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Deflation

This huge surge in unemployment is due to a negative shock in the demand for labor. The main way the coronavirus is being handled is with quarantine and shelter-in-place orders. What this does is essentially kill any nonessential business's chance at making money because they themselves are closed and the customers they have are not supposed to go out. In a way, you could say this is dropping the MPN of a worker to 0 or near 0 because they can't work and to compensate for this business are laying off people because they are getting nothing from having them hired. Thus, the demand for labor has dropped because businesses do not see any value in getting more employees or having current employees. Also, this is a negative shock to the demand of nonessential goods and services because people cannot obtain these goods or use these services but it is possible that there is a positive demand shock on essentials as we have seen with the noise about toilet paper. While the supply of workers is decreasing due to deaths from coronavirus this change in supply is minimal in comparison to the loss of business that is caused by closure of nonessential businesses.

Seeing the 5-Year Forward Inflation Expectations makes me believe this is a demand shock because looking at 2008-2009 you can see the downward spike caused

by the Great Recession which was a negative demand shock to the demand of goods and also a negative shock to the demand of labor.