

Macro Roundup Article

Headline: [The Unresolved Tension Between Prices and Incomes](#)

Article Link: <https://theovershoot.co/p/the-unresolved-tension-between-prices>

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Tweet: [@M_C_Klein](#) argues that current per-worker income growth of ~5% a year is inconsistent with ~2% inflation.

Summary: It remains extremely difficult for me to reconcile persistent per-worker income growth of ~5% a year with any credible forecast of ~2% inflation. Just as investors and policymakers were right to look through the “transitory” inflation of 2021-2022, they should also strip out the “transitory” disinflation of 2022-2023 to get a handle on where such pressures will settle in the years ahead. Since inflation is just the difference between changes in nominal spending and real production, that means focusing on wage trends: the largest and most reliable source of financing for consumer spending... This explains Fed officials’ continued focus on “softening” the job market via higher interest rates. That presents a risk that interest rates may not come down as quickly as implied by market prices, which in turn could affect other asset valuations. Related: The Case for “Higher for Longer”: Prices are Disinflation, But Not Wages (Yet) and What Have We Learned About the Neutral Rate? and Rate Cuts

Primary Topic: Inflation

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

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