Chapter Four

ALTERNATIVE HYPOTHESES ABOUT THE GROWTH–MILITARY EXPENDITURES RELATIONSHIP

THREE MOTIVES FOR INCREASING MILITARY EXPENDITURES

Chapter Three examined whether states increase their defense expenditures during periods of rapid economic expansion. The empirical evidence provided both there and in the literature is ambiguous on the question of whether states tend to increase their military expenditures during periods of rapid economic growth. Our evidence, moreover, suggests that factors other than the economic wealth of states can account for changes in military spending. Thus, a country’s wealth might not explain all of the variation in its defense expenditures.

In this chapter, we take a different tack and try to explain what causes a country’s investments to vary. We address this issue in the context of a state’s broader foreign policy goals. In particular, we examine the motivations behind a state’s decision to raise spending on defense. The chapter presents three hypotheses about a state’s motives for increasing military spending. To build our hypotheses, we rely on the international relations literature and its stockpile of theories about the foreign policy behavior of states. While a variety of explanations can determine a state’s security policy, we narrow our focus to three hypotheses about a state’s military expenditures:

1. States are ambitious and economic growth produces forward-looking foreign policies and thus greater military spending.
2. States are fearful and they increase their military expenditures in response to threats.
3. States use aggressive foreign policies and high levels of military expenditures to deflect domestic troubles.

Hypothesis One (Ambition):
A State’s Military Spending Varies with Its Economic Power

The ambition hypothesis rests on five assumptions about international politics. First, the international system lacks a central authority to arbitrate disputes among states. In practice, this prevents states from turning to a higher political entity to keep the peace or protect them from aggressive neighbors. Second, states cannot discern the intentions of other states with any amount of certainty. Decisionmakers will always find it difficult to know if other countries harbor benign or malign intentions. Third, all states possess some form of military capabilities giving them the ability to inflict harm on their neighbors. Fourth, the pursuit of additional economic and military power represents the highest goal of states. Here, power refers to a state’s material capabilities. Lastly, a state’s wealth shapes its foreign policy objectives. According to this assumption, states have an insatiable appetite for power that is constrained only by their material resources. As such, the greater a state’s economic capabilities, the larger its foreign policy ambitions.

Taken together, these assumptions produce three common behaviors among states. In an anarchic international environment, where there is no centralized authority, states follow the principle of self-help. This condition forces states to protect their interests. Furthermore, countries will seek opportunities to maximize their relative economic and military power.¹ Both life under anarchy and the

¹See, for example, Morgenthau (1978); Mearsheimer (1990, pp. 5–56); Mearsheimer (1994/95, pp. 5–49); Huntington (1993, pp. 68–83); Zakaria (1998, pp. 13–43); and Zakaria (1992, pp. 1771–1798). Interested readers should note that these authors disagree on whether the lack of a centralized authority or human nature drives a state to maximize its relative power. These “drivers” of expansion, which are often posited as alternative explanations in the literature, may in fact vary more as a result of the level of analysis than as a consequence of any ontological differences. Further, it is possible to demonstrate that maximization of relative power can occur as the “single-exit” outcome even if the agents are assumed to have no more than the minimal preferences associated with self-preservation. (For an extended demonstration of this proposition, see Tellis (1994).) Such demonstrations, in effect, suggest that even minimally egoistic assumptions about security on the part of self-regarding political entities can give rise to expansionist and predatory behaviors that are simply indistin-
lust for domination found in human nature drive states to pursue more power. Thus, when occasions arise for states to improve their position vis-à-vis their neighbors, states are almost certain to seize them. Finally, while states possess an unquenchable thirst for power, their foreign policies often reflect a conscious strategic calculation about the costs and benefits of undertaking action to enhance their international position. States attempt to change the international system for their benefit by altering existing international agreements, redrawing the boundaries of spheres of influence and territorial expansion when the benefits exceed the costs (Gilpin, 1981). According to Frederick the Great, states design their foreign policies to follow the “permanent principle of rulers,” which is “to extend as far as their power permits.”

Hypothesis 1: The greater a state's economic wealth, the larger its military expenditures.

The ambition hypothesis contends that military expenditures are both directly and indirectly a positive function of economic growth. As illustrated in Figure 4.1, economic growth tends to increase the extractive abilities of states through taxation or state ownership or control over resources. Greater resource availability heightens foreign policy ambitions, which are translated into increased military expenditures. But economic growth also tends to increase the centralization of government, which in turn increases the power of the state, heightens foreign policy ambitions, and so leads to increased military expenditures.

What Kind of Evidence Would Confirm the Ambition Hypothesis?

The ambition hypothesis suggests three possible routes of empirical testing. One avenue of testing involves a direct examination of the

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2Frederick the Great’s comment is quoted in Zakaria (1992, p. 19).
relationship between economic wealth and military spending. We would expect states seeing growth in their economic capabilities to translate these resources into greater military spending. Increases in economic indicators, such as industrial capacity (GNP or GDP), energy consumption, iron and steel production as well as population, should correlate positively with a state’s military expenditures (Kennedy, 1984). Because, as noted in Chapters Two and Three, military expenditures themselves may spur economic growth, ideally this correlation would be observed with a lag. That is, we would see increases in output before increases in military expenditures.

An additional test of this hypothesis entails analyzing an intermediate variable: the ability of states to translate economic power into military power.\(^3\) States differ in their capacity to extract economic gains for government expenditures. Taxation capabilities will affect how much wealth policymakers can allocate for military expenditures. Scholars also argue that more-centralized governments are better able to channel a state’s affluence into military investments (Organski and Kugler, 1980).

Examining the behavior of states experiencing economic growth is another way to assess the usefulness of the ambition argument. Typically, states with modernizing economies should attempt to extend their influence over international events. Wealthy states

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\(^3\)For a detailed examination of the anatomy of this process, see Tellis et al. (2000).
should be more aggressive than poor states, seizing opportunities to increase their power. Concerns over the availability of trading markets, for example, might lead states to acquire colonies or form alliances. When they accumulate wealth, states might also endeavor to change existing spheres of influence and to alter existing international agreements to their advantage.

Hypothesis Two (Fear):
A State’s Military Expenditures Depend on Its Level of Security

The fear hypothesis shares three assumptions with the previous hypothesis about ambitious states. First, both arguments assume states are the most important political unit in the international system. Uncertainty about the intentions of other states represents a second assumption shared by both hypotheses. The third common assumption is that all states possess enough offensive weaponry to harm other states. Finally, unlike the ambition argument, the fear hypothesis assumes that a state’s foreign policy is not driven by the lust for power, but instead is motivated by a search for survival. Military expenditures, therefore, are a function of a state’s insecurity. The greater the level of threat to a state’s security, the higher the level of military spending.

When combined, these assumptions produce three common behavior patterns among states. Responding to the lack of centralized authority in international politics, states adhere to the self-help standard. Because there is no government over governments, states must take measures to provide for their own security. Moreover, without the protection of some higher authority, and without the ability to know for certain the intentions of their neighbors, states strive to maintain their relative power. States jealously guard the balance of power and cast a suspicious eye on countries that try to surpass other members of the international system in economic and military capabilities. This contrasts with the ambition hypothesis, where absolute, not relative, power determines foreign policy and military spending. Lastly, policymakers decide on an appropriate

\[^{4}\text{See Waltz (1979).}\]
security policy by estimating the level of threat posed by other states (Walt, 1987, 1995).

States look at four indicators to determine whether their neighbors are threatening (Walt, 1987):

1. **The aggregate economic and military capabilities of other states.** All things being equal, states with greater economic wealth and larger militaries appear more threatening.

2. **Geography.** When choosing security policies, decisionmakers consider how terrain might aid or hamper conquest by potential enemies. Topographical features like mountain ranges or large bodies of water improve a state’s chances against conquest and add to its overall feeling of security. Policymakers also worry more about states nearby than those a continent away.

3. **The offense-defense balance.** The anarchic world of international politics conditions states to evaluate the military landscape carefully. States not only scrutinize the quantitative measure of their competitors’ military power but also consider the types of military missions their opponents might undertake against them. More generally, states take an interest in whether military technology aids or hampers the seizure of territory. When conquest is easy, the offense maintains the advantage. While known technologies usually determine whether offensive or defensive military missions are advantageous, states occasionally misjudge the offense-defense balance.

4. **Military posturing and rhetoric.** In addition to objective appraisals of technology and perceptions of the offense-defense balance, policymakers consider states espousing nationalistic or revolutionary political ideologies as possessing offensive advantages.6

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5The key works on the offense-defense balance include Jervis (1976); Quester (1977); Van Evera, (1984a); Van Evera (1984b); Van Evera (1997); Glaser and Kaufmann (1998); Glaser (1994/95); and Jones (1995).

6The *levy en masse* in Revolutionary France, for example, stemmed in large part from a population motivated by patriotism. Armed with the first mass army of the modern era, France almost succeeded in its early nineteenth-century bid for European hegemony. For a discussion of why states differ in their determination to fight and win wars, see Castillo (forthcoming).
States also determine threats by gauging the intentions of their potential competitors. Unfortunately, ascertaining a state’s motives is often a tricky endeavor. Consider British attempts to discern the motivations behind the German decision to engage in a naval buildup before World War I (Kennedy, 1984). Some British policymakers viewed a larger navy as a signal of German aggression, while others interpreted this event as an indication of Berlin’s insecurity. Behavior in a crisis can provide one indicator of a state’s intentions. By asking the following questions, decisionmakers attempt to gain some insights into the motives of other countries: Which state precipitated the crisis? Did any of the states involved use the crisis as an excuse for territorial aggrandizement? Moreover, a state’s ideological disposition can provide clues about its intentions. Those states championing aggressive nationalist doctrines will appear more threatening. Likewise, governments with similar ideological convictions will seem more suitable as allies than as enemies.

**Hypothesis 2: The greater the level of international security threats perceived by a state’s policymakers, the higher a state’s military expenditures.**

As illustrated in Figure 4.2, the fear hypothesis implies that states increase their military spending primarily in response to their perception of external threats. According to this hypothesis, very poor states who fear their neighbors would devote a much larger share of their national and budgetary resources to defense than would...
wealthy countries who have more confidence in their own security. This argument is less likely to hold with respect to levels than to shares, however, as wealthy countries simply have a larger resource pie available to apportion.

**What Kind of Evidence Would Confirm the Fear Hypothesis?**

If the fear hypothesis is valid, we should see policymakers reacting to threatening states by raising military expenditures. Increases in the four threat indicators should correlate positively with investments in armed forces. Below we outline the expected relationships:

1. **Aggregate capabilities.** The greater the relative increase in the aggregate capabilities of other states, the greater the likelihood decisionmakers will increase military expenditures. These aggregate capabilities include economic wealth (GDP and industrial capability), population, and size of the military.

2. **Geography.** The fewer the geographical barriers against conquest a state possesses, the higher the likelihood it will increase its military expenditures.

3. **The offense-defense balance.** The more military technology or ideology makes conquest easier, the greater the likelihood that states will increase their military expenditures.
4. **Perception of aggressive intentions.** The more aggressive a state’s policymakers perceive the intentions of other nearby states to be, the higher the probability they will increase military expenditures. Ideology and peacetime behavior represent two possible indicators of aggressive intentions.

**Hypothesis Three (Legitimacy):**
**Government Leaders Use Foreign Policy to Deflect Problems at Home**

Our first two hypotheses explain a state’s behavior with reference to the international system. These perspectives downplay the domestic determinants of foreign policy. While foreign policy often reacts to dangers from abroad, it can also react to troubles at home. To deflect attention from internal difficulties, governments sometimes create external threats. In this view, international conflict grows out of a state’s societal difficulties rather than ambition or fear.

This hypothesis contends that when governments perceive an erosion in their domestic legitimacy, they adopt expansionist foreign policies and increase military expenditures. Regimes see expansion as an instrument to deflect attention from their domestic failures and sustain their government’s legitimacy. An expansionist foreign policy includes military buildups, diplomacy based on brinksmanship, and the seizure of territory by force.

While no single theory of the domestic sources of foreign policy exists, several common themes emerge to provide the building blocks for our hypothesis. In particular, we borrow from Simmel’s (1955) discussion of diversionary war and Snyder’s (1991) insights into the influence of interest groups on a state’s foreign policy. As in the first two hypotheses, this argument rests on a few simple assumptions. First, the foremost goal of governments is maintaining their political power. Political leaders realize the continuation of their regime depends on its legitimacy. Governments that lose the faith of the governed face a greater chance of losing power. Keeping the reins of power tops the list of preferences for state leaders. Sec-

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10The classic statement on the diversionary war tactics of governments remains Simmel (1955).
ond, a state’s interest groups attempt to alter foreign policy to their advantage. Different societal factions have a stake in influencing where their state directs trade, sends its armed forces, or makes alliance commitments.

The third assumption is that policymakers consider both domestic and international threats to their security when deciding on an appropriate foreign policy. Alliances formed to counter the domestic upheaval of revolution are not uncommon occurrences in international politics. In 1833, for instance, the reactionary regimes of Austria, Prussia, and Russia signed the Treaty of Munchengrätz and agreed to defend one another against the growing forces of political liberalization. Although Vienna and St. Petersburg regularly competed for influence in the Balkans, they set aside their differences to keep peace at home.

Under these assumptions we expect governments to react to their domestic and international environments in three ways. First, government leaders respond to an erosion in domestic support by adopting aggressive foreign policies. In situations where regimes face the possibility of removal from power, they weigh the benefits of a more assertive security policy versus its possible costs. Foreign policy elites understand they run the risk of war by engaging in more bellicose international behavior, such as rapid military buildups or diplomacy based on brinksmanship. Unable to mollify different domestic constituencies, governments rely on international events to garner a consensus in support of their leadership. External threats to a state’s security can overshadow the failures of the ruling regime. Fears about a country’s future in the international system contain a sense of urgency that persuades dissident elements to rally around the current government.

Second, to generate a broad national consensus for their foreign policy aims, governments ally with interest groups. No single entity, including the government, can successfully hijack a state’s foreign policy. Partnerships with different societal interests raise the probability governments will successfully implement a diversionary foreign policy. Without support from industrialists or the military, international expansion would never get off the ground. Interest groups ally with regimes to pursue their own particular goals. For example, militaries may gain from expansion because they receive
greater resources, allowing them to pursue offensive military strategies, their preferred plan of action. Industrialists might also profit from a military buildup driven by expansion.

Finally, regimes and their special interest allies rely on three forms of propaganda to engender statewide support for expansionist foreign policies: nationalism, security myths, and threatening enemy images. Political leaders cannot guarantee that their more aggressive stance in international relations will translate into a more popular government. As such, regimes go to great lengths to convince their constituents that international events demand larger militaries and aggressive diplomacy (Snyder, 1991). The likelihood of inculcating a population with these ideas depends on the type of government in power. Because they possess institutions independent of the government to evaluate foreign policy and because they do not maintain a monopoly on the flow of information, democracies are less likely to fall victim to security propaganda. Alternatively, nondemocratic states possess fewer self-evaluative organizations and, therefore, are more likely to take the government at its word on security matters.

Nationalism. One of the tools in a government’s propaganda tool-box is nationalism, defined as a political ideology arguing that each nation or ethnic group deserves its own state (Gellner, 1983). Nationalism represents a defining feature of modern international politics. Several scholars, such as Gellner (1983), contend nationalism made industrialization possible by convincing individuals that they belonged to a larger political entity and that they should embrace the responsibilities inherent in this collective identity. Nationalism’s emphasis on the political sovereignty of ethnic groups first made mass armies and extensive compulsory education efforts possible. Since the French Revolution, defending ethnic homelands has become a common theme of international conflict. To garner popular endorsement for expansionist security policies, regimes frequently define international politics along nationalist lines. Nationalism indoctrinates members of society to bear the potential costs and risks of aggressive foreign policies.

Security myths. In addition to nationalism, governments propagate myths about their state’s security to convince their constituents that an expansionist foreign policy is both necessary and effective.
Security myths are age-old instruments of propaganda and usually take two forms: paper tiger and domino images (Snyder, 1991).

Paper tiger images suggest that although adversaries might possess formidable military capabilities, they lack the resolve to use them. Because other states are afraid of risking war, so the argument goes, they will likely react to aggressive policies by making concessions. Driven by the fear of war, the bark of other states is much worse than their supposed bite. This type of reasoning tends to lower the costs of belligerent diplomacy. Since they confront paper tigers, states can achieve their aims more effectively through threats to use force than cooperation.

Domino theories are another popular security myth. According to domino logic, states must increase their military capabilities and defend distant commitments to deter potential aggressors. Retreats on small issues ruin a state’s credibility with its allies and demonstrates to its enemies a lack of resolve to use force. Domino images characterize international politics in a highly competitive light. While paper tiger images exaggerate the potential benefits of an aggressive foreign policy, domino images make expansion a necessity.

**Threatening images.** Threatening images of potential enemies are a final propaganda tool. During war, states typically try to dehumanize their enemies. When directed against those who allegedly exhibit inhumane behavior, individuals find it easier to participate in organized violence. Regimes implementing expansionist foreign policies understand this tendency. A state’s population is more likely to endorse an aggressive security policy when government leaders cast adversaries as subhuman or capable of unspeakable atrocities. These threatening images serve two purposes. On one hand, these images lower the moral restraints individuals might hold against using force in international politics. On the other hand, dehumanizing images paint potential opponents as inherently aggressive and innately unreasonable—characteristics that preclude cooperation.

**Hypothesis 3:** When governments perceive a potential loss to their legitimacy, they will implement an expansionist foreign policy and increase military expenditures.

Under the legitimacy hypothesis, economic growth affects military spending only insofar as it affects the perceived legitimacy of the
government. To the extent that economic growth tends to increase legitimacy, by allowing for increased provision of social services, etc., we would expect the legitimacy hypothesis to lead to a negative relationship between economic growth and military expenditures. As shown in Figure 4.3, indicators that an expansionist foreign policy (and attendant increases in military spending) derive from a government’s attempt to secure its legitimacy include diversionary tactics, security myths, and the type of governmental regime.

**What Kind of Evidence Would Confirm the Legitimacy Hypothesis?**

1. **Diversionary tactics.** The rise in domestic strife should correlate with a greater level of international security competition for a state.

2. **Alliances between governments and interest groups.** When a government’s legitimacy erodes, it will ally with interest groups to implement an expansionist foreign policy.

3. **Spread of security myths.** When domestic support for a regime diminishes, government leaders will use nationalist propaganda and myths about a state’s vulnerability and create demonizing images of potential opponents.

4. **Regime type.** The more undemocratic a state’s foreign policy decisionmaking, the greater the likelihood government leaders will succeed in cultivating domestic support for expansion.

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**Figure 4.3—The Legitimacy Hypothesis**
CONCLUSION

In this chapter we have outlined three causal explanations for the variation in a state’s military spending. The ambition hypothesis argues that states experiencing rapid economic growth acquire greater international ambitions and thus increase their rates of military spending. The fear hypothesis argues that states increase their military expenditures when they face increased threats to their security. The legitimacy hypothesis argues that governments that believe their survival is threatened by domestic opposition use an aggressive foreign policy and higher levels of military spending to garner more support at home.

The graphical and statistical evidence presented in Chapter Three allowed us to conduct a partial examination of the ambition and fear hypotheses for each country. A lack of data ruled out an examination of the legitimacy hypothesis. While the statistical evidence for the full period is highly ambiguous, the graphical evidence is consistent with both the ambition and fear hypotheses for certain countries at certain times. In particular, during the economic expansion of the late 1930s, France, Germany, and Japan all significantly increased their military expenditures. In the next chapter, we conduct case studies of particular historical episodes, allowing us to better discriminate between the hypotheses.

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11 As we note in Chapter Two, it is not clear whether the expansion drove the expenditures or vice versa.