

Handout for January 2018 Newsletter Unemployment Rates in FRED®

Purpose.

1. Create a plot of the civilian unemployment rate and the natural rate of unemployment.
2. Change the graph's date range to show unemployment rates since December 2008.
3. Describe and discuss highlights and patterns in the evolution of the unemployment rate over time.

Pedagogical Rationale. This assignment requires that you first search for data online, select a specific series, and plot it into a graph. Next, you will change the date range in the graph and add a second line to it. Lastly, you will describe and discuss highlights and patterns in the evolution of the data series. These tasks will develop your proficiency in searching for, transforming, and interpreting data.

Grading. Your grade will be determined by (a) how precisely you complete the search and manipulation data tasks and (b) how accurately you interpret the data.

Steps to Search for and Manipulate the Data.

1. Access <https://fred.stlouisfed.org/> and search for “Civilian Unemployment Rate (UNRATE).”
2. Select “Percent, Monthly, Seasonally Adjusted” by clicking on the box to the left of the series name.
3. Plot the data series by clicking on “Add to Graph.”
4. Type “2008-12-01” as the start date and “2018-01-01” as the end date in the boxes above the graph to limit the data range to the years since the start of the “Great Recession.”
5. Click on the “EDIT GRAPH” orange button and select the “ADD LINE” tab.
6. Search for “Natural Rate of Unemployment (Long-Term) (NROU).”
7. Select “Quarterly, Seasonally Adjusted” and click on “Add data series.”

Writing Prompts. Answer the following questions:

1. When was the civilian unemployment rate at its highest value? Was the U.S. economy in recession or in expansion?
2. When was the natural rate of unemployment at its highest value? Was the U.S. economy in recession or in expansion?
3. Consider the evolution of both unemployment rates over the past eight years. Is one more stable in value than the other?
4. Briefly describe the concepts of *unemployment gap* and *full employment*. Explain what a positive or a negative *unemployment gap* says about labor markets being below or above *full employment*.