

ECONOMIC IMPACT ANALYSIS: A MILITARY PROCUREMENT FINAL-DEMAND VECTOR*

VOLUME I: RESULTS AND METHODOLOGY

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., January 27, 1967.

DEAR SIR: The enclosed study, "Economic Impact Analysis: A Military Procurement Final Demand Vector, Volume I," is the first of two volumes prepared by the Research Analysis Corp. under contract with the Department of Defense.

These two volumes present the methodology and results of a study which provides, for the first time, an interface between DOD data systems and 4-digit Standard Industrial Classifications (SIC). Specifically, they provide a statement of military procurement requirements (bill of goods) in terms that are compatible with interindustry economic models and the national income accounting concepts used in these models. Volume I presents estimates developed for 1963; volume II will present an analysis of the detailed results.

Your comments and suggestions on this exploratory research effort are invited.

Sincerely,

VERNON M. BUEHLER,
Colonel, U.S. Army.

FOREWORD

This memorandum reports on research performed in 1966 by RAC's Economic Impact Group for the Office of the Assistant Secretary of Defense for Systems Analysis. The Economic Impact Group under the direction of Donald J. Igo is continuing both the refinement of methods and the development of impact estimates for the Office of the Secretary of Defense, the Bureau of Labor Statistics, the Office of Emergency Planning, and the Arms Control and Disarmament Agency.

Volume I presents a military procurement final-demand vector, or "bill of goods," developed for applications in interindustry studies of the US economy. Volume II presents a comparison of RAC results with estimates derived by other estimating techniques, discusses some of the methodological problems involved in developing final-demand estimates, and indicates directions for future research.

Earlier publications of the Economic Impact Group are "A Case Study in Industry Impact Patterns: The F-4 Aircraft," RAC-T-451, January 1965; "Methodology for Industry Impact Analysis," RAC-TP-190, volume I, "Methodology and Summary Results," March 1966, and volume II, "Procurement Documentation," July 1966 (Secret); and "Industrial Classification and Economic Impact Analysis," RAC-TP-207, May 1966.

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*Economics and Costing Department, Technical Paper RAC-TP-248, published March 1967, by Research Analysis Corp., McLean, Va; Donald J. Igo, Irving Moder, Elwyn M. Bull, William Lindsay, Jr. and Ken R. Gramza.