

the Employment Act, and the analytical framework used in developing the estimates of potential growth are sketched briefly at the outset.

In line with the preceding discussion, this study looks at the goals of maximum employment, production, and purchasing power as directing attention of public and private policymakers to the ideal of a dynamic, growing economy, exhibiting a minimum of fluctuation in actual rates of use of labor and capital around the maximum average rate of utilization feasible under existing institutional conditions, which, at the same time, is consistent with reasonable stability of the general average level of prices of goods and services.

A dynamic economy

The "dynamic" aspect of this ideal seems to have been reflected in the act, though not perhaps in the exact language an economist might suggest if it were being drafted today. The goal of a free, private, competitive economy, listed in section 2, calls for a dynamic economy, i.e., one free from those public and private restraints which would impede adjustment to changes—

- (a) in individual tastes and preferences;
 - (b) in effective demand for different goods and services as a result of (a) above combined with changes in the level and distribution of purchasing power, and changes in relative prices;
 - (c) in techniques for combining resources in production;
 - (d) in characteristics of products and services;
 - (e) in the geographic distribution of population and industries;
- and
- (f) in international economic relationships.

"Dynamic" thus describes the more outstanding characteristics of American economic life. The frequency and magnitude of these changes have a profound effect on the potential rate of economic growth, on the magnitude of the frictions in the economy and hence on the proportion of resources which are unavoidably idle at any given time, and on the ease or difficulty faced in minimizing economic fluctuations.

Economic growth

Economic growth is an increase in the Nation's capacity to produce goods, services, and leisure (11). It is not, therefore, synonymous with the idea of progress or with the more conventional concept of economic growth as an expansion of real per capita gross national product, or with other definitions of growth that have been used from time to time. The distinction between progress and economic growth is the familiar distinction economists make between means and ends. Progress relates to an increase in the welfare of the people of the Nation while economic growth is an increase in the economy's productive capacity, i.e., an increase in the Nation's ability to provide the material means to satisfy individual or collective desires for different kinds of goods and services, and thus, in the end, contribute to an increase in welfare. Much of the increase in well-being—progress—comes about in ways unrelated, or only indirectly related, to economic growth, per se, such as: a decline in the death rate; a rise in the percentage of children of school age in school and of youths going on to higher education; the growth of leisure; the growth of the creative arts; the circulation of books; a rise in political and religious freedom for the individual; improvements in moral standards and behavior.