



This image originally appeared in the Bolling Air Force Base (BAFB) newspaper, *Bolling Beam*, on 14 November 1969. The accompanying story said, "The Department of Defense is studying the possibilities and feasibilities of instituting an all-volunteer force for the military services. This study is being made at the behest of President Nixon in an attempt to better military life and eliminate the need for the induction of manpower into the armed forces." BAFB is one of three military properties that now constitute Joint Base Anacostia-Bolling. (Photo courtesy of the Department of Defense)

Committing to the All-Volunteer Force

The Role of Economics in Its Adoption and Implementation

Maj. Vincent Shaw, U.S. Army

Capt. Theodore MacDonald, U.S. Army

*The soldier no less than the rest of us is worth his hire ...
One of the great gains in the progress of civilization was
the elimination of the power of the noble or the sovereign to
exact compulsory servitude.*

—Milton Friedman, May 1967

While rose-colored thoughts of patriots “springing up in defense of the nation during its hour of need” are pleasant, why then has the country ever needed a draft, let alone debated it to the point of compromising common defense?¹ Empirically, the U.S. military has, at times, contained too many “summer soldiers and sunshine patriots” and required conscripts to fill shortfalls.² The truth is that patriotism is one of many determinants

that influence military service, and a draft is a brute-force method to solve a problem that creates many others. A draft also largely ignores another key determinant that may seem incongruent with service but is equally effective: compensation.

Current recruiting shortfalls are likely symptoms of underlying systemic issues. Considering the growing challenges from our rivals and a hyperconnected and politicized society, it may seem compelling to revert to the panacea of a draft and invoke the facade of “universal service” to force our problems away. However, calls for a draft outside of a crisis moment of clear national defense lacks awareness of previous recruiting challenges or why, in 1973, the draft reverted to its historical “standby” status in favor of an all-volunteer force (AVF). It is critical to remember the economic principles that illuminate the hidden costs of a draft and the major transformation the services completed to create the highly professional and effective force we have today. A product of America’s path dependency, conscription outside of crisis moments incurs significant implicit costs on a minority of the population and negatively impacts all of society. A draft also creates incentives that shape decisions in ways that run against our modern values. Economic thought and the critical decisions made during the turbulent period of the AVF’s first decade, 1973–1983, can better inform how to approach temporary, recurring, and systemic accessions issues in the military today.

The Draft Is Not the Historical Default

For over two and a half centuries, the existing status quo, exogenous shocks, and cultural norms largely determined consensus views on conscription at a given time. The occurrence, duration, and severity of wars; and the scale and length of a draft before, during, and after conflict shaped entire generational views. The United States formally ended the draft during the waning years of the Vietnam War. This seminal moment and its context serve as the only inflection point that many reference today, but it is important to understand the history and legality of conscription in America as it was not the historical default and often despised as an un-American overreach of governmental power.

Before America’s independence, the colonies determined their own methods to maintain militias largely

for self-defense with varying connotations of universal conscription. During the American Revolution, the Continental Congress could not impose national conscription. The Continental Army relied solely on volunteers, while the colonies maintained and provided their militias. After the Battle of Yorktown, the standing army numbered eighty men, and it could not even maintain domestic tranquility during Shay’s Rebellion.³

With the ratification of the Constitution, the legislative branch assumed key enumerated powers: to declare war, to raise and support armies, and to provide and maintain a navy. Throughout the rest of the eighteenth and nineteenth centuries, a federal draft only occurred once, during the Civil War. In 1790, Congress quickly rejected then Secretary of War Henry Knox’s conscription proposal. In 1812, Congress could not reach consensus as some states refused to send troops but offered financial support—viewing both resources interchangeably as a tax for common defense. Washington, D.C., burned, and the war ended before the log-jammed legislature could enact a draft. With the scale and length of the Mexican War and War with Spain, a draft never became a significant issue.

Only during the Civil War did porous attempts at conscription occur. When the Union finally utilized a draft two years into the war in 1863, riots nearly burned New York City to the ground. With substitutes and exemption purchases, only forty-six thousand nonsubstitute soldiers fulfilled their draft notices, 1.7 percent of the total Union manpower over the course of the war (conscripts filled an estimated 14 percent of the Confederate army).⁴

Maj. Vincent Shaw, U.S. Army, is an infantry officer serving as an instructor of economics at the U.S. Military Academy. He holds a BS from the U.S. Military Academy and an MBA from the University of Minnesota’s Carlson School of Management. He has served in the 101st Airborne Division (Air Assault) and the 4th Infantry Division.

Capt. Theodore MacDonald, U.S. Army, is an infantry officer serving as an instructor of economics and finance at the U.S. Military Academy. He holds a BS from the U.S. Military Academy and an MBA from Duke University’s Fuqua School of Business. He has served in the 82nd Airborne Division and the 25th Infantry Division.

It was during the Civil War that the Pennsylvania Supreme Court established precedent upholding federal draft authority as constitutional in *Kneedler v. Lane*.⁵ The U.S. Supreme Court repeated this in the 1918 *Selective Draft Law Cases* during the First World War.⁶ Today, the constitutionality of Congress' power to conscript remains, largely considered a form of taxation to raise an army covered by those reinforcing enumerated powers.

The growing size and lethality of warfare in the twentieth century compelled Congress' use of the draft, and the two world wars formally ingrained its use. A draft was enacted nearly simultaneously with the declaration of war in 1917, like the Civil War draft, it was terminated with the end of hostilities. With war tearing across Europe in September 1940, Congress for the first time instituted a draft ex ante with the passage of the Selective Service and Training Act.⁷ When challenged, the Supreme Court again upheld this expansion of the draft without a formal declaration of war as constitutional. The World War II draft regime remains the most significant, both in scale and precedence. Out of over sixteen million Americans who served, ten million (60.6 percent) were draftees.⁸ However, in another unprecedented decision concerning security policy, the draft continued postbellum. The Selective Service System, the mechanism of local draft boards that classified registrants by their eligibility for service, remained in effect.

Following the Korean War and subsequent draw down in force strength, yearly draft calls remained low while the military-aged male population expanded.⁹ The proportion of yearly procurement required to be drafted decreased from 33 percent in 1954 to 9 percent in 1961.¹⁰ Draft calls affected a smaller percentage of the youth population and deferment categories, legally accepted reasons to postpone service, increased to include fatherhood, men over twenty-six, and additional occupations (by 1963 the law included all married men).¹¹ Of the 76,000 called to service in 1962, another 430,000 had educational or occupational deferments and 1.3 million deferred for paternity.¹² A persistent draft was new to our Nation's history, but complicit support remained so long as it only affected a small proportion of society. Despite historical precedent, a draft was no longer the exception to the status quo, but became it—even in peacetime.

The Draft's Inequity Becomes Increasingly Apparent in American Society

The Selective Service Act faced expiration in 1967 toward the end of President Lyndon Johnson's term in office and as the Vietnam War grew protracted. Criticism of the draft grew as the war doubled the needed monthly service inductees, and deferments were sought after by those who could attain them. Of the seventeen million young men in the potential draft pool, more than two-thirds would be ineligible or seek deferments.¹³ Of concern were deferments for college enrollment that were easily extended into a complete exemption through graduate school, fatherhood, or age.¹⁴ The president directed the Marshall Commission to meet at the University of Chicago, renowned for its expertise and influence in the field of economics, to study the problems of the system and recommend improvements before the act was renewed.¹⁵ At the time, a growing number of economists wrote against the draft as a costly, inequitable, and inefficient way to supply the military with its needed manpower. To them, military recruitment was a labor supply problem, and their arguments placed light on hidden costs of the draft that were benign to many policymakers. Although the commission's findings acknowledged the ills of the draft, it concluded with its necessity to promote a flexible system capable of providing manpower in a crisis.¹⁶ Policymakers did not initiate fundamental changes, and the selective service remained in effect.

Opposition to the Vietnam War became increasingly salient in the 1968 presidential election. Supposedly due to personal conviction and the persuasive arguments given by one of his policy advisors, economist Martin Anderson, Richard Nixon risked crossing party lines and added the all-volunteer force to his platform.¹⁷ Nixon sought to balance two principles in tension with one another, not wanting "an army of mercenaries" while acknowledging that "we have lived with the draft so long, that many of us accept it as normal and necessary."¹⁸

With social sentiment growing against the war, supporting analysis from economists, and Nixon in the White House, the wheels were in motion for change. However, change was not without risk—not only regarding national security but also with opposition from entrenched politicians and leaders across society. The

pro-AVF coalition had to assuage many skeptics and overcome “the tyranny of the status quo.”¹⁹

The Army, and by extension the military establishment, was fearful of removing the draft. Recruit quality was of utmost importance for unit morale and discipline, and it was believed that only through a draft could a cross section of society be called to serve.²⁰ The special relationship between the armed forces and society placed service members as performing a “vital social function and recognized and awarded an appropriate status by the society.”²¹ It was believed a professional force incentivized by pay would undermine this relationship, hurt unit morale and discipline, and fail to encourage courageous acts and grit for prolonged hardship.

Shortly after his inauguration in March 1969, Nixon created the President’s Commission on an All-Volunteer Armed Force to utilize “the best efforts of our military establishment and the best advice we can obtain from eminent citizens and experts ... to develop a comprehensive plan for eliminating conscription and moving toward an all-volunteer armed force.”²² In these words, the president overtly insinuated that the draft was no longer the default option. Instead, Nixon empowered the commission to overcome status quo bias toward the stated goal of an AVF.

What became known as the Gates Commission, after its chair Thomas Gates who served as secretary of defense under Dwight Eisenhower, comprised a broad coalition of leaders from various disciplines carefully chosen to provide diversity of thought and credibility to its findings. Economists and business leaders were paramount; notably, these included Milton Friedman and future Chair of the Federal Reserve Alan Greenspan.²³ Policy experts included current and future cabinet secretaries, diplomats, and a congressman; social leaders included Roy Wilkins, who led the NAACP, and Father Theodore Hesburgh from the University of Notre Dame and chair of the U.S. Civil Rights Commission. Lastly, two former supreme allied commanders from the military were present.

The Economic Case for the All-Volunteer Force

Methods. The Gates Commission presented a case for an AVF after nine months of deliberation utilizing both positive and normative analyses based largely on economic principles and social consensus. It represented a monumental effort drawing upon the greatest minds,

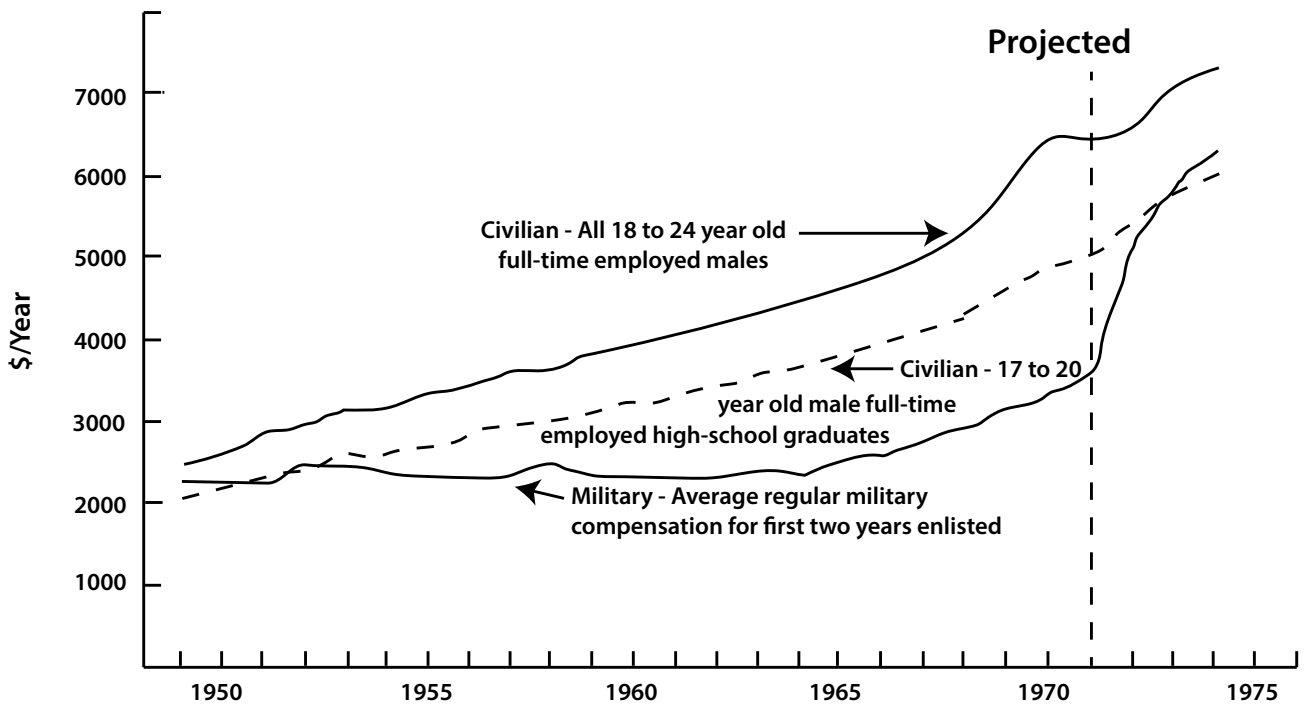
diversity of perspectives, and thoughtfulness in consideration of the issues at hand. Although quantitative methods and economic theory were critical toward establishing its positive analysis, the commission also drew extensively on noneconomists amongst its diverse board to provide consensus on what ought to be.

To assess the feasibility of an AVF, the commission thought hard about the “determinants of volunteerism,” which included patriotism and values; compensation; labor market conditions and competition for talent; public sentiment; and a combination of conflict severity, personal danger, and threats to the homeland. The commission turned to labor economics and the U.S. labor market to determine how these determinants could lead to desired force levels comprised completely of volunteers. Projections of future labor market conditions informed its recommendations, such as total population growth, total and qualified male population, and enlistment shortfalls within the current lottery system. Historical data and previous studies informed the commission on the price elasticity of labor supply (i.e., the change in voluntary enlistment as wages increased). This left pay, length of enlistment, turnover in personnel, and allocation of resources to recruitment as the main variables to analyze.

Findings supported by economic theory. The Gates Commission unequivocally and unanimously stated, “The nation’s interests will be better served by an AVF, supported by an effective standby draft, than by a mixed force of volunteers and conscripts.”²⁴ It is important to note the trade-off implied, as neither option was perfect nor without costs, but represented a comparison of which provided more value to society.

The commission advised that the pay for first-term service members was too low, roughly 65 percent of comparable civilian employment, and only by increasing total compensation could the AVF work (see figure 1).²⁵ Although higher wages would mean increased cost of wages borne onto taxpayers, society and the military would incur lower hidden costs and benefit more from an AVF. In economic terms, the commission consistently distinguished between explicit (accounting) costs, such as wages that clearly reflect on a defense budget, and implicit (opportunity) costs, such as the foregone ability to receive higher pay working as a civilian.

Key to the commission’s report was the finding that an AVF is not more expensive on society than a draft,



(Figure from Richard Cooper, *Military Manpower and the All-Volunteer Force*)

Figure 1. Military and Civilian Wages for 18–24 Year Olds from 1948 to 1976

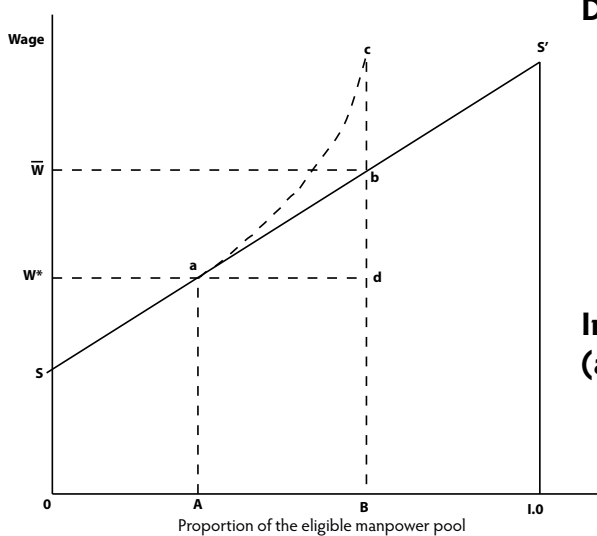
but makes the hidden implicit costs visible, which allows for proper decision-making. While the explicit cost of the mixed force (meaning conscripts plus volunteers) was lower due to low wages, the implicit costs were very high. This implicit cost was caused by the same low wages, below what someone would have accepted as payment to volunteer. As a lottery draft selected individuals without regard to their willingness to serve, or their “supply price,” it would inevitably and inefficiently choose those most opposed to service who would only willingly do so at a very high wage. Forced service below one’s supply price is an implicit cost on that individual because they unwillingly forgo other opportunities to make a higher wage. This cost of service, or “tax burden,” fell disproportionately on a small subset of the population while subsidizing society (see figure 2).²⁶ Higher wages, on the other hand, would provide the incentive for more volunteers who do not incur implicit costs because they freely choose to serve at that wage (because of patriotism, values, best opportunity, etc.). All an AVF would do is exchange the implicit cost of draft service with the explicit cost of higher wages needed to encourage volunteers (see figure 3). This

effectively shifted the tax burden from a few draftees to all of society in the form of higher defense spending. The commission claimed that “taking these hidden and neglected costs into account, the actual cost to the nation of an AVF will be lower than the cost of the present force.”²⁷

To make the AVF feasible, volunteers had to fill the hole left by draftees. In a competitive labor market, wages are the principal determinant of supply (i.e., what pay will workers accept to perform a certain job), and firms compete with one another in the market for talented workers. Given the nature of military service and reinforced by historical data, the country could only rely on altruism to a certain point. To address recruiting challenges, the government had to ensure that the total benefit of volunteering for military service not only outweighed its costs, but that the net value was also greater or equal to other opportunities in civilian life (see figure 4).

Wages are also a key cost driver for firms. The commission acknowledged this and provided projected additions to defense appropriations due to the requisite higher wages, recruiting expenses, and ROTC scholarships

Wages, Labor Supply, and Draft Burden



Determined by who is selected

0 - A: volunteers at wage of w^*

A - B: draftees at wage of w^*

0 - B: volunteers at wage of \bar{w}

Implicit Cost to the Individual (at wage of w^*):

Lowest Supply Price Drafted First (abd)

VS

Lottery Draft (adc)

(Figure adapted from Richard Cooper, *Military Manpower and the All-Volunteer Force*)

Figure 2. Changes to Labor Supply and Tax Burden with Wage Increases

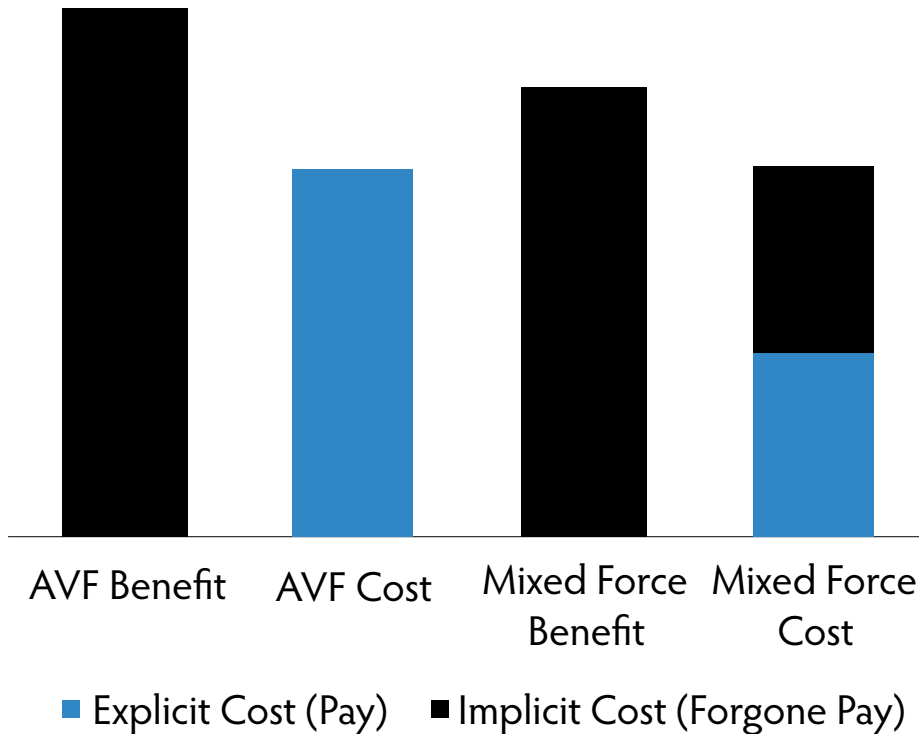
(\$1.47 billion for a force of 2 million, \$2.12 billion for a force of 2.5 million, and \$4.55 billion for a force of 3 million—showing increasing marginal costs of labor supply).²⁸ They acknowledged that society would internalize these explicit costs (meaning they would be real, tangible costs) immediately in the form of a high defense budget, with delayed future benefit harder to quantify and grasp. The commission's normative arguments did much to try to communicate the value of these future benefits.

The report clearly articulated the flaws of the draft. First, service members suffered from depressed wages and incurred the opportunity cost of what they could make in civilian life. As the tax burden fell on such a narrow subset of the population, the commission estimated that draftees bore three times their share of what the cost would be on a member of society in an AVF.²⁹ Lower first-term wages affected all service members, draftee and volunteer, who also incurred lower lifetime earnings.

Next, this analysis led to a broader characterization of the mixed force, that it was largely inefficient.

Many of the challenges the military faced were self-imposed due to artificially low starting wages and a rigid, discrete pay system based on rank and time in service that made wage negotiations impossible. A vicious cycle remained ongoing—the draft enabled Congress to keep military pay low, which disincentivized volunteerism and perpetuated the need for a draft. However, a higher wage would increase the addressable market and, by extension, recruit quality. While incurring a higher explicit labor cost, this would increase the number of volunteers, decrease both the amount and implicit costs on draftees, and shift the defense tax burden back to society—a much wider base.

This would also begin a virtuous cycle. As increased pay drove higher rates of volunteerism, morale and job satisfaction increased, and turnover decreased. Data supported this, as volunteers comprised only around half of first-term service members from 1965 to 1967 but comprised approximately two-thirds of the total force, indicating that those that remained in the total force began as volunteers.³⁰



(Figure by Capt. Theodore MacDonald, U.S. Army)

Figure 3. Theoretical Representation of Benefits by Force and Explicit and Implicit Costs

With less churn, the services required fewer initial entry recruits every year and enjoyed synergistic effects. With fewer recruits, a smaller proportion of the current force had to train them and could remain in their primary function, reducing the overall required end strength of each service. As the services could be equally as productive with fewer total people (less trainers devoted to training high amounts of new

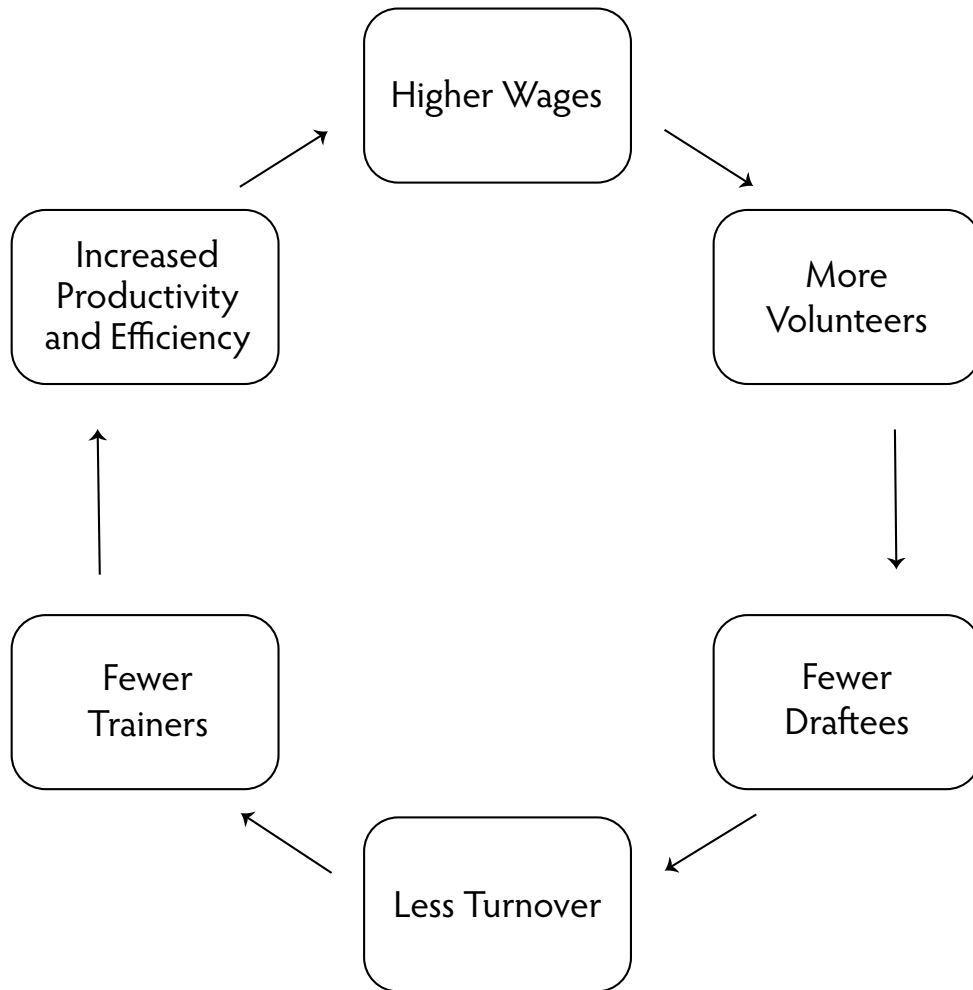
recruits), the explicit cost of the AVF would not be as high as feared (see figure 5).

Last, adding to the characterization of the mixed force as inefficient, the commission demonstrated how the draft imposed costs on society through a misallocation of resources. Artificially low wages in the military caused distorted incentives, with young men seeking higher education, essential work, or marriage out of

- (a) $W_m^i + T_m^i > W_c^i + T_c^i$
- (b) $W_x^i = \text{Wages to individual from military or civilian work}$
- (c) $T_x^i = \text{Total nonpay benefits - nonpay costs to individual from military or civilian work}$

(Figure by Col. Carl Wojtaszek, U.S. Army)

Figure 4. Military versus Civilian Compensation Equation



(Figure by Capt. Theodore MacDonald, U.S. Army)

Figure 5. Virtuous Cycle of Increased Pay and Efficiencies

draft avoidance when they otherwise would not.³¹ Conscripted captured “misfits and maladjustment” in the ranks of the military, along with other adverse selection problems as the most capable would seek deferments. Lastly, services cannibalized one another for recruits, especially as the reserves received higher quality applicants for those seeking to avoid active service.

With an abundant supply of cheap labor, the draft inadvertently allowed the military to over-rely on manpower, as subsidies (when buyers do not pay the true cost) can result in overdemand. The commission estimated the overdemand for draftees (i.e., cheap labor) contributed to the inequitable implicit costs imposed on them (\$1.54 billion per year).³² Years of the draft allowed the military to ignore modernizing its manpower management practices as new recruits

were always abundant. It did not need to understand how to retain talent in the right places or what composition of force was most efficient with taxpayer dollars. Cheap labor meant that decisions in its use did not account for its true cost, and there was less incentive to find alternatives. In such an arrangement, the military was quick to use soldiers for a variety of tasks, many of which did not pertain to warfighting, because it seemed inexpensive to do so. Similar mismanagement practices that undervalue soldiers’ time still exist today in the form of area beautification, lifeguard duty, or orders to be extraordinarily early to formation. Concerning the hidden cost of subsidized labor, Friedman quipped, “The construction of the great pyramids with slave labor were, by this argument, a cheap project.”³³

While not perfect, an AVF would make the military and the wider labor market more efficient, lower unnecessary costs, and increase productivity across sectors. Studies found price elasticity of labor supply to be 1.25 for first termers, and 2.0–4.5 for second.³⁴ This meant that the amount of people willing to serve increased at a greater rate than increases in wages—increased appropriations for pay would get a higher return than many perceived. Additionally, with less turnover, there would be fewer veterans and therefore a lesser liability for their care and benefits in the future.

Recommendations. The Gates Commission made many recommendations that collectively sought to ensure the feasibility of the AVF and mitigate concerns, even beyond the scope of an AVF. It is apparent today that Congress and the executive branch (military) implemented the core package critical for an AVF, but not all the recommendations. Specifically, proposals to decentralize personnel management in the services and improve efficiency, such as flexible pay scales, largely remain left on the table.

The Military Reacts to Its Exposure to the Labor Market

At the time of the formal release of the Gates Commission report in March 1970, the Department of Defense (DOD) had concluded the feasibility of an AVF and presented its recommendations to the president. Key to its success was the ability of the forces to recruit volunteers through adequate compensation. Almost immediately, the DOD requested a 20 percent pay increase for first-term enlistees; additional funds for recruiting, housing, and quality-of-life programs; and an expansion of ROTC scholarships.³⁵ With the understanding that the last draftee could be as early as 1972, the services studied the implications the AVF had on their force generation requirements. Results of these studies indicated the need for fundamental changes to the services beyond higher compensation to increase the benefit and reduce the cost of service.

As the Army was the biggest customer of the draft, it faced significant changes with an AVF. Gen. William Westmoreland, chief of staff of the Army, read the writing on the wall. If the Army was going to compete for labor, then it had to enact initiatives to improve the lives of soldiers to make itself more attractive. The Army

sought to improve and professionalize itself to make service “more enjoyable, more professionally rewarding, and less burdensome in its impact to our people and their families.”³⁶ Along with quality-of-life improvements that allowed weekends off, the Army hired civilians to replace soldiers for kitchen duty and groundskeeping work. Exposing the Army to the competitive labor market forced it to improve itself and conform to society despite institutional reluctance to change. For the first time, the Army shifted its thinking on how it used its recruits, how to provide for their self-fulfillment, and most importantly, how to attract the Nation’s youth and fill its ranks as it competed in the labor market.

The New All-Volunteer Force Was Challenged as It Adjusts to Compete

Competition for labor did not come easily for the military. By the end of the 1970s, senior leaders in the government still questioned the feasibility of the AVF, and many doubted it could survive, let alone stand up to the test of conflict. It was at this time of the AVF’s infancy when it was most vulnerable, as questions surrounding cost, quality, and ability to recruit abounded. The realization that the military was an “all-recruited” force that required its leaders to think hard about the motivations of potential recruits and take daring steps to reform the institution, allowed the AVF to succeed into the twenty-first century.

The Gates Commission noted that a successful AVF required a commitment to maintain total compensation that was commensurate with civilian sectors of the economy. However, policymakers were reluctant to appropriate for increased pay, recruiting resources, and other incentives. Instead of increased wages, a pay cap was introduced in 1975 and renewed in 1978. Elimination of the G.I. Bill of Rights in 1976 combined with the expansion of federally sponsored scholarship programs made service less attractive.³⁷ The same year saw a substantial reduction in recruiting budget, while accessions requirements in 1978 grew without appropriate increases in funds.³⁸ Despite high unemployment levels among young people, recruiting fell 6 percent short of its goal during the last quarter of 1976.³⁹ Although recruiting goals were met between 1977 and 1978 (arguably with reduced quality), the military’s ability to do so into the 1980s was under question when the Army missed its goal by 11 percent in 1979.⁴⁰

Table. Distribution of Male Enlisted Accessions by Educational Attainment (In Percent)

| | Draft (fiscal year 1960–72) | AVF (fiscal year 1973–76) |
|------------------------------|--------------------------------|------------------------------|
| College graduate | 3 | 1 |
| Some college | 13 | 5 |
| High school diploma graduate | 54 | 58 |
| GED* | | 3 |
| Some high school | 26 | 32 |
| Grade school | 4 | 1 |

*Unavailable before fiscal year 1971. Reported here with some high school totals.

(Table from *Defense Manpower and the All-Volunteer Force*)

Skeptics also questioned the quality of the force. The proportion of college graduates in the AVF was less than during the draft, while percentages of high school graduates barely kept pace with the total population (see table).⁴¹ The ratio of inductees scoring well on the Armed Forces Qualification Test, a key indicator of recruit quality, declined with more recruits designated category IIIB (just slightly better than category IV, which is capped by mandate).⁴² Attrition was higher than the drafted force, with 36 percent of service members not completing their initial enlistments.⁴³ It was believed some of these problems originated from the perception of military service as “just another job” whose appeal was based on compensation instead of a “higher calling to society,” and that such incentives appealed to those less qualified.⁴⁴ Lastly, the force appeared less representative, with disproportionate levels of African Americans portraying the military as unfairly targeting the economically disadvantaged.

As early as 1977, Sen. Sam Nunn, chairman of the Senate Armed Services Subcommittee on Manpower and Personnel, held hearings with members of the DOD to get a full grasp of the AVF’s cost to society considering its perceived decreasing quality. With the mind that the AVF was a political move created at an opportune time for Nixon, committee members quickly dismissed the fundamental economic approaches of the Gates Commission. Nunn charged the assumptions used by the commission about

the feasibility of the AVF as erroneous, leading to problems in force generation, the military’s ability to mobilize in the event of an emergency, and its discipline and attrition rate.⁴⁵ He tasked the General Accounting Office (now the Government Accountability Office) to conduct a study on the cost of transitioning to the AVF, which concluded its total cost was \$15.1 billion, a yearly cost 21 percent greater than estimated by the commission.⁴⁶ Additionally, manpower comprised approximately 57 percent of total defense spending, a measure that competed with outlays in other critical areas (e.g., strategic arms) during the Cold War.⁴⁷

Then Secretary of Defense Harold Brown and his team of RAND researchers (Dr. John White, assistant secretary of defense for manpower, reserve affairs, and logistics; and Richard Cooper) aggressively supported the findings of the Gates Commission in testimony before Congress. Cooper argued the higher costs were due to the increased first-term pay in 1971, a measure based on the recommendation by the commission and instituted before the advent of the AVF; such increases in spending were expected as the previously hidden tax burden was shifted off draftees and directed toward the public as an explicit cost.

More importantly however, was the realization that the AVF was not operating as an organization competing for, and retaining, the best in America. In a statement made to the House Budget Office, Cooper explained how the cost savings from a decreased turnover

rate, as assumed by the Gates Commission, had not yet materialized due to inadequate personnel management and incongruent compensation and retirement policies. The expected “professional force” remained unrealized “not because of a flaw in theory but in its implementation,” the result of flawed, or only partial, reform of personnel policies that had continued since the draft.⁴⁸ Reducing the reliance on first-term draftees by retaining the experienced would reduce accession requirements and cost, but the Army needed to overhaul its patchwork of compensation policies and pay scales that did not incentivize career soldiers.

Soldiers were no longer a “free good,” and the military was still implementing changes to be more efficient in its use of manpower. There were unrealized cost savings through lower accession requirements facilitated by augmenting soldiers with physical capital and civilian workers.⁴⁹ These changes would allow the force to be less first-term rich, as it was currently a 60:40 ratio in first term-to-careerist personnel. Considering future recruiting issues, discussions expanded to include the question of allowing more females to serve.⁵⁰

The AVF had much to improve, but White and Cooper believed in the soundness of its principles. Their efforts contained the critical voices in Congress and bought time for the AVF until its budget and personnel management could adapt more appropriately to its role as an effective competitor in the labor market.

The All-Volunteer Force Overcomes Its First Crisis

It was not until Congress and the DOD fully embraced the budget and mechanisms necessary to compete in the labor market that the concerns over quality, recruitment, and readiness of the AVF subsided. After three years of congressional hearings, debate, and studies on the efficacy of the AVF, by 1979, the need for action was imminent. The DOD communicated the necessity of increased compensation, considering high inflation, quality-of-life concerns, and quality recruitment amongst the services.

Although a staunch critic of the increasing costs of the military, Nunn conceded that the AVF was not going away and fully endorsed an amendment to the FY81 budget that would increase military compensation. In his opening address to the Subcommittee on Manpower and Personnel, he explained, “Despite the

large increases in manpower costs, the military faces severe problems in the recruiting and retention of sufficient numbers and quality of active-duty people and reserve personnel.”⁵¹ The Nunn-Warner Amendment was pushed through Congress and on 2 July 1980, the Senate voted in an 11.7 percent pay raise for service members. Increases in educational and other benefits quickly followed the pay raises. The Veterans Educational Assistance Program was improved, only to be replaced by a reincarnated G.I. Bill in 1984, providing the tools necessary to target high-quality recruits in select occupations. Shorter contracts and increased bonuses further incentivized enlistment.⁵²

However, higher compensation alone was not sufficient to improve recruiting. At an opportune time, Maj. Gen. Maxwell Thurman assumed command of the U.S. Army Recruiting Command (USAREC) and directed its modernization to effectively compete in the labor market. A bold and data-minded visionary, he understood the crux of the Army’s problem—to improve its public image and attract quality recruits. Thurman standardized recruiting practices, advocated strongly for greater enlistment incentives, and targeted marketing toward quality recruits by introducing the “Be All You Can Be” campaign.

Thurman placed numerical analysis and research as critical toward understanding the labor market and established a research cell to determine the relative market potential for recruits around the country.⁵³ Such information influenced region-specific goals on recruit quality and aligned recruiting efforts with the marketing campaign. Data-centric market research and econometric analysis informed USAREC of how and where to correctly message the Army’s value to attract educated young people.⁵⁴ Service was now inextricably linked to a college education, and that bond strongly resonated with American families.⁵⁵ This innovative transformation of USAREC to be more responsive of the labor market, partnered with an effective marketing campaign and funds from Congress, combined to save the AVF at its most critical time.

By 1983, the DOD exceeded recruiting requirements with quality recruits, and Secretary of Defense Caspar Weinberger announced the AVF experiment over.⁵⁶ Category IV Armed Forces Qualification Test scores declined to levels comparable to the best years of the pre-Vietnam era, and enlistment in higher categories

steadily increased through the decade.⁵⁷ The Army's public image greatly improved as well as soldier retention, fulfilling the forecast of the Gates Commission.

However, recruiting and retention success in the 1980s allowed the military to ignore the more dramatic changes to manpower management as recommended by Cooper. Recommendations to remove draft-era personnel policies such as standard career patterns, frequent duty station moves, up-or-out promotion policies, and rigid pay scales that rewarded time-in-service over merit or occupation were unmet. Such policies, designed to promote equity when other forms of compensation were unavailable, were made at the expense of cost efficiency and flexibility.⁵⁸ Transforming the services to be more adaptive to the labor market would lower the implicit cost, or increase the nonpay benefit, of service for individuals. The military has already acknowledged this requirement, but there is more to be done. Recent initiatives to reform talent management practices and lengthen parental leave are necessary. The military, as with many organizations within a free market society, is better off because of it.

Adaption to Labor Market Conditions Is Never Complete

The decision to end the draft was more than political opportunism given the unpopularity of the Vietnam War. Informed by economic thought, policymakers realized the true cost of conscription and selected a better—though not perfect—alternative. A draft for anything less than a national crisis subsidizes society while hiding the true costs. Drafts that are smaller in

scope may be appealing due to perceptions that they only affect a small portion of society, but the low bar for deferment results in many perverse outcomes. Outsized burdens are shifted on to conscripts, and small subsets of the population endure greater inequities. All of society, as well as the force itself, incur labor market inefficiencies with a draft. The AVF offered the trade-off of absolving many of the hidden costs by making implicit costs explicit. Most notably, the experience of the Global War on Terrorism has proved its ability to withstand sustained conflict. Reverting to the “last known point” of a draft in times of recruiting challenges foregoes the lessons learned of why it was, and is, a standby option for times of national mobilization.

The challenges of moving toward an AVF were profound, but the military was willing to make drastic institutional changes to appropriately fit the “all-recruited” model. However, the transformation is incomplete, and many personnel management practices adopted under the draft system remain. Such holdovers, or bias of the status quo, prevent the AVF from fully embracing the principles of a flexible, competitive employer as envisioned by the Gates Commission fifty years ago. Many implicit costs to service still exist and remain a barrier for many Americans to consider service as a beneficial occupation, and they negatively affect retention. The services must constantly respond to the ever-changing nature of the labor market. The Gates Commission and visionary leaders that molded the services through the 1970s proved that thoughtful analysis could make the AVF work. There is no reason to believe such thinking would be less impactful today. ■

Notes

Epigraph. Milton Friedman, “Why Not a Volunteer Army?,” *New Individualist Review* 4, no. 4 (Spring 1967): 3–7, <https://oll.libertyfund.org/title/friedman-new-individualist-review>.

1. Richard Gillam, “The Peacetime Draft: Volunteerism and Coercion,” *Yale Review* 57 (January 1968): 499.

2. Thomas Paine, *The American Crisis No. 1, 1776* (Boston: 19 December 1776), republished online in *America in Class*, <https://americainclass.org/sources/makingrevolution/war/text2/painecrisis1776.pdf>.

3. Thomas Gates et al., *The President's Commission on an All-Volunteer Armed Force* (Washington, DC: U.S. Government Printing Office, 1970), 160, <https://www.nixonfoundation.org/wp-content/uploads/2012/01/The-Report-Of-The-Presidents-Commission-On-An-All-Volunteer-Armed-Force.pdf>.

4. *Ibid.*, 162.

5. *Kneeder v. Lane*, 45 Pa. 238. (1863).

6. *Selective Draft Law Cases*, 245 U.S. 366 (1918).

7. *Selective Training and Service Act of 1940*, 50a U.S.C. §§ 302-315 (amended 13 December 1941).

8. Jonathon E. Vespa, *Those Who Served: America's Veterans from World War II to the War on Terror* (Washington, DC: U.S. Census Bureau, June 2020), 1.

9. Gary R. Nelson, “The Supply and Quality of First Term Enlistees Under the All-Volunteer Force,” in *The All-Volunteer Force after a Decade*, ed. William Bowman, G. Thomas Sicilia, and Roger Little (Washington, DC: Pergamon-Brassey's, 1986), 24.

10. Gus Lee and Geoffrey Parker, *Ending the Draft—The Story of the All-Volunteer Force* (Alexandria, VA: Human Resources Research Organization, 1977), 22.

11. *Ibid.*, 24.
12. Bernard Rostker, *I Want You! The Evolution of the All-Volunteer Force* (Santa Monica, CA: RAND Corporation, 2006), 28.
13. Beth Bailey, *America's Army: Making the All-Volunteer Force* (Cambridge, MA: Harvard University Press, 2009), 16.
14. Burke Marshall et al., *In Pursuit of Equity: Who Serves When Not All Serve? A Report of the National Advisory Commission on Selective Service* (Washington, DC: U.S. Government Printing Office, 1967), 41.
15. Sol Tax, ed., *The Draft: A Handbook of Facts and Alternatives* (Chicago: University of Chicago Press, 1967), vii.
16. Marshall et al., *In Pursuit of Equity*, 11–15.
17. David R. Henderson, "The Role of Economists in Ending the Draft," *Econ Journal Watch* 2, no. 2 (August 2005): 370, <https://econjwatch.org/articles/the-role-of-economists-in-ending-the-draft>.
18. Gates et al., *The President's Commission*, 11.
19. Milton Friedman, "Why Not a Volunteer Army?," in Tax, *The Draft*, 200.
20. Samuel Hubbard Hays, "A Military View of Selective Service," in Tax, *The Draft*, 10.
21. *Ibid.*, 11.
22. Gates et al., *The President's Commission*, vii.
23. Friedman, "Why Not a Volunteer Army?," 200–7.
24. Gates et al., *The President's Commission*, iii.
25. *Ibid.*, 7; figure from Richard Cooper, *Military Manpower and the All-Volunteer Force* (Santa Monica, CA: RAND Corporation, 1977), 43, <https://www.rand.org/pubs/reports/R1450.html>. Reprinted with permission.
26. Cooper, *Military Manpower*, 72. Figure reprinted with permission.
27. Gates et al., *The President's Commission*, 9.
28. *Ibid.*, 126.
29. *Ibid.*, 26.
30. *Ibid.*, 51.
31. Ryan C. Amacher et al., "The Economics of the Military Draft," in *The Military Draft: Selected Readings on Conscription*, ed. Martin Anderson (Stanford, CA: Hoover Institution Press, 1982), 371.
32. Cooper, *Military Manpower*, 76.
33. Friedman, "Why Not a Volunteer Army?," 204.
34. Gates et al., *The President's Commission*, 180.
35. Rostker, *I Want You!*, 150.
36. Bailey, *America's Army*, 51.
37. Caspar W. Weinberger, foreword to *The Military Draft: Selected Readings on Conscription*, ed. Martin Anderson (Stanford, CA: Hoover Institution Press, 1982), xiv.
38. Rostker, *I Want You!*, 384.
39. *The All-Volunteer Armed Force: Hearing Before the Subcommittee on Manpower and Personnel of the Senate Committee on Armed Services*, 95th Cong., 1st Sess. (2 March 1977) (statement of William King, Professor of Business Administration, University of Pittsburgh).
40. Tom Evans, "All We Could Be: How an Advertising Campaign Helped Remake the Army," The Army Historical Foundation, 20 January 2015, <https://armyhistory.org/all-we-could-be-how-an-advertising-campaign-helped-remake-the-army/>.
41. *Defense Manpower and the All-Volunteer Force: Hearings Before the Task Force on National Security and International Affairs, House of Representatives*, 95th Cong., 1st Sess. (12 July 1977) (statement of Richard Cooper, RAND Corporation), 47.
42. *Status of the All-Volunteer Armed Force: Hearing before the Subcommittee on Manpower and Personnel of the Senate-Committee on Armed Services*, 95th Cong., 2nd Sess. (20 June 1978) (statement of John P. White, Assistance Secretary of Defense-Manpower, Reserve Affairs, and Logistics).
43. Gary Nelson et al., *America's Volunteers: A Report on the All-Volunteer Armed Forces* (Washington, DC: Office of the Assistant Secretary of Defense [Manpower, Reserve Affairs, and Logistics], 31 December 1978), 67, <https://apps.dtic.mil/sti/pdfs/ADA101903.pdf>.
44. *Status of the All-Volunteer Armed Force: Hearing Before the Subcommittee on Manpower and Personnel of the Senate Committee on Armed Services*, 95th Cong., 2nd Sess. (20 June 1978) (statement of Charles Moskos, Professor of Sociology, Northwestern University).
45. *National Security with the All-Volunteer Force – AVF: A Verified Fact or a Visible Fiction? Hearing Before the Subcommittee on Manpower and Personnel of the Senate Committee on Armed Services*, 95th Cong., 2nd Sess. (20 June 1978) (statement of Sen. Sam Nunn, Georgia).
46. *Costs of the AVF: Hearing Before the Subcommittee on Manpower and Personnel of the Senate Committee on Armed Services*, 95th Cong., 2nd Sess. (6 February 1978) (statement of Elmer Staats, Comptroller of the United States).
47. *Ibid.*
48. Cooper, *Defense Manpower and the All-Volunteer Force*, 49.
49. *The All-Volunteer Armed Force: Hearing Before the Subcommittee on Manpower and Personnel of the Senate Committee on Armed Services*, 95th Cong., 1st Sess. (2 March 1977) (statement of Richard Cooper, RAND Corporation).
50. *Defense Manpower and the All-Volunteer Force: Hearings Before the Task Force on National Security and International Affairs, House of Representatives*, 95th Cong., 1st Sess. (12 July 1977) (statement of John P. White, Assistance Secretary of Defense-Manpower, Reserve Affairs, and Logistics).
51. *Proposed Changes to Military Compensation, Hearing Before the Senate Armed Services Subcommittee on Manpower and Personnel*, 96th Cong., 2nd Sess. (22 June 1980) (statement of Sen. Sam Nunn, Georgia).
52. Appropriations for Fiscal Year 1981, Pub. L. No. 96-342, 94 Stat. 1092 (8 September 1980), <https://www.govinfo.gov/content/pkg/STATUTE-94/pdf/STATUTE-94-Pg1077.pdf>.
53. Rostker, *I Want You!*, 390.
54. Bailey, *America's Army*, 190.
55. *Ibid.*, 196.
56. Caspar Weinberger, "DoD Perspective," in *The All-Volunteer Force After a Decade*, ed. William Bowman (McLean, VA: Pergamon-Brassey's, 1986), 5.
57. Nelson, "The Supply and Quality," 33–47.
58. Cooper, *Military Manpower*, 333.