

# **How butter beats the Guns?**

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## **ABSTRACT**

*The correlation of state spending on pure and mixed public goods reflects the making of fundamental choices about state functions.*

*Are pure public good "defense" normal quality provision compatible in Long Run with heavy spending on social sector (i.e. compatible with mixed public goods provision)?*

*The main hypotheses tested: elected politicians and bureaucrats' have strong incentives to choose wrong strategies in foreign and military policies if the state extends its responsibility far from the pure public goods provision limits.*

*The case study (Protocol 1, June 8, 1977, to the Geneva Convention of 1949) shows, how "punishment for military success" strategy undermines incentives of army officers, making the military machine virtually inoperative. Artificially abridged Army capability provides the argument for the notion "war is no solution". The set of the governments credibly ready to obey ratified Convention, are clearly segmented on two subsets. The 1st one includes the Governments bearing military responsibilities, military umbrella -givers, which abstained to impose all Protocol caused risks on the army officers (non-ratified – USA, Israel; ratified with strong reservations – UK, France, Germany) and the rest democratic countries – which are military umbrella takers, ratified the Protocol without significant reservations.*

*Statistical analysis of Great Powers military spending historical trends used to test the main hypothesis. Preliminary statistical analysis fails to reject it. We believe bureaucratic competition for the responsibilities, staff and the budget provides satisfactory explanation of this phenomena.*

*JEL codes: D72, D74, H11, H41, N40*

*Keywords: Budget Spending structure, pure public goods, mixed public goods, universal suffrage, military justice, military spending*

# *Concerning the Compatibility of Quantitatively Significant Spending on “Butter” and Qualitative – on “Guns”*<sup>1</sup>

*A State, then, has one of two ends in view; it designs either to promote happiness, or simply to prevent evil*  
W. von Humboldt<sup>2</sup>

## **1. The Problem**

### **1.1. Guns Rather Than Butter?**

In their work, a series of researcher historians have noted the long-term tendency to lower the share of defense spending in the total spending by the state (Eloranta, ... 2004). The connection is stressed between this tendency and the extension of the right to vote in general (Aidt et al, ... 2006), as well as with the granting of the right to vote to women in particular (Funk, Gathmann, ... 2006).

Discussion of military spendings is conducted within some ideological schema: «... conventional wisdom holds that high levels of military spending divert government money from both social spending and investments that can fuel economic growth and increased standards of living.» (Gifford, 2006)

Welfare state efforts considered implicitly or even explicitly as quality public good.

Some researchers highlight "social side" of some military programs (Gifford, 2006; Whitten and Williams, 2011). However both historically and in the long-run growth of social spendings overpaced growth of military spendings. Long-run effects of social programs remains contested.

The political representation of groups demanding that society's wealth be redistributed in their own favor became a prominent factor in lowering military spending vis-a-vis overall spending by the extended government. Leftist (socialist) parties would as a rule openly proclaim the army (“militarism”) their enemy (Liebknecht, 1973; written 1907). The refusal of a sizable group of Social Democrats to assume an extreme anti-military position during World War I met with severe criticism by the radicals. The leadership of parties not assuming a rigid stance in opposition to raising military spending during wartime were treated by the radicals as traitors (Lenin,.... 1969). A vivid modern

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<sup>2</sup> Humboldt, 1852

example of militant “anti-militarism” is the way that the current radical administration in the US (Department of Homeland Security, 2009) lumped armed forces veterans into one with the milieu which nurtures “internal terrorism.” The report does not provide a single example from the past, which could substantiate the misgivings expressed by its authors. During the years which have passed since the publication (the leak) of the presentation, not a single terrorism accusation has been leveled against a US veteran. This makes it possible to see the presentation as an expression of an ideological position taken by the administration, rather than an interim summary of current bureaucratic work.

At the outset, the bureaucracy, being a thoroughly conservative corporation, treated the demands of the Socialists with watchful wariness. But the coincidence of the Socialists’ demands with the interests of the bureaucracy unconnected with the military budget was too obvious to be ignored for long. “Providing care” for every single citizen “from the cradle to the grave” seemed much more appealing of a perspective than serving a mere few projects (even if they should be significant enough each in its own right, such as the construction of the Panama Canal). Providing care offered an opportunity to put to use contemporary economic growth (Kuznets, 1966) so as to extend the state’s share in the economy. Preserving the state as a militarized structure with a “night watchman’s” functions would have considerably complicated finding a solution for this problem.

Opportunities for expanding the authorization and grounding for additional budgetary expenses with special emphasis placed on mixed public goods are for all intents and purposes unlimited.

### **1.2. An A Priori Ineffective Choice of Strategy? Depending on Who Does the Choosing...**

Why is it that “War is no solution”? Is it true that war can never be a solution, and obviously even the only possible solution, given a country which has been invaded?

Why is it that “No Winners in Nuclear War”? Did US lose WWII and did Japan win? Does modern Hiroshima and Nagasaki prosperity proves, that loser-country, absorbing limited number of nuclear strike doomed to everlasting suffer or long lusting couldn't survive and succeed?

Why are high precision systems called for not along with salvo firing setups, but instead of them? Why is an inexpensive attack unacceptable, while costly defense can be borne up with? Who today stands to gain from restrictions on nuclear armaments?

In other words, what are the reasons for the historically new phenomenon in democratic States’ military policies? The concern here is with the stable deviation of chosen strategies of providing the pure public good of “defense” from the optimal.

### **1.3. Punishment for Success**

What is the reason for the emergence of strange new norms of military justice, and court decisions based on these norms, which make victory almost more of a risk than defeat for someone serving in the armed forces? Technically, the number of enemy military casualties is bound up with a greater or lesser number of civilian victims, depending on the position chosen by the enemy (Yanovskiy, 2009). And the civilian victims caused by attack can be seen as war crimes.

It would seem that what is at stake is some new moral standard which has come to be in demand after the horrors of World War II. Yet it is clear that had new norms and approaches been applied prior to the end of World War II, the war and its outcomes would have taken an unavoidably different course (Keiler, ... 2009<sup>3</sup>), (Welzer, ... 2009). It would have been impossible to defeat Nazi Germany by guaranteeing the enemy impunity in using tactics of the “living shield” kind and, besides, by punishing our own officers and generals for the consequences of the enemy’s use of such tactics.

It is a historical fact that the immediate impression made by the war led to the ratification of the Geneva Convention concerning the defense of the civilian population in times of war. However, it in no way hindered the destruction of the enemy TOGETHER with the living shield, unambiguously placing the burden of responsibility for civilian lives on the side resorting to living shields for purposes of defense, rather than on the side of the attacker (Yanovskiy, Zatcovetsky, 2013, - see Annex 2).

“Morality” of the kind which establishes the priority of the life of the enemy and the population loyal to the enemy with respect to the lives of one’s own military personnel and civilian population is extremely doubtful. This is the “morality” of meting out punishment for success. It follows that a “moral” explanation along these lines leads to a great many more questions than it gives answers.

#### **1.4. Democratic States’ Military Expenses in Historical Retrospective**

The data at our disposal indicate that, most likely, military expenditures in times of peace were never beyond the reaches of the imagination. Usually, they made up some 2-4% of the Gross Domestic Product (GDP).<sup>4</sup> In times of war, there would naturally be a sharp increase in expenses, sometimes growing in multiples of ten.

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<sup>3</sup> In his "End of Proportionality," Keiler writes: "In fact, none of the four historical examples discussed involved the use of disproportionate force as a matter of law. Even when the Allies or the Israelis made mistakes, as in Lebanon or Cassino, they reasonably believed that their attacks abided by the principles of economy of effort and proportionality. The force directed against the abbey at Cassino was tremendous but not out of the ordinary according to the extremely violent standards of World War II. If the bombing of Monte Cassino was disproportionate, so were the Allied bombings of Caen, St. Lo, and countless other Axis targets. Indeed, practically the entire Allied war effort would have to be regarded as criminal. Israel’s attacks on Lebanon’s infrastructure were substantial, but not worse than NATO’s strikes against Serbia during the Kosovo conflict in 1999. The only thing wrong with Israel’s strikes in Lebanon or various Allied bombings in World War II was their lack of success".

<sup>4</sup> The qualification should be added that this category is applicable only to the case of a free economy; very serious problems ensue otherwise.

During a period when more or less reliable statistical data are available and are published, and parliamentary control over government incomes and expenses is in effect, military peacetime expenditures make up 2-4% of the GDP or 20-30% of the expenses of the extended government (prior to the extended spread of the institution of universal suffrage).

In times of world war, the powers involved in the most intensive military action expended some 30% and more of their GDP on the war effort, and not less than 70% of the spending of the extended government.<sup>5</sup>

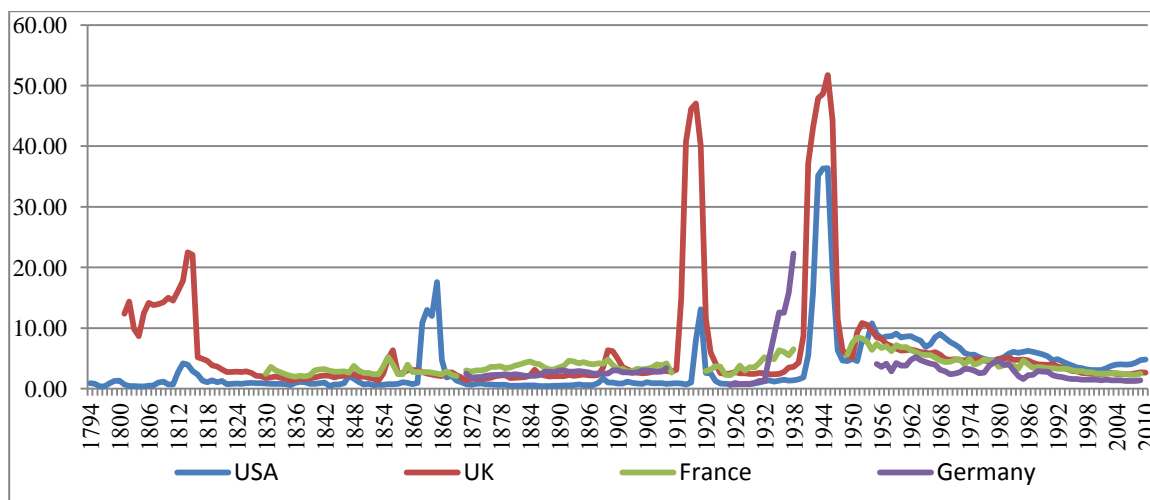
After WWII, the approximately 2-4% load level on the economy was retained. After the close of the Cold War, a drop was to be observed in the defense spending burden on the economy of the democratic countries, where it reached 1-2.5% of the GDP.

It should be noted, however, that countries engaging in war had to pay up later on occasion to cover war debts. These payments could make the burden on the budget approximately double. But even taking these conditions into consideration, state expenditures usually fit into 10% of the GDP, and military ones did not exceed 4-7%.

The US and Israel constitute something of a special case. Prior to WWI, the US, protected by oceans from potential invaders, usually spent no more than 0.5-1.5% of the GDP on defense. The 10% threshold “comes through” only during the Civil War, showing up next close to the end of WWI. During and after WWII, the US became a leading military power providing protection and aid for dozens of smaller partners in a variety of coalitions. This naturally impacted the military onus: an anomalously high 5-10% of the GDP before the end of the Cold War, and 3-5% of the GDP after the Cold War (albeit including the period of the wars in Iraq and Afghanistan).

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<sup>5</sup> Countries which really engaged in war later paid war debts. An example of a war budget fitting the indicated figures nonetheless is Great Britain.



*Puc. 1. Ill. 1. Dynamics of Military Spending in Four Powers as a Share of the GDP. Sources: national statistics offices et al. (See the “Data” section.)*

Great Britain’s record-breaking spending during WWII is to be explained by the support (credits and other military aid) of the US. Even so, the USSR’s military expenses during WWII apparently make the one absolute and definitive record for all of modernity. According to M. Harrison’s estimate (Harrison, 2002), the military expenses’ share was above 61% of the GDP in the USSR, a fact to be explained by both the mobilization capacity of the totalitarian state and the substantial drop in production during 1941-1942.

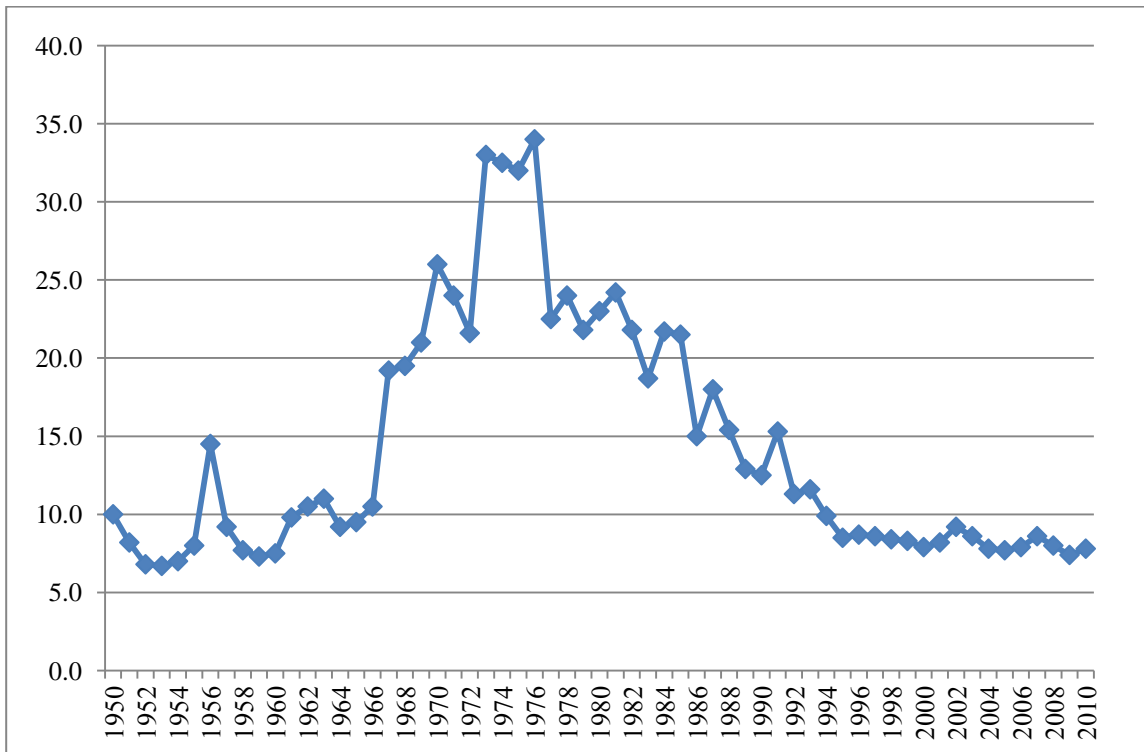
Another country with “anomalous” military spending is Israel. Here during years of relative peace military expenses take up from 10-15% to 20-25% of the GDP. In times of war, spending connected with the army also went through the roof, which was at 30% of the GDP. After the end of the Cold War, spending remains at the 7.5-9% of the GDP level.

Taking into consideration the financing of particular military programs in particular countries which played a key role (or are capable of playing a key role), it is impossible not to be struck by the incredible popularity of pacifism and readiness to give up minimal reasonable military burdens. This is the case while the overall burden of state spending is on the rise everywhere (Tanzi, Schuknecht, 2000), (Cardoso, 2010), (Voegeli, 2010).

The British voters’ refusal to provide serious financing for the navy and the air force placed the country at the edge of disaster in 1940 (Smith, 2006)<sup>6</sup>. The Finnish voters’ refusal to finance the

<sup>6</sup> The author notes that in the course of negotiations concerning restricting the size of the navy, the highest command of the British navy in 1921 was less apprehensive about rival partners than about the Lloyd-George government, that “first builder” of the welfare state in England, and its leftist political allies. Choosing between military and social spending under the burden of military debt (above 130% of the GDP, with debt growth continuing beyond 180% of the GDP in 1923 (see [http://www.ukpublicspending.co.uk/debt\\_brief.php](http://www.ukpublicspending.co.uk/debt_brief.php)), the government resolutely sacrificed the navy and all security

construction on the Karelian Isthmus of fortifications incomparably more modest than the Maginot Line (Mannerheim, 1954) was paid for dearly: the loss of tens of thousands of lives, and the resettling of a considerable part of the population of the country.



*Ill. 2. Israel's Military Spending Dynamics in GDP (in GNP prior to 1987), %.*

*Sources: Military Spending Database at Israel's Ministry of Finance (the last few years' budgets); SIPRI (Beenstock, 1998), Bank of Israel, Israel's Central Bureau of Statistics.*

Naturally, failures and serious mistakes made in preparing for war are not limited to the period immediately following the introduction of universal suffrage. But the phenomenon of lower defense capacity against the backdrop of sizable growth in state spending is relatively new since the times of building for purposes of religious worship in ancient despotic states. For market democracies whose history divides into a period of the taxpayer's census requirement democracy and one of universal suffrage, comparing the status and combat readiness of the armed forces in these ages appears to be a thoroughly promising task.

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guarantees for the post-war generation of the British. The minister who since 1910 was responsible for the first "social welfare" reforms based on the German model was Winston Churchill. But by this time he had left the Liberal Party and significantly corrected his views.



## 1.5. Inter-Bureau Competition

Competition among politicians' coalitions (the "rightist" and the "leftist," as we term them) superimposes on competition among bureaucratic structures for budgetary resources. This involves competition among "military" and "civil" bureaus (offices). Long-term successes of "civilian" bureaucrats and "leftist" politicians can serve as an explanation for the curtailment of the share devoted to defense spending (and generally of spending on pure public goods) in state spending as a whole. It works even better as an explanation for the emergence of the new military legislation which practically forbids winning (causing the enemy irreversible losses which deprive the opposing side of the ability to resist). Mottoes like "War Is No Solution" or "No Winners in Nuclear War" fit the bureaucratic agenda no worse than a newspaper article or an anti-war demonstration speech.

Competition among military and non-military projects, or military and civilian bureaucrats, probably dates from the same time as the state itself. In its present condition, as an unceasing attack by civilians upon the military, this phenomenon surfaces between the world wars. Churchill (Churchill, ... 1991<sup>7</sup>) and Mannerheim are both instances of failure to provide security as a result of politicians' myopia<sup>8</sup> or unfortunate coincidence. Even so, a different explanation may be possible in connection with the interests of both politicians and bureaucrats.

True enough, prior to achieving an advantage in the division of the budgetary pie, it is usually required that one ground one's advantages by solving problems. But at the end of this route, lapidary phrasing appears in budgetary legislation, such as "mandatory outlays" and "discretionary outlays" by the legislator. The former include most of US spending on "mixed public goods,"<sup>9</sup> while the latter include the main (the military) US expenditures on pure public

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<sup>7</sup> Primarily Chapters 5 ("Years of Locust Attack"), 7 ("Balance in the Air Is Lost"), and 8 ("Challenge and Response").

<sup>8</sup> "As justification for the most complete refusal by the opposition to take any measures whatsoever to lend strength to our air force, Attlee, speaking on its behalf, stated the following, 'We deny the need to increase our air force... We do not agree with the claim that fortifying the English air force will aid the preservation... of peace throughout the world, and we utterly reject any pretense of equality.'  
The Liberal Party supported this resolution about a vote of distrust."

<sup>9</sup> The new target for leftists' attack in the US, the "ultra-conservative" vice-presidential candidate 2012, Congressman Paul Ryan merely offers gradually modernizing, "for the future" (rather than eliminating entirely) this type of spending. He even accuses the Obama administration of cutting down on current Medicare spending. In our view, he is definitely more of a rightist than Obama, but less as a matter of principle than this appears to be the case to the "liberals." One of the standard accusations leveled by the leftists at Romney-Ryan naturally has to do with their "partiality" for defense spending: <http://www.demos.org/category/tags/federal-budget>.

goods. The approach requiring that care be provided “from cradle to grave” for those citizens who are allegedly limited in their ability to undertake action, makes for potentially unlimited opportunities for expending budgetary means.<sup>10</sup> Defense expenditures “are sold” to the electors with a great deal more trouble<sup>11</sup>.

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## 2. Hypothesis to be tested

Given an independent (autonomous) bureaucracy (state service), universal suffrage stimulates or even creates public (including electoral) demand for a welfare state. This demand is reflected in the robust leftist-populist parties, which make their appearance in the political arena; with time, they become part (at times, a leading part) of the political establishment.

Having a welfare state means simultaneously sharp growth in spending on mixed public goods (education, medicine, aid for the elderly, the handicapped or simply the indigent, all while supporting the budget, and the like). This last kind of spending becomes the leading category of spending for a historically extended period of time, while spending on pure public goods assumes secondary status in the total structure of expenses for the extended government. This holds even in cases when a stable share of the GDP is retained.

The process of relative “marginalization” of military spending goes hand in hand with the marginalization of military offices, de-legitimation<sup>12</sup> of military workers as a corporation or a profession, as well as the imposition upon the military of ever more rigid constraints in handling combat maneuvers, up to the point of preventing the very possibility of achieving victory.<sup>13</sup>

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<sup>10</sup> Milton Friedman quotes from the budgetary missive from New York City Mayor Robert Wagner in 1965: “I will not have it that our fiscal problems should limit our obligations to satisfy the basic needs of the inhabitants of the city.” (Friedman, Friedman, ... 2007, p. 119) The radicalism with which the Mayor expresses his intention utterly to ignore budgetary constraints can be explained by the euphoria of the first few years of the “Great Society.” But the temptation to ignore spending constraints by means of resorting to income revenues made the idea of constant deficit almost universal, making it hard for anybody today to think of the need for a fully and strictly balanced budget. The military managed to achieve this only in cases of great wars and obvious threats posed by external enemies, which every citizen could comprehend. Civil officials for decades manage year in, year out to carry on without the least sign of emergency.

<sup>11</sup> For some more pieces devoted on various aspects of the problem (“Costly Defense instead f cheap Attack”; “Nuclear Disarmament Race” and “Reservation for Generals ) see (Yanovskiy, Zatskovetsky, 2013).

<sup>12</sup> Intended here is public demonstration of disdain, or contesting the rightness of solving problems by using arms; see Smith 2003, Chapter 1.

<sup>13</sup> In Clausewitz’s terms: “ Each strives by physical force to compel the other to submit to his will: his first object is to throw his adversary, and thus to render him incapable of further resistance. (Clausewitz, 2009 p.18: Book I, Chapter I para 2, "Definition" or see: <http://www.clausewitz.com/readings/OnWar1873/BK1ch01.html> ).

### 3. Cases

#### 3.1. *The Geneva Convention on Rights... and "Excess Use of Force"*

The 1949 Geneva Convention concerning the rights of civilians unambiguously absolves the attacking side of responsibility for losses among the civilian population if the opposite side has positioned its forces among civilian targets. This latter side is the one responsible for losses (Yanovskiy, Zatskovetsky, 2013, Annex 2).

Jonathan Keiler (Keiler, 2009) cites a reference to the directive<sup>14</sup> which forbids the American military to attack in cases when the possible losses to civilian targets are incomparable to the anticipated military gain. This requirement echoes the requirement articulated in Protocol 1, dated June 8, 1977, to the Geneva Convention of 1949 (Article 51). Such a requirement is all the more surprising in light of that neither the US nor Israel has endorsed the aforesaid Protocol.

The Protocol itself constitutes the principal international-legal documented act introducing responsibility for "disproportionate use of force." To be more precise, Article 51 refers to some "clearly excessive" use of force without providing due, detailed definition of criminal conduct or at least wrongful activities. The notion commonly resorted to today of "disproportionate force" is not accompanied by even the least attempt at definition or the least grounding for the sources of its legal meaningfulness. The reference to Article 51 in the 1<sup>st</sup> Protocol is the attempt, ours and of a number of other legal scholars, to find a rational explanation and sources for this bizarre notion (Fletcher, 2010). G. P. Fletcher makes attempts independently to decipher the notion of "disproportionate force." He demonstrates that, given the by now accepted use of the term, doing this in a legally correct manner is impossible. As for the meaning of the term in practice, this is incompatible with either the elementary requirements of law or the possibility of conducting combat action.

Great Britain, Germany, and France ratified the aforementioned Protocol, making crucial reservations, including ones pertaining to Article 51. They all emphasized that they understand "attack" rather broadly.<sup>15</sup> In other words, they retain the right to refer to issues not connected with each particular strike (incident) in a strictly identified location.

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<sup>14</sup> Law of Land Warfare Manual, FM 27-10, Chapter 2, Paragraph 41; <http://ac-support.europe.umuc.edu/~nstanton/FM27-10.htm>

<sup>15</sup> "...the attack considered as a whole and not only from isolated or particular parts of the attack." <http://www.icrc.org/ihl.nsf/WebSign?ReadForm&id=470&ps=P>

Great Britain also reserved the right to refuse the obligations ensuing from the Protocol, should the enemy violate the same.

It should be noted that most countries signed the Protocol without making substantial reservations.

At the same time, most of the “non-altering” signees apparently have no intention of observing the requirements of the Convention and the Protocol. This presupposition is based on the fact that they never in the past observed these or the even more narrow requirements of the original text of the Geneva Convention (Syria, which has already been mentioned in this connection, Congo, Uganda, Cuba, North Korea, Sudan). To these last we should also add the USSR, which ratified the additional Protocol without any amendments<sup>16</sup> and accompanied the signing and ratification with a flowery declaration of new thinking and historical continuity (from pre-revolutionary Russia). When assuming the international obligations of the USSR, Russia also failed to make any attempt to review this position or introduce appropriate changes.

Democratic countries which signed the Protocol without making reservations are almost all small countries using the “umbrella” of the US (which shirked signing) and other large powers, which did make substantial reservations.

The US and Israel do not recognize the authority of the International Criminal Court (ICC). The US motivates this refusal by the need to protect its workers from persecution (even though the Clinton administration signed the Roman Statute in 2000, the next administration, upon running into the must of military action, immediately took legislative measures in the opposite direction).

The agreement and work of the ICC are now explicitly in contradiction with the special law accepted during the term in office of George Bush, Jr.: the American Service Members’ Protection Act of 2002.<sup>17</sup>

Israel’s reasons concerning this issue are similar.

Readiness to take on the duty of prosecuting one’s own military servants for having performed what are, as a rule, successful combat operations is in democratic countries inversely proportional to the frequency of the country’s need to apply military force.

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<sup>16</sup> See *ibid.* (September 29, 1989).

<sup>17</sup> Title II of P.L. 107-206; 22 U.S.C. §§ 7421–7433 (Weed, ... 2011).

Among political parties and coalitions, the supporters of meting out punishment to the military for success are, by our definition,<sup>18</sup> (and frequently by their own self-proclaimed identification) “leftist” politicians.

These coalitions’ gains are considerable in all democratic states, including the US<sup>19</sup> and Israel.

In Israel, the “human rights public” organization “*Yesh Din*”<sup>20</sup> published a report voicing outrage in connection with that out of 3150 incidents (recorded by leftist activists of complaints lodged by persons controlled by terrorists), only 112 cases concluded with the issuance of a guilty verdict<sup>21</sup> (for further details see Israel country case: Zatskovetsky, Yanovskiy et al, 2014).

### 3.2. *The Moral De-Stimulation of Military Personnel*

There are a number of factors contributing to the fall in prestige of military service and lower incentives for the military to strive for victory.

“Under-financing” (lower-quality arming, supplies, or uniforms) alone does not at all necessarily amount to lower morale.<sup>22</sup> However, military servicemen’s chronic poverty signals

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<sup>18</sup> Here: some ideal type of politician in a Rule of Law democratic state, who stands up for extending state functions beyond the limits of providing pure public goods, seeing these new functions (supplying mixed public goods, supervising citizens’ behavior and markets) as foundational for a modern state. ... Presuming that citizens are limited in their ability to perform action and presuming the state’s being in possession of total information, such a politician supposes that citizens need to be protected... Such a politician is certain of the usefulness of state controls, explaining any failures of this type of control as due to the controls’ incompleteness and limited application. A leftist politician stands up for restricting: ... the freedom to bear arms and the human right to self-defense, to defending one’s own dignity and property. For the definition in full, see (Lisin, Yanovskiy, ... 2011), pp. 20-21, as well as the site of the book "Институциональные ограничения современного экономического роста" (*Institutional Limitations On Modern Economic Growth*) at: <http://instecontransit.ru/proekty/institucionalnye-ogranicheniya-sovremennogo-ekonomicheskogo-rosta/nekotorye-opredeleniya/>.

<sup>19</sup> See the case of US vs. Wuterich. Marine Staff Sergeant Frank Wuterich was accused of murdering in cold blood a number of civilians, including men capable of bearing arms. According to the version submitted by military servicemen themselves, the incident involved combat of the usual type with irregular fighters (ones not wearing uniforms, formally civilians) who resorted systematically to the use of “living shields” consisting of their relatives and neighbors. The version about coldblooded murder was rejected based on an expert report which demonstrated that none of those killed had been killed by being shot at point-blank range: [http://www.nytimes.com/2007/06/15/world/middleeast/15haditha.html?\\_r=1](http://www.nytimes.com/2007/06/15/world/middleeast/15haditha.html?_r=1).

<sup>20</sup> [http://www.ngo-monitor.org/article/\\_yesh\\_din\\_justice\\_for\\_all](http://www.ngo-monitor.org/article/_yesh_din_justice_for_all)

<sup>21</sup> 2008 report for the years 2000-2007: <http://www.yesh-din.org/infoitem.asp?infocatid=11> and the 2011 report (for 2000-2010): <http://www.yesh-din.org/infoitem.asp?infocatid=165>. See the 2011 Report, Table 3, c. 29 (English version).

<sup>22</sup> By “morale” here is meant exclusively the preparedness of the military to suffer losses for the sake of achieving victory.

that society does not value their services very highly, making it impossible to preserve their motivation level in the long term.

It is especially hard to convince military personnel of the need for them to take on additional risks when they are aware that their low salary and outdated technological equipment are a result of politicians' "economizing" intended to buy pauper votes in the elections (Smith, ... 2006).<sup>23</sup>

The attempts cited above to punish military servicemen for achieving victory have, in addition to their direct impact, an important "demoralizing" side effect.

Chastisement norms and practices of this kind, and references made to them, can be thoroughly effective in dis-habituating the military from military action.

The moral legitimation of anti-militarism and the "struggle for peace" naturally take place only in democratic countries, but not in countries threatening them (Bukovsky, ... 2003). The respectability of such views means that a significant quantity of the rare good of "prestige" has been handed over to the initiators and clients of social welfare programs (Hillman, ... 2010). This is naturally done at the expense of the military, inter alia.

Far from the least significant is the direction of careers taken by society to be the most respectable and connected with success (albeit these last may not coincide). Clearly, if the overwhelming majority of talented youth prefer non-military careers, this alone lowers the relative prestige of military service.

#### **4. The Model.**

The simple model presented below explains how voter's decision can affect pure public goods spending by the government in a simple fashion and show, that while total budget spending can stay the same if increase in support for "Leftists" replace budget pure public spending with provision of mixed public goods. We explain this effect as a decision of marginal voter to support redistributive budget spendings rather than investments in public goods as it becomes more profitable for her from private utility maximization. In our model we

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<sup>23</sup> The author quotes from Admiral James Somerville's appeal to the seamen in Chapter 7 of *On All Seas*: "Oriental navy is not that bad. You should not think, many good tunes have been played on old fiddles" in anticipation of battle with the Japanese navy. True enough, in this case, the poor argumentation is redeemed by the Chief-in-Command excellent reputation and the Navy tradition not yet entirely lost. This last may be interpreted as a preference hierarchy such that a military man who has survived understands the defeat of his forces as a significant "public bad".

follow Adreoni (1990) by considering distribution of government budget between pure public goods (i.e. military expenses) and redistributive mixed public goods (i.e. education or health-care).

Suppose that there are  $N$  individuals in the economy with individual wealth endowment  $\mathbf{w}_i$  (where  $i = \overline{1, N}$ ) which is spent in each time period on private consumption ( $\mathbf{x}_i$ ) and pure/mixed public goods provision ( $\mathbf{g}_i$ ):  $\mathbf{w}_i = \mathbf{x}_i + \mathbf{g}_i$ . Individual utility therefore depends on both private and public consumption.

Public goods are funded by government, which collects public goods individual contributions through linear taxation with tax rate  $\tau_i = \tau$ , which is assumed to be equal for every individual. Thus,  $\mathbf{x}_i = (\mathbf{1} - \tau)\mathbf{w}_i$ , and  $\mathbf{g}_i = \tau\mathbf{w}_i$ . Government collects taxes from each individual in the economy and then allocate them on pure public goods provision ( $\mathbf{G}$ ) and mixed public goods provision ( $\mathbf{T}$ ). The notation we use for mixed public goods reflects the idea that access to such public goods essentially is rival (as in common pool problem) and thus in our model we treat mixed public goods as individual transfers. We now can write government budget constraint:

$$\sum_{i=1}^N \tau\mathbf{w}_i = \mathbf{G} + \sum_{i=1}^N \mathbf{T}_i. \quad (1)$$

Pure and mixed public goods are assumed to enter individual utility function separately, and therefore we can write it down as  $\mathbf{U}_i = \mathbf{U}_i(\mathbf{x}_i, \mathbf{G}, \mathbf{T}_i)$ , where  $\mathbf{U}_i$  is assumed to be strictly quasi-concave.

As our model seeks to find why increase in support of one party against another can change allocation of government budget between pure and mixed public goods, we assume that there are two competing parties ( $\mathbf{k} \in \{\mathbf{L}, \mathbf{R}\}$ ) with two different policy platforms. We assume party policy platform is characterized by proposed distribution of mixed public goods across voters by their endowed wealth ( $\mathbf{T}_i = \mathbf{T}_k(\mathbf{w}_i)$ ) and funded amount of pure public good can be found as a residual from budget constraint (1):

$$\mathbf{G} = \sum_{i=1}^N \tau\mathbf{w}_i - \sum_{i=1}^N \mathbf{T}(\mathbf{w}_i). \quad (2)$$

We assume that party ideal platforms  $\mathbf{T}_L(\mathbf{w}_i)$  and  $\mathbf{T}_R(\mathbf{w}_i)$  are exogenously set by parties, also  $\mathbf{T}'_k(\mathbf{w}_i) < 0$  and  $\mathbf{T}''_k(\mathbf{w}_i) > 0$ , and  $\sum_{i=1}^N [\mathbf{T}_L(\mathbf{w}_i) - \mathbf{T}_R(\mathbf{w}_i)] > 0$ . Those assumptions imply that both parties propose to allocate more mixed public goods to poorer individuals and that party  $\mathbf{L}$  spends more on mixed public goods provision. As an immediate result of those

assumptions and equation (2) we can get that party **L** will allocate less to pure public good provision than party **R** given the same total tax revenue  $\sum_{i=1}^N \tau w_i$ .

We denote share of voters, who support party **L** as  $\alpha$ , and as there exist only two parties, share of voters, who support party **R** is  $1 - \alpha$ . We assume in this model, that  $\alpha$  essentially refer to the share of government which consists of members of party **L**, and we consider bargaining between two party platforms with bargaining powers equal to the share of party representatives. Thus, the resulting mixed public goods provision function,  $T(\mathbf{w}_i)$  is an outcome of bargaining process and is assumed to be linear combination of two ideal platforms  $T_L(\mathbf{w}_i)$  and  $T_R(\mathbf{w}_i)$  with respective weights  $\alpha$  and  $1 - \alpha$ :

$$T(\mathbf{w}_i) \equiv \alpha T_L(\mathbf{w}_i) + (1 - \alpha) T_R(\mathbf{w}_i). \quad (3)$$

From (2) and (3) we can derive equation for amount of pure public good as a function of  $\alpha$ :

$$G = \sum_{i=1}^N \tau w_i - \alpha \sum_{i=1}^N T_L(\mathbf{w}_i) + (1 - \alpha) \sum_{i=1}^N T_R(\mathbf{w}_i). \quad (4)$$

Finally, we assume that the choice of individual voter for which party to vote depends on which party platform deliver larger level of utility to this individual. We assume that two factors affect utility function of an individual. First is “warm-glow” effect of pure public good contribution from party **R** support, which means that

$$\left[ \frac{\partial U_i(x_i, G, T_i)}{\partial G} \right]_R > \left[ \frac{\partial U_i(x_i, G, T_i)}{\partial G} \right]_L \quad (5)$$

, where indices **R** and **L** refer to the party which individual **i** supports. Second is “social dependency” effect of mixed public good provision from party **L** support, which means that

$$\left[ \frac{\partial U_i(x_i, G, T_i)}{\partial T_i} \right]_L > \left[ \frac{\partial U_i(x_i, G, T_i)}{\partial T_i} \right]_R \quad (6)$$

, where again indices **R** and **L** refer to the party which individual **i** supports.

From the model, set above we can derive several important results for our analysis. First result is about relationship between electoral support for party **L** and allocation of government spendings between pure and mixed public goods.

*Proposition 1. Size of the government’s spending allocated to pure public goods,  $G$ , falls with rise of party **L**’s electoral support,  $\alpha$ , while spendings on mixed public goods,  $\sum_{i=1}^N T(\mathbf{w}_i)$ , rise, given that tax rate,  $\tau$ , is fixed.*



This proposition is a result of budget constraint (4), where you can see that given fixed  $\sum_{i=1}^N \tau w_i$ , rise in  $\alpha$  leads to rise in  $T(w_i)$ , which in its turn leads to decrease in  $G$ . Substantially this result means that the bigger is support for party  $L$ , the bigger is the share of mixed public goods in government spendings.

Second result we can derive from the model is about decision of the pivotal voter on which party he will support. Given the set-up of the model we can conclude that in equilibrium marginal voter (defined as a voter for whom both party  $L$  and party  $R$  deliver the same utility) will have

$$[U_i(x_i, G, T_i)]_R = [U_i(x_i, G, T_i)]_L. \quad (7)$$

We denote initial *status-quo* share of party  $L$  supporters as  $\alpha_0$ . We now can derive another result which relate extension of franchise for the poorest parts of population to the share of supporters of party  $L$ .

*Proposition 2. Exogenous change to the share of population supporting party  $L$  (from  $\alpha_0$  to  $\alpha_0 + \varepsilon$ ) due to rise of the size of electorate for whom  $T_L(w_i) \geq T_R(w_i)$  (extension of franchise) will lead to switch of initial state marginal voter to support party  $L$  and thus will increase support of party  $L$  in the initial electorate ( $\alpha^* = \alpha_0 + \sigma$ ). Thus the final support of party  $L$  due to such change will be  $\alpha_0 + \varepsilon + \sigma$ .*

This proposition is due to decrease in the amount of pure public goods delivered as a result of exogenous shock to the share of population supporting party  $L$ . Due to inequalities (5) and (6) we can see that equality (7) will not hold for marginal voter once the increase in  $\alpha$  occurs and amount of pure public goods fall, while total amount of mixed public goods rise. The initial marginal voter thus will vote for party  $L$  over party  $R$ .

We will test both propositions we derived from the model in the empirical exercise.

## 5. Statistical Analysis

### 5.1. Variables

The sample made up of four great powers was dictated by the following factors:

- extended experience of democracy, including the kind involving a census qualification requirement (the democracy of the taxpayer);
- significant experience in independent military-political leadership roles (not as a junior ally of little impact).

Detailed indication of variables presented in the Report...

## 5.2. Data

The sample of four great nations with long lasted democratic experience<sup>24</sup> (USA, UK, France and Germany) based on following consideration. These countries couldn't avoid significant military spending and to impose on their armies totally irresponsible obligation (see 3.1.) at least in Long Run. They couldn't reduce their defense responsibility just enjoying neighbor's military umbrella.

The following data were used for the purposes of the analysis: Electoral statistics, National Accounts, Total Government and military spending.

GDP: Mitchell (Mitchell, 2007), national statistics: indicators of economic development of the World Bank (WDI, WB); national statistical agencies (mainly for the US). Statistics for military spending: databases of National Material Capabilities (v3.02) (project "Correlates of War") of the Stockholm International Peace Research Institute (SIPRI), statistics from the League of Nations, and other sources.<sup>25</sup>

## 5.3. Data Panel: Four Great Powers

The Model reduced version:

$$(1) \text{ Leftist Votes} = f(\text{Universal Suffrage})$$

$$(2) \text{ Milit\_expens\_Share} = f(\text{Leftist Votes}, \text{War period})$$

$$(3) \text{ ICC\_peacenow} = f(\text{Leftist Votes})$$

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<sup>24</sup> Their democratic experience stated before Universal Suffrage epoch.

<sup>25</sup> Data sources are indicated with references and in more detail in the Report.

Table 1. Summary of Statistical Results

Variable to Be Explained	Independent Variables	Coefficient	R <sup>2</sup> standardized /number of observations
Leftist electoral support	Universal Suffrage	7.126***	0.426 / 159
Military Spending Share	Pro-Leftist Votes	-0.110*	0.076 / 159
Military Spending Share	Pro-Leftist Votes Control over path dependence (share of military spending with lag of observation step) Controls for the Cold War, local, full-size, et al.	-0.176***	0.524 / 159
Anti-Military Institutions	Leftist Electoral support Full-Size War	0.0633*** -5.462***	159

Note: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1, + p<0.15

The results of regression estimation in the first stage (link between suffrage extension and leftist support) are shown in Table 2. Columns (1) - (4) show results for regression specifications with main explanatory variables and the dependent variable 4-year lag. In the Column 1 we see that at first glance almost all the variation in leftist support can be explained by its previous values. However, Columns 2-4 we see that all three proxies of suffrage extension become significant and positively correlated with the dependent variable. The most correlated with the leftist support is variable *Universal Suffrage*, which we will use to test the robustness of the resulting positive relationship later. Now we check whether the effect of suffrage extension indicators is captured by the lag of dependent variable. From Columns 5-7 in Table 2 we can conclude that the effect of the main explanatory variables is almost entirely offset by the previous values of the leftist support.

Results obtained from the estimation of regression specifications 1-7 in Table 2 could be inadequate for two reasons. First, we have reason to believe that the nature of the relationship between the suffrage extension and the leftist support, as well as the actual values of leftist support itself differ systematically in the United States from those in other countries in our sample. If so, then the estimates of the coefficients obtained by us above will be biased. Second, the inclusion of the lag of the dependent variable and the exclusion of historical dependence from the analysis could eliminate the effect of non-dynamic dependence of support for the "left" on the suffrage regime (see Page (2006) on path- dependence).

To address those two concerns, we first include a dummy variable for US in the regression specification (*Us dummy*) and its interaction with variable *Universal Suffrage* (Columns 8-10 in Table 2). This technique allows us first, to trace the systematic difference in the values of leftist support between the United States (where the “left”-supporters were usually absorbed by two large parties) and other countries in the sample (Britain, France, Germany). In order to assess the magnitude of this effect we should look at estimated coefficients before variable *Us dummy*. Second, in statistical significance of the estimated coefficient before variable *Universal Suffrage \* US dummy* (which is called interaction term in the literature) shows that there are systematic differences in relationship between the support for "left" and suffrage regime between the U.S. and other countries in our dataset. Thus, in those specifications the effect of *US dummy* on the variable *Leftist Electoral Support* is decomposed into two components: absolute and indirect (through universal suffrage). In Columns 8-10 in Table 1 we see that there is strong evidences on the presence of both effects, even though the indirect effect overrides the direct effect in magnitude. It is important that after inclusion of the variable *Us dummy* in the regression equation, the effect of the lag of dependent variable has fallen markedly, but the explanatory power of the regressions is almost unchanged (adjusted R-square of about 0.9 for regression specifications in Columns 8-10).

Finally, we examine the effect of exclusion of lag of the dependent variable from the regression specification on the results obtained earlier. We see from Columns 10-12 of Table 1 that in the presence of variable *Universal Suffrage \* US dummy* in the regression equation results almost do not change, but they become less statistically significant when excluding variable *Universal Suffrage \* US dummy*. This once again demonstrates the presence of a strong indirect effect of *US dummy* on the support for the "Left". It is important to note that all the estimates of the coefficients in Table 2 are robust to the inclusion of different sets of control variables from the list: *Chief Executive not from the Left*, *Cold War dummy*, *Local war dummy*, *Full scale war dummy*, *Neutral country dummy* or *Umbrella giver dummy*.

In the second stage of our analysis, we want to test whether the variable *Leftist Electoral Support* is a good predictor of the share of government expenditure on defense (Military spending as share of total governmental expenses).

For this purpose, we use the same technique that has been used in the first stage of our analysis. First, we need to understand whether there is a relationship between the electoral

support for the "Left" and expenditure on defense and it is not captured by other explanatory variables (e.g., universal suffrage). To do so, we include in the regression specification different military related variables, a dummy variable for the United States, and indicators of the universal suffrage, which as explained earlier strongly correlates with electoral support for the "Left". We do not want to exclude the possibility of different historical self-dependence of the defense spending, so to test the robustness of the specification we estimate both specifications with the lagged dependent variable, and specifications without it. As before, we use mainly robust standard errors and all equations regressions include a linear trend.

As can be concluded from Column 1 in Table 2 the dynamic of defense spending policy measure is not self-dependent because it doesn't measure institutional environment, but flow of government spending. As a result, the lag of the dependent variable is weakly correlated with its value in a given period, the absolute value of the coefficient is significantly lower than "1", and the overall dynamics of the dependent variable is negative (the coefficient before the time trend is negative and significant). At the same time in the Column 2 we see that the rate of support for the "Left" weakly negatively correlated with the cost of the defense industry, and this result is robust to the inclusion of the lag of the dependent variable (Column 3). This result also becomes more significant with inclusion of additional sets of control variables (results shown in the columns 4-5).

As in the first stage of the analysis, we want to see whether lag dependent variable capture part of the effect of electoral support for the "Left" on government spending on defense. Column 6 shows the results of the estimation of regression model without lag dependent variable. We see that the negative effect remained statistically significant, but its absolute value increased, which indicates that there is likely a non-dynamic effect of leftist support on defense spending.

Table 2. Leftist parties electoral empowerment and military spending historical trends

Dependent variable: Share of military expenditures in Total Government Expenditures									
Variables:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Military exp. Share lag (-4)	0.360*** [0.0937]		0.350*** [0.043]	0.311*** [0.0815]	0.304*** [0.0872]			0.276*** [0.0780]	0.274*** [0.0828]
Leftist el. support		<b>-0.110*</b> [0.0593]	<b>-0.088*</b> [0.03]	<b>-0.172***</b> [0.0532]	<b>-0.176***</b> [0.0524]	<b>-0.259***</b> [0.05]			
Leftist el. support (-4)							<b>-0.317***</b> [0.06]	<b>-0.206***</b> [0.0622]	<b>-0.231***</b> [0.0620]
Cold War				<b>3.315**</b> [1.283]	<b>3.652*</b> [1.951]	<b>7.747***</b> [1.47]	<b>7.897***</b> [1.40]	<b>4.698***</b> [1.320]	<b>4.205**</b> [1.861]
Local War				<b>5.729***</b> [1.941]	<b>5.784***</b> [1.984]	<b>6.134***</b> [1.92]	<b>5.653***</b> [1.83]	<b>5.368***</b> [1.857]	<b>5.455***</b> [1.889]
Full scale war				<b>30.00***</b> [10.54]	<b>30.07***</b> [10.54]	<b>29.83***</b> [10.42]	<b>31.66***</b> [9.82]	<b>32.00***</b> [9.828]	<b>31.36***</b> [10.06]
Neutral State				-0.0645 [2.627]	1.255 [6.929]	-8.23 [5.77]	3.70 [5.26]	-0.864 [2.800]	-1.312 [6.341]
USdummy				<b>-5.178***</b> [1.873]	<b>-5.923+</b> [3.794]	<b>-11.76***</b> [3.20]	<b>-10.47***</b> [2.95]	<b>-5.135**</b> [2.003]	<b>-5.666+</b> [3.519]
Umbrella giver					0.797 [3.406]	4.555 [2.75]	2.077 [2.53]		-0.624 [3.082]
Universal Suffrage								-2.026 [1.729]	
time trend	-0.143*** [0.0456]	-0.107 [0.0686]	-0.0678 [0.07]	-0.0694 [0.0644]	-0.0565 [0.0923]	-0.0233 [0.09]	-0.0420 [0.09]	0.0208 [0.0850]	-0.0631 [0.0973]
Adjusted R <sup>2</sup> vce	0.178 robust	0.076 robust	0.186 cluster	0.527 robust	0.524 Robust	0.486 robust	0.081 robust	0.546 robust	0.543 robust

Robust standard errors in brackets \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ , +  $p < 0.15$

However, from the regression model in Column 6 we can not draw any conclusions about causality of this effect. To address possible simultaneity bias between main dependent and explanatory variables, we use lag explanatory variable under assumption that past values of support for the "Left" cannot be explained by today's values of defense spending (this is true, which follows from inverse regression estimates of support for the "Left" on defense spending).

Column 7 shows that coefficient before lag of leftist support is even greater in absolute value than the coefficient of "*Leftist electoral support*" in Column 6, wherein the significance level is the same. Similarly, the estimation results of regressions with lag of the dependent variable (Columns 8-9) show that relationship between support for the "Left" and defense spending remain statistically significant. Importantly, in regression specification given in Column 8 and in other specifications, which include indicators of suffrage regime (*Universal Suffrage*) as an explanatory variable, the significance of the effect of leftist support remains stable. The latter provide evidences of support for the "Left" having a direct impact on defense spending. Thus, we have reason to believe that on the one hand, leftist electoral support depends on the suffrage regime, and this relationship in Europe (UK, France, Germany) is systematically different from that in the United States.

In turn, support for the "Left" has a significant negative impact on defense spending, which is not captured by indicators of suffrage regime. Hence, we can conclude that there is likely an indirect effect of franchise extension on government spending on defense. Moreover, this indirect effect passes through the channel of electoral support for the "Left". We also have statistical evidence that the relationship is going in that direction, and not vice versa, which addresses possible simultaneity bias.

Estimates of the coefficients obtained by using dynamic probit regression model for analysis of data with binary dependent variable cannot be interpreted as an absolute correlation value (they have a purely technical sense). At the same time, signs of the coefficients and their statistical significance retain their meaning. Thus, the results shown in Columns 1-4 and 6 of Table 3 give grounds to assert that there are positive and highly significant relationship between support for the "Left" and indicators institutions punishing

Military for successful activities.

Table 3. Leftist parties electoral power and punishing military for success

Dependent variable: Anti-Military Institutions						
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
leftistelsupport	0.0516*** [0.0181]	0.0633*** [0.0233]	0.0633*** [0.0233]	0.104*** [0.0298]	0.0433 [0.0327]	0.119*** [0.0330]
coldwar		-0.691 [0.514]	-0.691 [0.514]	-1.468*** [0.478]	-1.878*** [0.535]	-1.523*** [0.467]
localwar		0.774 [2.780]	0.774 [2.780]	0.469 [0.470]	0.310 [0.495]	0.437 [0.475]
fullscalewar		-5.462*** [0.725]	-5.462*** [0.725]	-5.573 [1,878]	-6.998 [42,670]	-6.149 [6,234]
neutral				-9.277 [5,809]	-10.30 [10,289]	-10.07 [11,726]
umbrellagiver					-3.111** [1.263]	
USdummy						4.365** [1.719]
Observations	159	159	159	159	159	159
Number of n	4	4	4	4	4	4
vce	bootstrap	bootstrap	bootstrap	oim	oim	oim

Standard errors in brackets

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1



## 6. Conclusion

Budget structure in old democracies shows that these states made a fundamental choice in favor of “promote happiness” by every conceivable means, rather than opted for the modest “simply to prevent evil.” This choice opens unlimited vistas for a constantly expanding power of the state. The choice fits the interests of the bureaucracy which maximizes the resources being redistributed. A high level of social welfare obligations and the formation of a populous stratum of bureaucrats connected to social welfare programs then further increase the demand for moral legitimation of the new state of affairs. And that means the de-legitimation of institutions which supply the bulk – in terms of cost – of the “pure public goods,” meaning, the army and the police. This last development leads to lower prioritizing of state obligations in defending the lives of citizens from the threat of foreign aggression, terrorism, and so on.

Large-scale social projects and the growth of the share of such spending in the overall expenditures of the state cut down the sensibility of society, of voters – clients of the budget – to threats connected with low efficacy of the army and security services.

The growing power of redistributing coalitions is reflected in the status enjoyed by the army and the military. Military justice instills fear in the successful officer. Directives are issued concerning “disproportionate use of force” on the battlefield and “exceeding the limits of self-defense” in basic diurnal conflicts. All this objectively undermines the ability of the army to defend the citizens (and the ability of these last to defend themselves) even when modern armaments are available. And this, in turn, means that the life of the citizen is devalued in Rule of Law democracies, making the citizen into a dependent and passive creature.

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