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A cross-province comparison of Okun's coefficient for Canada

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Acknow

We thank Prof. David E. A. Giles for his helpful comments and suggestions.

Notes

The GNP gap is the difference between GNP and potential GNP while the unemployment rate gap is the difference between the unemployment rate and natural unemployment rate.

Okun's approach is a very novel way of getting around the problem of predicting potential GNP.

Prachowny used two main US data sets that have been used by several other authors. These are the Gordon data set (1947:1 – 1986:2) and the Adams and Coe data set (1965:1 – 1988:4). The main difference between the two data sets is that Gordon's output gap refers to GNP, while the Adams and Coe measure is for the nonfarm business sector (i.e. about 80% of GNP).

Some are actually as simple as just drawing a line linking the peaks of the series.

Moosa (1997) used annual 1995 GDP (measured in 1985 prices) data covering the period 1960–1995 to estimate Okun's coefficient values for the G7 countries. No unit root test results were reported.

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