

Macro Roundup Article

Headline: [The Real Risk of Higher Inflation Is Lower Wages](#)

Article Link: <https://www.bloomberg.com/opinion/articles/2022-12-13/higher-inflation-target-could-bring-lower-wages?sref=U3dOGIDF>

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Tweet: Citing the fall in labor force participation and anecdotes of "quiet quitting," @tylercowen worries that letting inflation run at higher rates and driving down real wages will shrink the labor force and decrease productivity. @bloomberg

Summary: There is a widespread labor shortage, as evidenced by the "Help Wanted" signs everywhere, yet there are also falling after-inflation wages. We economists cannot fully explain these circumstances. But they may suggest that employers simply are not willing to agree to higher wages, perhaps due to business uncertainty. And if a labor shortage won't push them to increase real wages, perhaps a higher rate of inflation won't either. In short, one of the main effects of a permanently higher inflation target may be lower real wages. A lot of workers may not be too happy with their situation. There remains a risk that these workers, in lieu of bargaining for higher wages, will quit the labor force entirely, or perhaps just further disengage from their jobs.

Primary Topic: Inflation

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

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