

How Inflation Benefits The Wealthy And Harms The Working Class

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Inflation is an insidious "hidden tax," as it directly impacts the purchasing power of families in the United States. However, the burden is unevenly distributed across the different income and wealth strata. In fact, the [upper middle class and the top 1%](#) of Americans have actually benefited from high inflationary periods, increasing their wealth, while lower-wage families have been negatively impacted, according to a working paper by economist Edward Nathan Wolff for the National Bureau of Economic Research.

Inflation can have varying effects on different wealth brackets with the middle class benefiting from real estate assets, but facing challenges in other areas. The "wealth effect" benefits those with substantial assets from increased asset values, like stocks, real estate and entrepreneurial endeavors.

The job market is a different story. The white-collar, college-educated laptop classes are in the midst of a [richsession](#), finding it difficult to hold onto their jobs in a corporate environment focused on cost-cutting, workforce reductions and investments in artificial intelligence instead of people. Meanwhile, the blue-collar professions are relatively safe, as these jobs require in-person manual labor.

How The Rich Get Richer

The Federal Reserve Bank's monetary policies, such as cutting interest rates and quantitative easing, [contribute to the wealth effect](#) that drives inflation and benefits the wealthy.

High earners have the wherewithal to weather inflation better than the working class, according to the American Enterprise Institute. This cohort has access to tax shelters, tax-free investments and other financial strategies that can help them minimize the impact of inflation on their taxes.

The wealthy possess sufficient funds to make investments across the spectrum of the financial system. They have the resources to hire professional financial advisors to protect and grow their wealth. These professionals can find legal ways to hedge their portfolios, protecting from inflation's deleterious effects. However, they are having a harder time negotiating salaries and finding new jobs because companies are tightening their budgets. Employers may avoid hiring high-cost personnel when they feel AI could pick up the slack, along with bringing aboard a less expensive, junior person.

The Dilemma For Low-Wage Workers

Inflation takes a big toll on low-wage earners in the U.S., especially if they were already living paycheck to paycheck. This class does not possess the means to purchase inflation-resistant investments, such as stocks, gold or Bitcoin. They are usually renters who don't reap the benefits of a home's appreciation in value over the course of years.

They're spending more money now on groceries and other basic necessities. For the working classes, inflation is a regressive tax that impacts them more acutely because they spend a higher percentage of their income on goods and services, with little left to provide for an emergency fund.

The White-Collar Job Market

In the current job market, white-collar workers are [facing more challenges](#) compared to blue-collar workers. The laptop class, typically those in office-based roles, are experiencing greater job insecurity and a slowdown in hiring compared to [blue-collar workers](#) who are seeing more opportunities. These [headwinds](#) include the specter of automation encroaching upon their future job security, the reticence of employers to pay out big compensation packages in a cost-efficient corporate cycle and jobs being offshored to arbitrage the difference between what an American earns compared to someone in a lower-cost location. These trends contribute to long and tedious job interview cycles and candidates [getting ghosted](#). By comparison, blue-collar workers have a broader range of opportunities available to them across an array of sectors.

Blue-Collar Workers

Despite the overall job market cooling down for white-collar workers, [blue-collar workers](#) continue to benefit from robust hiring and increasing pay. This has helped them weather the economic challenges.

Blue-collar workers typically perform manual labor or skilled trades, like construction workers, electricians, plumbers and mechanics. They are in high demand and some are paid in the six figures. They tend to have health insurance and pensions paid out by their unions. Although these jobs are strenuous and require physical endurance on a daily basis, they are not carrying a burden of hundreds of thousands of dollars in student loans.

Blue-collar workers have experienced [significant wage growth](#), surpassing inflation rates for the first time in two years. This increase in hourly earnings has enabled these workers to maintain spending levels and has contributed to economic stability.

The demand for blue-collar workers surged as the economy reopened post-pandemic. Sectors like mining, logging and manufacturing have seen [faster wage growth](#) compared to information-based roles, providing more opportunities for blue-collar workers.