

sure that there is a need to increase defense budgets. Therefore, we present the analyses provided by the defense and security establishment in Norway that underscore the need for a stronger emphasis on defense production, highlighting the more aggressive behavior of Russia, the rise of China, and the demands of the United States and NATO.

Second, it is unclear how the armed forces can translate increased budgets into better societal outcomes. To shed light on the complexity of this concern, we present insights from the literature on defense economics. Unfortunately, there is no easy recipe for how to reasonably estimate the value of defense production. As a starting point, we followed other studies and equated the costs of the inputs and outcomes.

Third, there is a tension between labor policies for dealing with unemployment and defense policies. Optimal labor policies fighting unemployment may involve hiring the unemployed or educating and training them to upgrade their skills. However, optimal defense policies for recruitment mean finding the best candidates for the most suitable positions. If the unemployed are worse candidates than what the armed forces can hire from the civilian labor market, the maximization of defense production does not logically entail hiring the unemployed. Still, the armed forces must balance the need for additional recruits, their quality, and the cost of recruiting different types of individuals.⁹ Notably, the unemployed may benefit from the hiring project if they fit the positions left vacant by new recruits to the armed forces.

In the CBA, we calculated the differences between the value added and public finances of the expedited recruitment strategy and those of the reference alternative. The conclusions drawn from the main results depend on the response rate, which reflects the recruitment of the unemployed to the armed forces. Following our estimations, Norwegian society incurs a net loss if everyone in the labor force has the same chance of employment under the project. If the response rate is higher, the project is net positive in all labor market scenarios. A high response rate translates into a high social value for the expedited project versus the reference project.

The main results hinge on numerous assumptions that are difficult to clarify. Therefore, we conducted nine sensitivity analyses. The CBA is particularly sensitive to the value of leisure, the share of the pool of unemployed who are eligible for recruitment either directly in the armed forces or indirectly through the chains of vacant positions left behind by armed forces recruits, matching issues, and the value added by alternative public sectors. We also tested the societal net benefits of a maximum recruitment strategy that recruited all military personnel in 2021. This maximum alternative has high values in all scenarios and alternatives due to its relatively large unemployment reduction. This finding hinges on the ability of the armed forces to select candidates of equal quality as in the reference alternative.

The fiscal effects on the government and thus the taxpayers are negative when the project's effect on the unemployed pool is low to medium and positive when this effect is high (i.e., a response multiplier greater than 9). From a fiscal point of view, it is interesting that the government can save money by using an expedited recruitment strategy. This is because the number of recruits in the armed forces is the same in the expedited and the reference alternatives. Thus, defense spending is the same in non-discounted terms. Crucially, the savings

⁹ Thanks to the anonymous referee for making this point.

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