INTRODUCTION

The military is perhaps, one of the most ancient of social institutions. In fact, the first recognisable formal military institution was the 'Roman Army'. The maintenance of such a military institution became the responsibility of the Roman citizenry, who contributed to the 'Defence Budget' in the form of taxation. Given the long history of military institution as a recipient of public funds, it is surprising to note that the Defence budget has only recently become the focus of economic research. In fact, it was only after the Second World War that 'Defence Economics' began to emerge out of obscurity.

As far as India is concerned, since the Defence budget was largely treated as sacrosanct and the requirements of the Defence Services were met to a large extent without any question being raised. In the recent few years, however, the situation has undergone a sea-change and the Defence budget is increasingly being looked upon as a sphere of activity that needs curtailment. This change in attitude on the part of the media has partly been accentuated by the global trend towards détente and the end to the 'cold war'. The general outcry by some sections of the press for a reduction in the Defence outlay, is however, mostly based on ill informed knowledge.

The essence of budgeting is setting priorities. The
of Payments' situation. There is an external debt of $54 billion; India thus ranks 3rd amongst the debt nations. Indian economy has been under mounting pressures throughout 1980s. It however assumed crisis proportions by the beginning of the fiscal year 1990-91. The 'Gulf crisis' worsened the already precarious fiscal situation. In addition to imposing an additional burden on our foreign reserves, the Government had to spend Rs 300 crores on repatriating Indians stranded in Kuwait. The fiscal deficit, which measures the resources gap, rose to more than 8 per cent of GDP as compared with 6 percent at the beginning of 1980 and 4 percent in mid 1970s. Interest payment on accumulated debts constitute about 24 per cent of total expenditure of the Central Government. Unless firmly dealt with by checking the 'Non Plan expenditure' and raising revenues, such a situation will result in absorption of an increasing proportion of Government resources, necessitating higher borrowings to service the past debts, thus pushing Indian economy into a debt trap. It is widely believed that the unabated growth of the Government Non Plan expenditure has been the main reason for the country getting into the present crisis. It is in this context, that any increase in Defence expenditure which forms a major portion of Government Non Plan expenditure comes under critical scrutiny.

It must however be remembered, that a nation can develop only if it is secure from internal and external threats.
Defence preparedness at optimum level is a very costly proposition, which no nation how-so-ever rich can afford. Balanced use of resources, is therefore a must. Management of Defence economics does not imply reducing expenditure (no matter how important are the things to be bought), nor does it mean implementing some slated doctrines (regardless of cost). As it is, the less developed countries like India are faced with the dilemma of mustering adequate funds for Defence preparedness, from out of the already scare resources available for development.

A developing country has to economise and sacrifice some development plans in the interest of achieving the desired military strength. It has to optimally utilise the Defence budget on her Defence forces to implement her planned strategy. National strategy, technology, development and economy, are thus inter-related. Strategies are ways of using budget or resources to achieve military objectives. Technology defines the possible strategies. Economy and development help choose strategy.

The arms industry in the world has made rapid strides, due to development in technology, arms race between countries and the policies followed by super powers. Nearly 60 countries today, are involved in sale of arms and Defence oriented equipment. This is providing valuable foreign exchange to these
If India wants to maintain / improve the pace of development, she has to ensure national security from internal as well as external environment: The technology and arms industry must develop along with overall development of the national economy. Maintenance of Defence forces is a necessity, which a nation cannot avoid. India's Defence expenditure has multiplied nearly 100 times since 1947. Though the value of rupee has plummeted, the current level of expenditure on the face of it appears staggering\(^1\). There is a need to effect economy. An erstwhile eminent, Financial Adviser on Defence has written, that if by some miracle we could get our Defence spending back to the 1979-80 level, from the consequent savings we could electrify 200,000 villages or build 3,000,000 Kilometres of rural link roads or build 1.2 million two roomed houses or construct 100 fully equipped 500 bed hospitals\(^2\). However, any arbitrary reduction in Defence expenditure will have very serious implications on national security. A balance is therefore needed to be struck, for which an intellectual and rational assessment needs to be made.

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2. Lt Gen SK Sinha (Retd) "Guns versus butter is not the issue", The Hindustan Times, 11 Feb 1988.