Economics 4999-004; Fall 1997
DEFENSE ECONOMICS
Room Econ 2
Tuesday Thursday 9:30-10:45

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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.

The aim of the course is to help you learn how to: take issues which have defence and economic dimensions; analyse them critically; evaluate the evidence; and communicate your conclusions clearly. The course will be interactive and require quite a lot of reading. You will need to keep up to date on current defence issues, e.g. by reading the Wall Street Journal. You should also be able to use net resources such as the Financial Times and Economist home pages for European issues. Students who have taken introductory economics (micro and macro) should be able to follow the course.

Grades will be based on class participation (10%); 2 short essays (40%); and a term paper of 15-20 pages (50%). The first essay is a 500 word Op-Ed piece on a security issue; the second essay is a 800 word book review of any defense related book. The term paper can be on any topic that involves defence and economics, but you should let me have an outline of your proposed topic and the sources that you will use. We will spend some time discussing how to write and communicate; and the two essays will be evaluated for clarity as much as content. Howard S Becker, Writing for Social Scientists, Chicago: University of Chicago Press, 1986, examines the problems of writing from the perspective of a Sociologist. The advice applies to most subjects and the book is very good on the reasons writing is difficult.

Texts.

Todd Sandler and Keith Hartley, The Economics of Defence, Cambridge England: Cambridge University Press, 1995. This approaches the issues from a strongly economic perspective, the other texts provide alternative perspectives. In places this is quite mathematical; if you are not familiar with the math, skip the algebra and try to get the general idea. The course itself will not be very mathematical, but I will be happy to explain the models if people are interested.

A A Jordan, WJ Taylor and LJ Korb, American National Security: Policy and Process, Baltimore: Johns Hopkins Press, 1993, 4th edition. You should use this to make sure that you are familiar with the main features of the evolution of US security policy, the process by which decisions are made and the main analytical issues. In the course, I will try to emphasise the rest of the world, to provide a comparative perspective.


You should look at the books and design your own reading program to support the course. In reading them you should realise that all these books have been overtaken by events since they were written. They were usually written at least a year before publication date. For instance, the Cold War has ended and there has been another round of massive procurement reform in the US, since McNauher was written. However, his basic analysis remains valid and the probability is that the same mistakes will be repeated. The books also provide very different analyses, you should contrast the alternative viewpoints and make your own judgements.

Outline.

The first part of the course will provide an overview of the main issues

- Organisation and Introduction
- Defence Economics
- Threat Assessment
- Security and the Use of Military Force
- Defence Budgeting
- Rationality and the real world
- Force Mix: Capital-Labour, Quantity-Quality, Functions, Readiness, Sustainability
- Technology and R&D
- Procurement, the problems and alternative sources: the futility of reform?
- The defence industry: structure, conduct performance
- The arms trade
- Arms Races
- Alliances
- Arms Control and Conflict Resolution
- Military capability and military culture
- Economic consequences of military spending

The last part of the course will cover particular topics you might be interested in. These could include:

- Security issues in particular regions; Peacekeeping/making; Conversion; Non-conventional threats to security; Globalisation of the defence industry; Terrorism and insurrection; Theories of conflict; the role of intelligence.