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WHAT REALMS FOR DEFENCE ECONOMICS?

Jacques Aben

ABSTRACT

This chapter has only for an ambition to introduce the present book with obiter dicta about the bridge between defence 'realm' and economics 'realm' named 'defence economics'. Especially to non-French readers it proposes some insights into the French defence institutions and policy which could be startling, by nature and by the fact that the French reality is rarely presented in defence specialised journals. To realise the introductory function, the chapter reviews 100 papers, which were available online at the beginning of 2011 spring, and tries to classify them along the lines drawn from a tentative to define precisely the concept of defence policy, for the sake of the too rare students interested in defence studies.

When studying defence matters, one may wonder how to delimitate this field of research, especially since it goes well beyond economics. One may then ask what the 'Realms' of Defence¹ are. It's certainly not by chance that the editor has chosen this title when designing a project defence

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specialists. These specialists had not only to belong to the scientific community of *defencics* or *defensology*, they had also to be economists, political scientists or geographers. However, as an economist, I must raise the question ‘What Realms for Defence Economics?’ Indeed, what operative meaning to give to ‘defence’, ‘economics’ and ‘realms’. Moreover it is not the end of the story because afterwards these same editors chose to focus this book on the ‘evolving boundaries of defence’. So it will be desirable, for a conclusion, to try to find at least one of those limits.

AU:1

DEFENCE

May be it is legitimate to begin with ‘defence’, even if anybody, anywhere, would be certain to know precisely the meaning of a word used every day if not every hour. However one thing is to know how to self-defend or to defend one’s honour; another is to define defence as one part of a (state) policy. For a Frenchman at least, who, as belonging to a so-called Cartesian community, that is accustomed to try defining rigorously any concept, the definition of ‘defence’ seems to be a challenge.

AU:2

The first time (after World War II, at least) the French Republic tried to do so was in 1959, during the period when state institutions were redesigned in the line of the new born Fifth Republic. In the first article of edict 59-147 on 7 January 1959, one reads: ‘the aim of defence is to assure, in any time, in any circumstance and against all sorts of aggressions, the security and integrity of the territory, as well as the population’s life ...’. By this definition it was intended to assert that the posture of defence was permanent and global, mobilising all ministerial departments. All of them had to be prepared for the time of war or crisis, but four were nominally dedicated to defence. They were the ministries *des armées* (ministry of defence), *des affaires étrangères* (ministry of foreign affairs), *de l’intérieur* (ministry of home affairs) and *des finances* (ministry of finance). They were seconded by four others, in charge of resources: transports, telecoms, agriculture and equipment.

Roughly half a century later, things changed a little bit through *Le livre blanc sur la défense et la sécurité nationale* promoted by President Sarkozy in 2008. In this defence and security review pretending to increase the efficiency of French defence policy, it was written: ‘The aim of defence policy is to assure the integrity of the territory and the protection of the

1 population against armed aggressions. It contributes towards fighting other
threats able to challenge national security ...’.

3 What has to be remarked in this new definition is the changing of ‘all
sorts of aggressions’ in ‘armed aggressions’. If necessary, this change is
5 reinforced by the idea that defence policy ‘contributes to’ – of course with
other policies – and no longer ‘assures’ national security. In other words
7 ‘defence’ is no longer global but only military.

In fact this particular semantic problem is only a consequence of a want,
9 conscious or unconscious, to be coherent. It was not coherent to have a
definition of defence with a global spectrum and one ministry of defence
11 only in charge of the armed forces. One more time the problem comes from
the tyranny of ‘political correctness’. On the pediment of the building host-
13 ing the French ministry of defence is engraved ‘*Ministère de la guerre*’ (war
ministry). This was the real name² from 1589 to 1932 and for several
15 periods between 1932 and 1974. During this same length of time there were
‘*ministères de la défense nationale*’ (ministries of national defence) and ‘*min-*
17 *istères des armées*’ (ministries of armed forces); the expression ‘*ministère de*
la défense’ (ministry of defence) appeared only in 1974.

19 When World War II appeared a real risk and after its end, it was no
longer acceptable to have a ministry of war, which could give the idea
21 elsewhere that the present government would have an aggressive policy.
Pour la petite histoire a late consequence of this attitude has been the trans-
23 formation of the *Ecoles de guerre* of the three services in one *Collège inter-*
armées de défense (Defence Inter-Services College) in September 1993.
25 Perhaps it is a sign of the times that this CID has been renamed *Ecole de*
guerre (*War School*) in January 2011,³ at one moment when French armies
27 are engaged in Afghanistan and Libya, at least, for high-intensity combats.

Nevertheless linguistic precision and clarity can be collateral victims of
29 this search of coherence. Having strictly delimited the use of *défense* the
writers of 2008 French defence and security review needed another name
31 for the ministerial services in charge of national security and especially for
those depending of the ministry of home affairs. They have thus chosen the
33 word ‘security’ one more time so that security is, in this case and not in the
case of defence, simultaneously the objective and the means to reach it: to
35 maintain the so-called *sécurité nationale* (national security), one depends
upon security services except in the case when security is threatened by
37 armed aggressions, in what particular case one depends upon defence. This
results in a quite complex representation of the respective fields for defence
39 and security, which could be confusing

1 So what? In political life ambiguity there is, ambiguity there will remain.
 2 But for the researcher and moreover for the teacher, it is useful to get out
 3 of the ambiguity and, maybe, to design a definition more in line with
 4 observed practices. The following one is proposed to reader's critics:

5 Defence consists in the capacity to implement, in any time, in any circumstance, the
 6 means to prevent, deter or fight any form of aggression in order to guarantee the integ-
 7 rity and safety of the nation's interests.

8 This definition tries to reconcile both nature and function of defence by
 9 the simultaneous use of the expressions 'consists ...' and 'in order to ...'. It
 10 keeps the idea of permanence of the defence posture: any time, any circum-
 11 stance. It specifies the three successive stages of defence action: prevention,
 12 deterrence, repelling, because there are risks, then threats and eventually
 13 aggressions to deal with successively. This definition stresses that one does
 14 not die only for a given territory and a given population, but for a lot of
 15 other interests; and if one does not necessarily die, because all interests do
 16 not justify so high a sacrifice, each of them has a value justifying neverthe-
 17 less a certain level of sacrifice. 'Integrity *and* safety': one more time the
 18 simultaneous presence of both terms implies that defence has to begin very
 19 early to remain limited but in the end rejects compromises. To safeguard
 20 safety – this feeling of tranquillity experienced in the absence of danger –
 21 one can be tempted to abandon integrity, as in a Munich compromise;
 22 on the contrary one has to abandon the idea of safety – that is, if neces-
 23 sary, accept to fight – for guaranteeing the integrity of more fundamentals
 24 interests.⁴ Eventually this definition chooses the global point of view:
 25 'any form of aggression': territory and population, of course, but also
 26 economic performance, national culture, environment ... have all to be
 27 defended with appropriate means, from a simple official protest to a mas-
 28 sive retaliation.

29 This being accepted it becomes possible to derive a definition of defence
 30 policy:

31 Defence policy consists in the decisions of a competent authority – state, group of
 32 states, parts of state – aiming at creating, maintaining and, if necessary using the capa-
 33 city to implement

34 Maybe it is not useless to stress that '*gouverner c'est choisir*'⁵ (governing
 35 consist in making choices) and that to define and implement a policy one
 36 has first to take decisions, which in turn will imply actions. Faced with
 37 adversity the nature of these decisions depends upon what is named in
 38 French *esprit de défense* (the spirit of defence) or, as Tucydides said, the
 39

1 'native spirit of our citizens'.⁶ It is the presence or the absence of this parti- **AU:4**
 3 cular spirit which determines the choice between 'shame' and 'war' as it will
 be seen infra. The definition opens the policy spectrum to military alliances
 and to decentralised authorities, which is all the more necessary that
 5 defence policy is more global. If a local government is competent in eco-
 nomic regulation, it may design policies for strengthening the firms located
 7 on its territory. If a member of a military alliance is attacked the other
 members have to use 'all means' to help it.⁷ Finally, to be ready to use the
 9 means of defence when the moment of truth comes, one has to create and
 maintain them without being sure this moment will ever come, and that
 11 means accepting to choose.

13

15 **DEFENCE ECONOMICS**

17 Here we are: create and maintain the means of defence on one part, govern-
 ing by choosing on the other part. If 'the economy is the science which stu-
 19 dies human behaviour as a relationship between ends and scarce means
 which have alternative uses' (Robbins, 1945),⁸ there is plenty of room for **AU:5**
 21 research in Defence economics, precisely because there is to explain why a
 government chooses or not to create and maintain the means of their
 23 nation's defence and why they decide, or not, to use them when the
 moment comes. To illustrate this point what a better quote than this one of
 25 Winston Churchill: 'Owing to the neglect of our defences and the mishand-
 ling of the German problem in the last five years, we seem to be very near
 27 the bleak choice between War and Shame. My feeling is that we shall
 choose Shame, and then have War thrown in a little later, on even more
 29 adverse terms than at present'.⁹ **AU:6**

Knowing the ability of economics to pretend covering all fields, from
 31 labour market to the gross domestic product, via art, health, education
 and, why not, crime or love, there would be no reason why 'defence'
 33 could remain out of its reach. Moreover knowing that, according to the
 Stockholm International Peace Research Institute,¹⁰ world defence expen-
 35 ditures, understood as military expenditures, amounted to 1,738 billion
 USD in 2011, that is 2.5% of GDP, this topic ought to be a plump prey for
 37 the economic community. Nevertheless, we have to admit that in many
 countries and particularly in France, economists have not been the most
 39 interested by this field, maybe because academics tend to consider defence
 as a 'dirty' thing.¹¹

1 **THE ‘REALMS’ OF DEFENCE ECONOMICS**

3 Why then speaking about ‘Defence and its realms’? Of course it is an aes-
 5 thetic one but ambiguous too, especially perhaps for a non-Anglo-Saxon
 7 person, for whom ‘realms’ would be able to keep all its meanings whatever
 9 the context. So we can naively make a tentative list of these meanings.

11 First of all, what are the *kingdoms* of defence economics? Here, perhaps
 13 surprisingly at first glance, this will not designate the countries where the
 15 thesaurus of this special branch of economics was constituted. These king-
 17 doms will rather be those where the events of peace and war related in the
 19 newspaper have happened. The map drawn in this way ought to represent
 21 a sort of indicator of violence in our world, excepted for the fact that a
 23 number of papers are historical ones and other ones, being econometrical,
 25 use a long-term statistical material.

27 Speaking about kingdoms it is natural to ask who are the *kings* – and
 29 *queens* for that matter – who have compiled the thesaurus. By that sugges-
 31 tion we do not aim at realising a sociological study but rather a geographi-
 33 cal or academic one in the sense of knowing where those queens and kings
 35 have chosen to go for working in that special field. It is not a pure gratui-
 37 tous question, because we know that one can find countries or at least uni-
 39 versities where there is some reluctance to study such a subject.

41 Secondly we know approximately what the field of Defence economics
 43 is, but it remains to know what those who have ploughed this field have
 45 made of it. In other terms: what are the *topics* studied by those who have
 47 founded the economics of Defence? It is not a question here to make an
 49 exhaustive and detailed review of works able to be classified in this
 51 domain, all the more so because one can find several surveys of the
 53 economic literature (Coulomb, 2004; Hartley, 2010; Hartley & Sandler,
 55 2007). Nevertheless it may be pertinent to identify what is up to date in the
 57 field.

59

61

63 **METHOD**

65

67 To attempt answer the questions aroused during the precedent discussion,
 69 under the conditions evoked, it seems efficient to find an intermediary
 71 source. The one which seems to impose itself to the onlooker is, of course,
 73 the journal *Defence and Peace Economics*, entirely devoted to this field since
 75 1990, and as far as we know the only one in such approach. Of course the

1 journal's contents have significantly changed over those twenty years and if
 2 it is a question of what is up to date now, it would be a mistake and a waste
 3 of time to make an exhaustive census. Consequently, the choice has been
 4 made to take the last hundred papers accessible online at the journal's 20th
 5 anniversary¹² which means going from the first issue of volume 22 to the
 6 first issue of volume 19 included.

7 One thing is to have the papers at one's disposal; another one is to clas-
 8 sify them. An inductive approach is quite possible, at least ex ante. It is cer-
 9 tainly pertinent to let the authors draw the 'great design'. In that case what
 10 was written previously about defence would be of no effect. So it will be
 11 better to build a classification drawn from those previous definitions and
 12 then only to try to put all the papers found in the different cases. One may
 13 expect that it will not be easy and not without ambiguity, because the same
 14 paper can have several targets.

15 As it was said, defence policy is a set of decisions destined to constitute,
 16 maintain and if necessary use the means to prevent risks, deter threats and
 17 repel aggressions. So the first item of our classification could be on the
 18 risks, threats and aggressions.

19 As we know, these decisions are taken through the filter of the *esprit de*
 20 *défense* of decision-makers; but, without ignoring this dimension, it appears
 21 probable that it cannot be one of the principal subjects treated by econo-
 22 mists, who are not interested in complex psychology: defence actors too
 23 can be 'bulls' or 'bears'.¹³

24 To be able to take decisions and make them effective, one needs first an
 25 organisation, and in fact a triple one: political, administrative, operational.
 26 This means: who decides; who receives these decisions and cast them to the
 27 interested bodies; who, at the end, acts to get the expected results. Even
 28 though it should be easy to identify the right institutions and decision-
 29 makers, the reality appears more complex and quite often ambiguous, as
 30 underlined in the case of France.

31 Any French person interested in these questions knows that the French
 32 institutions have suffered, and may be still suffering potentially, of an
 33 ambiguity on who decides.¹⁴ If the President is the chief of the armed
 34 forces, if he is responsible of the independence of the nation, if even he is
 35 the authority in charge of the nuclear deterrence, the Prime minister is
 36 'responsible of the national defence' and, as the government's chief, he 'has
 37 the disposal of the armed strength'. It was especially sensitive in 1986 when
 38 President Mitterrand and Prime Minister Chirac had to go along with each
 39 other and, to a lesser extent, between 1997 and 2002 between President
 40 Chirac and Prime Minister Jospin.

1 Of course the question of organisation concerns not only the central
2 state, as it is implicit in the precedent description, but also the international
3 organisations: military alliances or security systems, and to a certain extent
4 the decentralised authorities.

5 Having designed an organisation is not enough if it has not the appro-
6 priate resources. And one can understand that the interest of economists is
7 greatly increased at this point. As it is principally question of policy,
8 resources means first budget or public finance. Since the famous ‘How to
9 pay for the war?’ (Keynes, 1940a) and, of course, long before that, numer-
10 ous were the economists to study all the special financial tools developed
11 by the defence administration so that, at least, the financial regulations do
12 not impede the defence action and, better, especially when the urgency
13 commands, serve it. It seems that today, in a context of economic crisis and
14 huge public debt, these tools have been multiplied and one uses willingly
15 the expression ‘innovative financing’, which is a manner to say that the red
16 lines of financial orthodoxy can be revised, so that, for instance, private
17 capital may be associate with public funds to buy the military equipment of
18 the nation.

19 ‘Resources’ does not mean only money, as the Spanish Kingdom has
20 learned at its own expense during the 16th century (Bodin, 1568). The
21 organisation previously described needs manpower for all its levels and
22 especially for the operative one. There has been, and there is, a lot of origi-
23 nal studies to do about this special sort of manpower who are the military
24 people. They have a very special job and often their recruitment can go
25 through exotic method: for instance one author has tempted to prove that
26 an army with draft functions quite similarly as a slavery economy and
27 another one that the reserve servicemen act like moonlighters (Mehay,
28 1991).

29 Who says manpower says too training courses and continuous training. **AU:7**
30 And it is not a superfluous question. First there is a problem of choice
31 between two recruiting ways. On one side one can recruit young people and
32 train them on academic and operational levels while they still are ‘soft wax’
33 so that they can be cast in the official mould. On the other side it seems effi-
34 cient to take older people, already qualified whatever the level, and train
35 them only on operational ground, accepting to relativise the motto ‘I want
36 to see only one head’. There is in fact no obvious solution: French armed
37 services have chosen the first option; it seems that it is the contrary for the
38 British ones.

39 Second a military school is a political instrument, a possible instrument
40 of influence upon foreign cadets. So in the 1960s the French and German

1 air forces wanted to train their fighter pilots on the same aircraft, Alphajet,
and in the same school. But the Pentagon objected, because it was inconceivable
3 that German fighter pilots could be influenced by a country which
had partially recessed from NATO.

5 The best warriors cannot do anything without good weapons, and more
generally, good equipment. This is, of course, the question of goods and
7 services bought with the defence budget, their technological level, their per-
formances and, logically, their price: everybody knows the 'gold-plated
9 weapons' aphorism and the 16th law of Norman Augustine.¹⁵ And, as for
manpower, there is a corollary question: produce or buy? It is more effi-
11 cient to buy, especially for a small power. Russia or the United States (and
some others of course) are ready to sell, more or less, at a very competitive
13 price due to the economies of scale in arms production linked with their
own huge purchases. But at what price? Who does not remember the
15 French aircraft grounded by the lack of US spare parts during the
Musketeer operation in 1956 in Egypt; and the threat to stop the US logis-
17 tical support to the Israeli army during the Kippur War in 1973? Of course
it can be very costly to produce one's own weapons, especially without the
19 economies of scale provided by large production series, but it is the price of
independence, as was understood by the Chairman of the French council of
21 ministers, Guy Mollet, in 1956, after the Suez campaign and what he called
'the US betrayal'. Betrayal or not, 1956 marks the beginning of the revival
23 of the French defence industrial base.

The build-up of a defence industrial base is linked to the question of
25 becoming an arms exporter hoping to lengthen its production series and get
the profits of the Wright law on learning-by-doing, but suffering an inter-
27 national disgrace.

And while trying to reduce, at any cost, the defence burden, why not to
29 grant the defence of the realm to the large, private companies? They were,
in France, medieval ancestors of today's Halliburtons and other Sandlines.
31 Because the defence level of activity is subject to important fluctuations,
possibly cyclical, it would be certainly efficient not to have a permanent
33 defence system but to be able to revive this system at the moment of truth.
It was the case when the Roman or Athenian peasant described by Smith
35 (1776) was called by the Republic. He left his plough, took his armour and
his sword and went for repel invaders. And when the battle was over, he
37 went back to his field. It could be the same thing with the hiring of military
companies, which are paid only when they fight, but are supposed to con-
39 tinue fighting after the battle is over, because there are other battles
elsewhere.

As Jean Giraudoux, a famous French author, puts it in Cassandra's mouth: 'it was the last [war], the next one is waiting'.¹⁶ So the large companies can hope to live and make profits and the hiring states know that the cost of maintaining the capability to fight will be shared with several other states. But it is possible, desirable certainly, that the next war keeps people waiting. And in that case, who is going to pay for the survival of these companies, without challenging all the previous reasoning?¹⁷ Anyway, as surprising as it could appear, defence production could be outsourced.

At this point it seems possible to synthesise the exposed system through a simple figure (Fig. 1). The decisions taken are the nodal point of the system, and the link between the demand of defence or of defence expenditures, on the left, and the supply of defence, on the right. The state as the nation's tutor, knows the security needs and tries to satisfy them by expressing a demand (budget) and offering a supply, alone or through public-private partnership.

The story does not end at this point, because the state's decision to hire manpower, buy goods and services and, as a consequence, levy taxes and borrow funds cannot be without effect upon the economic system (Fig. 2). This opens new realms through the study of the performances of the

Fig. 1. Defence Policy.

Fig. 2. Economic Spin-Offs of Defence.

economic system, as influenced by defence decisions: inflation, growth, balance of commerce, debt, (un)employment, investment ... 'What else?' Precisely, it is what the survey ought to show.

RESULTS AND COMMENTS

What Kings, What Queens?

In fact Fig. 3 shows only the nationality of universities to which researchers belonged when writing papers about defence economics. It is not surprising that the United States are the most cited country. It is certainly a question of number but it is probably too a question of inclination. The interest of American authors, and universities, for defence and strategy is well known, in many countries and especially in France where regularly defence authorities underline this example to the French researchers, complaining about the under-production of such studies on this side of the Atlantic: 'Research in human and social sciences dedicated to defence and security questions

AU:10

Fig. 3. Kings and Queens.

do not contribute enough to the building of a scientific culture in this realm' (Mallet, 2008, p. 307).

Nevertheless France seems well-represented in this panel, with 11.43% of authors. In fact this is a pure coincidence, because one issue of the journal was edited by professor Fontanel, of the University of Grenoble, who invited essentially French colleagues. Apart this special example, there is only one author declared as belonging to a French university.

What Kingdoms?

These 'kingdoms' (Fig. 4) are countries or group of countries cited or studied in the sample of papers. Of course this group is very heterogeneous because there are a lot of reasons to choose a particular country for a study. It can be the theatre of a war (Palestine or Iraq), an example of a special policy (USA or EU), a case of financial problem (NATO) Here, with Palestine, we have an eternal conflict with nothing new on the military

Fig. 4. Kingdoms.

ground, or else with the new interest upon terrorism. But studying the effects of this generally low-intensity conflict upon both protagonists' economies can be very profitable.

What Topics?

As we have seen previously, this third question has to be treated step by step, following the different structural components of the Defence policy definition. Five topics or group of topics can be roughly identified.

i. Risks, threats, aggressions

One cannot be surprised that, among the different risks, threats and aggressions studied in our sample, terrorism takes up an eminent place (Fig. 5).¹⁸ Nevertheless this represents a remarkable evolution since the initial issues of *Defence Economics*: at the beginning of the 1990s, terrorism was completely absent of defence economics. The large number of papers related to 'civil war' is not surprising too because of the number of those conflicts in the world since the end of the cold war. The

Fig. 5. Realms: Risks, Threats and Aggressions.

two items 'conflict' and 'war' are hotchpotches and do not matter here. On the opposite, 'arms race' can represent a surprise because this topic was very present in the 1980s and one may expect that everything had already been said. 'Post conflict transition', even with a small representation, can be underlined as it is a question occupying more and more the research of political scientists as much as of politicians, but seemingly this represents a field of research underdeveloped in economics.

ii. Organisation

Because of the catch-all character of this word, and the catch-all function deliberately given to this category, the list of items ranged under this title has to be heterogeneous (Fig. 6).

So alliances keep defence economists quite busy, as it was the case during the 1970s and 1980s, when the question was to know if small nations were exploiting larger ones (Olson & Zeckhauser, 1966). Of course, new alliances or coalitions appear or are revitalised, as NATO with Kosovo, Afghanistan and recently Libya.

Perhaps the new element here is the specific focus placed on the European Union as a military actor. Since 1992 and the Maastricht treaty, the EU, still a modest hard power, has been able to be involved

Fig. 6. Realms: Organisation.

into a number of conflicts either for military missions (Democratic Republic of Congo, Chad) or for 'rule of law' ones (Kosovo, Georgia). And defence economists are more and more interested by the military expenditures of countries which would like to exist militarily but have not the will to accept the necessary burden.

Defence economics has the same aim when looking at 'neutrality'. How this political orientation does affect the military expenditures of a country? Of course Switzerland is an ideal candidate for this sort of study, knowing the importance of military culture in the structure of the Swiss society and of military policy in the political preferences of Swiss people. It is significant that in Switzerland the approval of the last military reform, named 'Armée XXI', was submitted to a voting or referendum,¹⁹ what is totally unthinkable in any other democracy. And, actually, one could make a very similar comment about the occurrence of 'democracy'. Does this kind of political organisation have any influence upon the demand for military expenditures?

The presence of 'disarmament' in this list cannot be a surprise with a sample drawn from *Defence and peace economics*. But when we look

1 closely, it appears that the only papers treating of disarmament or
 2 peace are either classified in history of thought or belonging to the
 3 group of papers celebrating the end of the journal's second decade.

iii. Manpower and training

5 One more time there is no abnormality in the list in Fig. 7. It gives an
 6 impression of exhaustiveness: All the topics linked with the question of
 7 manpower seem to be present. First of all, of course, is the question of
 8 enlistment. More and more countries suspend or suppress the draft,
 9 especially when they are not at war for their survival, which is not the
 10 case for Israel for instance.²⁰ So, more and more armed forces go
 11 through the labour market to recruit their soldiers, and they have to
 12 use the same leverages as companies to find the appropriate employees:
 13 wages; bonuses; social programs ... and, far more surprising: freedom
 14 of association. And, having to enlarge their recruitment sources, they
 15 must confront the gender question and rule out the old bans targeting
 16 for instance women and gays.

17 Compared with this ordinary mode of recruiting, traditional military
 18 solutions, conscription and reserve, seem to be there only as a bench-
 19 mark. The only paper about military reserve analyses the effect of

Fig. 7. Realms: Manpower and Training.

activation upon reservists' earnings: it appears that contrary to some expectations reservists have a financial interest to be activated regarding their average civil earnings. One may note that during the whole life of the *Defence and Peace Economics* journal, the number of papers treating of reserve issues has remained very small, but it is the same thing in the other non-economic journals.

iv. Equipment and industrial base

The more or less general studies about the industrial base take the lion's share in this group (Fig. 8). There is nothing astonishing for an aggregated category, but nothing astonishing either regarding restructurings which affect the defence industry. These papers concern the United States, of course, the United Kingdom, but through a 'country survey', and other countries from the European Union. One more time this shows that European defence begins to be a serious matter for academics. However, in this case, the assessment is that the European defence industrial market is inefficient: not a surprise but still a pity.

'Technology' and 'research policy' are certainly closely linked but here we have only two papers, one treating the research policy of the United Kingdom and reviewing the key issues faced by the MoD and

Fig. 8. Realms: Equipment and Industrial Base.

the other one studying the effects of a network organisation of the industrial base upon the innovation. In the second example, a network centred on a defence agency and principally formed of system integrators raises the control of relevant technologies but reduces the innovation variety.

In itself the ‘contestable market’ did not deserve a special class, especially because there are only two papers including such concept into their title and, in one of them, the term industry is used in its general meaning. But the issue is of interest as it is stated in the paper that there would be a negative correlation between the size of industrial sector and the probability of civil war. This is certainly a result that ought to be explained to Yugoslavian peoples. More seriously, the second paper tries to apply the theory of contestable markets to a case out of its perimeter – state-regulated markets – and it appears that the defence market can be, at least, quasi contestable due to an adequate state policy.

Offset in arms transfers is a traditional issue, but it seems better dealt with by newspapers than academic journals. Indeed it is a topic where it is very difficult to find reliable data. But, here and there, it is possible to establish links between an official offset policy proven by published contracts and the evolution of the local economy along expected lines.

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v. Economic spin-offs

Fig. 9 speaks for itself. All possible economic variables are present on the list. But there is a clear ‘growth tropism’ among the authors interested by defence spin-offs: 12% of the papers reviewed – except errors and omissions – concern the effects of defence activity or defence expenditure on economic growth. It must be well understood that this question is a very sensitive one, because it was born as an attempt to legitimate defence expenditures on economic grounds. How to convince a people to bear the military burden during a peaceful period and especially immediately after a war? Because it would be good for the GDP, employment or, on a global perspective, economic growth. In other words, the security argument, even correct, is no longer audible. It is the reason why, even in 1941, John Maynard Keynes looking for the Americans to join the fight against the Axe had to write: ‘It appears to be politically impossible for a capitalistic democracy to organize expenditure on a scale to make the grand experiment which would prove my case except in war conditions’ (Keynes, 1940b, p. 150).

What Keynes had in mind was that public expenditures needed to finance a war would be so huge that they would have a tremendous positive

Fig. 9. Realms: Economic Spin-Offs.

effect upon the global demand for goods and services, then upon employment, then finally upon national income. In some sense the game would largely be worth the candle because the demand of households nourished by public expenditures would add to the first effect and justify a new supply of goods and services and a new raise of employment and income.

But is it possible to maintain permanently a war economy? Is it possible to choose definitively 'guns' against 'butter'? Where to find the resources to finance both defence expenditures and private investment? How to produce the goods and services demanded by households without investing for their production? And what if defence expenditures eventually depress the growth rate?

These two visions of the effects of defence expenditures are translated into the conclusions of the different papers treating of this subject.

The problem is that among 10 papers found, 5 detect a positive relationship between defence expenditures and growth, 4 find a negative one and the last 1 does not see any significant relationship. Of course, Turkey is not a European country; of course a country at war is not comparable to another one having experienced peace for a long period; of course an underdeveloped country can hardly have the same economic behaviour and

conditions as an advanced economy; and of course ‘the Toda and Yamamoto causality test’ is not the same thing as ‘a VAR analysis’ or as ‘parametric partial correlations’. But so what?

Already in 2005 a rapid (and unpublished) study realised on a sample of 27 articles established that 1 did not see any influence of defence expenditure on growth, 4 saw a double effect, simultaneously positive and negative, 11 concluded to a positive effect and ... 11 to a negative one. So the story goes on evenly and seems able to go on for the next decades of *Defence and Peace Economics*. Who spoke about a ‘plump prey’? There are so many countries, so much significant periods and so much statistical methods, that there is certainly no limit, no boundary to studies upon the ‘nexus between military expenditures and growth’.

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If this inquiry had been made for the first 100 papers published in *Defence (and Peace) Economics*, the results would have been different enough. And this ought to be desirable because it means that defence studies are naturally linked to the reality of defence policy and practice and that this reality is obviously changing. Of course, because defence studies are more and more a mix of disciplines, a theme which is now obsolete can remain within the academic topics, because it has been taken in charge by historians or economic historians when rejected by other scientists. And we are to be prepared to a lot of these transitions, because the debt crisis is going to reduce the defence effort, at least in Europe and may be in the United States, forcing them to find absolutely new solutions for producing more efficiently external security. It’s certainly why the privatisation of defence is so *en vogue* among scientists, whatever be their discipline. In the same time, these same nations are confronted more and more to a security challenge within their frontiers, so that they have to develop their police with the spoils taken on the armies.

So without discussion, the boundaries of defence are moving and so do defence studies. What follows within the boundaries of this book is to prove it.

NOTES

1. The reader could be interested to know that the English writing has been chosen deliberately by the present author, in a sort of defensive stance against the common conformism ... or as nostalgia of Victorian ages.

2. In fact *Secrétariat de la guerre* or *à la guerre* (Secretary of or for war) from 1589 to 1791.

3. Another sign is given by the fact the first promotion of the new *Ecole de guerre* is named ‘Général de Gaulle’.

4. On 6 September 1914, General Joffre while giving his orders of the day wrote: ‘any troop unable to advance will have to accept death rather than to abandon the terrain taken to the enemy’ (engraved on the pedestal of his equestrian statue on the Champ de Mars, in Paris).

5. Pierre Mendès France, the French Prime minister who accepted the compromise ending the Indochina war in 1954.

6. Tucydides (n.d.): ‘If we turn to our military policy, there also we differ from our antagonists. We throw open our city to the world, and never by alien acts exclude foreigners from any opportunity of learning or observing, although the eyes of an enemy may occasionally profit by our liberality; trusting less in system and policy than to the native spirit of our citizens’.

7. See for instance the article 5 of the North Atlantic Treaty signed in Washington on 4 April 1949: ‘The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all ...’.

8. Why this definition rather any other? This one is among the most cited and it is a normal respect presented here to somebody having written *The economic causes of war* in 1939 (Howard Fertig, New York).

9. In a letter to Lord Moyne, 1938, Martin Gilbert (1991) had the opportunity to verify this guess and say to the Commons ‘England has been offered a choice between war and shame. She has chosen shame, and will get war’ (cited by Michael Keane, 2005).

10. <http://www.sipri.org/databases/milex>

11. At least, it was the experience of the present author with some of his colleagues.

12. There is something ironical in the acknowledgement that with the twentieth anniversary of the journal some authors have proposed surveys. But first they were not online at the moment chosen and secondly they did not, by definition, respect the condition of immediacy set down.

13. ‘The market price will be fixed at the point at which the sales of the ‘bears’ and the purchases of the ‘bulls’ are balanced’ (Keynes, 1936, p. 108).

14. To explain so curious a situation, one says, for instance, that in 1958 the writers of the constitution did not know if General de Gaulle would remain prime minister or would prefer to become president (the outcome being certain) after the coming into force of the constitution of the new republic. So they covered both cases.

15. ‘Defence budgets grow linearly but the cost of military aircraft grows exponentially’. *Corollary*: By 2054, the entire U.S. defence budget will purchase one aircraft. It will be shared by the Air Force and the Navy 3 1/2 days each week, except in leap years, when it will be made available to the Marines for the extra day – <http://philebersole.wordpress.com/2011/03/20/augustines-laws/>

16. Giraudoux (1935).

17. ‘On 16 April 2004 Sandline International announced the closure of the company’s operations. The general lack of support for Private Military Companies (...) is the reason of this decision’, <http://sandline.com> (8 September 2011).

18. Especially if one knows that these specific lines were written, by coincidence, on 11 September 2011.

19. On the 18 May 2003, 1.7 million Swiss people (among 4.5 electors) voted in favour of a reform reducing drastically the volume of the Swiss army and giving to it a more professional character. Only 0.5 million refused the reform.

20. Even if there would be a lot to say about the responsibility of this country on its own insecurity.

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