Activity 13: The Phillips Curve

This activity focuses on inflation and unemployment, and you will use FRED® to find data that pertain to them. FRED® is a great and simple tool for finding, viewing, and transforming official data.

1. Go to https://fred.stlouisfed.org/ and sign in to your personal FRED® account.

2. In the search bar, type in "CPI." One of the first few results should be **Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, Index 1982-1984 = 100, Monthly, Seasonally Adjusted**. Click on this.

3. Look at the upper right of the screen for the orange EDIT GRAPH button. Click it and make sure the EDIT LINE 1 tab is highlighted. In the **Units** box, change the units to **Percent Change from Year Ago**.

4. In the EDIT GRAPH panel, make sure the ADD LINE tab is highlighted. In the search bar, type in "civilian unemployment rate." One of the first few options should be **Unemployment Rate, Monthly, Percent, Seasonally Adjusted**. Click on this, and then click the Add data series button. Now click the EDIT LINES tab and change the units to **Percent** (not Percent Change from Year Ago).

5. Now, adjust the left and right buttons of the slider bar below the x-axis so that you can see the 2001 and 2007-2009 recessions (i.e., set the plot area to show November 2001 to November 2019). Next, click inside the gray slider area (between the two buttons) and move the viewer back and forth across the dates, paying attention for any patterns between the inflation rate and unemployment. Do you observe any patterns?

6. Moving the same size viewing window across the dates again, pay attention to the inflation rate and unemployment during the recessions (the gray bars). What pattern do you notice?

7. How pronounced is this pattern?

8. Does the pattern hold in every recession?

9. Does this pattern ever reverse itself?

10. Save the graph to your FRED® account: Find the **Account Tools** button under the graph and click it. Select **Save Graph**. Select an **Observation Range**. The middle choice—**Always chart from YYYY-00-00 to the last value available**—will ensure that your graph updates whenever new data are added to the series. Type in a title and click **Save Graph**. You may create a **Category** folder first, if you wish, and save the graph in the folder.

11. Dashboard option: Finish by adding the completed graph to your FRED® dashboard. Click the **Account Tools** button under the graph and select **Add to Dashboard**. Select your dashboard and in the **Graph Name** box, type "Activity 13-Phillips Curve." Select an **Observation Range**. Click **Add to Dashboard**. For additional instructions, see Activity 1.