

Macro Roundup Article

Headline: [Wages Are Rising Faster than We Thought](#)

Article Link: <https://theovershoot.co/p/wages-are-rising-faster-than-we-thought>

Author(s)	Matt Klein
Publication	The Overshoot
Publication Date	February 05, 2024

Tweet: [@M_C_Klein](#) argues “wages are rising about 2-3pp faster than in the pre-pandemic period. The apparent steady state of ~5% yearly wage growth does not have to be inflationary.”

Summary: Core wage growth is now running slightly faster than it was in the late 1990s and in 2005-2007. Put another way, wages are rising about 2-3pp faster than in the pre-pandemic period. The apparent steady state of ~5% yearly wage growth does not have to be inflationary. If workers save more, they would (partly) break the link between wages and spending, which would relieve some of the pressure on businesses to ration finite quantities via higher prices. And if businesses can ramp up output sufficiently to meet demand through productivity gains, inflation would be muted relative to spending growth. There are reasons to be optimistic about both factors, but it is too early (for me) to have much confidence about how this will play out. Related: [The Labor Market Is Primed For a Soft Landing and Is Post-Pandemic Wage Growth Fueling Inflation?](#) and [Are You Better Off Than You Were Four Years Ago?](#)

Primary Topic: Wages/Income

Topics: Op-Ed/Blog Post, Wages/Income, Weekly, Workforce

Permalink: https://www.edwardconard.com/macro-roundup/m_c_klein-argues-wages-are-rising-about-2-3pp-faster-than-in-the-pre-pandemic-period-the-apparent-steady-state-of-5-yearly-wage-growth-does-not-have-to-be-inflationary?view=detail

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2024/02/New-Normal-Klein-.png>