

potential growth of the United States. In a country with an increasing population, sufficient savings, and a significant rate of technological advance, maximum employment and output, if achieved year after year, will be accompanied by growth—the increase in population makes possible a rising supply of labor; saving makes possible a rising stock of capital; and technological progress results in labor and capital becoming more efficient so output rises even faster than population. Obviously this is not an inevitable set of relations at all times in all countries but the combination has been true in this country.

The connection between maximum employment and production, on the one hand, and potential growth on the other, was recognized even during the debates preceding passage of the Employment Act. A number of projections were prepared providing estimates of the growth of employment and output which might reasonably be expected in the immediate postwar years in view of past trends and then known conditions (6). The early Economic Reports contained similar estimates of the possible employment and output which could be achieved if recession were avoided (7). Beginning in 1950, its staff has prepared similar estimates for the use of the Joint Economic Committee, estimates to which the label “potential” growth has been applied since publication of a staff study in 1954, entitled “Potential Economic Growth of the United States During the Next Decade” (8).

In the same way that economic growth possibilities have been an inseparable part of the Employment Act's history and of the goals set forth in section 2, the ideal of a stable level of prices has always been a basic part of the act. It is easy to understand why this point should be the subject of controversy since the act treats of price stability solely through its reference to maximum purchasing power. This term has generally been taken to imply a stable level of prices since advancing prices clearly erode the purchasing power of both current incomes and past savings (9). But the failure of Congress to delineate clearly the kind of price behavior to be sought under the act provided a basis for controversy.

From the beginning, the President's Economic Reports, statements of his Council of Economic Advisers, and the activities and reports of the Joint Economic Committee have reflected deep concern about the inflationary tendencies of the postwar period. President Truman's first Economic Report under the act (January 1947) pointed to the rise in prices in the latter half of 1946 as an impediment to the maximum purchasing power goal of the act. The Joint Economic Committee in June and July 1947 devoted its first major inquiry to price developments. Whatever may be one's view as to the desirability of changes in the language of the act, one point is indisputable—those in the Federal Government charged with the responsibility for policy under the act have always operated on the belief that reasonable price stability is one of the objectives it sets for national economic policies (10).

This study of the potential economic growth of the United States, therefore, is the latest in a series of quantitative analyses of economic growth possibilities which have originated in connection with the Employment Act. It differs in some respects from its predecessors, however, and succeeding chapters can be more easily followed if the concept of economic growth, its relationship to policy analysis under