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► **To cite this version:**

Jacques Fontanel. International security, sustainable development and the power of nations. Conference in honour of Prof Ron Smith, Jun 2014, Londres, United Kingdom. hal-01939385

HAL Id: hal-01939385

<https://hal.univ-grenoble-alpes.fr/hal-01939385v1>

Submitted on 7 Dec 2018

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INTERNATIONAL SECURITY, SUSTAINABLE DEVELOPMENT AND THE POWER OF NATIONS

International security, defence economics and peace versus globalization,
in honour of Professor Ron Smith,
Senate House, University London,
6 June 2014

Threats to security can come from environmental, economic and strategic forces, such as disease and floods, financial crises, unemployment, or terrorism. International security must be analyzed as security for most of the people and States in the world. However, it is quite impossible to define an optimal security function, because it depends on

- The national perception of the security,
- The national perceptions and results of the globalization process
- The international armaments negotiations and alliances.
- The need of a minimum of economic and social solidarity between nations.

What are the incentives that motivate nations to work together in a joint interest?

- First, cooperation within a group has been central to human survival since prehistoric periods.
- Then, game theory demonstrates that some cooperation involves mutual trade-offs.
- Finally, cooperation supposes new social costs, particularly loss of autonomy, but there are also benefits from interdependences and from conflicts situations reduction.

Military power becomes a crucial asset for all economic negotiations. When economists have to deal with defence and security problems, they try to answer three fundamental questions:

- Guns or butter? What are the opportunity costs of military spending on economic development? Are defence outlays an economic burden? It depends.
- What is the Bang for the Buck? Considering the military efficiency of arms and strategies, what are the best arms purchases between various types of weapons in relation with economic constraints? What is the importance of nuclear weapons in the situation of deterrence strategy?
- What is the optimal level of spending? The classic question is: “how much is enough?” What is the right share of output that should be devoted to defence, what part of public funds should be allocated to the military sector in relation with particular threats’ uncertainty?

Guns or butter

The defence budget provides military capabilities and the ability to deter specific forms of conflicts. These military capabilities can be used for deterrence or to provide or improve national or international security, but they imply some opportunity costs in terms of civil investment and labour.

Moreover, in financing large wars, macroeconomic effects’ analyses are crucial. Usually, decisions about defence budgets should be considered in terms of macro-economic effects, not only in terms of threats and opportunity costs. Increase in military expenditure means reduction of other government expenditure; then, taxes, interest rates and budget deficit are higher.

In the 1990s, with the world military expenditures reductions, some peace investments were possible. Usually, military expenditure may reduce productive investment, through the crowding out caused by higher interest rates as a result of government deficits. Moreover, in the short run, when there is national economic recession, lower military expenditure

declines demand and can increase unemployment. There is an apparent paradox. Some national economies have large amount of defence expenditure and a good economic growth; some other countries have no good economic results without any military expenditure.

- In the 70s and 80s, in a context of high national threat, South Korea and Taiwan showed a high growth rates with a high military burden. Some military investment has a positive effect on technical progress.
- In Soviet Union, the high share of military expenditure displaced productive investment and led to low growth.
- Countries like post-war Japan and Germany restricted their military expenditure, devoting it to investment, so that they got low military burden and high growth.
- Sub Saharan Africa had low shares of military expenditure, but so was growth.

Bang for a buck

How many forces you get for your budget is the “bang for a buck” issue. It depends on:

- Military nuclear power,
- Defence industry’s efficiency in building weapons,
- Costs of other inputs, fuel, food, etc.,
- National wage rates and volunteer or/and professional forces;
- The size of the non-fighting bureaucracy and
- The expenditure and acquisition process efficiency.

This raises a range of standard defence economic questions mainly about importing-collaborating-producing-exporting, defence industrial strategies, types of procurement process, or the balance between equipment’s quality and quantity.

However, the technological superiority is not a guarantee for security or for a victory in case of war. How military capabilities

translate into security is a matter of grand strategy. At the end of the First World War, France constructed the Maginot Line to protect itself, but the money has been used for a defence strategy that has not been successful.

The strategic games are not easy to interpret. Should strategy be offensive or defensive? What is the right balance between capital (more aircrafts) and labour (more soldiers)? A Defence Ministry has to make a lot of choices, which usually do not concern the short run, but set a national strategy for decades.

The important issue is how the military gets the appropriate technology to meet its military objectives. Moreover, transformation of forces to capabilities and the ability to win depend on standard military virtues: training, logistics, leadership, morale, tactics and strategy and because of all these unpredictable things, can be subject to very uncertain transformation. Voltaire argued “God Was on the Side of the Big Battalions”. Today, that is not always true.

Optimal level of spending

Arms races are analyzed as a dynamic process of interaction and competitive increase of military and defence outlays by two or several States (or coalition of States). Richardson’s two equations model (1960), with the race driven by political, strategic and economic factors, constitutes the basic model. He introduced the enemy’s military expenditures, the economic burden (the effect of fatigability) and the grievances as the main causes of arms races.

This analysis can be objected. Firstly, the action-reaction processes are not clearly confirmed. Secondly, the military expenditures of enemies are not very well known, mainly when the rival states systems are not similar. Thirdly, this model has not permitted to forecast the Soviet Union collapse.

The internal forces seem to be more influent. Industrial and political interests, inter-service rivalry and a variety of bureaucratic forces are often more decisive in the determination of military budgets.

The long run production system implies strategic choices for three to five decennia. What are the macroeconomic effects of military budgets on the economy? Too many defence outlays are not good at all for the national economy. Soviet Union collapse is a clear example of this situation.

A critical issue is where and how one gets his weapons from abroad, collaboratively or at home. Because more advanced weapons give adversaries a potential advantage, restrictions on their transfers has been common. What sort of defence industrial strategy should one have? What is the economic versus defence value of arms exports? Moreover, substantial debates remain on military technology spin-off's value for civilian society.

Effect of the globalisation process

The economic environment is the sphere of trade, economic crisis, internationalization process, the price of oil and the economic force of US dollar. The strategic environment is the sphere of TNP and nuclear proliferation, civil wars, international terrorism or failed States. Mercantilism and Leninism consider strategic conflicts as a continuation of economic competition by other means. At the other hand liberalism considers close trading links as means to prevent military conflicts. Today, both have still their followers.

Today, the development model of USA, European Union and Japan is not compatible with a sustainable development. A new era is opened. Globalisation is neither new nor inevitable. The 19th century labour flows were far larger proportionately than the immigration ones we worry about today. On some measures we have only recently passed the degree of globalisation observed in 1913. At the end of the ninetieth century, the large

majority of economists thought that the market generalization included a peace process. The economic globalization, supported by the colonization process, did not prevent the explosion of the World War I. An economic and political change towards the national or systemic interests and the protectionism was then organized. Regarding this historic example, it is not impossible to say that the current process of globalisation could know the same destiny.

Since 1945, the power of the nation state to act is reduced, that is to say more constrained and less effective at meeting their national goals. The fact that it is often better for nation states to surrender sovereignty does not mean that they have no choice. Countries can try to be autarkic, like Albania did, but the related costs are very high.

Today, Nations remain important. The vast bulk of economic production and activity takes place within nation states that provide laws and infrastructure required for economic activity to proceed. Whatever international institutions are, their effectiveness depends on the nation states' willingness to support their activities.

The probability of an armed conflict must be taken into account in the economic decisions. However, people who attend international economic negotiations are different from those who attend international security negotiations. This separate tracking can be good because it insulates the spheres, countries can be in dispute in one sphere and cooperate in another. However, there is a risk of decisions in one sphere having unplanned consequences in another.

For Machiavelli, laws and arms are the main States' foundations. Today, military actions have no direct predation objectives. However, in a context of economic international dependence, superpowers understand that without their

weapons' threats, they depend on all states that take their forces from strategic production or resources.

To be a major power, one must have

- a strong economy,
- a reliable currency,
- a large control of his communication and energy needs,
- an active diplomatic policy,
- an attractive cultural life,

but also :

- a nuclear strategic force and
- a capacity to act outside its own borders to insure the transfer of the vital resources.

Globalization and universality are not going together. They may be exclusive one from the other. Globalization regards technologies, markets, tourism or information. Universality concerns values, human rights, liberties, culture, and democracy. According to Baudrillard, if actual globalization process is irreversible, then universal is dying out. War is still a humanity problem. Don't forget it. I conclude with a sentence of William Shakespeare, taken from "The Tempest", in that he concluded: « hell is empty and all the devils are here ».