ECN 207, first data exercise

[Mac users: depending on how your pointing device is configured, "right-click" below may translate to "Ctrl-click."]

Start gretl and click the "gretl database" button (the one with a disk drive icon) in the toolbar at the foot of the main window. (Please note, not the "open dataset" one; it has a folder icon.)

Double-click on the fedstl database to open it.

Find the series titled gdpc1 (note that there's a search box at the top right of the database window). Now import this series into gretl's workspace. There are three ways of doing this: right-click on the series and select "Import", or use the "+" button in the toolbar at the top, or drag-and-drop into the gretl main window.

Do the same for the series titled gdppot. This is an estimate of "potential GDP"—that is, the real GDP the economy could produce if all resources were reasonably fully employed.

You can now close the database window. In the main window you have real GDP, in billions of chained 2012 dollars, and an estimate of potential GDP in the same units.

First let's limit the sample range to relatively recent data: from the Sample menu, select "Set range" and set the start to 2000:1 (that is, the first quarter of the year 2000). Click OK.

Now select the two series in the main window, right-click, and from the popup menu select "Time series plot"; choose the option "on a single graph." (Alternatively you may go to the View menu, select Graph specified vars and Time series plot.)

Right click in the graph window and select the "Edit" item (or use the "Edit" button on the graph-window toolbar). When the "plot controls" window appears, check the box labeled "show bars" to add bars representing periods of recession as defined by the NBER (National Bureau of Economic Research), and click OK.

Note that when you move the mouse over the data area of the graph you get a read-out of the date and the y-axis value at the bottom left of the window.

According to the NBER, when did the last recession begin and end?

Looking at the graph, why do you suppose many people felt that the "recession" lasted much longer than the NBER stated?

Please put your graph plus your answers to the questions into a word-processor document and bring a printed copy to class.