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The "new" military and income inequality: A cross national analysis

Jeffrey Kentor [a,b,*], Andrew K. Jorgenson [a], Edward Kick [c]

[a] Department of Sociology, University of Utah, United States
[b] Madrid Institute for Advanced Studies (IMDEA), Spain
[c] Department of Agricultural and Resource Economics, North Carolina State University, United States

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ABSTRACT

Military expenditures have escalated over the last three decades in both developed and less developed countries, without a corresponding expansion of military personnel. Spending has instead been directed towards hi-tech weaponry, what we refer to as the "new" military. We hypothesize that this new, increasingly capital-intensive military is no longer a pathway of upward mobility or employer of last resort for many uneducated, unskilled, or unemployed people, with significant consequences for those individuals and society as a whole. One such consequence, we argue, is an increase in income inequality. We test this hypothesis with cross-national panel models, estimated for 82 developed and less developed countries from 1970 to 2000. Findings indicate that military capital-intensiveness, as measured by military expenditures per soldier, exacerbates income inequality net of control variables. Neither total military expenditures/GDP nor military participation has a significant effect. It appears from these findings that today's "new" military establishment is abrogating its historical role as an equalizing force in society, with important policy implications.

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1. Introduction

Long standing debates in sociology, economics, and political science remain unresolved regarding the impact of military expenditures on economic growth and social well-being. The majority of this "guns and/or butter" debate focuses on the impact of military expenditures on economic development. However, little theorization or research exists regarding the question of "butter for whom?" We hope to redress this omission in the current study. The specific focus of our work is to assess the impact of military expenditures on income inequality. We hope as well to address two broader issues. First, we hope to move the current economically framed "guns or butter" debate of whether military expenditures are good or bad towards a more sociologically focused discussion that considers *what aspects* of these expenditures, as well as what other dimensions of the military establishment broadly construed, benefit or harm a country's economic *and* social well-being (Mintz and Hicks, 1984; Mintz, 1989; Henderson, 1998; Gifford, 2006). More broadly still, we hope to draw attention to the central role of coercive power in shaping society (Tilly, 1994), which has received little attention in the sociological literature for more than three decades (Cooney et al., 2003; Kentor and Kick, 2008).

To give the reader a glimpse forward, we focus on one aspect of military expenditures; that of military expenditures per soldier. This measure, we suggest, is a proxy for the capital-intensiveness of a country's military establishment. We argue that a shift from a labor-intensive military to a capital-intensive one over the past several decades significantly impacts

* Corresponding author at: Department of Sociology, University of Utah, 380 South 1530 East, Room 301, Salt Lake City, UT 84112, United States. Fax: +1 801 585 3784.
E-mail addresses: jeffrey.kentor@csbs.utah.edu (J. Kentor), andrew.jorgenson@soc.utah.edu (A.K. Jorgenson).

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the distribution of national income in both developed and less developed countries, with significant impact on societies of wealthy and poor countries alike.

2. Literature review

While our study is framed within a cross-national perspective, much of the published research in this area focuses on the US military. We take this opportunity to remind the reader of this perspective and the fact that the US is only one of 82 countries included in our study.

2.1. Military spending and economic growth

The military is viewed by many as a modernizing influence on society (Durkheim, [1893] 1984; Weber, 1921 [1968]; Andreski, 1968; Pye, 1962; Janowitz, 1964; Benoit, 1973; Inkeles and Smith, 1974; Weede, 1983; Sen, 1984; Bullock and Firebaugh, 1990; Meyer et al., 1997). There is a voluminous literature, but little consensus, concerning the impact of overall military expenditures on economic well-being, commonly referred to as the "guns versus butter" debate, with empirical findings supporting both sides of this argument.[1] It is viewed as beneficial by those taking a Keynesian approach that argues military spending increases demand and employment (Baran and Sweezy, 1968; Kidron, 1970; Benoit, 1973; Bluestone and Havens, 1986), as well as technological innovations and spin-offs (Benoit, 1973; Deger, 1986; Chowdhury, 1991). Conversely, political economy and dependency theorists argue that military expenditures retard economic growth (see Kaldor, 1976; Eide, 1976; Lock and Wulf, 1977; Senghaas, 1977; Wolpin, 1977; Abell, 1994; Levy, 1998). Military expenditures carry an "opportunity cost" for both capital and labor, as the military competes with the civilian sector for investment dollars and skilled workers (Russett, 1979; Samuelson, 1979; Knight et al., 1996). Overall, there is growing sentiment that we may have reached a point of "diminishing returns" with these studies (Chan, 1985).

The impact of military expenditures has also been examined on two related issues; those of unemployment and poverty. Dunne and Smith (1990) find no effect of military expenditures on unemployment in time series analyses of the US or UK, or in a pooled cross-section of 11 OECD countries. In contrast, Abell (1990, 1992) examines the impact of military expenditures on employment in the US between 1973 and 1987 and finds differential positive effects for whites and negative effects for blacks. These conclusions are supported in a recent cross-national panel study by Tang et al. (2009), who find that military expenditures as a percentage of GDP increase unemployment in non-OECD and low and middle income countries.

Two studies explore the relationship between military spending and poverty. In a cross-national study of 60–65 developing countries, Hess (1989) finds only weak support for an effect of military expenditures on poverty, as measured by the Human Suffering Index (Camp and Speidel, 1987). Finally, in a study of the impact of military expenditures on poverty in the US between 1959 and 1992, Henderson (1998) reports that military spending has a positive effect on poverty and suggests that this effect is likely mediated by unemployment and inequality.

Recently, Carlton-Ford (2010) explores the interaction of armed conflicts with military expenditures and military participation on health. He finds that military expenditures are associated with reduced under-five child mortality in countries without armed conflicts, but not in those with active conflict. Conversely, relatively high levels of military participation appear to increase child mortality in these countries absent conflict, while reducing under-five mortality in countries with armed conflict.

2.2. Military, social stratification, and mobility

Military service seems to have a positive impact on employment, human capital, and earnings, although this appears to vary by historic circumstance, race, ethnicity, and gender (Teachman and Call, 1996). In a study of post Viet Nam veterans, Magnum and Ball (1989) find that military training affords significant amounts of skill transfers to civilian employment. They also find that those who served in the US military had higher earnings than nonveterans within two years of reentering civilian life. Veterans' educational benefits generate a post-service incremental gain of approximately 1.4 years more education than non-veterans, resulting in a 6% increase in annual income (Angrist, 1993). It is argued that this is because these education benefits are aimed at lower and middle class people who need financial assistance to attend college. Xie (1992) reports that military service has a positive effect on post-service income and that this effect is more pronounced for blacks and those having fewer than twelve years of education. Angrist (1998) finds that veterans earn more than non-veterans, and are more likely to be employed. Angrist also reports longer-term earnings and employment benefits for non-whites. He argues that veteran status insulates this group from major cyclical downturns in the economy, possibly due to continued military service and public sector hiring preferences. Light (1998) also reports higher education and income levels for US veterans serving in the military after 1950.[2]

[1] For comprehensive reviews of this literature, see Heo (1989) and Gleditsch et al. (2002).

[2] The findings concerning the impact of military service on educational and income attainment in the US are not uniform. For example, Cohen et al. (1995) find an education deficit for those serving in the military in the post-Vietnam era (see also Teachman, 2004). Cooney et al. (2003) report a negative impact of military service on income for white women.

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