Since the late 1970s Americans have adopted a more pessimistic outlook of the future than at any time since World War II. Reasons for this include inflation, unemployment, a low rate of productivity, the flow of U.S. funds to OPEC nations, an unfavorable balance of trade, and the unstable international environment. In view of these factors, some analysts predict that the 1980s will be a decade of weakness in real income for consumers and caution in family financial management. However, changing demographic statistics may indicate a more positive consumer climate in the future. During the next 20 years the 35-54 age group will increase dramatically. This age group traditionally is one of high earning capacity. Population growth will slow down. More wives will enter the work force, thereby making dual-earner families the norm and increasing household income. Senior citizens will comprise a lucrative and expanding market. The results of increased incomes will probably mean the expansion of affluence in the middle and working classes. Life styles will reflect themes of self-gratification, enhancement of personal health and well-being, smaller and more efficient housing, more cosmopolitan consumer tastes, and dependence on services and products that facilitate essential living activities. (Author/AV)
MYTHS & REALITIES OF
THE COMING DECADE

Or. William Lazer
Professor of Marketing Systems &
Future Environments
Graduate School of Business Administration

American Marketing Association
Annual Marketing Conference
Atlanta, Georgia
June 16, 1980
"MYTHS & REALITIES OF THE COMING DECADE"

Dr. William Lazer
Michigan State University

INTRODUCTION

The ideas discussed are based on a project that was pursued with four scholars from other disciplines dealing with likely developments of the next 20 years. The project which was sponsored by one of Fortune's top 100 companies has just been completed. Members of the futures team are: Dr. Richard Coleman, a sociologist well known to marketers for his work on social class. He is with the Joint Center for the Study of Urban Affairs at Harvard and MIT; Dr. George Schink, an econometrician of Wharton Econometrics, who has done extensive work on forecasting energy, productivity and inflation; Dr. George Stolnitz, a well-known economic demographer from Indiana University, who served as an advisor to the Census and to the United Nations, who developed our demographic analysis; and Dr. Lowden Wingo, a distinguished political scientist from USC, who is particularly interested in transportation trends, spatial developments and government interfaces. I had the pleasure of directing the project and concentrating on emerging income and life style developments and of interpreting the implications for future market opportunities.

My plan is to comment briefly on four topics: 1) the current pessimistic outlook, 2) the changing demographic scene, 3) the future income picture and 4) some life style developments.

THE CURRENT PESSIMISTIC AMERICAN OUTLOOK

Since the late 1970s Americans have adopted a more pessimistic outlook of the future than at any time since World War II. As contrasted with the past
30 years, Americans now generally feel that "things in the future" will not be better than they are at present and, indeed, that they may even be worse. Some feel that America's golden era of continuous growth and affluence ended in September 1973. Observers have noted that consumers in the 1980s will be forced to lower their life style expectations, and that our previous era of increasing affluence will be replaced by an era of shrinking living standards. The decade of the '80s has been characterized as a decade when consumers will be striving to maintain what they already have, rather than to improve their lot.

The following are either quotes or accurate paraphrases of statements that have appeared in business publications within the last 18 months and which illustrate this point:

1. We are now seeing the stalemating of the American dream.
2. We shall see one-half a chicken in every pot.
3. The politics of plenty has given way to the politics of scarcity.
4. We shall have to turn our thermostats way down, reduce our driving, give up our cars, move out of our single family dwellings and, in general, reduce our standard of living.
5. Americans have been gloomy about their future since 1971, but unlike the past, the public feels that things are not going to get better in the future.
6. It will cost so much to bring up children that only the wealthy will be able to afford them.
7. In the decade ahead we shall come to the realization that we can no longer afford our current style of living and will have to cut back.
8. Americans feel that they are worse off today than they were five years ago and they believe that things are not going to get better in the future.

The reasons for such gloomy outlooks are understandable. They reflect the current buffering of consumer incomes, by the pressures of inflation, unemployment,
high prices and the high costs of energy, housing, food and other basic necessities. They are reinforced by lower increases in real incomes during the 1970s, than were realized during the 1950s and 1960s.

The current pessimistic outlook is also colored by our low rate of productivity, continuing pressure on the U. S. dollar, the flow of U. S. funds to OPEC nations, an unfavorable balance of trade, the unstable and frustrating international environment, and our increasing burden of defense expenditures. The usual American optimism about the future has, indeed, been tempered and the question, "What can be right about the 1980s" is now being raised.

The result of the current economic situation is that people are striving harder to maintain their standard of living; proportionately they are saving less and spending more. It is against such a backdrop that many conclude that the standard of living in the 1980s will not increase, that consumers will not have the assets to support increased consumer debt and that once consumers have used up their savings a reduced standard of living will emerge. Some analysts have concluded that the big surges in consumer markets are over; weakness in real income will translate into an anemic consumer sector; there will be a move toward caution in family financial management, and the postwar buying spree will have slowed down permanently.

But, such statements are not new. In the 1970s we were informed over and over again that America was in the throes of a revolution marked by a series of crises. In just one 5-year period the crises identified included: an information crisis, an international monetary crisis, an education crisis, a medical crisis, a gun crisis, a youth crisis, a hospital crisis, a feminist crisis, a food crisis, a productivity crisis, an energy crisis, a housing crisis, an urban crisis, a...
pollution crisis, an environmental crisis, a credibility crisis, a water crisis, a land use crisis and, of course, the Watergate crisis. Yet, my social science friends tell me that no society could successfully withstand so many crises in any 5-year period. Nevertheless, here we are.

Statements were made in the 1970s about the emergence of radical value changes, stressing that the middle majority, middle income American values were no longer pertinent, that a totally new set of life styles and values were appearing and that the young had given up the materialistic approaches of their parents. One of my favorite quotes on the subject appeared in Business Week, March 10, 1975, page 60, quoting a psychologist to the effect that "all of our traditions are crumbling, look at the Catholic church, the only people who want to get married today are Catholic priests." This, despite a rising number of marriages over the decade.

IS THE RECENT PESSIMISM WARRANTED?

A consideration of basic future economic factors supports the conclusion that the real standard of living of the average U. S. family in the 1980s and 1990s is likely to increase substantially. Our estimate is that real GNP in the 1980s will increase at an average annual rate of about 3.0%, personal income at 3.5%-3.9%, and disposable income at 3.5% to 3.75%. The rate of growth, however, will be slower than that of the 1950s and 1960s, averaging about 60% of the rate of that high growth period. This represents a very healthy increase.

While the 1970s did not mark a period of high growth, despite our economic problems, living standards of the 1970s are higher than they were in the 1960s. What has generated consumer frustration, I feel, is the slowing of income growth,
the fact that real incomes to 1978 grew at a pace of about 1/3 of that of the 1960s. And it is this sharp reduction in the rate of increase that was seen by many as an actual reduction in income; or at best, as stagnation, resulting in fears that real income in the 1980s will not keep up with prices, and that consumers, therefore, may be worse off than they are currently.

THE CHANGING DEMOGRAPHIC SCENE

As this century draws to a close, and the last 20 years begin to unfold, the population developments will be quite unlike those of the previous decades. The shifts among age groups will be more radical, veering in new directions, providing great impetus for unprecedented growth among certain major market segments while plunging others to their lowest ebb. As contrasted with the baby boom years of the 1950s and early 1960s, the 1980s will mark the middle age boom.

The U. S. economy has now entered the first phase of a rather extensive market transition, fueled by the changing demographic makeup of the American population. The challenge to marketing management is to assess the nature of the emerging shifts, to ascertain the implied market opportunities and to develop profitable accommodations with these new environments. Marketers would do well to heed the warning, keep your companies sharply attuned to the dynamic demographics of the next two decades and beyond.

The next 20 years will see an explosion in the 35-54 year olds, the middle agers. They will grow by over 50%. In marketing terms these middle agers represent years of the highest earning capacity for most adults. These are the years when such big ticket items as housing, major appliances and household furnishings are acquired; when children are grown and educated; when parents feel freer to indulge themselves and live their own lives.
The baby bust of the past 20 years, 1960 to 1980, implies that the 20 to 35 year old age group, those young married that highlighted the decade of the 1970s, will fall by about 1/4 which represents one of the sharpest and most sustained drops in our history.

Demographically, the U. S. is now a slower growing country than it was previously. We are increasingly becoming a mature nation, an aging and greying society. Our population growth is not likely to reach a 1% annual rate over any part of the rest of this century and annual growth rates of 1/2% even seem likely. The median age, which was well below 30 not long ago, will reach 35 by 1990 and over 37 years by 2000. The 75 and over age groups will increase by more than 50%.

Over the decade of the 1980s our estimates are that the population will grow by about 16-17 million as compared with 24 million in the '60s and 18 million in the 1970s. Then it is expected to drop sharply with a total growth of only about 10 million over the 1990s. The total population which is now about 222 million is likely to be about 248 million by the year 2000. Our future population growth sites will have to be set far lower than ever before.

Foreign entry, both legal and illegal, is expected to account for a greater proportion of our population growth and the illegal net migration could well exceed the legal part. Various estimates have been given of our illegal immigration and totals of around 5 million are not uncommon. It may well be that from 250,000 to 300,000 illegal immigrants per year will enter the U. S. over the next decade. Evidence indicates that: 1) immigrants will account for near record fractions of our total population growth; 2) Hispanics will account for a major part of this growth; 3) Hispanics will exceed our black population before 1990; 4) they will be concentrated in the southwest and a few of the larger cities.
Thus, the U. S. in the next 20 years is likely to witness a "melting pot adjustment" involving blacks, Hispanics and metropolitan area whites of a magnitude not experienced over the past 65-75 years.

We shall see a great increase in both the number and diversity of households. Households are projected to grow 25%-30% over the next two decades with a continuing decline in the average size of the household and further gains by non-family households.

Husband/wife households now make up about 2/3’s of all households. By the year 2000 they may only account for about 1/2 of them. Households headed by singles persons, particularly females, as well as unmarried couples, are expected to grow significantly and could even constitute the new majority around 2000. The number of new dwelling units are expected to increase by 35 to 40 million from 1980 to 2000 -- a sizeable growth indeed.

Projections are that the 25-34 households will rise rapidly to 1990 and then suddenly begin to decline. The 55-64 year households will display an opposite pattern declining in the 1980s and then rising. The largest projected increases are for the 35-54 and 65 and over categories.

Some of the long term spatial trends established over the past two decades are continuing, particularly the movement of people to the south and the west. The west will remain the region of most rapid population growth. The north and east will continue their slow growth or no growth trends, and the south will continue to be a net receiver of population.

The growth of the sunbelt vs. the snowbelt states, or the so called funbelt vs. the workbelt states will continue, but the relative rate of increase is
expected to slow a bit. The sunbelt's proportion of the nation's population will increase from over 50% now to about 55% by the year 2000. Almost all of the net population growth is expected to occur in the sunbelt and an inflow of from 15-20 millions is expected over the next two decades. Conversely, all of the most populated snowbelt states are expected to experience net migration losses.

It is quite possible that around the year 2000 Los Angeles proper could become the nation's largest city and the sunbelt cities could account for 7 of the top 10 U. S. cities.

What about the continuing decline of our cities? Questions were raised among our team about the impact of gentrification, high housing, energy and transportation costs, as well as preferences of some age groups and singles which makes city housing more appealing. It is possible that we shall see a slowing of previous suburban trends and more densification of central city areas since there is some tendency for reconcentration in cities and in closer in suburbs. It is felt that consumers of the 1980s will still prefer suburbs to central cities, the non-metropolitan areas adjacent to cities to their metropolitan counterparts and smaller to larger cities.

WORKING WIVES

Working wives are becoming the U. S. norm. Over 50% of the wives are now gainfully employed and by the year 2000 the proportion is expected to be well over 60%. Whether a wife works or not has a great effect on a family's standard of living, on their expectations and expenditure patterns, as well as on the role of women in the home and in purchase decisions.

The average contribution of wives to total family income will likely increase
from its current average of 27% to 30%-35% by 1990. Wives will become steadier and more reliable family earners and the recipients of more equal job treatment. This augurs well for expanding family purchases, particularly for the sale of products that ease the burdens of housekeeping, reduce housework and generate convenience. Working wives feel freer to spend on themselves -- as the saying goes, "them that works spends." We shall continue to witness an ever sustained uptrend in the labor force participation rates of all females.

INCOME PROJECTIONS

Income developments in the 1980s are likely to be the converse of those of the 1970s. Whereas the early 1970s began with good income increases and then fizzled, the 1980s are starting out weak and are expected to gain in strength over the decade and continue well into the 1990s.

Real income growth over the next two decades is expected to exceed that of the 1970s but will grow at a slower rate than that of the 1950s and 1960s. We projected an average annual growth rate of 2%-2.2% in real per capita income which represents about a 60% increase by the end of the century.

Household and family incomes in the 1980s will realize unprecedented affluence. The dual earner family will become the norm. Affluence will become more widespread and the number of family households in the $25,000 and over category, in 1977 dollars, will almost double by 1995. That is the equivalent of over $30,000 today.

The latter part of the 1980s will see the emergence of greater numbers of overaffluent family households; those with incomes of over $50,000 per year in 1977 dollars, which is well over $60,000 today. The number of overaffluent
families will grow from under 20 million currently to well over 5 million and will comprise 7.8% of family households by 1995. They will include a substantial number of blue collar workers, as well as the two-professional families.

By 1990 over half of the total family income will be controlled by families in the $25,000 and over bracket, in 1977 dollars. Moreover, an estimated 40% of all family households will be in this income group compared with about 25% in 1980, and almost one-half of them will be in the $35,000 and over bracket, which is over $42,000 today.

The pyramid income distribution, so typical of the past, will become more rectangular in shape as the proportion of high and middle income families expand, while the lower income families contract.

An estimate of the distribution of husband and wife family incomes for the years 1980-1995, expressed in 1977 dollars, indicates that by 1995 about 52% of them will have incomes of over $25,000 in 1977 dollars. But, despite this growth, the lower middle income groups, those in the $15,000 to $20,000 category in 1977 dollars, may feel more financially strapped than ever. Some other groups of society may not fare as well relatively as they did in the '50s, '60s and '70s when certain unions won unprecedented gains for their members.

Senior citizens will comprise a fairly lucrative and expanding market over the 1980s and 1990s as their real incomes increase. That poverty exists among many older persons must be acknowledged. Yet, the statistical data presented ignore the facts that senior citizens often own their own homes, have educated their children, and receive certain transfer payments and private pensions. Some of our senior citizens will receive two pensions when working wives as well as husbands retire.
The emergence of greater affluence is likely to place a higher premium on leisure time. Great pressures will exist to shorten the workweek and the 36-hour and 4-day workweek could become quite common.

**FUTURE LIFE STYLES**

The core values and basic life style of modern social classes: upper, middle, lower and working classes are not expected to change drastically over the next two decades. The results of increased incomes will likely mean the expansion of overaffluent, middle and working classes rather than great movements up the social class ladder.

A few of the life style themes of interest to marketers will be:

1. **My life my way.** This is a self-centered outlook with more emphasis being placed on "doing my thing" and "looking out for number one." It embraces the rationale, "you owe it to yourself," "you deserve it," "you have earned it." *My life my way* will be reflected in the parents leading their own lives rather than living for and through their children, fewer children, placing less emphasis on obligations, responsibilities and loyalties, a greater proportion of working wives, living where one wants to, working at jobs that are more enjoyable and striving for an added sense of self fulfillment and self realization.

2. **The maintenance of self.** This includes both physical and psychological maintenance of self and is related to the *my life my way* philosophy. It is evidenced in the desire of people to stay young, take better care of themselves, the emphasis on health, diet, exercise and grooming, as well as the pursuit of cultural, educational, aesthetic and other activities to improve the total person.

3. **Housing.** Housing will receive a larger proportion of consumer budgets
taking as much as 30% over the next decade. The expected-standard housing package is not likely to be downgraded. While modern houses may be somewhat smaller, occupying smaller lots, they will also house fewer children per family. Designs will emphasize more usable space. More cluster housing will be built. Houses will contain more recreational and entertainment facilities.

The preferred housing locations still seem to be away from the cores of cities, out beyond the older suburbs to the circumferential. Most of the growth is likely to occur in the inner suburbs and the urban periphery and beyond. The peripheries which rings cities will comprise more self contained living complexes with complete business, professional and shopping units.

4. Leisure and discretionary time. The hours spent away from work is expected to expand and Americans will be more willing to trade income for added leisure time. Pressure for a reduced work week is expected to expand. While more discretionary time may be available, nevertheless, programmed time, time programmed for other life style activities is also likely to expand resulting in less free time.

5. Independent, cosmopolitan consumers. Consumers of the next two decades will be more secure and less fettered economically and socially. As a result they will tend to be more independent and will be more likely to express themselves as individuals exercising their own tastes and judgments. They will be more exposed, knowledgeable and better educated and traveled than ever before, with cosmopolitan and cultured tastes. As wives have greater contact with the external world they will bring their new experiences into their homes and everyday living patterns. Business are likely to find that women will be more outspoken and
demanding than they were previously.

6. **Product Dependence.** In the 1980s our society will become even more dependent on and controlled by products. The malfunctioning, or maldistribution of products and services such as automobiles, telephones, computers, electricity, gasoline, aeroplanes or major appliances can result in great disruptions in a whole sequence of essential living activities. As consumers become even more dependent on the proper functioning of their complex products they will value dependable products that alleviate drudgery and menial tasks and which offer convenience. They will strive for the "ever presence" of products as with 24-hour banking, round-the-clock services, movies at home and TV programs at will through TV tapes.

These are but a few brief thoughts on developments in the 1980s.

**CLOSING COMMENTS**

It seems unlikely that the 1980s will unfold and reveal as dismal an economic scene as has been recently predicted by many observers. I have identified two laws that seem to be at work whenever projections are made: the law of current situations and the law of overriding negativism. The law of current situations explains that future projections tend to reflect unduly the weight of current economic conditions. Thus, projections made during the current era of troubled economic waters are more likely to be overly pessimistic.

The law of overriding negativism holds that greater weight is given to negative factors in making predictions than to the offsetting positive factors. Thus, people are more likely to be pessimistic than optimistic in assessing the future.

It is true that inflation shall be with us over the decade, perhaps averaging
6%–8%. We shall not overcome our reliance on foreign sources of energy, but we should be able to deal with the energy situations in a more logical and comprehensive manner. We shall become even more conservation minded and the greatest dislocations resulting from OPEC actions may be mostly behind us.

The changing demographic portrait of the U.S., and the expected increases in real income portend rather extensive profitable market opportunities for many market segments and substantial adjustments by others.

Barring a calamity, it seems that business in the 1980s will be on the threshold of some of the most lucrative and exciting marketing opportunities in the history of the country.