

Screening procurement projects and rational inattention

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Abstract

NATO's Wales 2014 and, especially, The Hague 2025 precipitated rearmament unseen since early in the Cold War. We may safely assert that inefficient procurement projects must have been or will be undertaken as rush screens can be porous under generous defence budgets. In other words, many false positives may have or will be squeaked in. We provide a model, inspired by the hierarchies & polyarchies literature (Sah & Stiglitz [1986]) and subsequently applied to intelligence. The current inattention is triggered by the sudden expansion of financial capacity, the abundance of dual-use technologies in current defence equipment and, consequently, the large number of defence products (population) and by a slower expansion of the processing capacity of the procurement organizations. While the thick flow of defence project submissions may be narrowed down by well-designed product requirements in the calls for bids, the procurement agency can only process a subset of the submitted information, itself a set narrowed down by the bidder. Consistent with the rational inattention literature, the procurement agency will base its decision on processed information only given the resource limitations. Our model ties the optimal processing capacity of the procurement agency not only to the simple organizational cost but also to the positive impact of the resulting lower false positives probability from more incisive screening on the defence output in terms of urgency or of might.

The debate between hierarchies and polyarchies in intelligence analysis centers on the trade-off between **efficiency/control** and **diversity/accuracy**. Hierarchies, common in traditional intelligence agencies, excel at consolidating information through structured, top-down review, but can suffer from conformity and failure to identify novel threats (errors of omission). Polyarchies, acting as decentralized networks of analysts, excel at capturing diverse perspectives and avoiding rigid biases (errors of commission), but may suffer from higher operational costs and lower coordination.