U.S. ECONOMIC GROWTH TO 1975: POTENTIALS AND GROWTH

WHAT THIS STUDY IS ALL ABOUT

The U.S. economy has a potential for a rate of economic growth of between 4 and 4½ percent per year between 1965 and 1975. This is between one-third and one-half above the rate prevailing in the first two-thirds of this century, and is substantially above the 3.5 percent prevailing over the 17 years from 1948 to 1965. This higher rate of growth will not be achieved automatically, but will require improvements and adjustments in economic policies, both public and private, if it is to be achieved in a manner that does not generate undesirable inflationary byproducts.

The above statement summarizes the results of a yearlong study undertaken by the Joint Economic Committee staff at the request of the Subcommittee on Economic Progress to determine the most probable range of the potential economic growth of the U.S. economy over the next decade and the problems that might be faced in achieving those objectives. Since this study concerns itself with economic growth as measured by potential gross national product it concentrates on changes in the Nation's ability to produce goods, services, and leisure. It is therefore not concerned directly with the conventional idea of economic progress or with the accumulation of wealth, nor with another conventional concept of economic change, namely, an expansion from year to year in real per capita gross national product.

The distinction between progress and growth in economics is a familiar distinction between means and ends. Progress relates to an increase in the welfare of the people of the Nation as a whole, while economic growth concerns itself with an increase in the economy's ability to provide the material means to satisfy individual or collective desires for different kinds of goods and services. Thus, in the end, economic growth contributes to the Nation's ability to progress, if this is what the Nation decides to do with its increase in means.

It must be kept clear, however, that economic growth does not guarantee an increase in wealth, in the skills and abilities of our people or in the quality of life. Economic growth may be accompanied by such economic progress, but we shall not here concern ourselves with whether the world is a little better for the growth or not.

The study's concentration upon economic growth naturally leads one to consideration of the Nation's capacity to produce. We have not used the word "capacity" above, but rather "potential." In many ways, the maximum output of the economy is flexible over a wide range and, hence, the capacity of the economy is indeterminate, even when industry or trade is operating at what managements ordinarily would call full capacity rates. We will not try to determine, therefore, what the capacity of the economy is, nor how fast it is