consumer goods and services. Both statements refer to the same magnitude. For convenience, consumption (C) can be ignored, and attention focused on the remainder of $GNE(I+G)$ and the remainder of GNY $(S+T)$. Dropping consumption (C) from both sides of equation (2) leaves:

$$(3)\quad I+G\equiv S+T.$$

Government expenditures (G) can be netted against receipts (T), yielding government saving $(T-G)$. The resulting expression shows that investment (I) is identically equal to total savings $[S+(T-G)]$:

$$(4)\quad I\equiv S+(T-G).$$

In an accounting sense, saving and investment are always equal, regardless of the level of GNP. However, accounting definitions of saving and investment do not themselves provide an explanation of the dynamic forces that cause GNP to be what it is. Nevertheless, the concepts are useful in developing a framework for understanding what determines GNP.

Although *measured* saving and investment are always equal, *planned* saving and investment are not. Saving and investment are performed largely by different groups; each group is motivated by its own set of considerations. An attempt by businesses to invest more than is willingly saved by households, businesses, and governments sets in motion forces causing GNP to increase. Under such circumstances injections of investment expenditures into the income-expenditure stream exceed the leakages of private and government saving from it. An excess of injections over leakages leads to an increase in GNP. The rise in GNP continues to a level where planned saving and investment are brought into balance.

Whether an economy achieves high employment with stable prices (i.e., an optimal GNP) [8] depends on the relation between planned saving and investment at that specified level of economic activity. If investment falls short of planned saving at high employment, GNP will fall short of its optimal level and unemployment will result. On the other hand, if planned investment exceeds planned saving at high employment, GNP will exceed its optimal level and prices will rise. In terms of equation (4) these conclusions may be summarized as follows (where the subscript H denotes "high-employment value"):

Relation between planned saving and investment at high employment	*Result*
I_H less than $S_H+(T_H-G_H)$	GNP falls short of its optimal level
I_H equals $S_H+(TH-G_H)$	GNP achieves its optimal level
I_H greater than $S_H+(T_H-G_H)$	GNP exceeds its optimal level

Understanding why GNP exceeds or falls short of its optimal level is crucial to the policy formulation process. Within the analytical framework discussed above, the problem reduces to an analysis of the discrepancy between high-employment values of saving and investment. If a discrepancy exists, policy measures can be instituted which will restore GNP to its optimal level.

[8] This discussion ignores possible inconsistencies between high employment and stable prices. Choice of an optimal GNP probably involves a "tradeoff" between an increase in employment and a rise in the general level of prices.