C. SUMMARY OF FINDINGS

1. *General Forces*

As explained above, three general chapters are presented in the first part of this volume to provide an overview of the State and local "public works" [18] sector of the economy. The first analyzes and projects State and local public works expenditures in relation to GNP; the second examines the material requirements for such expenditures, and the third examines their labor requirements.

Since 1958 the ratio of real State and local government expenditures for structures and equipment to real GNP has fluctuated within a relatively narrow range—between 2.8 and a little over 2.9 percent. Assuming an average annual growth rate in real GNP of a little over 4 percent from 1965 to 1975, a 4 percent unemployment rate and a 1.5 percent increase per year in the GNP price deflator, coupled with various other factors detailed in chapter 1, GNP is projected (in current prices) to rise from $676 billion in 1965 to $905 billion in 1970, and to $1,180 billion in 1975 (assumption B). If one assumes the average annual growth rate in real GNP at nearly 4½ percent from 1965 to 1975, the unemployment rate at 3 percent, and a 2-percent increase per year in the GNP price deflator, and taking into account account other described factors, GNP is projected at $940 billion in 1970 and at $1,275 billion in 1975 (assumption A).

From these GNP projections, it is further projected that State and local government purchases of structures and equipment (net of residential buildings), which amounted to $19.5 billion in 1965, would rise to $28.5 billion in 1970 and to $39.1 billion in 1975 under assumption B. Under assumption A, such purchases would rise to $29.9 billion in 1970 and to $44.2 billion in 1975.[19]

After surveying the components of the construction and building materials industries, the authors of chapter 2 conclude that—

> To meet future increases in construction demand in both the private and public sectors it is expected that the construction and building materials industries will increase their productive capacities. Prefabrication and prefinishing have been and will continue to be important sources of promoting innovation and labor-saving devices on construction sites * * *. When one considers all the factors, it is difficult to avoid the conclusion that the construction materials industries should be able to meet the needs of future construction—as they have in the past—through innovation, product development, and increased productive capacity.

After reviewing labor market prospects, the authors of chapter 3 conclude that—

> Employment in the building trades is expected to increase moderately through the mid-1970's, assuming relatively full employment nationally and the high levels of economic activity needed to achieve this goal.

Turning to the OBE projections for 1975, the authors estimate that, allowing for increased productivity, 2,802,000 full-time workers will be needed in 1975 for the $41.7 billion of construction projected under

[18] Owing to the definitions and concepts employed in national income accounting, the three chapters necessarily deal only with State and local government "public works," as distinguished from the "public facilities" concept used throughout this volume. The latter includes expenditures by other owners. Moreover, under national income and product accounting, public works expenditures relate only to construction (or equipment purchase) expenditures, but omit expenditures for land. In contrast, "capital outlays" (or "capital requirements") embrace expenditures for land as well as for construction or equipment purchase.

[19] In July 1966, subsequent to the time when these calculations were made, the estimates in the national income and product accounts were revised for the years 1963–65. The Office of Business Economics advises that the effect of these changes on the above projections is relatively small; the projections of State and local capital expenditures would be raised by about $.5 billion in 1970 and 1975.