

Macro Roundup Article

Headline: [The US Economy Is Benefiting From The Higher-Pressure Effect](#)

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Summary: Janet Yellen pondered in 2016 whether a “high-pressure economy” could prompt more labour force engagement, business investment, research and development, and generally greater dynamism — a sort of reverse hysteresis. The combination of the pandemic and the policy failures in the aftermath of the financial crisis effectively led the US to run the experiment of running a high-pressure economy. The results are increasingly supportive of Yellen’s reverse hysteresis hypothesis. Pandemic frictions and generous policy support initially contributed to spiking global inflation and a hard turn towards restrictive monetary policy. But as inflation cools towards central bank targets, we have seen a stunning degree of economic and labour market resilience. Bond markets have been understandably nervous with budget deficits in the US projected at 6% of GDP for the foreseeable future.

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Primary Topic: Business Cycle

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

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