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13. ABSTRACT

This report presents a military procurement final-demand vector, or "bill of goods" developed by RAC for applications in interindustry studies of the US economy. The military bill of goods in an interindustry model is a statement of military requirements for material and services from the civilian economy, in terms that are compatible with the industry definitions in the model. The RAC bill of goods presents the percentage distribution of DOD procurement in terms of the 4-digit Standard Industrial Classification code—the same classification system used to define the industry sectors in current interindustry economic models. For conversion to dollar terms the percentages are to be applied to an estimate of DOD procurement expenditures, adjusted for differences between DOD accounting definitions and national income accounting concepts, being developed by the Office of Business Economics, Department of Commerce. The work was sponsored by the Office of the Assistant Secretary of Defense for Systems Analysis (Economics); agencies involved in interindustry economic studies and to which the estimates have been made available are the Division of Economic Growth, Bureau of Labor Statistics; the Office of Emergency Planning; and the Office of Business Economics, Department of Commerce. At the request of user agencies the estimates were developed for 1963, and military final demand was defined as direct procurement by the government. Only Department of Defense expenditures funded through procurement appropriations (as opposed to RDTE, Operations and maintenance, Military personnel and other appropriations) are covered in this report.

The report consists of two volumes. Volume I presents the procurement final-demand estimates and describes the methodology used, in separate sections for six categories of procurement: Aircraft, Ships, Missiles, Electronics and communications, Ammunition, and Weapons, vehicles, and other. Volume II presents a comparison of RAC estimates with results derived by other estimating techniques, examines the applicability of the results for 1963 to procurement expenditures for other years, discusses some of the methodological problems involved in developing final demand estimates, and indicates directions for future research.

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