

Macro Roundup Article

Headline: [Why Do We Dislike Inflation?](#)

Article

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Tweet: New survey research shows that people dislike inflation because they believe that it is associated with declining real wages and falling living standards. @S_Stantcheva building on @RobertJShiller

Summary: Figure 13 summarizes the key findings from closed-ended questions related to wage impacts [of inflation]. People systematically think that prices rise faster than wages (80% of all respondents). In reality, real weekly earnings for the median worker grew 1.7% between 2019 and 2023, and real weekly earnings by around 0.8% in the year preceding the survey (The Purchasing Power of American Households, U.S. Department of the Treasury). Around 40% of respondents think that if inflation had been lower, their (nominal) income would be higher. In addition, one-third of respondents say that their job satisfaction would be lower if their wage increased just as much as prices. Respondents are asked how long it would take for their wage to catch up if inflation doubled. Half of the sample believes it will take more than one year for their wage to catch up if inflation doubled. These numbers are much lower than those in Shiller (1997) for the '90s, where more than 80% of respondents thought it would take "several years" for their wage to adjust or that it would "never" adjust.

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Primary Topic: Business Cycle

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