Required Texts:  
6. Student subscription to *Wall Street Journal*.

Optional Texts:  
2. Either one of the following:  
   OR  

This course is offered as a capstone course in the Economics in Action series. It is approved for the Critical Thinking segment of the Core Curriculum required by the College of Arts and Sciences. It is designed to force the student to subject the myths, emotion and special pleading which dominate defense debates to economic analysis, critical scrutiny and empirical testing. An important goal will be to demonstrate how economic analysis can be applied to aid the understanding of defense issues faced by any nation with a defense budget. Major focus will be on the United States and the industrialized countries of Western Europe but, on occasion, the case of the former Soviet Union and Japan will be examined for comparative purposes.

Students majoring in Economics, Political Science, and/or International Affairs should find the course particularly useful but any students who have taken introductory economics (micro and macro) should be able to handle the material, whatever their major department.

The course will be run as a seminar with extensive student participation and substantial reading required. Grades will be based on class participation (10%), two short essays of about 5 pages each (40%), and a major term paper of at least 15 pages (50%). The subject area is important, interesting, and highly policy-relevant and a serious commitment of effort should yield a very rewarding learning experience.

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1 In addition to the material in the required texts, additional items will be distributed to students and assignments made in material on reserve at Norlin Library. Free riders will be neither welcome nor happy in this class.
<table>
<thead>
<tr>
<th>Day</th>
<th>Date</th>
<th>Lecture</th>
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<tbody>
<tr>
<td>Mon</td>
<td>8/28/95</td>
<td>Organization and Introduction.</td>
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<tr>
<td>Mon</td>
<td>9/4/95</td>
<td>LABOR DAY - NO CLASSES</td>
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<tr>
<td>Fri</td>
<td>9/15/95</td>
<td>Hartley, Ch 4 - The Determinants of Defence Expenditures. Sandler &amp; Hartley, Ch 3 - The Demand for Military Expenditures. Sandler &amp; Hartley, Ch 8 - Economic Growth, Development, and Military Expenditures.</td>
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**COURSE OUTLINE**

**Defense Economics**

<table>
<thead>
<tr>
<th>Date</th>
<th>Reading and Assignments</th>
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| Fri 9/22/95 | Sandler & Hartley, Ch 15 - Procurement: Theories, Evidence and Policies.  
Hartley, Ch 5 - Economics, Politics and Public Choice.  
Hartley, Ch 6 - Equipment Procurement Policy.  
Weidenbaum, Ch 7 - Understanding the Defense Industry. |
Hartley, Ch 5 - Economics, Politics and Public Choice.  
Hartley, Ch 6 - Equipment Procurement Policy.  
Weidenbaum, Ch 7 - Understanding the Defense Industry.  
| Wed 9/27/95 | McNaugher, Ch 1 - The Unhappy Accommodation & Ch 2 - The Era of Construction.  
McNaugher, Ch 3 - The Era of Reform & Ch 4 - Mismanaging Modernization.  
Jordan et al., Ch 5 - Presidential Leadership & the Executive Branch in National Security.  
Jordan et al., Ch 6 - The Impact of Congress on National Security Policy. |
| Fri 9/29/95 | McNaugher, Ch 1 - The Unhappy Accommodation & Ch 2 - The Era of Construction.  
McNaugher, Ch 3 - The Era of Reform & Ch 4 - Mismanaging Modernization.  
Jordan et al., Ch 5 - Presidential Leadership & the Executive Branch in National Security.  
Jordan et al., Ch 6 - The Impact of Congress on National Security Policy.  
Hartley, Ch. 8 - U.K. Defence Industrial Base.  
*OTA, Building Future Security.*  
Appendix A - Defense Technology and Industrial Base Policies of Allied Nations. RESERVE |
| Mon 10/2/95 | McNaugher, Ch 5 - Perverse Priorities & Ch 6 - The Accidental Industrial Policy.  
Jordan et al., Ch 8 - The Role of the Military in the National Security Policy Process.  
Jordan et al., Ch 10 - The National Security Decision-making Process: Putting the Pieces Together. |
| Wed 10/4/94 | McNaugher, Ch 5 - Perverse Priorities & Ch 6 - The Accidental Industrial Policy.  
Jordan et al., Ch 8 - The Role of the Military in the National Security Policy Process.  
Jordan et al., Ch 10 - The National Security Decision-making Process: Putting the Pieces Together.  
Sandler & Hartley, Ch 7 - Defense and the Industrial Base. |
| Fri & Mon 10/6 & 10/9/95 | Hartley, Ch 7 - NATO and Equipment Standardization.  
Sandler & Hartley, Ch 2 - The Economic Theory of Alliances. (skim)  
Hartley, Ch 8 - The UK Defense Industrial Base.  
Sandler & Hartley, Ch 7 - Defense and the Industrial Base.  
Sandler & Hartley, Ch 9 - Industrial and Alliance Policies. |
Wed 10/11/95  Hartley, Ch 7 - NATO and Equipment Standardization.
Sandler & Hartley, Ch 2 - The Economic Theory of Alliances. (skim)
Hartley, Ch 8 - The UK Defense Industrial Base.
Sandler & Hartley, Ch 7 - Defense and the Industrial Base.
Sandler & Hartley, Ch 9 - Industrial and Alliance Policies.

Fri & Mon 10/13 & 10/16/95  Steinberg, Ch 1 - Introduction.
Steinberg, Ch 2 - Background.
Steinberg, Ch 3 - The Changing Economic, Political and Security Environment in
Jordan et al., Ch 21 - Europe.

Wed & Fri 10/18 & 10/20/95  Steinberg, Ch 4 - Patterns of Industrial Adaptation.
Steinberg, Ch 5 - The Corporate Response.
Steinberg, Ch 6 - Emerging Trends in the European Defense Sector.
Steinberg, Ch 7 - Conclusion: Competition vs. Consolidation.
Hartley, Ch 9 - Evaluating International Programs.

Mon & Wed 10/23 & 10/25/95  Weidenbaum, Ch 5 - Refocusing Military Research and Development.
OTA, Building Future Security, Ch 2 - Research and Development.
Jordan et al., Ch 15 - Research and Development.
A. J. Alexander, P. T. Hill, and S. J. Bodilly, The Defense Department's Support of
Industry's Independent Research and Development: Analysis and Evaluation,
Rand Corporation, April, 1989. RESERVE (skim)

Fri & Mon 10/27 & 10/30/95  Sandler & Hartley, Ch 6 - Military Manpower.
Weidenbaum Ch 9 - Recognizing the People Factor in the Armed Forces.
Weidenbaum Ch 4 - Helping the People.
OTA, After the Cold War. RESERVE (skim)
Ch 3 - Displaced Defense Workers. (skim)
Ch 4 - Engineers: A Special Case? (skim)
Ch 5 - Veterans' Adjustment. (skim)

Wed & Fri 11/1 & 11/3/95  Hartley, Ch 10 - The Political Economy of Arms Control.
Sandler & Hartley, Ch 4 - Arms Races.
Sandler & Hartley, Ch 10 - The Arms Trade.
Sandler & Hartley, Ch 11 - Arms Control and Disarmament.
Weidenbaum, Ch 10 - Planning for a World of Lower Tensions.
Jordan et al., Ch 23 - Conflict and Arms Control.
Jordan et al., Ch 22 - International Forces and Peacekeeping.

Mon 11/6/95  Hartley, Ch 10 - The Political Economy of Arms Control.
Sandler & Hartley, Ch 4 - Arms Races.
Sandler & Hartley, Ch 10 - The Arms Trade.
Sandler & Hartley, Ch 11 - Arms Control and Disarmament.
Weidenbaum, Ch 10 - Planning for a World of Lower Tensions.
Jordan et al., Ch 23 - Conflict and Arms Control.
Jordan et al., Ch 22 - International Forces and Peacekeeping.
Richard A. Bitzinger, The Globalization of Arms Production: Defense Markets in
Eric D. Kiefel & Richard A. Bitzinger, The Globalization of the Defense Industry:
Budget Project, January 1994). RESERVE
Symposium, "The Arms Trade: Problems and Prospects in the Post-Cold War World." 
The Annals of the American Academy of Political and Social Science, September, 1994. ALL RESERVE

Hartley, Ch 10 - The Political Economy of Arms Control.
Sandler & Hartley, Ch 4 - Arms Races.
Sandler & Hartley, Ch 10 - The Arms Trade.
Sandler & Hartley, Ch 11 - Arms Control and Disarmament.
Weidenbaum, Ch 10 - Planning for a World of Lower Tensions.
Jordan et al., Ch 23 - Conflict and Arms Control.
Jordan et al., Ch 22 - International Forces and Peacekeeping.

Jordan et al., Ch 24 - National Security Perspectives for the 1990s.

Sandler & Hartley, Ch 12 - Conversion.
OTA, Redesigning Defense (RESERVE), Ch 1 - Summary, Major Findings, Policy Issues.
OTA, Building Future Security (RESERVE), Ch 1 - Summary and Conclusions.
McNaugher, Ch 7 - Toward Meaningful Reform.

Weidenbaum, Ch 3 - Downsizing the Defense Companies.
RESERVE

Integrating Commercial and Military Technologies for National Strength: An Agenda for Change (Washington: Center for Strategic and International Studies), 1991. RESERVE
Congressional Budget Office, The Economic Effects of Reduced Defense Spending (RESERVE), Summary and Ch 1 - Introduction.
RESERVE
<table>
<thead>
<tr>
<th>Date</th>
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<tr>
<td>Fri 11/24/95</td>
<td>THANKSGIVING HOLIDAY - NO CLASSES</td>
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| Wed & Fri 11/29 & 12/1/95 | Jordan *et al.*, Ch 7 - Intelligence and National Security.  
Individual Assignments: (ALL RESERVE)  
Abram Shulsky, “What is Intelligence?”  
James Q. Wilson, “Thinking About Reorganization.”  
Robert Kohler, “The Intelligence Industrial Base: Doomed to Extinction?”  
| Wed 12/13/95 | CATCH-UP & LAST DAY OF CLASSES                                           |