Increase in productivity = 3%

Increase in Prices (Inflation = 2%)

Mistake #1: The "Robbery Coefficient"

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Suppose that ...

When in fact, they earned only 3% for increased productivity

Increase in wages = 3+2 = 5%

and they got an additional 2% to compensate them for inflation

With zero inflation, the wage increase would have been only 3%

← Compensation for my stellar performance

Compensation for rising prices to keep me from earning **less** in real terms

Mistake #1: The "Robbery Coefficient"

Increase in productivity = 3% ← Compensation for my stellar performance

Increase in Prices (Inflation = 2%) ← Compensation for rising prices to keep me from earning **less** in real terms

Increase in wages = 3+2 = 5%

Workers mistakenly believe they "earned" 5% and inflation "robbed" them of 2%"

When in fact, they earned only 3% for increased productivity

and they got an additional 2% to compensate them for inflation

With zero inflation, the wage increase would have been only 3%

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