

ATTAINING THE PROJECTED ECONOMIC GROWTH RATE

As a result of fiscal and monetary policies, structural measures to combat unemployment and other public and private efforts, the overall growth rate of the national economy has been accelerated during the past 5 years and the unemployment rate has been reduced substantially. However, not until the recent Vietnam military buildup did the rate of unemployment come down to the Council of Economic Advisers' "interim" target of 4 percent of the civilian labor force.

It has been pointed out, moreover, that the pace of economic expansion during 1962-65 has been considerably above the rate of increase that this Nation has been able to sustain over an extended period in peacetime, at least in the past.⁸ It can be inferred from the projections presented earlier that inability during the 1970-75 time period to maintain the current, historically high rate of economic growth would result in a substantial rise in the unemployment rate, assuming other factors do not change significantly.

But, other factors will be changing significantly. The Nation's labor force is projected to grow more rapidly in the next decade than in the past 10 years. Productivity (as measured by output per man-hour) is estimated to continue increasing, as a result of the large-scale investments in human and physical resources—business plant and equipment purchases, research and development, education, training, and so forth.

The accelerated expansion in the Nation's potential productive capacity can be responded to in a number of ways, and it may be helpful to examine some of them.

One level of choice involved in achieving a high and rising level of economic activity is the selection of emphasis among the major sectors of the national economy. As shown in table 11 below, the choice of sector emphasis also implies decisions as to (1) whether the economy will become more or less oriented to private versus public needs and desires; (2) whether the major national concern is with the acceleration of the rise in the standard of living or with the enhancement of the Nation's productive capacity; and hence (3) whether the main thrust of the economic policies are of a relatively shortrun or longrun nature.

TABLE 11.—*Alternative sector emphasis in achieving economic growth*

Sector	Illustrative factors to be considered		
	Private or public orientation	Standard of living or productive capacity	Effect
Consumer spending ¹	Private.....	Living standard.....	Short term.
Business investment ²	do.....	Productive capacity.....	Long term.
Government purchases.....	Public.....	Mixed.....	Mixed.

¹ Some Government programs, of course, have important direct effects on consumer spending, such as transfer payments which directly bolster consumer purchasing power.

² Some Government programs have important effects on the volume and composition of business investment, such as tax incentives to expand acquisition of new producer durable equipment.

⁸ "Manpower Report of the President," March 1965, pp. 46-47.