

Impact of Inflation on the middle class of Pakistan: Causes and Consequences

Outline:

1. Introduction:

1.1 Hook

1.2 Background information

1.3 Thesis statement: Pakistan is grappling with an economic crisis defined by skyrocketing inflation. The rise in prices, across a multitude of essential goods, has had a devastating impact on citizens across all income groups especially middle class. It has various causes and consequences.

2. Impact of Inflation on the middle class of Pakistan:

3. Causes of inflation in Pakistan:

3.1 Demand pull inflation - increase in government spending - rise in consumer demand

3.2 Cost-pull inflation - rise in the cost of production of business

3.3 Exchange rate fluctuations - a depreciation of Pakistani Rupee

3.4 Global commodity prices - more rely on ex imports

- 3.5 Monetary policy - increase in money supply by lowering interest rates
- 3.6 Geopolitical factors - political instability, regional conflicts and security concerns disrupt economic activity
- 3.7 Structural issues - inadequate infrastructure and inefficient agricultural practices

4. Consequences of Inflation on the middle class of Pakistan:

4.1 Lowering the purchasing power and standard of living

4.2 Stress and anxiety to make ends meet can lead to mental health issues

4.3 Erosion of savings and investments of middle class

4.4 Increase in interest rate leads to increase in borrowing costs

4.5 Exacerbation of poverty and income inequality

4.6 Eruption of social unrest in society

5. Conclusion:

The Essay:

As it has been rightly said by Vladimir Lenin that the way to crush the bourgeoisie is to grind them between the millstones of taxation and inflation. This quote rightly depicts the situation of middle class of Pakistan. The inflation has largely impacted the middle class of Pakistan. In terms of purchasing power, standard of living, stress and anxiety, erosion of savings and investments, increase in interest rate, exacerbation of poverty and inequality and eruption of social unrest, inflation is grinding the middle class in millstones. The various causes of inflation that lead to the grinding of middle class are demand pull inflation, cost pull inflation, fluctuations in exchange rate, global commodity prices, monetary policy, geopolitical factors and structural issues. However, certain measures in the right direction are needed to curb this menace.