

# Political Economy of Defense and Security: priorities, budget, legal framework

---

Draft version October, 06, 2017

## The course principal objectives:

- To provide the students with basic (relevant) historical knowledge and factual basis for further analysis
- To provide the student with analytic skills and data source for comparative and country case studies

## The course description

#	Description of the course components	references
1	Basic assumptions: rationality of elected politicians, civil and military bureaucrats, public media and voters; Bureaucrats are maximizing budget of the respective bureau and discretionary power Elected politician maximizes number of reelections, tenure in office	Public Choice theory (see, for example Public Choice III <sup>1</sup> ed. By Dennis C. Mueller, 2003 Cambridge University Press) Public Economy (Public Finance) see for example Hillman, 2009 <sup>2</sup> Niskanen, 1971 <sup>3</sup> Jasay, 1985 <sup>4</sup> (Bureaucrats) De Mesquita, 2008 <sup>5</sup> (voters & politicians)
2	Public goods concept. Pure and mixed public goods. Bureaucrats' aims and incentives models. From the implicit assumption on benevolent, devoted, enlightened and fully informed public	Samuelson, 1954 <sup>6</sup> Hillman, 2009 pp. 139, 169-173 Smith V. (on voluntary supply possibility) <sup>7</sup>

<sup>1</sup> Mueller Dennis C. Public Choice III 2003 Cambridge University Press, 2003

<sup>2</sup> Hillman Arye L. Public Finance and Public Policy. Responsibility and Limitations of Government Cambridge University Press, 2009

<sup>3</sup> Niskanen, William A., 1971, *Bureaucracy and representative government* Transaction Books

<sup>4</sup> Jasay Anthony, 1985, *The State* Indianapolis: Liberty Fund, 1998 <http://oll.libertyfund.org/titles/jasay-the-state>

<sup>5</sup> de Mesquita, Bueno Ethan Politics and Suboptimal provision of Counterterror 2008 *International Organization* 61, Winter 2007, pp. 9–36

<sup>6</sup> Samuelson Paul A., "The Pure Theory of Public Expenditure," *Review of Economics and Statistics* 36 (November 1954): 387-89;

#	Description of the course components	references
	servants to Public choice approach: budget of the bureau maximization and power (discretionary power) seeking.	
3	Butter vs. Guns and Government goals and scope principal choice. How to measure the Government real choice and priorities?	Hillman, 2009, Holcombe 2008 <sup>8</sup> , Hoppe, 1999 <sup>9</sup> ; Hoppe, 2003; See also the review at Yanovskiy, Zatskovetsky 2017 (including Supplementary materials) <sup>10</sup>
4	How costly defense of Democracy is? Historical review	Yanovskiy, Zatskovetsky 2017 review (first and foremost see Barro, 1987 <sup>11</sup> )
5	The reasons behind surge of social spending. Old days and the new days factors of rising of public Debt	Yanovskiy, Zhavoronkov, Shestakov, 2013 <sup>12</sup>
6	How butter beats the Guns: Universal Suffrage, -> Lefts parties as a new mainstream, -> social spending and Governmental regulations expansion	Yanovskiy, Zatskovetsky 2017 Yanovskiy, Zhavoronkov Socol, et al, 2016 <sup>13</sup> , British case before WWII – Smith Peter <sup>14</sup>
7	How to measure success and failure in social	Yanovskiy, Zatskovetsky 2017

<sup>7</sup> Smith Vernon L. Experiments with a Decentralized Mechanism for Public Good Decisions The American Economic Review, Vol. 70, No. 4 (Sep., 1980), pp. 584-599

<sup>8</sup> Holcombe Randall G. Why Does Government Produce National Defense? Public Choice, Vol. 137, No. 1/2 (Oct., 2008), pp. 11-19

<sup>9</sup> Hoppe Hans-Hermann Private production of Defense Essays in Political Economy Mises Institute May, 15 1999 <https://mises.org/library/private-production-defense-0>; Hoppe Hans-Hermann The Myth of National Defense: Essays on the Theory and History of Security Production 2003 <https://mises.org/library/myth-national-defense-essays-theory-and-history-security-production>

<sup>10</sup> Yanovskiy Moshe, Zatskovetsky Ilia "How Butter beats the Guns" *Defence & Strategy*, 2017 Volume 17, Number 1 (June 2017) pp.141-154 doi:10.3849/1802-7199.17.2017.01.141-154; <http://www.obranastrategie.cz/en/archive/volume-2017/1-2017/articles/how-butter-beats-the-guns.html>

<sup>11</sup> Barro Robert J. "Government Spending, Interest rates, prices and budget Deficit in the United Kingdom, 1701-1918" *Journal of Monetary Economics* 20 (1987) 221-247.

<sup>12</sup> Democracy of 'Taxation-Redistribution' and Peacetime Budget Deficit (December 14, 2013). Gaidar Institute for Economic Policy Working Papers 0078. <http://dx.doi.org/10.2139/ssrn.2367861>

<sup>13</sup> Yanovskiy Moshe, Zhavoronkov Sergei, Shestakov Daniel, Socol Yehoshua "Universal Suffrage: Undeclared Conflict of Interest" (March 9, 2016). Available at SSRN: <https://ssrn.com/abstract=2745294>; 1<sup>st</sup> version has been presented at Prague Conference on Political Economy 2016.

<sup>14</sup> Smith Peter C. "The Great Ships Pass: British Battleships at War 1939-1945" Cerberus Publishing, 2006

#	Description of the course components	references
	spending impact vs. military spending outcomes? Rising of the Modern Military Justice. Private military and security companies (PMSC). Temporary solution?	Eloranta, 2004 <sup>15</sup> ; Cardoso Jose & Lains Pedro (ed.) <sup>16</sup> , 2010; Yanovskiy, Zhavoronkov, Rodionov 2017 <sup>17</sup>
8	How military success have being valued and paid by Government since Universal Suffrage establishment; the challenge of gifted military leader. Rising of the modern military Justice	Keiler, 2009 <sup>18</sup> , Fletcher, 2010 <sup>19</sup> , Yanovskiy, Zatskovetsky 2017
9	Israel country case: evolving priority of Israeli Lefts. Security strategy's changes and dynamics of terror's casualties.	Zatskovetsky et al., 2014 <sup>20</sup>
10.	National Security: fighting terrorism and the carrot instead of the stick. Why deterrence idea has been fallen from grace?	London, 2005 <sup>21</sup> ; Yanovskiy, Zatskovetsky, Ginker, Zhavoronkov 2016 <sup>22</sup> ; Yanovskiy, Zatskovetsky 2017;

### Essays themes examples

- Factors of umbrella- giving, umbrella taking or neutrality status choice
- Aumann's interpretation of war, peace, negotiations and ransom payment; rational explanation of "irrational" behavior of democratically elected leaders, paying ransoms

<sup>15</sup>Eloranta Jari "Warfare and Welfare? Understanding 19th and 20<sup>th</sup> Century Central Government Spending" Warwick Economic Research paper #699, 2004 Department of Economics, The University of Warwick <http://wrap.warwick.ac.uk/1489/>

<sup>16</sup> Paying for the Liberal State. The rising of Public Finance in Nineteen-Century Europe Cambridge University Press, 2010

<sup>17</sup> Political Factors Behind Cuts and Surges in Government Spending: The Effects on Old Market Democracies and Post-Communist Countries" *Problems of economic Transition*, vol. 59, no. 4, 2017, pp. 294-320 2017, doi: 10.1080/10611991.2017.1321418

<sup>18</sup> Keiler J. F. "The End of Proportionality" <http://www.carlisle.army.mil/usawc/parameters/Articles/09spring/keiler.pdf>

<sup>19</sup> Fletcher G.P. "The Law of War and Its Pathologies" Working paper in preparation to Herzliya conference 2010, IDC, 2010 <http://www.herzliyaconference.org/Uploads/3050LawWarPathologies.pdf>

<sup>20</sup> <http://dx.doi.org/10.2139/ssrn.2425418> The first version of the report has been prepared for the 2012 Miami Public Choice Society Annual Conference

<sup>21</sup> London, Joshua. Victory in Tripoli: How America's War with the Barbary Pirates Established the U.S. Navy and Shaped a Nation Turner Publishing Co.. 2005

<sup>22</sup> Yanovskiy, Ginker, Zhavoronkov, Sergei and Zatskovetsky, Ilia, To Kill Hope? In Search of a Reliable Strategy to Fight Terrorism (March 10, 2016). <https://ssrn.com/abstract=2745935>

- Conscript my wife: girls in the combat unit as an example of political decision making (factors and incentives of the groups involved – military bureaucrats, military commanders, conscripted – volunteered girls, etc)
- Discrimination in access to combat units' participation: pro and contra
- To ratify 1977 Protocol: principal factors behind the decision making (to ratify, not ratify, to ratify with significant reservations)
- Why military Justice in the US<sup>23</sup> and in the Israel so eager to apply unratified norms of Protocol<sup>24</sup>.

### **The learning outcomes:**

The student will distinguish between pure and mixed public goods

The students should acquire basic set of historical facts from economic history: how Democracies covered their military spending in war and in peacetime; the typical military burden including repayment of military debts.

Student should provide relevant specific democratic country's story to explain how Principal institutional changes between WWI and WWII (consequences of the Universal Suffrage implementation) shaped modern approaches to the defense and the mixed public goods provision.

Student will outline Post WWII development since the end of Cold War and by 11/9 2001 (1990-2001) and latest development.

Student should explain incentives of:

- principal groups of voters (tax-payers and tax-spenders) to cover military costs of the country
- civil and military bureaucrats; the challenge of gifted military leader;
- elected politician's preferences

Student will see principal distinctions in a ways how responsibility for civilians' lives is defined in the original version of 1949 IV Geneva Convention<sup>25</sup> and in the amended by June 8, 1977 Protocol 1 version<sup>26</sup>.

---

<sup>23</sup> Law of Land Warfare Manual, FM 27-10, Chapter 2, Paragraph 41; modern 2015 version: <https://www.defense.gov/Portals/1/Documents/pubs/Law-of-War-Manual-June-2015.pdf> p. 61

<sup>24</sup> <https://ihl-databases.icrc.org/ihl/INTRO/470>

<sup>25</sup> <https://ihl-databases.icrc.org/ihl/INTRO/380>

<sup>26</sup> <https://ihl-databases.icrc.org/ihl/INTRO/470> see Article 51, para 4 and 5b