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My Happy Inflation Days

By MICHAEL WINERIP

When I was a young man, I loved inflation.

In March of 1980, I was 28 years old and inflation hit 14.76 percent, the highest it has been in the last 65 years.

I was delighted. In those days, my attitude was, "Bring on the inflation."

The higher inflation went, the higher interest rates climbed, the more I earned on my savings and the sooner I was able to amass a down payment for a house.

I thought of this recently after reading a story about Janet L. Yellen, the front-runner to be the next chairwoman of the Federal Reserve. She favors an annual inflation rate of about 2 percent, which these days is considered high.

Alan Greenspan, the former chairman, aimed for zero.

If the inflation rate had been 2 percent — or zero — in the early 1980s, I believe it would have taken me many more years to be able to buy a house.

Inflation, interest rates, housing prices, Medicare benefits — whether high is good and low is bad, or low is good and high is bad, depends in part on your stage of life.

These days, a 14 percent inflation rate would be very bad for me and a lot of baby boomers. We are approaching retirement age, when many of us will be on fixed incomes. If we're still working, our salaries have probably flattened. The higher inflation is, the less our fixed incomes will be worth.

I think there's a general assumption that inflation is like a wet sneeze in flu season — something to be avoided at all costs. Certainly, nobody benefits from the kind of hyperinflation that plagued Germany in the 1920s, when one American dollar could buy several trillion marks.

I'm no economist, believe me, though I do have some sense of how complex these things can be and how many variables are at play. Higher inflation may be accompanied by lower unemployment, up to a point. But if inflation goes too high and economic conditions become too volatile, businesses may lose confidence and lay off workers, increasing unemployment.

I don't know how widespread what I've experienced has been, although I'd guess it applies to a fair number of boomers.

In my happy inflation days, in the early 1980s, I owned nothing except an old Chevy Nova with peeling blue paint. I rented an oceanfront apartment on Fourth Street in Miami Beach for about $300 a month. (This was before South Beach was South Beach, when it was filled primarily with poor, elderly Jews.)

I didn't have a single chair to my name — it was a furnished apartment.

What I did have was savings. Always frugal, I was squirreling away money for a down payment on a house. So I wasn't much affected by rising consumer prices. I was a single guy consuming close to nothing. I was young and moving up in the company, my salary on the rise.

I took those savings and put them into United States Treasury bills — the safest of investments, government-backed — which in the early 1980s paid as much as 14 percent.

I know it's hard to believe if you weren't there, but in a year's time, depending on when you bought the Treasury note, $50,000 might grow to $57,000.

These days, a one-year Treasury note pays in the neighborhood of one-seventh of 1 percent; $50,000 can grow to $50,070. To do any better, you have to put your money in far less sure investments, like stocks.

There was more good news for me that was bad for people in their 50s and 60s, like my parents: The decline in housing prices, at least where I was looking to buy.

I had just moved to Long Island for a new job, and I was able to purchase a house near the beach at a bargain price, using my Treasury nest egg as a down payment. Over the next few years, inflation headed downward toward 3 percent, so mortgage rates and refinancing became reasonable.

Inflation was my co-pilot. I was a young homeowner. My salary was rising steadily. I had children. I learned what it meant to be vested in a pension plan.

Housing prices soared. At the high point, in 2008, the assessed value of my house was six times what I'd bought it for 25 years earlier.

In those years, it was common to see news stories lamenting the fact that the younger generation — millennials and some of the Gen Xers — were being priced out of the New York suburbs.

The storyline went something like this: John Smith's grandfather moved to Long Island after World War II; John Smith's father was born and raised on Long Island, but John? Housing has become so expensive that he's moving to Tennessee or Florida or Phoenix.

The TV anchor's sign-off: When will someone do something to bring the cost of housing down and keep our children on Long Island?

Then came the Great Recession and the collapse of housing prices. Bad news for me and a large swath of boomers.

The assessed value of my home today is half of what it was four years ago. This time, I am the guy who got stuck when the economy shifted.

Of course, there is another way to think of it. My woe may eventually be my children's good fortune. One person's collapse in housing prices is another's real estate bargain. These days, the TV anchor is able to say: Someone has finally done something to bring the cost of housing down on Long Island.

Now if inflation would only rise so a younger generation can build that nest egg.

Previous Our Generation columns can be found here.

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