

# Nationalism, Chauvinism and the Military Establishment: An Economic Perspective

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**Abstract**

*Economic nationalists distinguish between victors and losers in war. War can be profitable to the successful participant since the resulting territorial expansion provides new markets, resources, and commercial supremacy, all of which enhance the nation's industrial production possibilities. Nationalists view the world as being divided into competing national entities. The Aum Shinrikyo cult of Japan launched a series of nerve gas attacks using the gas sarin that they developed themselves. In 1996, 17 scientists from Los Alamos assembled a dozen homemade nuclear bombs using technology available on the shelves of Radio Shack and nuclear fuel available on the black market. Accidents, misunderstandings, and oversights are a normal part of human life. To believe that we can somehow master and control technology especially lethal technology is nothing more than arrogance. The defense establishment focuses on what new technologies can do when often we should consider what they can not do and rethink if the technology is meaningful.*

**Keywords:** Violent conflict, Military establishments, Normative element, Economic chauvinism, Liberalism

## Introduction

As Gissy (1997A, 1997B) and Coyne and Pellilo (2013) note, various forms of violent conflict are extremely costly. Over the course of recorded history, violence and its ultimate manifestation, war, has been an important topic of inquiry. Related to this topic is the interest or concern over the levels of military expenditure, since resources allocated to the production of military goods cannot be used for alternative production. Table 1 provides the leading 10 countries in terms of total military spending for the years 2005 and 2019. It should be noted that the same 10 countries comprise both lists, although there are some differences in the positions. In terms of 2005 dollars, total military expenditures for this list of countries increased 41.29%, from \$776.7 billion to \$1097.4 billion.

Country	2020 2020\$	2020 2005\$	2005 2005\$	% Change Nominal	% Change Real
United States	778	577	420.7	84.93	37.06
China	252	187	62.5	303.2	198.72
Saudi Arabia	57.5	42.6	21.3	169.95	100
Russia	61.7	45.3	61.9	-0.32	-26.82
India	72.9	54.1	22	231.36	145.91
United Kingdom	59.2	43.8	51.1	15.85	-14.29
France	52.7	39	41.6	26.68	-6.25
Japan	49.1	36.4	44.7	9.84	-18.57
Germany	52.8	39.1	30.2	74.83	29.47
South Korea	45.7	33.9	20.7	120.77	63.77

Table 1. The 10 leading countries in terms of military spending, billions of dollars

**Source:** Center for Arms Control and Non-Proliferation, February 2006 and International Institute for Strategic Research, February 2020, and Stockholm Peace Research Institute Factsheet 2021

Scholars from a variety of fields have endeavoured to understand the nature of conflict and military establishments, constructing theories of its causes, consequences, and prevention. Such investigations are of great importance; for once, generally accepted theories have a way of influencing individual and societal behavior, thus becoming self-fulfilling prophecies. Aware of this profound influence on human lives, theorists generally incorporate a strong normative element into their writing. Violence may be analyzed from one of several academic perspectives, the most common being political, sociological, and historical. The various approaches result in contrasting points of interest as

well as differences in the analytical technique. However, due to the complex nature of violence, most theories of violence become a mix of perspectives. This article examines the concepts of violence and conflict within the framework of political economy and the role of nationalism and economic chauvinism.

From a historical perspective, World War I marks the turning point in the economic approach to conflict, peace and the military establishment. For the first time industrial nations pooled their technological and economic resources to mobilize mass armies outfitted with sophisticated weapons. The enormous losses in life and materials, as well as the global economic and financial breakdown, proved that war is economically irrational. However, these views can be found in the earliest writings on the economics of conflict. This view, that war was irrational, was the premise to Economic Liberalism as well as Socialism but not to a third philosophical tradition, namely, Nationalism.

### **Nationalism**

As noted by Michael Heilperin (1960), Economic nationalism preceded liberalism as an aspect of mercantilist thought. Although there was a common reference to the aspect of protectionism, the term economic nationalism became popular by the 1930s. This approach also served as a key component of the postclassical German economists as well as early American political economists. Economic nationalism is closely tied to sociopolitical philosophies that view the state as the center of our social lives. Economic nationalism places great emphasis on government intervention in economic affairs, holding that society has interests of its own that differ substantially from those of any individual. It is the responsibility of the state to foster industry and transportation, to establish colonies to supply the nation with needed raw materials, and to protect the course of international commerce. To hold colonies and dominate trade routes the state must develop a powerful military. The interests of the state, and therefore the individual, are best served by a highly regulated economy. The principals of individualism and free enterprise are viewed as perversions. If everything ultimately reflects on the state, then the state has a vested interest in not only what is produced but the quality of the product as well. The government must protect society and the reputation of the state from poor workmanship and low quality materials. Uniform standards of quality can only be guaranteed by a strong central government.

Economic nationalists distinguish between victors and losers in war. War can be profitable to the successful participant since the resulting territorial expansion provides new markets, resources, and commercial supremacy, all of which enhance the nation's industrial production possibilities. Nationalists view the world as being divided into competing national entities. Trade, the key to global harmony of interests in liberal thought, is viewed as a disadvantage to less developed countries. Such countries lack the means to provide for their security and will be dependent on the established defense industries of the more developed nations. If industrialization is the key to national economic welfare, then nations are better served by pursuing a course of protectionism and military power. Within the context of this theory, war for oil is perfectly rational. The benefits of conquest accrue to targeted companies while the cost of conquest is shared by tax payers. This scenario clearly establishes an economic incentive for some companies to lobby for war using the nation's interests as an excuse. Whereas, liberals and socialists tend towards economic pacifism, nationalists tend towards either economic deterrence or economic chauvinism.

### **Economic Deterrence**

While many scholars draw a logical link between war and arms accumulation, a separate school of thought economic deterrence, sees them as separate and distinct. While accepting the view that the costs of actual war are unbearable, thus rendering war economically irrational, this school advocates increased levels of weapons procurement. This view was analyzed by Schelling (1960) and Schelling and Halperin (1961). The reason for their position is to heighten the economic folly of war by increasing the expected cost of military conflict. In their view the best guarantee for peace is the preparation for war with all means available, preferably with weapons that could totally destroy an adversary. Ideally, military superiority should lie with those nations that are less likely to be aggressive. A second reason for this school's preference for weapons accumulation is the improvement in commercial security it affords. Although this school accepted the nationalist view on the importance of naval superiority for protecting the flow of commerce between nations, they further argue that military power might be viewed as a form of insurance for national independence, thus securing a degree of creditworthiness and serving as an incentive for foreign investment. In this manner, weapons are indirectly productive. Additionally, military budgets are viewed as instruments for combating economic slumps due to underconsumption. The consequences of the business cycle can be softened by an appropriate manipulation to the public budget. Such manipulations can be implemented by varying the rate of arms accumulation in response to changes in the state of private demand.

### **Economic Chauvinism**

Rather than argue over how to avoid war, Economic Chauvinism changes direction by advocating the preparation of war and supporting the notion that warfare itself is beneficial. As an essential element of the dynamics of

civilization, war is a necessary condition to combat decadence and moral decline, reflecting the cyclical rise and fall of nations. War is viewed as a positive economic activity despite the losses of life and capital, higher taxes, and debt. Economic chauvinists argue that war will lead to higher overall consumption since a soldier's needs exceed equivalent civilian consumption in peacetime. War enables a nation to mobilize idle workers, thus reducing unemployment. Additionally, casualties will lead to higher per capita wealth provided the loss of life exceeds the degree of capital destruction. As such, social welfare will be improved, which in turn enhances domestic tranquillity. By achieving victory in war, a nation expands its territory and takes over the overseas trade of the enemy.

A nation's self-sufficiency in the provision of raw materials is improved, enhancing its prospects for the next war. By expropriating the enemy's land, additional labor for the industrial sector can be developed and internal good production is increased. Finally, territorial expansion enhances the strategic location of troops for future ventures. In essence, war is the central engine of economic development. The massive demand for goods to provide for military forces is a stimulus to technological advances, which in turn filter down to the level of civilian production. War promotes the spirit of competition and initiative, two prerequisites for a modern capitalist economy. Thus, despite the short-run destruction that occurs, war promotes the economic growth of a victorious nation.

War may also be necessary for the logistical survival of the military. As James Paul notes, the importance of oil to the military grew after World War I. During World War II all parties devoted substantial consideration to occupying or defending oil fields, viewing oil as a priority resource. In the Iraq War initiated in 2003, the first objective was to secure the oil fields which were considered to be a potential bargaining chip for the future with other nations. Tullock (2005), on the other hand, notes that as long as the welfare of the ruling class is improved, war would be rational even if overall social welfare suffered.

### **The Political Economy of the Military Establishment**

As he neared the end of his second presidential term Dwight Eisenhower expressed regret over the costs of containing the global expansion of communism, describing the associated arms race as a form of theft from those who lacked food and clothing. (Hartung, 2001) At the time there existed a large defense sector as well as a sector devoted to weapons development and production. Eisenhower referred to this combination as the Military-Industrial Complex (MIC) and he feared that this post World War II phenomenon could itself become a threat to our liberties and democratic processes. Some scholars also consider MIC to be a threat to the free market process. (Hooks, 1991)

Although MIC appeared to be a passing phase at the end of the Cold War, the 9/11 attacks and the advent of the never-ending 'war on terrorism' allowed for a resurgence that rivals Cold War levels. The \$447.4 billion defense budget for 2006 made the US defense sector a state within a state in that the amount exceeded the GDP of several smaller European nations. It also represents 21% of the federal budget. Additionally in 2006, The Department of Defense employed 2.143 million people and private defense contractors employed 3.6 million workers. The combined 5.743 million workers represent 3.8% of the labor force.

The threat to the democratic process exists because MIC evolves into a rigid hierarchical structure, authoritarian in nature with no outside input. The revolving doors between the military and major defense contractors as well as pro-military think tanks and congressional staffs, create a closed network with a single mindset, maintaining a permanent war economy. This war economy is a state-run economy with severe agency problems where decisions are based upon networking interests so that the allocation of resources to military production exceeds the socially efficient level. Procurement decisions are made by those representing the state but who act in accordance to their personal interests. Increased procurements today will enhance the decision maker's opportunity for postmilitary employment with the defense contractor. This results in excessive procurement levels that help to enrich the defense contractor. For example between March 2003 and September 2006 shareholder returns for major defense contractors increased from 68% to 164%.

There is also strain on the economy since the resources allocated to the production of weapons can not be allocated towards the production of communication, transportation, or capital infrastructure, health or educational services as well as basic consumer needs. When the economy is at full employment an increase in military production can only be obtained by reducing the production of something else. While it is true that an increase in military production can stimulate an economy caught in a recessionary gap that same or perhaps better stimulus can be achieved by building schools, hospitals, parks, roads, and the like.

A third problem associated with the defense establishment is the exposure to risk from growing technological power and the stockpiling of weapons incorporating lethal technologies. Lloyd Dumas (1999) noted that globally we averaged a nuclear accident every six months for a 45-year period. Eighty percent of reported problems resulted from worker error or the use of poorly designed procedures. Boredom leading to a lack of vigilance in maintaining check lists or monitoring controls is one major source of human error. Boredom can then lead to drug and alcohol abuse. Between 1975 and 1990, 27 000 American military personnel were removed from duty involving nuclear weapons due to their abuse of alcohol and drugs.

The stockpiling of arsenals of chemical and biological weapons also increases a nation's exposure to terrorist risk. As Dumas notes, right-wing and white supremacist organizations in the United States such as Aryan

Nation and Minnesota Patriots Council were caught with biological toxins they were planning to use against federal agents. In 1997 Russian officials admitted that 100 suitcases of nuclear bombs had disappeared. In addition to physical stockpiles of weapons, the existing knowledge has become increasingly available to the public at large. The Aum Shinrikyo cult of Japan launched a series of nerve gas attacks using the gas sarin that they developed themselves. In 1996, 17 scientists from Los Alamos assembled a dozen homemade nuclear bombs using technology available on the shelves of Radio Shack and nuclear fuel available on the black market. Accidents, misunderstandings, and oversights are a normal part of human life. To believe that we can somehow master and control technology especially lethal technology is nothing more than arrogance. The defense establishment focuses on what new technologies can do when often we should consider what they can not do and rethink if the technology is meaningful.

### Conclusion

One constant in economics is the role of trade-off, a dollar spent on A is a dollar that can't be spent on B. Military expenditures represent funds that could have been spent on education, healthcare or infrastructure. This is not to say that there should be no military expenditure, but the real growth in global military spending between 2005-2020 means that military expenditures are becoming a larger proportion of overall global spending. Why? What role does the creation of large military establishments play and to what extent does that relate to increasing attitudes of nationalism? Does one nation, driven by nationalism and engaged in economic chauvinism force other nations to adopt a nationalist attitude? Liberalism (the minimal government context) and the resulting economic pacifism would not generate the level of wasteful military expenditures we observe today. Those who advocate for big government are unwittingly asking for people adopt a nationalist mindset and that leads to uncontrolled military establishments.

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