



Military expenditures and political regimes: Evidence from global data, 1963–2000[☆]



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ABSTRACT

This paper examines the determinants of military expenditures with a special focus on political regimes for more than 130 countries for the period of 1963–2000 by employing a dynamic panel data analysis. The paper aims at contributing to the literature by utilizing a recently constructed political regime data set and controlling for income inequality, a key variable that has not received substantial attention in the context of political regimes, economic growth and military expenditures. Covering a large set of countries and an extended time period, the paper reveals further evidence on the linkage between democracy and military expenditures.

Our results yield two crucial facts. First, social democratic political regimes have a tendency to spend less on armaments as a share of the national income; compared to social democracy, all other political regimes are likely to have higher military burdens, confirming previous findings of the negative relationship between level of democracy and military burden. Second, the analysis shows that a higher income inequality is associated with a higher military burden.

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1. Introduction

This paper aims at analyzing the determinants of military expenditures with a special focus on political regimes for over 130 countries during the period of 1963–2000 by using a dynamic panel data analysis. There are different theories that explain the relationship between military expenditures and political regimes, going back to Immanuel Kant's wisdom that reduced military spending would promote peace and prosperity as countries avoid conflict spirals and devote resources to social spending; representative governments would perpetuate peace. Mostly using the Polity database, a vast empirical literature has shown the negative relationship between level of democracy and military expenditures. However, there are two shortcomings of this literature. First, only one classification, on a binomial or continuous variable, is used for political regimes in most of these studies, ignoring clear differences between political regimes that cannot be ranked on this type of continuum.

Second, the role of income inequality, as a crucial control variable due to its possible linkage with military expenditures, has been ignored in the context of military expenditures and political regimes. Considering these two issues, in this study we utilize a recent political regime data set that separates out political regime by type beyond the categories of democracy and dictatorship. The classification we use includes the categories social democracy, conservative democracy, one-party democracy, dictatorship, military dictatorship, civil war, and communist. These are qualitatively different regimes, and each has distinct characteristics pertaining to government ideology and government expenditure. We also incorporate two different measures of income inequality in order to better understand the military expenditure–political regime nexus. In addition to confirming some expected results yielded by earlier studies (such as the positive relationship between military expenditures overall and military expenditures of foes and external threats, and income inequality), our findings show the negative relationship between military burden and the military expenditures of allies, and economic growth. Also, regardless of the model specifications, we find a significant, negative relationship between democracy and military burden based on our political regime data set.

Following this section we provide a brief literature survey on the nexus of military expenditures–political regimes. Section 3 introduces data and methodology. Section 4 presents results and discussion. Finally, the last section is reserved to summarize our findings.

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2. Military expenditures and political regimes

There are several ways in which scholars have theorized a relationship between military expenditures and political regime. Fordham and Walker (2005) discuss the wisdom of liberals following Immanuel Kant, who reasoned that reduced military spending would promote peace and prosperity as countries avoid conflict spirals and devote resources to social spending. Kant's idea was that representative (“republican”) governments were a crucial prerequisite to creating peace, since these, he stated, tend to be more peaceful in general.³ Kant's idea was that well-functioning, representative governments emphasize the freedom and rights of individuals who will not be eager to sacrifice their own well-being for war.

Another way in which theory frames the relationship between political regime/democracy and military spending is through the concept of the “peace dividend.” Rota (2011) states that the relationship between democracy and military spending, with regard to the “peace dividend,” is complex, and references Alesina and Spalatore (2005, 2006), who propose a model in which the peace dividend is not as large as might be expected due to the spread of democracy, since democracy can result in a higher number of nations, leading to more chances of regional conflict. Hess and Orphanides (2001) also find that democratization does not necessarily produce the so-called “peace dividend” and that wars may be just as prevalent under democratic regimes.

The negative relationship between democracy and military spending has also been underscored in work by Harrison and Wolf (2012), who assert that democracies impose more constraints on government, which reduces the probability of war and military expenditure. The authors also write that democracy also enhances the state's ability to raise public finance in the case of war. Bove and Brauner (2011) reference Nordlinger (1977) and other political scientists (such as Sprout and Sprout (1968)), who make the case that democratic rulers who wish to be re-elected have an incentive to increase social spending and reduce military budgets to please the populace.

A body of literature examines the impact of political regimes on military regimes using empirical data. Most empirical tests have found that democratic or liberal regimes spend less on the military than autocratic regimes (see Yildirim and Sezgin, 2005). Mulligan, Gil and Martin (2004) find that countries that are not democratic spend on average 2% more of GDP on military, whether they are Communist or non-Communist nations. Eloranta and Andreev (2006) find a moderately negative relationship between democracy and military expenditures looking at the period between 1870 and 1938. Fordham and Walker (2005) obtain a similar result—that liberal states engage in less military spending than autocracies, examining the period from 1816 to 1997. Goldsmith (2003) finds the same result and uses it as evidence supporting the liberal peace theory. Looking at all states covered by the *Correlates of War (COW)* data set from 1886 to 1989, Goldsmith finds that democracies spend less on defense than non-democratic states. Goldsmith (2007), using spatial econometrics, confirms this result. This negative relationship is also found in Hewitt (1992), Dunne, Perlo-Freeman and Smith (2009), Collier and Hoffer (2004, 2007a,b), Nordhaus, Oneal and Russett (2012), and Garfinkel (1994). In studies analyzing mainly developing nations, several scholars, including Nordlinger (1977), Schmitter (1971) and O'Leary and Coplin (1975), have looked at the relationship of military versus civilian rule to military spending levels, finding that military regimes do indeed devote more public resources to military spending.

However, not all studies come to the same conclusion. Rota (2011) finds that democracy and military spending were positively correlated before World War I and negatively correlated after World War I. Baliga, Lucca and Sjöström (2011) find that limited democracies are

more war-oriented than autocracies. Dudley and Montmarquette (1981) use a sample of 38 developed and developing countries for the years 1960, 1970 and 1975. They find that political regime, designated by being a multi-party democracy or not, has no impact on military spending.

A part of literature has extended the research by incorporating other measures of regime type in the analysis of military spending. McKinlay and Cohan (1975, 1976) and Schmitter (1971) distinguish between civilian and military regime types of regimes to find that military regimes spend more on the military. Russett and Oneal (2001) find that the transition from authoritarian to democratic regimes in Latin America results in reduced military spending. Bove and Brauner (2011) examines differences in autocratic regimes, categorizing the regimes as Personalist, Single party, Monarchy and Military authoritarian regimes, and finds that military regimes have the highest levels of military spending. Albalade, Bel and Elias (2012) separate democracies themselves into two types, presidential and parliamentary democracies, and find that military spending in the former is higher than in the latter. And most recently, a study on welfare regimes, Tongur and Elveren (2013) use the Hsu (2010) database to find that social democratic political regimes have significantly lower military expenditures, and that Communist nations, nations in civil war, and conservative democracies tend to spend more on the military as a share of central government expenditures.

We augment the above literature on political regimes and military expenditures with a consideration of the effect of inequality on military expenditures as well. In this context, the contribution of the paper is twofold. First, we consider the criticism of the studies on political regime and military spending where political regime uses only one classification, including either a binomial or a continuous variable, of political regime. Most often, the Polity project regime classification database is used, which ranks democracies and autocracies on a spectrum using a continuous variable. However, there are clear differences between political regimes that cannot be ranked on this type of continuum. Considering this issue, we adopt a recent and detailed political regime data set to clarify the impact of political regimes on military expenditures. The data set distinguishes between a wider range of qualitatively different political regimes rather than categorizing regimes as “democratic” or “autocratic.” Further, we argue that social democracies, as being more inclusive systems than conservative democracies, are more likely to have generous welfare systems, which means less of a military burden due to an implicit budgetary trade off. In addition, social democracies specifically incorporate the goal of maintaining peace, which reinforces the result of fewer military expenditures.

Second, we consider income inequality in order to better understand the determinants of military expenditures. Separate from the impact of political regime/ideology on military spending, the status of income inequality within the state also impacts military regime. Like political inequality arising from a particular type of political regime, economic income inequality can in theory destabilize society, leading to social unrest and potentially to war. These two factors—political regime and economic inequality—then influence military expenditure⁴.

There is a dearth of literature on the military impact of these two factors together, however. Although there is a bidirectional linkage between military spending and income inequality, the literature⁵ has mostly investigated the impact of military expenditures on income inequality since the seminal work of Abell (1994). There are four distinct approaches that account for the effect of military spending on income

⁴ We acknowledge that there might be some relationship between income inequality and political regimes. However, our political regime data set, Hsu (2010), is constructed in a way that it does not characterize political regimes based on inequality.

⁵ Several studies found that higher military expenditures exacerbate income inequality (Abell, 1994; Ali, 2007; Kentor, Jorgenson and Kick, 2012; Seiglie, 1997; Vadlamannati, 2008).

³ Kant set forth Three Definitive Articles that would build peace: representative government, freedom of emigration, and a league of nations.

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