices have risen at about the same average rate as the nation as a whole, as have its labor costs, which form the largest share of its business expenses. Thus, the Midwest evidence suggests that even if the NAIRU is a useful concept, the rate may be far lower than many observers believe.