

Macroeconomic determinants of military expenditure in Malaysia

Abstract

The decreasing trend of Malaysian annual allocation towards military expenditure in the past 16 years ago has become a subject of interest for this research paper. This paper aim to investigates either the selected macroeconomic variables such as domestic investment, exchange rates, inflation, trade openness and population growth could be the factors that lead towards lower government spending in this country. The ARDL regression is introduced based on the data span range from 1970 until 2016. The long run elasticities showcased that low inflation and currency appreciation lead towards higher government spending on military expenditure while deepening in trade openness cause lower spending on military. The role of inflation again is being highlight as it is also granger cause military expenditure in Malaysia. The list of policy recommendation is being discuss and hopefully it could give a fresh insight to the policymakers with regards to this research topic.

Keywords

ARDL regression; Macroeconomics variables; Malaysia; Military expenditure