

Macro Roundup Article

Headline: [Discombobulation, Recombobulation and Disinflation](#)

Article Link: <https://www.nytimes.com/2023/07/21/opinion/inflation-federal-reserve.html>

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Publication	Krugman Wonks Out
Publication Date	July 24, 2023

Tweet: [.@paulkrugman argues deflation to this point has been driven by "recombobulation," or the fading of pandemic-related shocks, not tighter monetary policy.](#)

Summary: Normally there is a fairly close inverse relationship between unemployment and quits, a quit-rate version of the famous Beveridge Curve linking unemployment to vacancies. During the pandemic and its aftermath, however, quits were much higher than the normal relationship to the unemployment rate would have predicted, presumably reflecting the dislocation of labor markets in a time of wild and crazy changes. Here too we see recombobulation, with the relationship of quits to unemployment moving back toward the historical norm, which is probably the main reason wage growth appears to be slowing. Stories about recombobulation — the fading away of pandemic-era distortions — driving disinflation are clearly supported by the data. Claims that Fed tightening drove it are sketchier and much more speculative. Which is not to say that the Fed was wrong to raise rates.

Related Articles: [When Should We Declare Victory Over Inflation?](#) and [The Second Great Experiment Update and Fiscal Arithmetic and the Global Inflation Outlook](#)

Primary Topic: Inflation

Topics: GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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