

Research Department Federal Reserve Bank of San Francisco

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Voting for ZPG

Americans appear to have voted for zero population growth, by reducing average family size below the 2.1-child level necessary to sustain long-term population growth. This does not mean that the population will immediately level out at the 1973 figure of 210 million. Given the continuation of recent levels of births, deaths and migration, total population will rise to 270 million in the year 2000, and in fact will continue rising until well into the 21st century. What this development does mean, however, is a marked shift in population patterns, with important economic consequences for the 1970's and beyond.

We are witnessing today a clearly marked transition from a three-child to a two-child family norm, accompanied by the maturing of the post-World War II baby-boom generation. The impact of these factors should be felt throughout the decade, in the form of a sharp increase in the number of young workers, especially working wives. (Later on, there should be a gradual decline in the number of younger workers, and a corresponding increase in the number of workers in the highly productive 35-55 age brackets.) Unless economic policy can keep total demand growing as fast or faster than the labor force, unemployment in this decade will be concentrated not among teenagers, but rather among prime-age workers—many of them family breadwinners.

Trends and forecasts

According to some demographers—such as George Brown, the former Census Bureau chief—the recent decline in fertility rates is only the latest development in a long-term decline starting well before the end of the 19th century. The trend was accentuated by the Great Depression, but was interrupted (and partly disguised) by the aftermath of World War II. Indeed, two major distortions occurred in the age distribution of the population during the 1930-60 period: an unusually low level of births in the first half of the period, followed by an unusually high level of births in the postwar half of that era.

The absolute number of births peaked in 1957, at 4.3 million, and then began to decline because of the drop in fertility rates and the relatively small number of potential mothers in the "hollow" 1930-45 generation. Most experts assumed, however, that births would soar during the 1970's and 1980's with the entry of the baby-boom cohorts into the childbearing-age group. After all, the figures showed that there would be a 35-percent increase in the number of females in the key 20-29 age bracket between 1968 and 1975 alone, leading one distinguished demographer to predict that births would rise to 5.5 million annually in the 1970's.

The experts' projections turned out to be far wide of the mark. Despite the existence of the largest number

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of potential mothers in history, only about 3.1 million babies were born in 1973—the lowest figure since 1945—according to preliminary figures for the year. The crude birth rate (the number of babies born per 1,000 population) dipped below 15—the lowest in history, lower even than the figure at the depths of the Depression. If anything, the down-trend in the birth rate has accelerated, with a 4-percent decline in 1971 followed by a drop of over 8 percent in 1972 and almost as great a decline in 1973.

Why forecasts go awry

Young wives in the prime child-bearing-age bracket have shown a strong shift in expectations in recent decades. Between 1955 and 1970, the proportion expecting a family size of two or fewer children jumped from 34 to 70 percent, while the percentage expecting four or more children fell from 38 to only 9 percent. These women have also shown an increasing ability to hold actual family size within expectations; a recent survey of wives under 35 found that the percentage using the Pill rose from 3 to 29 percent within a decade.

Relative affluence is another prime factor in the lower birth rate, according to Richard Easterlin of the University of Pennsylvania. The postwar baby boom can be explained by the ability of young adults in that time period to achieve incomes quite high in relation to their Depression-era expectations. But today, the large numbers of

young adults scrambling for jobs in the marketplace have encountered increasing difficulties in meeting their economic goals formed in the affluent postwar period. They are less willing to have children, and with the universal spread of effective means of birth control, they are more successful than their predecessors in actually limiting family size.

Impact of shift

Labor Department projections indicate a strong 17-million expansion of the labor force during the present decade, compared with a gain of less than 14 million workers during the 1960's. This gain should be followed by a significant slowdown in labor-force growth during succeeding decades, although the full impact of the decline in the birth rate may not be felt until the 1990's. The most striking development of the 1970's should be the sharp growth of the 25-34 age bracket—especially young women workers with children, in line with the accelerated trend in female labor-force participation of the past several decades. Over the decade, there could be a 70-percent increase in young female jobseekers, as opposed to a 48-percent gain in 25-34 year-old males.

Population shifts should have wide-ranging social and economic effects during coming decades, with varying implications for different occupations and different consumer markets. The social climate may change somewhat, as the exuberant youth of the 1960's find themselves above the dreaded age of 30.

Economic and social trends are likely to be influenced by the strongly expanding aged population, but influenced even more by mature workers in the 35-54 age bracket.

Basic housing demand should strengthen, with an increase in household formations from about 1.0 million annually in the late 1960's to roughly 1.5 million annually in the late 1970's. Housing construction patterns may reflect the preference of working couples (especially those with small children) for smaller units situated close to shopping, recreational, child-care and mass-transit facilities. The markets for children's clothing and textbooks should weaken, while the markets for convenience foods, small household appliances and child-care services should strengthen considerably.

Occupational impact

The decline in the birth rate should lead to a 10-percent decline in elementary-school enrollment from 1969 to 1977, and the ripple effect will be felt later at the high-school and college levels. The teacher market for the rest of the decade thus will be based largely on replacement demand, with due consideration for such factors as the need for smaller class size. Compared with the levels of the 1967-71 period, there could be a 15-percent decline in the demand for new elementary and high-school teachers during the next several years, while the demand for new college teachers may be almost cut

in half in the latter part of the decade, according to recent Labor Department projections.

With the two-child family regarded as the norm, the number of children under the age of five probably will not exceed the 1960 level until the end of the century, but the 65-and-over population will increase more than 40 percent during that period. M.D.s obviously will be well advised to choose geriatrics rather than pediatrics as a specialty in coming years, and other health-care personnel will find their best opportunities in nursing homes and homes for the aged.

Will the slowdown in population growth also mean a slowdown in economic growth? The answer is no, according to the President's Commission on Population and the American Future. The rising proportion of the population in prime working-force age brackets should permit higher earning and consuming levels than at present. One Commission study suggests that real per-capita income in the year 2000 should be 15 percent higher with a two-child than with a three-child norm. In this situation, we could expect a moderation in demands for food, clothing and educational services. Conversely, we could expect a higher level of saving out of increased incomes, thus permitting an increase in capital formation—which appears to be a prime necessity in our present shortage-afflicted condition.

William Burke