Prime–Subcontractor Networks in Federal Procurement

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Abstract: This project develops new measurement of how U.S. federal procurement spending is distributed across regions and industries once prime–subcontractor linkages are taken into account, extending recent work that documents large geographic and sectoral reallocations in Department of Defense (DoD) contracting (Park, Zhou and Zubairy, 2026). Using newly available federal subcontracting data reported under the Federal Funding Accountability and Transparency Act and linked to establishment-level data from the National Establishment Time Series (NETS), we construct comprehensive measures of where federal procurement dollars are ultimately spent rather than where prime contracts are awarded. While existing studies—and much of the local multiplier literature—focus almost exclusively on DoD prime contracts, roughly half of federal contracts and about one-third of contract value originate in non-DoD agencies. We document stylized facts on the geographic dispersion, industry composition, and firm-size distribution of non-DoD prime–subcontractor linkages, showing that ignoring subcontracting substantially mismeasures the regional allocation of federal spending.

The analysis will compare non-DoD and DoD procurement networks to develop a unified measurement framework for federal procurement within disaggregated regional accounts. Motivated by prior evidence that DoD and non-DoD contracts differ significantly in their industry concentration (e.g., Cox et al. 2024), the project will examine whether and how these differences evolve once prime–subcontractor relationships are incorporated. In particular, we will study variation in industry mix, geographic dispersion, and exposure to large manufacturing versus service-sector firms across procurement categories. We also plan to relate observed prime–subcontractor linkages to the U.S. input–output matrix to examine how procurement-based production relationships compare to these linkages documented in the existing literature, and what this implies for the propagation of procurement spending across sectors and regions. The resulting measures are intended to inform regional accounts and empirical analyses of fiscal transmission, helping to assess how conclusions based on prime contract data alone may depend on underlying subcontracting structures.

References

Geumbi Park, Xiaoqing Zhou, and Sarah Zubairy, "Subcontracting in Federal Spending: Micro and Macro Implications," NBER Working Paper 34686 (2026)

Cox, L., G. J. Muller, E. Pasten, R. Schoenle and M. Weber, “Big G,” *Journal of Political Economy* 132 (2024), 3260–3297.