

## OUTLINE OF LECTURE 12: DEFENSE SPENDING

1. National security
  - a) how much security (versus civil liberty) do we want?
  - b) how much security can (should) we afford?
2. How much do we spend?
  - a) in absolute terms, a whole lot
  - b) still high relative to allies and even opponents
  - c) but not as high as percent of income
  - d) steadily declining trend as percent of GDP
3. Is our military too large?
  - a) global security commitments (we finance many friends too)
  - b) wars will be fought with existing forces
  - c) army not that large compared to potential adversaries
  - d) army certainly small compared to real wars
4. Opportunity costs (guns v. butter)
  - a) prosperity without security?
  - b) are education/health starved for money?
  - c) military spending is also social spending
    - research and development
      - basic research, no commercial value
      - spin-offs (Internet, computers, jet engines, satellites, robotics, lasers)
      - dual-use (flat panel displays)
    - civilians employed by DOD
    - civilians in defense industries
    - California and San Diego
5. Government inefficiency
  - a) accounting and indirect costs
  - b) cost overruns
  - c) non-competitive contract awards
  - d) market distortion