

The U.S. Economy in 2020: Implications for Lexington

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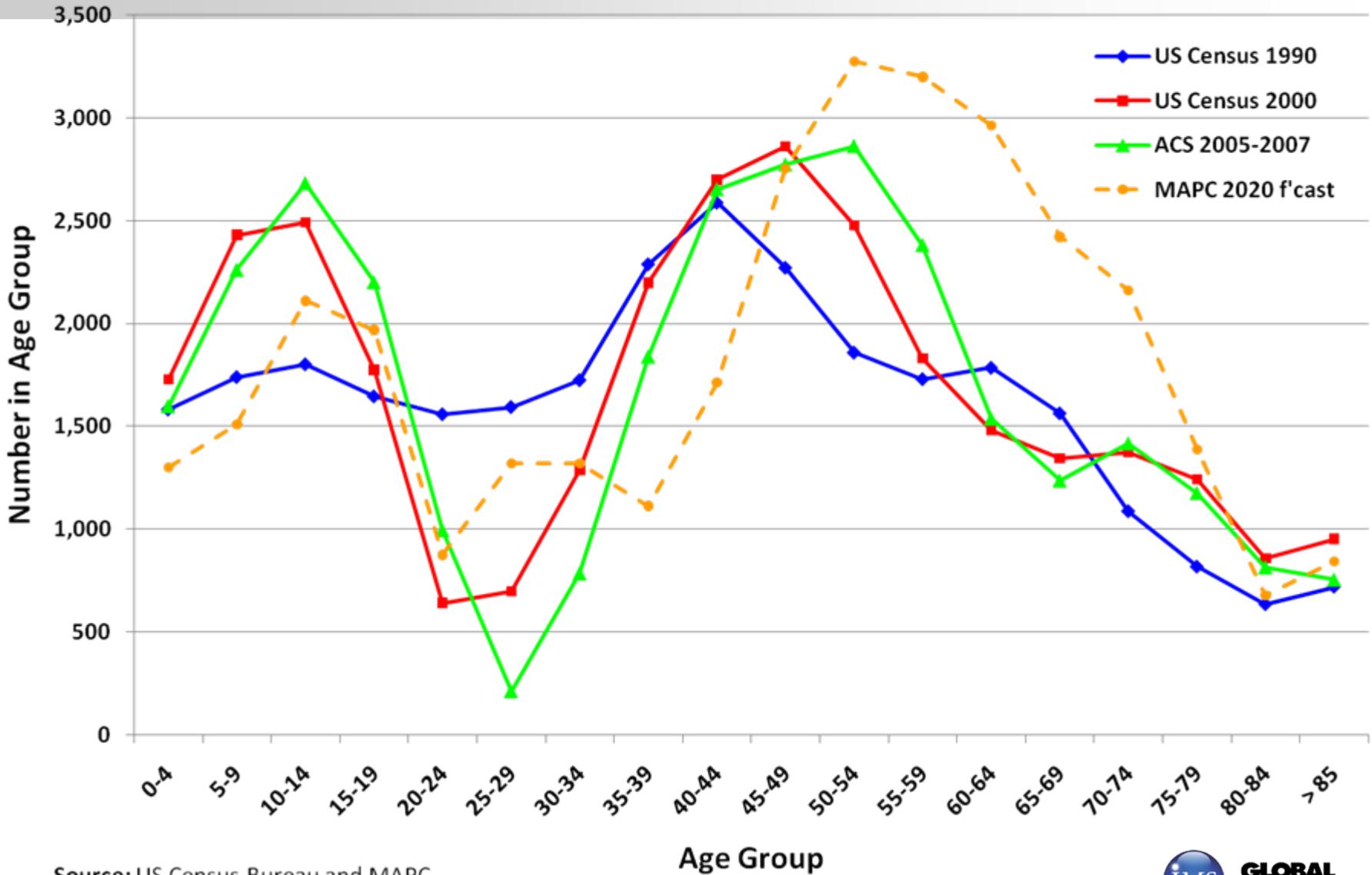


GLOBAL
INSIGHT

Economic and Demographic Trends in the Next Decade

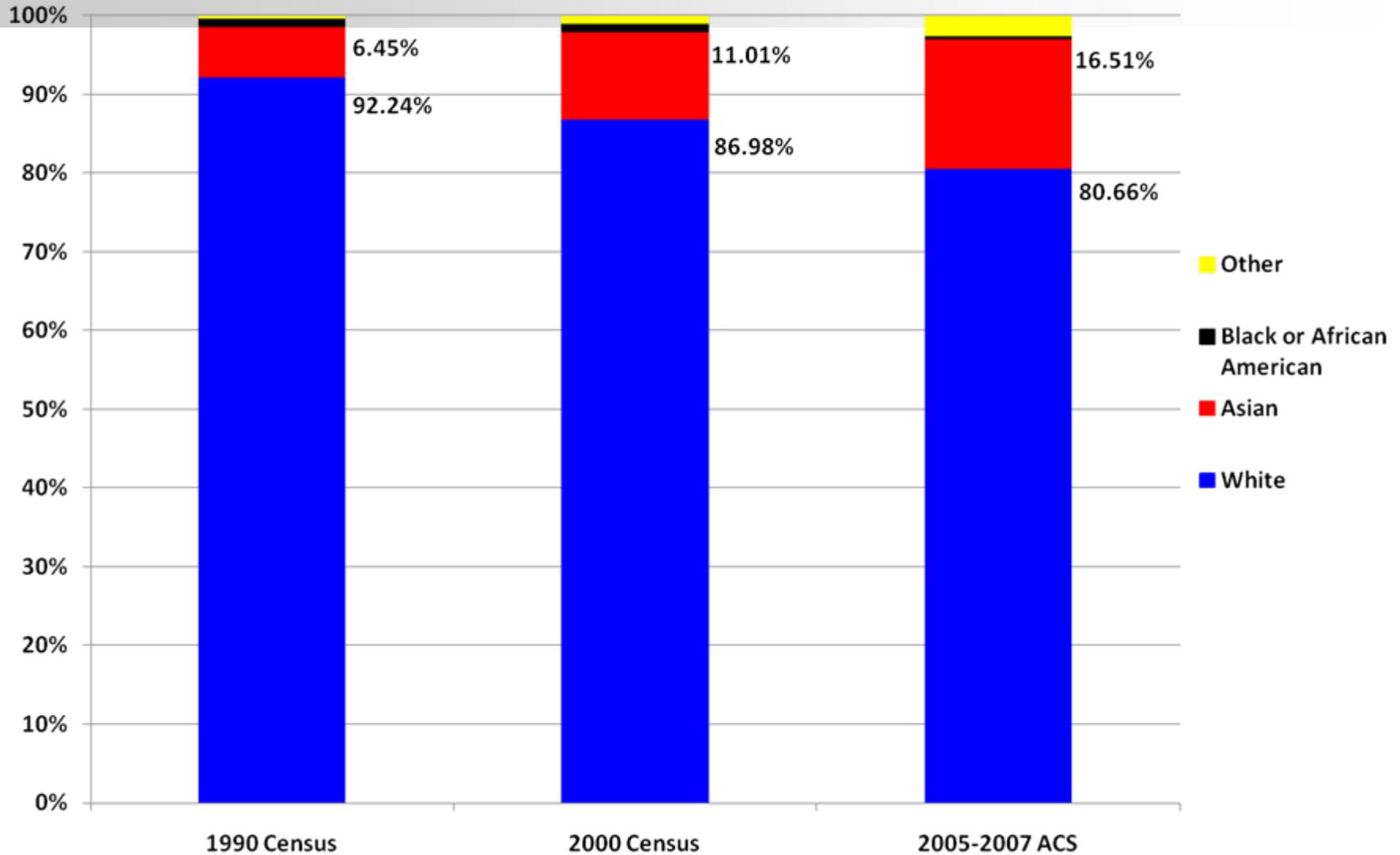
- This too shall pass – don't exaggerate the long-term impact of the crisis
- We will become older ...
- ... And more Asian
- Incomes will keep rising – but probably at a slower pace
- House prices will rise – again ...
- ... As will household net worth
- Don't count on help from the Feds or the State
- Dirty big secret: our taxes (at all levels of government) are going to rise
- The three keys to local success and prosperity: education, education and education

Lexington Population: History and MAPC forecast



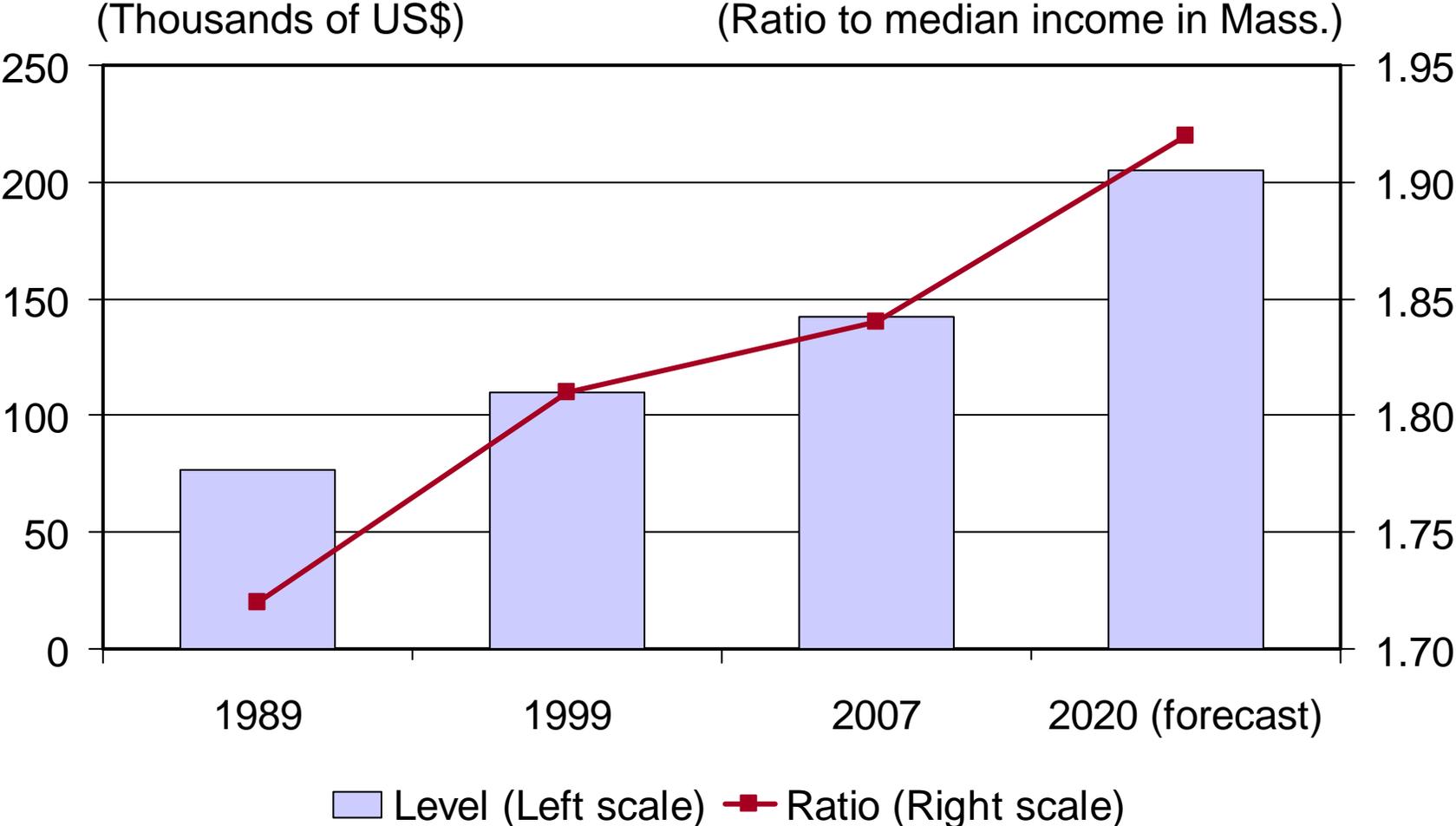
Source: US Census Bureau and MAPC

Lexington Population: Breakdown by Race



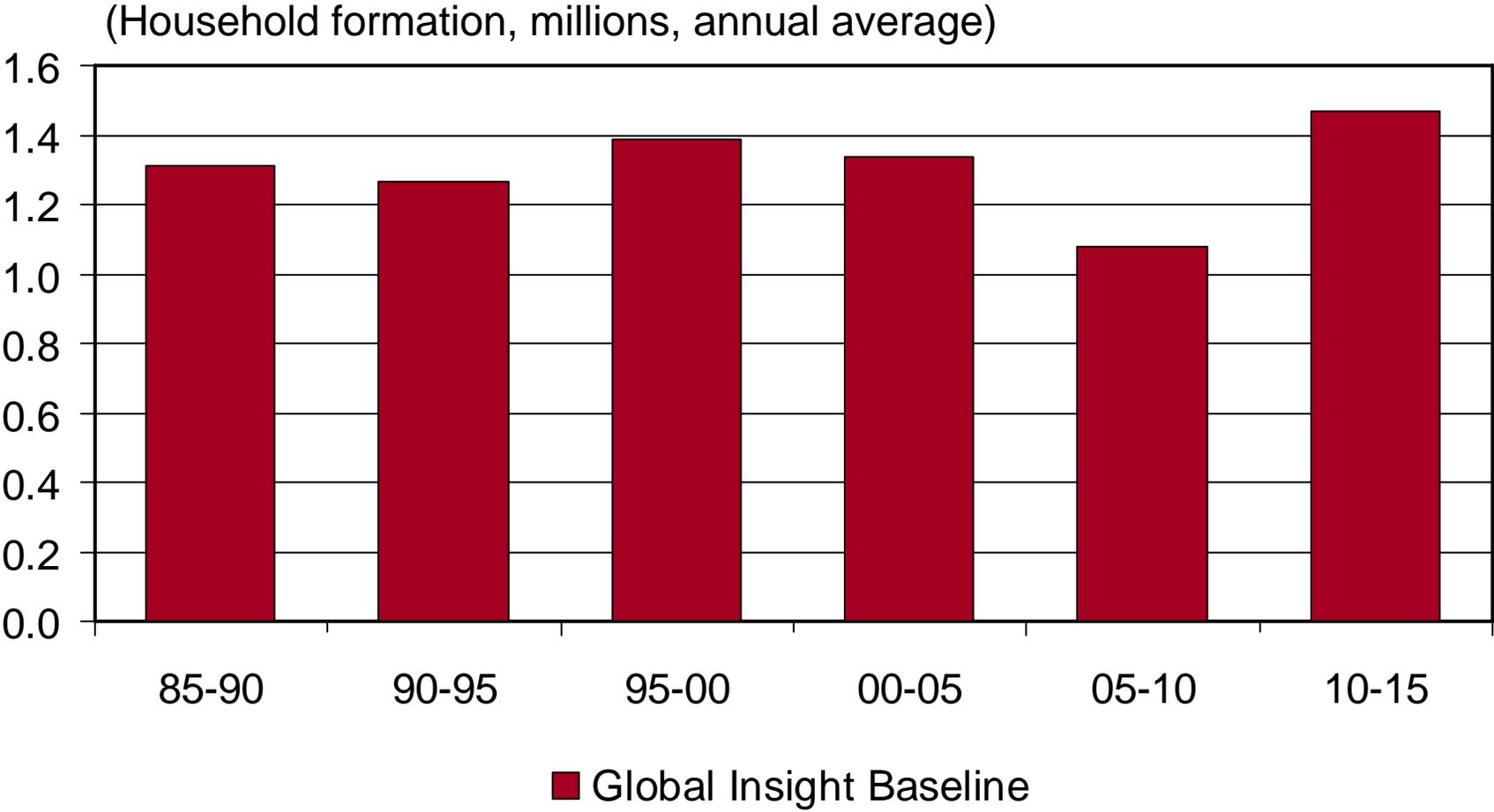
Source: US Census Bureau

Lexington Median Family Income

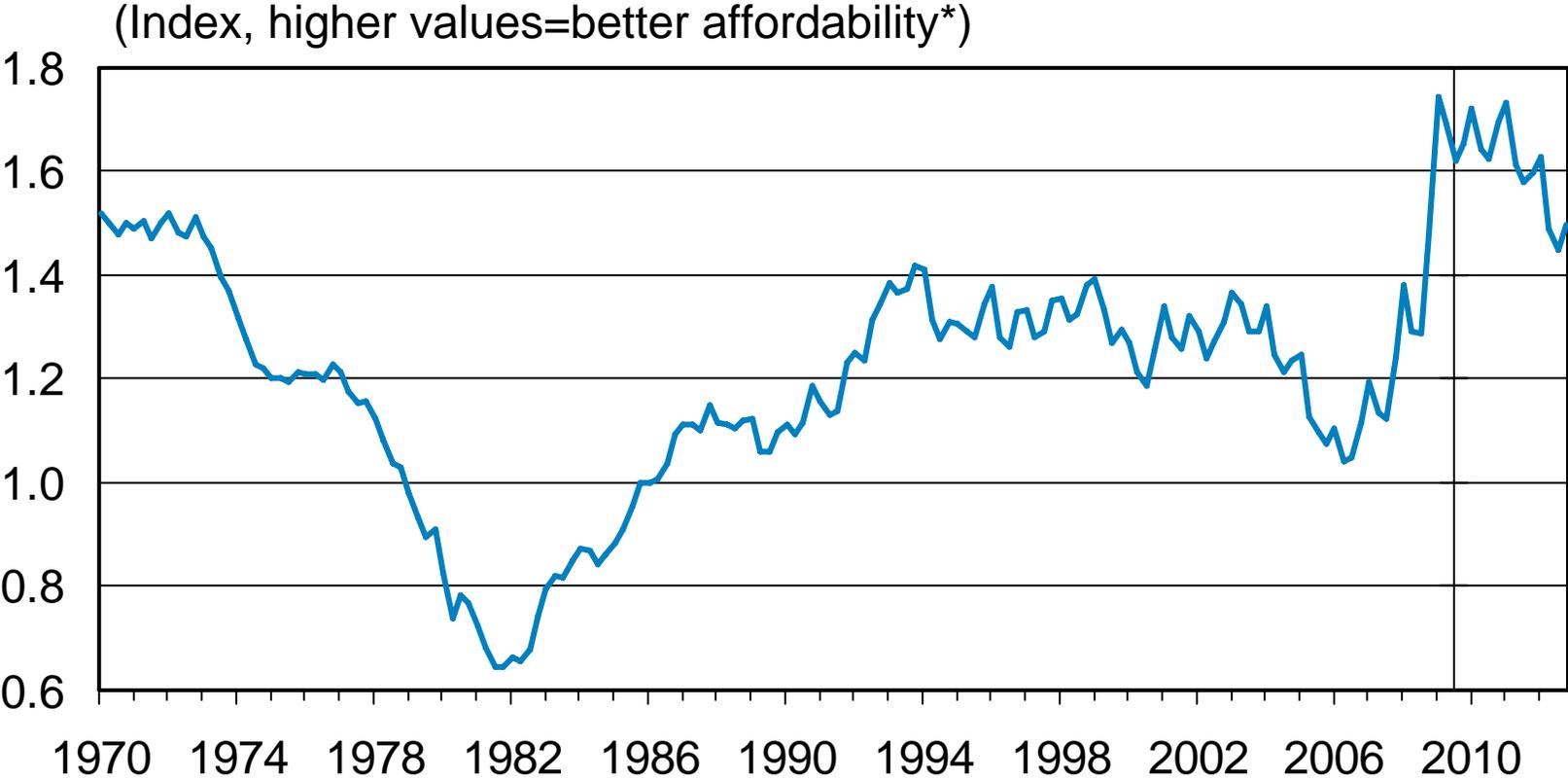


Source: U.S. Census Bureau; IHS Global Insight

Long-term Demographics Remain Favorable for Housing

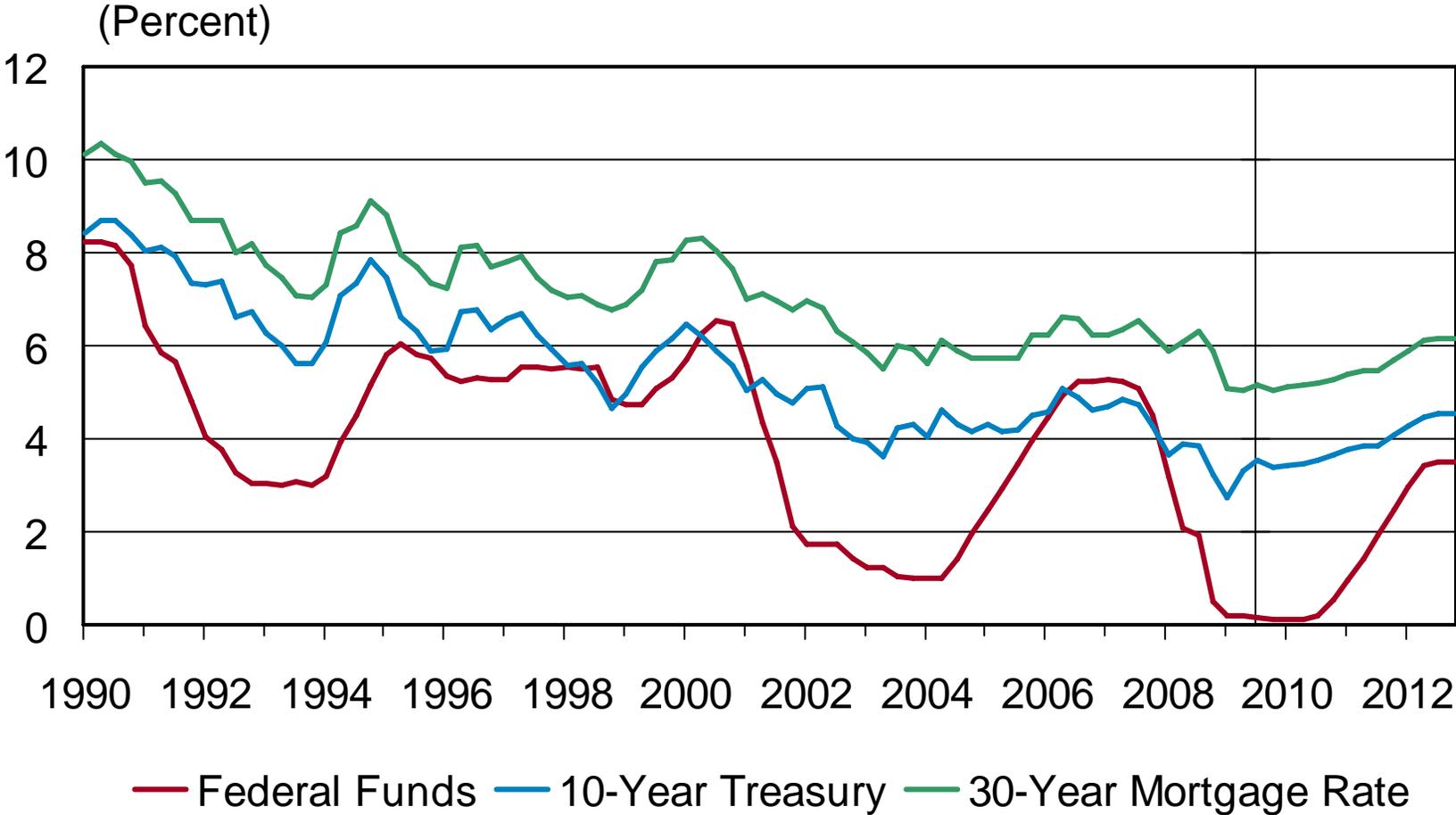


Housing Affordability Reaches Record Highs

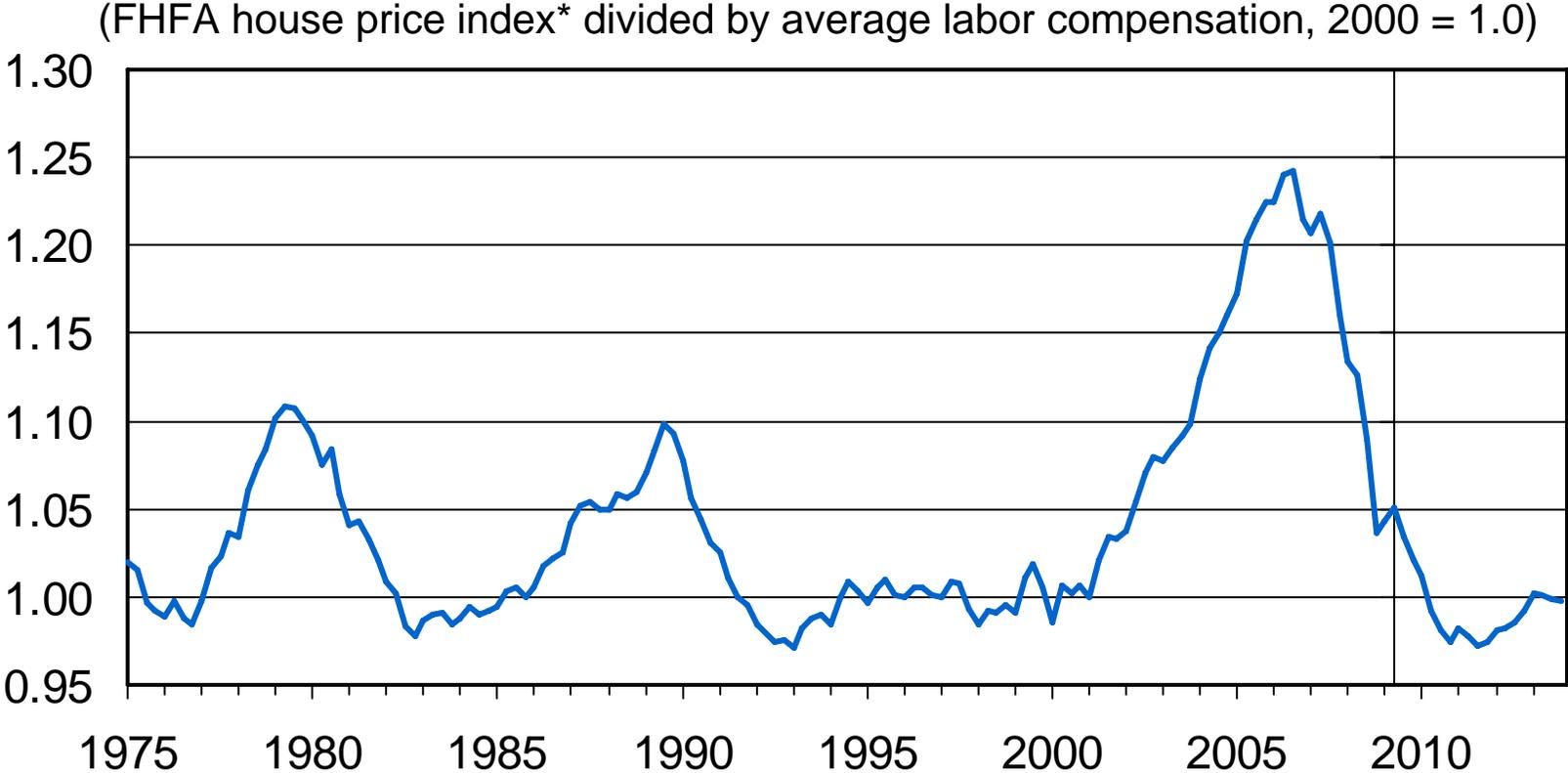


* A value of 1.0 indicates a household earning the median income can afford a median-priced single-family home.

Interest Rates Will Stay Low



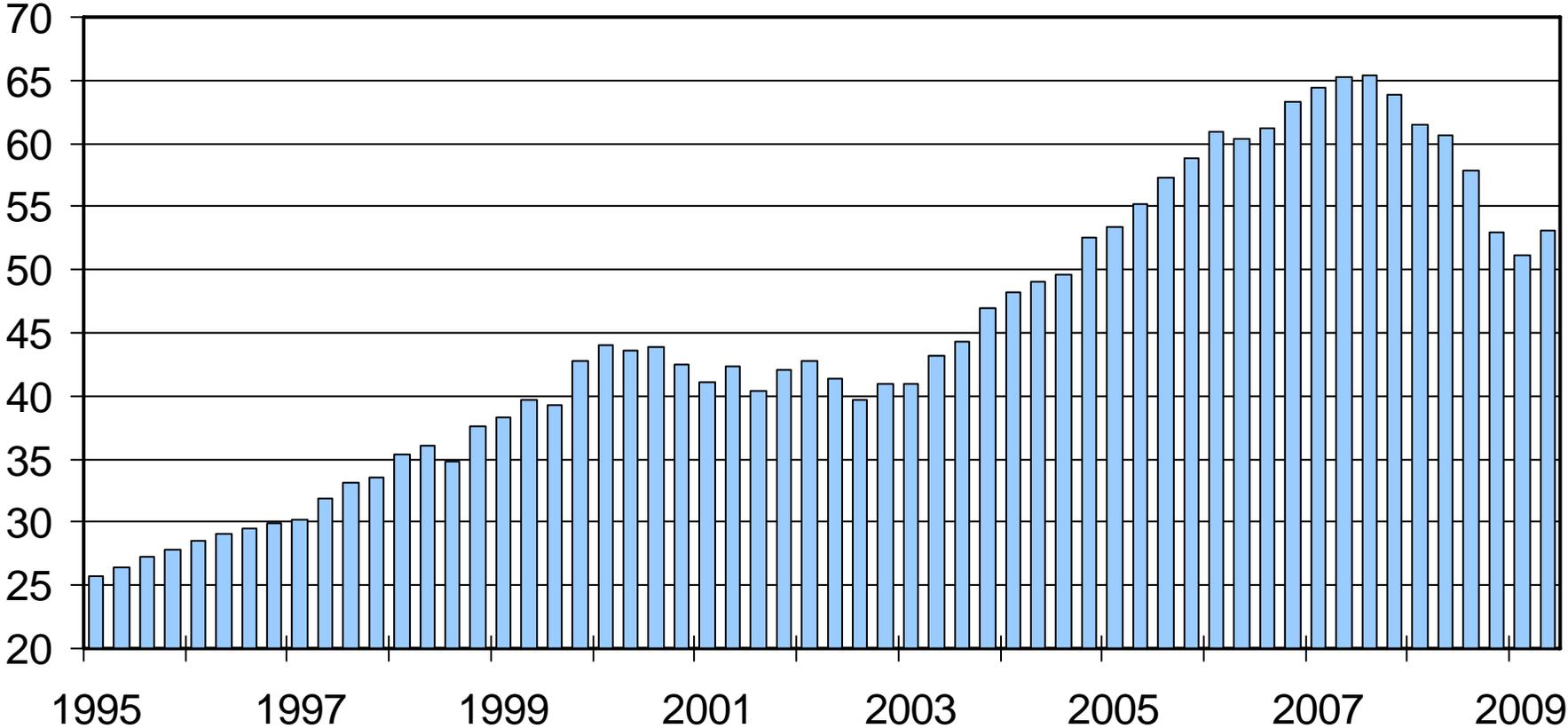
House Price Adjustment Has Gone A Long Way



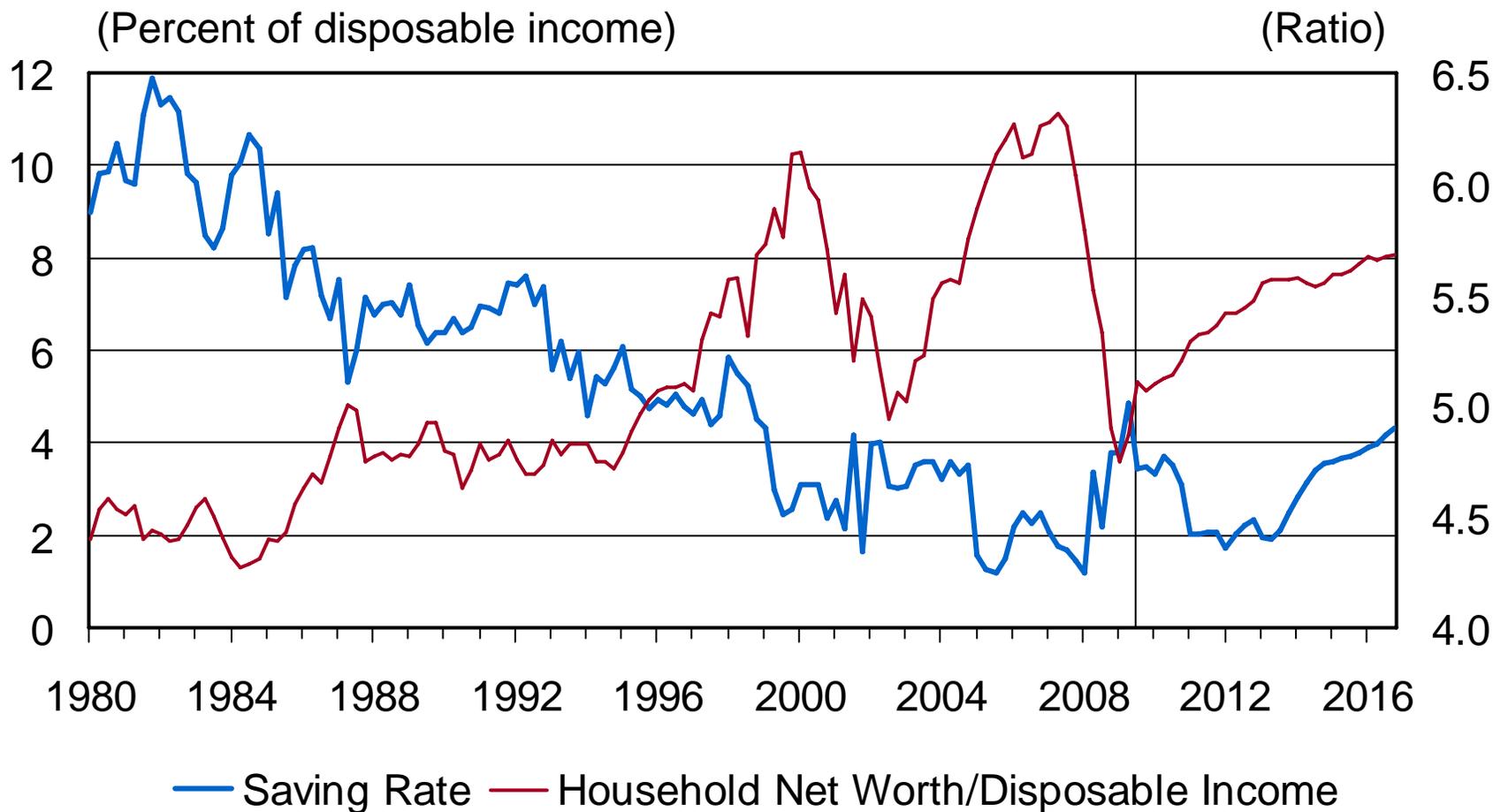
* Purchase-only index from 1991 onwards

Household net worth – climbing out of a \$14 trillion hole

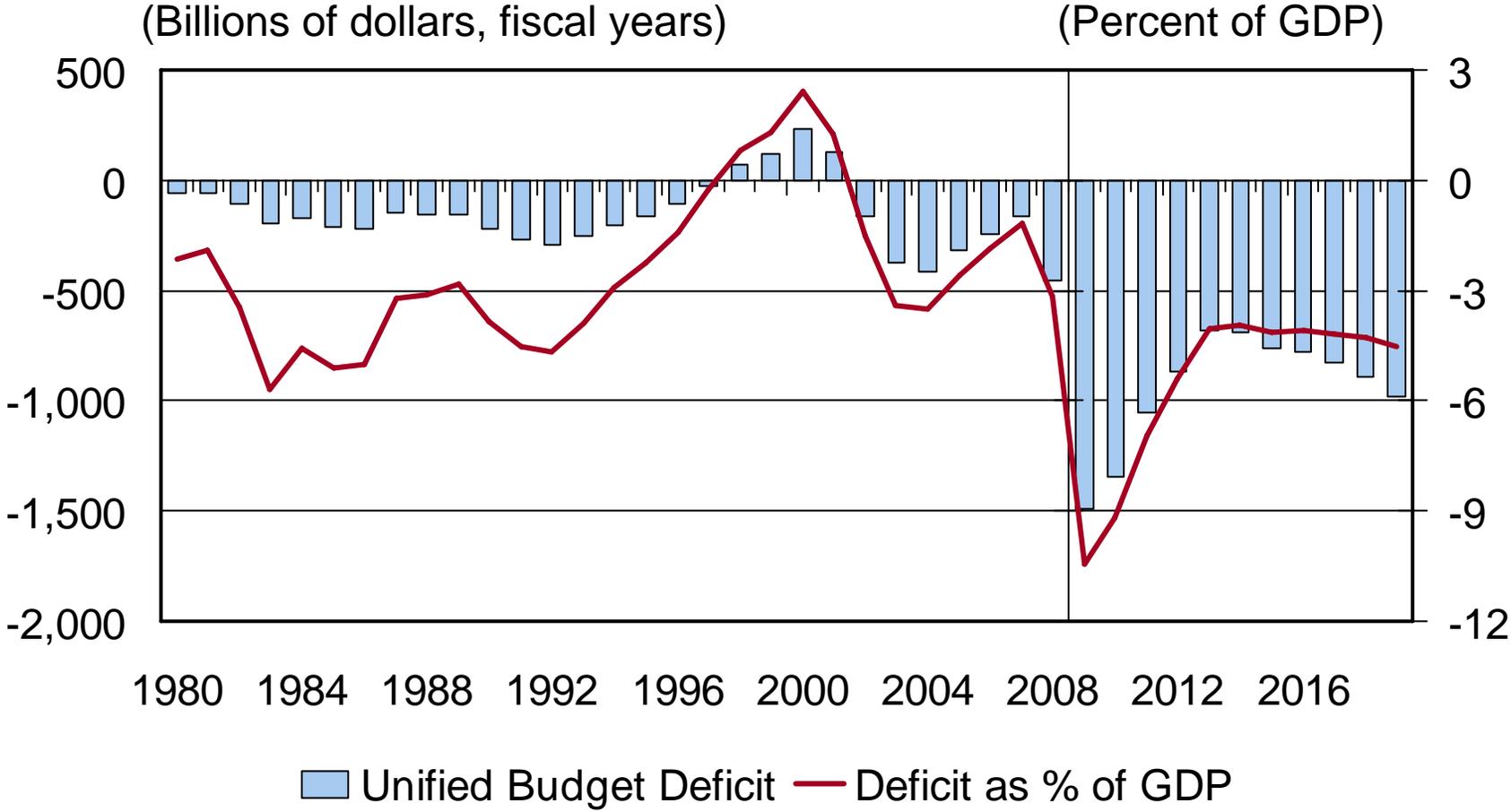
(Trillions of U.S. dollars)



Households Have Increased Their Saving Rate in Response to the Decline in Net Worth



Record Federal Budget Deficits

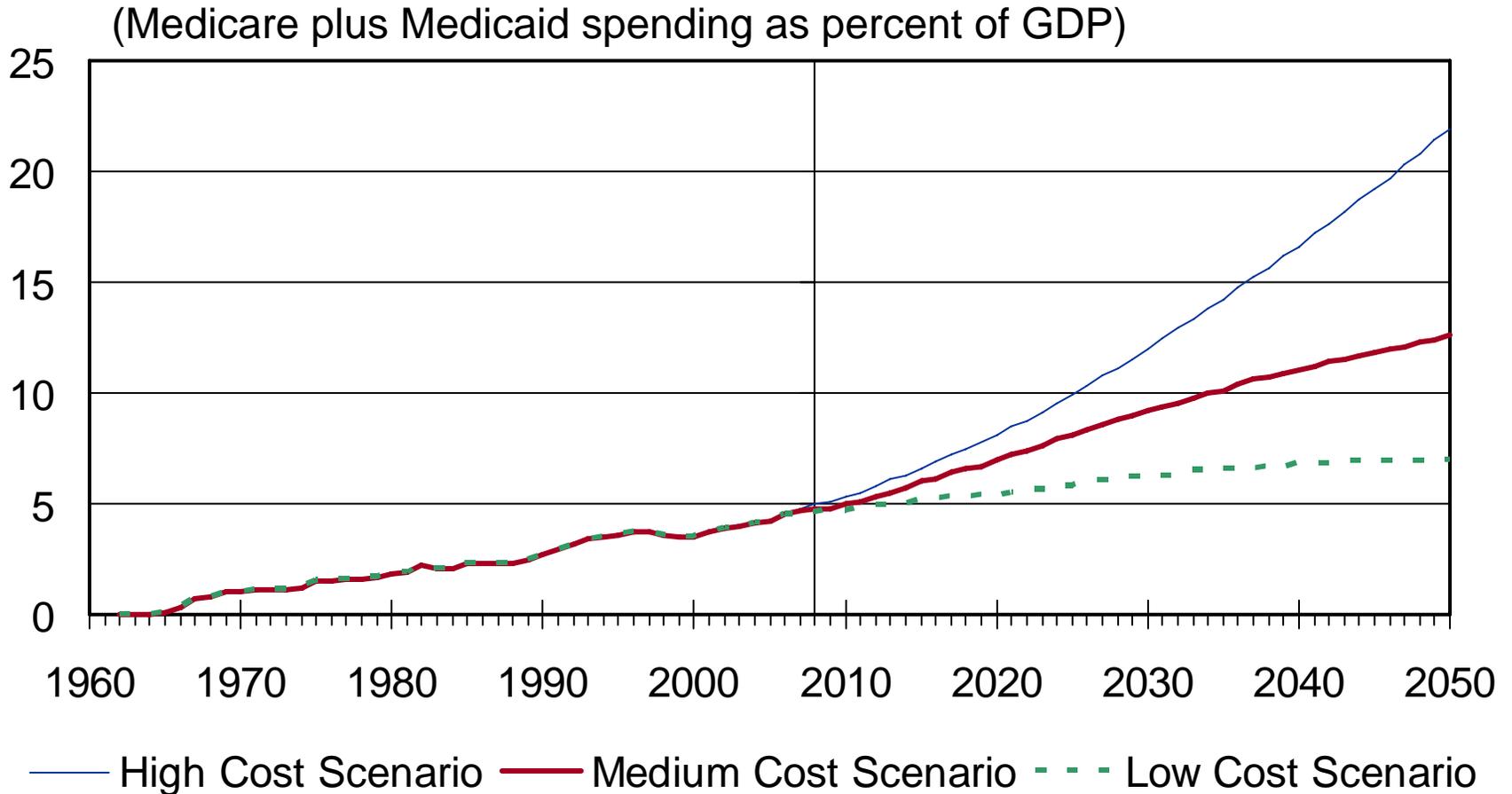


The Long Term: Social Security Still Needs Some Work



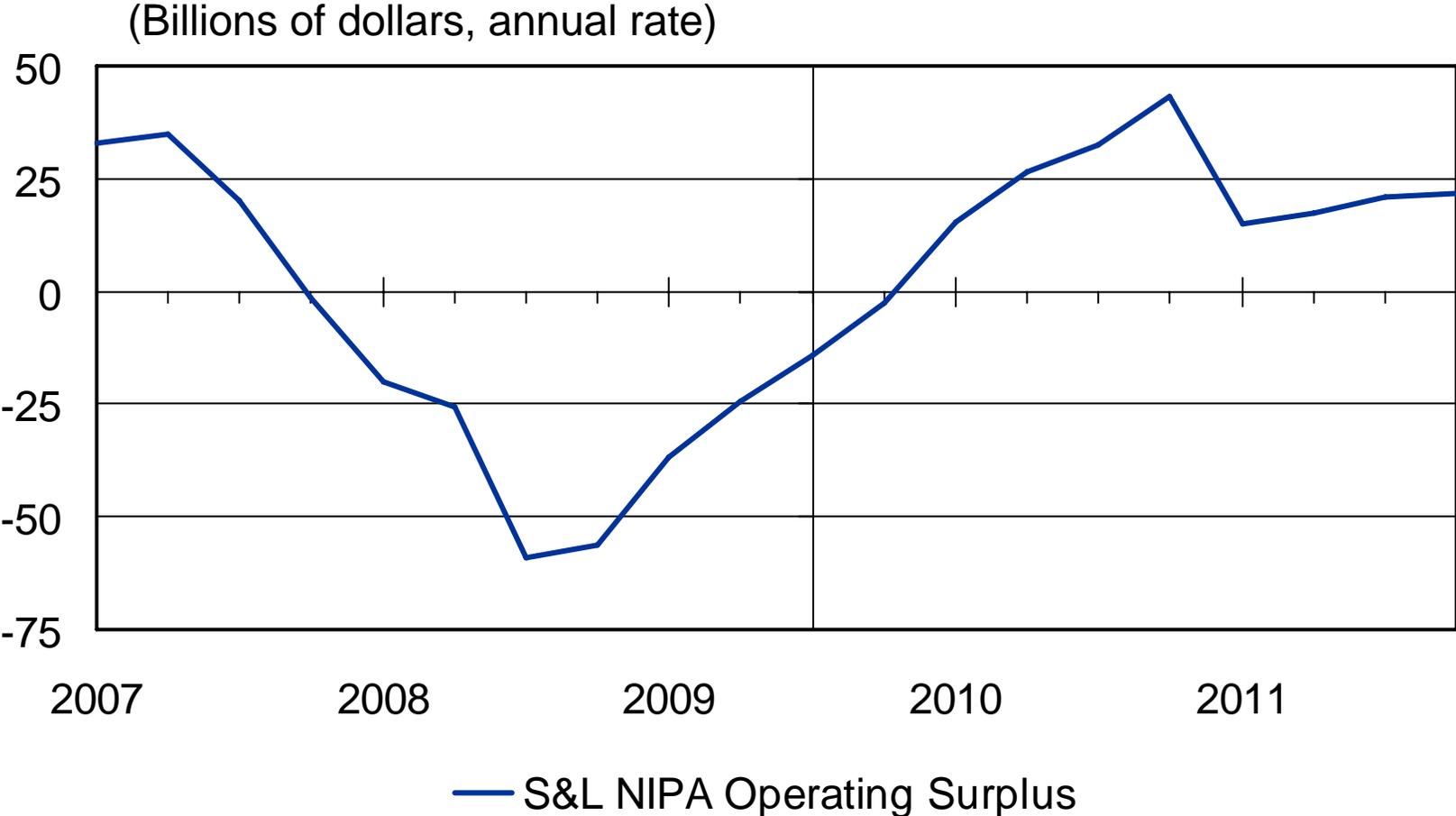
Source: CBO Long-Term Budget Outlook, December 2007

The Long Term: Medical Spending Is the Biggest Problem

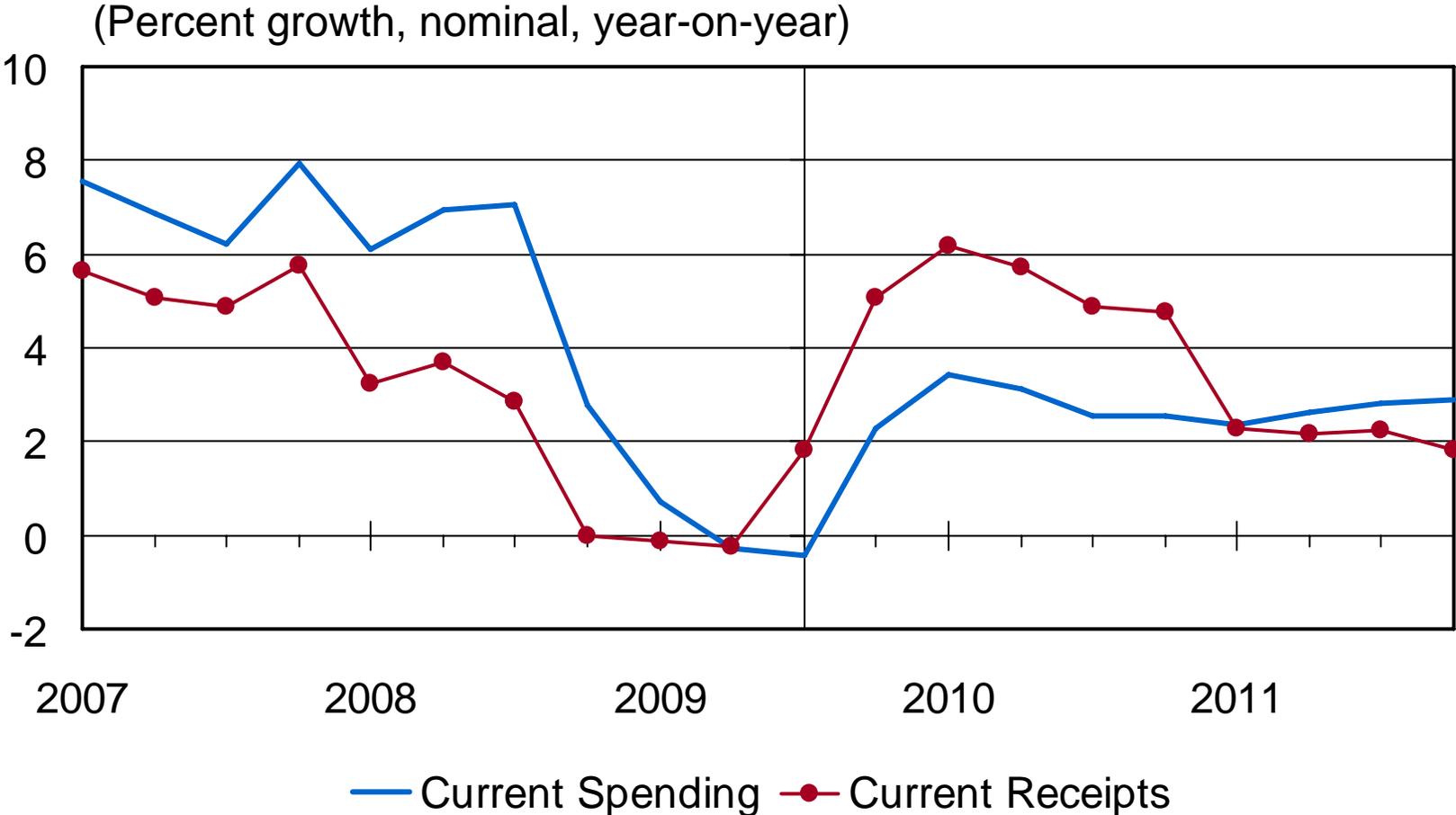


Source: CBO Long-Term Budget Outlook, December 2007

State and Local Finances in Trouble



State and Local Spending Growth Will Slow: Receipts Will Be Driven by Federal Transfers, Not the Economy



Taxes Will Rise



Implications for Lexington

- The inter-generational tensions are likely to become more acute ...
- ... But don't lose sight of the importance of a top-rated school system as a magnet ...
- ... Put another way, families move to this town for the schools, not for the history or because it is "green" etc.
- Bad news: we will be on our own financially
- Good news: we will have the financial resources to deal with most of our challenges – provided we don't get distracted by secondary issues
- Bottom line: a vibrant, growing town is in everyone's interest, including senior citizens
- Final thought: most towns would love to have our problems – let's keep it that way!