



True Cost of Inflation: Arbitrary redistribution of income
from workers to employers

CPI = 200

CPI = 204

2009



2019

Inflation =

204

200



$\times 1000 = 2\%$

-2000

If your **Nominal** wage **stays the same** between 2009 and 2019

Real Wage = 60,000



200

x1000 = 30,000

Real Wage = 60,000

[REDACTED]

204

x1000 = 29,400

Your Real wage decrease

Nominal Wage = 60,000

Nominal Wage = 60,000

Individuals whose incomes do not increase when prices increase lose purchasing power

Employers who enjoyed sale prices rising while wages paid remain the same,
gain purchasing power

True Cost of Inflation: Arbitrary redistribution of income from workers to employers

CPI = 200

2009

CPI = 204

2019

$$\text{Nominal Wage} = 60,000 \quad \text{Inflation} = \frac{204 - 200}{200} \times 100 = 2\% \quad \text{Nominal Wage} = 60,000$$

If your Nominal wage stays the same between 2009 and 2019

$$\text{Real Wage} = \frac{60,000}{200} \times 100 = 30,000$$

$$\text{Real Wage} = \frac{60,000}{204} \times 100 = 29,400$$

Your Real wage decrease

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