

DETERMINANTS OF MILITARY EXPENDITURE

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Summary

After a historical review of explanations of the levels of military expenditure, this article surveys the proximate determinants of military expenditures: the state decision making process, perceptions of the threat, the structure and effectiveness of military responses to those threats and the cost of military responses relative to available resources.

1. Introduction

Military expenditures in 1998 were about \$750 billion, roughly 2.6% of global GDP, according to SIPRI estimates. These numbers should be treated with caution since, as SIPRI emphasises, there are substantial problems in getting good figures for military expenditure, both because of definitional and measurement difficulties and because of the reluctance of many governments to reveal what they spend. Slightly more than a third of the global military spending was accounted for by the US. Total military expenditure in 1998 was about a third lower in real terms than the level a decade earlier. Much of the fall was accounted by the massive reduction in Russian military expenditures, but there were also falls in Western Europe, Africa and the Americas.

While the end of the Cold War led to large reductions in military expenditure, there remain many areas of high military expenditure prompted either by internal conflicts or regional antagonisms. The defining characteristic of a state is that it claims the monopoly over legitimate violence within its borders. Many states face difficulty in maintaining that monopoly and they need armed forces and weapons to meet their primary objective: staying in power. SIPRI estimates that there were 27 major armed conflicts in 1998, each of which had involved over 1 000 battle related deaths. All but two of the conflicts (India-Pakistan, Ethiopia-Eritrea) were internal. Once states have

solved their internal stability problems, they start worrying about their neighbours. While inter-state wars are rare, inter-state antagonism is common, occurring in parts of former Yugoslavia, Greece-Turkey, parts of the former Soviet Union, India-Pakistan, the Middle East, China-Taiwan, North and South Korea, the Great Lakes region of Africa, the Horn of Africa, etc. Many of these conflicts and antagonisms involve very poor countries and there is a natural concern that the military expenditures are absorbing resources that could be used for development.

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Biographical Sketch

Ron Smith was born in London in 1946 and is Professor of Applied Economics at Birkbeck College, London University. He has published extensively on econometrics and defence economics.