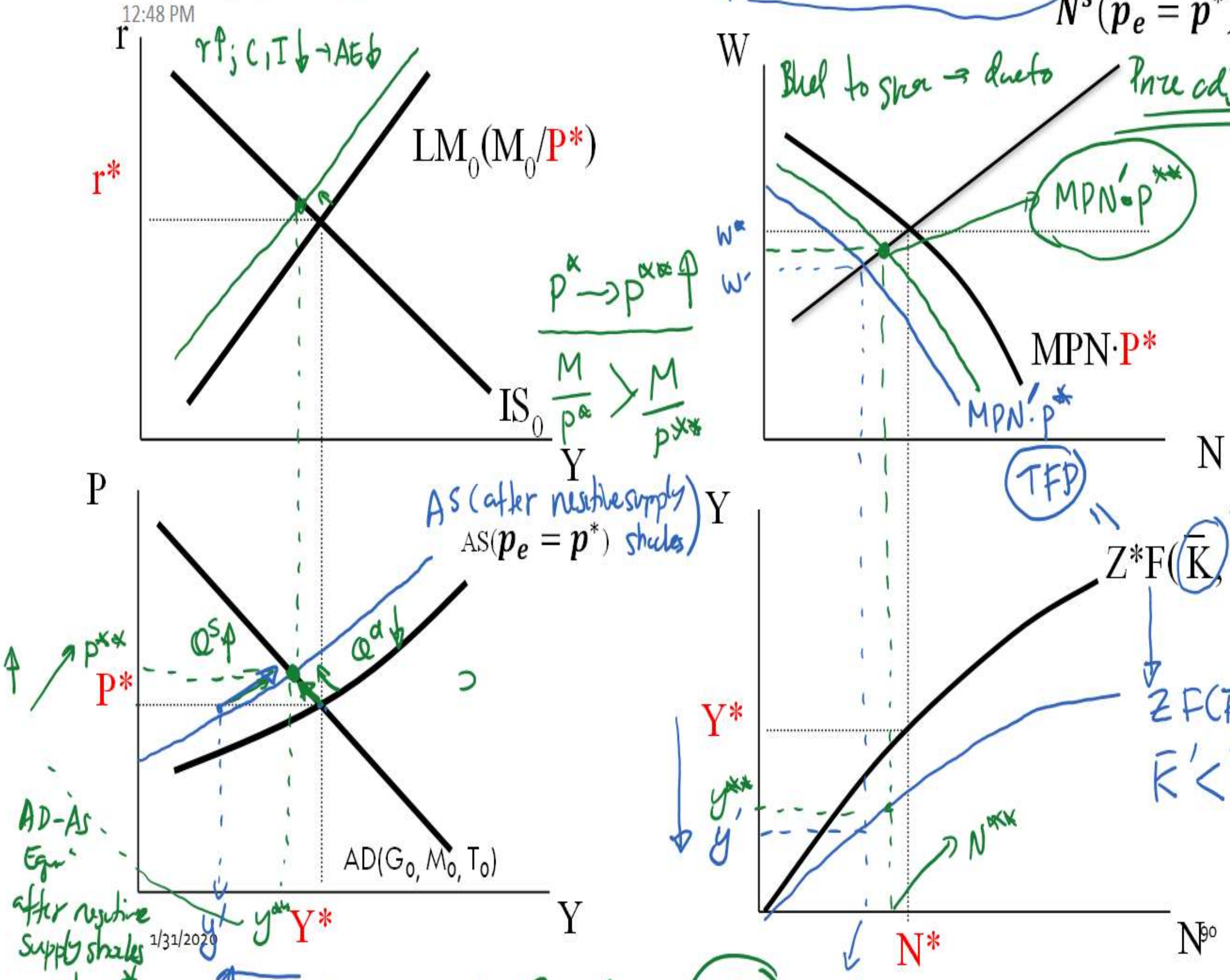
"Negative Supply shocks" ⇒ e.g. (Capital gets destroyed) (b/c Natural disaster.)

Wednesday, February 5, 2020 6:28 PM

Friday, January 31, 2020 12:48 PM



• Direct Effect ⇒ reduce Production Capacity of firms

⇒ Say; Ppl getting hired less (why??)

"Labor Demand" ⇒ MPN ↓

VMP ↓ ← { B/C of Negative Supply Shocks.

↳ Labor demand will decrease!

at p* ⇒ "AS drops ; AD fixed ⇒ ED

↳ Market Price adjustive ⇒ "Price is rising"

$\hat{P}$↑ → P^{**} ⇒ VMP will slightly increase.

$P \uparrow \rightarrow P \Rightarrow$ VMP will slightly increase.

↳ Market Price ~~adj~~ adjusting $\Rightarrow$ "Price is rising"