# Guns vs. Butter in the Major Schools of Economic Thought

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Economics, History and Political Science

Development Day


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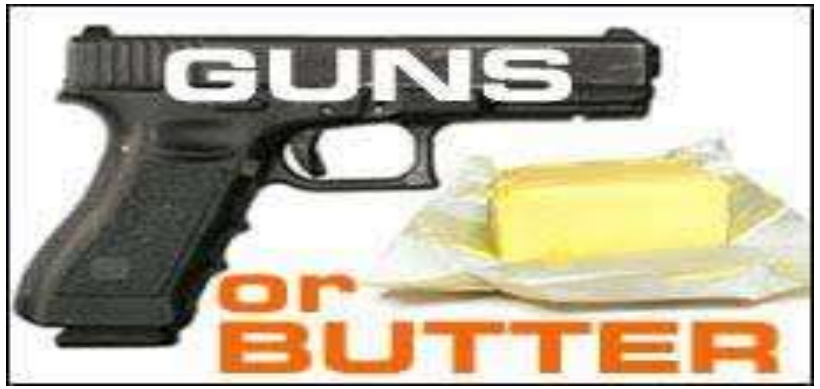
# Motivation

- Before Paul Samuelson popularized **the guns and butter** analogy in 1947, it was used by J.P. Wernette before the 1940s





- Butter in Guns ?
- or Oil in Guns ? Guns for Oil ?
- Or

# Neoclassical, Keynesian, and Marxist Schools

**Neoclassical Economics**

State is a rational agent, maximizing benefit

+ Appealing for researchers

- Unrealistic assumptions

**Military Keynesianism**

Milex increases aggregate demand

+ Straightforward explanation

- Treats milex just like another gov. exp.

**Military Industrial Complex**

+ Pays attention to interest groups

- Ignores the vital role of milex in capitalism

**Marxist Economics**

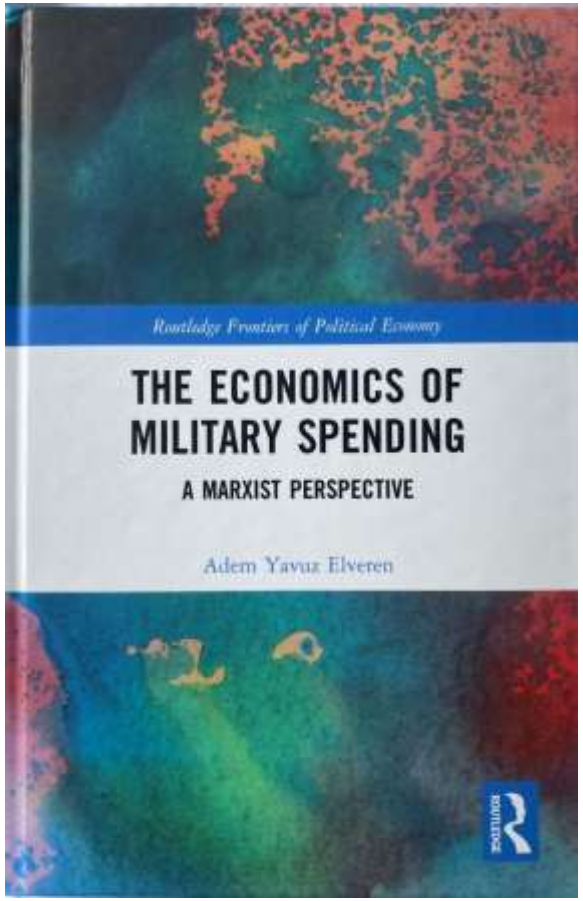
Milex has two vital roles:

1) creates hegemony

2) absorbs surplus

# Neoclassical, Keynesian, and Marxist Schools

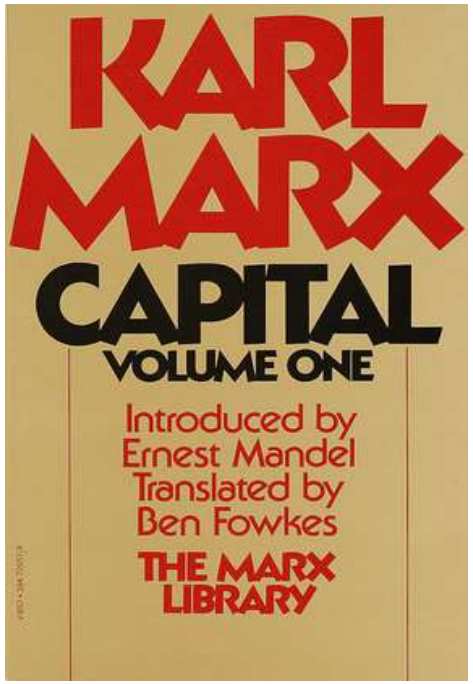
- Over 200 empirical works on the milex-growth nexus




- How about the rate of profit?
- Whole period vs neoliberal era
- US vs Turkey

# Theoretical Model

M - C ( MP + L ) ... P ... C' - M'




$$\frac{dT^R}{dt} = 1 - \left[ \begin{array}{l} (1-k)C_t + \left(1 - \frac{dT^W}{dt}\right)(1-\tau)kC_{t-T^W} \\ \quad + \left(1 - \frac{dT^S}{dt}\right)(1-\tau)(1-p)S''_{t-T^S} \\ \quad + \left(1 - \frac{dT^V}{dt}\right)\varphi \mp_{t-T^V} \\ \quad + \left(1 - \frac{dT^Z}{dt}\right)(1-\varphi) \mp_{t-T^Z} \end{array} \right] / P_{t-T^R} \qquad (27)$$

# Empirical Analysis (Elveren 2020)

Table 8. Results of ARDL Bounds Test (Profit3).

| Long Run Coefficients | full sample<br>ARDL (1, 0, 3, 1, 2) | milex > milexmean<br>ARDL (4,1, 0, 2, 1) | milex<milexmean<br>ARDL (3, 0, 0, 2, 3) |
|---|---|---|---|
| Spending delay | −0.002*** | 0.001 | −0.002*** |
| | (0.001) | (0.001) | (0.001) |
| Milex | 0.005*** | 0.003** | 0.009 |
| | (0.001) | (0.001) | (0.006) |
| GDP | 7.730*** | 0.388** | 0.105 |
| | (2.38) | (0.172) | (0.680) |
| Unemployment | 0.001 | 0.003 | 0.001 |
| | (0.001) | (0.002) | (0.008) |
| R-squared | 0.901 | 0.926 | 0.919 |
| SER | 0.003 | 0.002 | 0.003 |
| Serial correlation | 1.062 | 1.568 | 1.105 |
| | [0.367] | [0.194] | [0.353] |
| Normality | 1.161 | 0.396 | 0.006 |
| | [0.559] | [0.820] | [0.996] |
| Heteroscedasticity | 1.150 | 1.106 | 1.613 |
| | [0.325] | [0.369] | [0.105] |
| Bounds Test F-Statistic | 8.721*** | 6.874*** | 8.876*** |

Note: Standard errors in parentheses, probabilities in brackets. ***, **, and * refer to $p < 0.01$, $p < 0.05$, $p < 0.1$ respectively.

# Conclusion

- What matters?

- The effect of growth?
- Short run vs long run?
- Growth for whom?

- The effect on profit rate?

- The effect on economic development?