

not just now while exports are more profitable, but in the future when we would like to be producing again.

#### LINKAGE EFFECTS IN FOREST PRODUCTS INDUSTRIES

The impact upon the economy of a decline in the domestic manufacture of lumber and plywood can be measured in two distinct components:

(1) the interindustry effects resulting from the decrease in volume of timber processed and (2) the income effects resulting from a decrease in employment. Some of these are direct or short run, while other are indirect or long run. Their distribution throughout the economy of the region will depend upon the degree of interdependence of related firms in each local area affected.

#### Interindustry Effects

A decrease in the domestic processing of timber will affect firms on both the input and output sides of the mill process, as well as the mill itself. In the short run, the substitution of logs for export will largely compensate for effects which would otherwise occur in logging and log transportation. Therefore, input firms affected would be those which supply goods and services to the mill. Of the 27 industries identified in the Washington input-out-put study, 19 acted as suppliers to the "lumber and wood products" group and 14 supplied the plywood industry. Decreases in volume of lumber and plywood produced would result in decreased demand for the goods and services of those supply industries. (Similar relationships for Oregon can be assumed.)

On the output side, short run effects would be felt by the transportation industry, remanufacturing firms, brokers and the construction industry. This will be more evident when anticipated rises in market demand