Shares of National Income

With projections of national income determined, the next step was to project the major shares.

(*a*) *Private compensation.*—The total of private wages and salaries and proprietors' income was based on projected private productivity, employment, hours, and consumer prices. Projections of proprietors' income (described below) were then subtracted to arrive at private wages and salaries. Private supplements were projected from their relation to wages and salaries and adjusted for changes in tax rates and base as defined in existing legislation; the estimates were derived by components.

(*b*) *General government compensation.*—Compensation per employee was increased at the rate of 4.8 percent per year for the A set of assumptions and 4.2 percent for the B set. The 1970 Federal employment conforms with recent BLS projections; from 1970 to 1975, Federal civilian employment was increased by 20,000 per year; the number in the Armed Forces was arbitrarily reduced from 2.7 million in 1970 to 2.6 million in 1975.

Projections of State and local government employment were based on a regression with total employment and a time factor to allow for net growth; an additional employment of 1 million was allowed by 1975 to provide for the expansion of the antipoverty programs under assumption A, and 700,000 under assumption B.

(*c*) *Proprietors' income.*—

1. For business and professional income, the 1948–59 trend was extrapolated for the A set, and the slower growth from 1960 to 1965 was used for the B set.

2. For farm proprietors' income, the projections were based on discussions with economists of the Department of Agriculture.

(*d*) *Rental income.*—The projections were based on the trend for 1960–65 for assumption A and for 1953–65 for assumption B.

(*e*) *Net interest.*—The projections were derived from an extrapolation of recent data using a free hand curve so as to allow for an assumed decline in interest rates from recent highs.

(*f*) *Corporate profits and IVA.*—These were projected as a residual, that is, the sum of other shares subtracted from the projected national income.

(*g*) *Corporate profits tax liability.*—These were projected by applying 1966 effective tax rates to corporate profits before taxes.

(*h*) *Dividends.*—These were projected on the basis of a regression involving corporate cash flow and a time trend. Cash flow is defined as corporate retained earnings plus capital consumption allowances. The following identity was used: Corporate profits after taxes equals dividends plus retained earnings.