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Toward the challenges of 1980

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Toward

Man has an insatiable curiosity about the shape of the future and it is hardly likely to be concealed as the curtain rises on the decade of the 1970s.

Our early ancestors were principally concerned with physical survival in the immediate future, imploring their gods for protection from plague and pillage, droughts and floods, fires and frosts. Modern man's interest in prognostication is directed largely toward the unknowns in the economy. Forecasts of the economic future are based upon an impressive body of historical knowledge as well as techniques for linking the past with the present and, hopefully, with the future. But sophistication is no insurance against costly failure in the treacherous game of forecasting.

Ten years ago, it will be remembered, there was much brave talk about the "Swinging Sixties" and the unlimited economic horizons of a decade of rapid growth that lay ahead. Yet half the decade was to pass before the country was lifted out of economic stagnation, from the slough of slow growth and an unacceptably high level of unemployment. The euphoria of that decade therefore stands as a warning against glib optimism in the 1970s.

Safety in forecasting can be purchased, but only at the price of retreating to the trite or innocuous, such as the statement that the only thing certain in the uncertain future is the persistence of change. But there is a middle ground approach that offers valuable insights into the future by ignoring the short-term reverses and twists of business fortunes—the saw-toothed fluctuations of the wall chart curves. It involves the extension of well established trends, the long-term tendencies that are not likely to be quickly reversed and which exert a powerful influence in shaping the course of the economy.

What is required of us today, if we want to understand and master our future, is a blend of capabilities. We need to combine the realistic, hard-headed approach of the experienced and skeptical accountant with the appreciation of the new and significant among many emerging social trends—which is more in the domain of the far-sighted social scientist. In other words, we must use both the telescope and the microscope in order to discern the big picture as well as the details of our future.

Population growth, a fundamental of any excursion into the future, is influenced by persistent forces—economic, social and technological—that change gradually and in a reasonably predictable fashion. New breakthroughs in medical knowledge and techniques, as well as the more effective application of what is already known, will in all likelihood accelerate the decline in infant mortality and increase the longevity of the adult population. Affluence should help sustain a high birth rate, but one that is lower than in the 1940s and 1950s.

Thus, barring some misfortunes of catastrophic dimension, such as the outbreak of a thermonuclear war, there will be net increases in the population of the United States during every year of the 1970s. Forecasting that growth—and with it the composition of the population by age groups, color and other characteristics—hinges largely on predicting the fertility and birth rates.

Other trends are far less stable over time, growth of income and of government expenditures being examples of trajectories that are subject to the fickle deflections of fleeting, short-term influences. The more regular, firmly estab-

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lished trends are analogous to a train that runs on its tracks in only one direction. Since its speed cannot be predicted, one cannot say where the train will be at any point in time, but it will be somewhere on the track. The less stable trend, however, can be compared to an auto which may wander off the highway and for a time reverse its direction.

If the population continues to move along the growth path of the recent past, there will be 240 million people in the United States by 1980, an increase of 36 million over the present level of about 204 million. Since population will continue to be concentrated in the urban areas, that 18 per cent increase will aggravate the problems that have manifested themselves in the 1960s: overcrowding, waste disposal and pollution, traffic congestion and inadequate urban housing.

Households, the formation of which is an important generator of demand for both consumer goods and government services, should increase by some 12 million in the 1970s, from the present number of a little more than 62 million to 74 million by 1980.

The growth of the labor force—the number of persons over 16 who are working or seeking work—is largely determined by the availability of employment opportunities. If a prolonged period of economic stagnation is avoided, such as the one from 1958 through 1964 that discouraged married women from looking for work, the labor force should number 100 million by 1980, up from today's level of about 85 million.

Measured by the number of years which the average person will have spent in school, the labor force of the future should be better educated. By 1980, about 64 per cent of the population over 25 will have high school diplomas, as against 54 per cent today, and the number of college graduates

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will rise from the present level of about 10 per cent to nearly 13 per cent. What is important, however, is the maintenance of quality standards in education, insuring that diplomas and degrees are acknowledgments of genuine achievement. Otherwise, the increase in the average years of schooling will not contribute to the advance in economic productivity.

The Gross National Product is the country's most comprehensive measure of the total market value of goods and services produced in an accounting period. In the fourth quarter of 1969, the GNP was running at an annual rate of \$953 billion. It is likely, after a pause, to reach the \$1 trillion level. Assuming an end to the present unacceptably high rate of inflation and an average growth rate of a little better than 4 per cent over the decade, the GNP, as measured at today's price level, will hit the \$1.5 trillion level by 1980. A \$1.5 trillion GNP would mean \$6,260 per person as against about \$4,620 at the present time.

If the proportion of income absorbed by federal, state and local government taxes is unchanged, the after-tax or disposable income per person in 1980 will be some 35 per cent higher than it is now. But with the larger and richer population, problems that were only beginning to emerge in the 1960s will become the major issues of public policy. And our attempts to solve them will be based largely on cost estimates worked out by people with accounting training. Here lies a great opportunity for public service by accountants, and a tremendous responsibility to be right.

Refuse disposal is one of the less complex problems that will be aggravated by the interaction between population growth and affluence. In the depressed 1930s, it was commonplace for children—and sometimes adults—to collect soft drink bottles, returning

them to stores in order to collect the deposits made at time of purchase. But in this age of affluence, consumers buy both the bottle and the drink, a practice which adds both to convenience and a growing mountain of refuse.

One estimate places the amount of wastes which must be disposed of daily at 5.5 pounds per person. With the growth of more elaborate packaging, the refuse per person is said to have doubled since 1950. Extrapolating that trend to 1980 yields a daily refuse estimate of 7.9 pounds per person or an annual total of nearly 340 million tons.

Collecting and disposing of such a gigantic heap of refuse is going to be expensive, especially if wages for the more menial jobs continue to rise much more rapidly than total income. It already costs more to collect and dispose of a ton of trash in New York than it does to haul a ton of coal from West Virginia to New York City. By 1980, the trash bill for urban areas will be much higher than it is today.

The disposal of refuse is intimately linked with the more difficult problems of improving the quality of the physical environment. With a larger and richer population making and spending money, and buying and disposing of goods, the task of maintaining clear air and clean water in the lakes and rivers becomes more difficult.

In Tokyo, people who are overpowered by fumes and solid matter in the atmosphere can obtain relief by taking whiffs of oxygen from tanks that are readily available. Oxygen for the asphyxiated is not yet a fixture of American cities, but it is a certain prospect unless something is done about the effluents from factories, power stations, burning refuse heaps and internal combustion engines. Long before 1980, governments will have to devise efficient strategies to reduce pollution.

One approach is to exact penalties in the form of effluent fees, fines based on estimates of the amount of noxious matter that has gone up a smokestack or been dumped into a river. Another is to offer tax credits to businesses which make the investment in equipment needed for the elimination of wastes that pollute.

Efficient passenger transportation is another issue almost certain to occupy a prominent place on the public policy agenda for 1980. It is conceivable that a technological breakthrough, an advance of unimaginable magnitude such as the safe exploitation of air space by small vehicles or anti-gravitational devices, will solve the problem of traffic congestion within urban areas and between cities. However, it is safer to assume that the urban transportation problem will be very much with us through the decade of the 1970s.

If that supposition is valid, alternatives to traffic congestion will be more imperative in 1980 than they are today because delays in travel will become so much more costly. Transportation services now account for about 14 per cent of total consumer spending. But that figure understates the real cost because it takes no account of time spent in traveling from home to work. Higher wages and salaries have inculcated a keen sense of the value of time in business operations. But it has not been extended to the sphere of passenger transportation where delays impose enormous social costs upon the economy. The measurement and elimination of that burden is likely to be a principal policy goal of the 1970s.

Efforts to resolve transportation problems—as well as those directed toward the improvement of urban housing—are likely to involve joint ventures, cost sharing arrangements between private enterprise and government. Signs of that pattern are visible in the arrangement between the Penn Central railroad and the federal government for the Metroliner service between New York and Washington and the extension of a similar speedup to the New York-to-Boston run. Philadelphia and other large cities are providing subsidies to local commuter rail lines. A number of proposals have been advanced for establishing local community corporations and banks that would undertake large scale urban renewal projects with funds that are raised by selling federally guaranteed bonds to private investors.

At the present time the combined taxes levied by the federal, state and

local governments are equivalent to more than a third of the Gross National Product. Will the burden of taxation increase through the 1970s as the government attempts to improve the physical environment and assist in the reconstruction of mass transit systems and the upgrading of urban housing?

The answer may depend heavily on the avoidance of another protracted and costly military engagement once the war in Vietnam is terminated. But the defense spending is only a part of the problem. What is required for holding down the government's share of the national product is the re-ordering and rationalizing of federal spending priorities. Government programs are often launched and then expanded because of the availability of tax revenues rather than their success in fulfilling the needs of the country. Unlike old soldiers, federal programs which have outlived their usefulness neither die nor fade away. They remain on the books, swelling the annual costs of operating the government and contributing to bureaucratic rigidity. But, except for those few government officials who must face an uninformed and generally indifferent electorate, there are no penalties for defective government programs and few sanctions for their failure to fulfill the needs of the taxpayer.

It is not difficult to formulate a general principle for guiding the efforts of government to control and reduce air pollution. Expenditures should be carried to the point where the costs of further improvements would exceed the benefits that are conferred; that is, to the extent to which health is improved and working lives are prolonged. But clothing the bare bones of the theoretical proposition with substance, with the information needed to make intelligent decisions in the public policy arena, is no easy task. It requires a mixture of factual knowledge and keen insights,

and an open-minded willingness to experiment, to confess errors and reverse course.

But something more than the responsibility of stewardship will be required in the 1970s if government is to be successful in performing its problem-solving role. A new standard of rationality must be established, a means of pinpointing the goals of government programs and of objectively appraising its success in achieving them. Accountants, who are already serving and advising governmental agencies as well as private business clients, can play an important part in developing what could well become a new operating calculus, a means for increasing efficiency in the public sector of the economy.

Should this be the case, the accountant by 1980 may find himself almost as much involved in the world of social science as he has been up to now in business. He can become one of the makers of our future. □