

# **Militarism and Development**

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## Context

??Problems of defining and measuring militarism:  
focus on aspects

??Important topic with influence beyond the  
resources it takes up

??Changed international security environment

- End of Cold War:
- Reductions in Military Spending:  
bottomed out
- Revolution in Military Affairs: force  
structure weapons
- Assymetric warfare:
- Nature of conflicts: civilians
- Arms trade
- Cuts in military spending: bottomed out
- Not result of obvious strategic needs, but  
internal pressures?

??Still large numbers of conflicts

??Increases in military spending: general trends  
always hid more complex patterns

- Some increased because of local insecurity
- Encouragement of push for arms exports

??Increasing recognition of the problems of post  
conflict reconstructions

??Increasing recognition of importance economic  
security

??Continued use of economic arguments to justify  
security expenditures –important to deal with  
these

??Issues are important for Africa in particular

??Have undertaken lot of empirical and policy  
related work on South Africa: see website

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## **Military Spending and the Economy: Theories**

??Neoclassical:

??Basic: State reflects national interests; provides security: Trade off guns v butter: Defence is a pure public good.

??Developments: Arms race models; Property rights; Analysis of alliances- burden sharing free riding; Theories of conflict. Economic impact unclear: often trade off

??New classical: transitory and permanent shocks: war permanent and can be negative.

??Keynesian: Military one component of government spending; effective demand/multiplier effects; Positive economic effect

??Institutionalist: Predicated on existence of MIC (Eisenhower); internal pressures for increases independent of threat; creates inefficiencies in economy; negative economic effect.

??Marxist: Marx little to say: Engels mainly and influenced by Clausewitz; Duhring's force theory; Kautsky: colonial expansion and contradictory role; Luxemburg: positive depending how financed: social and ideological benefits; Bukharin: cut into s hinder reproduction; Lenin and Imperialism; Underconsumptionist: Stalinist orthodoxy by 1939.

Overall unclear what effect would be.

??Monopoly Capital: Baran and Sweezy: only theory milex is integral and important part of capitalist system. Prevents realisation crises – absorbs surplus without raising wages; Pivetti

??Milex conscious instrument of economic policy

??Milex has stimulating effect

??Evidence goes against this.

??Fall back on complex understanding: Marx's method/Hegelian interpretation.

??Historical process: specific

??Contingent rather than deterministic

??Complex dialectical process

??Contradictory: imp but econ cost

??Wouldn't expect simple economic relation and don't find it

??Have to undertake empirical analysis that recognises historical specificity of any linkely impact of milex and changing nature of the military economy.

## **Empirical work: Channels of influence identified**

??Resources allocation and mobilisation

??Organisation of production

??Sociopolitical structure

??External relations

No theoretical concensus >>> empirical question

## **Empirical Analysis**

### **Determinants:**

??Interdependence of demand and supply

??Arms Race models

??Other models

??Finding generally non-economic factors

## **Economic Effects:**

??Supply side

??Keynesian demand: direct and indirect

??Labour

??Capital/investment

??External relations

??Demand

??Socio-political

## **Econometric Studies:**

??Single equation reduced form growth models

??Simultaneous equation systems

??Macroeconometric models

??Ad hoc approaches

Case studies vs general studies

## **Findings:**

- ?? While no clear consensus most common finding is that military burden has no significant effect or a negative effect on economic growth.
- ?? Few studies post-Benoit have claimed to discover positive.
- ?? Models allowing for demand side (crowding out) tend to find negative unless some reallocation to other forms of government spending.
- ?? If only supply side positive, but often insignificant
- ?? So decrease military positive effect?

## **Conclusions: Disarmament and Development**

??Evidence: mindex determined by strategic factors

??Evidence: decrease mindex not have negative effect in long run

??Whether positive may depend upon other policies

??Disarmament as an investment process (Hartley, 1983)

## **Considerations:**

??Individual country problems >>> need international support for disarmament

??Institutional structure: opposition to cuts

??Small vs large arms industry

## **Factors:**

??Reducing demand

??Demobilisation

??Retrenchment

??Role of army

??Trade in arms/foreign exchange

??Role of WB/IMF

??Development aid

??Role of international community

## **Disarmament and Conversion:**

Economic opportunity rather than a problem:

??Still exists

??Needs political will

Paul Collier

## A Case Study of South Africa

??Improving economic situations

??Growth of Miletex

??Development of lobbying: MIC

??Changing role of armed forces

??Demand side adjustment:

- Procurement and offsets: considerable debate
- Armscords
- Exports:

??Industrial Restructuring:

~~○~~ Denel

~~○~~ Private Sector

~~○~~ Role foreign companies

??Use of offsets to maintain industry: niche markets

- Opportunity cost
- Corrupting influences
- Inefficiencies
- Sustainability
- Reinforcing existing structures

??Loss of clarity: economic arguments for military spending

Considerable empirical work on South Africa

??No evidence of positive impact of military spending on growth:

- High opportunity cost
- Early build up had positive economic effects (strategic reasons)
- Paid for later

??Problems

- with some empirical work : Feder Ram Specification and dynamics
- analysing at aggregate level: Moved to manufacturing and cross industry
- Given history SA more disaggregate analysis and panel data helpful

??Evidence suggests there should be no problems moving to lower milex

??Continuing this work

## Conclusions

??Military spending is important issue

??SA clearly a useful and interesting case study

??Most evidence suggests negative effect of millex on growth

??Problems of adjustment: So far no conversion, but possible –not swords to ploughshares but industrial policy.

??Problems of using arms procurement for industrial development

- Opportunity cost
- Corrupting influences
- Inefficiencies
- Sustainability

??Existence of opportunity in SA but vested interests seem increasingly strong.

?? Alternative perspectives on security have to be put forward.