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## 1 – A CALIFORNIA WEDDING

### BEAUTIFUL SETTING, WONDERFUL PEOPLE

My wife and I attended a wedding on a recent past weekend. It was a beautiful event in a beautiful setting: city of Atascadero, county of San Luis Obispo, state of California. We drove through spectacularly beautiful wine country to get there. The weather was beautiful. A beautiful young couple exchanged vows in the backyard of the groom's childhood home, where his mom still lives.

Two beautiful families became one big extended family. It was a beautiful atmosphere: loving, warm and generous of spirit. Every single person I encountered during the weekend impressed me as a beautiful, wonderful individual, and that's not just the champagne talking. Even the exes got along beautifully, and that was a good thing, because my god, there were a lot of them.

### DEMOGRAPHICS REARS ITS HEAD

As a demographer I was cognizant of several overlapping trends that were manifesting themselves. The bride is an only child. The bride's mom (let's call her "Betty") is an only child. Two of Betty's exes were present, including the bride's father (an only child), as was her current husband (a childless only child). Everyone is seemingly on wonderful terms with ex-spouses, ex-spouses' intervening and current partners, and everyone else.

The bride's father (let's call him "Jack," because this is going to get complicated), after his marriage to Betty, was then married for a while to a woman (let's call her "Jane"), who was also pres-

ent. One of Jane's previous husbands was a guy (oh hell, let's call him "Peter") who is here by dint of multiple connections, having grown close with the bride as a counselor, and as a former business partner of the bride's father, Jack.

Jack and Jane not only married with Peter's blessing, they got married in Peter's house, the same house in which he (Peter) and Jane had gotten married ten years previously. They all get along wonderfully as well. Jack is here, by the way, with current partner "Louise," a lovely person who, for my demographically analytical purposes, is divorced and childless (forgive me Louise, that sounds worse than it should). Betty's other ex in attendance is, we'll say, "Randy," who is here with, oh, "Melody," also previously divorced. They make a really sweet couple, and are both childfree.

Peter and Jane have an only child we'll call "Helen." She was the maid of honor. Also in attendance are the bride's (married and as yet childless) good friends "Mary" and "Andrew" (an only child).

Peter is a relationship counselor; this must come in handy. We are all staying at Peter's serene and beautiful vineyard compound, the grounds of the Center for Reuniting Families, a retreat where he offers individuals, couples and families a place to heal themselves and their relationships. This is coastal California, after all.

So let's see:

"Betty" has two exes here (Jack and Randy);

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“Jack” has two exes here (Betty and Jane);

“Jane” has two exes here (Jack and Peter);

“Peter” has two exes here (Jane and “Linda”);

Who is Linda? Linda lives at the compound, as do a few of her exes and current partner. Linda and her only child run a bakery together and made the spectacular, beautiful wedding cake.

The groom’s divorced parents are also on wonderful terms, and it showed on the day, when it all came together.

I guess my wife and I are the outliers. We are still in a long-lasting first marriage and have four siblings between us who can say the same. We do have an only child, though; each of our four siblings has two each. I am not a native Californian, but my wife is, and her mother and grandmother can claim nine marriages between them.

## **IMPLICATIONS, REFLECTIONS**

What does it all mean? Well, the first thing that occurs to me is that statistics on marriage, divorce and remarriage don’t really capture the whole picture. Many people believe the divorce rate is 50%, but the divorce rate is not even measured or expressed as a percentage figure; it’s the number of divorces per 1,000 of population in any given year. In 2005, the most recent year for which data are available, the US divorce rate was 3.6, *the lowest level since 1970*. (The peak was 5.3 in 1981.) And California was not the state with the highest divorce rate; that distinction went to Nevada, at 6.4, followed by Arkansas at 6.3 and Wyoming at 5.3.

The reason so many people think the divorce rate is 50% is because for any given year of the past many decades, the number of divorces (and hence, the divorce rate) has been about half the number of marriages (and thus half the marriage

rate). For example, in 2005 there were about 2.2 million marriages in the US (resulting in a marriage rate of 7.5), and about 1 million divorces (and a divorce rate of 3.6).

It’s hard to state the percentage of marriages that end in divorce, because there are few longitudinal studies done tracking the same married couples over time, and the percentage which divorce will increase the longer the time frame. But I have read a figure of approximately 33%, which if true would mean that two-thirds of first marriages do *not* end in divorce. On the other hand, the divorce rate is down because the marriage rate is down, and for the first time in our history, the percentage of households comprised of married couples has fallen below 50% (and thus, no longer a majority of households).

[The exact 2005 numbers: of the nation’s 111.1 million households, 55.2 million, or 49.7%, were made up of married couples, those with or without children. The rest were single households, unrelated cohabitating households, or other non-traditional households.]

## **WHAT ABOUT THE KIDS?**

The second thing I can tell you is that the statistics reveal nothing about the level of happiness out there. The people I saw this weekend were about as happy, content and well-adjusted a group as I’ve ever seen. Not that they haven’t gone through their share of heartbreak, difficulty, sorrow, challenge and crisis (no small amount of which relating to children!). Our daughter, in her 20s, tells us she does not know of a single contemporary who is not dealing with one or more “issues” (therapy, medication, psychoanalysis, depression, bipolar disorder, drug use, eating disorders, cutting, to name a few). And if you’re going to say these problems are most prevalent in the populations that can afford them, I’ll agree.

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Still, the incidence of single children and childlessness might be a concern. Demographers Ben Wattenberg and Nicholas Eberstadt have written of a future world of declining fertility and birth rates, leading to eventual declines in population. They're concerned because population growth is the foundation of modern economies and welfare states, and if populations of the rich, advanced, educated, industrialized, developed countries are not growing (and they are not, except for the US), then who will reproduce and replenish? Increasingly, they fear, people at odds with the modern world.

And what will be the effect on families in a world where the only biological relatives for many people will be their ancestors?

Demographer Phillip Longman puts it more bluntly in his book *The Empty Cradle*. Childbearing has become a sucker's game, he writes: parents are supposed to provide society with a steady new

supply of well-bred individuals (educated, moral, balanced, sober, disciplined, productive citizens), in exchange only for the psychic rewards. No wonder the birthrate is falling. Or was, until 2007. In that recent year there were a record 4.3 million births in the US, the most since 1957 (the middle of the Baby Boom). The fertility rate (the average number of children born to each woman over her lifetime) rose to 2.1 (the level needed to maintain current population size), the highest since 1971.

Of course by 2050 half of the 400 million Americans projected to be alive will be what are now considered ethnic and racial minorities. That doesn't bother you, does it?

But none of it was a concern this particular weekend. Everything, and everyone, was beautiful. Even the traffic on the 101 returning to Los Angeles was not that bad. This doesn't have the look or feel of decline, but if it is, it's been a beautiful ride.

## 2 – ECONOMY: LIGHT AT END OF THE TUNNEL OR ONCOMING TRAIN?

Is the worst behind us, or still to come? Informed opinion is all over the map. Forbes Publisher Rich Karlgaard recently wrote of "20 Reasons to Be Optimistic." Among them:

- Banks are making money.
- The yield curve is positive.
- Money velocity is trending up.
- Housing starts have surged.
- Mark-to-market accounting might soon be abandoned.
- Reinstatement of the short uptick rule will bar naked short-selling.
- Airline traffic and hotel occupancy rates are better than expected.

- Retail sales are recovering.
- Commodity prices are up.
- New car sales can't rise until used car prices are firming, which they are doing.
- Real recoveries need bears, and the bears haven't gone away.

A contrary reader disputes several points with the following:

1. Banks are hiding losses while hyping "profits" made possible only after massive capital infusions from the US taxpayer and unprecedented guarantees from the Federal Reserve.
2. The 22 percent "annual rate" jump in housing starts is primarily due to new construction in condominiums, apartments and townhouses.

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3. Money velocity points to higher inflation.
4. The yield curve only looks positive because banks are hyping earnings while stubbornly refusing to report losses.
5. The Federal Reserve is bankrupt.

## **HOUSING**

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The pessimist's second point above is disputing by Joel Kotkin on [newgeography.com](http://newgeography.com). He points out that although the economy is still hurting, the housing trend has become much more positive. In California, existing home sales have jumped 30% over the past year, taking the inventory from an estimated 16.7 months to less than seven months.

Most encouraging, this activity is taking place exactly where the market was hit hardest in the beginning – in the suburbs and at the lower end of the market.

Nor is this merely a Californian phenomenon. Nationwide, existing home sales – predominately in the suburbs – have been on the rise for the last few months. The strongest growth is occurring in Sunbelt markets in Arizona, Nevada and Florida, as well as in California. These places experienced some of the greatest surges in prices, which forced many buyers to turn to subprime and interest-only loans.

These loans are largely not available today. Instead, lower prices – sometimes as much as 50% below peak – are allowing new buyers to buy affordably.

## **CONSUMERS**

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What about consumers and consumer spending, such an important component of economic activity? For the pessimistic view, there's "From Bubble to Depression?" by Steven Gjerstad and Vernon Smith in the *Wall Street Journal*, and

"US Credit Card Delinquencies at Record Highs: Same Dynamics as Mortgages?" by the notorious Dr. Doom, Noriel Roubini. Both pieces see the credit contagion as spreading. Roger Altman writes in *The Financial Times* that since this is not a normal cyclical recession (it's a balance sheet-driven recession), we cannot expect a normal cyclical recovery. He expects a drawn-out, weak recovery.

What about our own US Consumer Demand Index, the only monthly survey of American consumers which measures actual buying intentions (as opposed to sentiment, confidence or opinion, all of which are of course subjective)? Our March data show a fairly strong upturn (from a very depressed level of -37 to a less depressed level of -11). This is a significant improvement, but we will refrain from calling a bottom or turnaround until we see our three-month moving average in positive territory for three consecutive months. (On the basis of this March report, the three-month moving average improved only one point, from -26 to -25, so there is still a long way to go, but the positive direction and momentum is encouraging.)

[Feel free to contact me for a copy of the US CDI and subscription information (or feel free to visit [www.consumerdemand.com](http://www.consumerdemand.com)). Our monthly surveys, which have been conducted since February 2001, give a fairly accurate forecast of the strength and direction of the PCE (Personal Consumer Expenditures) and ISM (Institute for Supply Management) indexes 4 to 6 months ahead of official data.

Where do I stand? I believe the tide is starting to turn – the rate of decline in most major economic indicators is clearly slowing. The forward looking stock market is well off its lows. So is that flickering light we see the end of the tunnel or an oncoming train? Ask me in two months.