

Targeting economic growth through 1967, and its significance

The vital importance of an optimum rate of economic growth is indicated by estimating, for the 10-year period 1968–77 inclusive, the difference between an optimum rate of real economic growth (somewhere in the neighborhood of 5.3 percent as an annual average, and a 3.5 percent average annual rate of economic growth (cf. the rate of 3.7 percent during 1966–68). The difference, measured in fiscal year 1969 dollars (as estimated in January 1969, and for the purpose of approximating the current price level) comes to \$1,255 billion over the 10-year period, or an average of about \$125 billion a year, and comes to \$226 billion in 1977 alone. Surely, we cannot afford to forfeit these amounts in terms of real goods and services, or anything even approximating them, when we consider the tasks that confront us, and how far we are from doing more than scratching the surface with respect to many of them.³

My next two charts depict in more detail my optimum high and low economic growth projections through 1967, and also indicate how well they maintain the traditional balance between private and public responsibilities.⁴

The erroneous views of the CEA on economic growth

I turn now to what the 1969 CEA report says on the subject of economic growth, bearing in mind that what it now says is quite consistent with the position it has been taking in earlier years. What the CEA now says indicates why I have felt it necessary to develop this phase of my analysis so extensively, and perhaps may convince many others as to the validity of my conclusions.

The 1969 CEA report states that the increase in the U.S. growth rate potential was at an average annual rate of about 3.5 percent from the mid-1950's to the early 1960's; that for the last few years it is estimated at 4 percent a year; that it was 4 percent from fourth quarter 1967 to second quarter 1968; and that it was 4 percent at the end of 1968. The CEA therefore concludes that this is the growth potential for the years shortly ahead (pp. 40, 45, 64, 66).

The CEA bases this finding upon the observation that, since 1950, the annual growth rate of productivity in the private economy was 3 percent, and for the entire economy 2.5 percent, and that adding to this a 1.5 percent annual growth in the civilian labor force results in the 4 percent figure (p. 66).

I find it utterly impossible to find any justification for this CEA finding, in view of the productivity trends which I have depicted (consistent with data appearing in CEA reports). The CEA *average* of productivity trends since 1950 is the result of very different productivity trends during periods of rewarding economic growth, economic stagnation, and economic recession. Such an average figure would be acceptable only if the goals for the future were to contemplate recurrence of these same three types of periods. Such an average has nothing whatsoever to do with the growth potential, nor with sustained maximum production and employment under the mandate of the Employment Act of 1946. And such a finding by the CEA appears even more outlandish, when the CEA itself admits that only a serious departure

³ See chart 3, following text.

⁴ See charts 4 and 5, following text.