the minimum technically possible. This might happen if the unemployment was exceedingly short-range—that is, only a few days or a week or two at a time for each person affected—and constituted a necessary condition for achieving a desired speed of movement of labor between industries, occupations, and jobs; in the process, producing a much-enlarged scope of opportunity for each individual to improve himself, and a wider range of choice. In a word, although there could be a net gain in welfare or progress from a higher rate turnover of the labor force, this higher turnover itself—though desirable—would generate a higher level of unemployment on the average (15).

While there has been no official statement or determination of the percentage of the labor force unemployed which shall be regarded as consistent with the objectives of the Employment Act, nevertheless, various figures have been widely used in discussions of policy under the act. These figures range between 2 percent on the low side to 5 or 6 percent unemployed in the upper end of the range. The staff of the Joint Economic Committee has from time to time computed the output of the economy at an assumed rate of maximum employment, or a potential growth trend, basing this computation on the assumption that unemployment would average about 4 percent of the civilian labor force (16). In periods of high prosperity, with modest fluctuations in output and employment, unemployment has averaged about 4 percent of the labor force.

In view of the historical record, and the past use of the 4 percent figure by the staff, it is again used in this current study. In the discussion below, chapter IV, it will be shown that the choice of an assumed rate of unemployment does have implications both for public and private policies, and for the rate of growth. For the historical analysis in chapter III, however, the choice of any average that would seem reasonable for the past probably would result in a potential output close to that calculated on the assumption of 4 percent actually used. While a lower rate than this could be achieved in the future if private and public policies were designed to do the job, in the past the economy has not achieved a lower unemployment on the average. It seems useless to measure past performance against a standard the economy seems to have been unable to achieve in view of its institutions and technical possibilities.

The measurement of potential growth

How can economic growth, in terms of the potential output as described above, be measured?

In the first place, the output measure to be used is the total of goods and services in constant prices, that is, real gross national product. Potential output, then, is the real GNP that the economy would be capable of producing under stipulated assumptions, the principal one being that 96 percent of the labor force is employed. This is merely the indicator or measure.

How can the level of this indicator and its rate of growth be calculated? The potential output and growth of the economy depends on the amount and rate of growth of available resources and their productivities; in short, upon the size of the labor force, its