

# Economics of Militarism: Schools of Thought:

## 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
  - Not result of obvious strategic needs, but internal pressures?
  - Revolution in Military Affairs: force structure weapons
  - Asymmetric warfare:
  - Nature of conflicts: civilians
  - Arms trade

## **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 likely 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 consensus >>> 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 millex positive effect?