

obvious that economic fluctuations or international complications or changes in policies, public and private, other than assumed, could increase or decrease the Nation's production potentials by 1975. Long-run tendencies, incorporated in the production function used to make these projections, indicate that economic growth at these rates is a feasible achievement.

Even if these rates are achieved or even exceeded, it does not follow that output in the year 1975 will fall precisely in line with one of these projections. Any individual year, such as 1975, may exhibit short-run characteristics driving it ahead of or causing it to fall below the long-run rate. In addition, our national economic accounts undoubtedly will be much improved in scope and accuracy over these 16 years and such revisions may appreciably affect the projected levels as well as rates of growth. Finally, it must be reemphasized that these projections assume a stable level of prices—more technically—they assume that the GNP deflator will remain unchanged at the level of 1954. The projections, therefore, represent changes in real output valued at 1954 prices.

A glance at the projected rates of growth in table 3 reveals that the lowest rate of growth (C) is expected to be about 3.5 percent, measured from the potential output calculated for 1959 or about 4.2 percent per year measured from the preliminary estimate of the actual output for 1959. This, the lowest of the three projected rates, is significantly higher than the 50-year average of about 3 percent per year.

The middle or B projection, indicates a projected rate of growth of potential output of 4 percent per year, measured from the output potential for 1959 or 4.7 percent per year, measured from the preliminary estimate of actual output during 1959. The highest projection (A) indicates a possible rate of growth of 4.6 percent per year measured from 1959 potential output levels and about 5.2 percent measured from the preliminary estimate of actual output for 1959. Both the A and B projections indicate rates of growth that substantially exceed the average rate over the last 50 years.

Why do these projections, even the lowest, show an acceleration of the growth rate compared to the average rate of 3 percent achieved over the past 50 years? The first and foremost reason for this difference is found in one basic assumption used for the projections: namely, there will be no deep, prolonged depression during the next 15 years such as interrupted growth during the preceding 50 years—specifically, the period from 1929 to 1941. This assumption has deep and pervasive influences on the projections. Increased stability of the economy makes a very substantial contribution to an increase in the growth rate, affecting the rate of growth of the labor force, the rate of decline in hours of work, the rate of accumulation of capital, the speed with which new technology is incorporated in actual production processes and the composition of demand. The pervasive influences of this assumption together with other developments are reflected in three main factors which account for most of the difference between past and future growth rates:

1. The annual average rate of growth in the total labor force over the next 15 years is likely to range between 1.5 percent and 1.9 percent per year as compared to an average over the previous 50 years of about 1.4 percent. The growth of the population of working age, therefore,