

THE ISSUES OF DEFENSE SPENDING OPTIMIZATION IN THE FRAMEWORK OF POSITIVE EXTERNALITIES OF THE HIGH-TECH WEAPONS PRODUCTION

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Abstract

One of the serious problems in ensuring sustainable economic growth in Armenia is the problem of defense spending optimization from the viewpoint of possible positive externalities from the high-tech weapons production. In terms of the above-mentioned the articles makes an attempt to answer the question of how to solve the well-known dilemma “guns versus butter” for Armenia amid the current geopolitical and geoeconomic challenges.

To achieve the objectives, the differences between the concepts of *effectiveness* and *efficiency* of defense spending have been considered. The study of the potential impact of the production of new technological weapons on the economy and the military sector was carried out through the prism of the “exploration-exploitation” dilemma, with a view on differences between the economic efficiency at the different stages of new military technologies’ life cycle and the opportunity cost of military spending. As for possible positive externalities of the high-tech weapons production, an improvement in the balance of payments, relieving the public debt-servicing burden, developing human capital, increasing employment, creating and deepening bilateral and multilateral military-political and military-technical cooperation are presented as such in the article. Meanwhile, *peace* and *transfer of technology to other sectors of the economy*, in defiance of the accepted approaches, have not been considered to the externalities of the high-tech weapons production.

The study led to the conclusion that the redistribution of part of defense spending to the high-tech sector, the ultimate goal of which is to gradually ease the burden of military spending for the state, including through positive externalities from innovation and mastering of high-tech industries, can be the beginning of qualitative changes in terms of economic development, and addressing issues in the field of security.