

With regard to reducing structural unemployment, the crucial element in the flexicurity model has been the tightening up in recent decades of the rules for unemployment benefit and availability for work.¹⁴⁶

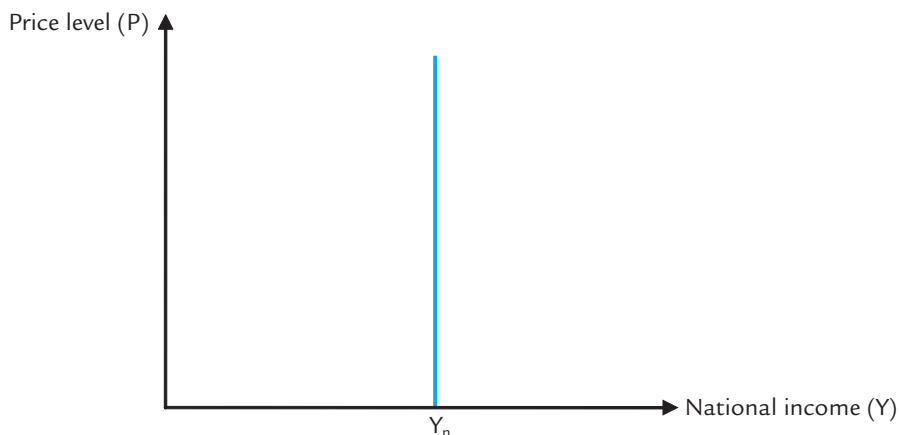
16.3 The long-run aggregate supply curve (LRAS curve)

This book makes use of several analytical tools. One of them is the AD-AS model, which shows the relationship between national income and price level. The AD curve shows aggregate demand, while the AS curve shows aggregate supply.

This chapter has shown that **potential** national income depends solely on the volume of capital equipment, structural employment and total factor productivity. As such, **potential** national income is independent of price level.

The **potential** national income is shown in Figure 16.10 as a vertical line, where Y_n denotes the **potential** national income. This vertical line is also called the long-run aggregate supply (LRAS) curve.

Figure 16.10 *The long run aggregate supply (LRAS) curve*



The greater the **potential** national income, the further to the right the LRAS curve. The purpose of structural policy, therefore, is to move the LRAS curve to the right.

146 See Andersen and Rasmussen, 2011, for example.