

ABSTRACT

This research aims to determine and analyze the direction of the causal relationship between military expenditure and economic growth in countries with the strongest military powers based on Global Fire Power 2024 for the period 1978-2022. The objects in this research were divided into four classifications, namely 58 countries tested simultaneously, 21 developed countries tested simultaneously, 37 developing countries tested simultaneously, and 58 countries tested partially. Apart from that, this research also aims to determine the causal relationship between the power index and military expenditure in 2022 in 46 countries with the strongest military powers based on Global Fire Power.

This research is quantitative research with secondary data. Military expenditure data was obtained from the Stockholm International Peace Research Institute (SIPRI), and economic growth data was obtained from The World Bank. The research model used is Pairwise Granger Causality Tests with the help of Eviews software to make testing easier.

The results of this research show that simultaneously, 58 countries are known to have no causal relationship between military expenditure and economic growth. In 21 developed countries, there is simultaneously a one-way causal relationship from military expenditure to economic growth. From 37 developing countries, it is simultaneously known that there is no causal relationship between military expenditure and economic growth.

Meanwhile, for partial testing, it is known that in the United States, United Kingdom, Japan, France, Germany, Spain, Singapore, Greece, Netherlands, Norway, Denmark, New Zealand, Belgium, Austria, Turkiye, Pakistan, Egypt, Thailand, Argentina, South Africa, Malaysia, Peru, Ecuador, Sri Lanka, Oman, Bolivia, Paraguay, Kenya, Guatemala, El Salvador, Nepal and Sierra Leone have no causal relationship between military expenditure and economic growth. Meanwhile, in Italy, Ireland, Luxembourg, Uruguay, Cameroon and Burkina Faso, it is known that there is a one-way causal relationship from military expenditure to economic growth. One-way causality also exists in Australia, Sweden, Portugal, Finland, India, Brazil, Indonesia, Iran, Algeria, Mexico, Philippines, Bangladesh, Nigeria, Colombia, Chile, Morocco, Tunisia, Dominican Republic, and Botswana, but from economic growth to military expenditure. Different results were shown in Jordan, which is known to have a two-way causal relationship, namely military expenditure to economic growth, and vice versa.

On the other hand, research results related to the causality of the power index and military expenditure in 2022 show that there is a one-way causal relationship from the power index to military expenditure.

Keywords: Military Expenditure, Economic Growth, Power Index, Granger Causality