

Macro Roundup Article

Headline: [Why Is US Inflation Falling?](#)

Article Link: <https://www.project-syndicate.org/commentary/declining-us-inflation-low-unemployment-economic-models-by-jason-furman-2023-08>

Author(s)	Jason Furman
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Tweet: [.@jasonfurman](#) argues that underlying inflation has fallen from 4-4.5% to 3-3.5% over the past year, driven by the fading of idiosyncratic pandemic-related factors, though a decline in labor market tightness is also contributing.

Summary: Underlying inflation has fallen by only about one pp – much less than the six pp decline in headline inflation. Moreover, this has happened while labor markets – understood broadly – have loosened considerably, although in a relatively benign manner, with job openings falling instead of unemployment rising. It is not clear how much further this cost-free disinflation can go. And, in fact, today many of the temporary factors appear to be mitigating inflation rather than fueling it. If inflation does painlessly fall to 2%, we should celebrate – and engage in more serious soul-searching regarding the standard economic models. But if it does not, the US Federal Reserve will need to be prepared to go further to bring inflation down to an acceptable range. Related: The Case for "Higher for Longer": Prices are Disinflation, But Not Wages (Yet) and What We've Learned About Inflation

Primary Topic: Inflation

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

Permalink: <https://www.edwardconard.com/macro-roundup/jasonfurman-argues-that-underlying-inflation-has-fallen-from-4-4-5-to-3-3-5-over-the-past-year-driven-by-the-fading-of-idiosyncratic-pandemic-related-factors-though-a-decline-in-labor-market-tight?view=detail>

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