

Who are the typical winners and losers in an inflation and how does inflation mak...

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"Winners" and "losers" in inflation Inflation is referred to as an increase in price and a reduction in money purchasing power. Inflation helps people with large debts as it reduces the debt value. For example, anyone with a large and fixed-rate debt such as a mortgage will be a winner during the time of inflation since one will pay back with devalued dollars (Money Expert 5). A higher inflation rate will also benefit homeowners who purchased during the peak as it will bring equity. Auto-loan holders who acquired it before inflation will have an advantage when inflation is high since they will pay the debt with devalued dollars. Stockholders will benefit from a higher inflation as the factors that increase the price of goods also increases the values of companies (Money Expert 7). Also, as prices of products increase, owners of small businesses will be in a position to manage fixed-rate debt from investments in different business requirements.

Citizens who earn low incomes may find it tough during the times of inflation. Low-income earners tend to have their wealth in cash unlike the wealthy who invest in real and financial assets. Low-income earners face challenges because inflation affects the value of their primary asset, which is cash (Money Expert 9). When a country faces inflation, the value of money goes down, and people tend to spend often since they have to spend all the money in their possession. The people on fixed incomes will find it challenging when inflation is high; unanticipated inflation on fixed income earners will make their income go down. High inflation also affects the economy of a country since the consuming power of citizens goes down while the standard of living reduces (Miller 12).

Works Cited

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