

HOW MUCH CAN WE PRODUCE: POTENTIAL SUPPLY

Although there are a number of ways of answering the question as to how much our economy can produce, one of the simplest ways of analyzing the problems of estimating the potential supply of GNP is: Estimate the total number of people working, the total number of hours worked, and the average output per man-hour—the total output being the product of these three numbers.

Projections of the total labor force used in this study conform with the latest estimates of the Department of Labor: Growing from about 80 million in 1966 to 86.4 million in 1970 and to 93.6 million in 1975 for the A set of estimates; and growing to 86 million in 1970 and 93.6 million in 1975 for the B set of estimates. These estimates imply an average annual rate of increase of about 1.8 percent over the coming decade, compared to the actual rate of 1.3 percent experienced from 1948 to 1964. This increased rate of growth in the total labor force reflects standard Bureau of the Census projections of the population (all of the population in the labor force in 1975 has already been born), and historical rates of participation of the total population in the labor force—the latter adjustment making allowances for the aged, the infirm, full-time students, housewives, and others not available for employment. Changes in the Armed Forces over the period are given in the assumptions in the previous section, as well as the rates of unemployment for the two sets, A and B. Labor force participation rates as a percentage of the population 14 years of age and over work out to 57.6 percent in 1970 and 57.5 percent in 1975 under assumption A, and 57.3 percent in 1970 and 57.5 percent under assumption B. Putting these figures together, we develop the estimates of labor force and employment given in table 1. Chart I pictures the movements in the total population and labor force, 1929-75. It will be noted that total employment rises somewhat more under the A assumption than under the B, rising from 74.9 million (including the Armed Forces) in 1965 to 90.9 million under the A assumption and to 90.0 million under the B assumption.

TABLE 1.—*Derivation of estimates of employment, 1965-75*

Year	Total labor force		Armed Forces	Civilian labor force		Rate of unemployment		Civilian employment	
	A	B		A	B	A	B	A	B
	Millions	Millions	Millions	Millions	Millions	Percent	Percent	Millions	Millions
1965.....	78.4	78.4	2.7	75.6	75.6	4.6	4.6	72.2	72.2
1966.....	80.0	80.0	3.1	76.9	76.9	3.8	3.8	74.0	74.0
1967.....	81.6	81.5	3.1	78.5	78.4	3.8	4.0	75.5	75.3
1968.....	83.2	83.0	2.7	80.5	80.3	3.5	4.0	77.7	77.1
1969.....	84.8	84.5	2.7	82.1	81.8	3.2	4.0	79.5	78.5
1970.....	86.4	86.0	2.7	83.7	83.3	3.0	4.0	81.2	80.0
1971.....	87.9	87.5	2.7	85.2	84.8	3.0	4.0	82.6	81.4
1972.....	89.4	89.1	2.6	86.7	86.4	3.0	4.0	84.1	82.9
1973.....	90.8	90.6	2.6	88.2	88.0	3.0	4.0	85.6	84.5
1974.....	92.2	92.1	2.6	89.6	89.5	3.0	4.0	86.9	85.9
1975.....	93.6	93.6	2.6	91.0	91.0	3.0	4.0	88.3	87.4

Source: U.S. Departments of Labor and Commerce; and staff, Joint Economic Committee.