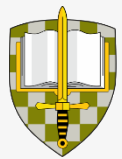


DEFENCE RESOURCES

Defence Resource Allocation Efficiency





Defence Resource Allocation Efficiency

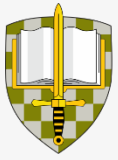
Content of Topic

INTRODUCTION

- BASIC CONCEPTS
- EFFICIENCY UNDERSTANDING LEVELS UNDER CONDITIONS OF DEFENSE
- DEPARTMENT OF DEFENSE FAILURE IN EFFICIENCY AREA
- TOOLS OF EFFICIENCY SUPPORT UNDER DEFENSE DEPARTMENT

CONCLUSION





Defence Resource Allocation Efficiency

Introduction



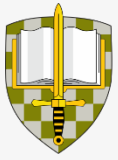


Defence Resource Allocation Efficiency

Introduction

- **Main objective** of these lecture is explanation of basic relation of efficient resource allocation securing under condition defence and security.
- **As partial aims of this lecture**, we can see:
 - demarcation of basic approaches to understanding of efficiency in defence,
 - description and explanation basic causes of inefficient allocation resource origin under conditions of defence.
 - demarcation of condition and factors resources allocation efficiency increasing under conditions of defence and security.





Defence Resource Allocation Efficiency

Basic Concepts



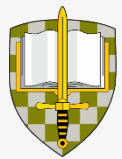


Defence Resource Allocation Efficiency

Basic Concepts

- Efficiency
- Defense as public good
- Defense adequacy





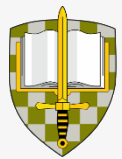
Defence Resource Allocation Efficiency

Basic Concepts - Efficiency

DUAL APPROACH TO UNDERSTANDING OF TERM

- **Older**
 - Efficiency as a state useful and economy using of economic resources
- **Newer**
 - Efficiency as part 3E concept,
 - Efficiency
 - Economy
 - Effectiveness





Defence Resource Allocation Efficiency

Basic Concepts - Defense as Public Good

THEORETICAL DEMARCATION

- **Firstly** – consumption of the good by one person does not reduce the amount available for others to consume.
- **Secondly** – the benefits that a given person derives from the provision of a collective good do not depend on that individual's contribution to funding it. Everyone benefits, including those who pay little or no taxes. („free ride“ problem).





Defence Resource Allocation Efficiency

Basic Concepts - Defense Adequacy

FIRST NOTICE

- OLVEY, F. The National Security. New York, 1974

DEFINITION

- **Defense adequacy** is possible to define as current real degree of peace defence doctrine securing possibilities. Defense adequacy is derived from aims and tasks of defence of state during crisis.
- **Determination of defence adequacy** means creation and presentation of proposal:
 - Organization structure
 - Number of persons
 - Number and structure weapons,
- In variations, which enable to fulfil the tasks of defence doctrine.





Defence Resource Allocation Efficiency

Basic Concepts - Defense Adequacy

- Nominated variations have to be supplemented by expression its expensiveness.
- Inseparable part of these designs have to be plan of modernisation or armed forces refit.

NOWADAYS PROBLEMS

- Changed security environment
- Question: Possibilities to plan necessary defence capacity versus defence ability.

COMPARISON

Eisenhower told his senior defence team that he wanted the Pentagon cut down to a “Spartan basis.”





Defence Resource Allocation Efficiency

Efficiency Understanding Levels under Conditions of Defence





Defence Resource Allocation Efficiency

Efficiency Understanding Levels Under
Conditions Of Defence

TERRITORIAL DEFENCE IS DEPENDEND ON THREE FACTORS

- **Extend national resources** reachable today and in future.
- **Share of national resources** allocated for securing national defense (security) aims.
- **Usage Efficiency** of allocated national resources.



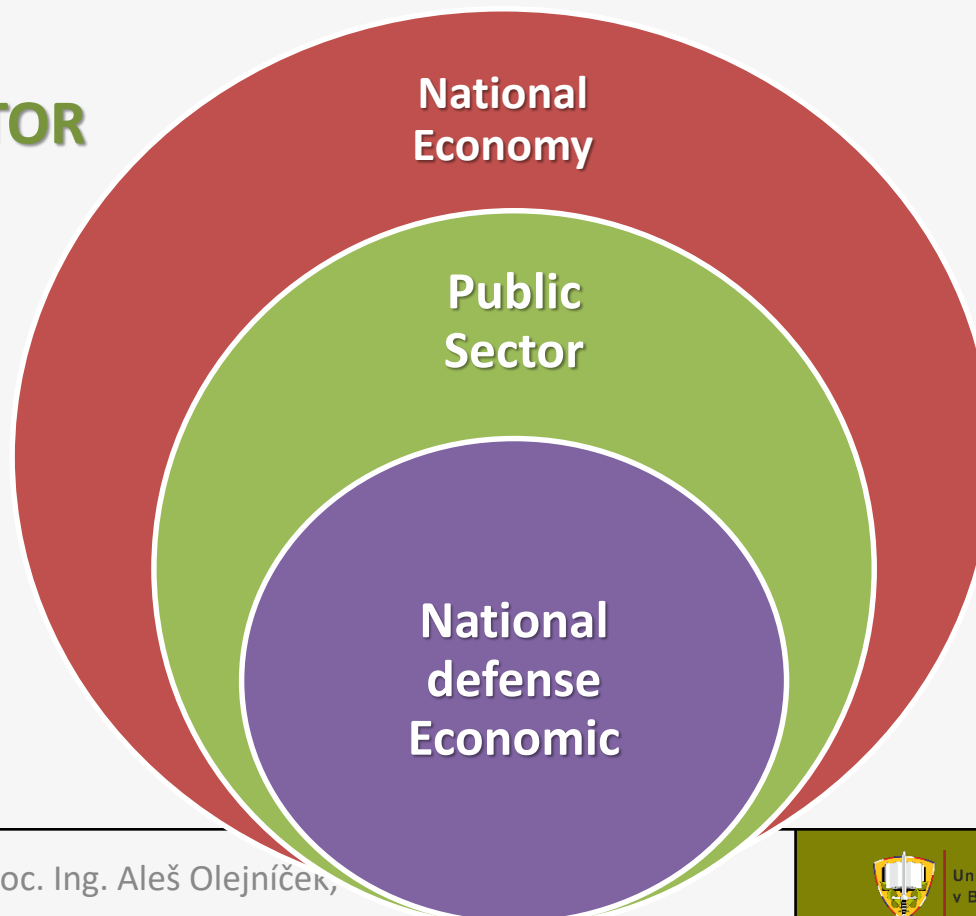


Defence Resource Allocation Efficiency

Efficiency Understanding Levels
Under Conditions Of Defence

**RELATIONSHIP BETWEEN
PRIVATE AND PUBLIC SECTOR**

**RELATIONSHIP BETWEEN
PUBLIC SECTOR AND
DEFENSE DEPARTMENT**

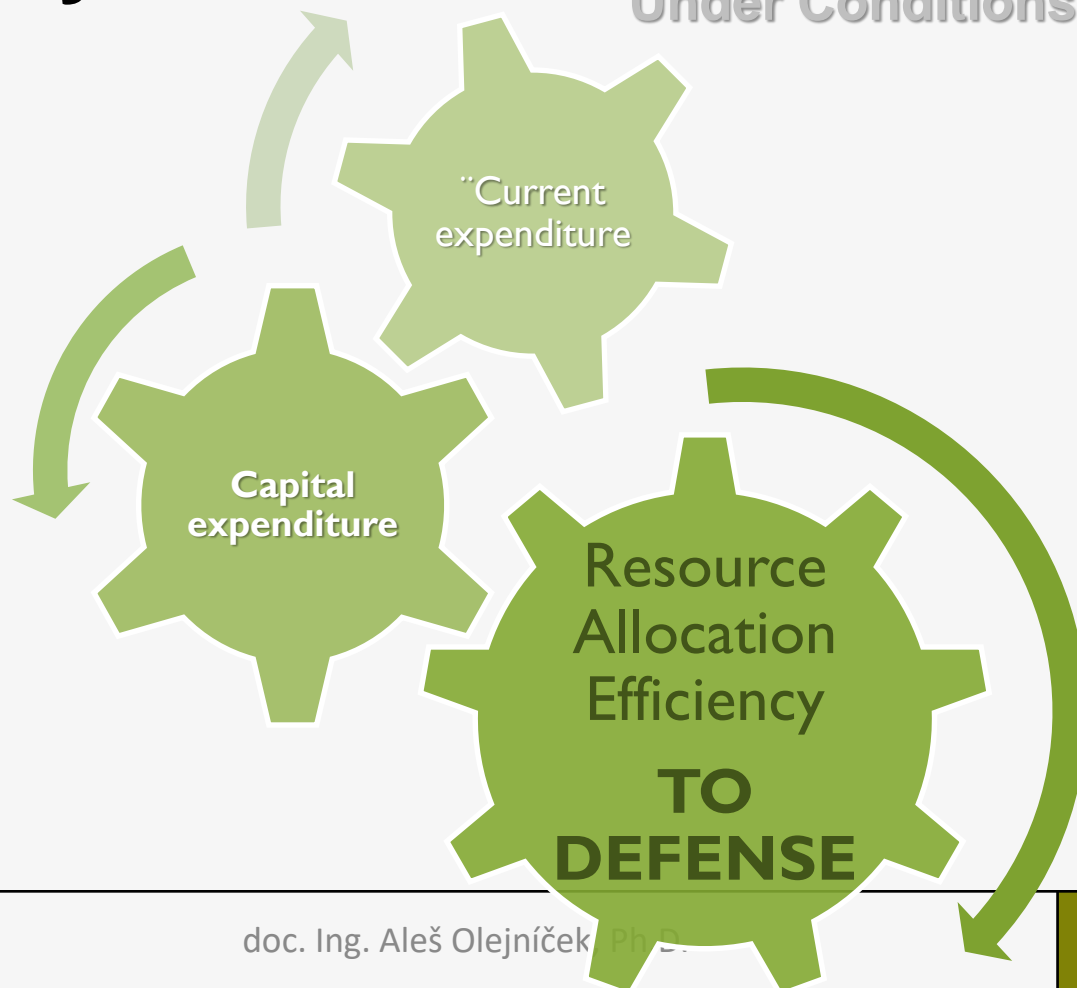


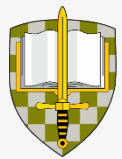


Defence Resource Allocation Efficiency

Efficiency Understanding Levels
Under Conditions Of Defence

**Resource
Allocation
Efficiency
IN
DEFENSE**





Defence Resource Allocation Efficiency

Efficiency Understanding Levels Under Conditions Of
Defence

Resource Allocation Efficiency TO DEFENSE

- What level defence expenditure is still rational in comparison to another social expenditures (trade-offs).
 - „.... ...our military cannot be built to do “everything.”“ (*Building a Military for 21st century*)
- **Defense expenditure** is needed to understand as a certain form of insurance, which society has to pay for its external security (analogy with mandatory insurance and car/automobile insurance).
- **INTERRELATIONSHIP BETWEEN BENEFIT OF DEFENSE GOOD AND BENEFIT FROM DEFENSE EXPENDITURE !!!**





Defence Resource Allocation Efficiency

Efficiency Understanding Levels Under Conditions Of
Defence

Resource Allocation Efficiency TO DEFENSE

RELATIONSHIP BETWEEN BENEFIT FROM DEFENSE AND BENEFIT FROM DEFENSE EXPENDITURE

- If, however, the collective goods that government provides can be transformed into private ones—that is, if provision of collective goods yields ancillary benefits that some majority coalition of voters views as particularly beneficial to them—then the problem of governmental under provision of collective goods can be at least partially offset.
- **National defence spending** does yield such ancillary benefits to special interests;
 - defence contractors,
 - defence-related workers, and
 - communities with military bases are examples





Defence Resource Allocation Efficiency

Efficiency Understanding Levels Under Conditions Of
Defence

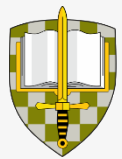
Resource Allocation Efficiency TO DEFENSE

RELATIONSHIP BETWEEN BENEFIT FROM DEFENSE AND BENEFIT FROM DEFENSE EXPENDITURE

- Such interest groups benefiting from defense spending are located in a majority of congressional districts and in a majority of states. Their presence, therefore, offsets the bias toward too little defense spending under democratic institutions. Ironically, the geographic (and political) dispersion of military bases, defense contracts, and other seemingly “wasteful” dimensions of defense spending—not to mention transfer programs seemingly unrelated to defense—could make government budgeting more efficient rather than less.

For example: „The Base Realignment and Closing (BRAC) Commission, předkládá příklady takových soukromých užitků získaných z takovýchto obranných výdajů (<http://www.brac.gov/>)





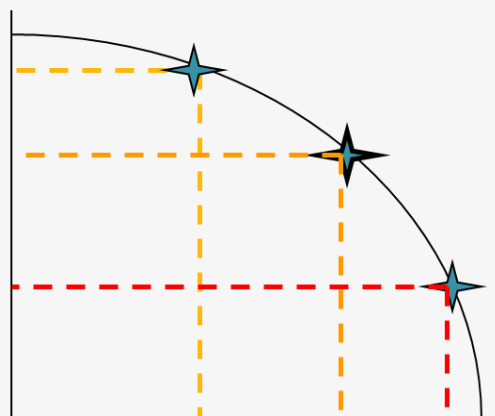
Defence Resource Allocation Efficiency

Efficiency Understanding Levels Under Conditions Of Defence

Resource Allocation Efficiency TO DEFENSE

RELATIONSHIP BETWEEN BENEFIT FROM DEFENSE AND BENEFIT FROM DEFENSE EXPENDITURE

How much resources?



What way of allocation?





Defence Resource Allocation Efficiency

Efficiency Understanding Levels Under Conditions Of
Defence

Resource Allocation Efficiency IN DEFENSE

- **Capital expenditure**
 - What extent does Capital expenditure help to react and destroy existing or newly appearing threats?
 - What to some extent does acquisition system able to secure the needs of armed in optimal relation between price and required qualitative and quantitative attributes.
 - Problem of time (life cycle of new weapon system development)
 - Problem of lobbying interest groups (corruption, requirement of new up-to-date non-existing attributes).
 - Problem of „**Tribalism in Defense**“ (PAUL CORNISH AND ANDREW DORMAN *National defence in the age of austerity*)
- **Common expenditures**
 - To some extend does common expenditure secure adequate condition for functioning of armed forces and adequate training of all sorts of troops?



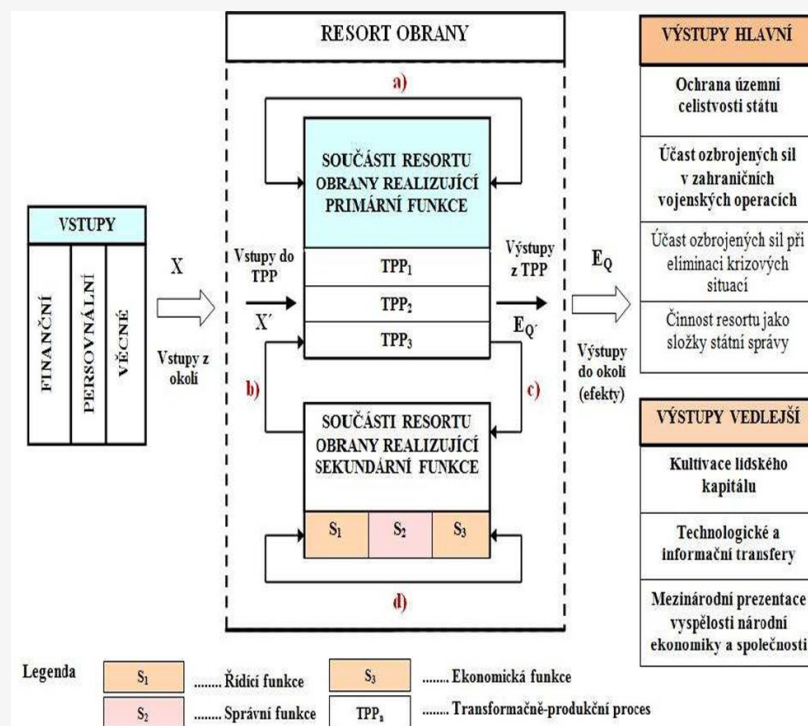


Defence Resource Allocation

Efficiency Understanding Levels Under Conditions Of Defence

Resource Allocation Efficiency IN DEFENSE

Z 1 ... ztráty objektivně potřebné
Z 2 ... ztráty objektivně zbytečné, redukovatelné
Z 3 ... ztráty systémové, zapříčiněné chybným řízením, neodborností



Tvorba výstupů k eliminaci, resp. **redukcí bezpečnostních rizik** a k připravenosti k obraně, tak k zabezpečení vlastní existence a vývoje

Kvalifikace osob odcházejících z resortu, **informační přínos**, podíl na technologickém pokroku





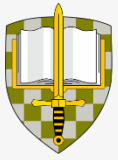
Defence Resource Allocation Efficiency

Efficiency Understanding Levels Under Conditions Of
Defence

Resource Allocation Efficiency IN DEFENSE

- **Efficiency** could be result in real structuration and evaluation cost, effects and losses.
- **Objectivity, responsibility and transparency** as partial aspects of efficiency could be result in:
 - Refusal subjective dogmatic approaches and opinions including rejection of „critical“ investment projects.
 - Creation of normative basement and correct relationships within process of economic management.





Defence Resource Allocation Efficiency

Efficiency Problems Under Defense Conditions





Defence Resource Allocation Efficiency

Efficiency Problems Under Defense Concdition

THREE BASIC PROBLEM OF EFFICIENCY

- **Problem I** – How much is enough? (optimal level of defense)?
- **Problem II** – Which tools can we use for decision making about defense (economic analysis)?
- **Problem III** – How can we reach efficient allocation in all levels (In defense and to defense)?





Defence Resource Allocation Efficiency

Defense Department Failure in Connection of Efficiency





Defence Resource Allocation Efficiency

Defense Department Failure In Connection Of
Efficiency

Government failure and department of defence

- Limited information, which government has to use and operating.
- Limited control on private sector reaction in connection on government activity.
- Limited control on its own bureaucracy.
- Restriction resulted from origin of policy decision making process.





Defence Resource Allocation Efficiency

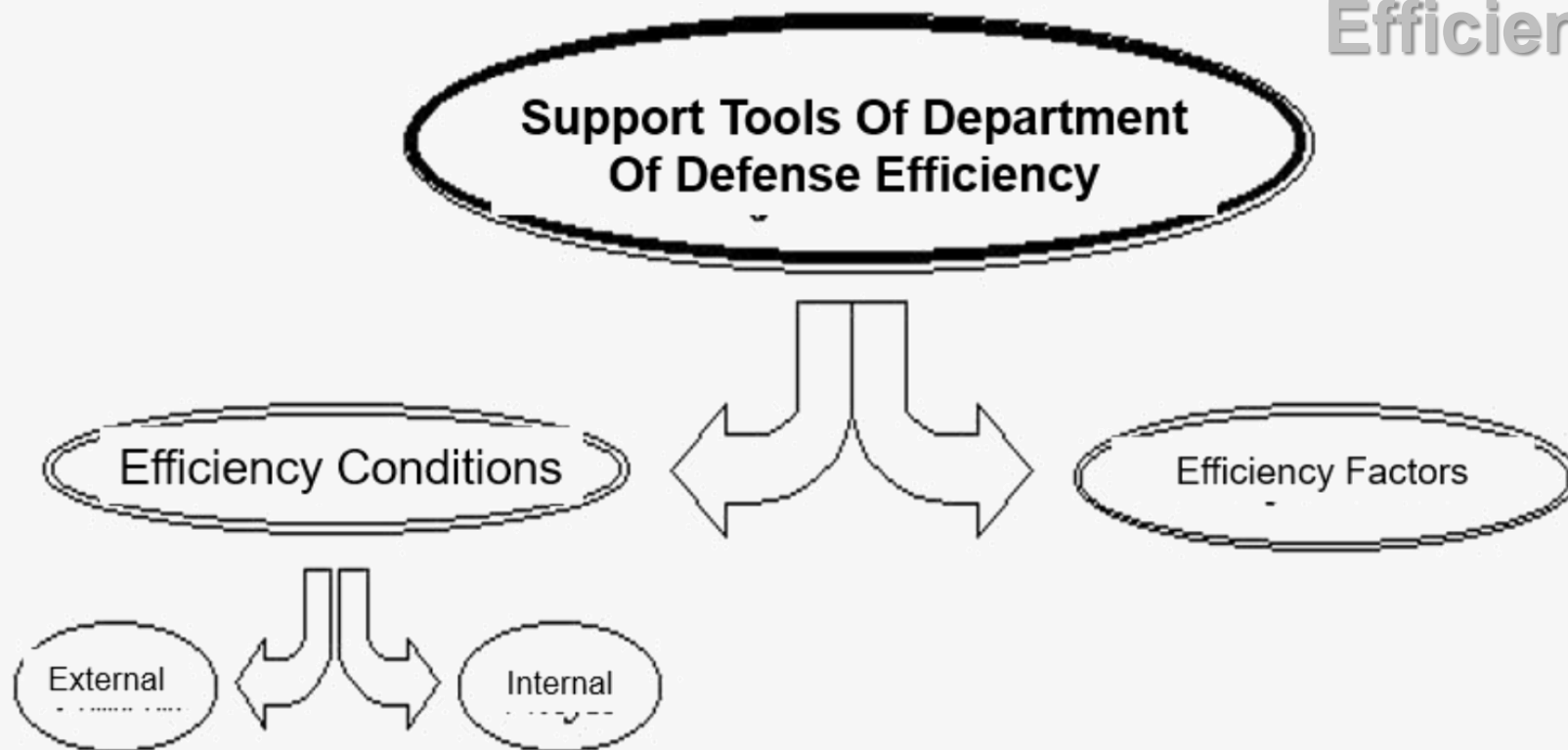
Support Tools of Department of Defense Efficiency





Defence Resource Allocation Efficiency

Support Tools Of Department Of Defense Efficiency





Defence Resource Allocation Efficiency

Support Tools Of Department Of Defense Efficiency

- **External conditions of efficiency of public sector are:**
 - Political organization of society,
 - Functioning market sector..
- **Internal conditions of efficiency of public sector are:**
 - Comprehensible and sufficiently clearly formulation of organization mission and aims,
 - Competiveness of environment inside of public sector,
 - Financing of public sector by benefits and performance,
 - Public Control.





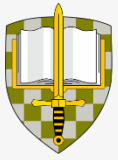
Defence Resource Allocation Efficiency

Support Tools Of Department Of Defense Efficiency

- **Efficiency Factors**

- Science and technology factor,
- Knowledge of all activities structure,
- Usage of all division of labour forms,
- Qualification of workers,
- Initiative of workers,
- Management system.





Defence Resource Allocation Efficiency Conclusion



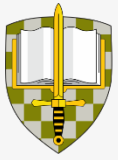


Defence Resource Allocation Efficiency

Conclusion

- The DoD's own incentives for efficient operations are weak relative to those in the private sector.
- Department of Defense, “cannot reset the current force, modernize and transform in all portfolios at the same time. Choices must be made across capabilities and within systems to deliver capability at known prices within a specific period of time.”
- In order to make these important decisions, the government will first have to evaluate the current state of the military; examine the current composition of the Defense budget; and define the threats, challenges, and role of the military in the 21st century.





Defence Resource Allocation Efficiency

Study Resources





Defence Resource Allocation Efficiency

Study Resources

- Building a Military for the 21st Century New Realities, New Priorities Lawrence J. Korb, Peter M. Juul, Laura Conley, Major Myles B. Caggins III, Sean E. Duggan December 2008
- Defense by Benjamin Zycher, Library of economics and liberty.
- Defending Defense. Washington: The Heritage Foundation, 2010. 11 p.





THANK YOU FOR YOUR ATTENTION !!!

IN CASE OF QUESTIONS, CONTACT ME ON

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