

Ask the Advisor

With the high price of gas and other things, aren't we worse off than our parents and grandparents?

Kevin in Hillsborough



Simply adjusted for inflation most consumer goods are actually less expensive today than when compared to what prior generations paid. However, it's a difficult comparison to accurately draw and even when we look at a few items that are more expensive today, prices alone don't tell the entire story.

Take gas for instance; we've recently had record high prices. Through the 1950s, a gallon of gas averaged 25 to 30 cents per gallon; the equivalent of over \$2.00 per gallon in today's inflation-adjusted dollars.

However, the average car wasn't as powerful or efficient and was often driven on dirt roads. The national highway system as we know it was in its infancy.

A drive from Boston to central New Hampshire that today takes two hours, barring traffic jams, took the better part of a day and used considerably more gas. There was no Interstate 93.

The average car today is almost twice as expensive on an inflation adjusted basis but it's more fuel efficient and it likely comes with air conditioning, cruise control, an automatic transmission, ABS brakes, power windows, power steering, air bags and a host of other standard features that were either expensive options or just not available in the fifties.

Even with today's higher gas prices it costs us less to drive our safer and more luxurious cars via our comfortable highways. We just now drive more frequently, and often take much longer trips.

In the 1950s it took my Dad an entire day to fly from Boston to Florida on a twin-engine propeller-driven DC-3 and, like taking a bus, it made *seven* stops along the way.

All the same, it was considered a luxurious means of transportation. Today, we can fly to Florida in three hours – nonstop. The skies might not be as friendly, but they are safer and, in today's dollars, much cheaper. In fact, unlike today, few flew in the fifties because of the high expense.

What about heating our homes? Fuel oil is more expensive, but our homes are better insulated and more fuel-efficient. The real added expense comes from the average house now being *twice as big* as the average house of the 1950s.

Medical costs have skyrocketed on an inflation-adjusted basis and the system needs repair, but there's also a huge upside. Many ailments that were a death sentence at the start of the last century are, today, easily cured or non-existent. That's not to say that we are not without medical challenges, but researching cures for those challenges is part of the high cost of medical care. Medical care costs are dramatically higher, but in the last century we have added,

on average and including substantially decreased infant mortality rates, 30 years of life expectancy.

Social Security has its problems, but prior to 1935 there was no social security. We didn't need it because the vast majority of the population worked until death or had a very short retirement.

We added 30 years to the average life expectancy the last century and in doing so, created a dream that was unimaginable for most at the start of the last century – the 30-year retirement – now we have to pay for it!

The cost of higher education has far outpaced inflation and while the financial return of having a degree is still worth the high cost, it is more costly and less valuable on an inflation-adjusted basis than it was for our parents and grandparents. Of course, far fewer of them on a percentage basis obtained those costly but valuable degrees.

Conspicuous consumption, or the buying of something for the value placed on it by others, was only for the very rich at the turn of the last century. Today, it has trickled down from the very rich to cost almost everyone more.

It's nice to think that we don't buy things to keep up with the Joneses but consumer-spending patterns indicate otherwise. We don't dress up to stay home; we dress up to go out when others will see us. Conspicuous consumption is a major portion of our spending, whether we admit it or not, from the cars we drive to the clothes we wear.

On an inflation-adjusted basis comparing apples to apples we are much better off than our parents and grandparents but the reality is our apples, from medical care, to homes, to cars, just aren't the same. For better or worse, our apples are bigger, better, more complex, more prevalent, and more expensive.

In the 1950s, the average family lived in the lap of luxury in a small two-bedroom house, with one telephone, one TV or radio (with free reception), and one *shared* car. The house had no computer, microwave, cell phone, DVD player, cable, internet or satellite and no access bills.

The car was likely purchased used, and on a hot day, automotive air conditioning was rare, the windows were rolled down with a hand crank as it was driven on a dusty road to work, run an errand or visit a play destination that was typically much closer to home than it would be today.

Social Security tax was a fraction of what it is today and medical insurance was cheap, if you had any at all. Retirement was less likely and, if achieved, much shorter.

We have come a long way through human ingenuity and created much, but progress is expensive, perhaps costing more than just money -- *just listen to your parents or grandparents wax nostalgic about the good old days!*