



Department of Economics Course Outline

		Term:	Winter 2007
Course:	Economics 611.05 [STST 651.50] [Defence Economics and Policy]	Section:	01
Time:	TR 14:00 ? 15:15 R 12:30 ? 13:30	Place:	SS 423
Instructor:	Mike McKee		
Office:	SS 434	Telephone:	220-5291
Office Hours:	TBA	E-Mail:	mmckee@ucalgary.ca

Textbook(s):

Todd Sandler and Keith Hartley, *The Economics of Defense*, Cambridge University Press, 1995. (Required)

Book(s) on Reserve:

Hartley, K. and T. Sandler, *Handbook of Defense Economics*, Vol 1 and Vol 2, 2006 and 1995, Cambridge University Press and Elsevier Publishers (Handbook)

Course Outline:

This course introduces Defence Economics and Policy as applications of several areas of applied microeconomics. There is a general text that will serve as background and some suggested supplementary books.

In this course we will apply economic analysis to such issues as the valuation of the military services as a non-market good, procurement and R&D, personnel recruitment and retention, and decision-making under uncertainty. Tools to be developed and applied include: public choice (voting and bureau behaviour), basic game theory, individual and group decision-making under uncertainty, and benefit-cost analysis.

For students taking this course for Economics graduate credit we will have an additional meeting each week (time and

place to be arranged) where we will spend some time on presentation of the material with a bit more technical expositions. All students are invited to attend these sessions of course but they are required if you are taking this for economics credit.

Readings indicated by (E) are intended for students taking the course for economics credit. Those indicated by (S) are intended for students taking the course under the STST credit. Readings without a designation will be required of all students. The midterm test and the short writing assignments will be based on the course number you have signed up under.

Students are expected to read the core material. We will have some lectures and some discussion. I'll announce some discussion topics for following class periods. I will announce some additional readings beyond what is in the current syllabus.

- **Introduction and Background**

What is Defence Economics? Why do we have National Defence?

Sandler and Hartley, Chapter 1

Stone, C. and B. Solomon, (2005), "Canadian Defence Policy and Spending," *Defence and Peace Economics*, vol 16, pp 145-169.

- **Some Tools for Defence Economics and Policy**

a) *Public goods, externalities, club goods ? market failures*

Mueller Chapter 2

Cornes, R. and T. Sandler, *The Theory of Externalities, Public Goods and Club Goods* (2nd ed), Cambridge University Press, Chapters 2 (Cornes and Sandler)

Hirshleifer, J., 1983, "From Weakest-Link to Best-Shot," *Public Choice*, vol 41, 371-86.

(E) Cornes and Sandler, Chapters 6, 8, 9

b) *Decision-making under uncertainty*

Zerbe and Dively, Chapter 15.

Thaler, R., "Illusions and Mirages in Public Policy," *The National Interest*, 1983, vol 73, pp 60-74.

c) *Public choice ? politicians, bureaucrats, voters*

Mueller (chapter references to PCIII) Chapters 9, 10, 12, 13 and 14

Hirschman, A., 1970, *Exit, Voice, and Loyalty*, Harvard University Press

Becker, G., 1983, "A Theory of the Competition Among Pressure Groups for Political Influence," *Quarterly Journal of Economics*, 98, pp 371-400.