

Conscription: economic costs and political allure

Panu Poutvaara and Andreas Wagener

With the notable exception of the military draft and its unarmed corollaries such as civil, national, or social service, today's non-totalitarian states no longer rely on forced labor. In high-intensity wartimes of the 19th and 20th centuries, most countries, whether democratic or authoritarian, drafted their citizens into the army.¹ But during the past four decades, and especially after the end of the Cold War, many democracies have (re)abolished the military draft and its substitutes in favor of a professional army, i.e., an all-volunteer force, and other states are debating the issue. Yet, eight out of the 26 NATO members are still firmly running their armies with conscripts.² At the time of writing (Fall 2006), Latvia and Bulgaria still relied on military conscription, but they have decided to abolish it in 2007 or 2008. As Figure 1 shows, the draft still heavily intrudes into the lives of young men in many Asian countries (including China), in virtually all successor states of the Soviet Union, as well as throughout Latin America, the Arab world, and the Middle East.³

Figure 1 shows that the draft still heavily intrudes into the lives of young men in many Asian countries, in virtually all successor states of the former Soviet Union, as well as throughout Latin America, the Arab world, and the Middle East.

While the duration of military service is one year or less in many European countries, it typically lies between 18 and 24 months in many other states around the globe, in some longer than that.⁴ If available at all, unarmed, "alternative" service lasts even longer than military service. At the other extreme – a purely market-based solution for

hiring military personnel – Saudi-Arabia relies heavily on foreign mercenaries, mainly from Pakistan and India, to staff its armed forces. The Vatican's Swiss Guard also falls into the category of a professional army exclusively hired from abroad.

Even in countries without military draft, the possibility of reintroducing the military draft or other, more general compulsory labor service surfaces from time to time. In 2004, when during the war in Iraq stop-loss orders were issued in the U.S. that kept thousands of reservists and National Guard members in the military past their agreed terms, critics of President Bush, including prominent economist Paul Krugman,⁵ argued that this amounted to a back-door draft, and that the U.S. doctrine of pre-emptive war foreshadowed larger requirements for military personnel than could possibly be filled with volunteers. U.S. Congressman Charles Rangel has repeatedly proposed that the United States reinstate the military draft or a universal national service requirement. He motivates his proposal as a reminder of the unequal

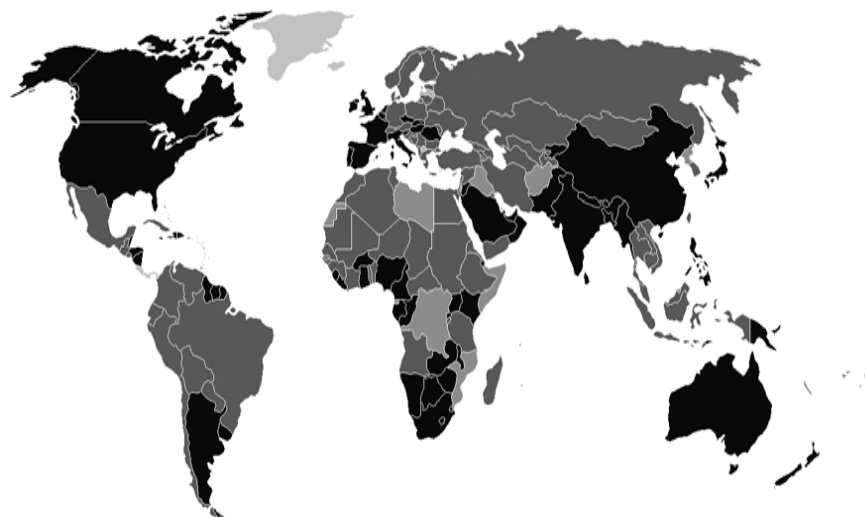


Figure 1: Conscription throughout the world, 2006

Source: Wikipedia (2006a)

Notes: Black: no conscription; dark gray: conscription; light gray: no official information; except for Costa Rica, Greenland, Haiti, Iceland, Panama (no own armed forces) and Latvia, Macedonia (plan to abolish conscription within three years).

sharing of sacrifice during recent American-led wars.⁶

After week-long street riots in November 2005, French President Chirac proposed a voluntary civil service for France, where military conscription has been abolished since 1996. The idea is to give youths from disadvantaged backgrounds access to training and employment and, thereby, better integrate them into society. Both the Socialist Party and the centre-right UDF criticized Chirac's proposal because of its voluntariness. Instead, they advocate a compulsory and universal civil service as "un investissement républicain" hoping to reinforce national and social cohesion.⁷

Compulsory service has also been defended (and criticized) as a way to educate young citizens, to teach them national and civic values, and to foster nation building. For example, the official objectives of Malaysia's National Service Program, started in 2003, are "i. instilling spirit of patriotism among the young generation or youths of Malaysia; ii. fostering unity amongst races and national integration; and iii. building positive characters through noble values."⁸ In the United States, a universal and compulsory military service has been advocated by political theorists with the main argument that the market solution of a professional army leads to a degradation and unwarranted commodification of social and civic life.⁹ In a manifesto from 1930, entitled *Against Conscription and the Military Training of Youth*, the opposite

conclusion was reached by, among others, Albert Einstein, Sigmund Freud, and Bertrand Russell. They write: “[Conscription] is a form of servitude. That nations routinely tolerate it, is just one more proof of its debilitating influence.”¹⁰

In this article, we survey some recent literature on the benefits and costs of the military draft. The following sections cover aspects of static inefficiency, dynamic costs, non-economic and thus allegedly “higher” values, and mercenaries. In the final section, we summarize our conclusions and argue that military conscription derives its political allure from the specific statutory incidence on young males.

An economist’s perspective

Specialization, opportunity costs, and production efficiency

The relative merits of the military draft and the professional army have been debated for centuries by military strategists, historians, philosophers, and political scientists – but also by economists.¹¹ Economically, the draft is a tax in the form of coerced and typically underpaid labor services whereas its alternative, the professional army, recruits its staff from the labor market and compensates it out of the revenues from fiscal (i.e., money) taxes. Professional armies and conscript forces thus represent two different tax modes: in-kind taxes and fiscal taxes. Economists generally ascertain that the draft is the inferior means to raise an army. Already Adam Smith made a clear case against conscription and found an “irresistible superiority which a well-regulated standing [all-volunteer] army has over a militia [conscription].”¹²

Forcing everybody to serve in the military is no more sensible than forcing all citizens to work as nurses, heart surgeons, or teachers.

Smith’s arguments, as well as those of most other economists who wrote on the topic, focus on comparative advantage and the benefits from specialization. Different people are good at different tasks, implying that not everyone is equally good at being a soldier. Forcing everybody to serve in the military is no more sensible than forcing all citizens to work as nurses, heart surgeons, or teachers. By ignoring the principle of comparative advantage, the draft leads to an inefficient match between people and jobs and thus to output losses that could otherwise be avoided. Moreover, already in Smith’s times – but even more so today – warfare requires a degree of experience, training, and mastery in handling complex weapons that drafted, short-term soldiers may never reach. A society that relies on conscription would forego the productivity gains that specialized professional soldiers bring to the production of military output.

Proponents of military draft and compulsory labor services usually evoke the high budgetary costs of manning a voluntary army or staffing the social sector. They argue that the government needs access to cheap labor provided by draftees in the military

or in welfare-related civilian sectors – and especially in the face of war, demographic transition, terrorist attacks, and other crises of society. But this argument confuses budgetary costs with opportunity costs. The cost to society of drafting someone to be a soldier or a nurse is not what government chooses to pay him or her. Rather, it is the value of his or her lost production elsewhere, as well as the potential disutility arising from any inconveniences related to the service. Conceptually, the cost of drafting someone is the amount for which he or she would be willing to join the army voluntarily. These opportunity costs – the costs to the economy at large, the costs of opportunities foregone – are substantial. For instance, Kerstens and Meyermans estimate that the cost of the (now abolished) Belgian draft system amounted to twice its budgetary cost.¹³

Compulsory service is likely to lead into an inefficient organization within the military or the welfare sector. If military commanders or social sector managers view draftees as cheap labor, they are tempted to use too much labor and too little capital. The often lamented tedium of service, the over-manning of army units, and the excessive maintenance devoted to weapons and material in conscript armies well reflect this distorted labor-to-capital price ratio. According to Straubhaar, the share of personnel costs in total expenditure in conscript armies is significantly higher than in professional armies, in spite of the common underpayment of draftees.¹⁴

As teaching sophisticated weapon systems or medical techniques to short-term draftees might just take too much time to be feasible or efficient, an organization staffed with draftees is likely to use less advanced technology. Moreover, an army of inexperienced and poorly trained draftees is bound to suffer more casualties and inflict more human suffering than a professional army in hostile environments.¹⁵ The larger number of injuries or deaths could even become financially more costly than a professional army would have been in the first place. The humanitarian toll of the cheap-labor fallacy in warfare was already criticized by the German, 19th-century economist J.H. von Thunen when observing the carnage of Napoleon’s poorly prepared winter campaigns to conquer Russia. He argued that this could only have begun after soldiers became “cheaply” available through the system of conscription introduced after the French Revolution.¹⁶

The draft as a tax

The draft is an in-kind tax collected in the form of forced work in the military or social sector. It permits government to collect less in other, fiscal taxes.¹⁷ This might make the military draft attractive for less developed countries where governments face difficulties in raising revenues from fiscal taxes,¹⁸ but also for those in developed nations who are convinced that fiscal taxation ought not to be increased.

As any other (feasible) tax, the military draft is not of a lump-sum type. It induces substantial avoidance activities and economic distortions. As exemplified in the vitae of the two most recent U.S. presidents and of many other Americans during the

Vietnam era (when the United States still used the draft), compulsory conscription goes along with various ways of “dodging,” inefficient employment, preemptive emigration, pretended schooling, hasty marriages, and other “substitution effects” which render conscription a socially costly (and arguably unfair) tax. Russia’s statutory two-year draft is avoided by more than 90 percent of eligible men, using means such as fake medical certificates, university studies, bribery, or simply avoiding going to drafting stations.¹⁹ In many countries, Internet-savvy opponents to the draft provide potential recruits with ample advice on how to effectively circumvent being drafted.²⁰

The draft is a tax on the young. Since the age-cohort required to serve ordinarily exceeds the personnel needs of the military, a selection must be made, often – to be “fair” – by means of a draft lottery. But to determine one’s tax liability by lottery would be deemed intolerable in any other realm of taxation.

professional army may strengthen when the demand for defense services is relatively low.²² The perception of decreasing threats to national security may help to explain why a number of European countries chose to abolish the draft in the 1990s, and why the recent promiscuity of the United States in its military adventures encourages advocates of conscription to raise their voices.

The burden of a draft tax primarily falls on young males. While the unequal treatment of genders is a frequent topic in the debate about the draft,²³ the age issue has not found much attention. It definitely raises equality concerns,²⁴ but also has an efficiency dimension. Levy has estimated which enlistment age would maximize social welfare when taking into account the effect of enlistment age on army size, the probability of war, military performance, and potential costs arising from war, including lost output due to casualties and the costs of readjusting to civilian life.²⁵ His numerical simulations suggest that it would be socially better to draft the middle-aged, rather than the young, especially in the case in which psychological scars arising from war would be more severe on the young.

Unlike a professional army that is financed out of the general budget, a draft system passes an important part of the costs of the military or the social sector to young draftees rather than spreading them more evenly across all cohorts of taxpayers. Those in favor of conscription for reasons of budgetary cheapness implicitly argue that the costs of military security or social services – which they deem too high to be borne by everyone via normal taxes – should be shifted to

conscripted teenagers and people in their early twenties.

The draft tax generally goes along with an unequal treatment even within its original target group. As cohort sizes outnumber requirements for military personnel, typically only a fraction of the physically and mentally able young men who are legally subject to the draft is actually called to service.²⁶ In some countries, the selection of draftees from the age-cohort supplied seems to be more or less arbitrary; in others (e.g., Bermuda, Denmark, Mexico, and Thailand) it is based on a formal lottery. For either case, randomization would be an intolerable method to determine one’s liabilities in any other realm of taxation.

For conscripts, the draft comes as a double burden. Not only are they paid below-market wages, but most are compelled to defer their education (human capital investment). The individual and long-term social costs of this deferment are sizeable.

Military reserves

Compulsory military service is often considered beneficial as it can provide sufficient manpower reserves to augment an army in case of a military emergency. As all states retain the right to issue a wartime draft, the validity of this argument depends on whether mobilized reservists are suitably trained for their assignments. Given the concerns about the adequacy of conscripts’ training for the requirements in modern armies even during peacetime, this is highly questionable. Moreover, establishing a volunteer army need not mean giving up reserves,²⁷ provided that reservists are paid sufficient compensation. Paid reservists could (and, in order to maintain their military skills, probably should) be induced to participate in regular exercises, thus replacing quantity by quality also in reserves. Furthermore, along the same line of reasoning as for the case of professional soldiers versus draftees, contracted (as contrasted to conscripted) reservists would render the full opportunity costs of alternative military strategies visible and help to allocate resources more efficiently between personnel and material.

Intertemporal aspects of the draft

Dynamic costs of the draft

When attributing the blood toll of Napoleon’s campaigns to the ready availability of conscripted soldiers, von Thuenen also reasoned that the scandalous misperception in military recruitment of those times was to view human life as a commodity, and not as a capital good. He argued that the economic costs of a crippled or dead soldier encompass “not only all the (now devalued) capital devoted to his education but also

its forgone lifetime returns.”²⁸ This argument points at the intertemporal and human capital aspects involved in military recruitment. While von Thuenen’s statement equally applies to professional and conscripted soldiers, all-volunteer and conscription schemes nevertheless differ in their dynamic impact, especially with regard to human capital.²⁹

In a recent paper with Lau, we argue that the military draft inflicts dynamic costs beyond those generated by a professional army.³⁰ Not visible at the time of draft, these dynamic costs hit society only several years after its introduction, and they pose a burden on society even long after the draft has been abolished. For conscripts, the draft comes as a double burden. First, it means losing discretion over one’s use of time which, for people in their late teens or early twenties, to a substantial extent means having to work in the army or social sector rather than spending time on education, studies, or gathering experiences on their normal job. Second, draftees are generally paid less than the market value of their productivity (which makes them cheap from an accounting perspective). Both the constraint on time usage and the underpayment contribute to a reduction of long-run GDP and economic growth. The channel for the first effect is that draftees are forced to work in the military or the social sector at a time that they would normally be investing in their human capital. Draftees have to postpone or interrupt college or university education or see human capital accumulated before being drafted depreciate during military service. On the individual level, a draft system tends to result in a lower lifetime wage profile, an effect that has been documented empirically. For Dutch draftees in the 1980s and early 1990s, a pair of researchers found losses of up to 5 percent of lifetime earnings as compared to the earnings of non-conscripts.³¹ Wartime seems to aggravate this effect: in the early 1980s, the earnings of white Vietnam War veterans were 15 percent lower than the earnings of comparable non-veterans.³² On the macroeconomic level, the disruption of human capital investments by military conscription translates into lower stocks of human capital, reduced labor productivity, and substantial losses in GDP.

The mechanism of how underpayment of draftees results in a dynamic output loss is linked to individuals’ desire to smooth their life-cycle consumption. The lower the compensation that government pays its draftees, the more they wish to borrow early in their life, implying that their wealth accumulation is postponed. This depresses the long-run stock of capital and thus output and its growth. Naturally, with less-than-perfect capital markets where draftees cannot borrow against future incomes to accommodate low pay during their conscription spell, the long-run effect is to lower the nation’s capital stock even more. Our simulations for a stylized model economy with 60 overlapping generations show that these long-run costs of the draft are sizable: if everybody was subject to a one-year draft early in his life-cycle, long-run GDP would be depressed by up to one percent every year, depending on the extent to which draftees are underpaid.³³

In another recent empirical study with Keller, we corroborate the dynamic costs

of military conscription in a neoclassical growth framework.³⁴ For OECD countries for the period from 1960 to 2000, this study shows that conscription and its length have a considerable negative impact on GDP and its growth. Replacing conscription by an all-volunteer force would increase the GDP growth rate of around a quarter percent or more. This surprisingly large effect is not only suggestive of a negative dynamic feedback from the draft to general productivity growth but clearly repudiates the sometimes claimed positive externalities of conscription on human capital. It is remarkable also against the backdrop that military expenditure or the size of the military labor force *per se* do not seem to exert any systematic effect on GDP and its growth.³⁵

Intertemporal tax incidence of the draft

As parts of its opportunity costs become visible only in the long run, the military draft resembles government debt. But unlike ordinary government borrowing, the economic burden that the draft generates cannot be repaid after a few years. Rather, it will be present long after the draft itself has been abolished, namely until the last generation of draftees has caught up with the productivity level it would have had without the draft. The military draft shares some features with a pay-as-you-go intergenerational transfer scheme. Like the introduction of an unfunded pension scheme, starting a draft scheme amounts to the young giving a “present,” in the form of a reduced fiscal tax burden, to the parent generation. Such a gift may be revolved, but it can never be designed to make everybody in the future equally well off as would have been the case without the gift. Despite this analogy, the military draft differs from a pay-as-you-go social security scheme in one important aspect. While with normal forms of debt there is some hope and evidence that citizens anticipate and already today neutralize, e.g., by additional bequests, the repayment burden which debt imposes on the future (the so-called “Ricardian equivalence”), there is no scope for such an effect in case of the draft: human capital cannot be transferred between generations and over time. The dynamic costs of the draft in the form of lower investment in human capital will persist even if government would repay draftees afterwards the value of resources it has confiscated from them. For the same reason, the negative impact that replacing wage taxes by conscription has on the young and all subsequent generations cannot be undone even if today’s generations behaved entirely altruistically with respect to the burdened future cohorts.

Non-economic arguments

Apart from economic issues, the debate on military conscription entails a number of other aspects: political, moral, and military. The proponents of the military draft sometimes argue that even if the draft suffered from the inefficiencies identified by economists, such costs should be weighted against alleged civic virtues, democratic

controls, or other benefits arising from citizen-armies.

Likelihood of war

Advocates of conscription often contend that a draft breaks militaristic ideologies of societies and limits the inducement for aggressive foreign interventions. By imposing casualties on all groups of society, military adventurism is politically less sustainable and faces greater public resistance with a draft system. However, this perception is empirically wrong. Between 1800 and 1945, basically all wars in Europe were fought with conscript armies, and democratic countries like the U.S. and France even later used conscript military in unpopular colonial wars in Vietnam and Algeria. Systematically analyzing militarized interstate disputes from 1886 to 1992, Choi and James find that a military manpower system with conscripted soldiers is associated with more military disputes than one with professional or volunteer armies.³⁶ And based on cross-sectional data from 1980, Anderson, *et al.* conclude that “warlike” states are more likely to rely on conscription.³⁷ From these studies, the abolition of conscription would not only deliver economic gains but would also pay a peace dividend.

Social cohesion

Advocates of the military draft sometimes argue that a conscript military is more “representative” of society than a professional army that (allegedly) draws its staff disproportionately from the poorly educated, the lower classes, ethnic minorities, or otherwise marginal(ized) strata of society. Conscription, it is said, is not only more egalitarian but may even serve as a “melting pot” for diverse ethnic or social groups that would otherwise have little mutual contact, thereby forging national identity, loyalty to the nation, or social respect.³⁸

Between 1800 and 1945, virtually all wars in Europe were fought with conscript armies. Post-World War II, France and the United States fought highly unpopular wars in Algeria and Vietnam, also with conscripts. Conscription may fuel, rather than constrain militaristic ideologies and aggressive foreign policy stances.

expected relative to their representation in the overall population.³⁹ For Germany, a study showed that males with higher school degrees are more likely to be called to

service than their peers with lower educational status.⁴⁰ A similar bias prevails in the Philippines where military training is compulsory for male college and university students while conscription for other groups in the population does *de facto* not exist.⁴¹ By contrast, enlistment practices favoring the exemption of wealthy, urban, and well-educated have been identified for states such as Russia and Honduras.⁴²

From an economic perspective, tasks in society should be assigned to those with the lowest opportunity costs to fulfill them. Even if it sounds cynical, an army’s “representativeness” is not at all warranted, but rather is indicative of waste. It may well be questioned whether forced labor in a military environment is an appropriate means to promote social cohesion, even when combined with deliberate civic instruction. Other options, such as primary and secondary schooling, integration of minorities, and policies targeted at underprivileged groups in society, appear to be far more promising, in particular as they approach the root of the problem.

Democratic control

Compulsory military service is sometimes held to have greater affinity with democracy than an all-volunteer force. Operating on the basis of order and command rather than voting, army structures are inherently non-democratic. In such set-ups, conscripts act as mediators between society and its army, while a professional military tends to alienate from society and form a “state within a state”.

Yet the “isolation” of the military from the rest society may just as well be regarded as the result of an increased division of labor. In a certain sense, employees in bakeries, courts of justice, and universities are also alienated in their work from the rest of society, but calls for compulsory internships of all members of society in such sectors have so far been unheard of. Even if one views the alienation of the military from the rest of society as particularly undesirable, conscription does not offer a solution. First, praetorian tendencies are most likely to emerge from the officers’ corps (the “warrior caste”) which in any case consists of professional soldiers. Second, the democratic controls arising from draft are open to debate, to say the least. Not only were conscript forces used by totalitarian regimes (e.g., Nazi-Germany, the Soviet Union, Fascist Italy) without noticeable resistance from within the army, but also democratic countries like Argentina (in 1976), Brazil (in 1963), Chile (in 1973), Greece (in 1967), and Turkey (in 1980) relied on conscription during the time of their military coups. Combined with the fact that many democracies have long since adopted the all-volunteer system without being endangered by military plots, these observations, as well as econometric evidence established by Mulligan and Shleifer, indicate that no causality in either direction exists between the form of government and the structure of armed forces.⁴³ Also, a civilizing effect of conscription on the military is not guaranteed: in Russia, the army is plagued by a culture of cruel violence against draftees, resulting even according to official reports in hundreds of deaths annually. Furthermore, conscripts are used as illicit forced labor for the private

benefit of corrupt superiors.⁴⁴

Civic duty

Proponents of the draft posit that conscription instills a sense of the moral duties of citizenship. According to that line of reasoning (which is hard to reconcile with the “contractarian” view economists typically take on the relationship between citizens and the state), all citizens have an obligation to serve their state, including the duty to defend one’s country. A draft scheme ensures such an overall participation in the burden-sharing whereas a volunteer force confines and outsources this patriotic duty to professional soldiers.⁴⁵

The argument that a conscript army distributes the burden of war more “equally” than an all-volunteer army is superficial. With the latter, the fiscal bill is sent to every taxpayer. In contrast, for a conscript army the “bill” is sent exclusively to those who happen to be drafted.

This line of reasoning is superficial for several reasons. First, as argued above, the military draft is far from a burden that is equally shared; it is highly discriminatory with respect to age, sex, and possibly social status. Not very surprisingly, it is thus typically people well beyond draft age who pontificate about everybody’s duty to serve. Second, the burden sharing

is exactly the other way around as claimed. It is with a professional army that the defense burden is distributed across all citizens: the fiscal bill is sent to every taxpayer, independently of age and sex. Calls to service are, however, exclusively sent to draftees. Third, the existence of a civic duty does not imply that the burden from that duty be shared equally. Arguably, contributing to the financing of government is also a civic duty – but the idea that everybody pays the same amount of taxes is neither a logical nor probably a socially desirable implication of that duty.

Why not mercenaries?

On a more abstract level, a professional army can be viewed as a commodification scheme whereby some individuals (the “normal” taxpayers) buy their way out of the military while others (the soldiers) buy their way into it.⁴⁶ To many, such a market-like solution appears inappropriate in the context of national security. The commodification of military service (i.e., the view that defending one’s state is just another job) is considered as evidence for a decline in civic morale and a corruption of the republican conception of citizenship. Defending one’s country should not be a matter of consent.

One might view such an appeal to moral values and civic duties as anachronistic and point at the huge opportunity costs which military conscription entails. However,

as pointed out by Sandel,⁴⁷ this then triggers the question: “[I]f the market is an appropriate way of allocating military service, what is wrong with mercenaries?” Why should one restrict access to an army to nationals only – as most countries currently do? Indeed, private military companies that operate internationally have been booming recently,⁴⁸ France traditionally has relied on its *légion étrangère*, and in its war on Iraq the U.S. army is increasingly employing “greencard recruits,”⁴⁹ hired mostly from Latin America and promised citizenship after service (if they survive). Even by advocates of professional armies, such tendencies of outsourcing or privatizing warfare are often considered objectionable and as a step back to medieval traditions.

Military service entails more than only an economic dimension. As this review indicates, relative to the market-based approach of an all-volunteer force, the military draft seems to be an inferior arrangement. Yet, in spite of globalization, recruiting soldiers on world markets for mercenaries meets skepticism. For the employing governments, hiring (foreign) mercenaries might not only be cheap in budgetary terms but it also reduces the political costs of war casualties, and also of committing atrocities. After all, it is not a citizen and fellow countryman but “only” a contracted agent who loses his health or life or who “misbehaves.” However, governments might be reluctant to employ mercenaries on a large scale for reasons of reliability and enforcement: while defection of mercenaries merely amounts to non-compliance with the terms of a labor contract, desertion from one’s army is typically more heavily penalized and stigmatized. Mercenaries might display high work ethics and military staunchness, but can hardly be expected to exhibit any virtues of citizenship or loyalty to a constitution. Hirelings will change sides in conflict whenever better deals are available; for a citizen-soldier changing sides goes along with abandoning one’s home country. Their higher exit costs and, arguably, their higher idealistic motivation make national soldiers the better military agents.

For a government, hiring mercenaries means outsourcing parts of its monopoly over (armed) violence. In low-intensity conflicts and temporarily, this might be hardly noticeable. Referring to numerous historical examples, military historian Martin van Creveld argues, however, that over time selling away the monopoly of power inevitably threatens sovereignty and the existence of the state as such.⁵⁰ He posits that the concept of the modern state cannot survive when non-governmental agents are allowed to exert violence. At least, mercenaries put into question the (modern and Western) view that wars are a matter only among states.

The political allure of draft

This survey adds several variations to the classical tenet that military conscription and its appendices like national or alternative service ought not to be utilized and, if in practice, ought to be replaced by a professional army or regular workforces. In spite of its apparent cheapness in budgetary terms, the military draft is replete with static

inefficiencies and dynamic distortions. The “front-loading” of the draft tax in a phase of the life-cycle that is crucial for human capital accumulation reduces levels and growth rates of national incomes. The restriction of the military draft to young males raises serious distributional concerns, ranging from gender discrimination to equal treatment of nationals and foreigners to intergenerational fairness. Also many of the alleged non-economic virtues of the military draft disappear into thin air upon empirical scrutiny.

The political allure of the draft tax stems from its statutory incidence: its prime victims are young males.

Even in spite of the economic costs of military conscription and in spite of its dubious record on moral, social, or civic virtues, political leadership might nevertheless maintain or reestablish the draft as it

may be politically more appealing than a professional army. The political allure of the draft as a tax originates from its specific statutory incidence: its prime victims are young males. This implies that those directly burdened by the draft (namely, males at and below draft age) are largely outnumbered by those who do not view themselves as being affected by the draft (all males above draft age and all females). By contrast, the higher tax burden involved with a professional army would visibly affect all taxpayers. In a simple majority vote among selfish taxpayers, the military draft is a winning alternative over a professional army.

Not only economically, but also from a political perspective the draft shares many features of government debt: its introduction is a way around higher taxes, the static inefficiency costs will remain largely unnoticed, and its dynamic costs will at the earliest start to become visible after the first cohort of draftees has finished its (postponed) education, i.e., after a time lag that exceeds the usual presidential or parliamentary terms in most countries. And the peak of the costs of the draft will be reached even later, when the low-productivity spell of the draft has hit a large series of cohorts.

The draft can be (mis)used for intergenerational redistribution, as it one-sidedly levies parts of the costs for the provision of government services on young generations. This is politically especially appealing in ageing societies where older cohorts gain in political weight. Ironically, however, it is ageing societies for which the military draft is a particularly bad idea (despite its potential to deliver a large number of conscientious objectors who are cheaply employable in old-age homes and similar welfare institutions). Not only are the distortions in the allocation of human and physical capital more damaging when young people become relatively scarcer; but in ageing societies that already load the lion’s share of the burden of demographic transitions on younger generations via pay-as-you-go financing of pensions and health care, draft systems unduly exacerbate intergenerational imbalances.

Both the introduction and the continuance of the military draft garner widespread political support – despite their inefficiency and questionable societal performance.

Yet quite a number of countries have abolished the military draft in recent years. However, these decisions paralleled other changes in the military, geopolitical, and social environment. Standing armies for territorial defense have become increasingly obsolete, technological changes have rendered warfare less labor-intensive, and many countries have reduced their military expenditure since the end of the Cold War. The ageing of societies has increased the awareness that high levels of human capital and labor productivity are key factors for keeping intergenerational transfer schemes from young to old (pensions, health care, etc.) sustainable. Together, these changes and insights have made the transition from draft to professional army less costly for those opposing it – and certainly helped the countries that abolished the military draft to realize a nice peace dividend.

Notes

Panu Poutvaara is at the Department of Economics, University of Helsinki, and can be reached at panu.poutvaara@helsinki.fi. **Andreas Wagener** is at the Institute of Social Policy, University of Hannover, Germany. The corresponding author, he can be reached at wagener@sopo.uni-hannover.de.

1. India and Ireland have never utilized military conscription. In Canada conscription has never taken place in peacetime.
2. They are: Denmark, Estonia, Germany, Greece, Norway, Lithuania, Poland, and Turkey. The Danish and Norwegian systems of conscription are largely selective.
3. Unlike the rest of the world, Egypt, Eritrea, Israel, Malaysia, North Korea, Peru, Taiwan, and Tunisia also draw women into compulsory military service or its equivalents.
4. Most notably North Korea (three to ten years of compulsory military service), Kazakhstan (31 months), South Korea (26-30 months), and Syria (30 months). See Globaldefence.net (2005).
5. Krugman (2004).
6. In the U.S., reintroducing the draft or an even more general “national service” requirement was already discussed in the wake of the terrorist attacks of 11 September 2001. See Dionne, *et al.* (2003).
7. *Libération* (2005).

8. See Malaysia (2006). The achievement of at least the third objective may be questioned. Whereas in 2004, part of the training for draftees was held in universities and sports complexes, in 2005 the whole program was held in special camps since all the universities previously involved suffered losses due to trainee vandalism. See Wikipedia (2006b).
9. Sandel (1998); Galston (2004).
10. <http://www.peace.ca/manifestoagainstconscription.htm> [accessed 9 May 2006].
11. For recent surveys, see, e.g., Sandler and Hartley (1995, chapter 6) and Warner and Asch (2001).
12. Smith (1976, p. 701).
13. Kerstens and Meyermans (1993).
14. Straubhaar (1996).
15. Qualitatively, the same argument holds for civil service. In Germany, for instance, some welfare agencies no longer have ambulance cars driven by draftees doing their civil service: draftee-drivers caused a much larger number of accidents than did experienced professional drivers (Drieschner, 2004).
16. von Thuenen (1875, pp. 145-146).
17. According to Oneal (1992), the size of budgetary savings from conscription in NATO states was on average 9.2 percent of national military expenditure in 1974, but decreased to only 5.7 percent in 1987. Conversely, Warner and Asch (2001) report that the budgetary costs of moving to a volunteer force in the U.S. in 1973 came to 10 to 15 percent of the 1965 military budget (which was chosen as a reference point in the study to exclude the effect of the Vietnam War).
18. See Anderson, *et al.* (1996).
19. Lokshin and Yemtsov (2005).
20. For a primer on various techniques, see Wikipedia (2006d). For Germany see, e.g., <http://www.ausmusterung.net/>.
21. See, e.g., Lee and McKenzie (1992), Warner and Asch (1995), and Gordon, *et al.* (1999).
22. See, already, Friedman (1967).
23. For example, the European Court of Justice (Case C-186/01[Dory]; 11 March 2003) recently turned down the suit of a German (male) conscript who had argued that compulsory military service being reserved to men is contrary to the principle of equality and constitutes an unlawful discrimination against men, in particular as performance of military service delayed access by men to employment and vocational training. The court did not decide on the matter itself but reasoned that regulations concerning compulsory military service do not fall under European Community law.
24. Oi (1967).
25. Levy (2004).
26. Moreover, unequal treatment of those actually called to service also is pervasive. The Texas National Guard unit where U.S. president George W. Bush served during the Vietnam war is just one example of so-called “champagne units,” stationed at risk-free distance to combat zones and staffed by wealthy or politically connected people (Wikipedia, 2006c). The German Bundeswehr hosts “sport companies” that provide generous training facilities for drafted athletes; by contrast, less athletically capable draftees are compelled to interrupt their careers by serving in regular army units.
27. Take the U.S. as an example: there, the reserve component consists of the Army and Air National Guards and the Army, Navy, Marine Corps, and Air Force Reserves. It totals 1.1m men and women (about 45 percent of the nation’s available military forces) and in 2006 is forecast to consume 7 percent of the national defense budget. See <http://www.defenselink.mil/ra/documents/IntrotoRAFY06.pdf> [accessed 18 April 2006].
28. von Thuenen (1875, p. 147).
29. Spencer and Woroniak (1969); Knapp (1973).
30. Lau, *et al.* (2004).
31. Imbens and van der Klaauw (1995).
32. Angrist (1990).
33. Lau, *et al.* (2004).
34. Keller, *et al.* (2006).

35. For a survey, see Dunne, *et al.* (2005).
36. Choi and James (2003).
37. Anderson, *et al.* (1996).
38. See the opening example of Malaysia's National Service Program. An often-heard example is the role of the Israeli Defence Force in integrating diverse strata of Israel's society, including immigrants from the scattered Jewish diaspora. In post-unification Germany, conscription is defended as a way to bring males from the eastern and the western part of the country together.
39. Angrist (1990).
40. Schneider (2003).
41. WRI (2005).
42. Russia: Lokshin and Yemtsov (2005). Honduras: Cameron, *et al.* (2000). Many countries using conscription offer deferment or other forms of preferential treatment to university students. Several countries (including Albania, Iran, and Turkey) even have legal buy-out options. For comprehensive country reports, see WRI (2005).
43. Mulligan and Shleifer (2005).
44. Economist (2005).
45. It is along this line of reasoning that U.S. Congressman Rangel motivates his constant request for conscription: "As the President speaks of a national response involving the military option, military service should be a shared sacrifice. Right now the only people being asked to sacrifice in any way are those men and women who with limited options chose military service and now find themselves in harm's way in Iraq. A draft would ensure that every economic group would have to do their share, and not allow some to stay behind while other people's children do the fighting." See http://www.house.gov/apps/list/press/ny15_rangel/CBRStatementonDraft02142006.html [accessed 9 May 2006].
46. Sandel (1998).
47. Sandel (1998, p. 113).

48. See Singer (2003). Perhaps the best-known private military company is the now-defunct Sandline which was involved in conflicts in Papua New Guinea (1997) and Sierra Leone (1998).
49. Krikorian (2003).
50. van Creveld (1991).

References

- Anderson, G.M., D. Halcoussis, and R.D. Tollison. 1996. "Drafting the Competition: Labor Unions and Military Conscription." *Defence and Peace Economics*, Vol. 7, pp. 189-202.
- Angrist, J.D. 1990. "Lifetime Earnings and the Vietnam Era Draft Lottery: Evidence from Social Security Administration Records." *American Economic Review*, Vol. 80, pp. 313-335.
- Cameron, S., G. Dorling, and A. Thorpe. 2000. "It Could be You! Military Conscription and Selection Bias in Honduras." *European Review of Latin American and Caribbean Studies*, Vol. 68, pp. 47-63.
- Choi, S.-W. and P. James. 2003. "Professional Soldiers, No Militarized Interstate Disputes? A New Question for Neo-Kantianism." *Journal of Conflict Resolution*, Vol. 47, pp. 796-816.
- Dionne, E.J., K. Meltzer Drogosz, and R.E. Litan, eds. 2003. *United We Serve. National Service and the Future of Citizenship*. Washington, DC: Brookings Institution Press.
- Drieschner, F. 2004. "Feierabend für den Zivi." *Die Zeit*. 15 January 2004. http://www.zeit.de/2004/04/01__leiter_2_04 [accessed 30 April 2006]
- Dunne, J.P., R.P. Smith, and D. Willenbockel. 2005. "Models of Military Expenditure and Growth: A Critical Review." *Defence and Peace Economics*, Vol. 16, pp. 449-461.
- [Economist] 2005. "The Russian Army: How are the Mighty Fallen." *The Economist*. 2 July 2005, pp. 29-30.
- Galston, W.A. 2004. "Thinking About the Draft." *Public Interest*, No. 154, pp. 61-73.
- Friedman, M. 1967. "Why Not a Volunteer Army?" *New Individualist Review* (Spring), pp. 3-9.
- Globaldefence.net. 2005. <http://www.globaldefence.net/> [accessed 30 April 2006].
- Gordon, R.H., C.-E. Bai, and D.D. Li. 1999. "Efficiency Losses from Tax Distortions vs. Government Control." *European Economic Review*, Vol. 43, pp. 1095-1113.
- Imbens, G. and W. van der Klaauw. 1995. "Evaluating the Cost of Conscription in The Netherlands." *Journal of Business and Economic Statistics*, Vol. 13, pp. 207-215.
- Keller, K., P. Poutvaara, and A. Wagener. 2006. "Military Draft and Economic

- Growth in OECD Countries.” IZA Discussion Paper No. 2022. Bonn: IZA.
- Kerstens, K. and E. Meyermans. 1993. “The Draft versus an All-Volunteer Force: Issues of Efficiency and Equity in the Belgian Draft.” *Defence Economics*, Vol. 4, pp. 271-284.
- Knapp, C.B. 1973. “A Human Capital Approach to the Burden of the Military Draft.” *Journal of Human Resources*, Vol. 8, pp. 485-496.
- Krikorian, M. 2003. “Green-Card Soldiers: Should the U.S. Military be Reserved for Americans?” *National Review Online*. 22 April 2003 . http://www.nationalreview.com/nr_comment/nr_comment042203.asp [accessed April 30, 2006].
- Krugman, P. 2004. “Feeling the Draft.” *The New York Times*. 19 October 2004, p. 27.
- Lau, M.I., P. Poutvaara, and A. Wagener. 2004. “Dynamic Costs of the Draft.” *German Economic Review*, Vol. 5, pp. 381-406.
- Lee, D.R. and R.B. McKenzie. 1992. “Reexamination of the Relative Efficiency of the Draft and the All-Volunteer Army.” *Southern Economic Journal*, Vol. 59, pp. 646-654.
- Levy, A. 2004. “Should They be Enlisted at Eighteen Years of Age?” Economics Working Paper 04-04. University of Wollongong, Australia.
- [Libération]. 2005. “Le PS s'accroche au service obligatoire.” *Libération*. 17 November 2005. <http://www.liberation.fr/page.php?Article=339071> [accessed 10 May 2006]
- Lokshin, M. and R. Yemtsov. 2005. “Who Bears the Costs of Russia’s Military Draft?” Mimeo. Washington, DC: The World Bank.
- [Malaysia] Ministry of Defense. 2005. http://www.mod.gov.my/default_eng.php [accessed 30 April 2006].
- Mulligan, C. and A. Shleifer. 2005. “Conscription as Regulation.” *American Law and Economics Review*, Vol. 7, pp. 85-111.
- Oi, W.Y. 1967. “The Economic Cost of the Draft.” *American Economic Review* (Papers and Proceedings), Vol. 57, pp. 39-62.
- Oneal, J.R. 1992. “Budgetary Savings from Conscription and Burden Sharing in NATO.” *Defence Economics*, Vol. 3, pp. 113-125.
- Sandel, M.J. 1998. “What Money Can’t Buy: The Moral Limits of Markets.” Tanner Lectures on Human Values. University of Utah. <http://www.tannerlectures.utah.edu/lectures/sandel00.pdf> [accessed 30 April 2006].
- Sandler, T. and K. Hartley. 1995. *The Economics of Defense*. Cambridge: Cambridge University Press.
- Schneider, T. 2003. “Wehr- und Zivildienst in Deutschland: Wer dient, wer nicht?” *Jahrbücher für Nationalökonomie und Statistik*, Vol. 223, pp. 603-622.
- Singer, P.W. 2003. *Corporate Warriors: The Rise of the Privatized Military Industry*. Ithaca, NY: Cornell University Press.
- Smith, A. 1976 [1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Oxford: Clarendon Press.
- Spencer, D.L. and A. Woroniak. 1969. “Valuing Transfer of Military-Acquired Skills to Civilian Employment.” *Kyklos*, Vol. 22, pp. 467-492.
- Straubhaar, T. 1996. “Einsparpotenziale bei den Verteidigungsausgaben: Die allgemeine Wehrpflicht,” pp. 267-299 in D. Fritz-Assmus and T. Straubhaar, eds. *Sicherheit in einem neuen Europa*. Bern, Switzerland: Haupt.
- van Creveld, M. 1991. *The Transformation of War*. New York: The Free Press.
- von Thuenen, J.H. 1875. *Der isolierte Staat in Beziehung auf Landwirtschaft und Nationalökonomie*. 3rd ed. Berlin: Wiegardt, Hempel & Parey. [*The Isolated State*. 1966. Oxford and New York: Pergamon Press.]
- Warner, J.T. and B.J. Asch. 2001. “The Record and Prospects of the All-Volunteer Military in the United States.” *Journal of Economic Perspectives*, Vol. 15, No. 2, pp. 169-192.
- Warner, J.T. and B.J. Asch. 1995. “The Economics of Military Manpower,” pp. 348-398 in K. Hartley and T. Sandler, eds. *Handbook of Defense Economics*. New York: Elsevier.
- Wikipedia. 2006a. “Conscription.” <http://en.wikipedia.org/wiki/Conscription> [accessed 30 April 2006].
- Wikipedia. 2006b. “Malaysian National Service.” http://en.wikipedia.org/wiki/Malaysian_National_Service [accessed 30 April 2006].
- Wikipedia. 2006c. “Champagne Unit.” http://en.wikipedia.org/wiki/Champagne_unit [accessed 30 April 2006].
- Wikipedia. 2006d. “Draft Dodger.” http://en.wikipedia.org/wiki/Draft_dodger [accessed 30 April 2006].
- [WRI] War Resisters International. 2005. *Refusing to Bear Arms: A Worldwide Survey of Conscription and Conscientious Objection to Military Service*. London: War Resisters International. <http://www.wri-irg.org/co/rtba/index.html> [accessed 30 April 2006].