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