

Research Department
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Energy in Suburbia

"We shall solve the city problem by leaving the city," said the first Henry Ford in advertising the virtues of his tin lizzie. But in these energy crisis days, that may not be quite so simple; indeed, the crisis raises the basic question of where Americans will live and work in the next quarter-century. Energy supplies today are sometimes short and much higher in price than a year ago—25 percent higher for gasoline and 47 percent higher for fuel oil and coal. Thus, families may think twice about buying a dream house in the suburbs, in view of their long and expensive commutes and their high heating and airconditioning bills.

At first glance, this situation would suggest a boom in central-city multifamily housing. Both the automobile and the single-family home call for significantly higher energy usage for normal operations than their alternatives, public transportation and multifamily housing. The rise in the cost of energy for travel in itself should lead to higher residential densities and greater usage of public transportation. Thus, other things being equal, energy considerations should lead to increased population and employment near the center of urban areas and a reduction in suburban growth.

Still, other things are not necessarily equal. The question arises whether the abrupt and probably

permanent rise in the price of energy can slow down or reverse the long-term economic and demographic factors affecting the pattern of settlement in this country. The most important trend in this connection is the stagnation or decline in the central portions of metropolitan areas and the growth of population in the suburbs. Because of this development, and the coincidental shift of outlying population to large metropolitan areas, practically all of the nation's population growth since 1940 has occurred in the suburbs. In the 1960's alone, central-city population remained practically unchanged despite a 13-percent gain in the U.S. total.

Can the auto adapt?

Perhaps the major key to future population-distribution patterns is the ability of private auto transportation, which set the pace for the suburbanization of America, to adapt to the new era of scarce and expensive fuel. In the late 1960's, the U.S. used about 200 billion gallons (5 billion barrels) of petroleum each year. Close to 40 percent of this amount (75 billion gallons) was used for private motor vehicles. In the absence of present constraints, it could have been predicted that transportation usage of petroleum would at least double by the end of the century—with some 200 million autos and trucks using 150 billion gallons a year, or the equivalent of total world usage for all purposes as late as 1950.

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Given our present constraints, can existing patterns of transportation and population settlement be continued in future decades? Carnegie-Mellon Professor Richard Rice suggests an affirmative answer; in fact, he argues that transportation services could be doubled in real terms within the next 25 years with no increase in oil consumption. Moreover, Rice assumes that Americans will continue to place a high priority on personal mobility and, specifically, will continue their heavy utilization of private transportation.

Rice thus suggests that public transportation, while gaining in importance, will be limited to 30 percent of intercity traffic and 40 percent of urban traffic in the year 2000. Even so, he says that energy conservation goals can be achieved through the use of small urban autos (obtaining up to 30 miles per gallon at speeds of 25 to 30 miles per hour), through heavy dependence on large airbuses (plus trains and buses) for intercity traffic, and in addition, through the development of piggyback passenger-auto trains to reduce long-distance auto traffic. Further petroleum savings could be obtained from the

substitution of electrical power for onboard fuel used in the internal-combustion engine, since coal and nuclear power could then become available as primary sources of transportation energy. Thus, within certain limits, present technology would permit the continuance of present transportation and location patterns in coming decades.

Energy and other factors

The influence of soaring heating and airconditioning bills might suggest the demise of suburban-style housing patterns, since 80 percent of all single-family housing recently has been built in the suburbs. However, it is sometimes forgotten that 60 percent of all multifamily housing is also being located in the suburbs. The energy crisis in this sense thus should shift the balance between single- and multi-family housing construction.

Job considerations are also important in this connection. The number of people living in the suburbs and commuting to the central city for work has greatly exceeded the number of city dwellers who work in the suburbs. Yet despite soaring energy costs, it is not at all clear that workers will decide to reduce their travel costs by relocating in the central city. Instead, increasing pressures may develop to move job opportunities from the city to the suburb. Even during the cheap-energy period of the 1960's, suburban jobs grew by more than 3

million, compared with an 800,000 growth in the central city, and this movement may accelerate.

At present, demographic factors could play a greater role than energy factors in slowing the shift to the suburbs. George Brown (former Census Bureau chief) argues that the substantial slowdown in the rate of population growth means a reduction in pressure to create new housing, which normally would occur in the suburbs because of lower suburban costs for land, land preparation and actual construction. Another factor is the sharp rise in the past decade in the number of one- and two-person families—the unbundling of the traditional extended family. This factor could provide about one-third of all new housing demand in coming decades, and since most such individuals prefer high-density living and public transportation facilities, they could provide support for the rebirth of the central city.

Sprawl vs. density

Discussing urban sprawl, the sociologist Nathan Glazer once said, “When people have choices, they create Los Angeles.” In actuality, a mixture of market forces and public-policy measures has created present locational patterns, and a shift in those factors could lead to different patterns in coming decades. Cheap private transportation, cheap energy, cheap land, and weak governmental controls over

land use—coupled with the middle-class yearning for a healthy environment for raising children—all combined to create the typical pattern of urban sprawl of the 1950’s and 1960’s. Those factors are all changing now, and new locational patterns could emerge.

The resultant of these changing forces is likely to be high-density development, but this pattern could be found just as much in the suburbs as in the cities. Multi-family homes accounted for only one-fifth of all those built in the late 1950’s, but by the early 1970’s (although not 1974) they accounted for almost one-half of all starts. And as noted above, most such units are now being built in suburbia, so that over time, the density of suburbia could approach city levels. At reduced speed levels, suburban communities can no longer advertise “Only 20 Minutes from Downtown,” but at that point it may not matter, since suburbanites may avoid going downtown at all because of the existence of nearby job opportunities. This development may go hand-in-hand with the resurgence of central-city neighborhoods brought about by the demographic factors noted above.

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT
(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 12/25/74	Change from 12/18/74	Change from year ago	
			Dollar	Percent
Loans (gross, adjusted) and investments*	86,855	+ 199	+5,913	+ 7.31
Loans (gross, adjusted)—total	68,013	— 170	+5,965	+ 9.61
Security loans	1,853	+ 14	—1,263	— 40.53
Commercial and industrial	24,406	— 151	+3,097	+ 14.53
Real estate	19,999	+ 0	+1,690	+ 9.23
Consumer instalment	9,835	+ 20	+ 738	+ 8.11
U.S. Treasury securities	5,863	+ 434	— 445	— 7.05
Other securities	12,979	— 65	+ 393	+ 3.12
Deposits (less cash items)—total*	83,078	— 296	+8,059	+ 10.74
Demand deposits (adjusted)	22,108	— 831	— 350	— 1.56
U.S. Government deposits	508	— 283	— 506	— 49.90
Time deposits—total*	58,797	+ 810	+8,445	+ 16.77
States and political subdivisions	7,346	+ 414	+ 139	+ 1.93
Savings deposits	17,965	+ 8	+ 408	+ 2.32
Other time deposits‡	29,871	+ 346	+7,067	+ 30.99
Large negotiable CD's	17,113	+ 511	+6,230	+ 57.25
Weekly Averages of Daily Figures	Week ended 12/25/74	Week ended 12/18/74	Comparable year-ago period	
Member Bank Reserve Position				
Excess Reserves	89	— 17r		140
Borrowings	134	233		172
Net free (+) / Net borrowed (—)	— 45	— 250r		— 32
Federal Funds—Seven Large Banks				
Interbank Federal fund transactions				
Net purchases (+) / Net sales (—)	+1,656	+1,368		+1,804
Transactions of U.S. security dealers				
Net loans (+) / Net borrowings (—)	+ 914	+ 970		+ 491

*Includes items not shown separately. ‡Individuals, partnerships and corporations.

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