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NON-ECONOMIC AND ECONOMIC BENEFITS IN DEFENSE

HELEG Nedžad

Armed Forces of Bosnia and Herzegovina

Abstract:

Defense spending plays a critical role in national security and has wide-ranging impacts on both economic and non-economic aspects of a country. This paper explores the dual benefits of defense spending, on the economic benefits like a job opportunity, industry i economy growth as the non-economic benefits including national security, political stability, diplomatic relations, humanitarian and disaster response. By analyzing the interplay between these factors, this paper highlights the importance of defense spending and its significance in ensuring security, prosperity and stability of a nation.

Key words: defense spending, non-economic benefits, economic benefits, economy growth, military, investments, job creation, security.

1. Introduction

This paper explores the multifaceted benefits of defense investments, extending beyond the traditional domain of economic gains to a range of non-economic advantages. It explores how defense initiatives not only bolster national security but also contribute to economic growth and stability. While the economic benefits of defense spending are often measured in terms of job creation, technological advancements, and contributions to GDP, this study delves into the broader spectrum of non-economic impacts that are equally significant yet frequently overlooked. Economically, defense investments stimulate industries through the procurement of goods and services, drive innovation through research and development, and enhance national infrastructure. These expenditures often lead to spin-off technologies that benefit civilian sectors, fostering economic growth and increasing competitiveness in the global market.

Non-economic benefits of defense are equally profound, contributing to national security, geopolitical stability, and international influence. A robust defense system ensures national sovereignty, deterring aggression and providing a sense of security to the populace. This security raise a stable environment conducive to economic activities and social development. Moreover, defense capabilities enable countries to participate in international peacekeeping and humanitarian missions, enhancing their diplomatic standing and fostering global stability.

The paper also examines the role of defense in technological and scientific advancements, which often have far-reaching implications beyond military applications. Investments in defense research contribute to advancements in fields such as cybersecurity, space exploration, and medical technology, providing societal benefits that extend well beyond the military domain.

Defense spending is a critical component of national policy, influencing both economic and non-economic spheres. The multiple benefits of such investments point up the need for a balanced and strategic approach to defense budgeting.

2. Importance of defense spending

Defense spending has long been a subject of debate, with critics often questioning its economic rationale. Defense spending plays a central role in safeguarding the sovereignty, security and interest of nations around the world. At its core, defense spending includes the allocation of



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resources towards military capabilities, including personnel, equipment, research and infrastructure. While the need of defense spending may seem evident in times of conflict or geopolitical tension, its significance extends far beyond only preparing for potential threats.

Defense spending offering a dual spectrum of benefits, encompassing significant economic gains such as job creation, technological innovation, and industrial growth, alongside crucial non-economic advantages, including enhanced national security, geopolitical influence and social stability, with that underscoring its necessary role in both national prosperity and global peace.

Defense expenditures have long been considered necessary, indeed beyond question in many countries. Efforts to control or even eliminate them have an equally long, though less successful, history. Apart from their strategic or political implications, defense expenditures have an obvious economic impact that can be particularly acute in the developing world, where resources are scarce and therefore the opportunity cost of such expenditures is high.

The Classical school of thought contends that an increase in military expenditure is likely to retard economic growth. This argument is based on the premise that higher military spending implies a lower level of private investment and domestic savings, and lower consumption due to lower aggregate demand. This can be specifically explained as follows. A higher level of military spending will lead to an increase in the interest rate, which will crowd out the private investment.

The Keynesian school of thought contends that an increase in the military burden stimulates demand, increases purchasing power and national output, and creates positive externalities. Endogenous growth theories suggest that government expenditure has an important impact on the long-run growth rate.

3. Non-economic benefits in defense

Non-economic benefits are those which do not contribute to national output. They include political, military-strategic and international benefits. These include ability to pursue national interests and foreign policy objectives and adding to a country's international reputation, standing and status in the world (the feel good factor) and its position in the world power hierarchy. These non-economic benefits might be reflected in a nation's position in the United Nation, its membership of world economic organisations, leadership positions in international military alliances (NATO) and its ability to influence the behaviour of other nations.

Defense spending is fundamental to preserving national security and sovereignty. A powerful military ensures that a nation can defend itself against external aggression, deter potential opponent and maintain peace within its borders. By investing in defense, countries secure their capacity to protect their citizens, territories and vital interests, with that reinforcing their independence and autonomy. A strong defense lead to promoting economic cooperation and trade and also keep up confidence among allies and partners.

A strong defense capability helps deter potential threats, protect territorial integrity, and maintain peace within a nation's borders. For example, the presence of a capable military can deter aggression from hostile actors and safeguard a country's interest in geopolitically sensitive regions. Investments in defense infrastructure and technology can improve resistance of critical system and networks, and with that reducing the vulnerability of economies and external threats.

A well-equipped and prepared military serves as a prevention against aggression and destabilizing actions by hostile actors. Through good defense capabilities, nations signal their readiness do defend themselves and their allies and with that they can stop potential conflict. Moreover, armed forces often contribute to peacekeeping efforts, intervening in conflicts to prevent violence and protect civilians. Armed forces often play a vital role in peacekeeping missions, intervening in conflicts to



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prevent violence and facilitate diplomatic resolutions. These contributions provide a good factor for the contributing nation's citizens.

Military forces are frequently called upon to provide humanitarian assistance and disaster relief in times of crisis. From delivering aid supplies and medical assistance to conducting search and rescue operations. Armed forces play a crucial role in mitigating the impact of natural disasters, conflicts and humanitarian emergencies in country and abroad.

A strong defense system can keep up national pride and social cohesion. The sense of security and stability provided by a capable defense force can increase quality of life and social welfare.

Military training provides individuals with valuable skills such as leadership, discipline, and technical expertise. These skills are transferable to civilian careers and contribute to a more skilled and capable workforce.

4.Economic benefits in defense

Defense spending, while primarily aimed at ensuring national security, also generates significant economic effects. Defense spending is a major source of employment and economic activity. Military contracts support a huge network of suppliers, manufacturers and service providers. This contracts support jobs in industries from aerospace and defense to engineering, logistics and information technology. Investments in defense infrastructure, such as military bases and research facilities, contribute to regional development providing stability and flexibility in times of economic insecurity.

Data on defense contracts, employment impact and economic output provide evidence of the economic benefits of defense spending in job creation and economic stimulus. Additionally, defense expenditures stimulate economic activity through direct and indirect spending on goods and services, contributing to overall economic growth (Solomon & Dertouzos, 2018). The multiplier effect of defense expenditures can stimulate economic growth at both local and national levels.

Defense spending start technological innovation and scientific progress. Military research and development (R&D) initiatives often lead to progress in areas such as aerospace, communications, cyber security and medical technologies. This innovations not only improve military efficiency but also have civilian applications, rising economic growth, improving quality of life and support national competitiveness.

For example, technologies developed for defense applications, such as GPS, the internet and radar, have revolutionized various sectors of the economy including transportation, telecommunications and commerce. Defense spending also stimulates private sector investments in R&D, because firms seek to capitalize on defense innovations and technologies.

Defense contracts sustain a strong supply chain ecosystem, including thousands of suppliers, subcontractors and small businesses. Defense industrial plays a critical role in supporting national security objectives while also serving as a driver of economic growth and innovation. Defense installations and military bases serves as economic engines for surrounding communities, providing jobs, infrastructure and investments.

Military spending stimulates local economies through direct and indirect spending on goods and services, as well as through the presence of defense-related industries and businesses. Moreover, defense installations contribute to the resilience of regional economies by providing stable employment and income streams, even during economic downturns. Studies have shown that regions with a significant military presence tend to exhibit higher levels of economic growth and stability.

Protection of national property rights over land, sea and air space promotes national market exchanges whilst protection of international trade routes promotes beneficial international trade and



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exchange. For example, a nation's navy protects its international shipping and trade routes, including protecting from piracy. National and international market exchange contributes to improving society's welfare. Armed Forces provide a capability to respond to national emergencies and provide aid to the civil community. Without Armed Forces, the civil would have to provide more resources for emergencies.

Defense provides a deterrent that conflict is not worth it to potential opponents. Where deterrence fails, defence spending goals to provide a war fighting capability to achieve a „successful“ conclusion by minimising the costs of conflict. These features are economic benefits reflected in the cost savings from avoiding conflict or in minimising its duration and contributing to post-conflict recovery and restoration of market activity.

Optimizing defense spending to maximize both non-economic and economic benefits requires a balanced approach that prioritizes national security while using defense investments to stimulate economic growth and innovation. Effective optimization of defense spending requires strategic planning and innovation promotion, industrial cooperation, workforce development, efficiency.

Governments should develop clear national security objective and strategic priorities to guide defense spending decisions. By aligning defense investments with strategic goals, governments can ensure that resources are effectively allocated to address emerging threats and protect vital interests. They also can promote innovation in defense industries by investing in research and development (R&D) initiatives because facilitating technology transfer from defense to civilian industries can stimulate economic growth and create new business opportunities.

The optimal relationship between the military and civilian sectors should enable prosperity and stable economic growth, where investments in the defense system will represent an investment for the future. It is often considered that the budgetary policy conducted by the state through determining the adequate amount of the defense budget provides an answer to the question of how much military power a country will have.

Governments can raise collaboration among defense contractors, research institutions, and small businesses to promote efficiencies in defense production. International defense industrial cooperation agreements can make easier technology sharing, joint development projects and export opportunities, improve the competitiveness of domestic defense industries and stimulating economic activity. By supporting defense exports, governments can generate revenue and create jobs while strengthening strategic partnerships with allies and partners.

Investing in skills development and workforce training programs can ensure that defense investments contribute to human capital development and job creation. Governments can collaborate with industry stakeholders, educational institutions and training centers to provide specialized training programs for defense-related occupations, such as engineering, cybersecurity and advanced manufacturing. By equipping workers with the skills needed to support defense industries, it can increase the economic impact of defense spending and promote employment opportunities in high-tech sectors.

Also, they should implement measures to improve the efficiency and cost-effectiveness of defense procurement processes. Simplified procurement procedures, reducing bureaucracy, encouraging competition among defense contractors can help control costs and optimize resource allocation. Adopting innovative contracting mechanisms, such as performance-based contracting and public-private partnership, can motive industry innovation and value for money in defense investments.



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Governments should establish mechanisms for monitoring and evaluating the effectiveness of defense spending in achieving both non-economic and economic objectives. Regular assessments of defense capabilities, industrial competitiveness and economic impact can inform policy decision and resource allocation strategies. By measuring outcomes and adjusting priorities based on performance data, governments can ensure that defense spending optimally balances national security requirements with socio-economic considerations.

The interplay between non-economic and economic benefits in defense can be illustrated through various historical periods and countries. Specific cases to demonstrate this complex relationship:

Ancient Rome (cca 1st century BCE to 5th century CE)

Economic Benefits: The Roman military was crucial in expanding the empire, securing resources, and establishing trade routes. The conquests brought in wealth from spoils of war and new territories. Taxes and tributes from conquered lands significantly boosted Rome's economy.

Non-Economic Benefits: Roman military conquests were also about prestige and power. The expansion of the empire enhanced Rome's political influence and cultural dominance. The Roman military played a crucial role in integrating diverse cultures under a unified system, spreading Roman law, language (Latin), and infrastructure.

British Empire (18th to early 20th centuries)

Economic Benefits: The British military secured colonies around the globe, ensuring the flow of raw materials and goods like cotton, tea, and spices to Britain. The navy protected trade routes and enforced mercantilist policies that favored British economic interests.

Non-Economic Benefits: The British military presence globally also served to project power and maintain Britain's status as a global superpower. This fostered national pride and promoted British cultural and political values worldwide. Military success reinforced Britain's geopolitical influence and diplomatic leverage.

United States during the Cold War (1947-1991)

Economic Benefits: Defense spending during the Cold War drove technological innovations that had civilian applications, such as in aerospace, computing and telecommunications. The military-industrial complex created jobs and stimulated economic growth. The Marshall Plan, backed by military power, helped rebuild Europe, creating stable markets for American goods.

Non-Economic Benefits: The U.S. military's role in containing communism and promoting democracy was crucial. American military presence worldwide discouraged Soviet aggression and supported allies, improving global stability. The ideological battle against communism also shaped U.S. foreign policy and national identity, emphasizing freedom and democracy.

Modern China (late 20th century to present)

Economic Benefits: China's military modernization supports its economic interests by securing maritime trade routes and protecting overseas investments. The Belt and Road Initiative (BRI), while primarily economic, has military dimensions that ensure the security of Chinese investments abroad.

Non-Economic Benefits: The Chinese military improve national pride and sovereignty. The People's Liberation Army (PLA) plays a key role in projecting Chinese power in Asia and beyond, supporting China's geopolitical ambitions and regional dominance. Military parades and advancements bolster the Communist Party's legitimacy domestically.

These examples show that defense activities often bring a combination of economic benefits (such as resource acquisition, economic growth, and technological advancements) and non-economic benefits (such as political influence, national pride, and cultural integration). The balance and impact of these benefits vary across different historical contexts and national strategies.



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6. Conclusions

Defense spending is not only an expenditure but an important investment in national security, stability and prosperity. By allocating resources towards defense capabilities, nations support their sovereignty, deter aggression, raise technological innovation, stimulate economic growth and fulfill their responsibilities to protect and assist their citizens and communities in times of need.

Defense spending delivers significant economic benefits, from job creation, stimulating industrial growth and improve regional development. While debates over defense priorities and budget allocations will continue, it is essential to recognize the critical role of defense expenditures in supporting economic prosperity and national security. The interplay between non-economic and economic benefits of defense spending underscores the complexity of national security and economic policymaking. By understanding the synergies and tensions between these dimensions, policymakers can develop strategies that can increase both national security and economic prosperity.

In conclusion, defense investments give a complex line of benefits that are both economic and non-economic in nature. Understanding the full spectrum of these benefits is crucial for policymakers to make informed decisions that balance national security needs with economic development and societal well-being. This holistic perspective highlights the essential role of defense in fostering a secure, stable, and prosperous society.

It is difficult to measure cost savings for events which do not occur, but such problems raise the general question: What would have happened without a nation's defense spending?

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