

Economy Crashing: Planning for the Future

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Center for Continuing Study of the
California Economy
Annual Demographic Workshop
June 1, 2009

1

The Future Will Arrive

- It is REALLY hard to plan for the future even when the economy is strong
- When the economy is crashing planning feels NEARLY IMPOSSIBLE
- Yet the recession will end even if the economy is weak for a long time
- In 2020 there will be more people—to educate, to house, who want better daily travel options and who want to live in great communities

2

When Will the Recession End?

- Some economists say in 2010
- Some economists say in 2011
- A few economists say in 2012
- But if we are planning for California's future in 2020 or 2035, the difference between 2010 and 2012 doesn't matter
- Some aspects of the current recession MAY MATTER for planning and we will discuss these during this session

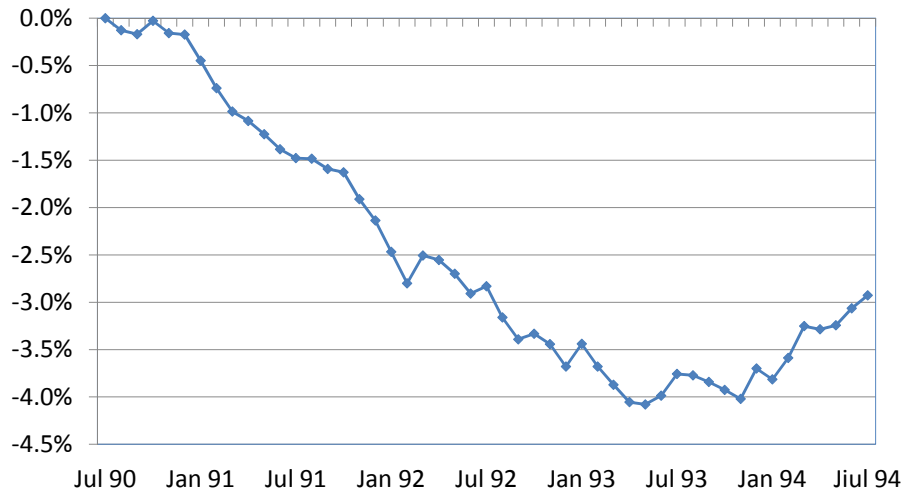
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The 90s' Recession and Now Lessons for the Future

- Both recessions are long and deep
- Both recessions have major housing slumps
- In the 90s CA had a major loss of job share in aerospace and a longer recession
- In the current recession the CA economy is only slightly worse than the national economy based on CA's greater exposure to housing
- The current recession has a financial sector meltdown and substantial loss of wealth

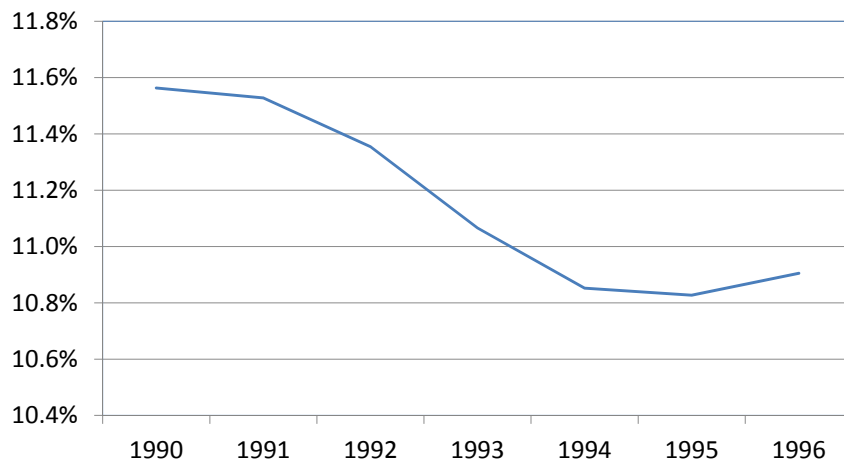
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CA Job Loss in the 90s' Recession

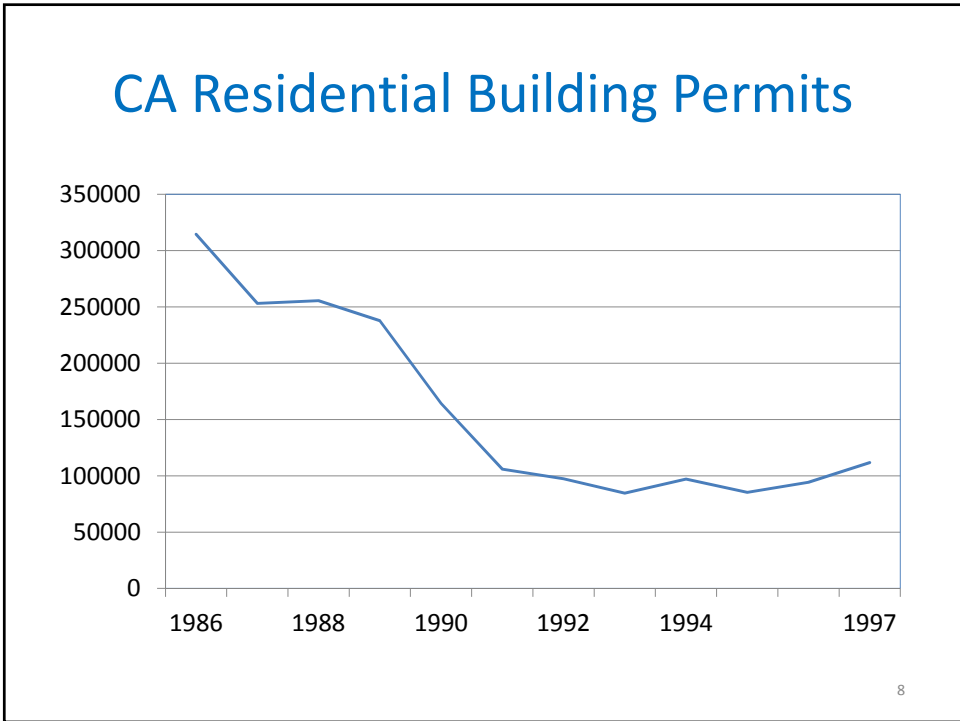
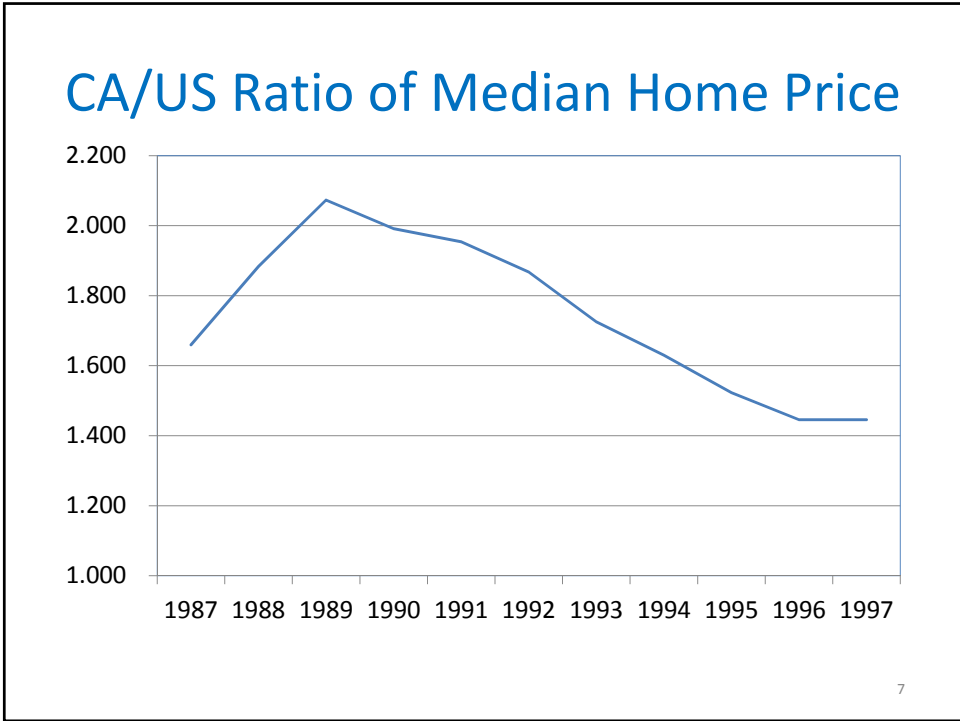


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California Share of U.S, Jobs



6

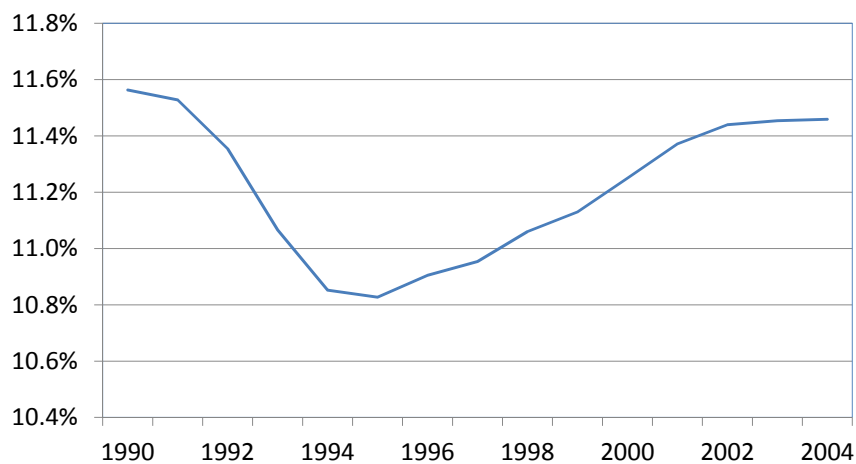


The Economy Recovered and Another Growth Cycle Began

- CA outpaced the nation in job growth as the Internet, foreign trade and venture capital led the way
- Population growth surged again
- Housing construction and prices surged
- And our challenges in planning for the future became apparent
- Until another housing bubble burst—Can we maintain our focus to plan for the future?

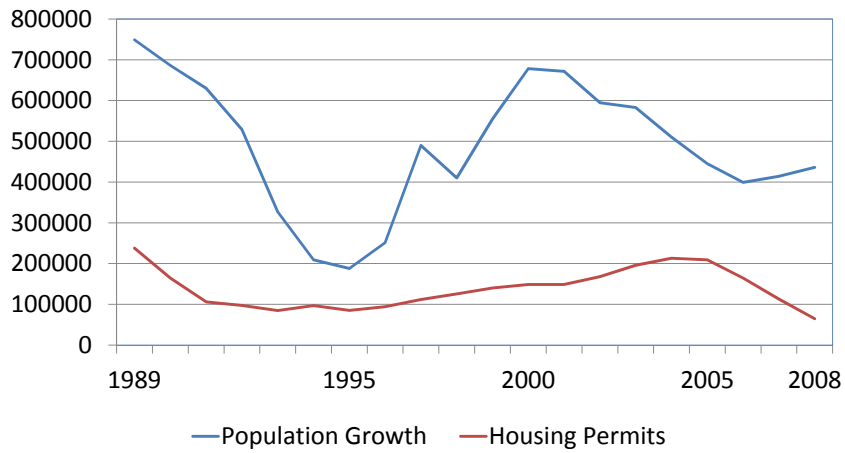
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California Share of U.S. Jobs



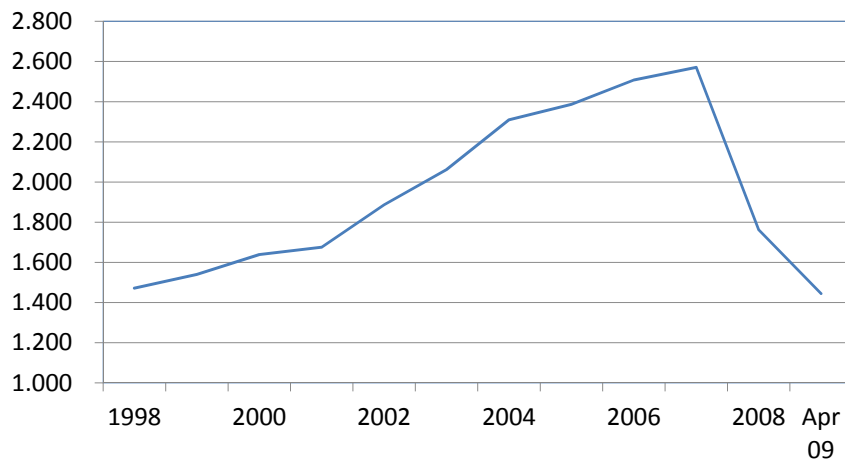
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California Population and Housing Growth

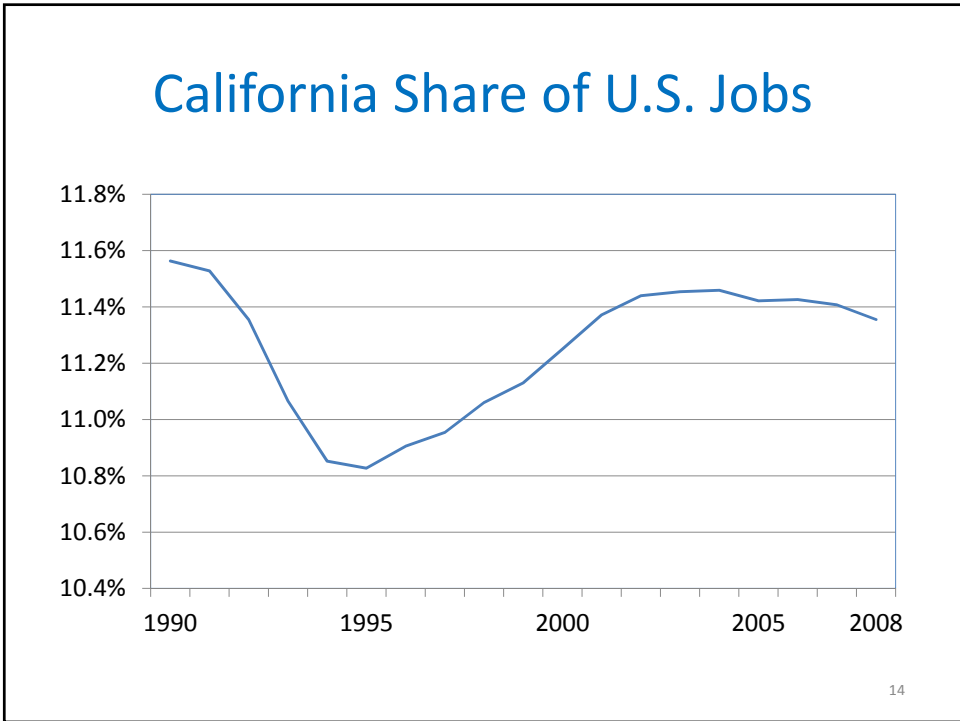
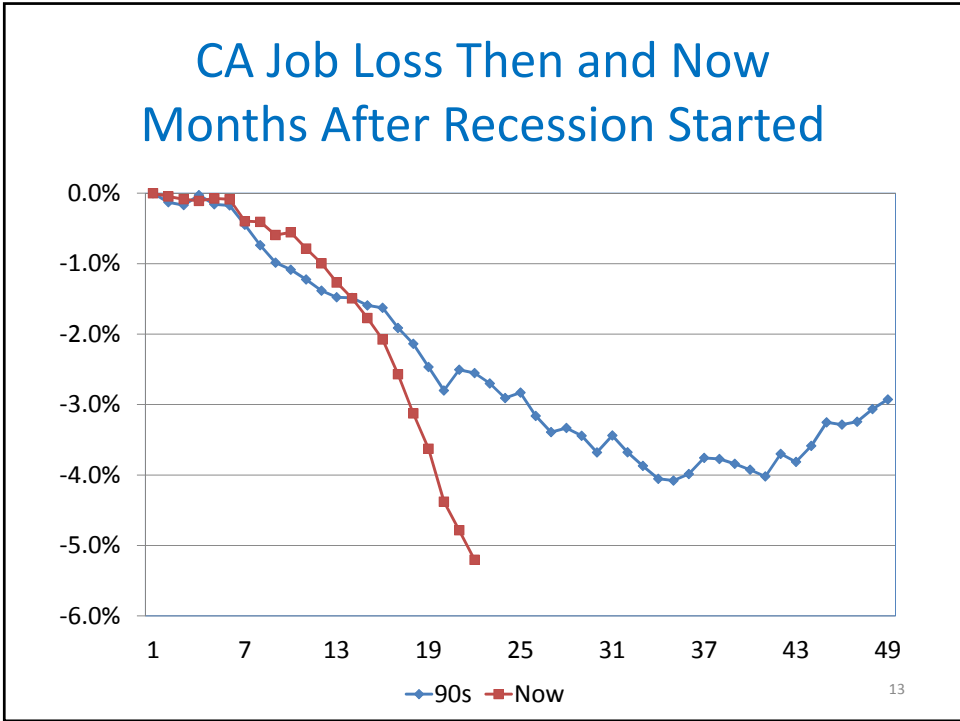


11

CA/US Ratio of Median Home Price



12



The Current Recession: Implications for California Economic Growth

- Larger job losses than in the 90s BUT
- Only a small loss in share, mainly from housing
- This is a NATIONAL recession—Oregon, Nevada and Arizona (our neighbors) all have larger % job losses. Nine states have unemployment rates over 10% and
- SO WHAT WILL THE FUTURE BRING

15

How to Think About Future CA Growth

- California's job, population and household growth depends on
 - The amount of population and job growth in the nation
 - The attractiveness of California for entrepreneurs, workers and their families
 - The choices made by two fast-growing groups—residents over 55 and the children and grandchildren of immigrants

16

Be Prepared for Growth, Change and Challenges

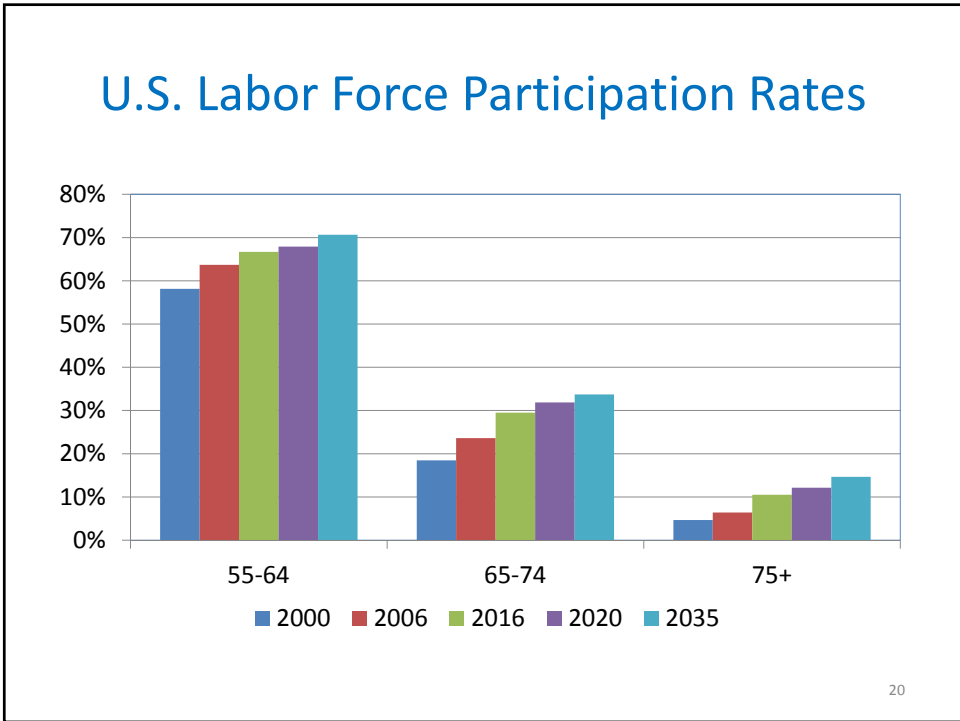
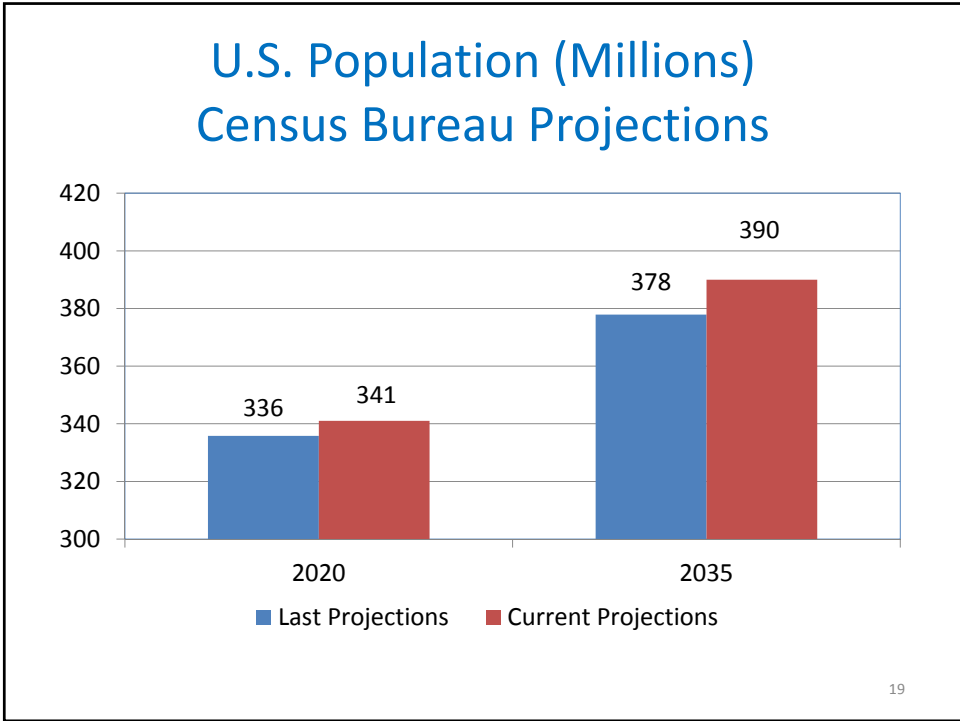
- U.S. population and jobs will continue to grow
- California has a relatively strong economic base and our strengths are in the fastest-growing sectors in the nation and world
- California is in the midst of a tidal wave of demographic change in age, ethnic composition and, possibly, behavior
- And we face difficult challenges but much of our future is ours to plan for and create

17

Major Census Bureau U.S. Population Projection Assumptions

- Population will grow by 3 million per year to reach 341 million in 2020 and 390 million in 2035 up from 304 million in 2008
- Immigration will grow from 1.2 million now to 1.6 million by 2025 and 2 million by 2050
- Hispanic fertility rates will decline and overall fertility rates will remain steady
- Population will surge in the 55+ age groups

18

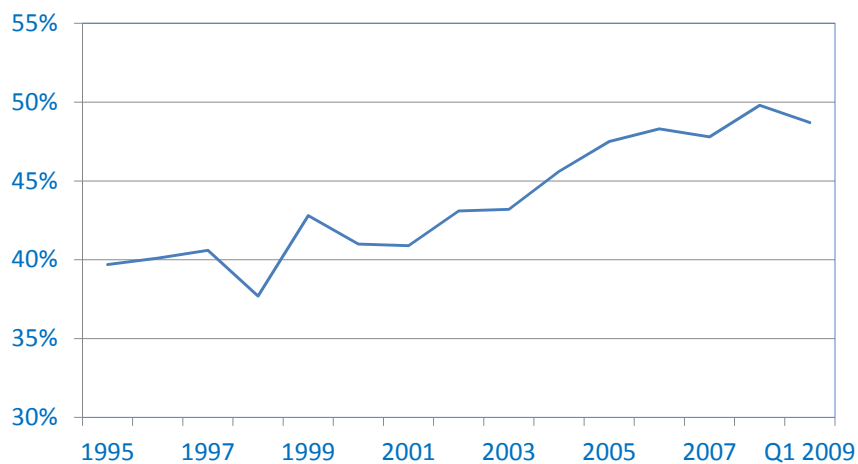


State Economic Base Well Positioned

- California has strength in faster-growing sectors
 - Professional services and venture capital
 - World trade --Tourism and entertainment
 - Application of technology and design to the creation of new products and services
- The federal agenda for the future is focused on areas where the state can excel

21

California Share of U.S. Venture Capital Funding



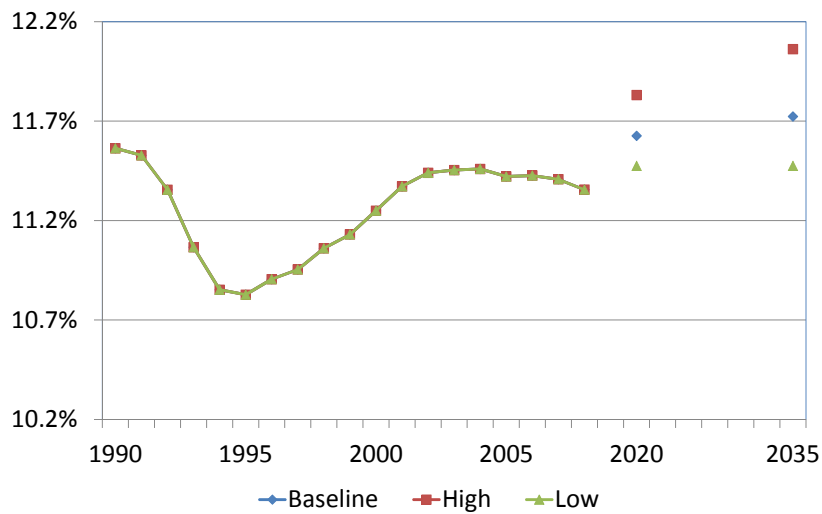
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Will California Outpace the Nation in Job Growth

- SCAG recently reviewed existing forecasts and convened a panel to discuss the state and region’s future growth
- The opinion of the panel with one dissent was that the state CAN attract an increasing share of new jobs in the nation
- Dowell’s and John’s presentation will focus on some of the challenges we face to turn opportunities into success

23

California Share Of U.S. Jobs



24

Achieving Prosperity with Broad Opportunity—One Economist's Perspective

- Making California a great place to live and work.
- Recognizing that we compete for workers and families as well as for businesses
- Will require public investment—in people, in infrastructure and in communities
- Will require that we make emission and traffic reduction an opportunity, not a burden

25

Achieving Prosperity with Broad Opportunity—One Economist's Perspective

- Making California a great place to live and work.
- Will need greater housing density on existing infill sites to respond to market demand and regional emission reduction targets
- Will require a budget and funding consensus that allows the needed public investment to occur

26

Demographic Issues in Achieving Prosperity with Broad Opportunity

- California will join the nation in seeing baby boomers age and eventually retire
- California's new workforce will be increasingly Latino and Asian—the children and grandchildren of native-born and immigrants
- The SCAG panel expects these children and grandchildren to have different (higher) labor force and household forming behavior than their parents.

27

A Word About Housing

- Household projections can vary for two reasons—1) changes in job growth levels and 2) changes in household formation for any given level of job growth
- Household formation can vary for financial reasons—1) low income growth. 2) poor housing affordability, or 3) lack of new affordable units
- HH formation varies for cultural reasons too
- No time to discuss in panel meeting

28

Their Choices Matter

- What do California's continuing demographic shifts mean for our state and planning for the future?
- We are joined by two experts, Dowell Myers and John Pitkin, to explore the economic and policy implications of California's future population changes and what is likely to occur

29