

As can be seen, although each of the seven approaches listed in table 12 would represent an adjustment to the rising availability of persons of working age, almost every one of them would influence differently the total output of the economy, or the amount of leisure-time available, or the productivity of the economy, or the price level, or the competitiveness of this Nation's industries in world markets. Many of these approaches are not mutually exclusive and the effects of some may be additive. Also, the time horizons may differ. For example, education and training would tend to raise future productivity and output at the expense of current output. Furthermore, the subsequent reactions to any of the alternative adjustments would influence the effects of utilizing that approach; should employers be able to absorb the added costs of longer vacations without raising prices, the inflationary pressures would be less than if the added costs were passed on to consumers.

In many cases, the choice of emphasis among these approaches may not be determined primarily on economic grounds, but from social or political viewpoints. For example, decisions to lower the retirement age for social insurance programs would reduce the participation rate of the labor force age group; however, such determination as to the minimum age at which covered workers can retire and receive benefits—although it has important economic repercussions—is essentially a political decision as to desirable social norms. Similarly, a reduction in the standard workweek (which could be encouraged through amending existing Federal legislation governing the payment of overtime) would represent a social choice as to the relative importance of leisure.

Clearly, at least one of the possible adjustments to the rising potential supply of workers would be negative or passive—merely to accept a rising trend of unemployment in the American economy.

PRICE LEVEL IMPLICATIONS

A perennial source of concern in considering public policy for a rapid rate of economic growth is the resultant pressure on prices. This is an important example of the need to balance off various objectives. At one extreme, a low utilization of the Nation's resources—as indicated by high unemployment rates and large amounts of excess industrial capacity—could eliminate inflationary pressures in the United States. Conversely, indifference to inflationary price level considerations might temporarily help to achieve virtually full employment; however, major problems of balance-of-payments disequilibrium likely would arise as well as pressures from specific groups of the population which would not be greatly benefited by full employment, but would be hurt by the inflation. Retired persons and others living on fixed incomes are obvious examples of the latter category. Indifference to price level considerations might also create economic unbalances and distortions which themselves could lead to unemployment and underutilization of resources.

American history provides some interesting examples of rapid rates of economic growth accompanied by falling aggregate price levels.¹⁰ Shifts in demand from relatively inefficient to more efficient sectors

¹⁰ National Bureau of Economic Research, "Trends in the American Economy During the 19th Century," Princeton, Princeton University Press, 1950; U.S. Bureau of the Census, "Historical Statistics of the United States, Colonial Times to 1957," Washington, D.C., 1960.