for lumber and plywood materialize.

Long run effects of reduced production are more insidious. These will occur as the industry adjusts to the continued lower volume of output. Reduction of new investment or the servicing of existing capital equipment will be felt by that portion of the machinery industry which produces sawmill and plywood mill machinery. This is a large industry in the Pacific Northwest, so most of this impact would be local. Capacity in other service and supply industries would also have to be reduced unless alternative markets could be found.

Consideration must also be given to the loss of revenue to governmental bodies as a result of curtailed production and reduction in plant investment in these industries.

The result of these interindustry relations is a "multiplier" effect upon the entire economy. A regional income multiplier for lumber and plywood has been estimated at 1.5. This means that the production of $100,000 worth of lumber or plywood actually generates about $150,000 worth of income to the region. It is reasonable to assume that the loss of any given dollar volume of production would result in a decline in regional income of 1.5 times that amount.

Employment Effects

Effects upon a local or regional economy from a decline in employment in a basic industry are substantially the same regardless of the industry in which that decline occurs. There is a linkage between the payroll dollar of a worker and the incomes of those who sell him goods and services. This linkage will produce an income generating function the same as the multiplier previously mentioned.

Thus, a total economic impact can be estimated for any net change