The detailed composition of given categories by supplying industry was available only for the four procurement categories. (Research Analysis Corporation: "Economic Impact Analysis: A Military Procurement Final Demand Vector," prepared for the Department of Defense March, 1967.) In breaking down the remaining categories we had to rely on our own uninformed judgment.

COMPOSITION OF ADDITIONAL GOVERNMENT DEMAND

Under alternative II, the federal defense budget is reduced by a net of $18 billion, and the federal non-defense budget is increased by $12.5 billion. Because $1 billion is assumed to be spent in transfer payments to persons under Education and Welfare programs, this budget figure is $1 billion more than the purchase of goods and services (final demand) announced on page one.

The "additional budget" breakdown was again supplied by Mr. Daniel James Edwards, of the Joint Economic Committee's Research Staff:

	Billion
Space	$1.0
Foreign Aid	2.0
Health, Labor, and Welfare	2.5
Education	2.0
Veterans	1.0
Crime Control	1.0
Air and Water Pollution Control	1.0
Big Cities Redevelopment	1.0
Natural Resources	.5
GSA Construction	.5

Because of the time factor and because no comprehensive distribution of Federal and State purchases by supplying sector is available on a program basis, extremely rough estimating procedures had to be used in obtaining the final commodity breakdown. A basic source was Clopper Almon's 1963 estimate of final demand composition.

COMPOSITION OF OTHER ELEMENTS OF FINAL DEMAND

Clopper Almon's 1963 estimates were used.

SOURCES OF INPUT-OUTPUT AND OTHER COEFFICIENTS

1958: 60-order matrix of input-output coefficients.

1958: Matrix of regional distribution coefficients for "national industries" (Lack of time prevented re-computation for a more recent year.) As a result, Hawaii and Alaska had to be excluded from the analysis.

Matrices of regional distribution coefficients for final demand to local industries: computed for twelve separate final demand components on the basis of eight distributions by state available in the 1967 Satistical Abstract, and three distributions by state (federal program expenditures) supplied by Mr. Daniel James Edwards.

SPECIAL FEATURES OF THE MODEL

Pay and allowances received by military personnel were assumed spent by them or their families on various commodities and services in the same proportions, as earnings from any other sector. Private consumption out of such pay and allowances was distributed by region in proportion to D.O.D. obligations for military personnel by region, without reference to the stationing of personnel abroad.

On the assumption that drafted military personnel is, on the average, undervalued (in terms of alternative earnings in civilian employment), the military personnel released under de-escalation was valued at $4.5 billion, or $1 billion more than its actual pay and allowances. However, as noted in the previous paragraph, private consumption originating from military earnings was related to (i.e., the consumption coefficients applied to) actual receipts rather than alternative earnings.

Federal outlays under the proposed "additional budget" were distributed among states in roughly the same proportion as corresponding programs were distributed in the last four years.