

## Essay 2: The Natural Rate of Unemployment

1. (2 paragraphs) Has the U.S. economy achieved approximate full employment yet? Explain how we define *full employment* and how you can tell whether or not that goal has been achieved. Use appropriate data to support your answer (see below). Be sure to cite the sources of your data in your essay.
  - a. Use the Federal Reserve Bank of St. Louis' estimate of the *Natural Rate of Unemployment* (short-term) at <http://research.stlouisfed.org/fred2/series/NROUST>  
Drag your cursor across the graph to find the estimate of the natural rate of unemployment for the first quarter of 2017 (2017 Q1). (The graph shows estimates of the natural rate from 1950 to 2024).
  - b. Use the Bureau of Labor Statistics website (bls.gov) to find the most recent estimate of the *actual* unemployment rate.
2. (1 paragraph) Read the Introduction (the first three pages of the pdf) of the article “A Search and Matching Approach to Labor Markets: Did the Natural Rate of Unemployment Rise?” by Mary C. Daly, Bart Hobijn, Aysegul Sahin, and Robert G. Vallet. How do the authors explain the increase in the Natural Rate of Unemployment during and after the financial crisis (from 2007 to 2012)?

### Grading Rubric

The table below shows the criteria your essay will be judged against. I expect about three paragraphs, double-spaced. Your essay will be assessed as either ‘Meets expectations’ or ‘Needs improvement’ on each of the five criteria in the table below. If your essay meets expectations on 3 of the 5 criteria, your score will be 60%; 2 out of 5 criteria met will result in a score of 40%, etc.

**After receiving feedback from NetTutor, you have a week to revise and re-submit the essay to NetTutor for another try**, but you only get one second chance on each essay. If you don't get an acceptable score, even after revising and resubmitting your essay, you can still rescue your grade by doing well on the next two essays. I will take the average of your three highest essay scores to compute your essay average.

5 Criteria	Needs Improvement	Meets Expectations
<b>Writing</b>	The writing is difficult to follow and/or poorly organized. Transition sentences are absent or ineffective. Typos and/or grammatical errors distract the reader.	Ideas are well-organized. Transition sentences effectively connect one idea to the next. The essay is free of typos and grammatical errors.
<b>Application of economic analysis</b>	The definition of the term <i>full employment</i> is vague, incomplete, or incorrect.	The definition of the term <i>full employment</i> is thorough and correct.
	The student draws the wrong conclusion from her comparison of the actual and natural rates of unemployment.	The student draws the correct conclusion from her comparison of the actual and natural rates of unemployment.
	The student does not identify the reasons for the changes in the natural rate of unemployment from 2007 to 2012, or does so incompletely or incorrectly.	The student discusses the reasons for the changes in the natural rate of unemployment from 2007 to 2012 completely and correctly.
<b>Analysis of data</b>	The student inaccurately reports the natural rate of unemployment and/or the actual rate of unemployment, or does not cite the source of the data.	The student accurately reports the natural rate of unemployment and the actual rate of unemployment and cites the source for both.