


$$(16/154)*100 = 10.4\%$$

1M give up
looking for
work



Employed

138M

$$\text{Labor Force} = 138 + 16 = 154$$



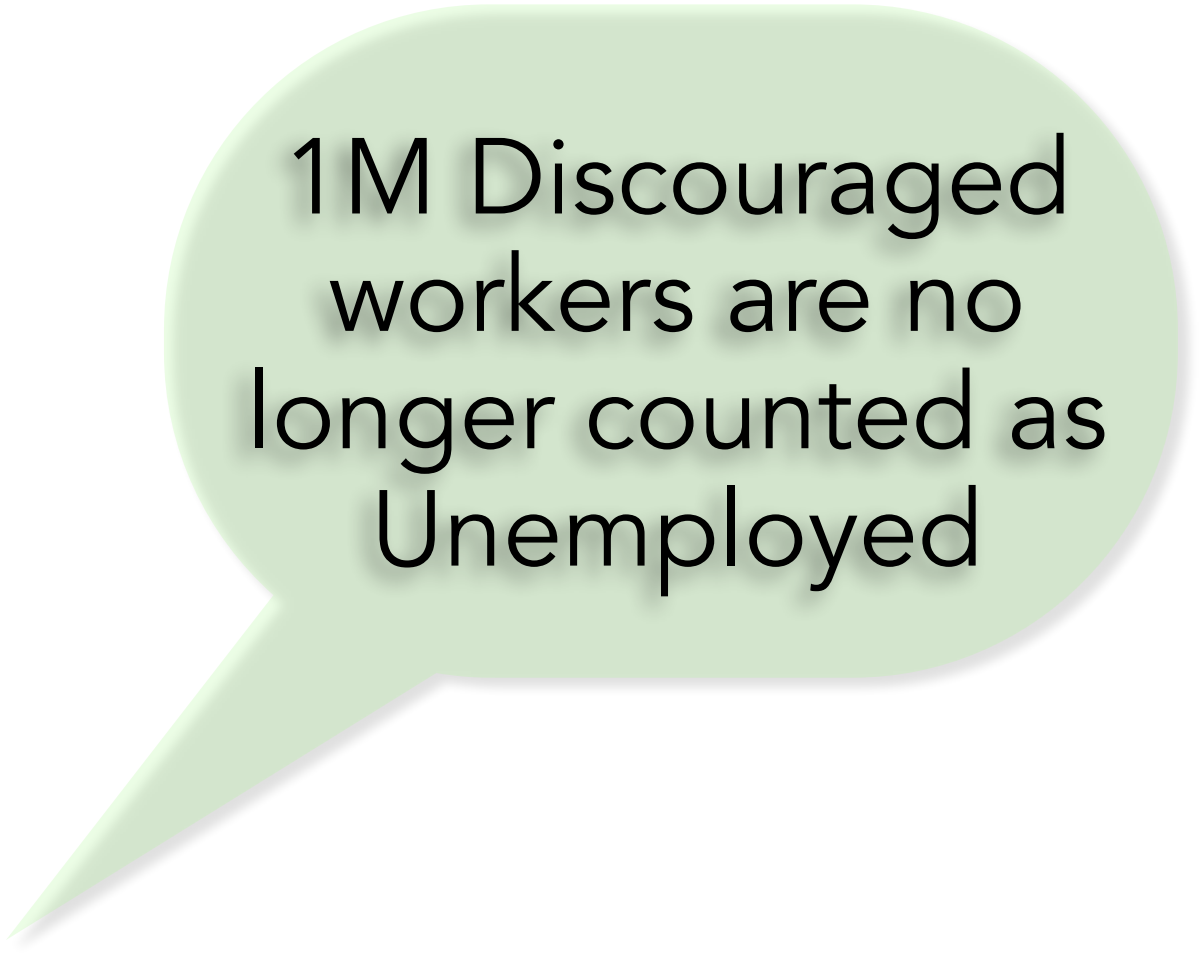
Unemployed

16M



New Unemployed

15M



1M Discouraged
workers are no
longer counted as
Unemployed



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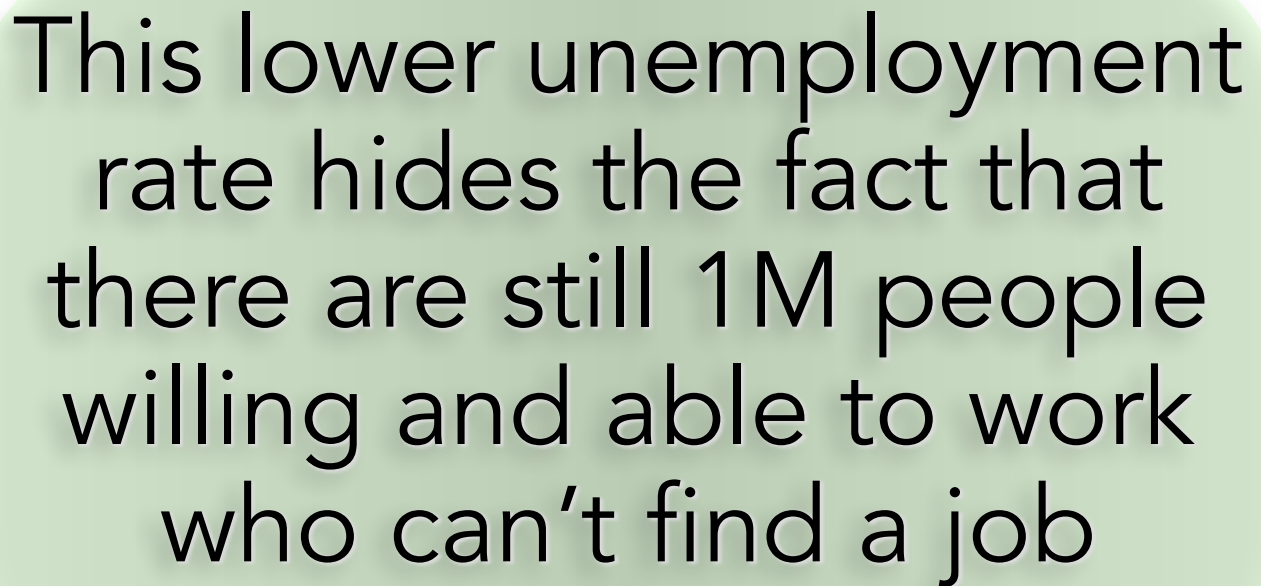


Urate =

$$\text{New Labor Force} = 138 + 15 = 153$$

New $U_r =$

$$(15/153)*100 \equiv 9.8\%$$



This lower unemployment rate hides the fact that there are still 1M people willing and able to work who can't find a job

When 1M people lose all hope of finding a job, the

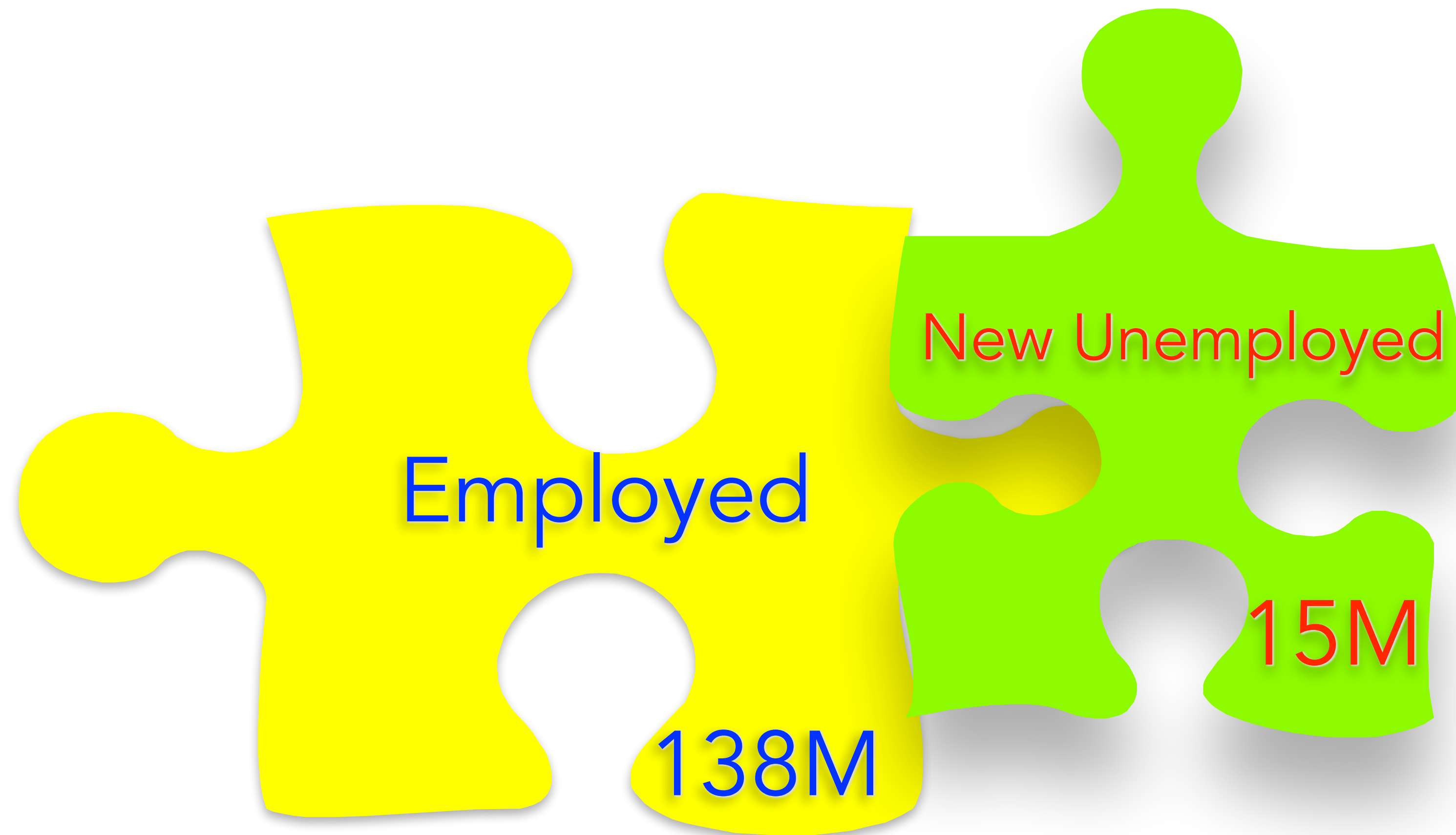
unemployment rate **drops!**

Labor Force = 138 + 16 = 154

New Labor Force = 138 + 15 = 153

$$U_{\text{rate}} = (16 / 154) * 100 = 10.4\%$$

$$\text{New } U_r = (15 / 153) * 100 = 9.8\%$$



This lower unemployment rate hides the fact that there are still 1M people willing and able to work who can't find a job

1M Discouraged workers are no longer counted as Unemployed

1M give up looking for work

When 1M people lose all hope of finding a job, the unemployment rate **drops!**