

ABSTRACT

The fatal productivity norm

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The productivity norm is a widely accepted and unchallenged concept in Germany, even though high unemployment rates have prevailed over decades. This paper offers a critique of the productivity norm doctrine, which states that wages should be raised along with labor productivity. First, an analysis is made of how the discounted marginal value productivity (DMVP) determines factor prices. This essay will then show that a wage set by the productivity norm is not identical with the DMVP of the workers. This is so because discounting is neglected by the productivity norm. The productivity norm is centrally planned and it uses an average of productivity instead of individual productivity. Next, this critique examines the influence of the monetary realm upon the DMVP and the productivity norm. The relationship between prices and productivity is negative rather than positive. The consequences of applying the productivity norm in the form of involuntary unemployment and real income losses are discussed next. This essay then concludes with the hope that the fatal productivity norm will be dismissed in the future.