

Macro Roundup Article

Headline: “Soft Landing”? More Like “No Landing”

Article Link: <https://theovershoot.co/p/soft-landing-more-like-no-landing>

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Tweet: .@M_C_Klein notes that, relative to pre-pandemic, there are more Americans in higher wage jobs and fewer in lower paid jobs. This helps explain strong wage growth, but “the puzzle is why productivity has not increased commensurately.”

Summary: In theory, the shifting mix of employment towards higher-value jobs and industries should be supporting more production and help attenuate the link between aggregate pay growth and inflation. But that has not happened yet, even if overall productivity growth remains broadly on trend, despite the volatility attributable to the pandemic. The net result is that the U.S. economy is growing briskly, adding millions of jobs, and producing more goods and services—but with persistently faster inflation (about 1-2pp) than recent generations are used to. That could be a sustainable outcome, if Fed officials are willing to tolerate it, but it is probably not sustainable with the set of interest rates and asset price multiples we became accustomed to in the 2010s.

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Primary Topic: High vs Low Skill

Topics: Factoid, GDP, High vs Low Skill, Inflation, Op-Ed/Blog Post, Productivity, Quote, Wages/Income, Workforce, Workforce Reorganization

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