

(1) *The A or high projection.*—Projection A assumes that our economic affairs are managed in both the private and public area to maintain a high level of prosperity. While occasionally minor recessions might occur, it is assumed that the Nation will not experience a deep and prolonged depression, such as interrupted growth during the decade of the 1930's. The precise combination of public and private economic policies this projection would require is left unspecified.

Unemployment is assumed to average about 3 percent by the mid-1970's, i.e., about 97 percent of the labor force will be employed in an average prosperous year in the 1970's compared to the 96 percent assumed in computing the potential output for 1909–60 in chapter III. Under such conditions, job opportunities could be expected to be sufficiently abundant to attract a relatively large proportion of the population into the labor force.

In line with the degree of tightness in labor markets, average annual hours are assumed to decline at a rate of about 0.4 percent per year, slightly slower than the rate of fall over the last half century.

The rate of capital accumulation (rate of growth of the gross capital stock) is assumed to proceed at a rate of 3.2 percent per year, a rather conservative estimate of the rate in view of past periods of prosperity (50).

The composition of demand is assumed to follow the historical patterns typical of previous periods of strong growth, with allowance for the effects of continued strong national security demands. This implies about the same share of services in GNP as in 1955–57, reflecting a rise in the share for private housing and government and a fall for consumer services other than housing. The shares of construction and nondurable goods are assumed to fall moderately, while the share of durables rises somewhat above the 1957 share.

(2) *The B, or medium projection.*—The medium projection (B) assumes somewhat more modest success in maintaining continuous maximum employment, but again assumes no deep, prolonged depression will occur.

Unemployment is assumed to average about 4 percent, the same assumption used in preparing the historical potential output estimates in chapter III, shown on chart VI. This means 96 percent of the labor force employed on the average. Labor markets, therefore, would be somewhat less tight than under "A" and participation rates of the population in the labor force would represent a continuation of recent trends.

Average annual hours of work are assumed to decline at a rate of about 0.5 percent per year, slightly less than the average rate over the last half century.

The rate of capital accumulation is assumed to be more modest but still in line with the assumption that serious depression will be avoided. This means that the gross stock is assumed to rise at 2.7 percent per year.

The composition of demand is assumed to have little effect on the growth rate directly through the mix variable, with the rise in the mix term (Xp) being only 0.001 percent per year.

(3) *The C or low projection.*—The low (C) projection assumes a continuation of public and private policies in such mixture that there will be fairly frequent interruptions to growth, inadequate mobility of capital and labor, and more slack on the average than in each of the other two projections.