ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

See also the assigned reading in Steven E. Landsburg, *Price Theory and Applications*, 3rd ed. Ch. 9).
For starters, behold these images.

Do they depict just another job, as economists believe they do?

Your personal judgment call. Here, in this lecture, we pretend it is just another job.
Violence in Baghdad

A wounded American soldier lay on the hood of a Humvee yesterday in Baghdad as she was moved after a missile attack on an Iraqi police station. The missiles were fired from a nearby apartment building. Page A8.
Later in the day, a spokesman for

A missile strike, and its aftermath, weave many threads of the war together.

the First Cavalry Division said the soldier had suffered shrapnel wounds to her leg and that she had lost her right arm from the forearm down. He did not give her name.
An injured soldier from 3rd Platoon receives first aid. Overall, the battle's early days left at least 24 service members dead and more than 200 wounded.
So, What Went Wrong?

Ever since America’s decisive military victory, Iraq has been nothing but trouble. TIME reports on the errors and bad guesses, before and after the war, that got the Bush Administration into this spot. By Michael Elliott
Still Deadly
One soldier died and three were injured when their humvee hit a bomb

Photograph by Chuck Liddy—
The News & Observer, AP
A Marine carries the body of a fellow American killed during a firefight with Sunni militants last week; an Iraqi lies dead across the road. Militants ambushed several patrols, killing 11 Marines and a Navy corpsman. Photograph by David Swanson—the Philadelphia Inquirer/Abaca.
ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

QUESTIONS:

1. Who DOES the worrying, bleeding and dying?

2. Who SHOULD be doing the worrying, bleeding and dying?

3. Should EFFICIENCY be the supreme criterion?
ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

I. THE BASIC ANALYTIC FRAMEWORK
   A. Society’s demand for soldiers
WAGE FOR SOLDIERS

THE NUMBER OF SOLDIERS

Shifts out in periods of external threat to the nation; shifts left with peace.
ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

I. THE BASIC ANALYTIC FRAMEWORK
   A. Society’s demand for soldiers
   B. The supply of soldiers
WAGE FOR SOLDIERS

W

SUPPLY

THE NUMBER OF SOLDIERS

N
WAGE FOR SOLDIERS

AT THE LOWER END OF THE SUPPLY CURVE ARE:
- Genuine patriots who will sacrifice for their country regardless of their own opportunity costs
- People with meager alternative economic opportunities (low-cost people, in Landburg’s jargon).

AT THE UPPER-END OF THE SUPPLY CURVE ARE:
- People who may love their country but who face attractive alternative economic opportunities (high-cost people)
- People who may love their country, but who are highly adverse to risk
- Others
Shifts in in periods of:
1. economic boom
2. prospect of war?

Shifts out (perhaps not in parallel fashion) in periods of:
1. economic recession
2. rising patriotism, *cet. par.*
OBSERVATION

To staff an adequate fighting force at relatively low cost to the taxpayers, it is helpful

1. to have a fairly wide income distribution with a large tail of economically hard-pressed families;

2. to have a relatively soft economy with a good bit of unemployment

3. to have large numbers of families without health insurance whom the armed forces will cover with their TRICARE program.
The slumping American economy has proved to be a boon to the Army’s efforts to recruit the 100,000 enlisted soldiers it says it needs this year to fill its active-duty and reserve ranks, senior Army officials say, so far relieving concerns that the turmoil in Iraq could crimp new enlistments.

All the armed services say they will meet or exceed their recruiting goals for the fiscal year ending on Sept. 30.

But many military personnel experts say the Army’s efforts are

By ERIC SCHMITT

FORT KNOX, Ky., Sept. 16 — The

Anxiety Over Situation in Iraq

Hasn’t Hurt Drive to Enlist

100,000, Officials Insist
Staff Sgt. Jessie Lopez, right, from San Antonio, at his re-enlistment. “I don’t want to leave the Army and end up working at McDonald’s,” he said. “Here I get a steady check and benefits for my wife and two kids.”
A MORE REALISTIC SUPPLY CURVE: THE EFFECT OF RECESSION

Supply in economic boom

Supply in economic recession
A MORE REALISTIC SUPPLY CURVE: THE EFFECT OF PATRIOTISM

Supply in normal times

Supply under patriotic fervor
ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

I. THE BASIC ANALYTIC FRAMEWORK
   A. Society’s demand for soldiers
   B. The supply of soldiers
   C. Free-market equilibrium
ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

I. THE BASIC ANALYTIC FRAMEWORK

II. MODELING THE MILITARY DRAFT
   A. The draft with a wage ceiling
Draft with a wage ceiling

Force required

WAGE FOR SOLDIERS

THE NUMBER OF SOLDIERS
ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

I. THE BASIC ANALYTIC FRAMEWORK

II. MODELING THE MILITARY DRAFT
   A. The draft with a wage ceiling
   B. The “welfare” effects of the draft
WAGE FOR SOLDIERS

THE NUMBER OF SOLDIERS

SUPPLY

DEMAND

Draft with a wage ceiling

Force required

A
B
C
D
E
F
G
H
I
J
K

W1
Wo
Wd
Nv
No
Nd
### ACCOUNTING FOR CHANGES IN ECONOMIC WELFARE

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CONCLUSION

The draft, coupled with the price ceiling, transfers economic value (in terms of surplus) equal to areas C+E+F is from soldiers to U.S. taxpayers.

The so-called “deadweight loss” or “social welfare-loss” from the draft equals area G.
The "Welfare" Loss from the Draft
As textbook writer Steven Landsburg puts it in his *Price Theory and Applications* (3rd ed.):

In concrete terms, what this means is that the Selective Service Board will draft young people who are potentially brilliant brain surgeons, inventors, and economists—young people with high opportunity costs of entering the service—and will leave undrafted some young people with much lower opportunity costs. The social loss is avoided under a voluntary system, in which precisely those with the lowest costs will volunteer.

What if the authorities choose to draft only the low-cost young people? Here, of course, the problem of knowledge becomes insurmountable. Information about individual opportunity costs, available for free under a voluntary system, is available only at high cost and with great uncertainty in the absence of prices. The Selective Service authorities can pass out questionnaires—but who will freely reveal that his costs are low? They can observe people’s
Landsburg’s language comes dangerously close to suggesting that, if human bodies must be used to stop bullets and shrapnel from artillery or IEDs, it is more efficient to use for that purpose “low-cost” human bodies (who would not have contributed much GDP or other benefits to society) rather than “high cost” ones – such as scientists, artists and economists. ¹

Although deep down many, perhaps most, economists actually may think so, I doubt that many would be willing to put it quite as bluntly as Landsburg does – which is why I actually admire his candor in this regard.

¹ Not everyone might agree that the bodies of economists are too good to stop bullets and shrapnel.
ON THE WELFARE ECONOMICS OF THE VOLUNTARY ARMY

I. THE BASIC ANALYTIC FRAMEWORK
II. MODELING THE MILITARY DRAFT
III. OTHER CONSIDERATIONS: EFFECTIVENESS

Etc., etc. The rest of the (old) lecture is omitted.