Since the hypothetical shift in the composition of final demand was balanced so as to leave the overall level of employment for the country as a whole the same as it was before, its economic impact takes the form of shifts in the labor force among different industries and among different regions.

The magnitudes of changes in output and employment that we are about to examine are—when expressed in relative terms—at most of the order of a few percentage points up or a few percentage points down; in most instances, they are even smaller. Considering, however, that an unemployment rate of 5.5 percent commonly is interpreted as a sign of serious malfunctioning of our economic system and that an eventual reduction of that figure to 4 percent has been recognized as one of the major goals of national economic policies, even a one-half of 1 percent change in employment level in one region or another must be taken to represent a noteworthy shift. The percentages to be examined may not meet that degree of accuracy, but they should indicate the direction of change in regional employment levels.

TABLE 1.—*Percentage changes*[1] *in output and employment*[2] *by industries, after a compensated*[3] *20 percent cut in armament expenditures*[4]

Sector number[5]	Industry	Percentage change	Sector number[5]	Industry	Percentage change
36N	Aircraft	−16.05	13N	Wood containers	1.05
40N	Ordnance	−15.42	27N	Stone and clay	1.10
41N	Research and development	−13.26	1L	Printing, publishing	1.12
34N	Electronics equipment	−5.40	10L	Business services	1.14
29N	Nonferrous metals	−2.21	8N	Fabrics, yarn	1.19
38N	Instruments	−1.59	15N	Office furniture	1.19
32N	Electrical apparatus	−0.92	20N	Drugs	1.21
37N	Other transportation equipment	−0.23	35N	Motor vehicles	1.21
28N	Iron and steel	−0.04	39N	Miscellaneous manufacturing	1.23
31N	Nonelectrical machinery	−0.03	2L	Electricity, gas, water	1.24
18N	Chemicals	0.15	12N	Lumber, wood products	1.26
13L	Maintenance construction	0.20	5L	Communications	1.26
24N	Rubber, plastics	0.30	14N	Household furniture	1.27
33N	Appliances, lighting	0.34	12L	Medical, educational services	1.31
22N	Oil fields	0.38	3N	Forestry, fisheries	1.33
23N	Petroleum products	0.45	4L	Trade	1.40
3L	Transportation	0.48	6L	Finance, insurance	1.48
21N	Paint	0.48	9L	Auto repair services	1.48
30N	Fabricated metals	0.54	8L	Personal services	1.56
11N	Miscellaneous fabricated textiles	0.54	25N	Leather	1.57
19N	Plastics synthetics	0.59	7L	Real estate, rentals	1.57
26N	Glass	0.81	2N	Other agriculture	1.65
16N	Paper	0.83	11L	Amusements	1.66
17N	Paperboard containers	0.93	10N	Apparel	1.66
9N	Miscellaneous textiles, rugs	0.97	6N	Food and kindred products	1.66
14L	Government enterprises	0.98	1N	Livestock	1.67
5N	Coal mining	0.98	7N	Tobacco	1.76
			17L	Households[6]	1.81
			4N	Agricultural services	2.14

[1] Each figure represents the change in output and employment in each industry as a percentage of total output and employment in that industry before the arms cut.
[2] Employment and its regional distribution is measured in each industry by labor earnings.
[3] Compensation is assumed to consist of a uniform proportional increase in all components of nonmilitary final demand sufficiently large to maintain the aggregate employment in all sectors (consequently in all regions) taken together unchanged.
[4] Source of data: Appendix tables A-6 and A-7.
[5] Note that the local sectors which are dummy industries have been omitted from this ranking. N refers to National industry number, L to Local industry number.
[6] Note that this percentage reflects the 1.81 percent increase in all consumption coefficients. It represents the change in employment of employees in households such as domestic help or babysitters.

2. Table 1 describes the impact of a postulated demilitarization of the final demand in terms of individual industries. The percentage figures show that of the 56 sectors listed,[6] only 10 will experience a

[6] Two local dummy sectors, 15L office supplies and 16L business travel and entertainment, are not included in this tabulation.