THE ECONOMETRICS OF MILITARY ARMS RACES1

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Abstract

This chapter reviews the econometric issues involved in estimating models of the competitive acquisition of military capability. Econometrics involves the synthesis of theory, data and statistical methods thus in reviewing the econometrics of arms races, we will pay as much attention to theory and data as we do to statistical methods. After discussing the choice of data and the theoretical issues in specification, we then examine four types of model: time-series estimation of classical Richardson type action-reaction models, using India and Pakistan as an example; Markov switching estimation of game-theory type models, using Greece and Turkey as an example; cross-section models and panel models.

Keywords  
Arms Race, econometric methods, ..

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