

prevailing on the average during the year 1954. It, therefore, covers changes in constant dollars of the total purchases of goods and services by consumers and Government, net foreign investment, and gross private domestic investment, including the change in business inventory.

(2) *Labor*.—Labor input has been measured in terms of the total number of man-hours or the product of employment multiplied by the average hours worked per year per person engaged in production. Two measures of labor input were used. The first of these was a series on actual labor input in man-hours which represented the product of the total number of persons actually employed multiplied by actual average annual hours worked per person employed (30).

The second measure of labor input was the total man-hours of labor available for productive activity in the economy, whether actually employed or not.

It was arrived at by a study of trends in rates of participation in the labor force of men and women in various age groups, and by a study of trends in the average annual hours worked per person engaged in production. It was assumed for the historical period (1909–58) that about 4 percent of the labor force was unemployed when the economy was operating at its potential output. Other percentages could have been assumed without changing the basic historical analysis except as to the relative level of the series (31).

(3) *The stock of capital*.—To measure the supply of capital services available for use in production an estimate of the gross capital stock of the private economy prepared by Dr. George Terborgh was utilized (32).

In this series the gross capital stock represents the value, in constant dollars, of all capital assets surviving from past installations at any particular point in time. It is, therefore, gross of depreciation. It includes private plant and equipment in agriculture, mining, manufacturing, commercial, and similar types of activities, but specifically excludes residential structures, inventories, and all Government assets.

(See chart II, p. 21.)

These stocks were computed by the application of survival curves to data on prior installations in constant prices. (See chart III, p. 22.) Since these curves gave estimated percentages of original installations surviving after given intervals, it is possible to compute the survival at any point from or prior installations and to trace the movement of the survival over any given time (33).

(4) *The age of capital*.—To measure the degree to which the existing capital stock incorporates available technology, it was decided to use as one variable in the analysis a computation of the average age of surviving capital assets included in the above estimate of capital stock. This also was the work of Dr. Terborgh.