

of incomes going to various sectors of the economy and the expenditures and savings made by each of these, both public and private.

This study progresses in three stages. The first is to develop a projection into the future based upon past relationships, trends, and programs, carrying them forward into the future, without alteration. The purpose is to see what the world would look like 5 and 10 years hence if nothing were done to change the future course of events by deliberate changes in public or private programs. This "advance look" proceeds first through a projection of the supply of the goods and services that could be produced in the future; that is what has been called above the potential output of the economy, and then turns to the other side and tries to develop the stream of incomes and the demands resting upon them that would be consistent with past relationships, programs, and the future trend of the Nation's ability to produce.

The second stage is an analysis of this first model—the type of model which economists have labeled *ex ante*. The attempt has been made in this analysis to see what inconsistencies and imbalances turn up in the model when one tries to project the past into the future. From this was developed a series of alternative policy choices that it seems probable the Nation will have to make in the future, either in the public or the private sectors or in both. On the basis of this analysis, we moved on to stage three of the study.

The third stage of the study was the development of an illustrative model, or rather pair of models as it turns out, of how the economy might look in 1970 and 1975 if adjustments in policy were made, particularly in the public sector, that would make the model come out consistent, as far as demand and supply for goods is concerned. This adjusted or *ex post* model is labeled "illustrative." By this we simply mean that the particular method of bringing about a balance or equilibrium in this projection for the next 10 years is not the only one. It is not even a recommended package. It happens to be one which, from the test that it was possible to make on the model, might produce stable, high level economic growth, with a minimum of unemployment and a minimum of inflation over the period. But it is not the only possible combination of policies and it may not, as time goes on, look like the best combination. The purpose of this illustration is to point out the many complexities and adjustments as the economy responds to the changes in policy. It is to illustrate for those who must make the decisions in the future what is involved in the issues they will be faced with. It is hoped by this method to bring to the attention of technicians in public and private life who must make such choices some notion of the consequences that may be expected to flow from their decisions, and some idea of the magnitudes involved.

One thing this study is *not* concerned with—that is, recommendations by the staff, or those who aided in this study, as to what combination of policies should be followed in order to realize rapid growth, maximum employment, and stable prices in the future. The study is meant to illustrate the opportunities, the problems, and the alternatives as a guide and as a useful tool for those who must make the decisions.