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Steven W. Armbrecht
University of Northern Iowa

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MILITARY EXPENDITURES IN DEVELOPING COUNTRIES: Impetus or Obstacle to Economic Growth?

By Steven W. Armbrecht

Introduction

Military expenditures, it has been argued, stimulate economic growth and improve a country's standard of living. Conversely, military expenditures have also been blamed for stifling economic growth by diverting into the military sector funds sorely needed for education, medical care, and social welfare. The history of many developing countries seems to support the view that military spending has become an obstacle to economic growth.

History

In the nineteenth century there were approximately forty sovereign countries in the world. The rest of the world was controlled as colonies both militarily and economically by the major world powers, namely France, Britain, Belgium, Portugal, Italy and Germany. The military presence in the colonies was usually comprised of regular forces from the controlling country coupled with small police and defense forces made up of the indigenous population. Each colonial power pursued a different style of militarization. For instance, in its African colonies, Britain conscripted the less educated and more war-like people of the interior and formed them into ethnically or culturally segregated units within the armed forces. Britain chose not to conscript the more educated ethnic groups into the armed forces where they might foment rebellion. In contrast, France and Belgium impressed personnel into the military from all ethnic and cultural groups and integrated them into units with no regard for discriminatory hatreds that existed among the groups. In this way they were able to keep the soldiers under control since the soldiers feared each other more than they did the colonial power. To further enhance their domination, most colonial powers provided little education for their soldiers (Mullins 1987, pp. 17-22).

The colonies' economic decisions were also controlled by the respective provincial countries. As a general rule, a colony's natural
resources were sent to the home country to fuel the industrial sector and hence the economy. The colony usually was not permitted to establish a manufacturing sector of its own as it would compete with the home country. Therefore, colonies remained mostly agrarian, with any industrialization focusing on resource extraction and refinement for export.

These conditions persisted until after World War II. All the major colonial powers were shattered economically and militarily as a result of the war. Also, a feeling of self-determinism arose, and colonized people began demanding independence. The colonial powers found it impossible to retain their colonies, so they began to grant them independence. In the process, the huge colonial territories were broken up into many smaller countries.

The outcome has been the formation of many new nations, raising the number of sovereign nations from around sixty-five prior to World War II to approximately one hundred seventy in the world today. Unfortunately, many new nations were not prepared for independence when the colonial power pulled out. The general population was not well educated; neither were its leaders. Furthermore, the political infrastructure necessary for effective government was not in place.

Almost by default the military structure — weak and disorganized as the colonial power had left it — provided sorely needed leaders to the new countries. During colonization, the imperialist power usually had provided the top leadership in order to keep better control over the armed forces. As a rule, the general population provided the military’s noncommissioned officers who received some rudimentary leadership training. After independence, these noncommissioned officers quickly put their skills to work in the new country and solidified their control. Examples of this phenomena are the military regimes in many developing nations, most notably Idi Amin’s 1971 military coup in Uganda and Saddam Hussein’s rise to power in Iraq. As a result, many newly independent nations have found it hard to protect themselves from their developing neighbors (Mullins 1987, pp. 22-32).

Many nations’ ease of militarization was also affected by the economic and industrial base left behind by the colonial power. New nations that were able to militarize more rapidly than others because of their economic base were a threat to their less militarized neighbors. Reacting to this threat, the less militarized countries then felt they had to increase military expenditures — unfortunately, at the expense of many other sectors of their economies (Rosh 1988, pp. 671-673).
Militarization was also fueled by the superpowers during the approximate forty-five year cold war. During these years, the United States and Soviet Union gave military and economic aid to the developing countries in order to gain alliances and credibility, enhance regional stability, and impress the opposing superpowers (Katz 1986, pp. 3-9). As a result, militarization became a way of life for many developing countries.

Military Expenditures as an Impetus to Economic Growth

Observing the spending patterns of developing countries and the apparent lack of economic growth following independence in the late 1960s and early 1970s, many economists and social scientists have formed the opinion that excessive military spending was a detriment to the developing countries' economies and, thus, to future development and economic growth. However, in a 1973 econometric study of forty-four developing countries located in Africa, Asia, Central America and South America, Emile Benoit, a Columbia University professor of international finance and investment, discovered much to his surprise that military spending had stimulated economic growth. Using data from 1950-1965, Benoit concluded that developing countries' military expenditures contribute to the civilian economy by:

1) Providing public services the civilian economy probably would not provide (e.g., lighthouse operations, border guards, mapping services, aerial surveys, and disaster relief);

2) Building public works the civilian economy could use (e.g., roads, dams, airports, and communication networks);

3) Feeding, clothing, and housing many people the civilian economy would be unable to support, and in so doing raising their standard of living and expectations; and

4) Providing medical care and education as well as vocational technical training (1978, pp. 276-277).

Needs for these services differ from country to country. However, in the aggregate, services performed by the military sector would seem to stimulate growth by taking pressure off the private sector to provide the funding for these services. In addition, such economic growth enhanced the military as many of these services improved military effectiveness. In point of fact, our own vast interstate highway system
was originally justified by the perceived need for efficient troop movement. This system is now used extensively to move goods and people.

The military sector could also stimulate an economy by being on the cutting edge of current research and development. Developing countries are spurred to become familiar with new technologies when they import sophisticated arms from industrialized nations. Personnel must be educated to operate and understand this technology as well as to provide management and organizational skills to the military sector (Deger and Sen 1983, p. 68). After a tour of duty, many military personnel are adequately trained for a variety of jobs in the industrial sector and thus it would seem logical that economic growth would follow military development (Grobar and Porter 1989, p. 339).

Another way the military sector can aid economic growth is by providing forward and backward linkages within the industrial sector. Forward linkages occur in industries that produce goods that then become inputs into other industries, whereas backward linkages make use of inputs from other industries. Many developing countries had industries that originally were built to process raw materials for shipment to the former protectorate. A steel industry, for example, could provide a forward linkage to an automobile or war material industry and a backward linkage to coal mining or iron ore extraction. In the early 1950s, India implemented such linkages by spinning new industries off the established military based industries in an attempt to become more self-sufficient. Expanding the already existing iron and steel industries, India began building and repairing ships, manufacturing machinery, and assembling motor vehicles (Deger and Sen 1983, pp. 76-77). This idea can easily be extrapolated to other necessary industries which can process food, manufacture clothing, and provide for other basic human needs. Economic theory suggests that expansion of these industries provides employment opportunities. Once the population earns higher wages, the aggregate demand of the country will rise for all goods and services resulting in economic growth.

Military Expenditures as an Obstacle to Economic Growth

Despite the somewhat compelling argument that military expenditures promote economic growth, some economists maintain that the military sector has become so entrenched in the budgets of many developing countries that it has become a detriment to economic growth by siphoning off resources that would be better utilized in the more economically productive domestic sector (Deger 1986, pp. 180-181). Most developing countries are unable to provide enough funds to all
sectors of their economies. Their gross national products (GNP) are simply not large enough. They tend to maintain military programs in a recession or deflationary period while forcing nonmilitary programs to absorb budget cuts (Frederiksen and Looney 1983, p. 637). This may occur because financial and military elites controlling the political system have more interest in the accumulation of private wealth rather than in national economic performance. Economic growth suffers when the military sector maintains its normal level of funding while the rest of the economy bears the brunt of any budget cuts.

Military goods production can also divert needed resources away from the labor intensive agricultural sector of a nation and thus reduce food production (Faini, Annez and Taylor 1984, p. 495). Since the standard of living for industrial workers is often greater than that of workers in other sectors of the economy, workers tend to be drawn into industry. Indeed, most developing countries are experiencing population increases in the rural as well as the urban sectors as birth rates have either risen or remained steady while death rates have fallen as a result of disease control and medical improvements. Thus populations have doubled in many of these countries—and may double again in twenty-five to forty years. This puts tremendous strain on the agricultural sector and on governments to provide for basic human needs. A government with a large external debt may be forced to import food it can ill-afford. Paradoxically, many of these developing countries find they must export the very food they need in order to generate foreign exchange to pay their debts.

To avoid this catch-22, some countries have entered into the arms production industry to generate needed foreign exchange. In an attempt to solve their debt problems countries such as Brazil, Argentina, Syria, and Egypt have become dominant producers of arms for other developing countries ("World Military Expenditures and Arms Transfers 1988" 1989, pp. 78-100). In general, the production of arms requires a large amount of capital that could be used in the domestic economy, thus cutting economic growth. While this may solve the debt problem for a few countries, the buyers will continue to go deeper into debt as arms purchases present a huge drain on the budgets of developing countries.

Georgy Kim has estimated that by spending about six percent of their GNP on military products, developing countries cut the rate of economic growth by 1.6 to 2.1 percent (1984, pp. 1103-1105). Arms sales by Israel to 60 countries in 1989 alone earned Israel 1.4 billion U.S. dollars. In addition, Israel has sent military advisors to Zaire, Ethiopia,
Chile, Guatemala, Nicaragua, and Argentina to train soldiers (Brooks 1990, p. A1). As developing countries spend more and more on arms and training, they are further harming their potential economic growth.

But what, some may wonder, about the vast amounts of aid, both financial and in the form of arms, which the developed world provides to the developing nations? Often this aid in contingent on the country maintaining a particular defense posture. Although financial aid may be intended for economic development, financial foreign aid often is directly injected into the military sector. This enables the country to carry a heavier defense burden than the economy would otherwise allow (Benoit 1973, pp. 35-37). Unfortunately, too often the rich and powerful use the funds for the military, the police, or as personal subsidies instead of investing in the economy (Ball 1983, pp. 511-514). By providing foreign aid, the developed world may be inadvertently hindering the growth of the developing countries.

**Conclusion**

After independence, the military branches of developing countries often became the leading sectors of the economy. Indeed, they may provide all of the public services and benefits discussed by Emile Benoit. The existence of a strong military can contribute to a stable country conducive to attracting foreign investment and spurring domestic investment (Harris, Kelly and Pranowo 1988, pp. 165-175). Understandably many investors have been unwilling to build factories or make other long term investments in politically and economically unstable countries. As a result, a strong military becomes increasingly necessary to protect domestic and foreign investments which are all important to providing further economic growth.

However, historically what has too often come to pass is that the military sector becomes the dominant growth sector of the economy but impedes further economic development by allowing the financial and military elites to expand their personal wealth. Such military sectors are a detriment to their countries in the long run.

Establishing a military strong enough to protect the nation and its interests while not becoming an obstacle to economic growth has been and will continue to be difficult. Fortunately, possibilities for resolving this situation do exist. Developing nations must: 1) de-emphasize military expenditures, arms production, and arms imports; 2) make concerted efforts for peace and political stability; and 3) concentrate on economic needs. Changing ingrained ways of thinking and acting will be challenging. However, if such a new economic order is imple-
mented, the gap between the developing countries and the developed world could be narrowed.

References


