

The American Future -What will it Bring?

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FUTURISM, once the province of the legendary bearded visionaries and cranks is now a respected field of study. Throughout the world, studies are being undertaken by thousands of researchers in universities, private foundations and commercial enterprises. These highly qualified people are paid substantial salaries to try to determine a likely pattern of events and trends in many fields of government and business endeavour. In short, more and more people are concerned about what may happen in the next thirty years or so. It seems that the optimism of the late 1940's has soured into the pessimism of the 1970's. Nowhere in the world is this more so than in the U.S.A.

The economic advantages of the U.S. in 1945 were tremendous. Largely unscathed by the war itself, the U.S. was able to direct its resources into expanding agricultural and industrial technologies.

While not neglecting its domestic needs the U.S. pursued policies of trade and aid which exported cash, skill and know-how throughout the world. As a nation it has achieved for its own people the highest material standard of living the world has ever known. This high standard of living is supported by high productivity and an extraordinarily high consumption of power and energy. Now however, it seems that the day of reckoning is at hand. Inflation is rampant, there is a real danger of a domestic food shortage and petrol is being rationed by suppliers. The U.S. dollar, once the world's strongest currency is under pressure and with it the whole of the international monetary system. In addition, there is the danger that high production costs and other factors are shifting the advantages of technical innovation and productive competence to other nations.

The reasons for these changes in the economic tide are not too hard to find. The great challenge, however, is to reverse the tide and restore to the American people their vision of a future of ever-increasing abundance which they have cherished for so long and come to believe is their natural right.

Yet, in spite of all the material progress that has been achieved in a country of rich natural resources, millions are living below the official poverty level.

Recent statistics show encouragingly that the poor (and mainly black) have made economic advances in the last decade although most of the improvement has been enjoyed by black women and well-educated youngsters who have found employment. But those who have been left out, dropped out or educated out of the employment market can find little solace in the statistics which also show the national unemployment figure hovering at five per cent and higher in some cities. Even in a highly technological society many people are left behind through little fault of their own.

Progress and poverty still go hand in hand.

It has been known for a long time that since the turn of the century the number of people employed in agriculture in the U.S. has been steadily declining. What is not so well known but is coming to be appreciated more and more is that since the mid-1950's, U.S. blue collar jobs have declined proportionately to office jobs. By 1980 office workers will exceed all other workers. The overall picture is thus one of declining primary productive workers with an increasing number of workers in specialised services such as banking, insurance, social welfare, health care, leisure and entertainment. The increased efficiency from computer and mechanical aids works to the advantage of the highly skilled and better educated and to the disadvantage of the poorly skilled and poorly educated. While some forecasters talk about the thirty-hour week, and the increased leisure time the future will bring, others are deeply concerned about the unemployables.

In addition, further problems are arising because profit margins are being squeezed by the rising costs of materials. Here is how J. Irwin Miller saw the situation a little while ago: "We face a dilemma. The prospect of a continued profit squeeze plus rising costs of capital construction and capital equipment will place enormous pressure on all business to raise prices until comfortable margins are restored. If we remove controls, prices may have to rise to a degree which restricts our capacity to export, and which diminishes individuals' standards of living - setting off another round of wage increases. If we leave controls on, the capacity of business to grow and to provide new jobs for the increasing labour force, to

continue to lead the world in advancing technology, to make the investments required to cut costs and achieve true productivity gains, will be endangered . . . In either case, the domestic profit squeeze will accelerate the search for multinational manufacturing, as corporations seek areas of lowest material and labour costs." Before we look at this more closely, let's look at some more forecasts.

In its use of land, the U.S. population shows distinct signs of concentration and by the end of the century

it is possible that more than half of the people will live in three areas: the north-east seaboard and south of the great lakes; the remaining east coast and Florida peninsular; and the Californian urban region. The remainder could mainly be found in twenty-four urban regions of between one and ten millions. Urban land values have increased more than 400 per cent in twenty years with single family lots which were priced at \$1,000 in 1950 fetching \$5,000 in 1970 - far out-stripping every other price rise index. And in tight land situations the figures are more dramatic. In Miami, annual price increases have been in the region of 22 per cent with a single family home priced at \$16,400 in 1966 fetching \$42,100 in 1973. Similar examples can be found in the areas around Chicago, Los Angeles and New York.

In addition to the above figures reported by property agents, official assessed values, as determined by local taxation jurisdictions, show a similar pattern in raw land prices. The total assessed values in 1962 stood at about \$401 billion and had risen to \$780 billion in ten years. Averages, of course, are a little misleading as there can be very significant regional influence but the average increases in assessed land value as between different uses over the ten-year period were:

- home sites - up at least 100 per cent;
- farmland - up 75 per cent (but 123 per cent in the north-west);
- recreation land - doubled;
- highways - doubled and rising at 8 per cent - 10 per cent per annum;
- industrial - up between 40 per cent and 50 per cent;
- shopping - up between 100 per cent and 500 per cent.

The regional influence is considerable in the farm land category as well as that for urban use. Farm land in South Carolina for example was up 71 per cent in the last four years, in Vermont it rose 72 per cent while in Indiana it rose only 16 per cent:

At the same time (the last four years), average house prices rose by 25 per cent with about four per cent increase in floor space and an important

reduction in site area of 12 per cent. In fact, the floor space increase is now turning to a decline in many areas - yet another symptom of rising costs which builders are trying to minimise for the purchaser by such measures as resorting to carpet-covered concrete floors rather than finished wooden flooring.

The impact of rising housing costs is naturally felt harder by the poor as a much larger percentage of their earnings has to finance rent or mortgage. In fact, one reasearcher estimates that families need to earn about \$10,000 a year to finance house purchase. As the median income is just over \$11,000 a year, nearly half of the population are out of range of buying their own home! At the upper end of the scale, of course, many Americans own two or more homes and their purchasing lends more weight to the relentless pull of rising land values.

The increasing costs of house purchase and the need to cope with the nomadic life style of the ordinary American (two out of every ten families change their place of residence each year) has led to a mini-boom in apartment building. Of the new construction in New York (metropolitan area) 34 per cent is in apartments with these figures for other major cities: Washington D.C. 29 per cent, Philadelphia 20 per cent, Chicago 18 per cent and San Francisco 14 per cent. And new apartments are expensive to rent. The hardest hit are the poorest as their market is very restricted in size and relatively highly priced in relation to income. Although special loans were available until recently to help the poor buy homes through F.H.A. guarantees, the default rate was high owing to the running and maintenance costs which were not properly appreciated by the purchasers.

As in the 1920's it seems that once again the importance of land price as a factor in economic growth is all but being ignored. Taking the farm land price index alone during the period 1960 - 73 we find a rise from 100 points to nearly 200 while stocks measured by the Dow Jones Industrial Average register only a modest gain of nearly fifty points on the same scale. Not unnaturally we find an increasing interest in land investments as an inflation hedge and many pension funds, insurance companies and large investors are turning from the stock market to purchasing land with commercial development potential. Moreover, this activity is not limited to U.S. enterprises alone. European and Japanese investors, well used to very high land prices in comparison with U.S. averages, are out-bidding domestic investors in some areas.

Because of the high cost of single family houses and the other unpalatable alternative of ever rising rents in traditional apartments, many retired people and second home purchasers are favouring condominiums