

Military Expenditure, Technological Progress and Employment

J Paul Dunne

School of Economics,
University of the West of England, Bristol
Frenchay Campus,
Bristol BS16 1QY
and University of Cape Town
John2.Dunne@uwe.ac.uk

Duncan Watson

Department of Economics
James Callaghan Building
University of Wales Swansea
Singleton Park
Swansea, UK
SA2 8PP
D.L.Watson@Swansea.ac.uk

April 2003

Abstract

This paper undertakes an empirical analysis of the economic effects of military expenditure in Western Europe. Estimating country-specific labour demand models leads to the conclusion that there are considerable differences in the estimated impact of military expenditure on employment. This leads to the hypothesis that such findings are due to changes in the nature of arms production and can only be understood through further examination of the link between military expenditure and technological progress. Constructing a panel data set covering the main European arms producers and the emerging arms industries allows an investigation of whether, or not, technological “spin-offs” from the arms production sector have led to changes in employment.