# Socio-economics: A Paradigm for Military Policy

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## Introduction

In, The Moral Dimension: Toward a New Economics, Amitai Etzioni presents socio-economics – a new comprehensive paradigm, applicable to the social and policy sciences. This paper is a preliminary attempt to apply socio-economics to the case of military policy. As the title implies, Etzioni seeks a new, more moral, economic theory. He suggests socio-economics as an alternative to the neoclassical model.

The neoclassical economic paradigm has had substantial influence on the "Cold War" military. Throughout this period, military sociologists have criticized its influence. These critics have described applications of the neoclassical model as economic rationalism, bureaucratic rationalism, econometric studies, engineering model, managerialism, careerism, and occupationalism. The critics offer, at best, a first step in the search for an alternative. Socio-economics is the alternative I propose because it is a social science model and thus, an explicit alternative to neoclassical economics. In addition, it incorporates many important variables neglected in the narrow economic approach.

Etzioni maintains that we are in the "middle of a paradigmatic struggle. Challenged is the entrenched utilitarian, rationalistic-individualistic, neoclassical paradigm which is applied not merely to the economy but also to a full array of social relations." This paradigm is challenged by a "social-conservative paradigm that sees individuals as morally deficient and often irrational, hence requiring a strong authority to control their impulses, direct their actions...maintain order"(Etzioni, 1988: ix). From these two extremes a third paradigm arises. The third paradigm (socio-economics) views

> individuals as able to act rationally and on their own, advancing their self or '*I*,' but their ability to do so is deeply affected by how well they are anchored within a sound community and sustained by firm moral and emotive personal underpinning--a community they perceive as theirs, as a "*We*," (Etzioni, 1988: ix-x).

This paradigm has unusual relevance for the study of military policy because US military policy has been profoundly influenced by the neoclassical economic paradigm. Socio-economics is also useful because it incorporates the notion of deontology -- of "moral obligation." Notions such as duty and moral obligation are at the heart of military tradition and motivation.

It should be noted that socio-economics is not a complete rejection of neoclassical theory. Rather, it argues that the neoclassical "utilitarian-based version of radical individualism--needs to be integrated into one that is more encompassing" (Etzioni, 1988: 1). Ironically, since many neoclassical ideas were adopted as military policy in the 1960s and met with mixed success, they have already been substantial modifyed (and integrated into something more encompassing). Many of the internal military initiatives to reinvigorate the institution (new emphasis on unit cohesion, Project Warrior, Operation Pride) are suggestive of the socio-economic model. Thus, I argue that socio-economics is a superior paradigm because it provides a better explanation for behavior-- particularly in an institution like the military .

In order to understand how socio-economics offers a new economic paradigm, the term paradigm will first be clarified. Secondly, the paradigmatic role of neoclassical economics in shaping military policy will be examined and criticized. Thirdly, the basic ideas of socio-economics will be presented. Finally, socioeconomics will be applied to military policy.

**Paradigms and Policy**

Unfortunately, there is considerable confusion surrounding the term paradigm. Kuhn, himself, noted that paradigm can take on many meanings (Kuhn, 1974: 460).[1] In order to avoid a linguistic trap, the meaning of "paradigm" as applied here will be clarified.

The term paradigm has two complementary dimensions. First, paradigms are used to *see* or *view* the world. They are "the mental or visual set acquired while learning to see two problems as similar." (Kuhn, 1974: 472) Paradigms are the conceptual lenses through which we filter experience. Phenomena which fall outside the belief system created by the lenses are often not *seen* (Kuhn, 1962: 24). These conceptual lenses represent a larger theoretical framework within which smaller sets of theories may lie. Secondly, paradigms focus inquiry, they do this by defining *"what questions may legitimately be asked"* (Kuhn, 1962: 5). (emphasis added)

The criteria to judge a paradigm, as applied in social science and policy are different. In social science, a paradigm is judged by the adequacy of its explanation. In policy, paradigms are judged by their ability to address problems and be prescriptive. [2]

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[1]He used the term in 22 different ways in The Structure of Scientific Revolutions (Kuhn, 1974: 460).

[2]Unfortunately, within the sphere of policy, problems are never quite solved (in the sense of end of quest). Rather, solutions are incomplete or beget new problems (Wildavsky, 1979: 5). Hence, a policy paradigm may need to be changed because the new set of problems are either inappropriate or have been created by the application of another paradigm.

**Early Inroads**[3]

Kuhn maintained that paradigms themselves were "rarely objects of replication. Instead (they were) ....objects for further articulation and specification under more stringent conditions." (Kuhn, 1962: 23) In applying economic concepts to defense, economists applied their paradigm to a new context. The Economics of Defense in a Nuclear Age by Charles Hitch and Roland McKean (first printing, 1960) was a landmark book because it applied the neoclassical paradigm to the case of defense. The authors cast their theory in mathematical form and applied the paradigm to a new set of conditions. Its ten printings and translation into other languages (including Russian) are testimony to its profound impact. It became known as the "Bible of the Pentagon."

In 1961, Secretary Robert McNamara came to the office. He brought with him economists like Charles Hitch.[4] It was during his tenure that the ideas of the neoclassical economic paradigm entered the bureaucracy as officially promoted rules and procedures of policy. [5]

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[3]It should be noted that Kuhn identified economics as the most developed social science, in the sense that it was similar to the natural sciences. Further, it most closely fit his notion of paradigm (Kuhn, 1962: 160)

[4]Hitch and McKean worked for the Rand Corporation when they wrote The Economics of Defense. The Rand Corporation is an important nonprofit research and advisory corporation which had begun to play an important role in defense policy formation.

During World War II the allies had successfully used Operations Research techniques in the war effort (Smith, 1966:7). The Cold War and its extended time frame increased the potential usefulness of analysis as well as the need for analytical assistance. The nonprofit research and advisory corporations which emerged after WWII were able to meet this need. They also developed and refined early concepts of Operations Research that had proven useful during WWII. Systems analysis emerged from this effort.

The professional staffs of the Rand Corporation began as mathematicians and physical scientists. By the 1960s, however, economists increased in number and had achieved positions of leadership (Smith,1966:12). Charles Hitch did not come to DOD alone. He brought with him a cadre of young, energetic, "whiz kids" from Rand and elsewhere. Hitch and McKean's book is mentioned throughout this discussion because it is a clear and influential case of paradigm application. It is, however, one among many.

[5]These ideas can be seen in budget procedures, the everyday activities of bureaucrats, types of civilians hired (specialists in operations research, management, etc.), how soldiers, airmen, and sailors are recruited, retained and trained, TV advertising, and commercial service contracting procedures such as dual sourcing and A-76.

Hitch and McKean's goal was much more than to bring the techniques of systematic quantitative analysis to defense. They were interested in altering the way policy makers conceptualized problems. They wanted the conceptual lenses of the economist to shape decision making. Their goal was to

> increase recognition and awareness that military decisions, whether they specifically involve budgetary allocations or not, are in one of their important aspects economic decisions; and that *unless the right questions are asked,* the appropriate alternatives selected for comparison, and an economic criterion used for choosing the most efficient, military power and national security will suffer. ...Something can be accomplished -- by improving understanding of the nature of the problem. *In formulating policy, it does help to ask the right questions* .(Hitch and McKean, 1978: 107) [italics added]

Hitch and McKean's book represents a classic case of paradigm application to a new context. Parts of it transparently applied principles well developed in undergraduate microeconomics textbooks. [6] Kuhn stressed that a mature paradigm is transmitted through textbooks and is handed down through this process. Students are expected to master the material on faith.

The defense "economic problem" was cast in the vocabulary and syntax of contemporary economics,[7] anyone who has mastered intermediate

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[6] For example, the idea of opportunity cost, that a portion of product X must be sacrificed to gain a portion of product Y is a notion introduced early in sophomore economics courses. Texts demonstrate this relationship graphically through the use of production possibilities curves. Hitch and McKean also use the production possibilities curve to illustrate the defense "economic problem" They, however, place target destruction potential and defense kill potential on the x and y-axes instead of common text examples such as drill presses and bread loaves. (Hitch and McKean, 1978: 110; McConnell, 1978:30)

[7] Using the Hitch and McKean framework, the defense establishment becomes a hybrid consumer/producer. It is like a consumer in that it should maximize an objective function (similar to utility but in this case called military worth) subject to a budget constraint. It is like a firm in that it should have knowledge of costs and understand its production function. In other words, it should know how changing inputs will affect output. In one important respect it is unlike a firm: it does not have profit as guide to decision making.

microeconomics could identify how the theories were adapted.[8] The mathematical appendix which translates many of the graphs to systems of equations is similar to material covered in graduate microeconomic texts (Henderson and Quandt, 1971).

In 1960, when Hitch and McKean published the "Bible of the Pentagon" neoclassical economics was poised to apply its theories and methods to new contexts. Further, the discipline had adopted new standards of mathematical rigor.[9] What better place, for this now highly sophisticated discipline, to apply new techniques and concepts of efficiency than DOD which had a cadre of mathematically sophisticated employees and which routinely wielded 7 to 10 percent of the United States' Gross National Product.

When ideas are translated to mathematical formulae, they are quickly and easily transmitted to those who understand the language. Also, the beauty of calculus can be drawn upon to predict the consequence of change or solve optimization problems. Unlike other social sciences, economics spoke directly to scientists and engineers in their own intriguing, elegant, language.

For the paradigm to be put into practice, new bureaucratic methods to achieve efficiency were needed. Hitch and McKean identified three conditions to achieve economic efficiency in a bureaucracy. First, institutional arrangements which incorporate efficiency as a criterion must be

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[8]In Chapter 7, Hitch and McKean formally develop the theories and concepts which define and explain efficiency in military allocation. The graphs and theories are converted to equations and manipulated using calculus in a mathematical appendix. In this chapter, the essential elements of the neoclassical paradigm are most transparent. A quick glance through an intermediate microeconomics text such as Mansfield's will reveal the parallels. (Mansfield, 1985).

[9] Between 1938 and 1958 most of its early theory had been translated to mathematics. The problem was no longer teaching math to economists but of teaching "economics in mathematical terms"(Henderson and Quandt, 1971: viii) For example, in 1948, Paul Samuelson published his landmark Foundations of Economics Analysis and in 1965, R.G.D. Allen published Mathematical Economics.

established. Secondly, there should be an increase in systematic quantitative analysis to determine the most efficient alternative. Finally, there should be recognition throughout the bureaucracy that military decisions are also economic decisions. Efficiency concerns dictate that *new questions be asked.* In other words, a new set of conceptual lenses (paradigm) should be brought to bear on military decisions (Hitch and McKean, 1978: 107). [10]

By the end of the 1960s, the neoclassical paradigm was firmly entrenched as a way to conceptualize defense policy. It was also found in routines of government such as Planning Programming Budgeting Systems (PPBS) and the increased use of cost effectiveness and systems analysis. Efficient management of scarce resources was viewed as a legitimate approach to military questions.

**The AVF**

The application of the neoclassical model was extended when conscription was eliminated. Here, a non-market mechanism (the draft) was replaced by a market mechanism (labor market). Neoclassical economic arguments were influential in changing the policy. They were also drawn upon to manage the new all-volunteer force (AVF).[11]

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10 It should be noted that insights from neoclassical economics form the architecture of policy. The task of implementation is left to other specialties and groups of professionals. Economics is conceptual in much the same way as physics. Engineers use properties of physics to build bridges and design airplanes. Similarly, systems analysts use principles of economics to design analytical studies which focus on efficiency and choice among alternatives. The science of physics does not include the details of design and operation. Furthermore, physicists who delve deeply into the details of design and operation are seldom rewarded or recognized by members of their profession. Likewise, economists are seldom rewarded or recognized by members of their discipline when they focus of the problems of implementing a budget or the specifics of a cost effectiveness study. Often, when critics find fault with policy they may look to those closest to the policy and be unaware of the role of the ideas behind the policy.

11 Neoclassical economics demonstrated theoretically that a volunteer military was both more efficient and more equitable. Further, the feasibility of a volunteer force was verified

Throughout the history of the AVF, economists have evaluated policy and made suggestions for change. For example, when there were problems with recruitment or quality, economists generally found that military wage and benefit packages lagged behind the civilian sector (the opportunity cost of military service had risen). Generally, wage increases were advocated and they went a long way toward correcting any measurable problem. Indeed, over the life of the AVF, policy makers have demonstrated a "growing degree of sophistication in the management of recruiting and other activities connected to the AVF" (Nelson, 1986:25). The "services are able to use principles of supply and demand to narrow or tighten enlistment standards" (Nelson, 1986:37).[12]

The AVF is a policy change that included all three of the necessary methods to achieve efficiency outlined by Hitch and McKean. First, the end of the draft was a clear new "institutional arrangement within government to promote efficiency" (Hitch and McKean, 1978: 107). Secondly, efficiency was promoted using "systematic quantitative analysis" to evaluate alternatives (econometric labor supply models). Clearly, Hitch and McKean's third criterion was satisfied. The perception of the military manpower problem changed. With the adoption of the AVF, efficiency questions (*the right questions*) were asked and answered. [13]

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by econometric analysis. (Later the econometricians would become the target of criticism). Policy makers were assured that by using economic incentives alone and without increasing the budget too much, sufficient earnings maximizing individuals would rationally choose the armed forces without the pressures, inefficiencies and inequities of the draft. Although political expediency was the mother of the AVF, neoclassical studies were used to show that manipulation of the compensation could be used as the cornerstone of the new system. (See for example, Cooper, 1977; Fisher, 1969; Gates, 1970; Hansen and Weisbrod, 1967; Oi, 1967.)

[12]For example, in loose recruiting markets, standards for both recruitment and retention are raised. Alternatively, standards must be adjusted downward during tight markets.

[13] Scholars have identified several other ways the neoclassical economics paradigm has penetrated military policy. An obvious example is military service and training contracting

**Criticisms of the Neoclassical Paradigm**

Criticism of the application of neoclassical model to military policy is widespread and pervasive. The Inter-University Seminar (IUS) houses one of the largest groups of critics. Although they may not have identified the neoclassical model as a target of their criticism, leaders within the IUS such as Charles Moskos, David Segal, Samuel Sarkesian and Morris Janowitz have all commented on the issue. (See for example Segal and Segal (1983), Sarkesian (1981), Moskos and Wood (1988), and Janowitz (1982))

Critics of the neoclassical model find it incomplete and sterile. They ask, is that all? What about other important factors such as the role of traditional values and norms. Where is "duty, honor, country"? The neoclassical model alone is insufficient. Even influential economists such as Richard Cooper have come to see the need for a broader interdisciplinary approach. [14]

Critics are also concerned by the internalization of the paradigm within the system. When Janowitz discusses the problems of the engineering model or Moskos the occupational military they are concerned about change which touches the fabric of the institution, altering it in unfortunate ways. Journalist James Fallows in National Defense (1981) describes the "economists pattern of thought" as both entrenched and problematic (Fallows:1981: 181). Cohen (1985: 189) criticizes the pervasive economist perspective and claims it is responsible for a *myopic* preoccupation with short term problems.[15] David

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which have been described as privatization. (For example see, Grossman, 1989 and Shields and Hofer, 1989.)

[14]He believes that noneconomist participation in military manpower policy "is essential to a balanced and realistic consensus on manpower questions." (Cooper's comments were reported in Sinks, 1987: 189) Socioeconomics, as an interdisciplinary paradigm which incorporates moral obligation as one of its critical concepts, clearly addresses this criticism.

[15]Note paradigms as conceptual lenses also serve to reduce vision.

Segal and Joseph Lengerman refer to McNamara's reforms as privatizing the military.

> The military was ... *privatized* under McNamara, when the ideologies and practices of systems analysis and operations research removed from the military calculus variables which could not easily be quantified, such as cohesion and morale. Since the benefit of unit solidarity could not be calculated, cost-benefit analysis removed *affect* from management consideration (Segal and Lengermann, 1980: 182). (emphasis added)

In his criticism of the influence of Hitch and McKean, Lewis Sorley cites the introduction of management techniques such as systems analysis and operations research (Sorley, 1979: 149). He maintains that the manager inappropriately brought his bag of quantitative tricks to the game of war.[16]

A new wave of criticism occurred with the birth of the AVF. [17] The AVF was different, neoclassical principles now more clearly penetrate the domain of military sociologists. Almost all noted military sociologists have commented about problems of organizing an Army around the principles of selfishness, individuality and rationality. The image of the "economic man" in uniform is problematic. Would the utility maximizing, rational "economic man" sacrifice life and limb for country or the ideals imbedded in

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[16]Quantitative measures were used to evaluate success or setback during the Vietnam conflict. Performance evaluations focused on a quantitative output measures and disregard intangibles such as morale. For example, body count, a "management tool" used to estimate progress and performance was routinely over reported. (Sorley, 1979:152) Since this summary statistic was used to compare commander battlefield performance there was an incentive for the men in the field to overstate body counts in order to please their commander with higher numbers. Hence, the neoclassical "management revolution" ushered in new ways to corrupt the system. It should be noted that the "body count" criticism seems to have been taken to heart. Body counts were conspicuously absent from publicized Desert Storm reports.

[17] Reforms introduced by Hitch and McNamara as changes in the Office of the Secretary of Defense were potentially temporary because a new administration or the bureaucracy could slowly corrupt them.

the constitution?[18] David and Mady Segal (1983) address the question from a slightly different perspective. "It is certainly questionable whether economic rationality is an appropriate or effective motivation for serving in the military. Should fighting wars be left to those who need the work?" (Segal and Segal, 1983: 152).

Perhaps the most prominent critic is Charles Moskos who maintained that changes introduced by the architects of the AVF were transforming the fabric of the organization. The military was becoming more like a civilian employer (Occupational). It was losing its normative base (Institutional) (Moskos, 1988).

Criticisms also arose from within the institution. The criticisms stem from tensions associated with the discordant values of the warrior and the economist. It can be observed in the "leadership versus management" and "professionalism versus careerism" debates. Warriors argue that many management principles anchored in the neoclassical tradition undermine the ethical underpinnings needed for leadership. The warrior/leader must call upon higher values to inspire combatants to risk their lives and kill an unknown enemy. Managers motivate employees to do their job. In an officer survey on military professionalism, Eckhart (1970) found that there was "disharmony between traditional, accepted ideals and the prevailing institutional pressures. These seem to stem from ...self-oriented, success-motivated actions " by officers (Eckhart: 1970: iv).

The management philosophy advocated by economists introduced a contractual focus to military decision-making. Economists conceptualize the

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[18] The logical and uncomfortable answer -- rarely, if ever. In examining this question Axinn (1989: 23) could find only one reason an individual who had internalized the neoclassical concept of self would risk their life. This occurs when they "would rather die than live with the lack of dignity that might result." In other words, they would be better off dead.

relationship between citizen and government in contractual terms. Under the contractual approach, citizens purchase government services such as defense with tax dollars. The contractual notion is then extended to the relationship between the warrior and the state (Wood, 1988:35). To the neoclassical manager, the soldier is the human resource (labor) that along with raw materials (land) and weapons (capital), provides service to the consumer/citizen. When these relationships are stated in contractual terms the role of ethics is diluted.

> if one adopts the contractual view it is relatively easy to attempt to divorce the military function from moral considerations. War is a dirty business, and the tasks facing the military leader is to develop armies and weapons systems which can efficiently destroy potential enemies; the body count is the bottom line. (Wakin, 1984: 55)

A controversy similar to the management/leadership dichotomy is the careerism vs. professionalism debate. Military officers and scholars have long been preoccupied with the nature of military professionalism. Samuel Huntington, in his classic definition, cites expertise, corporateness, and responsibility as elements of professionalism (Huntington, 1964: 8-10). To a professional, work is not just-a-job. Responsibility also implies a set of values and an ethical code of conduct. Careerism is a corruption. It is individualistic in nature and is characterized in a worst case scenario by blind, ruthless, ambition. (Flammer, 1979:167). Clearly the utility maximizing individual of neoclassical economics fits the image of the careerist more closely than the professional.

Perhaps one could describe the above criticisms as anomalies or factors which the neoclassical paradigm fails to take into account. Again, as noted earlier, military institutions have changed several policies in response to these criticisms. Military institutions have reemphasized leadership, professionalism and the importance of ethics. Although still important in shaping defense policy, the influence of neoclassical economics has declined (Kanter, 1984). While the influence of neoclassical economics may have declined, a comprehensive alternative paradigm has not emerged to challenge or replace it. Socio-economics is the alternative I propose.

**Socio-economics: A new Paradigm**

Socio-economics provides a comprehensive, theoretical framework which when applied to military policy addresses most of the criticisms of the neoclassical model.[19] Etzioni describes the basic foundations of socio-economics.

> The position is (1) that individuals are, simultaneously, under the influence of two major sets of factors--their pleasure and their moral duty (although both reflect socialization); (2) that there are important differences in the extent each of these sets of factors is operative under different historical and societal conditions, and within different personalities under the same conditions. Hence, a study of the dynamics of the forces that shape both kinds of factors and their relative strengths is an essential foundation for a valid theory of behavior and society, including economic behavior, a theory referred to as socio-economics. (Etzioni, 1988: 63)

Neoclassical economics, through the assumption of self-interest, utility maximization, and rationality reduces moral behavior to economic terms. On the other hand, socio-economics is a "deontological I&We paradigm" which incorporates both moral obligation (deontology) and goes beyond the individual (We) (Etzioni, 1988: 5). It also assumes that people select means, not just goals on the basis of their emotions and values.

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[19] In addition, Etzioni maintains that the neoclassical model is poor social science because it focuses on prediction failing to provide an adequate explanation. Secondly, the scope of its explanation is shallow.

One of the key strengths of the neoclassical paradigm is that it clearly specifies its core assumptions and propositions. Socio-economics also does this (see Etzioni, 1988: 253-257).

> The socio-economic paradigm
> highlights the assumption that individuals act within a social context, that this context is not reducible to individual act, and most significantly, that the social context is not necessarily or wholly imposed. Instead, the social context is, to a significant extent, perceived as a legitimate and integral part of one's existence, a 'We', a whole of which the individuals are constituent elements. (Etzioni, 1988: 5).

It is impossible to present Etzioni's arguments in a brief paper. Instead, I will focus on three basic elements of his model and use them as conceptual lenses. First, socio-economics assumes "that people pursue at least two irreducible 'utilities,' and have two sources of valuation: pleasure and morality" (Etzioni, 1988: 4). Etzioni postulates that people make decisions out of self interest (I) and because they are part of something larger (We). They possess a dual utility function.

The individual (I) and the community (We) are thus linked. They "are both completely essential and have the same fundamental standing" (Etzioni, 1988: 9). Further, "*the individual and the community make each other and require each other.* Society is neither a 'constraint' nor an 'opportunity' *it is us*" (Etzioni, 1988: 9). The preferences of the individual and the community will often be in harmony, Nevertheless, there is an inherent tension between the two; "people do not seek to maximize their pleasure, but to balance the service of two major purposes-- to advance their well being *and* to act morally" (Etzioni, 1988: 83). The balance is not achieved for all time. "Rather as in riding a bicycle, individuals continuously 'correct' tendencies to tilt excessively in one direction or the other." (Etzioni, 1988:84) Circumstances influence the balance.

Moral behavior and moral commitments stem in part from an allegiance to a "We". The "We" provides one reason for people to act unselfishly. Further, moral commitments are unlike self interest in that they change more slowly.

> *The more individuals act under the influence of moral commitments, the more they are expected to persevere (when circumstances change). Conversely, the more individuals heed their pleasure or self interest, e.g., by calculating costs and benefits, the less likely they are to persevere.* (Etzioni, 1988:68)

Secondly, individuals make decisions based upon normative commitments and affective involvements, as well as, for logical-empirical (L/E) reasons. Of the two, the normative-affective (N/A) component is the most important.

> (the) majority of choices people make, including economic ones, are completely or largely based on normative-affective considerations, not merely with regard to goals, but also of means; and that the limited zones in which other, logical-empirical (L/E) considerations are paramount, are them selves legitimate and otherwise motivate such decision-making. (Etzioni, 1988:93)

Thirdly, Etzioni devotes considerable attention to the concept of rationality. Rationality is assumed to be antientropic, in other words, the natural state of human choice is assumed to be not rational (Etzioni, 1988: 151). The most important bases of choice are affective and normative. People make "non- or sub-rational choices, ... because they build on their normative-affective foundations." (Etzioni, 1988: 90). The important point here is that rationality is *not* assumed to be constant. Etzioni conceptualized rationality as a continuum. Individuals are capable of irrational, non rational and rational decision-making, however, rational decision-making takes effort and does not come naturally.

The role of information and learning in decision-making helps to clarify why Etzioni has made these assumptions about rationality. Neoclassical theorists, in part, base their assumptions of rationality on low ( approach zero) information and learning costs. Accordingly, since relevant information is always available and learning is instantaneous, the utility maximizing individual is relatively unconstrained to optimize (act rationally). On the other hand, Etzioni argues that learning and information costs are variable and are usually much higher than assumed by economists. More importantly, learning and information also entail emotion and value costs. There is an emotional investment in the status quo and resistance to learning (Etzioni, 1988: 161). Hence, when information and/or learning costs are high, decisions will tend to be less rational.

Table 1 highlights a few key elements of Socio-economics and compares them with the neoclassical model.

**Table 1**
**A Comparison of Socio-economics and Neoclassical Economics**

| CHARACTERISTIC | NEOCLASSICAL | SOCIO-ECONOMIC |
|---|---|---|
| Human Motivation | self-interest | self-interest and moral commitments |
| Utility | single utility function | dual utility function |
| Individual Behavior | utility maximizer | balancing the needs of the dual utility functions |
| Individual Values | subsumed within the preference or utility function | -influence both preferences and constraints<br>-forms a normative context within which decisions are made |
| Societal Values | -officially, value neutral but champion "efficiency"<br>- uses relative price as a measure of value<br>-in policy, values help define goals which then can be ranked and used to find the most efficient means | -forms a normative context within which decisions are made<br>-values are associated with both means and ends |
| Emotions | -subsumed within a preference or utility function<br>- negative view of emotions | form an affective context within which decisions are made |
| Individual rationality | -assumes people act rationally<br>-individual follow self interest (optimize) | -antientropic --(nonrational) can act rational but involves costs<br>-people behave more or less rationally |
| Information and Learning Costs | approach zero or are very low | -usually high<br>-emotional and normative costs are also included. |
| Role of Information and Learning | -individual will adjust quickly to new information and move quickly to "optimize" on constrained utility function.<br>-individual responds quickly to changes in relative prices | -high information & learning costs reduce potential for rationality<br>-the N/A context will influence the response to changes in relative prices |
| Rationality and information | low information costs enhance rationality | Decisions in areas where information costs are high will tend to be less rational |
| Choice of means | dictated by rational analysis of ends | dependent on values and emotions and knowledge |

**Socioeconomics and Military Policy**

**"War is the hardest place for moral judgements" (Hartle, 1989:1)**

Equipped with a few of the basic assumptions or lenses of socio-economics we can now view military policy in light of these lenses. Clearly, socio-economics provides a comprehensive framework and addresses many of the criticisms that have been leveled at neoclassical theory as applied to military policy. First, it acknowledges and accounts for moral behavior. The warrior must consider the moral content of choices. This is particularly true in war because while the "decision to go to war is political, decisions on the conduct of war are military" (Axinn, 1989: 2). [20]

In addition, when individuals act out of moral commitments they are more likely to persevere when conditions change (under hardship or if the threat to life and limb increases.) This addresses readiness issues because readiness implies individual/group/organizational perseverance when conditions change. (Clearly, the Iraqi invasion took many soldiers by surprise [change]. It also required perseverance [the months in Saudi].)

Socio-economics also incorporates institutional values in its framework (normative context). Further, it emphasizes moral concepts such as trust and duty. The notion of balancing the I&We is also central. Critics have argued persuasively that it is not in an individuals self interest to die for their employer (Country). When the "I" stands alone the logic underlying military duty is extremely tenuous. When the "We" and the notion of moral commitments are added the logical underpinnings are expanded.

From an institutional perspective, the motivation problem becomes one of the proper balance of the "I" and "We". A young soldier can want a bigger

[20]The lenses of socio-economics clearly encompass the "moral reasoning called for in a wide variety of situations in which persons in uniform find themselves" (Axinn, 1989: 4) Nevertheless, this is an application which must be more fully developed in another paper.

paycheck to buy the latest CD player *and* understand that he may be called upon to make the highest sacrifice. From a policy perspective, the balance of the "I" and the "We" is the responsibility of the institution. If the institutional policies over emphasizes self-interest than the sense of "We" may be dwarfed. On the other hand, in a conscript force, there might be a tendency to overlook the "I" and incorrectly emphasize the "We". In addition, since conscription involves coercion the sense of "We" may be difficult or impossible to build. One would expect conscription to be effective only if there were a well defined sense of military social "duty" within the larger society. Hence, socio-economics would focus policy questions on the N/A context and how it could nurture the proper (I&We) balance.

**The Dual Utility Function**

The dual utility function is an obvious lense to *view* military policy. Sacrifice and the subordination of the individual to the group are notions fundamental to understanding military organizations. The "We" is a dynamic concept which changes with the relevant context. For example, a young woman might enlist for patriotic reasons ("We" is society) and repair a tank with diligence and effort because there is a high level of esprit-de-corps in her unit ("We" is the work unit). It should be noted that it is impossible to separate the "We&I" from a N/A context. As the We reference group changes the relevant norms, values and emotional underpinning will change.

Mady Segal has identified an organizing devise that can be used to view the We&I tension/balance. She considers four levels of analysis to view the relationship between military and society. They are the societal, organizational, group and the individual. (Segal, 1985) It is useful to look at these levels of analysis and see how the "We" and the normative/affective (N/A) context would change. (See Table 2)

Consider Segal's first category (societal) which incorporates the notion of citizen soldier. Here citizens of the nation state make up the reference group (We). Militaries exist to defend the nation state, it's people and values. In the United States, members of the armed forces show their commitment to the nation state by swearing allegiance to the constitution and to defend the values therein. The constitution and its values thus form the basis of the normative context. Feelings associated with the values and the allegiance to the nation state (patriotism) form the affective context.

In addition, the notion of legitimacy is fundamental to the normative/affective context. The soldier both needs to be accepted by the "We" (society) and in a democracy be part of the "We" (society). In a democracy, the "military is legitimate only in so far as its existence and its use of power have been agreed to by society as a whole...Consent is the core trait, individuals confer the right of coercion on the state" ( Harries-Jenkins, 1976:43).

Since legitimacy in a democracy derives from the consent of the population (We), the military institution is more likely to maintain consent if the population can identify with the institution. Consent will weaken if the military is isolated from the larger society. Thus legitimacy is strengthened to the extent that the warrior ranks are filled with citizen soldiers. (Harries-Jenkins 1976: 55)

A volunteer force, which emphasizes self interest as the primary motivation for enlistment and reenlist, may isolate the institution and over emphasize the "I" because the cross section of individuals who would find the "net present value of the benefits" of military service high enough to enlist or reenlist would be nonrepresentative. Members would become more employee-soldiers and less citizen-soldiers.

**Table 2**
**Viewing the "We" and N/A Context as the Level of Analysis Change**

| Level of analysis | "We" | Relevant N/A context |
|---|---|---|
| Societal | Nation state | (N) constitution<br>(N) institutional legitimacy of military<br>(A) patriotism<br>(A) threat to nation or the values therein |
| Organizational | members of the uniformed services (identification could be with the entire military or by branch of service or by rank) | (N) professional ethics e.g., duty honor country<br>(A) warrior spirit<br>(A) military rituals |
| Group Dynamics | small working/fighting unit | (N) professional ethics<br>(A) esprit-de-corps<br>(A) unit cohesion |
| Individual | any of the above could apply | any of the above could apply |

**(N) Normative context**

**(A) Affective context**

Segal identifies "organizational" as a second level of analysis. From a socio-economic perspective, members of the uniformed armed forces (e.g., service branch, the officer corps, NCOs etc.) form the "We".[21] In this context,

[21] The military base or post is also a good example of an organizational "We" (Coats and Pellegrin,1965: 373-393) . One of the functions of the military base is to nurture and instill a sense of community or "We-ness".

issues associated with the convergence or divergence of the military organization with society at large are important because they serve to focus and define the "We". The N/A context relevant to this level of analysis is the professional ethics and the warrior spirit.

> "Moral elements are among the most important in war. They constitute the spirit that permeates war as a whole, and at an early stage they establish a close affinity with the will that moves and leads the whole mass." (Clausewitz, 1976: 184)

All systems contain elements which may corrupt the ethical foundations of its members. By focusing on self-interest, neoclassical policies can have a corrupting influence. They provide opportunities to corrupt an individual's ethics and in that way shift the balance dysfunctionally toward selfishness (I).

The West Point motto (Duty, Honor, Country) summarizes the moral precepts which military professionals adhere. The term duty refers to obedience, obligation, and willingness to make sacrifices. According to Huntington, the "supreme military virtue is obedience" (Huntington, 1964: 74). Military organizations are hierarchical in nature. For the system to work, those in charge at each level need instantaneous and loyal obedience from subordinates. The inherent uncertainty of war dictates the need for quick and immediate obedience. Duty also embraces the notion of obligation. Warriors have an obligation to serve and sacrifice for the nation.

A soldier with honor knows how to distinguish between right and wrong and has "the courage to adhere unswervingly to the right." (The Officers Guide,1956:254 quoted in Sorley, 1979:145). Honor is also an umbrella term that embraces concepts such as integrity and trust. These are the wellspring of military ethics (Sarkesian and Gannon, 1979: 135). Without integrity and trust a leader cannot be confident that orders are being carried out or that they are based on accurate intelligence. (Ryan, 1979: 189). In addition, honor defines how a military officer 'ought ' to behave (Janowitz, 1960: 215). Janowitz also discussed honor as including personal allegiance of the commander to the organization. In a sense honor binds the "We".

Duty, honor and country are moral commitments which enhance perseverance. War is an environment of friction and uncertainty. The institution is sustained by individuals who will persevere, follow orders and sacrifice for a greater cause. The military needs individuals who can both adjust to change (new battle plan) and persevere (when threats to life and limb change).

The warrior's profession is also finely tuned affectively. The intangible "Warrior Spirit" is a critical affective component. In addition, the affective context can be seen in the rituals that define military life such as the tough initiation of boot camp, neatly pressed uniforms, the raunchy jody calls during marches, monuments to past glory, and the draping of a flag over the casket of a dead warrior. Clearly, the funeral of a heroic soldier combines high moral principles and deep emotions as few events can. There is also the importance of courage and the stark terror of combat.

The third level identified by Segal is group dynamics. Here issues such as unit cohesion, morale and the relationship between cohesion and combat success are important. Clearly, the "We" is the small fighting/working unit such as a platoon or maintenance crew. In this setting, the normative context continues to include traditional military values discussed above. The normative questions, however, are played out on a smaller, more intimate scale. At this level of analysis, affective considerations are relatively more important.

The warrior places a high value on morale or the "feeling of unity that gives the soldier the courage to fight" (Segal & Segal, 1983:156). While a soldier may join the military for a variety of reasons (getting a job, patriotism, the draft) the actual willingness to fight is based in large part on the cohesion of the fighting unit. Hence, feelings such as esprit-de-corps, and brotherhood play an integral part in military success.

Cohesion is an additional component of morale which makes up the affective context. Cohesion rests upon trust.

> Trust between leaders and subordinates and between a soldier and his peers... Trust is built through daily interaction and working together over an extended period of time--small unit cohesion. Cohesion is the glue that holds units together, keeps them fighting and prevents psychiatric causalities. (Kaufman, 1987: 53)

Cohesiveness, brings other benefits. It helps control the behavior of unruly individuals. For example, peer pressure stops angry outbursts from escalating into fights. (Miller, 1985: 92) This is particularly helpful when soldiers are sleep-deprived, living in cramped, hot, damp quarters; conditions where tempers are likely to be short.

The individual is the forth level of analysis identified by Segal. She has identified key issues of importance for this level as an individuals motivation to enlist, military socialization, and the sources of the fighting spirit. When the individual is the level of analysis the "We" could be defined in any of the above ways. For example, individuals may be motivated to enlist out of a desire for a regular paycheck (self-interest) and patriotism (We=society) or the desire to be part of an adventurous, special organization (We= uniformed members of the armed forces). Reenlistment could be motivated by job security (I) and the desire to remain with a trusted group of colleagues (We=

working/fighting group). Although there may/will be a natural tension between the "I&We" both reasons are natural and legitimate.

One purpose of this paper is to show how the conceptual lenses of socio-economics can be applied to military policy. The following sections will briefly touch on a series of topics and view them through the paradigmatic lenses of socio-economics.

**Weapon Systems**

When considering weapon systems, for example, both N/A factors and logical/empirical (L/E) factors are important. Questions about means, ends and the morality of the weapon system are normative/affective concerns. Technical questions about design, efficiency, cost etc. can be classified as L/E factors. Both are important. In addition, proper consideration of L/E factors requires a large cadre of people highly skilled in technical and quantitative techniques. Cost effectiveness questions are legitimate and important. Nevertheless, the technical questions are sterile and incomplete without proper attention paid to N/A considerations.

The engineering model described by Janowitz over emphasizes L/E factors (Janowitz, 1982). The "questions asked" are L/E questions -- important but incomplete. The warrior has always wanted the best weapons. Technological, superiority has proven decisive in battle, e.g., guns v. arrows. Technological superiority, however, must be part of a larger context.

By incorporating both the normative/affective and the logical/empirical decision-making contexts, Etzioni addresses Janowitz's point about enlightenment versus engineering model. Socioeconomics is an enlightenment model which allows for engineering approaches when appropriate.

### The Military Mind

The military mind is a topic discussed by Samuel Huntington in his classic The Soldier and the State. In it, he examines a normative context which includes the dark side of human nature.

> "the military ethic views conflict as a universal pattern throughout nature and sees violence rooted in the permanent biological and psychological nature of men. As between good and evil in man, the military ethic emphasizes the evil. Man is selfish. He is motivated by drives for power, wealth, and security....As between the strength and the weakness in man, the military ethic emphasizes the weakness. Man's selfishness leads to struggle but man's weakness makes successful conflict dependent upon organization, discipline, and leadership....the military man emphasizes the importance of the group as against the individual. Success in any activity requires the subordination of the will of the individual to the will of the group." (Huntington, 1964: 63)

Interestingly, the economic man and Huntington's military man both view individuals as selfish. For the economist, this selfishness fosters competition which promotes abundance and the greater good. They, thus, conclude the individual should have primacy over the group. On the other hand, Huntington suggests that this selfish nature leads to conflict and eventually to violent conflict. The warrior prepares for violent conflict by subordinating individual preferences to those of the organization. Etzioni's dual utility function fits Huntington's view because the "I" is based on selfishness, however, the "We" shows why individuals subordinate their preference to the will of the group.

### Military Budgets

Because it is a method to allocate scarce resources, the budget function is at the center of problems addressed by the neoclassical tradition. As a resource allocation method, the public sector budget, has a function analogous to the market. Like the market, an effective budget process will allocate resources efficiently and rationally. It will do this by articulating both objectives and alternatives to achieve objectives. In addition, it will provide a mechanism to choose the most efficient alternative. This description sums up the basic elements of Planning Programming Budgeting Systems (PPBS). This budget system also assumes rational behavior and focuses on L/E considerations ignoring the N/A context.

PPBS was one of the first innovations advocated and introduced by economists. PPBS represents an interesting paradox. Officially, PPBS has endured and today is the official budget system at DOD. It is, however, anything but the efficient method to allocate scarce resources advocated by Hitch and his Rand associates.[22] By assuming rationality and focusing on L/E factors and excluding N/A factors, PPBS failed to take into account critical variables that explain budget behavior. It was unable to really influence how resources are actually allocated.[23] For example, Congressional micro-management of the budget makes many of the tedious exercises and much of the information collected through the PPBS process useless.

[22] One obvious example is the Program Objective Memoranda (POM) which was designed to organize the DOD by overarching "Programs". The role of branch of service was to be diminished as systems analysts objectively examined alternatives within large umbrella program areas. When McNamara left office one of the first changes Laird made to PPBS was to give responsibility for the POMs to the respective service branches (Kanter, 1982: 283). In this way, the notion of "program" was corrupted. Its function shifted from an organizing device for rational, efficient choice among alternatives to an accounting number on departmental forms. Branch of service and the N/A context it represented had to be accounted for first. The L/E considerations which dominate the concept of the POM are still relevant. They are, however, operating within a N/A context.

[23] There is a large budget literature which examines the problems with PPBS. After PPBS was initiated at DOD, it became, for a short while, the official budgeting system of the entire federal government. Here it failed miserably. Some of the best analysis of PPBS problems can be found in Wildavsky, 1966, 1975, 1979.

In addition, due primarily to its large discretionary components, the defense budget, compared to its civilian counterparts, is more irrational and emotion ladened (Lindsay, 1987). Unlike the civilian budget, which is dominated by entitlements (and thus relatively uncontrollable), much of the defense budget is discretionary. Approximately half of the discretionary component of the entire federal budget is located within the DOD budget. The large discretionary component accounts, in part, for the highly political nature of the budget. Over the Reagan/Bush years it has become the major source for the political pork barrel (as defense grew and domestic spending fell). Further, the discretionary component makes the budget vulnerable to large swings. Historically, both feast and famine have characterized the defense budget. (Morrison, 1986).

Neoclassical economics assumes that the economic problem stems from scarcity. Scarcity is defined by unlimited wants and limited resources. Given scarcity, efficiency is a desirable policy goal. The problem with this notion of scarcity is that it fails to recognize variation. It treats the prince and the pauper similarly. Budgets too vary in their degree of scarcity.

Allen Schick (1981) has developed a system to categorize budget scarcity. In it he shows that the context of budget decisions change as scarcity increases or decreases. He classifies budget scarcity as relaxed, chronic, acute and total. He has found that budget behavior seems to change when conditions of scarcity change. Examining his article through the lenses of socio-economics one can see how the scarcity context influences the N/A context (Schick, 1981: 127). For example, under conditions of total scarcity (resources are inadequate for ongoing programs) people are afraid. Careers, beloved programs and house payments may be on the line. People are more likely to behave irrationally; conflict is more pervasive. Given the history of wide budget swings and the prospects of severe defense budget cuts it is useful to examine how changes in scarcity influences the N/A context of budget decisions. By translating Schick's insights on scarcity to the lenses of socio-economics one can see how even such a fundamental neoclassical concept as scarcity can be transformed.

**Institutional Tensions**

Institutional tensions associated with the internalization of the neoclassical paradigm can be observed in the management versus leadership and the professionalism versus careerism debates. The tension occurs because policies with neoclassical underpinnings tend to ignore the N/A context of the warrior as well as overemphasize the "I" at the expense of the "We".

The leadership/management debate focuses on the differences between the N/A and the L/E elements in decision making. Leadership is a concept central to military success. The leadership literature emphasizes N/A elements.[24] Clauswitz's discussion of military genius is illustrative. He stresses courage, passion, strength of character and a mind powerful enough to drive an army to the limit (Clauswitz, 1976 : 100-115). Intangible elements such as discipline, sacrifice, courage, and calling are characteristics that distinguish past military leaders. Because war is violent business, military leadership represents an extreme case. In a democracy, effective military leaders use ideals and values to motivate citizen soldiers to survive and kill the enemy. War and preparing for war is a tough testing ground for leadership.

[24] See for example, Stokesbury, 1984; Ridgeway, 1984; Andrews,1984; Marshall, 1984.

The leadership/management debate does not challenge the military's need for management skills. In a sense, the warrior sees the management function as akin to logistics, a function central to success on the battlefield. A military leader will be better able to push his army to the limit if it is well fed and equipped (if key L/E factors have been attended to). Clearly, the military needs both leadership and management. Institutional tensions concern relative emphasis. Is the intrinsic nature of leadership being displaced by a management philosophy? There is concern that a "military managerial mind is emerging, which is harmful to the image of the heroic leader and the successful warrior"(Turcotte, 1984: 105). Socio-economics *focuses inquiry* on the balance.

The careerism versus professionalism debate can also be viewed through the lenses of socio-economics. This debate suggests that the "I&We" balance is inappropriate. Careerism stresses the "I" and Professionalism the "We". Authors who have studied the nature of professionalism stress the notion of corporateness (We-ness) and a sense of social responsibility. Huntington discusses the "sense of organic unity and consciousness of themselves as a group apart from laymen" (Huntington, 1964: 10). The study of military professionalism focuses on the link between the "We" and "warrior" norms and values. Careful consideration of professionalism always includes a discussion of some form of military ethics.[25]

Again, careerism of itself is not bad. Clearly, a young officer should look out for herself and try and advance in her career (I). However, this should be done while well grounded in the "We" and the ethical code of the profession. After all, "War is the hardest place for moral judgements." It is also where

[25] See for example, Narel, 1989; Thayer, 1973; Dyke,1989; Hartle, 1989 and Hauser,1984.

moral judgements have death, and suffering attached. Military professionals must take special care to ensure that the "I &We" balance is attended to and that the profession is well grounded in an ethical code. The socio-economic individual fits the image of the professional. A professional who may also be interested in a satisfying, challenging, upwardly mobile career.

**Moskos' I-O Model**

I view Moskos' Institutional-Occupational (I-O) model as a preliminary version of socio-economics. The I-O model is clearly a reaction to the influence of the neoclassical model on military policy. In his model, Moskos develops an I-O continuum. The purely "Occupational" military institution emphasizes individual self interest and L/E considerations. On the other hand, the "Institutional" military organization emphasizes the "We" and the N/A. His model has helped to focus inquiry in a new direction. It has received wide attentions and has stimulated institutional change. From a socio-economic perspective it has helped restore or shape the "I" & "We" balance.

**Conclusion**

This paper advocates replacing neoclassical economics with socio-economics as a paradigm for military policy. By viewing military policy through the lenses of socio-economics a more complete picture is possible. Military institutions and policies are not built on rational self-interest. Institutional policy must consider the "We" (We = society; We= uniformed service members; We=fighting group) and a long tradition of duty. A paradigm such a neoclassical economics undermines these institutional foundations.

Efficiency and cohesion can and should be policy concerns. For example, policy questions should focus on the most efficient way for groups of soldiers to maintain tanks (L/E concern). Unfortunately, an efficient configuration of working soldiers who lack cohesion or a sense of duty will be unreliable. The conceptual lenses of socio-economics take both factors into account-- efficiency and cohesiveness/duty.

When policy is viewed through neoclassical lenses there is an optimum -- an end of quest. Socio-economics, on the other hand, examines context and balance. There is no end of quest. Reevaluation and adjustment are continuous. U.S. military policy is undergoing a period of change and reassessment. The lenses of socio-economics is a better vehicle to view the problems and challenges of the Post Cold War/ New World Order.

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