

Handout for March 2021 Newsletter
The Economics of the Minimum Wage in FRED®

Purpose.

1. Create a plot of minimum wage values.
2. Add a line and customize the units of the series.
3. Describe and discuss patterns in the evolution of minimum wage values over time.

Pedagogical Rationale. This assignment requires that you first look for data and plot them into a graph. Next, you will change the units of the data. Lastly, you will describe and discuss 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 transformation data tasks and (b) how accurately you interpret the data.

Steps to Search for and Transform the Data.

1. Access <https://fred.stlouisfed.org/> and search for “Federal Minimum Hourly Wage for Nonfarm Workers for the United States.”
2. Select “Dollars per Hour, Monthly, Not Seasonally Adjusted.”
3. Click on EDIT GRAPH and select ADD LINE.
4. Search for “Federal Minimum Hourly Wage for Nonfarm Workers for the United States, Dollars per Hour, Monthly, Not Seasonally Adjusted.” and click on “Add.”
5. Click on EDIT LINE and select EDIT LINE 2
6. Customize data by searching for “Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, Index 1982-1984=100, Monthly, Seasonally Adjusted (CPIAUCSL)” and click on “Add.”
7. Customize the data by typing the formula “(a/b)*100” and click on “Apply.”
8. Change the date range of the graph to start at “1984-01-01” and end at “2021-01-01.”

Writing Prompts. Answer the following questions:

1. Compare the value of the nominal minimum wage (in blue) to the value of the inflation-adjusted, or real, minimum wage (in red). As of January 2021, which one is higher?
2. Compare the values of the nominal and real minimum wages. Between 1984 and 2021, has the real value ever been higher than the nominal value?
3. Because Congress periodically revises the value of the nominal minimum wage, the blue line shoots up at those times. Between 1984 and 2021, what was the largest single increase in the value of the minimum wage? When did that take place?
4. Compare the values of the nominal and real minimum wages between September 1997 and July 2007. How did the value of the real minimum wage change while the nominal minimum wage was kept constant and the cost of living increased?