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DRMI Newsletter

Defense Resources Management Institute, Naval Postgraduate School, Monterey, California

Issue 2

www.nps.navy.mil/drmi/

July 1, 2002

DRMI Activities

Spanagel 400 named for John Dawson

Our classroom, Spanagel 400, has been renamed in memory of Professor John Dawson, who died in February. It will now be known as the John E. Dawson Memorial Lecture Hall. A dedication ceremony is scheduled for Friday, July 5th, and will include the participants of the SIDMC class, the faculty and staff, John's widow, Mary, and the Honorable Don Rice, former DRMI faculty member, former Secretary of the Air Force, and John's best friend. A reception will be held in the Ecker Lounge immediately after the dedication ceremony.

Class News

DRMC 02-2 finished on May 16th, and included participants from Denmark, Germany, Israel, Malaysia, Norway, Philippines, Slovenia, and South Africa. With no time for a breath of air, DRMI kicked off the third four-week course of the year, DRMC 02-3, on 20 May. The course graduated on June 14th, and included participants from Germany, Italy, Jordan, Kuwait, Malaysia, Norway, South Africa, Spain and Turkey. The 33rd Annual senior course, SIDMC 2002, began June 24th and will finish on July 19th. The 51 participants come from 40 countries.

In April, May, and June, DRMI completed four mobile courses, graduating 37 participants in Honduras, 26 in Vanuatu (12 from Vanuatu, 6 from Papua New Guinea, and 8 from The Solomon Islands), 21 in Hungary, 40 in Thailand (36 Thais, two from Malaysia, and one each from the Philippines and Sri Lanka). See the list of upcoming mobile courses under "Future Courses."

Ecker Remodel

We are currently in the process of remodeling Ecker Lounge. To date we have had the room painted, have cleaned and polished the wood surfaces and brass foot rail on the bar, re-carpeted, and disposed of old furniture and fixtures. Remaining work includes replacing the

sofas and chairs, getting the tables and conference chairs refurbished and/or refinished, putting up a curtain to cover the screen, and other improvements. Stay tuned!

Dateline Budapest

April in Paris may be beautiful, but Budapest in May is equally deserving of a song! Budapest is truly one of the World's great cities. It even had chestnuts in blossom for the arrival of Dr. Bob McNab, LtCol Sue Dooley, Steve Hurst and Al Polley--the DRMI team for Week 1 of Mobile International Defense Management Course (MIDMC) 02-8. After a seven-year hiatus, DRMI returned to Hungary for the fourth time, and the first time since Hungary was admitted to NATO. The class consisted of a group of 21 participants from a variety of Hungarian Defense Force and MoD organizations.

With the assistance of our interpreters we were able to participate in often lively discussions of the problems associated with defense resources management in Hungary. As we are fond of saying, we usually learn as much from our participants as they learn from us. This course would be no different as we heard about the problems involved in adapting a Warsaw Pact structure to NATO.



The departure of Bob's steady influence at the end of Week 1 and the arrival of Don Bonsper threw the universe into a state of upheaval. For the first time in recorded history a MIDMC faculty was constituted solely by active and/or retired U.S. Marine Corps officers! This All-Marine Dream Team was up to every challenge and succeeded in delivering the standard high-quality DRMI product.

As if you didn't already know! – Allan Polley

Latvian Minister of Defense Visits

The Institute was pleased to welcome back an old friend, Mr. Ģirts Valdis Kristovskis, Minister of Defense of the Republic of Latvia and a graduate of IDMC 95-1. Mr. Kristovskis presented a guest seminar to DRMC 02-2, detailing Latvia's bid to join NATO and reviewing defense resources management in Latvia. He noted that Latvia is a prime candidate to join NATO because of what he learned here at DRMI. While we're sure his skills and abilities were crucial to this effort, we are pleased that we could play a beneficial role.

Faculty and Staff News

Congratulations to Diana Angelis, who was promoted to Associate Professor and granted tenure this spring. Her citation read:

This promotion and award of tenure are in recognition of her excellence in teaching, her contributions to curriculum development, her research in activity-based management and the use of option models in research and development, and her service to the Institute and the Department of Defense. Her teaching is excellent, and she is adept at facilitating the small group discussions that are integral to all DRMI programs. She has originated or contributed to the development or revision of a number of case studies and problems, developed new approaches to established problems and cases and written faculty guides for several problems and case studies. She has also incorporated DoD examples into her own lectures and other existing lectures. Of particular note are the seminars on unit costing and activity base management that she developed and presented for the Defense Contract Management Command and the Air Force Materiel command. Also of note is her work developing an Academic Resource Measurement and Management system for the DoD Chancellor of Education and Professional Development.



James S. Airola will join the faculty of DRMI this summer. Dr. Airola (Jim) received his BS in Engineering (1983) from Texas Tech University and an MA (1998) and a Ph.D. (2002) in Economics from the University of Houston. Dr. Airola previously worked as a design engineer, small business entrepreneur, and consultant. He has worked extensively in developing countries. Dr. Airola's current research focuses on labor markets and development, particularly international trade and the distribution of wages, including the effects of the North American Free Trade Agreement (NAFTA). He will join the faculty in August 2002.

The Community Foundation for Monterey County selected Don Bonsper as a 2002 Winner of the Allen Griffin Award for Excellence in Teaching. Community Foundation gives awards to teachers from high schools and universities in the country. Don was this year's recipient from the NPS. Congratulations, Don!

Lisa Cappellari has decided to stay at DRMI for another year. We are delighted to have her!

Bob McNab was invited to join the Editorial Board of *Public Finance and Management*, an academic journal focusing on international issues in the areas of budgeting, public administration, and public management.



Mary Jo McDonough took over the International Activities Coordination position, filling in for Dave Tanner who retired. Mary Jo will certainly do a wonderful job in the position, having held similar posts in India and Indonesia in recent years. Welcome, Mary Jo!

Rick Mosqueda's son, Nerick Franco Mosqueda, graduated from UC Santa Barbara in June with a BA in Biological Anthropology. He has multiple job offers and is interested in obtaining a job with a biotech-related company.

David Tanner and Carrie Dlouhy were married this spring, and Dave has left DRMI to move to the Pleasanton area of CA near his children and grandchildren. Mary Jo McDonough says he will be sorely missed, but that he left behind a well-oiled machine. We wish Dave and Carrie many years of happiness together.

Faculty Publications

Blandin, J., & O' Keefe, S. (2002). Nationland. In Volker Franke (Ed.), *Security in a Changing World: Case Studies in U.S. National Security Management*. (pp.185-189). Westport, CT: Praeger.

Frederiksen, P. and R. McNab. (2001). *The Relationship Between Defense Spending and Economic Growth. A Granger Causality Analysis for Malaysia, 1961 to 1999*. Journal of Strategic Studies and International Relations, Fall, 63-71.

Martinez-Vazquez, J. and R. McNab. (2002). *Cross-Country Evidence on the Relationship Between Fiscal Decentralization, Inflation, and Growth*. In Press. Papers and Proceedings of the National Tax Association.

Professors Fredericksen and McNab Study Impact of Defense Spending on the Malaysian Economy

In this paper we examined the relationship between defense expenditures and economics for Malaysia. We were interested whether defense expenditures were a function of economic growth; whether growth was a function of defense expenditures; or whether the two variables were functions of each other. In statistical terms, we wished to determine whether there was a causal relationship between defense expenditures and economic growth for Malaysia in that many recent studies of this question have failed to find a relationship between the two variables.

The question of whether there is a causal relationship between defense expenditures and economic growth is of concern to defense

officials and policymakers in Malaysia. If there was no discernable relationship between defense expenditures and economic growth, then the Malaysian government could increase (decrease) defense spending without affecting economic growth. On the other hand, if defense expenditures and economic growth were causally linked, then the Malaysian government's plans to recapitalize its force structure could have a significant impact on the growth rate of Gross Domestic Product. Likewise, increases in economic growth resulted from factors other than defense spending would likely result in higher levels of defense spending over time.

Using data from 1961 to 1999, we employed a series of statistical tests and found that there was a statistically significant and positive causal relationship between the defense expenditures and economic growth. Specifically, we find that causality flows from defense expenditures to economic growth and not vice versa. Higher expenditures for defense appear to translate into higher rates of economic growth in one to two years; while defense expenditures appear to be unaffected by higher rates of economic growth. Our findings suggest that the defense sector in Malaysia still influences the rate of economic growth and that policymakers should be cognizant of this effect to avoid "overheating" the economy during periods of high growth.

Future Courses

The four week Defense Resources Management Course will be conducted:

DRMC 02-4 22 July – 15 August

DRMC 02-5 19 August – 13 September

IDMC 02-2 23 September – 6 December

Please contact Mary Andrews at (831) 656-2104 or mandrews@nps.navy.mil for quota and enrollment information.

Mobile International Defense Management Courses (MIDMCs) scheduled for the remainder of 2002 are:

Malaysia	22 July – 2 August
South Africa	5 – 16 August
Kenya	26 August – 6 September
Argentina	16 – 27 September
Slovakia	7 – 18 October
Argentina	21 October – 1 November
Bosnia	11 – 22 November

For additional information contact Don Bonsper at (831) 656-2224 or e-mail dbonsper@nps.navy.mil

