STUDY PAPER NO. 20

THE POTENTIAL ECONOMIC GROWTH IN THE UNITED STATES[1]

PART I

CHAPTER I. THE NATURE AND SIGNIFICANCE OF POTENTIAL ECONOMIC GROWTH[2]

Confidence in the Nation's potential for future economic growth has been the fundamental assumption upon which public and private economic policies have been based in the United States since its founding. Though occasionally challenged during unexpected reverses, as during the 1930's when concepts of economic maturity and stagnation were brought into the debates over economic policies for a time, this basic belief in the possibilities or opportunities for future increases in employment, output, and in per capita, real purchasing power for a rising population, has survived all vicissitudes of public debate to provide the foundation for public and private economic policies.

Hamilton's "Report on the Subject of Manufactures," 1791; encouragement to canal building; public lands policies; land grants to encourage railroad building beyond the limits of settlement; "Manifest Destiny;" aid to agricultural and mechanical education, including colleges; the "New Era;" the patent system—any student of American economic history could compile a long list of examples of growth-oriented policies and programs in both the public and private sectors of the economy. In 1812, when the population was less than 10 million, a sketch of the Nation's destiny pointed to an economy of 100 million, stretching from Atlantic to Pacific, possessed of large cities, magnificent canals and roads, seminaries of learning, vast domestic manufacturing industries, and other advantages of division of labor. (1) In 1872, when the population was hardly 40 million, another writer foresaw a population of 300 million, mail delivery from coast to coast in 24 hours, artificial fibers, and expansion of steel production by over 50 times (incidentally a drastic underestimation) (2).

[1] I wish to express my deep appreciation to my research associate in this study, Mr. Charles B. Warden, Jr., who carried the burden of preparing the various time series for use in the study and brought together the material on potential labor force and hours of work. Without his careful and unstinting efforts, the study could not have been brought to completion.

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[2] Numbered references in parentheses in text are to numbered sections of "Technical Materials," beginning on p. 45.