between the two obviously should be explained in terms of the relative mobility or transportability of their output.

To separate national industries from the local, all sectors were arranged in order of the increasing magnitude of interregional, as compared with the intraregional, trade of their respective products. Then, an admittedly somewhat arbitrary cut was made across that array, setting apart the local industries, serving mainly users located within the region in which production occurs, from the national industries, supplying the entire national or even international market, whose products typically are being shipped for this reason in comparatively large amounts across regional lines.[2]

2. The multiregional input-output computation itself can be visualized best as being performed in three distinct, successive rounds. The first consists of a conventional input-output calculation designed to determine the direct and indirect effects of the given shift from military to nonmilitary final demands on the total output of all—that of local as well as of national—goods for the country as a whole. The regional distribution of these total figures is determined in the second and the third rounds. All basic information on the input structure of each local or national industry used again and again throughout these computations stems from the same large input-output table of the American economy. This common source of structural data ensures the internal consistency of all the final results.

For national industries the regional apportionment of the increase or the reduction in the total U.S. output is based in each instance on a simple, but in the first approximation, well-justified assumption of a uniform percentage change. For example, if the first stage computation indicates that as a result of curtailed military purchases and a simultaneous expansion of deliveries serving various types of final civilian demand, the total U.S. output of electronic equipment will fall by 5 percent, then in the second stage that aggregate cut is allocated among the different regions on the assumption of an equal 5 percent cut applied across the board. That presupposes, of course, knowledge of the actual output and employment levels maintained by the national industries in each region before the shift occurs.

The third and last step determines the geographic distribution of changes in the level of activities of local industries producing goods for which the balance between supply and demand tends to be maintained within each region with relatively limited recourse to interregional trade. The input requirements that must be covered in each region by the output of its local industries comprise: (*a*) deliveries to final military and civilian users located in the same region; (*b*) input requirements of the national industries operating in it; and (*c*) the input requirements of the local industries themselves.

Thus, the calculation of regional outputs of local industries requires not only a knowledge of final demand for the United States as a whole, but also a breakdown of military and nonmilitary final demand by regions. While changes in the level of final deliveries of steel, chemicals, and other national goods need be specified only for the country as a whole, the given shifts in military procurement and civilian purchases of electric power, gas and water, office supplies, and other local goods have to be specified separately for each region before the analysis of their regional impact can begin. The amounts of local

[2] The concluding observations at the end of this article describe a possible refinement of this approach which introduces a graduated distinction between national, regional, and subregional industries and goods.