

SUMMARY

The foregoing projections were dependent first on an assumed supply of manpower and capital stock to produce a relatively high rate of economic growth, i.e., of real output of goods and services. On the demand side, it was assumed in the first set of estimates that projections of Government expenditures and receipts would conform with existing programs and tax rates. These yielded unsustainable rates of business investment, when the other sources of demand were projected in accordance with historical relations for periods of high rates of economic activity. Also, the Federal surplus generated under these conditions would be so large that imbalances would occur, thus preventing the realization of the assumed rates of growth and unemployment.

The second set of estimates (tables 19 and following) was developed to provide an example of projections in the private sector which would be sustainable and in line with past experience by the use of Federal fiscal action. This model is thus more realistic than the first model in that the Federal surplus is more reasonable in relation to the high GNP and income, and investment is at a rate high enough to support the additional output needed and is in line with the long-term declining tendency of the ratio of real investment to output.

Obviously, other methods for distributing the "excess" Federal surplus could be used, but it appears that a realistic combination of Federal fiscal actions, designed to lessen the burden of investment in the maintenance of a high rate of GNP growth, would yield results not too significantly different from those obtained in the illustrative model presented in table 19 and following.

It may be useful to readers to summarize our illustrative projections to 1975 by showing what part of the increase in each of the major components represents the increase in real output and what part reflects the effect of the modest rise in prices which we have assumed. To do this we have prepared chart IX. For example, under assumption A, the fast growth estimates with 3-percent unemployment on the average, there would be additions to real output by 1975 amounting to \$345.6 billion (in 1958 prices), on top of which there would be a further addition of about \$350 billion to reflect the change in prices from 1958 to 1965. In the cases of the slower growing estimates (assumption B) with a 4-percent unemployment rate on the average, the additions in real terms to the GNP would total about \$310.6 billion (in 1958 prices), while the effect of rising prices from 1958 to 1975 would add \$280 billion to the GNP as it stood in 1965. Relative changes in each of the components are illustrated by the hatchings on the chart.