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# Investing in Peace

Jacques Fontanel

In

Time to Disarm  
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The idea of disarmament for development was particularly explored in the early 1980s, at the initiative of the UN. It highlighted the economic burden of the great powers' arms race, while development aid was proving to be highly insufficient. Within the framework of international agreements, it was a question of the highly militarised developed countries reducing the financing of their armaments and providing part of these savings to support the development of Third World countries. Three main questions were then asked. Is armament a brake on development? Does disarmament only have positive effects on the national economies of developed countries? Does the transfers of resources from developed to developing countries be realized without perverse effects?

Résumé : L'idée d'un désarmement pour le développement a été particulièrement étudiée à l'orée des années 1980, à l'initiative de l'ONU. Elle mettait en évidence le fardeau économique la course aux armements des grandes puissances, alors que l'aide au développement s'avérait fort insuffisante. Dans le cadre d'accords internationaux, il s'agissait pour les pays développés très militarisés de réduire le financement de leur armement et de fournir une partie de cette épargne pour soutenir le développement des pays du tiers monde. Trois principales questions ont alors été posées. L'armement est-il un frein au développement ? Le désarmement n'a-t-il que des effets favorables sur les économies nationales des pays développés ? Le désarmement peut-il aisément s'accompagner de transferts de ressources des pays développés vers les pays en développement ?

Development, armament, disarmament, international aid,  
international funds of disarmament for development  
Développement, armement, désarmement, aide internationale, fonds  
international de désarmement pour le développement

The United Nations has, since its inception, sought to promote disarmament by establishing a close link between the reduction of the arms race and the economic and social development of nations. A comprehensive study of the relationship between disarmament and development, undertaken in 1982, concluded that there was a need for greater transparency in national military expenditure, that it would be useful to invest some of the resources freed up by reduced military expenditure in financing the development of developing countries, and that it would be useful to establish an International Disarmament Fund for Development. But the report was not unanimously accepted and the Special Session of June 1982 underlined the failure of any concrete prospect of agreement on this topic. In fact, the issue did not even enjoy a high profile throughout the 1980s.

However, with the political and economic upheavals in Eastern Europe, disarmament agreements (limited but real in the area of medium-range missiles), and the global economic crisis, the idea of disarmament for development is back on the international agenda. However, the optimism that once prevailed regarding the expected effects is now much more mixed. Three main questions are being asked:

- Is armament a brake on development?
- Does disarmament only have positive effects on the national economies of developed countries?
- Can disarmament easily be combined with transfers of resources from the developed countries to the developing ones?

### **A brake on development?**

Economists analyse military expenditure as unproductive. However, it represents nearly a trillion dollars (or 5% of the world's GNP), more than 50 million people are employed in military activities, and the arms research and development

sector employs more than 20% of the world's scientific engineers.

The influence of military spending on economic growth has been the subject of numerous studies, sometimes with contradictory results. Three main ideas emerge, with often heterogeneous and contradictory conclusions:

- Military spending has power and regulatory effects on modern economies. According to Marxist economists, the growth of military expenditure is necessary for market economies to fight against the tendency of the rate of profit to fall. For Galbraith, the military budget has the function of sterilising part of the surplus of products resulting from an increasing supply in relation to a demand reduced by the increasing limitation of purchasing power. Liberals and neoclassicals contest both of these conclusions and believe that the proper functioning of the market should lead to both disarmament and development. The international market, without state intervention, leads to peace and development.

- Military expenditure generally has a negative long-term effect on economic growth. For Seymour Melman, the militarisation of the economy undermines the power of market economies by promoting inflationary pressures and diminishing the role of efficient and collectively useful production units. Michael Ward argues that while military spending may have positive short-term effects on economic growth in some countries, such as India, Brazil and the United States, these effects are smaller than those of other public expenditures. It is indisputable that military spending is the least creative of all public spending in terms of jobs and complementary economic activities.

- Military spending reduces the national investment effort. It is not only short-term growth that is threatened by increased military spending, but also long-term economic development. A study by Benoit (1978) according to which the military effort would favour the economic and social progress of developing countries was, in this respect, strongly criticised and contested in form and substance.

Nevertheless, these global analyses are only valid on a globalized world scale. At the national level, an arms activity can have positive effects on the economy of certain countries. Armaments industries create jobs, thus reducing the need for imports for national security. Exports can improve the balance of trade. Finally, military technologies have a positive impact on the civilian production sector. Furthermore, military force ensures the security of states against the covetousness of their neighbours and provides the means of political, strategic and economic domination that the great powers enjoy in their trade and currency negotiations, to the detriment of the least protected countries.

The views of economic analysis are therefore divided. However, it is clear that general models are not always applicable to particular cases and each situation must be studied individually. It would be a mistake, however, to believe that an arms policy that has short-term beneficial effects on the economy of one country will have comparable effects on the economy of another. The exception is far from the rule in this area.

### **The economic effects of Disarmament**

Disarmament is generally presented as a factor of economic and social development. For example, the cost of an aircraft carrier is often compared to the number of schools or hospitals that its financing represents. Excessive armament often leads to economic crises and social unrest. However, it should not be forgotten that armaments are there to ensure the security of a country, a public service that can avoid the costs of war and conflict.

Negotiated disarmament must always take into account the economic and strategic imperatives of international security. There are several forms of disarmament with naturally different economic consequences: reduction of military expenditure, elimination of stockpiles of weapons or elimination of specific types of weapons. In general, it can be said that while in the short term a deceleration of the arms race often has adverse economic consequences, in the long term disarmament promotes economic growth and development.

Three practical observations show that in the short term the 'peace dividend' is small.

- Not all disarmament is necessarily equivalent to an immediate reduction in military expenditure. Destroying stockpiles and verifying agreements involves significant additional costs.

- The elimination of stockpiles does not guarantee either the limitation of strategic capabilities or the reduction of military expenditure. It usually leads states to create new weapons that are much more sophisticated and expensive than those covered by the agreements.

- Any reduction in military expenditure does not equate to an immediate improvement in the national economic situation. While expenditure is easily convertible, the factories, men and equipment previously allocated to national defence are much less so. The capital of the armaments industries is difficult to recycle into the civilian domain in the face of already established competition. A profitable conversion of existing equipment calls for new investments, the development of new production and the search for new outlets in already highly competitive civilian sectors. Much of this capital will suffer from obsolescence and specialised personnel will have to be retrained.

### **Roads to success**

There are two basic conditions for successful disarmament for development. On the one hand, it is necessary to transfer to Third World countries some of the resources saved by the reduction of the arms race; on the other hand, it is essential to eliminate the root causes that drive states into armed conflict.

For countries that do not have arms industries, the effects of reduced military spending are positive in the short term, as they encourage a more efficient use of resources spent on arms purchases. However, the disarmament effort can only have favourable effects if the savings thus effected are not hijacked by social groups intent on diverting them to other non-productive uses such as the export of capital or the import of luxurious

goods. In other words, a transfer is only of economic interest if it is part of a highly productive activity.

The transfer is sometimes also likely to have a negative effect by aggravating inflationary pressures. International aid can also have perverse effects if it leads poor countries to the destruction of local production and to a progressive economic dependence, a factor of impoverishment. Finally, aid that is not disinterested can lead to a bad kind of development. Transfers from rich countries often respond to considerations other than the economic development needs of the supposedly recipient Third World countries.

### **For a sustainable disarmament**

International disarmament requires a series of decisions concerning, for example, international economic balances, the nature of development, the direction of technological progress or the redistribution of economic resources. These issues are rarely discussed at the negotiating tables for the limitation of the arms race. Yet economic development is a fundamental factor in international security. It operates on at least three levels:

- First, in a world of scarcity and without international conflict, military spending is wasteful. The recent experience of the former USSR proves that excessive military spending gradually erodes the efficiency of the economic apparatus and eventually reduces the national defence potential.

- Secondly, disarmament that is disconnected from the reasons behind the arms race can ultimately prove dangerous for peace or for democratic political systems. As the great powers can benefit directly or indirectly from the effects of domination, a profound change in the strategic balance of power is likely to transform the international economic map.

Finally, when human dignity is threatened, nations often prefer fighting to the peaceful status quo. International security cannot be maintained in the long term within the framework of excessive economic and social domination or inequality.

Nor is every situation of peace necessarily conducive to a situation of conflict, especially when it is based on tyranny, slavery, colonisation or exploitation, and lack of respect for human rights. But can we really still call such situations real peace situations?

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