



Wage Growth Is Intertwined with the Fed's Dual Mandate

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Wage growth matters to the Fed. Wages and broader labor costs are crucial to both components of the central bank's dual mandate: price stability and maximum employment. And, of course, healthy wages are critical to the well-being of Americans.

Wage growth is a significant component of broader inflation. So perhaps not surprisingly, given lagging wages, most readings of inflation remained well below the Fed's goal of 2 percent throughout 2014. Fed policymakers seek signs of upward pressure on wages, and in turn wider inflation, to help them decide when to begin raising the federal funds rate.

As Atlanta Fed President Dennis Lockhart [pointed out in a July 2014 speech](#), wage pressures would constitute important evidence that the nation is progressing toward full employment and moving closer to the Federal Open Market Committee's inflation target of 2 percent.