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ON THE REAL COSTS OF MILITARY CONSCRIPTION

C. LINGLE*

I have observed many persons initially in favor of the draft change their opinions as they have looked into the arguments and studied the evidence; I have never observed anyone who was initially in favor of a volunteer force reverse his position on the basis of further study. This greatly enhances my confidence in the validity of the position I have taken.

M. Friedman, *An Economists Protest*, 1975.

A volunteer army is the least costly in terms of real cost, and to focus on budgetary cost alone is to ignore the real issue.

J.C. Miller (ed.), *Why the Draft?*, 1968.

1 CONSCRIPTION OR MARKET CHOICES: COMPULSION VERSUS VOLUNTARISM

THERE is a growing controversy over the process of military personnel procurement in South Africa. This has been stimulated by a broad set of social and political issues, including the propriety of SADF involvement in Angola and Namibia, its presence in the black townships, and public reaction to the harsh sentencing of conscientious objectors. Although economic analysis may not provide solutions which readily resolve conflict over all these complex issues, it can be useful in understanding the nature of costs and thus provide insights into the best method for meeting military personnel requirements. While other factors merit reflection concerning the issue of conscription, economic considerations are of particular importance.

In particular, economists with a free-market orientation should be

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interested in addressing the question of efficiency of alternative schemes of raising an army. On the basis of various economic arguments and the evidence of success elsewhere, serious consideration should be given to the market as an alternative means for fulfilling personnel needs while optimizing individual choice. Given the reduction in compulsion of volunteer forces, such analysis can readily be expanded to a context of broadening political rights and freedom. Therefore, economic arguments can provide a wide range of insights into this pressing issue.

A similar debate raged in the USA during the last years of the 1960s. Economists there provided the academic credentials and analytical tools which were instrumental in the establishment of volunteer forces (Altman and Fechter, 1968; Fisher, 1969; Hansen and Weisbrod, 1967; Miller, 1968 and Oi, 1967). These economists relied upon partial equilibrium analyses which focused upon improved efficiency, reduced costs and

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the enhancement of individual rights associated with volunteer armed forces. In broad terms, these studies dealt with a market-oriented analysis of the policies for staffing the armed forces.

To a considerable degree, the strength of these arguments emerged from empirical analyses which provided projections of the budgetary effects of an all-volunteer force. The scope of the present paper is more narrow, however, and seeks merely to open the debate among professional economists by identifying those costs which are not usually associated with national defence expenditures. In all events, the South African government places restrictions on access to the sort of data which would be required to replicate the American studies.

2 CONCEPTUALISING THE REAL COSTS OF CONSCRIPTION

Support for conscription is most often based upon arguments which involve crucial oversights in suggesting that a professional military force would be more costly than the present system. The fallacy in this reasoning is an all too common one. It stems from a misunderstanding of the nature of costs (Cheung, 1978). In examining the consequence of collective action there is a tendency to: (a) rely upon a measurement of aggregates which, by definition, ignore individual costs, leading to (b) only those (budgetary) costs which are

measured being considered as relevant, so that (c) costs are underestimated and inefficiency or waste of resources occurs.

In consequence, since the total measured costs of resources used are underestimated, the actual costs, in fact, will be higher than necessary, owing to non-economic use of these resources.

Subjective calculation of individual costs

Following the logic in (a), one could erroneously conclude that building the pyramids was a low-cost activity. There is an obvious tendency to rely upon the same line of reasoning in judging the present system of conscription as a source of 'cheap labour'. In both situations the costs to the individuals who are press-ganged into the activity are overlooked. Implicitly, they are simply treated as cogs in a machine and have no value except that they are part of the machine and exist to serve the machine. If the real, full costs were transmitted through the labour market, we would conclude that pyramids are extremely costly and that too many were built since the market valuation of the alternative uses of resources was ignored. Likewise, conscription involves substantially greater costs than normally considered.

The 'cheap labour' in both cases were simply the result of a minority of individuals forced by a law to do the will of a majority. Objection to

such coercion is the basis of the opposition by the more conservative elements of South African society to a system of one person, one vote majority rule. As a matter of consistency, conscription must be considered by the same standards. Within this paper the object of maximising individual rights and freedoms is proposed as a criterion which can be consistently applied to both these institutions.

From a subjectivist perspective of individual costs, several questions emerge. On what basis is it reasonable that the protected public shifts the costs of discomfort, the foregone income and other opportunities to conscripts? In what way are net (social) benefits to be calculated if one group gains only by imposing costs upon another? Is the result a zero, negative or positive sum game? Costs in this sense are not truly lower, they are merely hidden and borne by a relatively powerless group. A system which offers market oriented pay would allow individuals to decide if a military career matches up with their individual plans.

Narrow nature of measured costs

Fallacy (b) follows from (a). Costs in economics are seen as subjective and are most appropriately interpreted in an *ex ante* fashion (Buchanan, 1969). Only individuals can assess costs for themselves *prior* to a choice. In this sense a strong linkage is observed be-

tween free enterprise (i.e., voluntary exchange with minimal coercion and external control) and liberal democracy (voluntarism in political activities with the possibility of periodical replacement of elected officials and minimal restrictions on liberty within a Rule of Law). In order for both institutions to yield their promise of efficiency and growth on the one hand, and freedom and security on the other, individuals must be allowed maximum freedom to choose in both the economic and political marketplace.

Only when military service is voluntary and individuals can compare their alternatives, will the individual know what his/her costs are concerning a military career. While the market will allow for more accurate calculation of private costs, the greater political freedom will allow more control over one's destiny.

Implicit waste and the costs of the 'Conscription Tax'

Conscription leads to high, mostly hidden costs. These costs involve implicit costs to individuals but also include unnecessary overspending of budgeted funds due to various sources of inefficiency which relate to conscription.

(a) The Inefficiency of Conscription to the Individual

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tive, public outlays are considered. However, as noted, economists assert that costs have a subjective component in that they can only be calculated by those individuals actually involved in an activity (Shand, 1984, p. 56). For example, some individuals object to the unpleasantness of military service while others find it a rewarding and useful experience. In the former case, conscription allows the protected public to shift very real subjective costs onto draftees yet only *apparently* lowering public outlays.

More concretely, draftees face the very real opportunity cost of foregone earnings as well as costly delays in career development. There is also an involuntary loss of time, additional burden of implicit taxes, loss of freedom, induced sense of oppression, and stress imposed by the high levels of emotional and psychological upheaval. Each individual will consider the magnitude of such dislocations according to their own standards and values.

In other words, the costs are there, yet hidden since they are not recorded as in a market transaction or in a public sector budget. These implicit costs are likely to be very high for many individuals. For the USA, estimates revealed the implicit tax cost to conscripts to be about 50 per cent of civilian income (Oi, 1967, p. 59; Friedman, 1967, p. 9). These figures were based upon a measure of financial loss by comparing military

and civilian earnings. Of course, in order to calculate the full financial effect, the burden of all other taxes must be taken into account.

An indication of the expected individual costs of being conscripted is reflected in the evasive tactics taken which include emigration. Avoidance of these individual costs can lead to social costs, e.g., in the form of a 'brain drain' which will be addressed below.

(b) The inefficiency of conscription and public budgets

As suggested, conscription is also likely to lead to higher *visible*, budgetary costs. Economic analysis suggests that conscription will lead to higher measured costs than are necessary due to inefficiencies resulting from constant, frequent turnover and the subsequent training of new personnel. Duplication of training for temporary conscripts involves a substantial inefficiency which could be eliminated with a more stable and smaller, professional military force.

Other (hidden) costs are incurred in the form of lost opportunities to hire potential professionals who find the present system of remuneration unacceptable yet would opt for a military career if offered a more attractive package. Limited funds which now must be spread among large numbers of conscripts who lack professional motivations and pride could instead be used to provide higher salaries to

career soldiers on the basis of increased efficiency and smaller numbers. Finally, since the full costs generated by military service are not borne by the public there will be no incentive to economise on labour resources. There will be higher costs due to overstaffing of 'cheap' labour resources, that is, the size of the military forces under a system of conscription will be non-optimal.

(c) Inefficiency of conscription and costs of the 'exit option'

In the absence of a reasonable system of alternative service many individuals may be forced to take the exit option. This can take several forms. In many instances this option will involve a temporary absence, e.g., to avoid conscription by engaging in overseas studies. However, an increasing number are selecting evasion and a permanent opting out of military commitment due to a strong sense of personal conviction. In either case, the costs are high to individuals especially those who face permanent exile. On the other hand, the 'brain drain' effects can have substantial economic effects.

3 THE EFFICIENCY EFFECTS OF MARKET RELATED PAY

A market-oriented method for providing personnel requirements for national defence can reduce the subjective, individualised costs (e.g., disutility of military service and foregone earning opportunities of draf-

tees) and may also reduce the objectively measured costs of staffing the armed forces. Pay to military personnel will have to reflect the value of foregone alternative careers. Markets offer a means to achieve this since they operate on a bid and offer basis which reveals buyers' and sellers' values. Direct costs might also be reduced since society must economise, that is be more efficient in the use of its scarce labour resources. Also, the career militarists can be expected to be more efficient in producing the services which they supply. Furthermore, there seems an inequity involved when military personnel are remunerated differently from other public employees. Civil servants are not expected to serve on low pay based upon some sense of patriotism.

Offsetting factors of higher military payrolls

It may be argued that present staffing levels are required on the basis of real or expected internal and external threats. However, the efficiency gains which can be expected from a professional military force suggest that lower numbers are required. On the other hand, if present levels of personnel are truly necessary then professional pay will encourage more efficient resource allocation. As labour becomes more costly it will be replaced by more and better capital.

Budgetary increases will be limited by the rationalisation of resources (used by the military) due to market

impulses. There is pressure to raise increased productivity, the return of employment in the civilian sector v tax base.

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impulses. There will also be less pressure to raise tax rates since the increased productivity associated with the return of enforced labour into the civilian sector will generate a larger tax base.

Learning from American experience

Estimates were made for the costs of a given military strength based upon the elasticity of supply for male enlistments in groups with different tastes for military service. The independent variables included such factors as median civilian wages as a ratio to average military wages, the unemployment rate and the military accession rate as a dummy for conscription pressures. Clearly there were data problems with these calculations including the psychologically important reservation wage of prospective enlistees and the changing distribution of tastes for military service. Some of the estimates are as follows.

The required pay rises to maintain the desired staffing level lead to additional payroll costs estimated to be about US \$4 billion over the payroll costs of a mixed force (volunteers plus conscripts) of US \$12,4 billion or an increase of about one-third (Oi, 1967, p. 51). However, these estimates did not reflect *net* additional tax expenditures.

Under a volunteer system, military intake can be reduced due to lower turnover which would be expected among professional soldiers. This fac-

tor would also limit the need for the forces required to oversee the induction and training of new soldiers. Oi estimated that with conscription at least 10 per cent of the military forces were required for training new recruits. The obvious consequence of voluntary forces would be an offsetting effect upon payrolls. The more economical use of resources (input substitution), reduced training costs and the additional tax revenues arising from the positive supply-side effects of the increased earnings of those who remain in the civilian sector would offset the additional budgetary costs (Fisher, 1968, p. 252). A more recent study provides a general equilibrium analysis of the functioning American volunteer forces which generally supports earlier findings (Harford and Marcus, 1988).

In summary of much of the earlier work by American economists, the volunteer military system was found to have distinct advantages over conscription. Specifically, there is greater equity in the distribution of burdens, more efficiency in utilisation of resources, little loss to flexibility of response to threat and more rational decision-making in the political and military spheres (Miller, 1968, p. 77 and 188).

4 SPECIAL CONSIDERATIONS FOR SOUTH AFRICA

The force of many of the above arguments may be lost on those concerned

with the fact that the South African government faces both a low-scale military insurgency and wide-spread civil disorder. It is not the place here to assess the legitimacy of the various claims to power. However, as suggested above a professional military can better deal with such problems in terms of specific training and flexibility of response. On the other hand, any claim for legitimacy by the present government is weakened by the fact that universal conscription is not feasible.

Flexibility and rational disposition of armed forces

Response to armed aggression is a prime consideration of staffing decisions of the military. Flexibility will reduce the number of soldiers required to meet a given threat. Lower turnover of recruits will allow resources to be re-directed from general to specific training. More highly trained soldiers can respond to a broader range of problems more effectively and with fewer casualties.

Since military personnel will have a higher capitalised value, they will be deployed more efficiently and at lower levels of risk. The higher budgetary outlays (lower hidden costs) will ensure that the general public will place greater political pressures in order to constrain military adventurism.

Racial mix and conscription

Military conscription is one of the

only areas where the policy of the South African Government systematically discriminates *against* whites. This is ironic when the real economic costs and palpable dangers are so great. Any argument for maintaining conscription which has the pretence of concern for equity would have to address the issue of universalising the policy to include all groups. Scraping whites-only conscription would remove the claim of a predominantly white army defending white interests.

From the standpoint of a voluntary military, it might be likely that the supply of enlistees might be more elastic in South Africa than in the USA, especially if non-white enlistees are considered to be substitutes for white enlistees. Since enlistments can be assumed to be dependent upon the ratio of civilian to military pay, non-whites who have more restrictions upon civilian employment will be likely to respond to the offer of high military pay at the margin. Therefore, the greater the substitution of non-white for white enlistees the less will be the impact of higher payroll requirements.

Alternative national service

An important consideration in the matter of staffing the armed forces is the concern for greater individual freedom of choice. One of the features of a liberal democracy with market determined income is that individuals select those ends or careers which are individually satisfying and

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most socially mentioned above, might provide an alternative national service. Certainly maximum is a worthy society which ide democratic value

Many of the above were decision of the military system. However, from the individual's free equipped with his fortunate that an alternative national service introduced in the conscription and voluntary. One can on social consequences competent men and are fleeing South Africa. In the absence of alternative service more convictions.

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most socially productive. As mentioned above, an all-volunteer force might provide optimal results, yet alternative national service would provide an important interim step towards expanding individual choice. Certainly maximal freedom of choice is a worthy consideration in this society which identifies with Western democratic values.

Many of the arguments outlined above were decisive in the transformation of the military personnel procurement system in the USA. However, from the standpoint of the individual's freedom of choice and equipped with hindsight, it seems unfortunate that an extensive system of alternative national service was not introduced in the transition between conscription and a professional military. One can only conceptualise the social consequences of the loss of competent men who fled the USA, and are fleeing South Africa, due to the absence of alternative community service more compatible with their convictions.

One might hope that the present government will rethink its current policy toward alternative service while pondering the question of replacing the currently inefficient system with a more cost effective means for providing national security. Alternative service would lend itself to greater stability in South Africa by defusing an emotional and political issue. It would undoubtedly serve the ends of justice by allowing greater

freedom of choice without forcing individuals to totally opt out of their commitment to the community.

Alternative service allows some freedom of choice within a system of conscription, yet this falls short of the ideal, especially for those who see individual liberty as a necessary requirement for the attainment of other social goals. Ideally, individuals should be allowed to choose whether or not to participate in the establishment and maintenance of national security.

5 CONCLUSION

On the basis of gains in efficiency of the economic impulses derived from market signals and the enlargement of individual freedom of choice, it is recommended that a more complete empirical analysis be undertaken to quantify the full costs of military conscription relative to its elimination. An important non-economic benefit would be the elimination of the politically sensitive issue of the treatment of conscientious objectors.

Therefore, it is advisable that the South African Government should commission a full-scale study of the relative costs of maintaining and discarding the present system of conscription. Until then it is simply conjectural to predict the costs of ending conscription. Nonetheless, it is important at this stage to elaborate the implicit and explicit costs of conscription. Although other consider-

ations may ultimately dominate the process of policy direction, there seems little reason to believe that a volunteer force has less economic vi-

ability in South Africa than in the USA or Britain.

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