

The effect of hyperinflation



The main effect of hyperinflation is that consumers struggle in buying what they need. The prices of goods rise continuously, so people do not have enough money to buy the items they would have been able to afford previously. This results in debt, which would be hard to pay off especially if prices continue to rise, or going without, which could cause health issues. There is also the temptation of theft; in desperation some people might be drawn to thievery to support their family.

Even for those few people whose salary kept pace with inflation, it was hard to buy the goods. They needed so much money to buy what they needed that they would physically struggle to transport the money to the shop. In some cases of hyperinflation, people had to transport money in wheelbarrows because they needed so many notes for even small items. An example of this was in Germany 1923, where a single loaf of bread eventually cost 200 billion marks.

Another result of prices rising all the time was that workers had to get paid twice a day to rush out and buy their goods before prices rose even more. Furthermore, this meant that wages never caught up with the ever-diminishing value of money, and were insufficient to cover the costs.

Another important effect of hyperinflation is that people in general struggled with growing shortages. When small items were equal to thousands, or even millions, of notes, foreign suppliers started refusing to accept the hyper-inflated currency. This meant that imports dried up and shortages of food and other goods got worse, for everyone.

In addition, savings, insurance policies and pensions became worthless. This mainly affected the middle class, particularly old age pensioners, and widows. For unemployed people relying on savings and pensions, this was devastating and caused many problems. On the other hand, this worked to the advantage of those in debt before the hyperinflation, who would now easily be able to pay them off as the sums involved became worthless.

Businesses were greatly affected by hyperinflation as well, for good and bad. Wealthy businessmen would benefit from hyperinflation because property was cheap and with smaller businesses struggling; the bigger, more successful businesses would take over the smaller ones at low cost. .

Unfortunately, it didn't help smaller businesses as much. They had to pay higher wages which they could not afford and had less buying power. They were also in risk of being bought out by the bigger businesses leaving them unemployed. Leading on from this, the workers would struggle too because when the smaller businesses got taken over, they would lose their jobs and then struggle to pay for goods, whilst unemployed. .

On some occasions, one result of hyperinflation was that the government printed more money. This made it better to start with, but ultimately made inflation worse and initiated another cycle. As the prices rose, more money was printed, causing prices to rise again.

In conclusion, the main effect of hyperinflation was that people struggled with buying what they needed, however there are many other effects that caused shortages and hardship: savings and debts becoming worthless, bigger businesses taking over the smaller ones, leading to unemployment,

and the government printing more money. There are lots of effects of hyperinflation, and although it benefited a few people, on the whole, it caused chaos and misery for the people.