The general methodology for obtaining these measures may be stated briefly. First, the investment and government components were estimated by projections of ratios and trends of historic data covering the postwar period and extrapolated to 1970. Second, reasonable savings rates and a functional income distribution were stipulated yielding an implied level of aggregate consumption. Third, taxes were adjusted to produce a consumption level which together with the level of investment and government purchases sum to the supply estimate of gross national product. In other words, after independently estimating investment, government expenditures, and reasonable savings rates, tax rates were adjusted to insure aggregate demand equal to full employment aggregate supply.

This method requires one major assumption; namely, the split between government spending and personal consumption expenditures. Operating under the assumptions used in this study, the derived relationships appear reasonable with respect to past experience.[3] Admittedly, the assumption involves a political judgment. For example, a lower estimate of government spending would have led to a reduction in taxes and a higher level of consumption and investment. However, the judgment could not be avoided since an explicit assumption with respect to the split had to be made. On the other hand, the input-output model is only mildly sensitive to reasonable variations in the assumed split. A summary of the projections is shown below in Table I. It should be emphasized that the levels projected and shown in the table have been adjusted under the assumption that the initial capacity projected would be utilized.

2. DIRECT REQUIREMENTS

The projected estimates of the major final demand components were used as control totals for stipulating the final requirements on the processing sectors for each of the three alternatives considered. The assumptions and methods for converting aggregate demand to specific industry requirements may be briefly outlined.

[3] The ratios of consumption to GNP and government purchases to GNP for the period 1955–59 (computed from Commerce data in constant dollars), and the derived ratios for 1970 are as follows:

[In percent]

Year	Consumption	Government	Year	Consumption	Government
1955	64.7	18.6	1958	65.9	19.8
1956	64.4	18.0	1959	65.1	18.7
1957	64.3	18.5	1970	64.9	18.9