

PATTERNS OF MILITARY SPENDING AFTER THE COLD WAR

Sanjeev Gupta

IMF, USA

Keywords: military expenditure, peace dividend

Contents

1. Introduction
 2. Military Spending: 1985–1990
 3. Military Expenditure since 1990
 4. A Large Peace Dividend
 5. Future Trends
- Acknowledgements
Glossary
Bibliography
Biographical Sketch

Summary

The decline in military spending that began in the mid-1980s continued through 1999. This reduction has been widespread, with declines in virtually all regions and for both developing and industrial countries.

1. Introduction

The true extent of military spending in countries is hard to capture because of differences in data coverage across various sources. The differences are traceable to the treatment of military pensions, auxiliary and civil defense operations, and military grants. These difficulties are compounded by poor timeliness and differences in classification of data in terms of fiscal and calendar years in a number of countries. Notwithstanding these problems, various data sources—the *World Economic Outlook* (WEO) database of the International Monetary Fund (IMF); the Stockholm International Peace Research Institute (SIPRI); the London-based International Institute for Strategic Studies (IISS); and the U.S. Arms Control and Disarmament Agency (ACDA)—have reported broadly similar trends on worldwide military spending. In the 1990s, the country coverage has been the highest for the WEO database, followed by ACDA, SIPRI, and IISS.

2. Military Spending, 1985–1990

Worldwide military spending fell by over 1.0 percentage point of GDP between 1985 and 1990. All regions experienced significant decreases in military expenditure and pronounced decreases in international trade of military goods, except sub-Saharan Africa. This decline, in sharp contrast to the previous 25 years, was attributed to a combination of factors, including the slowdown in world economic activity and profound political changes in many countries. There is some evidence, for example, that

increased democratization reduces military spending. Furthermore, the improved security environment in the world, the easing of international and regional tensions, and the decline in military aid from both the U.S. and the former Soviet Union caused military expenditures to fall.

-
-
-

TO ACCESS ALL THE 8 PAGES OF THIS CHAPTER,
Visit: <http://www.eolss.net/Eolss-sampleAllChapter.aspx>

Bibliography

Clements B., Gupta S. and Schiff J. (1997). What happened to the Peace Dividend. *Finance and Development* (March): pp. 17–19. [A study of worldwide decline in military expenditure from 1985 onwards and how countries have allocated the resources this has freed up.]

Davoodi H., Clements B., Schiff J. and Debaere P. (1999). *Military Spending, the Peace Dividend, and Fiscal Adjustment*. IMF Working Paper No. 99/87. Washington: International Monetary Fund. [A study of determinants of military spending, including the impact of adjustment programs.]

Gupta S., Clements B., and Ruggiero E. (1997). Worldwide Military Expenditures Continue to Fall, but at Slower Pace. *IMF Survey* (April 21): pp. 119–120. [A report on worldwide military expenditures, 1990–96.]

Gupta S., McDonald C., de Mello L. and Sab R. (1999). Military spending continues to stabilize; some countries increase social spending. *IMF Survey* (June 7): pp. 186–188. [A report on military expenditures including a discussion of changes in the size of armed forces and changes in social spending accompanying reduced military outlays.]

Gupta S., de Mello L. and Sab R. (2000). Military expenditures stabilize during 1999; variations persist in different regions. *IMF Survey* (May 22): pp. 175–176. [A report on worldwide military expenditures, with a discussion of rising arms imports and eruption of armed conflicts.]

Happe N. and Wakeman-Linn J. (1994). *Military Expenditures and Arms Trade: Alternative Data Sources*. IMF Working Paper No. 94/69. Washington: International Monetary Fund. [A paper on the differences in coverage and definition of sources of military expenditure data.]

Hewitt D. (1991). *Military Expenditure: International Comparison of Trends*. IMF Working Paper No. 91/54. Washington: International Monetary Fund. [An analysis of trends in military expenditure, 1972–88.]

Hewitt D. (1993). *Military Expenditures 1972–1990: The Reasons Behind the Post-1985 Fall in Military Spending*. IMF Working Paper No. 93/18. Washington: International Monetary Fund. [A study of determinants of military expenditures in 125 countries, 1972–90.]

Knight M., Loayza N. and Villanueva D. (1996). The Peace Dividend: Military Spending Cuts and Economic Growth. *IMF Staff Papers*, Vol. 43, No. 1 (March). [An empirical analysis of growth-retarding effects of military spending.]

Schiff J., Gupta S. and Clements B. (1998). Worldwide Military Spending, 1990–95. *Defence and Peace Economics*. Vol. 9, No. 3: 237–281. [An analysis of trends in worldwide military expenditure, 1990–95, including implications for nonmilitary spending and fiscal adjustment.]

Biographical Sketch

Sanjeev Gupta is Assistant Director, Fiscal Affairs Department, at the International Monetary Fund (IMF). Before joining the IMF, he was Secretary of the Federation of Indian Chambers of Commerce and Industry. He has also been Lecturer at Panjab University, Fellow at the Kiel Institute of World Economics and Professor at the Administrative Staff College of India. His recent books include "Economic Policy and Equity" (1999, IMF), edited with Vito Tanzi and Ke-young Chu, and "Governance, Corruption, and Economic Performance" (2002, IMF), edited with George Abed. In addition, he has authored or co-authored over 60 papers on fiscal, international finance, and economic development issues that have been published in journals such as *Journal of Finance*, *Journal of Development Economics*, *Defence and Peace Economics*, *Energy Economics*, *European Journal of Political Economy*, and *Weltwirtschaftliches Archiv*. Mr. Gupta holds B.A. degrees from Delhi and Oxford; M.A. from the University of New Brunswick; and a Ph.D. in economics from the Simon Fraser University.