

Chapter 8 Project

Unemployment

Purpose

In this chapter, you have learned about how the unemployment rate is calculated, how various individuals in the U.S. population are classified with regard to labor market statistics, and the relationship between unemployment and real GDP. You have also identified the types of unemployment that exist in the economy and reviewed data related to changes in the unemployment rate over the decades.

The purpose of this project is to apply the process used to classify individuals within the labor market and to identify types of unemployment, along with historical changes in the unemployment rate.

Directions

This project has two parts. First, you will work on your own to apply the process used by the Bureau of Labor Statistics to provide the unemployment rate. You will also research historical changes in the unemployment rate, making a connection to potential GDP.

In the second part, you will work with a classmate to consider the accuracy of the unemployment rate and to make distinctions between the types of unemployment.

Part 1 - Current Population Survey and Changes in Unemployment

Provide at least three examples of a U.S. citizen age 16 or above that would be considered out of the U.S. labor force.

Evaluate the validity of the following statement:

As the United States population continues to grow, it should be expected that the unemployment rate will rise.

To what extent should the U.S. government attempt to completely eliminate frictional unemployment?

Assume that the natural unemployment rate is 5%. Use FRED data (hawkes.biz/fredunemploy) and provide specific years from each of the past five decades when the economy operated at its potential GDP, below its potential GDP, and above its potential GDP (if applicable). Include the unemployment rate for each of the three years selected from each of the five decades.

Part 2 - Debating the Accuracy of the Unemployment Rate and Distinguishing Among the Types of Unemployment

Work with a classmate to complete the following task.

After reading about the process used by the Bureau of Labor Statistics to calculate the unemployment rate, consider potential arguments related to the accuracy of the unemployment rate. One student will defend “Position A” while the other will defend “Position B.” When defending the position, the student should explain which classification of employment the position benefits. Each student will then evaluate the validity of the other student’s argument. Be sure to share the results with your instructor.

1. (Student 1) Position A:

The unemployment rate must be understated each month because:

2. (Student 2) Evaluation of arguments presented for Position A:

(Student 2) Position B:

The unemployment rate must be overstated each month because:

3. (Student 1) Evaluation of arguments presented for Position B:

Describe several scenarios where a worker becomes frictionally, structurally, and cyclically unemployed. Share your scenarios with a classmate, who will examine their accuracy.

For your classmate's answers, explain why each scenario is accurate or inaccurate. Share each scenario and your feedback with your classmate and instructor. Be sure to include your classmate's name in the submission to your instructor.

Checklist

Part 1

- List three examples of someone out of the labor force.
- Answer the critical thinking questions.
- Research and evaluate past unemployment rates.

Part 2

- Create an argument for your position on unemployment.
- Evaluate a classmate's position.
- Describe three types of unemployment.
- Evaluate a classmate's scenarios.