

# **The Unsustainable Will Stop: But When and How?**

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**The Metropolitan Washington Council of Governments**  
**Cooperative Forecasting and Data Subcommittee**

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**777 N. Capitol Street, NE**  
**Washington, DC**

## **Introduction:**

Our large economic development planning initiative in Maryland 15 years ago. My admiration for those engage in the art of regional “planning” in an economically polarized, deregulatory and libertarian era. A word about Metro Washington’s jurisdictional and turf battles as Beijing adopts its remarkable 11th 5-Year Plan to nurture and manage 21st Century growth.

I’ll try to focus attention on three main points:

1) Of course, Metropolitan Washington's enormous, inherent strengths have far outweighed its vulnerabilities for the last 70 years, minimizing the need for planning. (We could afford to have it all.)

2) This will almost certainly begin to change soon and the area’s vulnerabilities will dominate at a time when sufficient money is not easily available.

3) Planning for major changes; how, when and by whom can the area’s looming vulnerabilities be identified and reduced?

## **1. The Washington area’s very familiar strengths:**

- A. The Federal Government;
- B. Educated and affluent workforce;
- C. Magnet for skilled and ambitious immigrants;
- D. Little reliance on globally traded goods and services except higher education and tourism;
- E. Incomparable amenities;

## **2. Our areas less appreciated vulnerabilities:**

- A. The Federal Government’s deficits can’t continue indefinitely and there’s no repeat of the recent financial bubble on the horizon;
- B. Success has driven up the area’s cost of living in a competitive and newly globalized marketplace;
- C. We share the country’s unique over-reliance on cheap oil with remarkably expensive patterns for housing and transportation that continue -- NoMa;
- D. Household debt, savings and the retirement of Baby Boomers;
- E. New and unregulated local and global competition for economic resources, particularly from China;

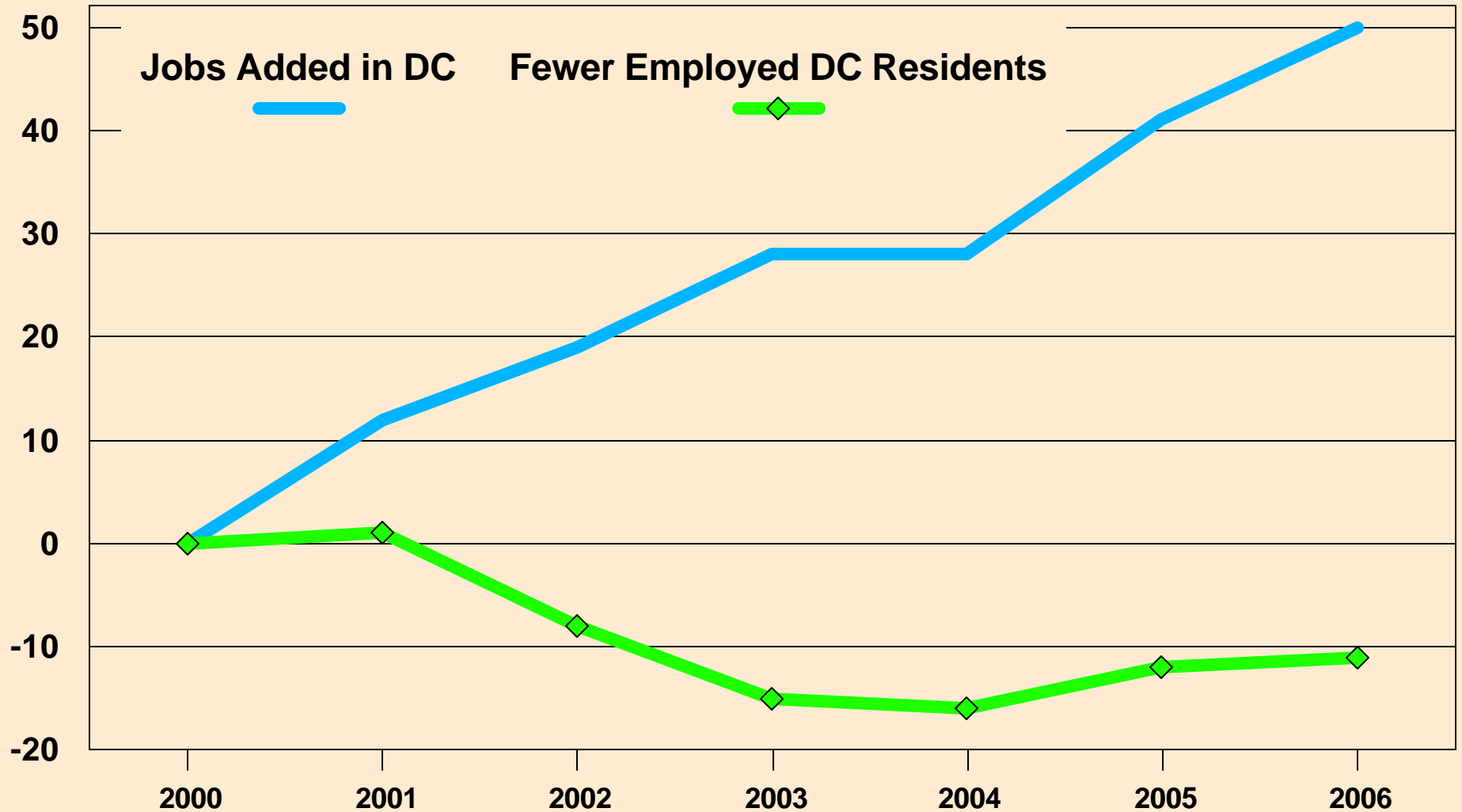
## **3. How, when and by whom can the area’s major vulnerabilities be identified and reduced?**

- A. Of course, a stronger COG and better cooperation among jurisdictions would be a big help.
- B. Area businesses and economic development offices have long attempted to diversify the economy away from the Federal Government and contractors but with limited success.
- C. The cost of living and doing business can be lowered with smarter development, fewer cars.
- D. The continuing education of area consumers, businesses and government agencies to spend their money more wisely and manage it better needs more promotion.
- E. But at the end of the day it is the current obsession with unregulated local and global commerce that I see as vastly more threatening than anything else in the years ahead. This deregulation and thoughtless “free trade” is the cause of many of our vulnerabilities and most of our unsustainable imbalances.

It is well said that if you think the cost of education is high you might consider the cost of ignorance. The same can be said for planning in our new, globalized 21st Century. Done well, we need much more of it.

# DC's Commuter Imbalance is Worsening: By 61,000 in Last Six Years

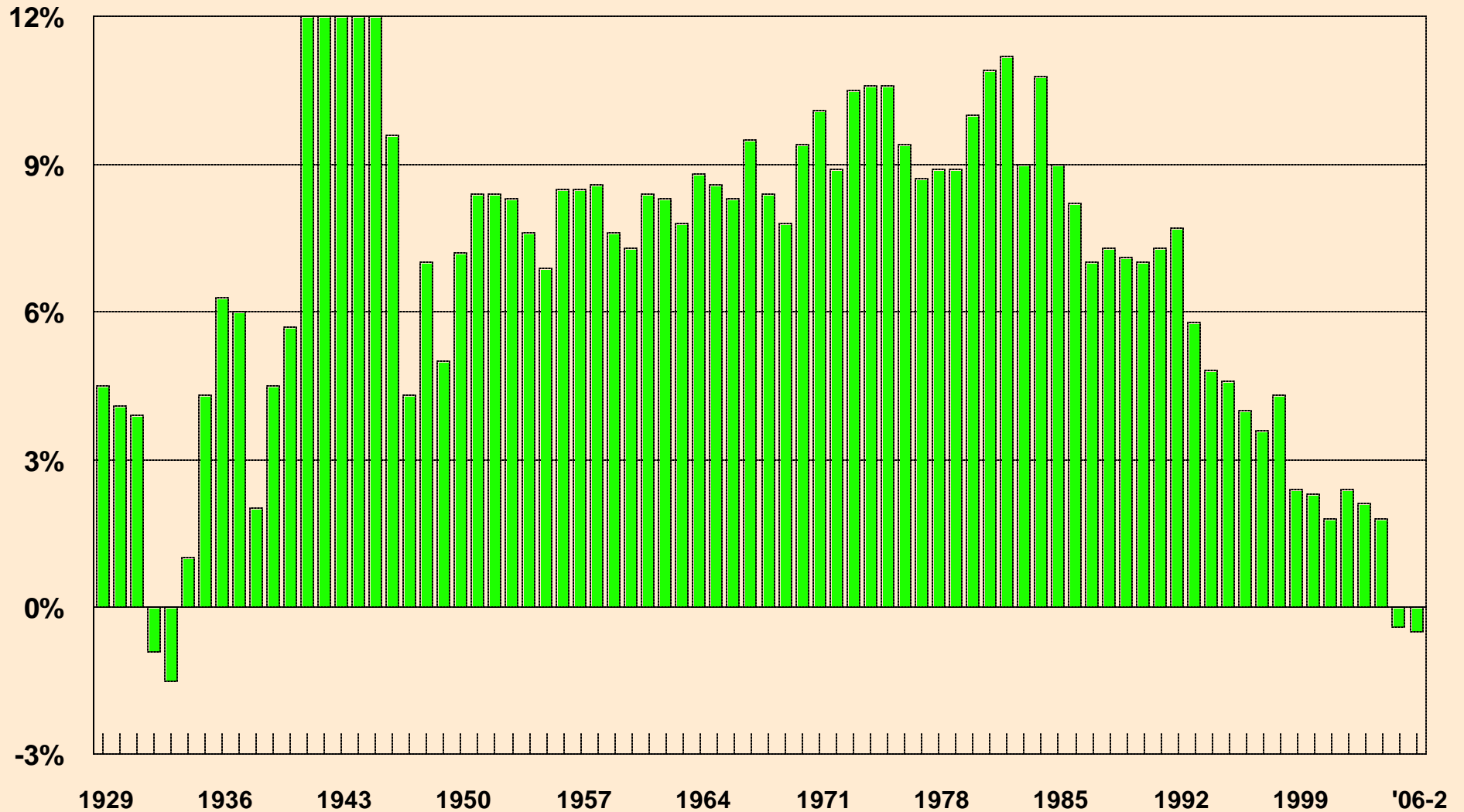
1,000s change in DC Jobs and Employed Residents: January each year



# Current Household Savings Vanish

2005 Was First Annual Decline Since 1933; Worsens in 2006

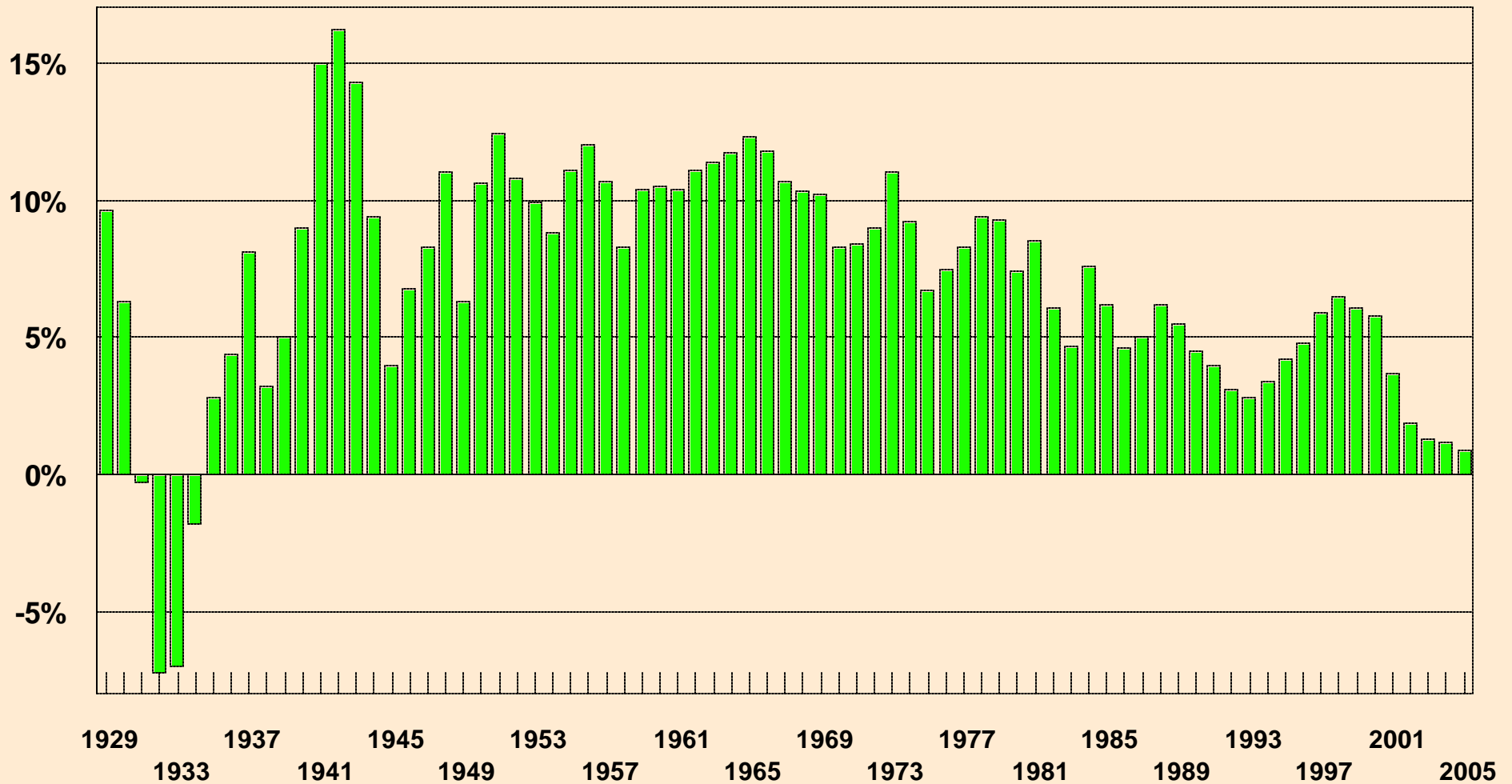
% Current Household Savings to Disposable Income



# Current Net National Savings Plunge

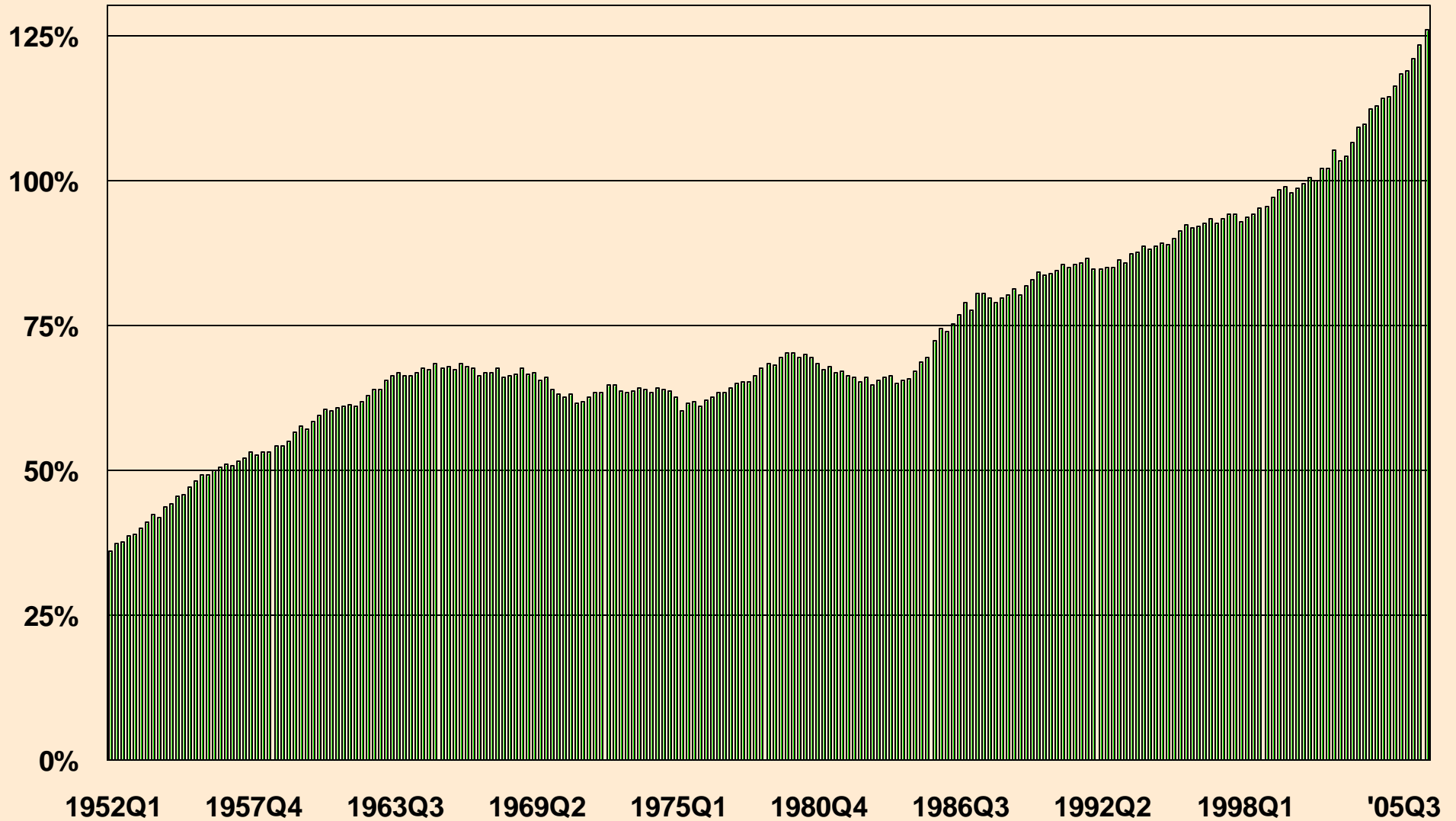
## Saving Just 0.9% of GDP in 2005: worst since 1934

% Net National Savings to Gross National Income



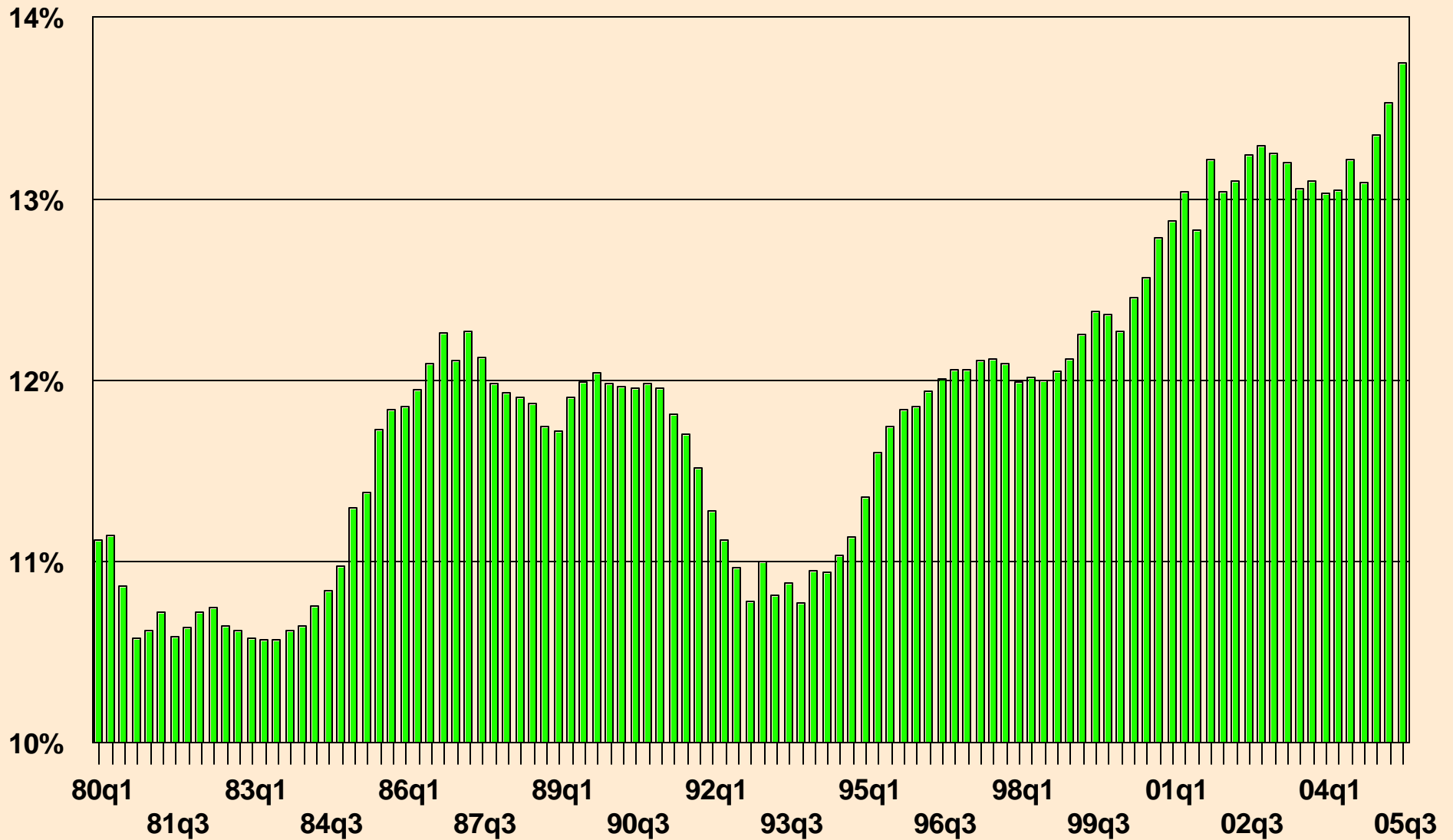
# Personal Liabilities Soar vs Disposable Income

Total Personal Liabilities as Percent of Annual Personal Disposable Income



# Debt Service as Share of Household Disposable Income

% of After-Tax Income Required to Service Existing Household Debt



# Components of the U.S. Economy:

## Gross Domestic Product: Constant 2000-Chained Prices

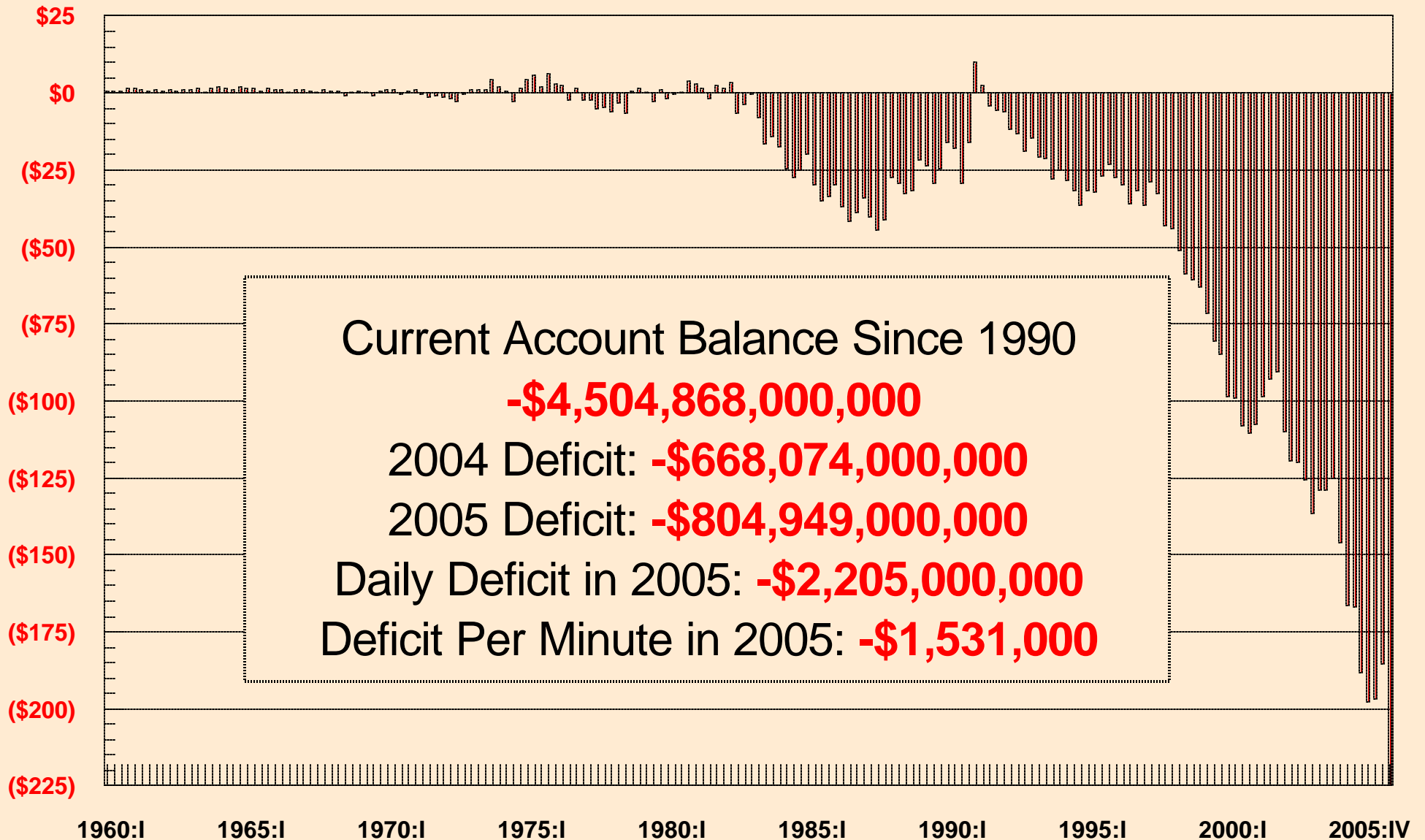
(\$ Billions) Year	Gross Domestic Product	Personal Consumption Expenditures	Gross Private Domestic Investment	Net Exports Goods And Services	Expenditures and Investments by Government	Trade as Percent of Real GDP
1959	2,441.3	1,554.6	266.7	(24.7)	714.3	-1.5%
1960	2,501.8	1,597.4	266.6	(12.7)	715.4	-0.5%
1961	2,560.0	1,630.3	264.9	(11.5)	751.3	-0.4%
1962	2,715.2	1,711.1	298.4	(18.6)	797.6	-0.7%
1963	2,834.0	1,781.6	318.5	(14.8)	818.1	-0.5%
1964	2,998.6	1,888.4	344.7	(9.0)	836.1	-0.3%
1965	3,191.1	2,007.7	393.1	(18.9)	861.3	-0.6%
1966	3,399.1	2,121.8	427.7	(31.1)	937.1	-0.9%
1967	3,484.6	2,185.0	408.1	(39.6)	1,008.9	-1.1%
1968	3,652.7	2,310.5	431.9	(54.6)	1,040.5	-1.5%
1969	3,765.4	2,396.4	457.1	(58.9)	1,038.0	-1.6%
1970	3,771.9	2,451.9	427.1	(52.0)	1,012.9	-1.4%
1971	3,898.6	2,545.5	475.7	(60.6)	990.8	-1.6%
1972	4,105.0	2,701.3	532.1	(73.5)	983.5	-1.8%
1973	4,341.5	2,833.8	594.4	(51.9)	980.0	-1.2%
1974	4,319.6	2,812.3	550.6	(29.4)	1,004.7	-0.7%
1975	4,311.2	2,876.9	453.1	(2.4)	1,027.4	-0.1%
1976	4,540.9	3,035.5	544.7	(37.0)	1,031.9	-0.8%
1977	4,750.5	3,164.1	627.0	(61.1)	1,043.3	-1.3%
1978	5,015.0	3,303.1	702.6	(61.9)	1,074.0	-1.2%
1979	5,173.4	3,383.4	725.0	(41.0)	1,094.1	-0.8%
1980	5,161.7	3,374.1	645.3	12.6	1,115.4	0.2%
1981	5,291.7	3,422.2	704.9	8.3	1,125.6	0.2%
1982	5,189.3	3,470.3	606.0	(12.6)	1,145.4	-0.2%
1983	5,423.8	3,668.6	662.5	(60.2)	1,187.3	-1.1%
1984	5,813.6	3,863.3	857.7	(122.4)	1,227.0	-2.1%
1985	6,053.7	4,064.0	849.7	(141.5)	1,312.5	-2.3%
1986	6,263.6	4,228.9	843.9	(156.3)	1,392.5	-2.5%
1987	6,475.1	4,369.8	870.0	(148.4)	1,426.7	-2.3%
1988	6,742.7	4,546.9	890.5	(106.8)	1,445.1	-1.6%
1989	6,981.4	4,675.0	926.2	(79.2)	1,482.5	-1.1%
1990	7,112.5	4,770.3	895.1	(54.7)	1,530.0	-0.8%
1991	7,100.5	4,778.4	822.2	(14.6)	1,547.2	-0.2%
1992	7,336.6	4,934.8	889.0	(15.9)	1,555.3	-0.2%
1993	7,532.7	5,099.8	968.3	(52.1)	1,541.1	-0.7%
1994	7,835.5	5,290.7	1,099.6	(79.4)	1,541.3	-1.0%
1995	8,031.7	5,433.5	1,134.0	(71.0)	1,549.7	-0.9%
1996	8,328.9	5,619.4	1,234.3	(79.6)	1,564.9	-1.0%
1997	8,703.5	5,831.8	1,387.7	(104.6)	1,594.0	-1.2%
1998	9,066.9	6,125.8	1,524.1	(203.7)	1,624.4	-2.2%
1999	9,470.3	6,438.6	1,642.6	(296.2)	1,686.9	-3.1%
2000	9,817.0	6,739.4	1,735.5	(379.5)	1,721.6	-3.9%
2001	9,890.7	6,910.4	1,598.4	(399.1)	1,780.3	-4.0%
2002	10,048.8	7,099.3	1,557.1	(471.3)	1,858.8	-4.7%
2003	10,320.6	7,306.6	1,617.4	(521.4)	1,911.1	-5.1%
2004	10,755.7	7,588.6	1,809.8	(601.3)	1,952.3	-5.6%
2005-Q4	11,248.3	7,925.4	1,981.9	(655.2)	1,994.1	-5.8%

U.S. Dept. Commerce and MBG Information Services (March 30, 2006)



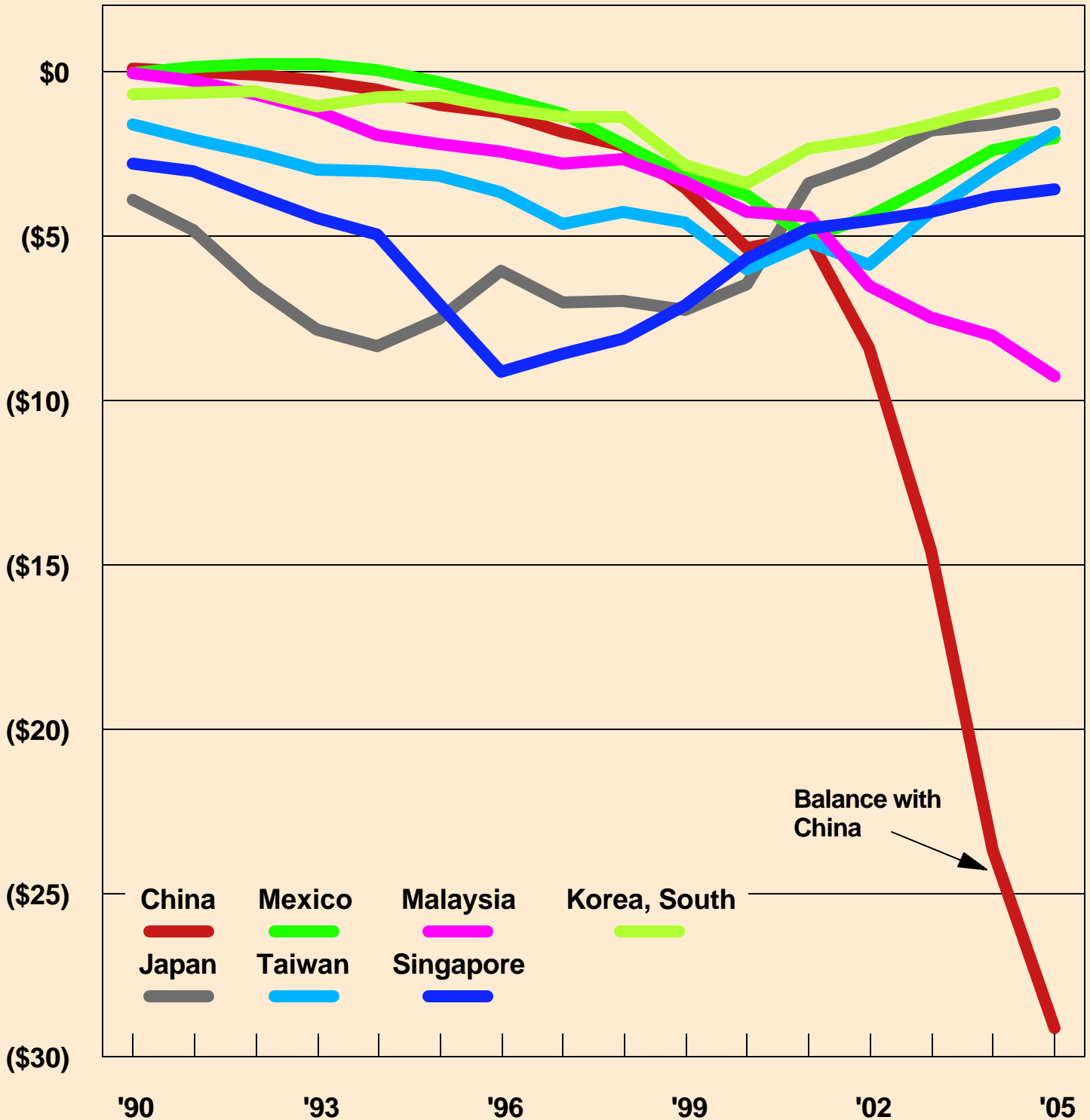
# Incomprehensible US Losses in Current Accounts

\$ Billion: US Quarterly Balances in All Global Current Accounts



# US Balance in Computer Trade

\$ Billion: Annual US Balance in Computer Trade



# US Trade in Advanced Technology & IP

First Recorded Deficit in Tech Goods, Royalties and Fees

