Title A: Understanding the Journey from Controlled Inflation to Stagflation or Hyperinflation

Subtitle A: While controlled inflation is a sign of a growing economy, stagflation and hyperinflation can contribute to economic slowdown and even collapse.

Title B: Inflation vs. Stagflation vs. Hyperinflation

Subtitle B: Learn why small amounts of inflation can be good for the economy, but stagflation and hyperinflation are avoided by economic policymakers at all costs.

Title C: How Healthy Inflation Can Turn into Dangerous Stagflation or Hyperinflation

Subtitle C: Learn the causes and effects of destructive stagflation and hyperinflation, and find out how you can protect your portfolio in these unfavorable economic environments.

([source](#))

Healthy, growing economies will always experience slight fluctuations in inflation.

Inflation, as we discussed in a previous post, is an economic condition where there is a sustained rise in the prices of products and services (or, in some cases, the sustained fall in the value of currency).

But while controlled inflation is a product of economic growth, inflation can be treacherous when taken to extremes.

In this post, we'll discuss two dangerous types of inflation: stagflation and hyperinflation.

Stagflation

Stagflation occurs when there is a sustained period of high inflation combined with high unemployment and no economic growth. A seemingly contradictory condition, stagflation is characterized by a simultaneous rise in prices and a decline in economic output. Stagflation rarely occurs in a normal market economy, as a slow economy typically reduces consumer demand, driving prices down.

Long believed impossible, stagflation—a term that combines "stagnant" and "inflation"—was introduced in the 1970s when the U.S. witnessed both rising inflation and a shrinking economy. Since then, economists have put forth several theories to how the phenomenon of stagflation could occur:

- **A sharp rise in oil prices.** One theory attributes stagflation to supply-shock, or an event that suddenly increases or decreases the supply of a commodity. A typical example would be a spike in oil prices, which could cause rising transportation costs that make it more expensive to produce and distribute goods, even as people lose their jobs.
- **Harmful monetary policy.** Another theory attributes the cause of stagflation to the simultaneous introduction of conflicting contractionary and expansionary economic policies that harm business while increasing the money supply. For example, in the 1970s, the U.S. government tried to combat recession by rapidly expanding its money supply while implementing a series of wage and price controls. However, weakening productivity and surging oil prices slowed economic growth, giving way to higher rates of inflation and unemployment.

Stagflation can be dangerous because once it starts, it is very difficult to stop. Normal economic tools used by governments to stimulate sluggish economies—like lowering interest rates and increasing public spending—don't work against stagflation. These fiscal stimulus tactics tend to raise prices and won't work in stagflationary environments when inflation is already running high.

Hyperinflation

While stagflation is dangerous and will have a snowball effect if left unchecked, it isn't the end of the world.

Hyperinflation is the end of the world.

Hyperinflation refers to a rapid, out-of-control rise in the prices of products and services (or a rapid and excessive decrease in the value of currency). Hyperinflation is whirlwind, extreme inflation, where prices rise at a rate of more than 50 percent per month. To give you some context, the optimal inflation rate for healthy economies is considered to be around 2 percent per year.

Hyperinflation is often caused by a combination of the following:

- **Reckless government money printing.** When a government starts recklessly printing money to cover its debt, the dramatic increase in circulating money results in surging prices.
- **Loss of confidence in a monetary system.** When citizens lose confidence in the value of their currency, people begin to hoard tangible assets—like food and fuel. As these goods become scarce, prices tend to skyrocket. In an effort to stabilize pricing, governments are then forced to print more currency, thus making a bad situation even worse.

The most infamous instance of hyperinflation occurred during [Great Depression-era Germany](). The country had already been experiencing high inflation due to World War I when the German government printed unbacked currency and took on debt to finance military efforts. When the war ended, Germany ended up with massive debt and 132 billion marks in war reparations.

Reckless money printing caused huge monetary inflation and precipitously rising prices, resulting in situations where workers took home daily pay in wheelbarrows, and the price of a loaf of bread could quintuple in an hour. The currency was rendered virtually worthless, and many Germans opted to avoid it altogether and began hoarding tangible, barterable assets.

Hyperinflation creates a vicious cycle where people hoard more goods, sending demand and prices in an upward spiral. If left untreated, hyperinflation can cause economic collapse.

But not all investments break underneath the wave of stagflation and hyperinflation. Certain investments weather these environments better than others by rising in price along with inflating prices without losing value. Real estate, for example, has inherent value regardless of how weak or strong the current currency.

Not only do real estate investments have the ability to maintain value during periods of stagflation or hyperinflation, but they also have the capacity to generate income through rental payments. If you want to learn about how you can protect your portfolio with the stagflation- and hyperinflation-resistant power of real estate investments, we invite you to schedule a chat with Global Investor Alliance.

Sources:
- https://www.investopedia.com/terms/s/stagflation.asp
- https://www.thebalance.com/what-is-stagflation-3305964
- https://money.howstuffworks.com/stagflation.htm
- https://fundrise.com/education/blog-posts/real-estate-is-a-hard-assethttps://fundrise.com/education/blog-posts/real-estate-is-a-hard-asset
- https://www.moneycrashers.com/investments-protect-against-inflation/

Title A: Challenges and Solutions for FinTech App Developers: Regulations

Subtitle A: Find out what regulatory hoops FinTech app developers need to jump through.

Title B: Regulations Step-By-Step: What FinTech App Developers Need to Do

Subtitle B: Don't release a FinTech app before preparing yourself for regulatory compliance.

Title C: A Short Overview of FinTech App Developer Regulations

Subtitle C: Discover how the regulatory landscape will affect your FinTech app.

Established FinTech developers and entrepreneurs know regulatory compliance is one of the most difficult aspects of bringing a new product or service to market. Newcomers to the FinTech field typically expect regulatory challenges, but rarely comprehend how immense the challenges awaiting them actually are.

This is one of the main reasons tech entrepreneurs see financial service firms as old, stodgy organizations,

begging for disruption. But regulators are deeply wary of any product or service that could put consumer confidence at risk.

Anyone planning to develop an application or introduce a new product or service to the FinTech market needs to familiarize themselves with a complex regulatory landscape. The ability to adapt to this constantly shifting environment is key to success in the sector.

FinTech Regulations Overview: The 3 Faces of Compliance

It's easy for first-time FinTech developers to make the mistake of assuming government regulations are the only ones they need to comply with.

Government regulation is just one aspect of the compliance environment. FinTech apps must also comply with regulations stipulated by the companies running the application's underlying infrastructure. No FinTech startup exists in a vacuum. If you want to access Visa or Mastercard users for a digital wallet, you need to play by Visa's and Mastercard's rules.

Similar requirements exist for every single third-party component and interface the application uses. Even for a small, modest FinTech application, compliance requirements can quickly pile up. Familiarize yourself with some of the most important regulatory frameworks that FinTech developers need to face today:

1. Know Your Customer

FinTech apps have to deal with a regulatory bottleneck during customer onboarding. Any FinTech application [must verify each user's identity](#) and be sure the user in question is legally allowed to use the application.

Know Your Customer (KYC) compliance consists of a series of data-driven processes. Before your FinTech app can do anything for its users, you have to verify that those users are:

- Authentically representing their identities when using your product or platform;
- Legally able to use the product or platform in question;

- Not abusing your product or platform to commit crimes.

KYC processes for FinTech organizations have to be able to identify and flag users according to risk. These can range from potential money launderers to politically exposed persons. You have to implement processes for verifying nearly every aspect of your user accounts – from names and addresses to the properties, sizes, and structures of the organizations they represent.

This means that in some environments, it is not possible to create a quick, efficient onboarding experience for customers. If a FinTech application makes its service available to anyone who downloads an app, it will invariably find itself in regulators' sights.

2. Data Governance

The fact that FinTech businesses need to collect user data in order to verify customer identities brings up another challenging dimension in the development process - FinTech organizations have to responsibly govern user data and their own private data.

Operational data governance is key. Users, investors, and regulators all want to know what information is in your governance log, what triggers alerts, who monitors activity and gathers reports, and more.

No FinTech startup will be able to cover 100 percent of their data governance risks, but the best will make a good-faith effort that is well-documented and regularly maintained. This will broadcast competence and security to government and financial service regulators.

3. Cybersecurity and Identity Theft Protection

Today's FinTech applications need to take a security-first approach to implementing new processes. Data encryption and reliable multi-factor authentication are non-negotiable.

Most FinTech developers are aware of these cybersecurity requirements. However, newcomers have a responsibility to implement scalable security solutions that *outperform* today's regulatory requirements

to ensure their platforms remain viable well into the future.

For instance, multi-factor authentication through SMS is enough to pass regulatory muster as of 2019. But cybersecurity experts already know that [SMS is not secure](#), so any FinTech application that relies on this authentication method will soon be non-compliant.

Follow Both the Letter and the Spirit of the Law

Many FinTech startups wrongly assume that strictly adhering to regulatory requirements is enough. For government regulators, this is often true – but it is not enough. Users and institutional investors take their expectations one step further.

Users automatically equate a new FinTech application with its nearest competitors and expect the same security, functionality, and user experience (UX). Banks, financial institutions, and investors often ask new FinTech companies to adhere to regulations that don't strictly apply to the space in question, simply out of cautiousness.

In order to succeed in the world of FinTech application development, startups need to be ready to adapt to unexpected rules and processes at a moment's notice. The rules will change over time, but the need for robust processes and structural agility will remain constant.