

# NATIONAL DEFENSE AND SECURITY ECONOMICS

## Economic Aspects of National Defense and Security Providing



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# Economic Aspects of National Defense and Security Providing

## Lecture Content

- Introduction
- Basic concepts
- Relation between economy and defense from historical point of view
- Economic principles playing crucial role within economic analysis of national defense and security
- National defense and security from theory of goods and needs point of view
- Conclusion

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# INTRODUCTION



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# Economic Aspects of National Defense and Security Providing

## Introduction

- **Aim of this topic** is demarcation of basic economic context of securing and providing defence and security.
- **As partial aims of this lecture, we can see:**
  - description of historical development of relation among economy, defense and security,
  - demarcation of basic principles influencing analysis of relationships between economy and defense, and
  - explanation of defense from theory needs and goods point of view.

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# BASIC CONCEPTS



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## Basic Concepts

- Defense and security as public welfare
- Defense, security and economy
- Interconnection study of wars and economic theory

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## Basic Concepts

### Defense, Security as Public Welfare

- **Defense, security** – basic state functions, public government is crucially responsible for its securing.
- Financial and economic demandingness of providing of these functions **was increasing gradually.**
- Externality character of these functions, benefitness for all citizens, demands **tax financing.**

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## Basic Concepts

### Defense, Security and Economy

- Economy determines basic conditions for defense providing.
- Defense is dependent on resources which are produced by economy (human, material, financial).
- Defense influences economy structure (possibly economy performance).



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## Basic Concepts

### Interconnection study of wars and economic theory

- Economy as a resources generator for defense and security;
- Macroeconomic effects of defense and security;
- Economic theory as explanatory tool for states behaviour;
- Economic Management within defense.

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# **RELATIONSHIP BETWEEN ECONOMY, SECURITY AND DEFENSE: A HISTORICAL PERSPECTIVE**



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## A Historical Perspecitve: How Security and defense became and economic issue

- **National Security as a public good in Adam Smith**
- **The Totality of War**
  - Manpower Mobilization
  - Mobilizing the Industrial-Technological Potencial
- **National Security and Economic Wealth in Economic Thought**
  - National Security and Economic Wealth: Complementary or Competing Goals?
  - National Security and Economic Wealldth: Reciprocal Influence
    - The Profit and Loss of Wars
    - Marxism and Economic Benefit of Wars
    - Macroeconomic Effects of Wars
- **National Security and Econmic Wealth: A Macro-Historical Perspecitve**

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# **ECONOMIC PRINCIPLES PLAYING CRUCIAL ROLE WITHIN ECONOMIC ANALYSIS OF NATIONAL DEFENSE AND SECURITY**



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Economic principles playing crucial role within economic analysis of national defense and security

- Principle of **opportunity costs**;
- Principle of **marginal benefits and costs**;
- Principle of **substitution**;
- Principle of **diminishing returns**;
- Principle of **incentives role**;
- Principle of **principal and agents relationship**;
- Principle of **economies of scale**.

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# **NATIONAL DEFENSE AND SECURITY FROM THEORY OF GOODS AND NEEDS POINT OF VIEW**



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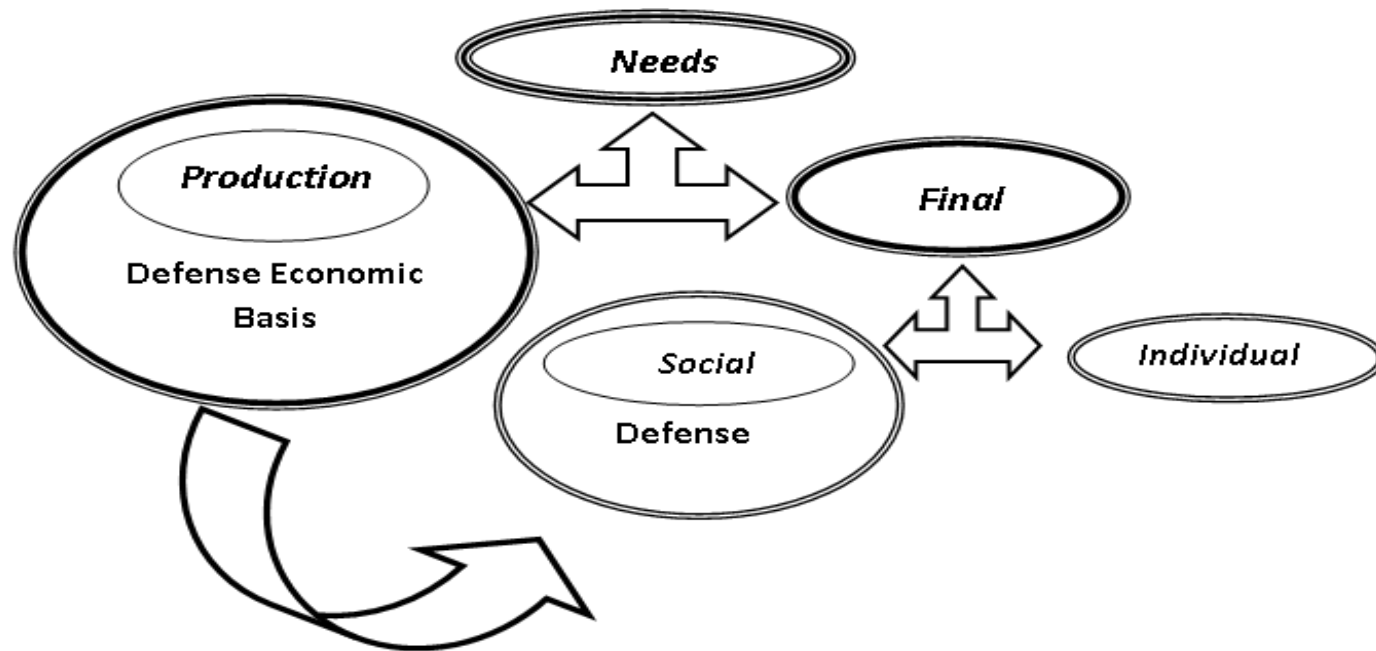
National defense and security from theory of goods and needs point of view

- National Defense and Security and **the Theory of Needs.**
- National Defense and Security and **the Theory of Goods.**

# Economic Aspects of National Defense and Security Providing

National defense and security from theory of goods and needs point of view

National Defense and Security and **the Theory of Needs.**





# Economic Aspects of National Defense and Security Providing

National defense and security from theory of goods and needs point of view

National Defense and Security and **the Theory of Needs.**

Type of Needs		Fundamental Characteristics	Definition Features		
			Source	Intensity	Duration
<b>Production Needs</b>		Felt by every individual - producer. Goods intended for consumption in a process of further goods production satisfy them.	Profit Making	-	-
<b>Final Needs</b>		Do not serve for production of further goods. Felt by every individual as final consumers.	-		
	<b>Social</b>	Felt by human as members of a society.	Existence of a society.	Fluctuating (from zero up to maximum intensity).	Short-term
	<b>Individual</b>	Felt by human as a genetic species; they are indigenous.	Existence of an individual.	Intense, permanent.	Long-term

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National defense and security from theory of goods and needs point of view

National Defense and Security and **the Theory of Goods.**

Goods Classification Criterion	Distinctive Criterion	Context	Goods Classification
<b>Economical</b>	Meeting certain characteristics of consumption (rivalry and non-rivalry, excludability and inexcludability, divisibility and indivisibility)	Gives evidence of the mode of consumption (consumption and availability).	Purely public ( <b>national defense and security</b> ) Mixed Purely private
<b>Institutional</b>	Presence of market prices	Gives evidence of the way of goods distribution (public distribution and production, private production).	Non-market ( <b>national defense and security</b> ) Semi-market Market
<b>Way of decisioning on production and consumption</b>	Collective decisioning related to the issue of distribution equity, individual decision related to utility maximization.	Gives evidence of the way of decisioning on resource allocation. It corresponds with the potentiality, necessity and involvement of individuals or entire society.	Public ( <b>national defense and security</b> ) Private

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# CONCLUSION



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## Conclusion

- **Defense, Security and Economy** are reciprocally connected and are influenced themselves mutually.
- **Economy is dependent on defense**, without ones it is not able to generate output and other resources, **in contrary defense is dependent on economy to secure territorial defense of state.**
- **Defense and Security** due to way of its consumption close to pure public goods.

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# STUDY RESOURCES



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## Study Resources

- YAACOV, Lifshitz. Economics of Defence Producing.
- STIGLITZ, Joseph. Economics of Public Sector (Third Edition). New York: W. W. NORTON & COMPANY, 2000. 789 p. ISBN 788-0-393-96651-0
- TUYLL, H., BRAUER, J. Colonizing military history: A Millennial View on the Economics of War. In Defence and Peace. A Millennial view on Defence and Peace Economics. Extra Edition, 1999.

# THANK YOU FOR YOUR ATTENTION !!!

## IN CASE OF QUESTIONS, CONTACT ME ON

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