

average annual rate of growth of 1.8 percent from the 1965 total of 78.4 million.

It appears that the economy would have to provide about 1½ million new jobs per year over the next 10 years if a low rate of unemployment is to be maintained. In 1965, the rate of unemployment improved considerably, averaging 4.6 percent for the year as a whole, and in early 1966, the rate was reduced to below 4 percent. As the economy continues to grow, as more of our people become better educated and more highly skilled, and as workers are trained to fit the jobs which become available, unemployment may well be reduced below present rates. For projection purposes, an unemployment rate of 3 percent in 1975 is assumed—this with the other associated factors discussed below is designated as assumption A. However, in order to gauge the differences if a 3-percent rate should not be achieved, an alternative set of projections has been made on the assumption of a 4-percent rate of unemployment in 1975—this is designated as assumption B.

Another ingredient of production is the number of hours worked per week. Average factory hours reached a postwar low of 39.1 hours in 1949 and a high of 41.1 hours in 1965. Although hours worked tend to rise in a cyclical upswing, a modest decline in the work-year is assumed over the next decade.

The final major component of output is productivity, commonly measured as production per man-hour. Productivity changes have varied considerably year by year in the postwar period. Productivity rises sharply in a year following a recession, and subsequently tends to fall back to the longer term average. In the past decade, the average annual rate of increase in productivity for the total private economy has been 2.8 percent (on the labor force basis).

With continued large expenditures by business on new plant and equipment, much of which is for the purpose of increasing efficiency, the gain in private productivity in the next 10 years is assumed to average 3.2 percent per year, somewhat higher than the average of the past 10 years. This productivity increase is used in conjunction with the 3-percent rate of unemployment (assumption A). A somewhat smaller gain in productivity is used with the assumed 4-percent unemployment rate (assumption B) since investment in more efficient productive facilities may be somewhat less than under assumption A.

Based on the foregoing assumptions and consistent with the 3-percent rate of unemployment (assumption A), the 1975 projection of the GNP would be \$940 billion in 1958 prices. This is equivalent to an average growth rate in real GNP of nearly 4½ percent per year from 1965 to 1975. If we assume a relatively stable price movement—a 2-percent increase per year in the GNP price deflator—associated with the foregoing growth in real GNP, then the GNP in 1975, in the prices of that year, would be \$1,275 billion, an increase of more than seven-eighths over the 1965 total of \$676 billion.

The alternative projection of GNP in 1975 (assumption B) would be \$910 billion in 1958 prices, implying an average growth rate of a little more than 4 percent per year from 1965 to 1975. Using a somewhat smaller price increase—1.5 percent per year—associated with the lower growth rate for GNP, would result in a projected GNP of \$1,180 billion in prices of 1975.