

BOOK REVIEWS

***Security and Economy in the Third World.* By Nicole Ball.** Princeton: Princeton University Press, 1988. 432 pp. ISBN 0-691-07782-7.

The economics of external-security production by tradition has had little more to offer than a public-good type of reasoning, such as that equilibrium is where a marginal dollar spent on producing external security will yield exactly a dollar of “private” social product. This seems to have changed of late. The side effects of military expenditures have been studied intensively, in particular, positive side effects called “spin-offs”. Many social scientists quickly adapted to the spin-off game, although they should have known better since Tinbergen (1956) and others had proven the one-goal-one-means rule; maybe they could not resist the fame (or the money) of being spin-offish.

In her book, Nicole Ball (who is Director of Analysis at the National Security Archives in Washington, D.C.) discusses the role of the military in the development of less-developed countries. The first part of the book comprises four chapters covering theoretical, empirical and methodological issues; the second part is made up of six chapters which discuss security expenditures on the one hand, and growth and factors of growth, such as resource availability and capital formation, on the other.

Rarely has there been a chapter more illuminating in its introduction of the contents of a book as well as the author’s thinking than Ms Ball’s chapter 1. It focuses on the two main schools of thought concerning the developmental rôle of the security sector, referring to the military-as-a-growth-engine hypothesis and to the military-as-a-growth-killer hypothesis. It also introduces some of Ms Ball’s slightly irritating ideas on methodology.

As to the latter: "The clash between theory and fact" (the chapter's heading) is the working tool of every analyst; the said clash regularly leads either to a (preliminary) acceptance of a theory, or to its refutation. For the author, however, the clash is definitely something unpleasant.

"The" theory of military expenditures is the one mentioned earlier that the public supply of external security raises private productivity more efficiently (in a macro sense) than any private producer could possibly do. Under this perspective it becomes clear that Nicole Ball is mainly concerned with what economists would term the "side effects" of military expenditures, be they spin-offs in the form of a modernization of the economy, or be they inefficiencies in the form of modern colonialization, of strengthening an inefficient political élite.

The second chapter deals with the determinants of security expenditures which seem to be more manifold in these matters than any layman would be able to imagine. Of the multitude of determinants, no single one is more important than the rest, or, in the author's words, the reasons for defence outlays "... are varied and subject to change over time, depending partly on . . . , partly on . . . , and partly on . . ." (p. 77).

In the third chapter we learn about the problems of measuring security expenditures. The statistics of developing countries are insufficient; the data production of institutions such as SIPRI¹, ACDA², or IISS³ suffers from inadequate numbers of researchers working on the subject, and from a lack of reliable sources. Ms Ball really shows a deep insight into the problems of analysts in this field. Her conclusion that analyses of military expenditures are misleading when the latter are arbitrarily accounted for (she gives the example of Indonesia) can be distressingly true. However, it may just be that the supposed "mistake intensity" of the calculations is stochastic over countries, and would then not preclude cross-country analyses (an assumption which would have to be verified, too). Or, if mistakes are systematic, it might be possible to remove them in case research points in the direction of a neglected correlation (for example, if mistakes increase/decrease with the level or change of per-capita incomes).

The heading of chapter 4 "Substituting the Computer for Analysis" seems to be somewhat misleading. It actually refers to the regression analyses of our times. Disregarding here the Freudian explanation she offers for the upsurge of cross-sectional methods (p. 125), Ms Ball's scepticism towards prevalent macro-economic growth theories and growth

1. Stockholm International Peace Research Institute.

2. United States Arms Control and Disarmament Agency.

3. International Institute of Strategic Studies.

analyses is indeed well justified. Her enumeration of factors not amenable to quantification, however, raises doubts on the amenability of the agnostic stance, which seems to be hidden behind the scientific scepticism (p. 156); not one of her non-quantifiable factors looks important when compared to the growth factors enumerated by the specialist in growth economics, Joseph Schumpeter.

In chapter 5 it is asked whether security expenditures reduce savings and investment rates, and contributes to trade imbalances, indebtedness and inflation. Meanwhile, the reader in principle knows all the answers, and he proves to be right: savings and investments are often affected negatively, but just as often they are not; trade-balance effects are hard to disentangle from the influences of general (!) economic conditions, and so on. All in all, the effects of security expenditures vary among countries, which is why the world is in desperate need for more country studies (in spite of the lack of reliable sources discussed in chapter 3, I presume).

Chapter 6 discusses the influence of military expenditures on the "effective use of resources", referring to the stimulation of aggregate demand in cases of excess capacities of production, to the sectoral structure of demand from the armed forces and to that peculiar intellectual construction which has been called the "absorptive capacity", the latter being restrained, *inter alia*, by corruption. It is strange to hear that the large and inefficient bureaucracies in less developed countries are a legacy of the colonial period — which seems to contradict both the work of experts in this field, such as Peter Bauer, and the history of the (in comparison to today's administrations) seemingly highly efficient bureaucracies of the colonial period.

The most voluminous chapter is the seventh one entitled "Capital, Growth and Security Assistance". As a first approximation, one should assume that the growth effects of security assistance are not far away from the said effects of development assistance at large. Even fellow travellers of the aid industries do not claim overwhelmingly positive results of aid today regarding growth, employment, technology transfer, and other possible achievements (cf. the Cassen Report of 1986). Ms Ball even doubts that the national security of recipient countries has been raised; as for economic development, the effects seem to be difficult to assess: "in certain cases [military assistance has] furthered the development process" (p. 294), most probably, according to the author, in cases of capital shortage of foreign-earnings restraints. Whether this indeed holds true "depends on government policies" (p. 293).

Military manpower and the formation of human capital is discussed in chapter 8. The cited shortages of managerial, entrepreneurial and

technical personnel interpreted as a colonial heritage makes the reader contemplate where the United States, Canada or Australia might really stand today without their colonial past. All in all, the author feels that the military is but a costly detour for building a new class of skilled people.

Chapter 9 appraises the role which the military can play in the process of industrialization. As a matter of fact, a few years ago it was the late Harry G. Johnson (*On Economics and Society* [London, 1975], p. 282) who identified the role of industrialization in a nation's process of becoming a militarily powerful nation state. This hen-and-egg problem is also discussed by Nicole Ball who, credit must be given here, hardly ever seems to miss a point. In total, the capital drain, the foreign-exchange drain and the brain drain exerted by the security sector deprives the normal developing country of really scarce resources; military expenditures, therefore, are neither apt to solve the industrialization problem nor problems of employment and of human capital formation.

Chapter 10 presents a summary of the voluminous book and makes it clear that the author's central theme was to warn against generalizing the role played by security expenditures in the developing countries.

In the social and other sciences, the dividing line between a good book and the majority of other books is the amount and intensity of controversies which the writer provokes in the mind of the reader. By this yardstick Nicole Ball's book is of an outstanding quality. In addition, her book is of a high value for everybody, whether scholar or layman, who wants to become informed on existing theories and realities regarding economic development and military expenditures.⁴ If it were not for the methodology issue, which unfortunately gives the work an agnostic stance, the author herself may not have wished to appear that strong: wherever Ms Ball finds a hypothesis she rejects it almost instantly by citing counter examples, with the often outspoken conclusion that one can really say nothing conclusive about security expenditures except that every statement is false. She manages, however, to fill a 400-odd page book on security expenditures and economic development with valuable information. The problem seems to be that the methodological standards cannot be generalized to cover other fields of economic research (such as economics of growth, of the firm, or of inflation) or to other fields of research at large (such as geology, physics, or medicine). Is it not that scientific development needs, among other things, people who are capable of sticking to strange ideas without being shaken by anecdotal evidence? Ms Ball often seems to take probability statements for truths and

4. In case there is a second edition the author, or the publisher, may consider including a bibliography, the lack of which is naturally strongly felt in a survey-like work.