

Military expenditure and economic growth in ASEAN-5 countries.

ABSTRACT

In this study we employ the bounds testing procedure suggested by Pesaran (2001) and dynamic OLS (DOLS) proposed by Stock and Watson (1993) to test the robustness of the causal effect and long-run relationships between military expenditure and economic growth in ASEAN-5 countries from the year 1965 to 2006. Generally, our results suggest that: (1) there are only three (Indonesia, Thailand, Singapore) out of five countries analyzed exhibit long-run relationship between military expenditure and economic growth; (2) While for the case of Singapore, the causality is bidirectional, for Indonesia and Thailand it is unidirectional from military expenditure to economic growth; and (3) For the remaining countries, (Malaysia and Philippines), no meaningful relationship could be detected. The results are robust, producing similar results employing both Auto Regressive Distributed Lag (ARDL) and Dynamic Ordinary Least Square (DOLS).

Keyword: Military expenditure; Economic growth; Military expenditure.