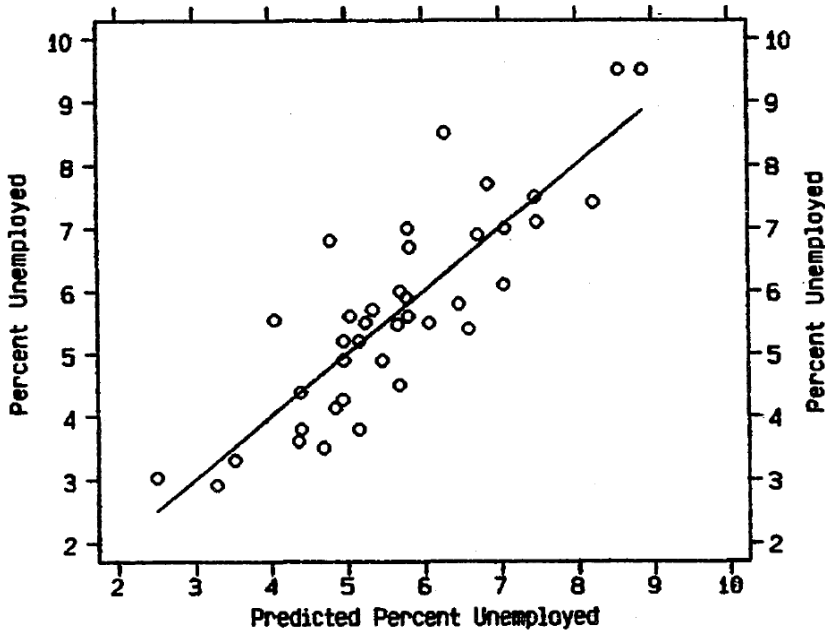
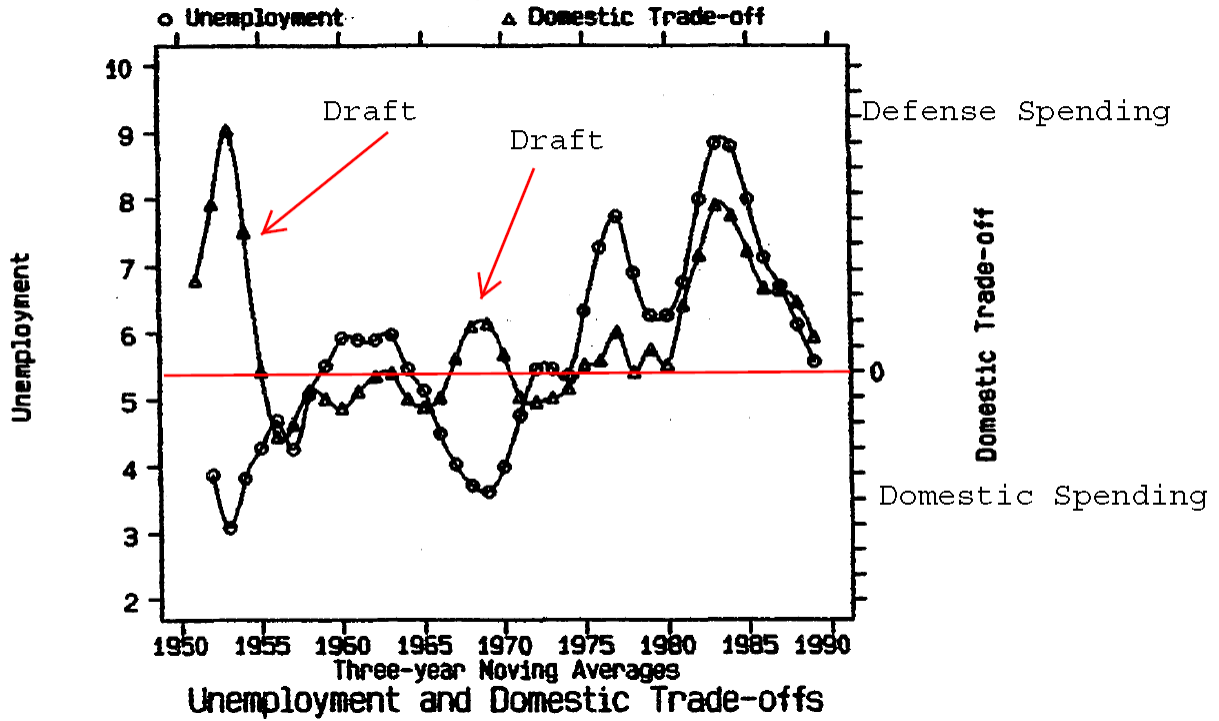


Guns vs. Butter

The impact of defense spending relative to discretionary domestic spending is to increase unemployment, unless there is a draft, in which case compulsory employment is ensured.



From Joe Adams, *Parties, Ideologies, and Budgets: A Study of Budgetary Trade-offs*. Doctoral dissertation, Vanderbilt University, 1992 (<http://joe.adams.tripod.com/dissertation.pdf>).

Explaining Unemployment

Model 1

Variable	1950-1989	1951-1989
	OLS Regression	CORC Regression
Constant	5.62*** (0.1773)	5.68*** (0.2173)
Peacetime Trade-off	0.0118*** (0.0021)	0.0098*** (0.0071)
Wartime Trade-off	-0.0078*** (0.0018)	-0.0076*** (0.0019)
Adjusted R ² =	.57	.48
Durbin-Watson =	1.23	...
N =	40	39

Standard errors are reported in parentheses.
 Standardized coefficients from OLS are .61 for peacetime trade-off and -.44 for wartime trade-offs.
 * Significant at the .05 level
 ** Significant at the .01 level
 *** Significant at the .001 level

By adding the previous year's unemployment rate:

Explaining Unemployment

Model 2

Variable	1950-1989	1951-1989
	OLS Regression	CORC Regression
Constant	3.11*** (0.63)	5.68*** (26.16)
Peacetime Trade-off	0.0073*** (0.0020)	0.0098*** (0.0021)
Wartime Trade-off	-0.0057** (0.0016)	-0.0056** (0.0022)
Unemployment _(t-1)	0.4519*** (0.109)	0.4351***
Adjusted R ² =	.71	.66
Durbin-Watson =	n/a	...
N =	39	38

Standard errors are reported in parentheses.
 Standardized coefficients from OLS are .38 for peacetime trade-off and -.37 for wartime trade-offs, and .45 for unemployment_(t-1).

* Significant at the .05 level
 ** Significant at the .01 level
 *** Significant at the .001 level