

Military Spending and Economic Growth in the Peripheral Economies of Europe: A Causal Analysis for Greece, Spain and Portugal

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Abstract:

Tests for Granger causality have become an important tool for researchers investigating the relationship between military spending and growth. These analyses of the dynamics of the relationship have focused upon case studies of individual countries and studies of groups of relatively homogeneous countries. This paper considers three of the EU's poorest, peripheral economies Greece, Portugal and Spain. The impact of military spending is particularly important for these countries as they have opportunities to reduce military expenditures if they benefit from improved security arrangements within the EU and Europe. The paper uses Granger causality methods within a cointegrating VAR framework to improve upon some previous analyses. The results from these different methods are not consistent and indicate the problems of drawing inferences across even relatively homogeneous economies.