

keynote address

Demographic Changes and the New Intergenerational Social Contract

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**36th Annual
Southern California
Demographic Workshop**

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Objectives

- Define the intergenerational social contract
- Detail the major demographic trends that have changed
- Explain how new demographics support a new social contract
- Highlight housing as a problem where the new social contract is a guide for shared decisions

A Timeless Social Contract

General Definitions of Social Contract

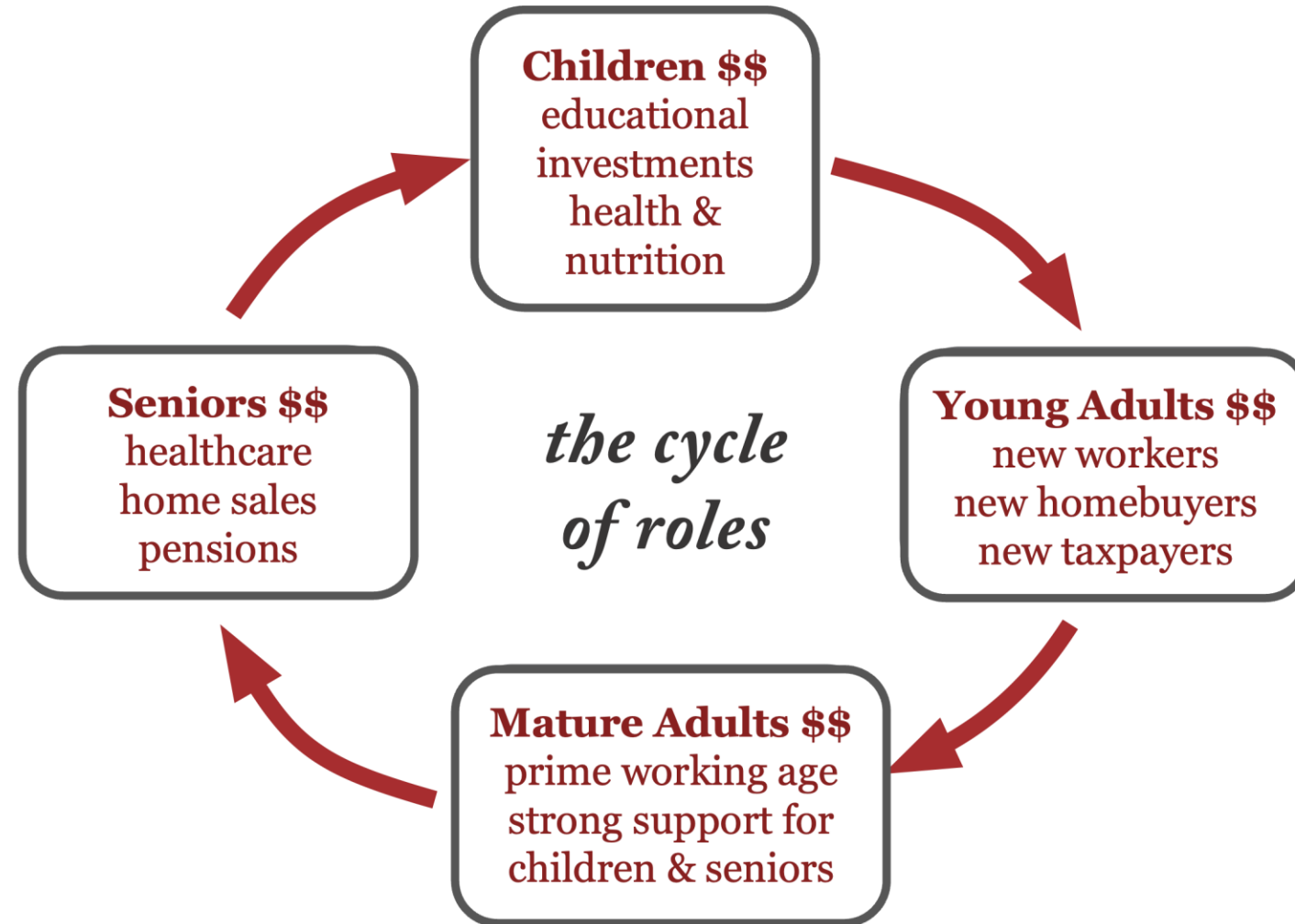
Long history in moral philosophy reaching back to the 16th century

Speaks to the tradeoffs between individual freedom and government protection, a consensual arrangement in a democracy

More simply, in contemporary terms,
a social contract is an implicit agreement among the members of a society to cooperate for social benefits

An **intergenerational social contract** specifies expectations of resources and services exchanged between prime wage earners and members of less advantaged generations, typically elderly retirees or children requiring public investment.

In a simple graphic, Californians move through a fiscal lifecycle as they age, with generations taking turns in roles



A social contract is formed of:

The shared social understandings that support cooperation among self-interested people who possess unequal resources.

- after Beth Rubin

Key contribution proposed here

Our success depends on building
the shared social understanding
so essential to cooperation & prosperity

- *how much is the shared understanding still based on the **old demographics**?*
--
- *what if the demographics **have changed**?*

Population Change is Forging a New Reality in California

*that provides **the factual basis** for a new social understanding **just** beginning to form*

The Big Questions We Need to Answer:

1. What are the major trends that have changed?
2. How do the new demographics lead to new problem definitions?
3. How do new demographic trends support a new social contract?
4. How might lifecycle sharing provide a guide to growing a stronger California?

How Population Change is Forging a New Demographic Reality

OLD skeptical outlook (circa 1990 to 2006)
<ol style="list-style-type: none">1. Restrictions wanted on runaway growth2. Too many babies – all so expensive to educate3. Not enough seniors with institutional knowledge4. Too many new graduates, not enough jobs5. Too many immigrants from abroad (or Iowa); at this rate, we'll all be immigrants soon6. We really don't want any more children or young adults7. Suddenly, a "California Exodus" – is everyone leaving? WHY? No one wants to live here anymore?

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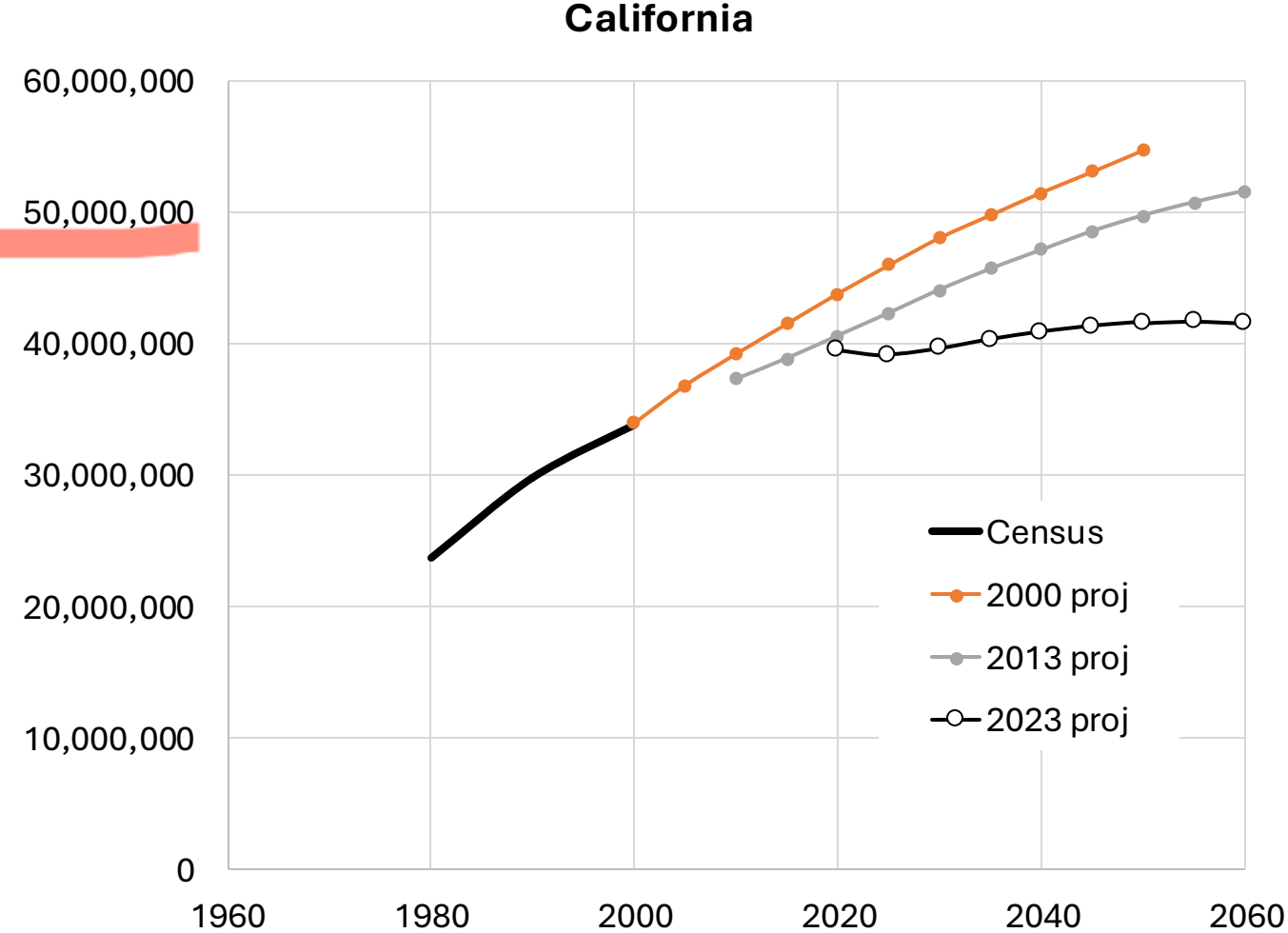


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The sharp slowdown in population growth has yet to be reckoned with...

Dramatic Slowdown in Growth Projections



Source:
California Department of Finance, 2000, 2013, and 2023

What Year Does California reach **50 Million** Population?

- Old Expectation (2000) 2036
- New Outlook (2013)..... 2051
- Latest Outlook (2023) ***never***

(41.2 million in 2070)

Source:

California Department of Finance, 2000, 2013, 2023

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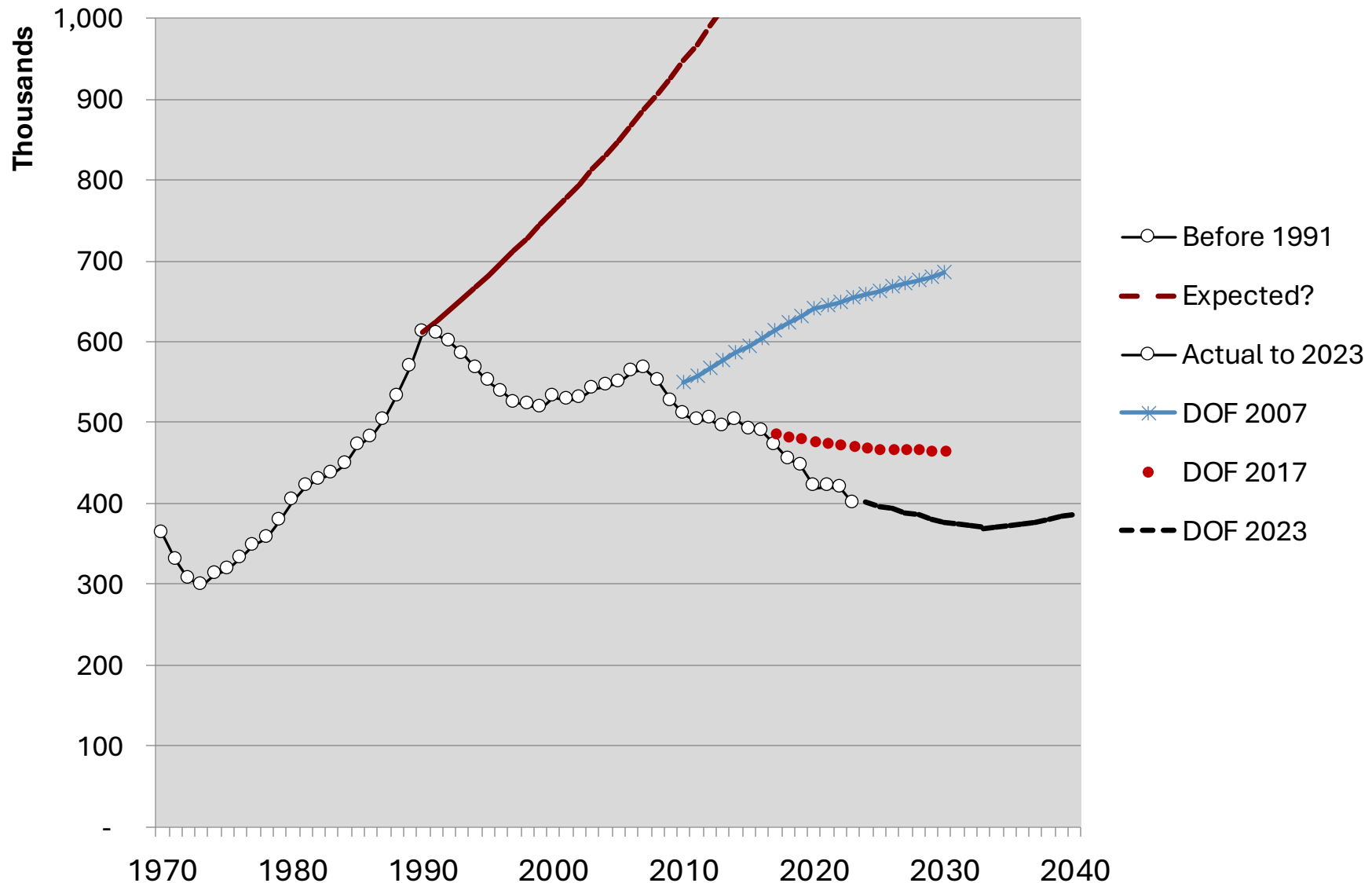


1. Severe population **slowdown** now forecasted
- 2. Now, fearing a shortage of newborns**

Can you hear the voices groaning from the past?

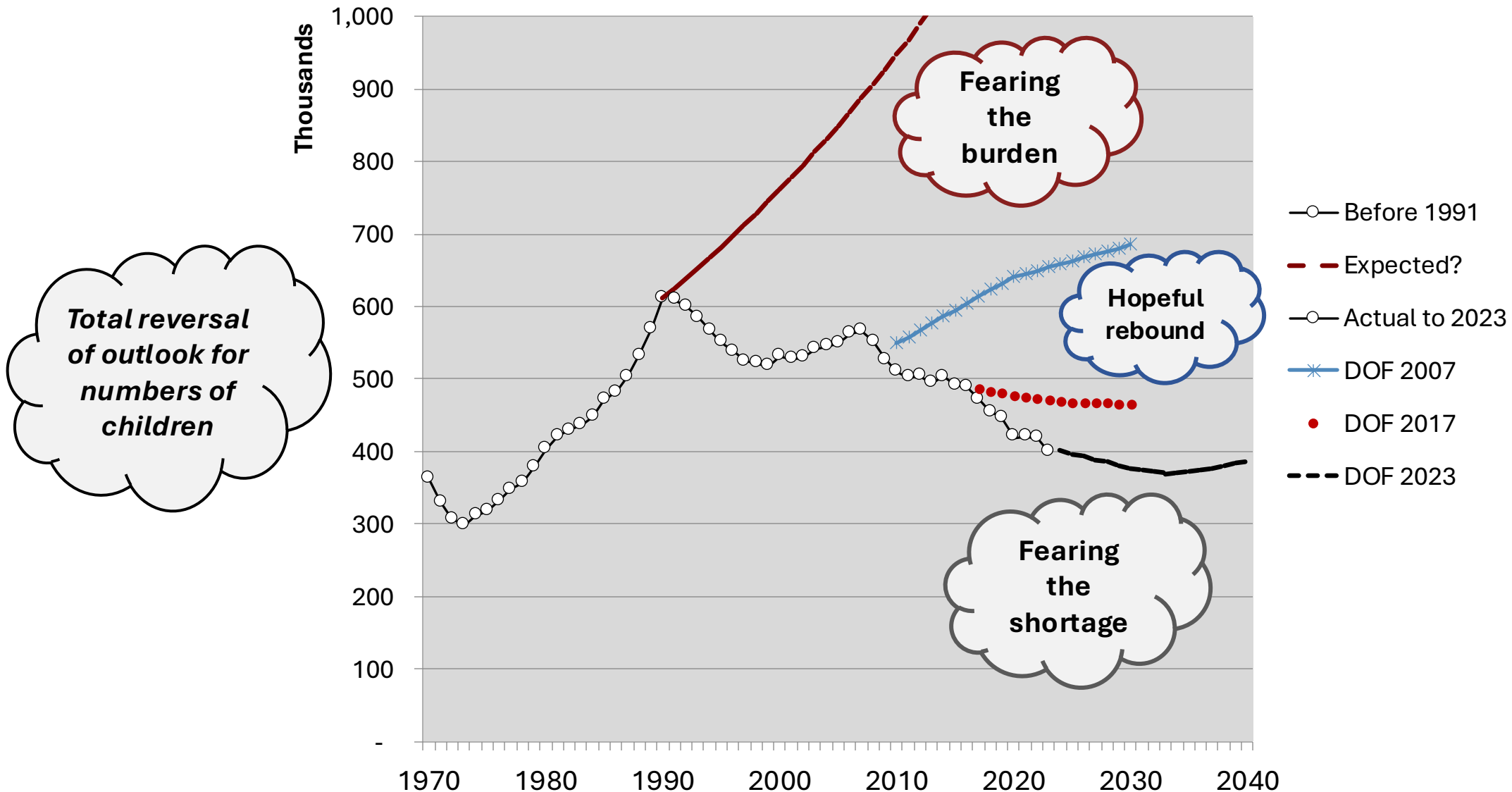
- *Growth is Overwhelming Us*
- *Children are Too Numerous*
- *Children are a Burden on the Taxpayers*
- *We Don't Need Other People's Kids*
- *We Really Just Can't Afford It*

Annual Births in California Soared to 1990, but then



Source: California Department of Finance;
analysis by Dowell Myers

“Oh, my! How the outlook on babies and children has changed!”



Source: California Department of Finance;
analysis by Dowell Myers

California Is Becoming Age 'Top Heavy'

Falling birth rates and lower migration
reduce the number of young people

While older residents continue to
largely age in place

Result is we face the threat of a **top
heavy age balance** in California

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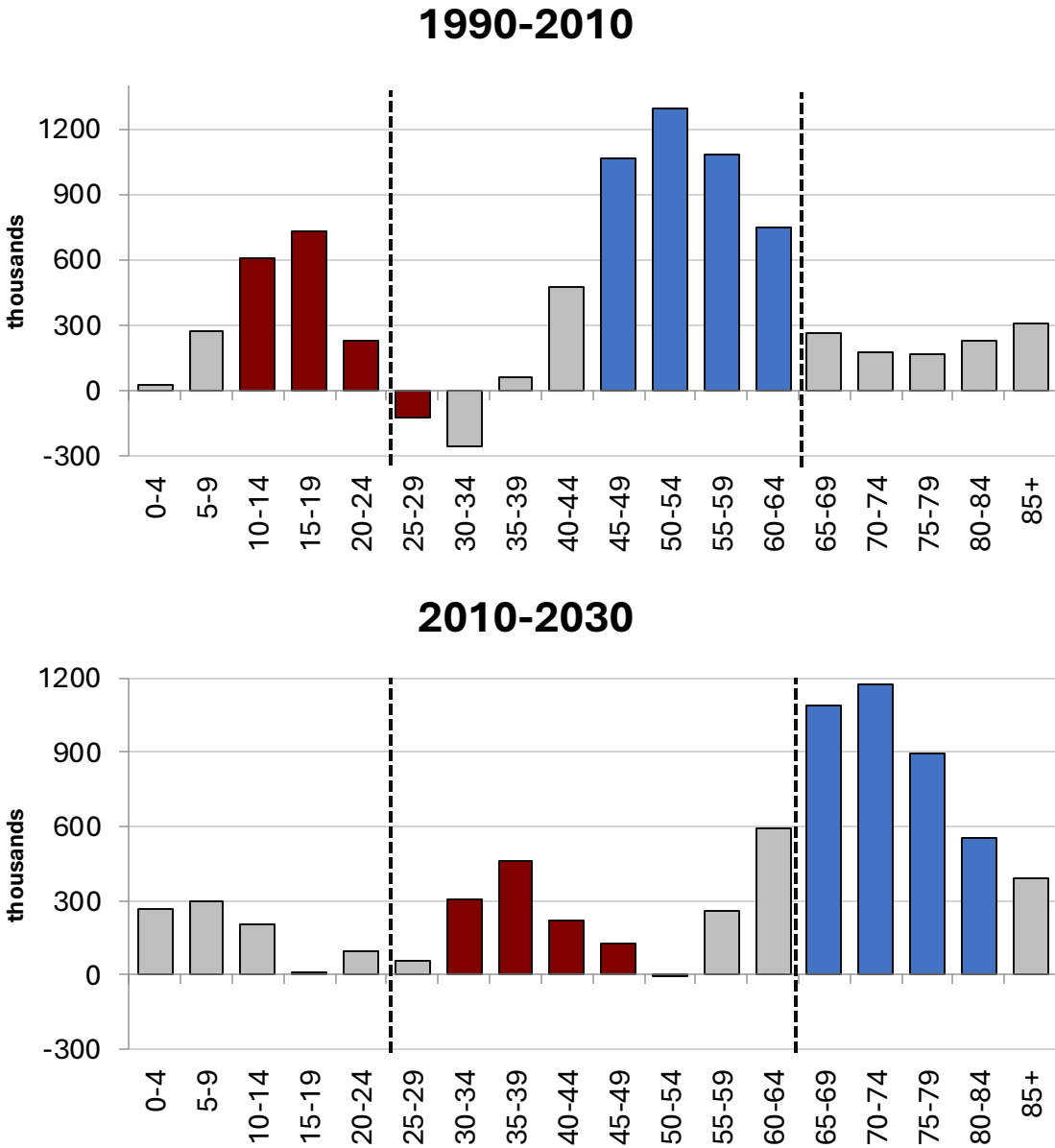
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1. Severe population **slowdown** now forecasted
2. Now, fearing the **shortage**
3. **How did seniors suddenly get so popular?**

Net Growth by Age in California: Then and Now



*night
and day*

Source: Dowell Myers, Census Bureau decennial census of 1990 and 2010 and CA DOF 2014 vintage projections

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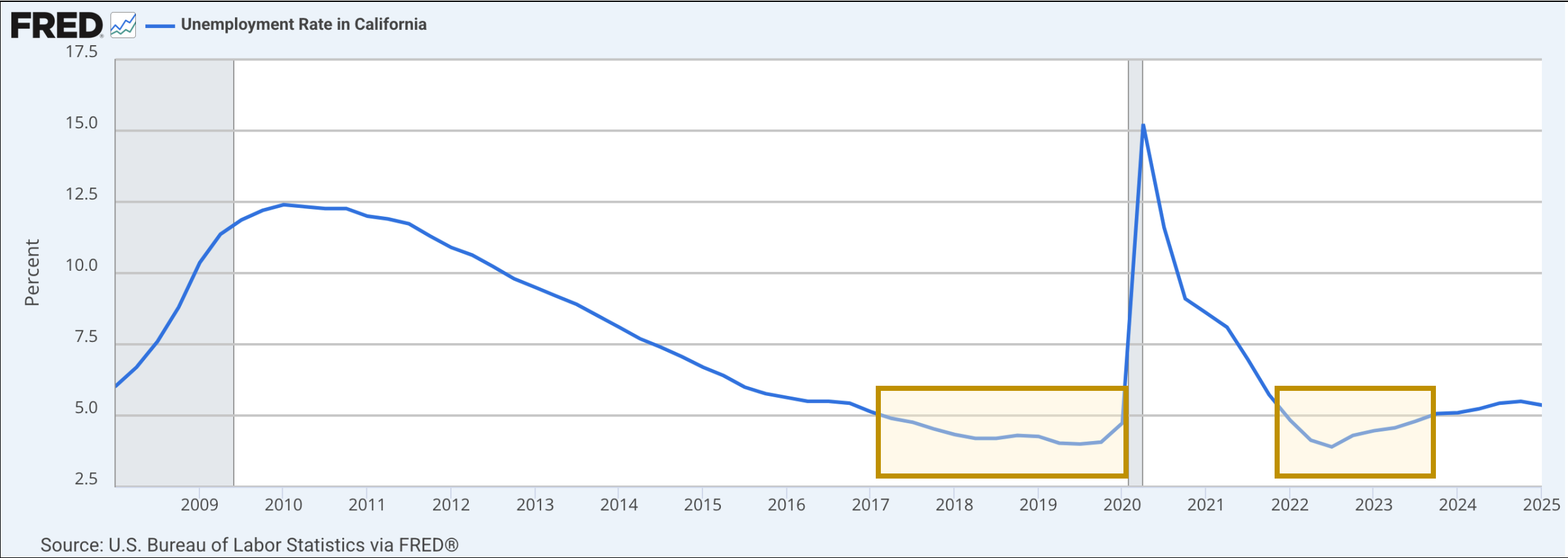
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1. Severe population **slowdown** now forecasted
2. Now, fearing the **shortage**
3. How did seniors suddenly get **so popular**?
4. **Why such low unemployment?**

Calif. unemployment rate has declined to exceedingly low levels
because workers are retiring faster than replacements arrive



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5. **Too many immigrants, eh? Leveled off at 27% Mostly homegrown, native-born Californians.**

California used to have a booming population with streams of workers coming to live here

Only a minority of the population was born in California

Recent population projections from the State DOF see very little growth in decades ahead

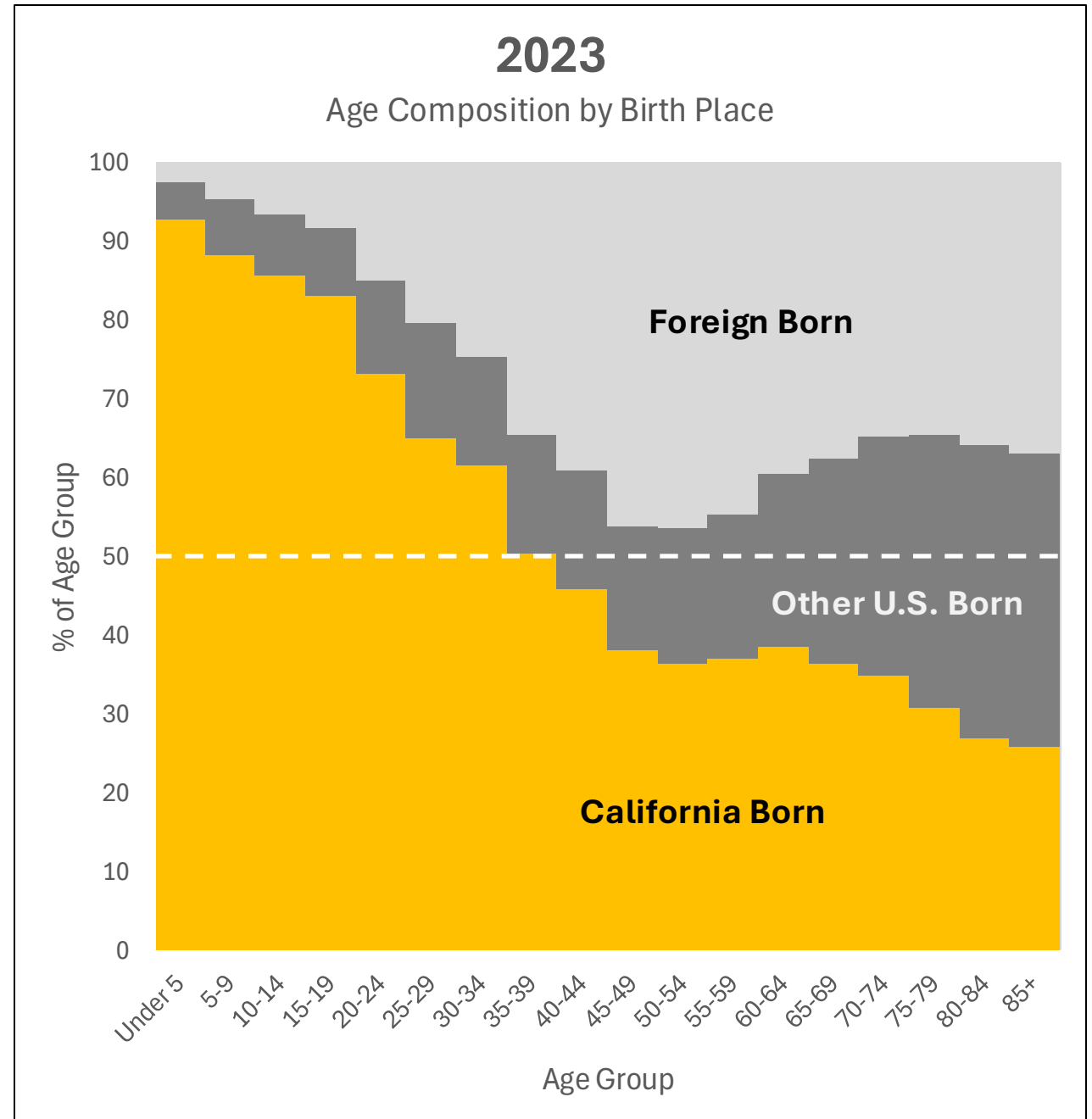
Without migration, California must be **self-reliant upon our homegrown** children and young adults unlike ever before

**The Homegrown
Revolution
may be our secret
solution**

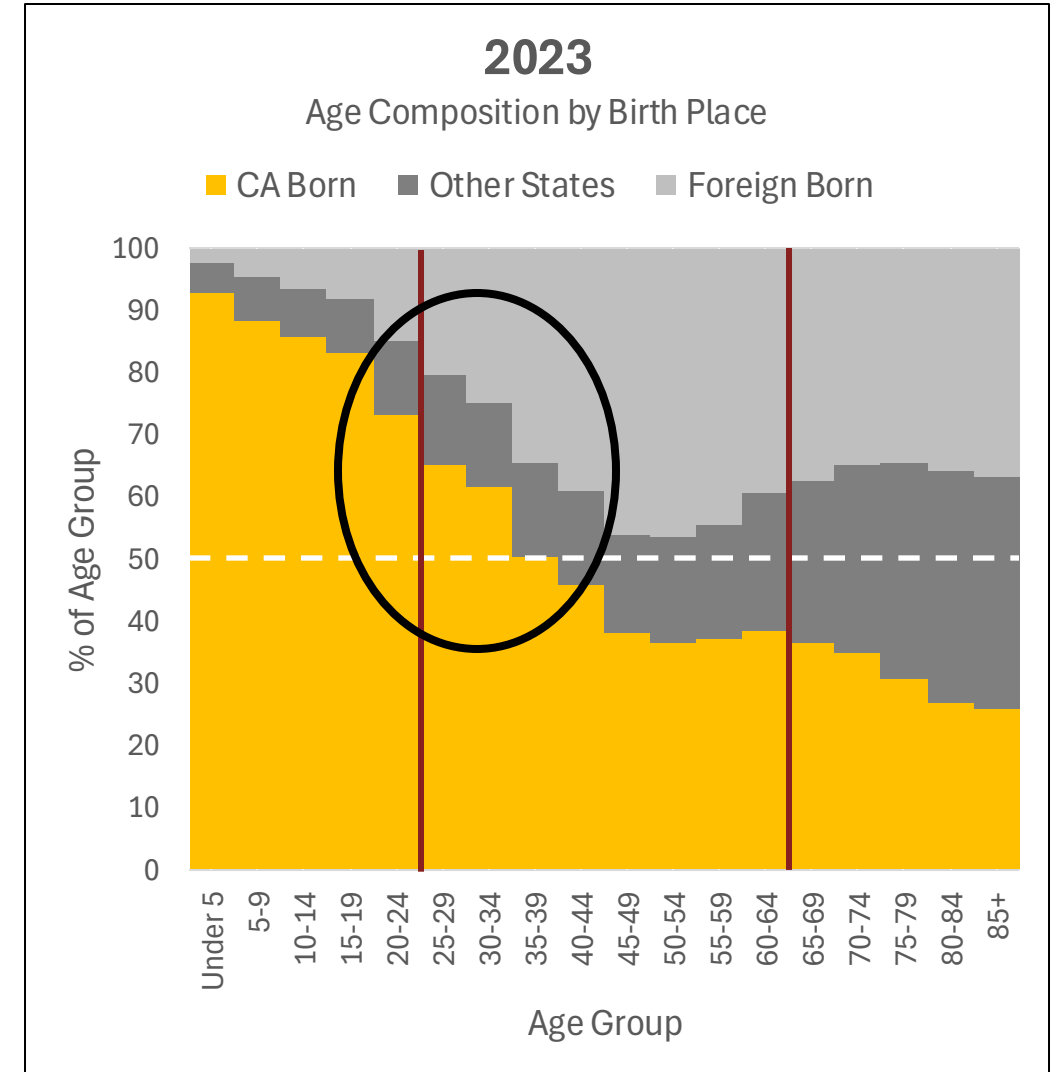
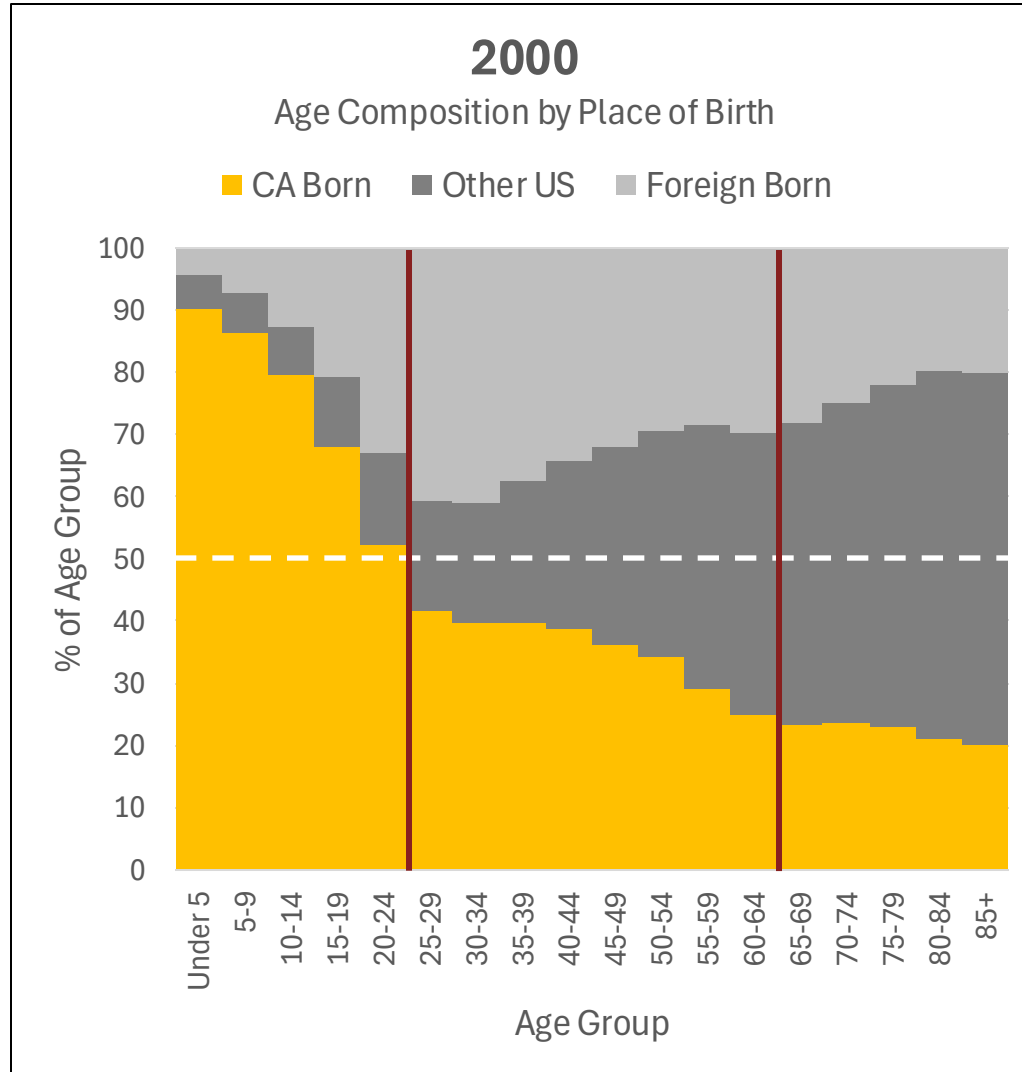
The Homegrown Revolution

- Until 2000, the majority of Californians were born elsewhere. Ever since the Gold Rush!
- Now, migration is drying up from other states and other countries
- Instead, **90% of children today are California born**
- **65% of young adults also are CA born** and soon to be higher
- Entirely a product of our own schools and neighborhoods

Source: Dowell Myers and Alycia Cheng, USC Price; American Community Survey Public Use Microdata Sample (ACS PUMS) through IPUMS USA



See the changes just since 2000 – we are dependent on our homegrown children – **our greatest asset**



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5. Too many immigrants, eh? Mostly all **homegrown, native-born Californians now.**
6. **Shrinking our young adults makes California way too top-heavy with a soaring senior ratio**

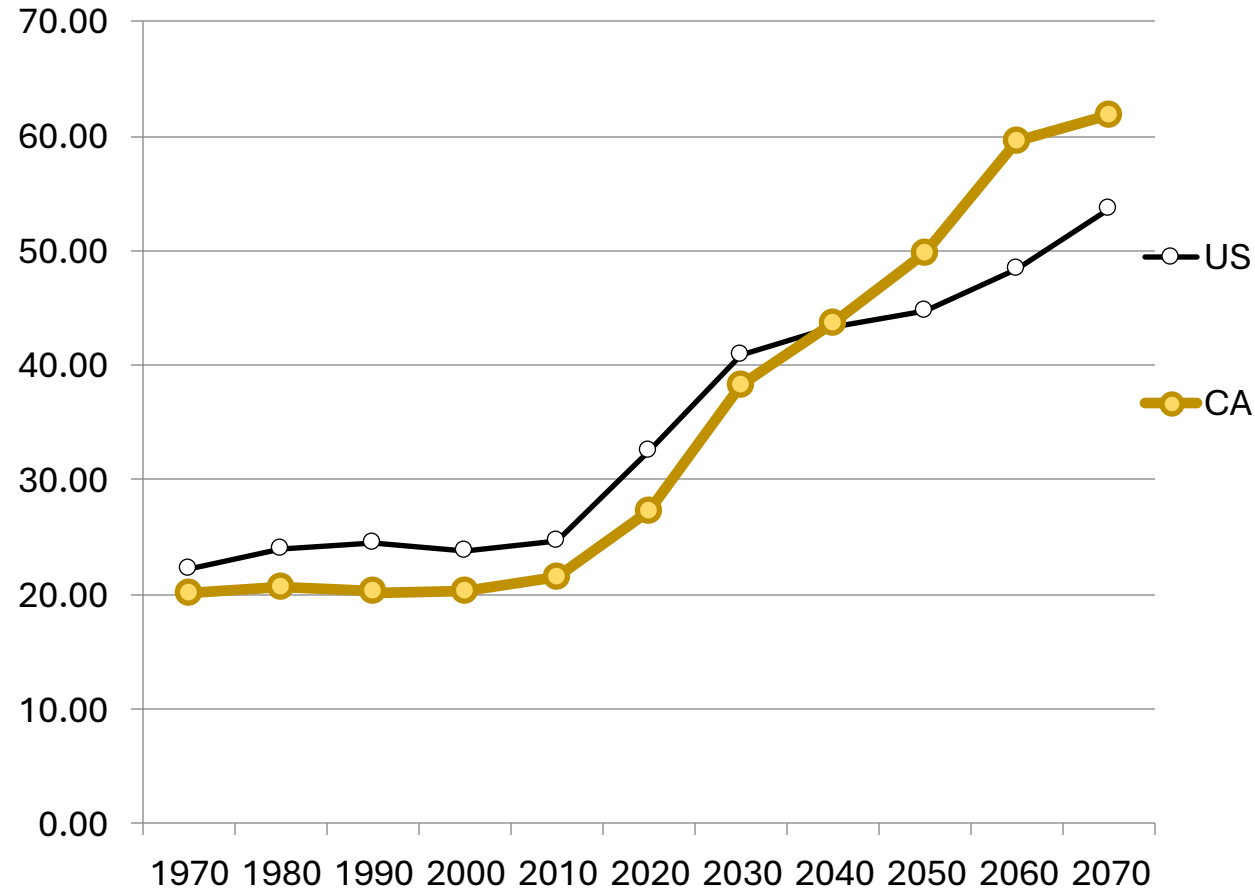


California is Growing More Age Top Heavy than the Nation

Senior Ratio in US and California
(pop Age 65+ / pop Age 25-64 X 100)

*normal ratio for
5 decades was*

***20 people ages 65 +
per 100 working age
people***



*using the **latest
population
projections** of
the U.S. Census
Bureau and the
CA Department
of Finance*

Source: Dowell Myers, Census Bureau Decennial
Census, 2023 vintage projections and CA DOF
2024 vintage projections

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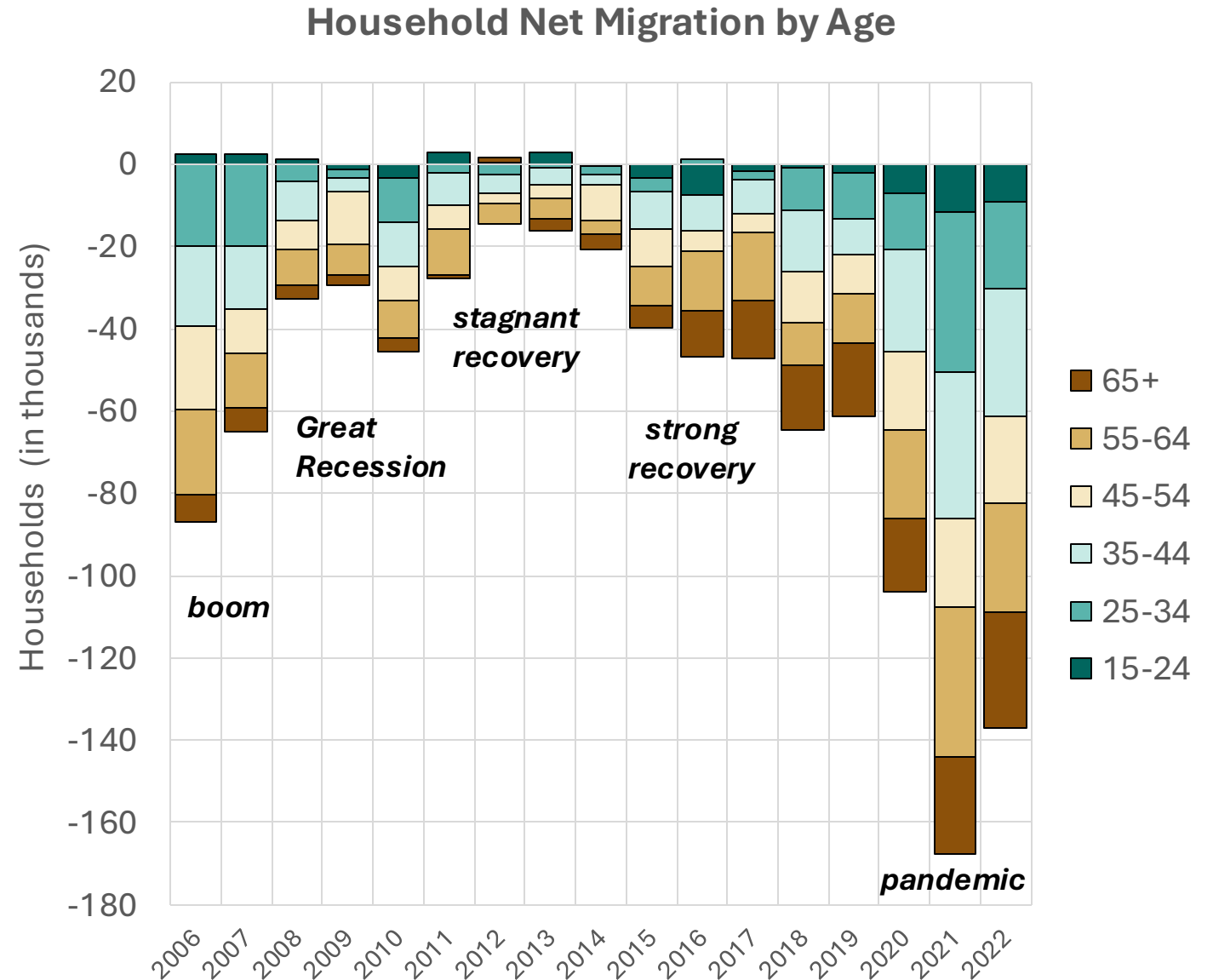
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7. **Out-flows peaked in years of booming house prices – too much population attraction with too little housing**

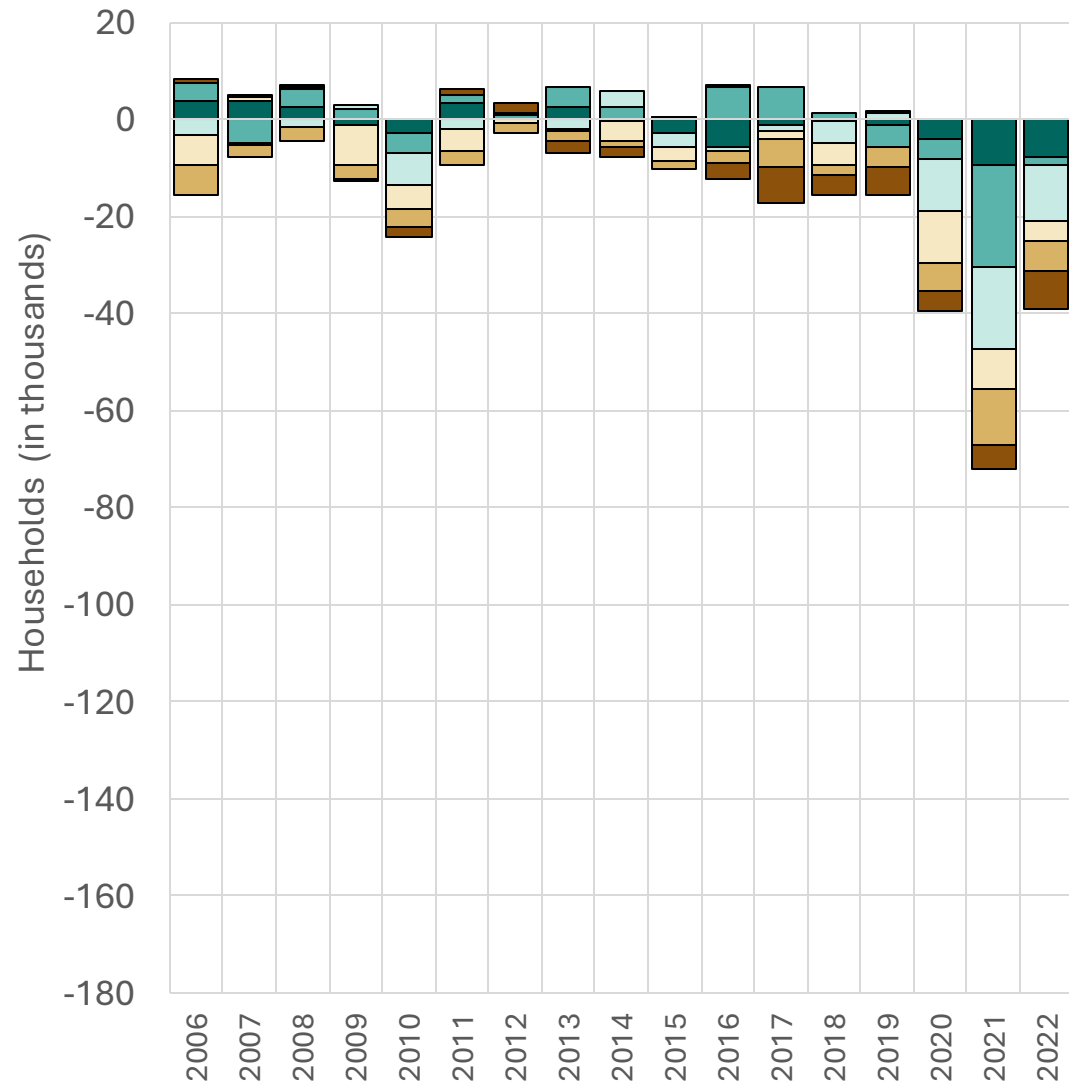
More Out-Movers than In-Movers Makes Net Change Negative

- All ages are involved in these flows
- Out-flows since 2015 have been a big story – but see out-flows before 2008

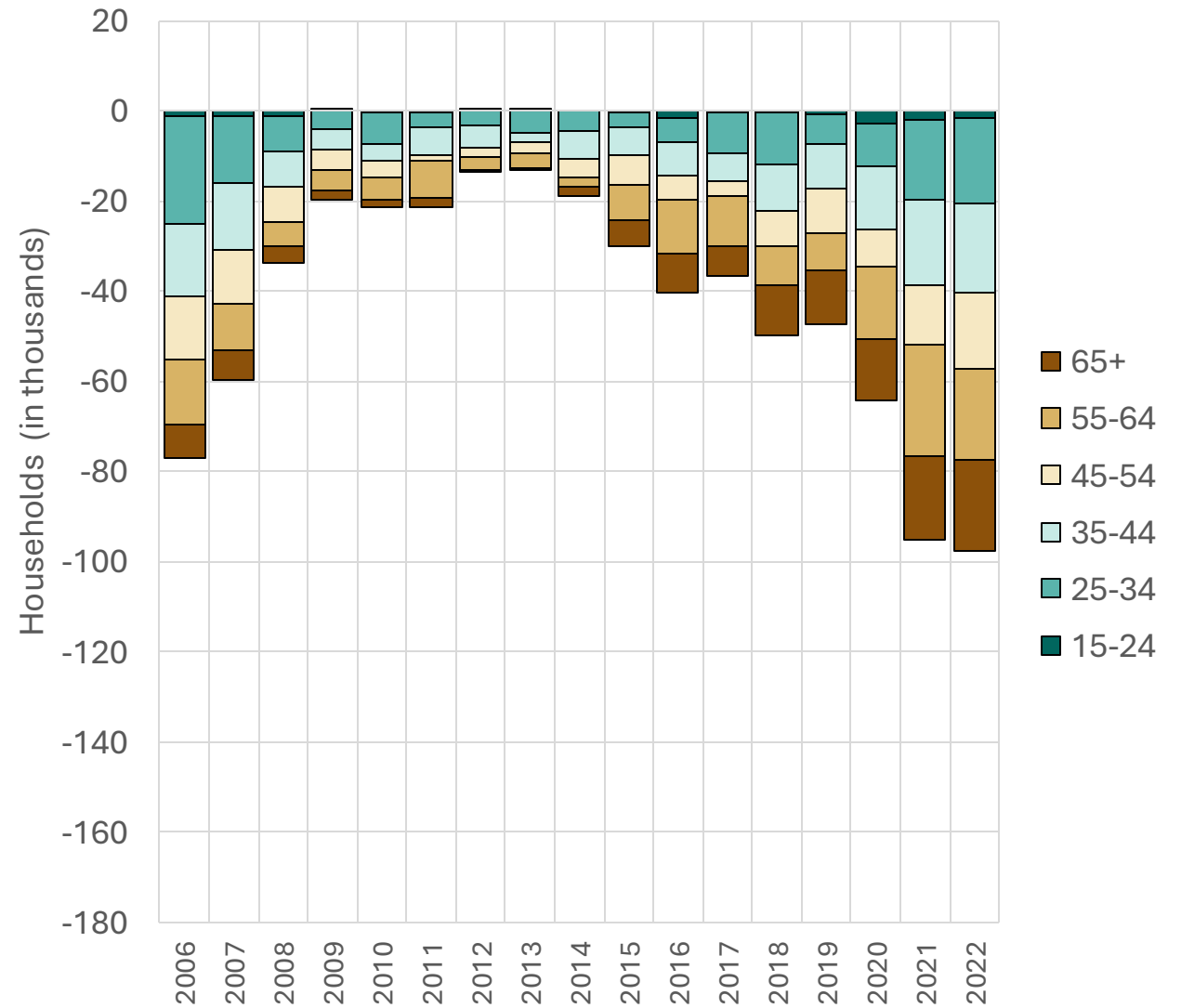
What does housing have to do with it?



Renter Net Migration by Age

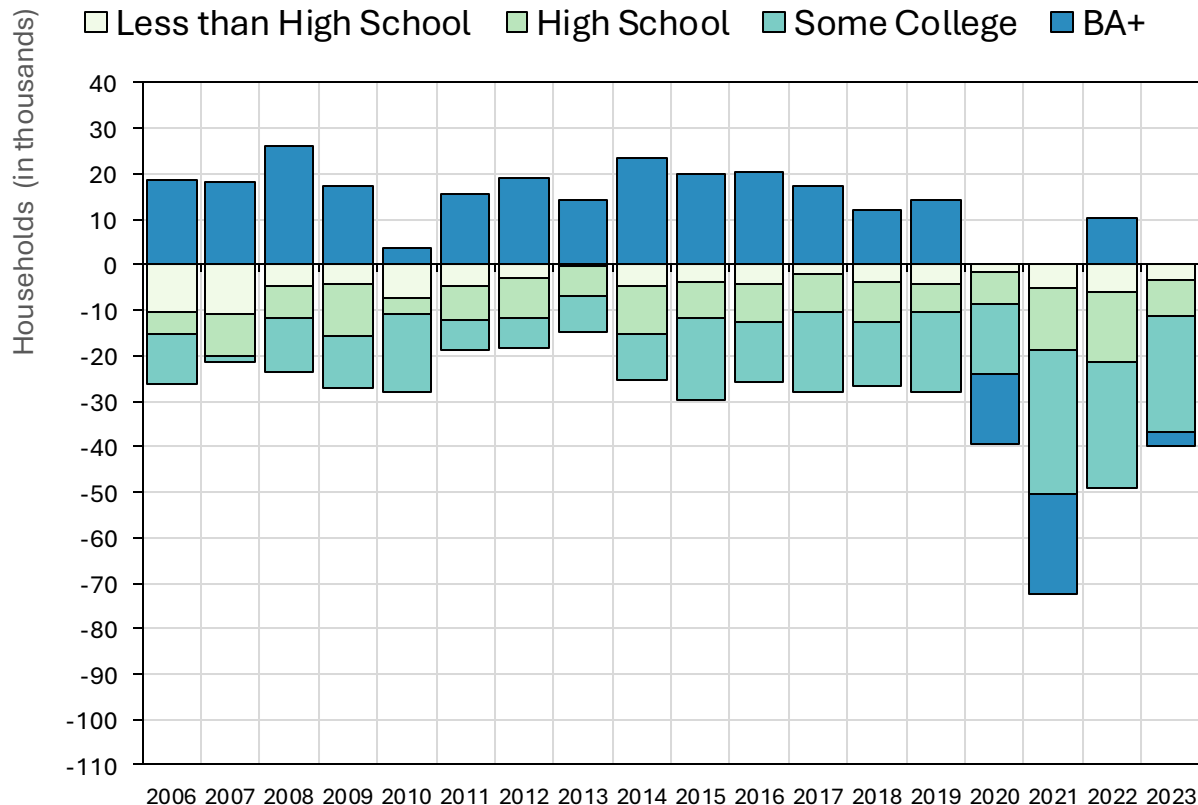


Owner Net Migration by Age

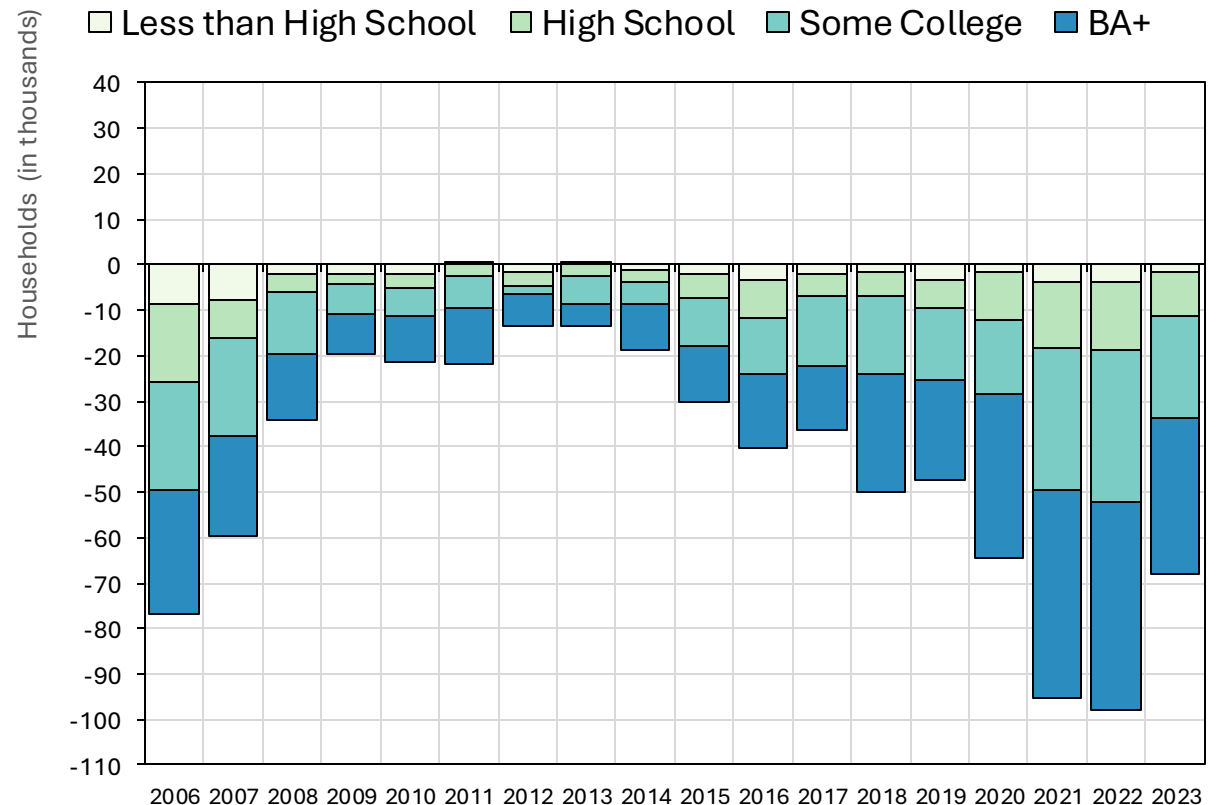


College Educated Workers Arrive in California as Renters, then Depart the State During Boomtimes, Landing as Owners

Renter Net Migration by Education



Owner Net Migration by Education



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New Critical Importance of Scarce Young People for
California's Future

**Livability for young adults and
children is critical to retaining them
in California**

Putting the Social Contract to Work on Our New Problems

Political Interactions of a Social Contract:

The shared social understandings

Growth overwhelming us is no longer relevant – said to be only takers, not makers; **now valued for their scarcity.**

that support cooperation among

Tight-fisted voters often seek benefits only for themselves, **but – expenditures for others can have reciprocal benefits.**

self-interested people who

Need to expand visions of self-interest to include **interdependence with others.**

possess unequal resources.

Keep your money but **use it wisely.**

Choosing one easy problem:

HOUSING

It may seem contradictory, but there are real advantages to approaching housing through the social contract.

Why housing?

Voters of **all parties** prioritize as the Top 3 problems in California:

- Housing
- Homelessness, and
- Cost of living

(LA Times, August 26, 2025)

Issues of greatest concern

The top five issues for groups are in **BOLD**.

	Statewide	Dems	Reps
Cost of living	36%	34%	36%
Housing affordability	25%	27%	21%
Homelessness	18%	18%	19%
The state of democracy	18%	27%	5%
Crime and public safety	12%	4%	27%
Taxes	11%	4%	26%
Jobs/economy	10%	10%	10%
Immigration	10%	7%	17%
Climate change/environment	10%	16%	1%

Respondents could choose multiple issues

Housing Restrictions of the Past are Not Helping to Solve Demographic-based Problems of Today

Development restrictions were popularized in the 1980s when population was booming most.

- But – there's no booming population growth today. What's being guarded?

In fact, recently, population growth has been near zero, yet -- the backlog of housing demand remains.

- Our big housing demand doesn't come from outsiders. **It's homegrown**. Namely – the Millennial generation, living with us for 25 years but now demanding, rightly, a home of their own. This shortage crisis is nationwide but among the worst in California.

Out-migration and loss of our young adults to other states (they say) is due to high costs.

- Already a top-heavy age population, **we can't afford to lose any of our younger generation**

Meanwhile, older residents are sitting pretty – long-established in their homes as prices rise through scarcity. But – very soon, older owners must confront the top-heavy age structure.

The top-heavy age ratio has many consequences:

Social Security and pension fund crisis

Medicare/health insurance crisis

Workforce shortage crisis

Taxpayer replacement crisis

and the

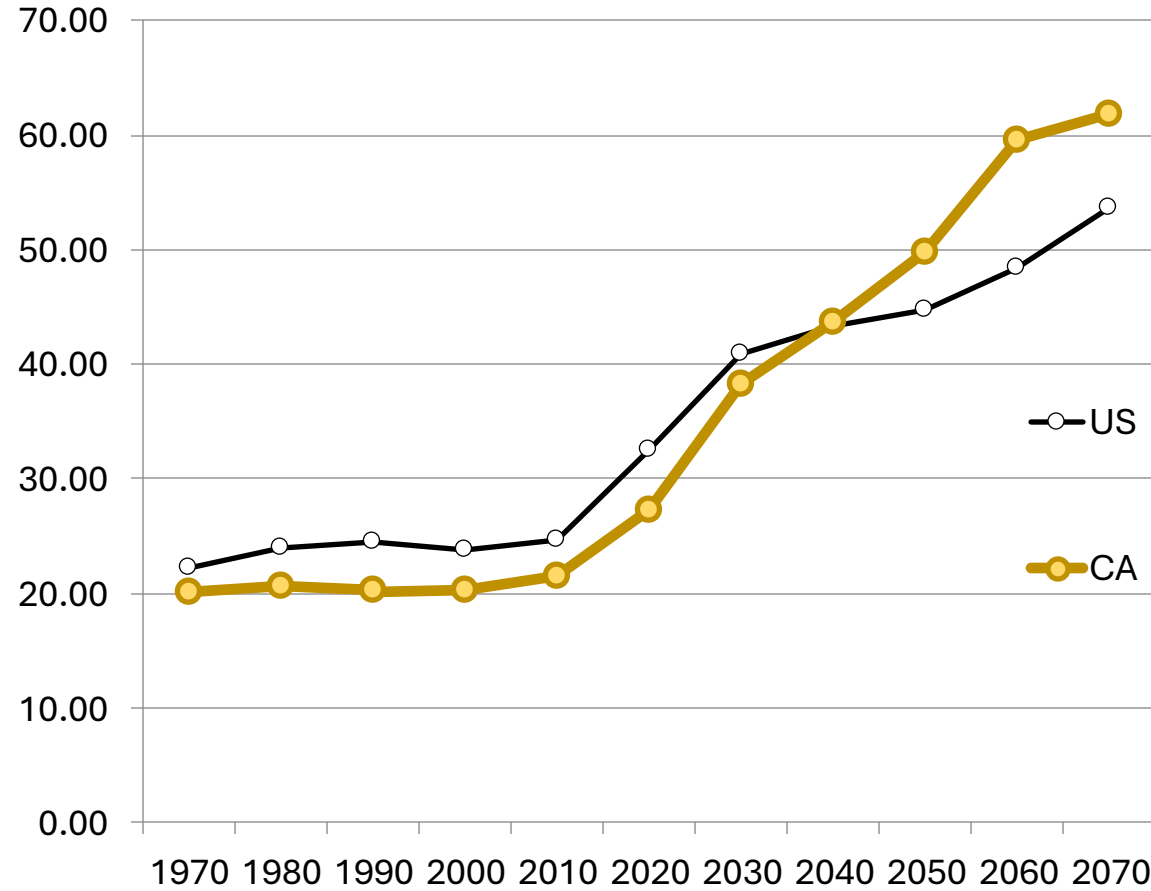
Home seller crisis

A top-heavy age ratio means more sellers than buyers

Senior Ratio in US and California
(pop Age 65+ / pop Age 25-64 X 100)

*normal ratio for
5 decades was*

**20 people ages 65 +
per 100 working age
people**



People over 65 have much higher homeownership rates than people who are age 35 – even double.

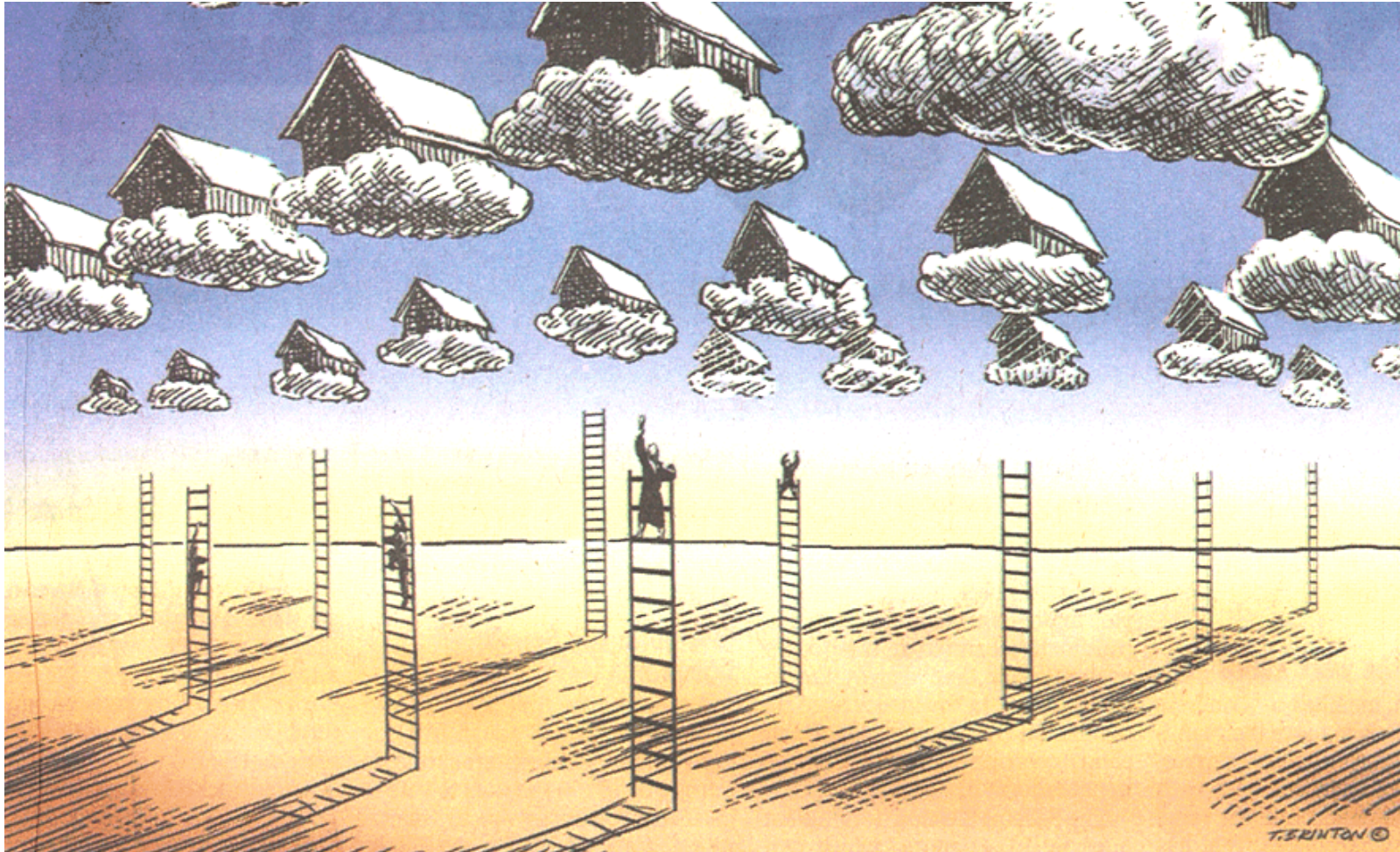
Younger generation has not been keeping up – with a falling homeownership rate. They **will be buying homes as older folks begin to downsize or cash in for retirement.**

Say, who is going to buy your house?

*...and what can they **really afford**?*

the gap is huge between generations!

Older Folks Need Young People to Succeed



© Tim Brinton, 2011

Dowell Myers, "Housing market links older whites, young Latinos," *Sacramento Bee*, July 31, 2011

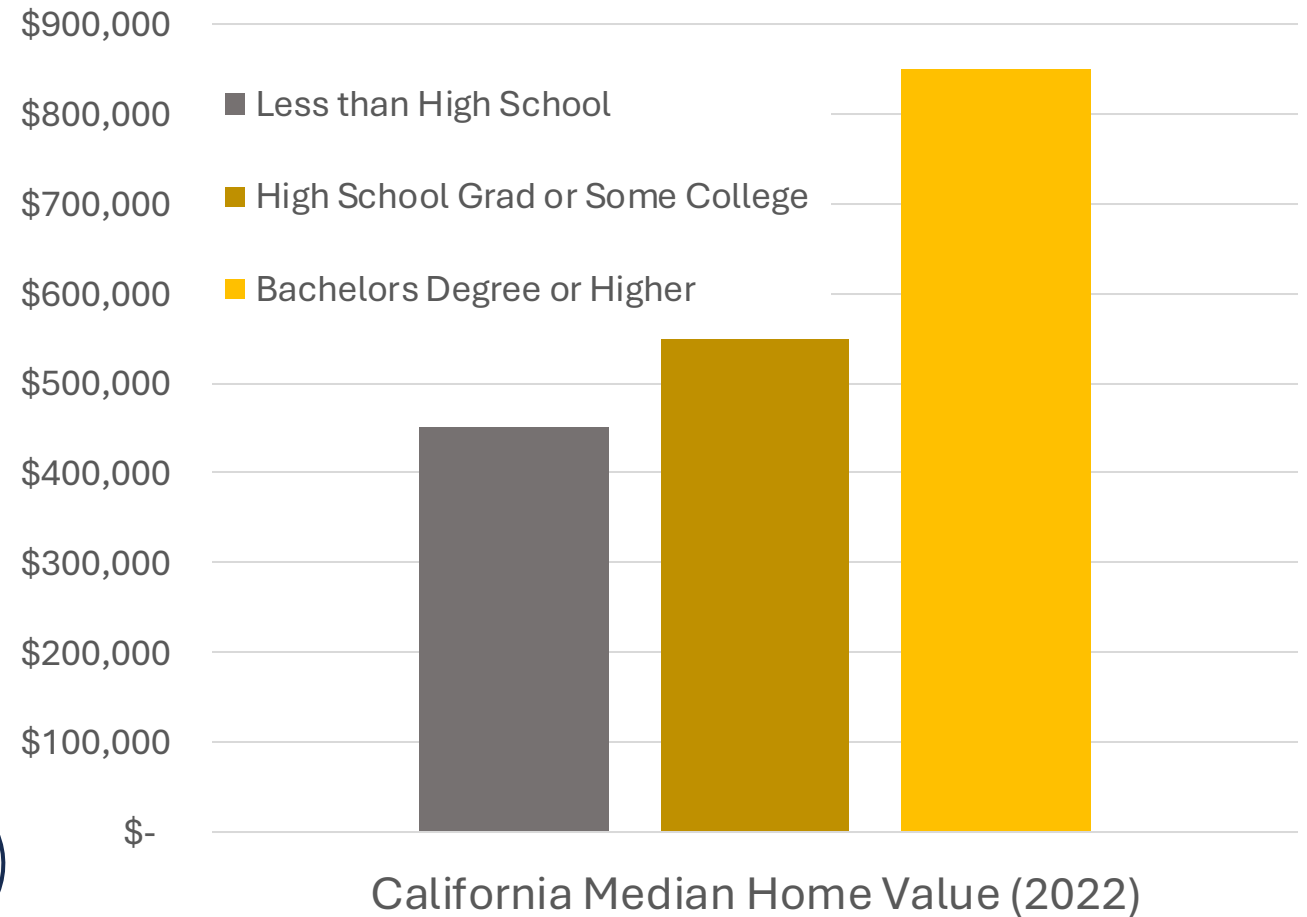
Dowell Myers | **USC Price**

More Educated Children Make Better Future Homebuyers

- Expensive housing requires much stronger education
- We need greater efforts to educate our youth -- but what's in it for home sellers?

It really is in the interests of seniors to increase education levels across the state!

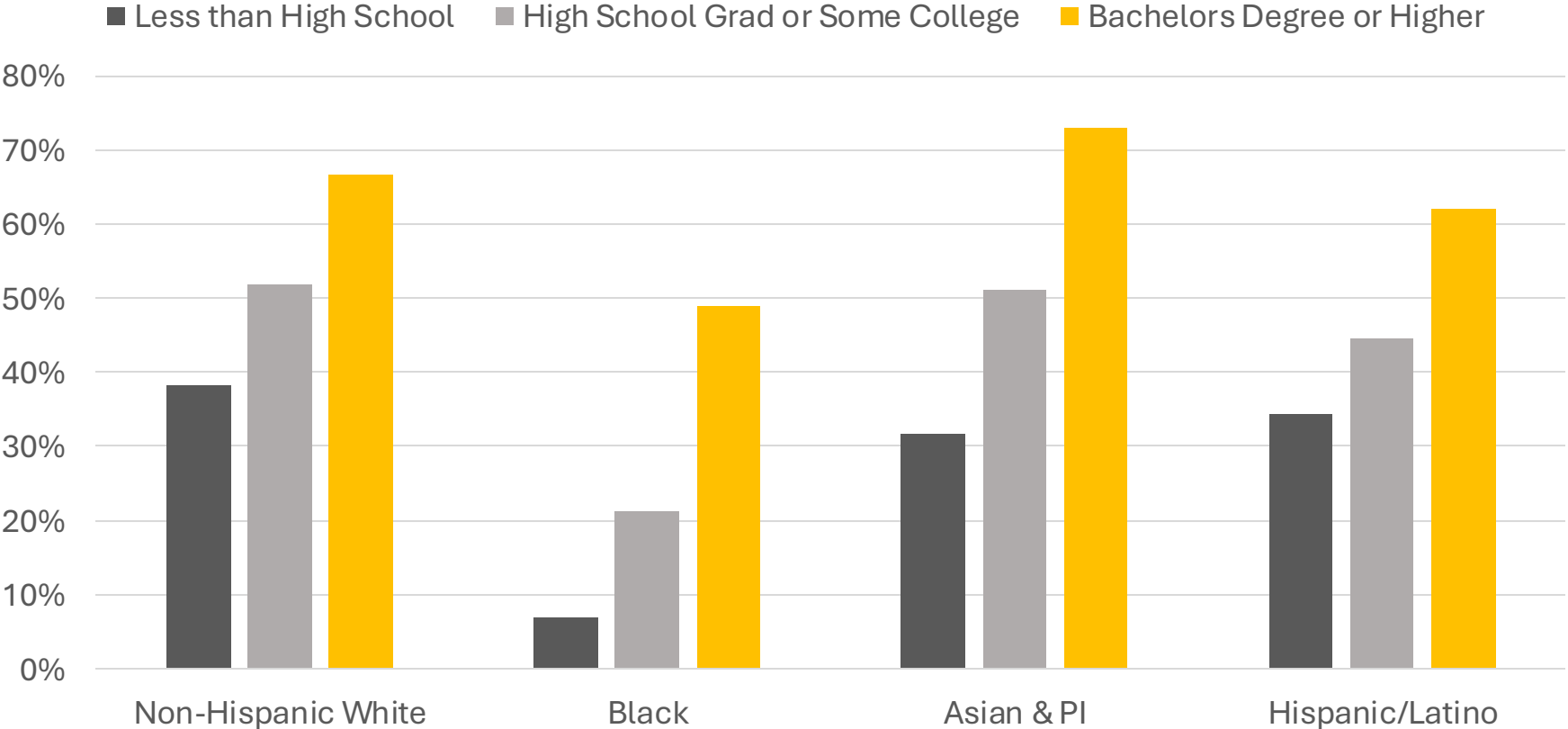
Median **Home Value** by Educational Attainment



Source: Dowell Myers and Alycia Cheng, USC Price; American Community Survey Public Use Microdata Sample (ACS PUMS) through IPUMS USA

Homeownership Rises with Stronger Education Preparation in All Race/Ethnic Groups

Homeownership Rates as Percent of Each Group



Among the
California Born

What's the Score on the Home Seller Crisis?

- Young adults have HALF the ownership rate of age 65+
- Young adults ***without*** a BA+ can only pay house prices that are 2 / 3 of what buyers with a college degree pay
- Numbers of young adults relative to the mushrooming age 65+ (potential sellers) are only HALF the normal ratio
- Strengthening the economic productivity of our young adults seems imperative, because not many from out-of-state are coming to rescue us

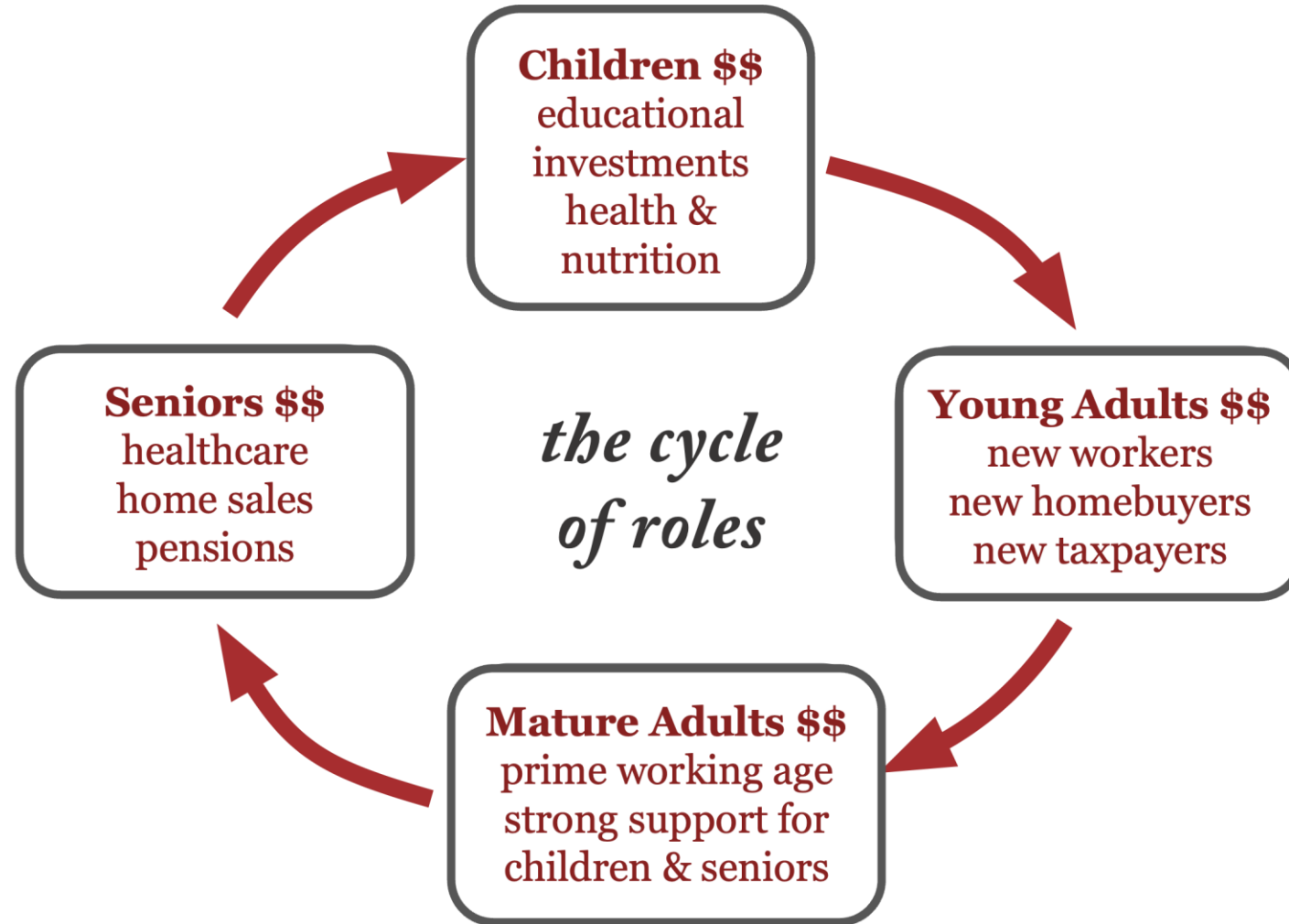


The new intergenerational social contract we need for a strong future

We need to invest in other people's kids
And we really need to *keep* all our young adults

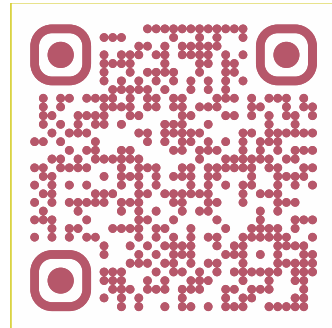
**Lifecycle sharing is California's present
and future, all will benefit, so let's fortify it**

**All of us can help, *taking turns as we rotate*
roles, so that all Californians will win**



Thank you

For latest research
on housing and
demographics:



<https://sites.usc.edu/popdynamics/housing>

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USCPrice
Sol Price School of Public Policy