

National Policy

Space considerations render impossible an adequate treatment of the implications of the product life cycle model for national policy, but a few observations are in order. First, the United States must maintain a continuous stream of innovations if it is to sustain a surplus cumulative trade balance. Whether this is possible, as the experience of the last two years seems to contradict, depends on many underlying factors, among which four stand out:

1. The rate of innovation in the United States and as compared with that prevailing in Europe, Japan, and other advanced countries.
2. The rate of technological diffusion and of absorptive capacity in other countries.
3. The differential rate of growth between the United States and foreign incomes.