

goods absorbed in each particular region by national industries operating in it can be ascertained easily by applying appropriate sets of technical input coefficients to the regional output figures derived for all national industries in the previous, second round of computations.

The regional output levels of local industries, finally, can be derived through separate input-output computations in which the deliveries of local goods to final users located in each region and to national industries operating within it play the role of a given bill of goods.

3. In this last stage of the multiregional analysis, households is treated as one of the local industries—the largest one in fact. The output of that industry consists of labor services of various types. In contrast to previous computations of this kind, *for reasons of practical convenience the quantities of labor services are measured in this study not in man years but rather in terms of the total wage and salary payments received for them.*

The inputs of the household sector are consumer goods purchased by it. Its input structure, like the input structure of any other industry, can be described accordingly by an array of consumption coefficients, each of which represents the amount of one particular type of good absorbed by the household sector per unit of its own output, *i.e.*, per dollar of salaries and wages received by it.

That means, of course, that in the third stage of the multiregional input-output computations, the given regional bill of goods is redefined so as to include all military and non-military governmental purchases and private investment expenditure, but not the private consumption expenditures. Since households is treated at this stage of the computations as one of the local industries, all goods absorbed by it appear not as final deliveries, but rather as components of that part of all output of each sector that serves indirect demand.

The internal consistency of the entire procedure is demonstrated by the fact that, if separated from deliveries to other local and all the national industries and summed for the country as a whole, these regional inputs into households will match exactly the private consumption column of the final bill of goods introduced into the computation in its very first stage.

4. That bill of goods itself, of course, must reflect the anticipated effect of a hypothetical reduction of military and a corresponding increase in civilian expenditures. For purposes of the present analysis, such a shift has been assumed to have occurred in the year 1958, which at the present time is the latest year for which a detailed input-output table of the U.S. economy has been compiled. The final bill of goods is represented by three components: Military purchases, private household consumption, and nonhousehold civilian final demand.³ The latter demand "contains" non-military deliveries to the Federal, State, and local governments, private and public gross investment, and net exports.

The hypothetical cut in military expenditure is visualized to take the form of a 20-percent, across-the-board reduction in each kind of military purchase. With the total 1958 defense expenditure included in the military vector amounting to \$31.3 billion, that means reducing

³ Morris R. Goldman, Martin L. Marimont, and Beatrice N. Vaccara, "The Interindustry Structure of the United States, a report on the 1958 Input-Output Study," *Survey of Current Business*, U.S. Department of Commerce, November 1964, Washington, D.C. A detailed description of the definitions and composition of the final demand vectors used in this study is given in sec. IV. The vectors only include estimates of final purchases from endogenous industries, *e.g.*, the military vector does not include purchases from new construction since this is exogenous in this study. Thus, the sum of the elements included in the vectors does not represent all final demand. See footnotes to table A-3.