PATTERNS OF MILITARY SPENDING AFTER THE COLD WAR

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Keywords: military expenditure, peace dividend

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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.


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.

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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.