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11/08
Educational Narrative

Inflation, a term frequently tossed around in economic discussions, holds profound implications for everyday consumers, significantly influencing their purchasing power and the overall cost of living. Understanding the multifaceted impact of inflation is not merely an academic pursuit but a critical exploration into the economic forces that shape our daily lives. As consumers navigate fluctuating prices, altered spending patterns, and the evolving landscape of financial stability, the question arises: "How does inflation affect everyday consumers?"

Researching this question unveils the intricate connections between inflation and the economic well-being of individuals and households. Delving into the effects of inflation provides insights into the shifting dynamics of purchasing power — the ability of consumers to buy goods and services with their income. Furthermore, exploring the implications on the cost of living unravels the intricate interplay between inflation, housing, transportation, healthcare, and other fundamental aspects of daily expenses. In essence, this research seeks to unravel the layers of inflation's influence, offering a comprehensive understanding of its repercussions on the economic realities faced by people from various walks of life.

As a critical topic, inflation research bridges the gap between economic theory and practical implications, fostering informed decision-making for both policymakers and consumers alike. Exploring this question allows researchers to uncover the nuanced ways in which inflation shapes financial landscapes, impacts savings, and shapes the economic opportunities available to individuals. In a world where economic stability is paramount, gaining insights into the effects of inflation empowers individuals to navigate the economic intricacies that define our contemporary society.

According to the article titled "Inflation and the U.S. Economy in 2022" by Afrouz Azadikhah Jahromi, Marius M. Mihai, and Tongyang Yang, published in the Journal of Financial Service Professionals in January 2023, inflation has significant implications for everyday consumers, affecting their purchasing power and cost of living. The authors highlight that persistent inflation, particularly the surge to 8.2 percent in September 2022, poses challenges to households as it erodes real income, impacting their standard of living. The article emphasizes that consumers become worse off when the price level grows faster than their income. The discussion on inflation inequality reveals that different demographic dimensions and income levels result in varying experiences of inflation among households. The authors note that low-income households are more adversely affected, allocating a higher share of their income to necessities, which tend to fluctuate more during economic uncertainties. The housing market, a major contributor to inflation, is explored, indicating that rising home prices directly impact household well-being and affordability. The text also delves into the labor market, suggesting that the current high inflation and low unemployment signal a potentially overheating economy. Overall, the article emphasizes the complex interplay of inflation on various aspects of consumers' lives and highlights the need for a balanced approach to address inflation challenges ("Inflation and the U.S. Economy in 2022," Jahromi, Mihai, Yang, 2023). The source, "Inflation and the U.S. Economy in 2022" by Afrouz Azadikhah Jahromi, Marius M. Mihai, and Tongyang Yang, holds substantial value in providing a comprehensive analysis of inflation's impact on various facets of the U.S. economy. The authors display a commendable effort in presenting key metrics, such as headline and core inflation, and thoroughly examining causes and effects. The inclusion of data, such as the surge to 8.2 percent in September 2022, adds credibility to their claims. The use of reputable sources, including the Bureau of Labor Statistics and the Bureau of Economic

Analysis, contributes to the trustworthiness of the information presented. The goal of the piece appears to be informative, targeting not only experts in economics but also the general public seeking a deeper understanding of the complexities surrounding inflation.

While the article successfully addresses major aspects of inflation, it could benefit from a more nuanced exploration of potential policy solutions or considerations for mitigating inflation's impact on different demographic groups. Additionally, the authors might delve further into the global context, considering how inflation in the U.S. interplays with international economic trends. Overall, I agree with the text's portrayal of inflation's multifaceted effects on consumers and its in-depth analysis of related economic indicators. This source significantly adds to my knowledge of the topic by providing a detailed overview of inflation measurement, causes, and consequences, enhancing my understanding of its implications for housing, labor, and financial markets. The scholarly genre of the source enhances its ability to convey complex economic concepts effectively.

A quote from the source that encapsulates its main point is: "Persistent growth in prices can hurt an economy as the standard of living of households largely depends on real income (income adjusted for inflation)" ("Inflation and the U.S. Economy in 2022," Jahromi, Mihai, Yang, 2023).

According to the YouTube video, "What is inflation and how does it affect you? | News glossary by [Guardian Australia, Aug 16, 2022](#), the speaker delves into the concept of inflation and its intricate effects on everyday consumers, emphasizing its role in both the rise of prices and the diminishing value of money. The speaker elucidates that inflation, often a complex and confusing phenomenon, manifests when prices increase, illustrating this with an example of lettuce costing more. Additionally, the speaker connects inflation to the declining purchasing power of money, referring to instances where individuals need wheelbarrows full of cash to buy

basic necessities. The explanation highlights the impact on consumers, as a comfortable weekly supermarket shop might double while incomes remain stagnant, potentially pushing people into poverty.

The speaker offers insights into the causes of inflation, mentioning scenarios such as increased government stimulus payments or geopolitical factors affecting supply levels. Furthermore, the speaker discusses the potential repercussions of inflation on wages, cost of living, and overall economic stability. A quote from the transcript encapsulates a key point: "...prices going up and the purchasing power of money going down are the same thing and they're both inflation." The information provided in the transcript offers a detailed exploration of inflation, connecting it to real-life examples and economic principles.

The YouTube video provides a valuable and accessible introduction to the complex concept of inflation, making it more understandable for a general audience. The speaker's use of relatable examples, such as the rising cost of lettuce and the impact on a weekly supermarket shop, enhances the accessibility of the content. The analogy of using wheelbarrows of cash to buy a loaf of bread in extreme scenarios effectively communicates the potential severity of inflation's consequences. The source seems trustworthy in conveying basic economic principles surrounding inflation, supported by clear explanations and illustrative examples.

The intended audience for this source seems to be the general public or students who may not have an in-depth understanding of economic concepts. The speaker employs a conversational tone and avoids overly technical language, making the content accessible to a broad audience. However, experts in economics might find the explanation somewhat oversimplified. While the

source effectively introduces the basics of inflation, it may benefit from delving deeper into specific economic mechanisms and historical examples. Personally, I agree with the source's general statements about inflation and its effects on purchasing power, as they align with basic economic principles. This source adds to my knowledge by providing a concise overview of inflation's impact on consumers, and its genre as a YouTube video facilitates the delivery of complex information in an engaging manner. One noteworthy quote from the transcript is, "...prices going up and the purchasing power of money going down are the same thing and they're both inflation."

According to the article, "How Inflation Affects Your Cost of Living" by MICHELLE

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VELASQUEZ, <https://www.investopedia.com/articles/personal-finance/081514/how-inflation-affects-your-cost-living.asp>. . .inflation in the U.S. has recently gained attention due to a significant increase in consumer prices. In 2021, the overall inflation rate was 4.7%, reaching a peak of 9.1% in June 2022. Although it has gradually decreased since then, the annualized inflation rate for the 12 months ending in September 2023 remained high at 3.7%. The article emphasizes that inflation measures the increase in the price of goods and services, leading to a decrease in the buying power of the dollar. It distinguishes inflation from the cost of living, which considers the change in prices of basic necessities such as food, housing, and healthcare.

The author explains that the cost of living is influenced by various factors, including housing prices affected by the cost of borrowing. The text notes that cost-of-living increases impact individuals differently, particularly affecting the middle class and lower-paid individuals. Rising prices for essential items like food and utilities may lead to reduced savings and discretionary spending. The article suggests that the impact of cost-of-living increases is mitigated if

paychecks grow at a similar rate. Additionally, the relationship between inflation and the cost of living is explored, with inflation increasing the overall cost of living. The author cites examples such as higher inflation leading to higher prices for real estate, although the Federal Reserve may intervene to control inflation, affecting interest rates and home sales. One relevant quote from the text is, "Increases in inflation increase the overall cost of living, and if wages are not increasing to match the increase in the cost of goods and services, the value of a consumer's dollar will decrease."

The source provides a valuable exploration of the impact of inflation on everyday consumers, offering insights into the dynamics between inflation, purchasing power, and the cost of living. The author establishes credibility by referencing specific data, such as inflation rates over the years and the median weekly earnings for full-time workers. The inclusion of key takeaways and explanations of economic concepts like the Consumer Price Index (CPI) enhances the article's educational value, making it accessible to a broad audience. The goal of the piece appears to be informative, seeking to elucidate the intricacies of inflation and its repercussions on individuals' financial well-being. The audience targeted likely includes not only experts but also students and the general public, given the clear and straightforward language used.

While the article is generally trustworthy, it might benefit from more explicit information about the methodology used to calculate inflation rates and the factors considered in determining the cost of living. Additionally, the piece could delve deeper into the long-term consequences of inflation on specific demographic groups and how government policies might address these challenges. Overall, I agree with the article's main points regarding the relationship between inflation, cost of living, and their effects on everyday consumers. This source significantly

contributes to my understanding of the topic by breaking down complex economic concepts into easily digestible information. The genre, an informative article, effectively conveys the message by presenting a balanced mix of data, analysis, and real-world examples. As the author aptly notes, "Increases in inflation increase the overall cost of living, and if wages are not increasing to match the increase in the cost of goods and services, the value of a consumer's dollar will decrease."

In exploring the question "How does inflation affect everyday consumers, including their purchasing power and cost of living?" through the amalgamation of a YouTube video and two articles, a comprehensive understanding emerges. The YouTube video elucidates the complexities of inflation, detailing its causes, consequences, and the intricate relationship between supply, demand, and the overall cost of living. The articles, offer a nuanced examination of inflation's impact on consumers, emphasizing key economic concepts like the Consumer Price Index (CPI) and the cost of living.

The importance of this research lies in its ability to demystify economic phenomena for a broad audience, ranging from students to the general public. By deciphering the intricacies of inflation, the sources equip individuals with knowledge crucial for navigating the financial challenges posed by inflationary periods. Understanding how inflation erodes purchasing power, affects the cost of living, and influences wage dynamics is vital for making informed financial decisions. It is particularly relevant for students studying economics, as well as the general public striving to manage their finances effectively in the face of economic fluctuations.

The research emphasizes the interconnectedness of economic concepts and the real-world consequences for individuals. It underscores the significance of staying informed about economic trends, especially during times of inflation, when the purchasing power of currency diminishes. By catering to a diverse audience, these sources contribute to economic literacy and empower individuals to make sound financial decisions, manage their budgets effectively, and advocate for policies that address the challenges posed by inflation. In conclusion, the research serves as a valuable resource for anyone seeking to comprehend and navigate the impact of inflation on their everyday lives.