

Macro Roundup Article

Headline: [The Case for "Higher for Longer": Prices are Disinflation, But Not Wages \(Yet\)](#)

Article Link: <https://theovershoot.co/p/the-case-for-higher-for-longer-prices>

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Tweet: [.@M_C_Klein](#) notes strong nominal wage growth and increased demand for investment aren't consistent with a deflationary process and notes the "neutral" rate of interest may have risen relative to pre-pandemic levels.

Summary: The overall picture is that occupations where pay rose the fastest in 2021-2022 have since seen pay growth normalize, while jobs in the rest of the economy are still experiencing persistently faster pay growth. There has been some deceleration relative to the peak at the beginning of 2022, but it has been very modest. One good reason to think that the "neutral" policy rate has gone up is that the post-2000 investment drought is finally ending thanks in no small part to the U.S. government's subsidies. In this environment, short-term interest rates of 5.5%—which is what the U.S. endured in the second half of the 1990s without problems when inflation was slower—do not seem particularly high. If that is correct, then 4% yields on 10-year Treasury notes could be too low, which could also have implications for the appropriate discount rates for stocks. Related: [What Have We Learned About the Neutral Rate?](#)

Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Inflation, Op-Ed/Blog Post, Weekly

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