



Strategic Connection Between Economic Crises, Growth And Wars: American Economic Growth Scenario

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Abstract

In this study, the concept of conjuncture that has a significant place in the arising of economic crisis is highlighted and especially the probable relationship with growth factor that is sometimes a cause and sometimes an outcome of wars and crisis happened after the Second World War is discussed on America case. Additionally, if this relationship is actual the main purpose of this study is to put the stress on the main points in positioning the private military companies in the defense procurement system. The research results show that there is a relationship between wars and crises especially the ones experienced after 1980's, and it is possible to bring the defense industry on forth as the engine of today's economy.

Keywords: Economic Crisis, Scenario, Growth, Private Military Companies, Private Security Firms, Wars.

Ekonomik Krizler, Büyüme ve Savaşlar Arasındaki Stratejik Bağlantı: Amerikan Ekonomik Büyüme Senaryosu

Öz

Büyüme faktörünün, İkinci Dünya Savaşı sonrasında, savaş ve krizlerin, kimi zaman nedeni kimi zaman da sonucu olduğu gözlemlenerek; bu çalışmada ekonomik krizlerin oluşumunda önemli yeri olan konjunktür kavramı açıklanmış ve özellikle ekonomik krizlerin büyüme faktörüyle muhtemel ilişkisi Amerika ekonomisi büyüme verileri özelinde incelenmiştir. Bu analize ek olarak; ekonomik krizlerle ekonomik büyüme ilişkisinin doğru orantılı olması halinde bu çalışmanın ana amacı olan savunma tedarik sistemindeki özel askeri şirketlerin konumlandırılmasına vurgu yapılmıştır. Amerikan ekonomik verilerinin analiz edildiği çalışmanın sonuçları; özellikle 1980'ler sonrası yaşanan savaşlar ve krizler arasında doğru orantılı bir ilişki olduğunu ve savunma sanayinin günümüz Amerikan ekonomisinin sürükleyici gücü olduğunu göstermiştir.

Anahtar Kelimeler: Ekonomik Krizler, Senaryo, Büyüme, Özel Askeri Şirketler, Özel Güvenlik Şirketleri, Savaşlar.

Introduction

The reasons of wars can be classified in the first rank as the desire of power, religion, economy, natural resources and energy resources. All of them reveal the fact of a very primitive feeling, which is the struggle for survival. The entire living creature on nature struggles for this in different forms and always the winner is the superior one.

When we think of the ancient empires, the fact lying behind their expansionism is their desire for possessing more resources, fostering their economies, instituting more powerful armies and therefore surviving more. In previous decades the important thing was to expand borders and rule on bigger territories because two hundred years ago the humans care much more for the top of the soil than the under. Therefore, the necessary power for hegemony comes from the raised soldier of your arable lands. This situation kept going for longer than twenty-five centuries if we assume that we know the thirty centuries of mankind.

Another important happening that changes the flow of history was the release of firearms. The number of possessed soldier which once upon a time was the most important one has no longer regarded as important factor for power after that. Since twenty million Incas did not defeat a handful Spanish discoverer and soldier, a civilization came to end and a new continent took place on earth's history (Hagerman,1992:34). However, as we have discussed just before, the under of the soil got the priority and the gold discovered in the new world was transferred to Europe by seeding the mature capitalist economies that were caused by the waves of growth as today referred as "Juglar waves".

Europe increased its capital after 16th century inside an environment of enlightenment and completed the required infrastructure for industrial revolution and of course started a search for new markets. The American uncultivable lands became the center of attention of European's newly maturing capital. The gold transferred from America to Europe started to return their homeland by gaining a different shape and meaning and this caused different concepts that were not pronounced before.

In addition to all, there are many points that refers today's wars different than yesterday's but those points are outside the scope of this work that's why in this study they are not mentioned but only the assumption of "growing is the fundamental reason for fighting" is going to be highlighted.

The developed societies are carrying a strategy for dominating undeveloped societies and hindering their financial and political sovereignty by first attenuating their economies than helping them with economical precaution packages as if their allies as the most rational strategy especially beginning from 1950's. However, countries preventing or trying to prevent this and not



finding the least common denominator in order not to be used by developed countries are targets as a result of trying to provide world peace.

However, growth theories have modeled many types of development and submitted to services of economy in each scale however, the most shortcut and easy way, it is not part of these theories, is the occupant growth policies.

The purpose of this study is to try to present whether the situation is like this or not, for this purpose it is explained whether there is a connection between data of America and wars occurring in line with crises assumed as big on a global scale. Conjuncture term is mentioned in brief to get researches more apparent.

What is Conjuncture: Definition and Properties of Economic Conjuncture

Although a certain agreement is not provided on definition of economic conjuncture among economists, various economists have made various definitions. If we review these; according to G Haberler, conjuncture is sequential periods of prosperity and collapse. According to A. G. Pigoua conjuncture is "fluctuations in level of employment". According to Mitchell and Burns conjuncture is fluctuation in total economic activities of nations organized in accordance with free enterprise method. According to A. Hansen conjuncture is fluctuations in employment and level of national income in an economy.

Cyclical fluctuations were born through capitalism. Liberalism developing with capitalism brought out free market event. Because of the fact that economic activities cannot be predicted, it will not be possible to provide a balance between supply and demand and fluctuations in the economy will be seen.

Conjuncture generally appears in industry sector in the industrialized countries, then spreads to other countries and sectors. Crises in the countries where agricultural economics is dominant generally take longer time and become routine.

Standard construction of the conjuncture may be seen in the economy again and again. The reason of this is repeating fluctuations. However, none of these fluctuations is periodic. Therefore, they do not appear regularly, in a period which can be predicted earlier. Also their continuation periods are not in the same time period and this is closely related to propagation mechanism of fluctuations on economic activities. Therefore, their conclusion cannot be predicted earlier.

Extensivity of cyclical fluctuations is very irregular. Extensivity of the growth and downsizing phases of a cycle is not the same just because extensivity is affected from random in other words exogenous shocks. However, when a



few of these cycles hit rock bottom, major depression curve must be considered. While average constriction phase is one year, average expansion phase continues for four years. An accurate cycle is average five years. However, a certain time period cannot be determined related to this issue.

1. Conjuncture Cycle

Conjuncture is analyzed in four phases and these four phases constitute conjuncture cycle. According to S. Arene conjuncture is distance between two minimum successive points of economic activity volume. A conjuncture cycle is not regular predictable or recurrent events. Its schedule is also random. Conjuncture cycles have many differences in terms of their time, strength and effects to economic variable and geographical distribution. As a result, any cycle is not the same fully with previous one and each cycle has properties specific to it. Therefore, to provide a conjuncture cycle previously is very hard. Generally, a conjuncture cycle is composed of following phases.

- Expansion or welfare
- Recession or downturn
- Collapse or dip
- Recovery

Climax, peak or boom is the point in which the economic activities are the highest and crisis point is the lowest point. First variation attracting attention in expansion phase of a conjuncture cycle is peak sales and profits of the firms. Now therefore increase in production is seen. When profits and prices increase, demand increases. Thus income increases and also investments increase, employees are secured and they turn towards to consumption.

Downturn in a conjuncture cycle after recovery phase is sometimes related to a financial panic and insecurity environment. Inflation in the last level of the recovery phase is considered as a danger sign. This cyclical instability decreases average investment rate and causes decrease in growth and technologic development rates.

This downturn or economically meaningful constriction is identified in the simplest term as an action with decrease way in two trimesters occurring consecutively in GDP. While this description gives good result in pratic, it is unable to apply monthly data. In definition belonging to National Bureau of Economic Resources (NBER) well accepted in a wide area, downturn is a decrease activity which is more permanent than several months in activities ranging on the economy such as industrial production, employment, income and wholesale- retail.

This is a phase in which approximately each activity gets worse in economy. After period of each three months, income and employment lean to more recession. As a result, it is seen that when total demand decrease, contraction in economy gains speed and with a deep dip point, gets collapse. The only



macroeconomic variation moving upwardly because of bankrupt downsizing enterprises is unemployment rate. Decrease of income level follows this.

With the variation in strategic items or success of social interference; production and employment level start to increase. Firstly, industrial production and prices of raw material increase together. This increase is seen on service production as well. Recovery, development or a preparation for future appear in each item which is able to make observation in economy. Confidence to the future and number of entrepreneur increases. Number of enterprises also leans to increase.

As it can be understood from alienisms that economy always resemble to an acrobat trying to walk on a slim rope. When you think that everything is okay crisis will immediately outbreaks. Especially capitalist economy is very exposed to the crisis. Speculation may be made every time and it may be as intensive as seems like moving heaven and earth. Therewith you may not constitute goods and services to be demanded in the market at any time and this leads profits, the most important food source of capitalism, to decrease. Therefore, speculations occurring from time to time are thought as for profit and also these speculations are made to affect the most profitable areas.

The most important of these sectors is defense industry. It affects many subsectors and services to most important purpose. Landwehr is more important than everything and for this purpose any type of expenditure must be made. According to many researchers this area is the most profitable area for capitalism and also the issue on which most conspiracy theory is generated. In this study we will show conjuncture periods mentioned above with growth amount of USA and activities corresponding to these periods and we will try to present probable availability of such a relation. Also in the event that such a relation is current, we must consider the share of private military firms claiming their places in agenda as a development in defense area. At the present time human is extremely important so an issue such as constituting new nations is not thought as a sufficient national reason to take away any army for miles and miles from their countries. Therefore, security services being in the basic duties of social state have started to be a sector privatizing gradually.

In second chapter previous events paving the way for wars of 21st century have been referred because it is thought that it will be beneficial to refer political and financial history of America in order to remember causes of America for increasing defense expenditures especially after 2nd World War and crisis of that period.



2. Brief Overview of American History

United States of America founded after independence battle won against the United Kingdom in 1776, has succeeded to be super power in a very short time although it does not have a history as deep as the ones belonging to states of that period. The most important cause of this is independent wars continuing among the Old World. States having approximately the history of 1000 years continued to battle and to consume powers of each other. America dealing with its own civil war for a long time industrialized to a great extent and reached a high level of welfare economically when 1st World War was started. In 1898 it acquired Puerto Rico, Guam and Philippines from Spain (Schlesinger, 1999:62) However until that time it generally preferred to not interfere in the internal affairs of Europe. President Woodrow Wilson changed the result of the War on behalf of Entente States by participating 1st World War. American Senate preferred to follow an independent foreign policy by not approving Versailles Peace Agreement.

America developed rapidly during 1920s. However, this development resulted in 1929 World Economic Crisis being the most efficient economic crisis in the history of America. President Franklin Roosevelt succeeded to return American economy to a previous power by making many reforms in financial system and social insurance system (Schlesinger, 1999:78). However, another world war occurred soon afterwards.

At first, America preferred not to participate in 2nd World War. However, upon Pearl Harbor attack conducted by Japan against military facilities in Oahu Island, which is one of the islands of Hawaii belonging to America on 7 December 1941, America participated in the War (Millet and Maslowsky, 1994:92). 3 days later Nazi Germany also declared war against America. Thus America found itself in a war with two front-lines both in Pacific Ocean and Europe. American army started an attack following Normandy Landings made to France coasts against Germany on 6 June 1944. Germany wrapping by Soviet and American Armies surrendered on 8 May 1945. However, Japan continued war. Harry Truman taking President Roosevelt place upon his death approved to drop atomic bomb to Hiroshima on 6 August 1945 and to Nagasaki on 9 August 1945. After this atomic bomb attack causing to death of hundreds of thousands Japanese in two city Japan surrendered on 15 August 1945 and 2nd World War finished (Millet and Maslowsky, 1994:143)

2.1. Cold War (1945-1990)

After 2nd World War, America and Soviet Union became two important super power of the world. World countries started to gather together around these two super powers. Korean War was the first important battle of Cold



War. In this war to which Turkey participated together with America, Soviet Union and China attacked to South Korea by supporting North Korea. As result of this war continuing for 3 years, no party had an edge over the other party. After this war while countries acting with America constituted West Block by uniting under the roof of NATO, countries acting with Soviet Union (most of them are in Eastern Europe) constituted Eastern Block by establishing Warsaw Treaty Organization. Berlin Wall constituted in Berlin, capital of Germany in 1961 became the symbol of Cold War by separating Germany from East Germany (Çetiner, 2003:47-60).

Communism alarm in America in Cold War period so high that many artists and highbrows found themselves in pressure environment referred as McCarthinizm. In the first years of John F. Kennedy elected as president in 1960, Cuban Missile Crisis also affecting Turkey was occurred. America lived a new crisis upon the death of Kennedy because of an assassination in 1963. Vietnamese War breaking out between north and south shores of Vietnamese divided two parts as in Korea became violent in 1960s. America thought that in the event that Soviet Union was successful in Vietnamese it would be dominate through world and sent hundreds of thousand soldiers to Vietnamese. This war because of which over 50.000 American soldiers were dead finished after America left Saygon in 1975. Thus Vietnamese was gotten by northern Vietnam supporter of communism (Çetiner, 2003:47-60).

Ronald Reagan was elected as President for America in 1980. Reagan succeeding to increase military expenditures of America started a heavy armament race with Soviet Union under the name of Strategic Defense Initiative¹. Meanwhile Mihail Gorbachev elected as leader to Soviet Union signed a disarmament agreement with America in 1987. Gorbachev also started reforms named as Glasnost and Perestroyka. Although these programs increased personal freedom in USSR and other countries of Eastern Bloc, Eastern Bloc started to split. 1989 Revolutions firstly starting in Poland continued in East Germany, Czechoslovakia, Hungary and Bulgaria. As a result of these revolutions occurred bloodless in other countries of Eastern Bloc except Romania, communist regimes in Eastern Europe were concluded. Soviet Union split in 1991. Thus cold war ended (Çetiner, 2003:47-60).

2.2. Strategic Defense Initiative

Strategic Defense Initiative, better known as Star Wars is a military plan designed by Ronald Reagan, president of that time in United States in 1980s. This project was based on exterminating cross-continental ballistic missiles of USSR, rival of America during Cold War with laser beams controlled from space without waiting them to arrive American territory.

¹ Donald R. Baucom, *Missile Defense Milestones 1944 – 1997*, Ballistic Missile Defense Organization, <http://www.fas.org/spp/starwars/program/milestone.htm>



According to design; strengthen laser beams would focus on cross-continental ballistic missiles determined through American satellites deployed in specific coordinates in space, by center or them and they would be burned in the air, in this way they would be prevented without causing any threat.

USSR did not able to give a reply equivalent to or higher than this design because Design of Star Wars placed a burden which USSR of which economy started to collapse in 1980s would not be able to cope with.

USA President Ronald Reagan leading to more quick policy in ideological and technologic battle conducting against USSR in 1980s, started to "National Space Program" in July of 1982 year and "Strategic Defense Initiative" known as Star Wars among public in March 1983.

Actually using space for military purposes had been started previously, many satellites had been sent to the space by both USA and USSR. However, continuing to armament race in space through Strategic Defense Initiative would accelerate. America aimed to make ineffective in the air the Soviet ballistic missile through the system which America would establish in the space and set forth that it would increase its deference. However, because "balance of terror" relying upon the ability of these super powers to exterminate each other would be deranged, this was objected. Moreover, it was set forth that this initiative was contrary to Anti- Ballistic Missiles (ABM) agreement signed in 1972.

Although it was seen as a phase of armanent race, Strategic Defense Initiative also aimed to speed of dismemberment of the USSR starting to live economic difficulties more intensely in 1980s by obligating USSR to a similar initiative.

Strategic Defense Initiative being a full range of project had a place in both military and civil areas in terms of contributions which it would make to the technologic development. Therefore, at the end of 80s and start of 90s, Strategic Defense Initiative losing popularity after Cold War finished was reawakened by name of National Missile Defence System (Missile Shield Project) by George W. Bush, USA president in 2000s (Gaffney:30-32).

After a while of new millennium, America experienced September 11 attacks. Al Qaeda, an armed organization originated from Middle East, by hijacking synchronously passenger planes belonging to various airlines for terrorist action conducted in 11 September 2001, used them to strike to some buildings including World Trading Centre in New York City and Pentagon near to Washington, DC (Yinanç and Taşdemir, 2002: 78-80). Over 3000 American citizenships were dead as a result of collapsing of two buildings belonging to World Trading Centre.



2.3. The September 11 Attacks and War on Terrorism

George W. Bush who was the President of USA during this event which was may be referred as the most important terrorist action in world history started a range of military actions named as War on Terrorism by him in order to punish people who was responsible for the September 11 Attacks (Yinanç and Taşdemir, 2002:78-80).

Afghanistan War, the first one of these military actions started on October, 7th 2001. Taliban regime accused for acting as an accessory to Al Qaeda organization in Afghanistan was overthrown but was not disposed exactly. In the same way another action was started against Saddam Hüseyin regym accused for acting as an accessory to Al Qaeda and producing weapons of mass destruction in March of 2003. Government of Saddam Hüseyin was disposed but after a short time in Iraq and especially among Iraqian Sunni, bloody resistance movement started against America. It was revealed that American army used persecution methods in order to keep under control this disobedience in 2003. Iraq War caused to death of hundreds of thousands Iraqians and thousands of American soldiers. In addition to this a civil war was occurred between Sunni and Shia Irakians. Saddam Hüseyin was executed on December 30th 2006. After America agreed with Sunni at the end of the 2007 by applying new strategy hostility decreased to some extent but war hammered out (Sönmez, 2005:69-82).

On March, 20th 2003, America and its associates; with the support of England, Italy, Poland and Australia defended that occupancy of Iraq Republic was not related to petroleum. Although old Secretary of Defense of USA, Donald Rumsfeld said "The problem with Iraq is not due to petroleum, Iraq problem arises from chemical and biological weapons of the country and danger related to acquiring weapons in the future" no chemical and biologic weapons or facilities was found in Iraq².

Because of the Greater Middle East Initiative planned with historical experience by USA President Bush, war on terrorism was not thought as real by even its own community. In said initiative, the importance of this area for foreign policy of America emphasized and actions were associated with this project.

In journal named as American Armed Forces Journal relevant with Pentagon, the article titled as "Bloody Borders" written by retired Colonel Raph Peters who is the leading name of the Neocon trend expressly states that the map of Middle East must be drawn again. In his writing Peter expressed the purpose of the state by stating that borders in Middle East must be determined again in order to spread democracy and exterminate the

² <http://www.voanews.com/turkish/archive/2003-01/a-2003-01-23-8-1.cfm>



terror, these artificial borders being the heritage of Churchill lead to incapacity, new borders must be drawn based on ethnicity and religion.³

2.4. Expansion Policy Underlying War on Terrorism

As stated at the start of the study expenditures made for war on terrorism and defense of the country served for an extremely important purpose. Therefore, everything which may be lost must have been taken the chance. However, an important part of the people evaluated this as an expansion policy of America rather than war on terrorism and based this policy on specific reasons. If it is required to specify them;

- Industry and agriculture of America expanded beyond need. Leading figures of business community and politics such as James G. Blaine believed that foreign markets were necessary for more economic growth and for this reason an aggressive foreign policy must have been followed (Karaca, 2005:56).
- John Fiske taking attention to "Biogenetic Act" submitted the theory of superiority of Anglo-Saxon race, Josiah Strong stated that it was necessary to civilize and Christianize backward countries. These were manifestation of Social Darwinism and racism growing in some groups of American politics (Karaca, 2005:67)
- "Leadership Thesis" brought forwarded by Frederick Jackson Turner defended that leadership of America had creativity and power for civilization. Most people thought that overseas expansionism was important in order to maintain vitality of American (Karaca, 2005:89).
- "The Influence of Sea Power upon History" published in 1890 which is the work of art of Alfred Mahan specified that there were three basic items to provide America to be a world power: to build a canal in South America (this is the source of building Panama Canal), to expand USA naval force and to build a commercial/military structure, a police station in Pacific in order to develop trade with China. This publication affected on policies of presidents such as Roosevelt and provided to be built more powerful naval force (Mahan, 1890:40-78).

These reasons constituted intellectual part of the defense. In addition to these, source difficulty one of the first things which America, super power of today, was anxious for future as in the history.

Energy was the first of the scarce sources. America is obliged to provide security and stability in the area in which its energy requirement being the basic source of its economic power is met. To save energy sources to be imperiled by using specially weapons of mass destruction is important for foreign policy of America.

³ Notes from program televised through Kanaltürk, named as New Middle East Project



Results of the research titled as “American Peace and Middle East” made for ‘Begin- Sedat Strategic Studies Centre’ affiliated to Bar- Ilan University by Bradley A. Thayer (December 2003) and accepted as a reference study related to this issue, are as follows:

1. The big strategy of America bases on ‘superiority of sovereign’. Sovereignty is the circumstances of international policy through which a state may dominate the others with its military forces. American sovereignty gains the ability to develop diplomatic-economic-military benefits, to shape international environment and to promulgate.

2. Middle East is the most important center and exporter of the global energy sources.

- 34% of the proven natural gas reserves of the world are in the Middle East.
- Consumption of petroleum was 66 million barrels in 2003 and it will be 119 million barrels in 2020.
- Quality of Middle East petroleum is high and its cost is cost-effective. Middle East has 65.4% of reserves of the world petroleum. When reserves of Egypt, Algerian, Libya and Tunis are added to this, total reserve reaches to 69.6 % of the world reserves. Potential reserves of the Middle East are also 252.5 billion barrels.
- Middle East met 41.4% of global petrol requirement in 2002.
- Middle East is the region which will be able to meet global petroleum requirement of the future and to that end to increase the production.
- Petroleum taken from Middle East by North America will increase at the rate of 85 % until 2025; most of them will be consumed in America.
- Purchasing petroleum from Middle East until 2025 will increase at the rate of 57 % for Europe, 50% for Japan, 100 % for countries developing in Pacific and 500% for China. ⁴

While these results are challenging for countries of which future is dependent on energy, they force capitalist block based on USA to new scenarios such as Greater Middle East Initiative. This plan tried to think as conspiracy theory may be based generally 4 basic reason.

1. “To turn the route of Islamic drift” during the searching of contemporary unsatisfied person.
2. Rebellion of poor persons regarded most of the world.
3. Dissatisfaction of capitalism also bearing dynamic for changing capitalism from the inside in respect of dimension and depth of change waves to be awaked by it,

⁴ ESLEN, Nejat, the role of ‘key country’ to Turkey, Radikal Newspaper, 25.03.



although it constitutes minority of the world population numerically.

4. To guarantee security of petroleum and water sources.

It is thought that there is a relation with two phases between these 4 basic problem and Greater Middle East Initiative. To sell final goods and services, on the other hand to create new market in terms of providing production input and to prevent development of new capitalist dynamics and hypothesis in the geographical area based on China. Shortly the main purpose is to prevent a rebellion of civilization based on Asia (Kaynak, 2004:79)

It is stated that America will experience serious problems to put the project into practice and most probably will not be successful because the project takes on current administrations in Arab World accepted as especially "Middle East" in respect of basic philosophy (Öztürk, 2005:23).

The basic reason of these is the petroleum of which reserves are decreasing gradually. 55% of petroleum consumed around the world in other words 43 million barrels change hands through importation and exportation every day. The security of global petroleum trends is the strategic priority of America. 35 million barrels petroleum pass through Suez Canal, Strait of Hormuz (13 million), the Malay Peninsula (10 million), Bab el Mandeb, İstanbul and Çanakkale Straits in a day. 4 items petroleum pipelines flowing to the Red Sea and Mediterranean Sea must be added to them. The most important one is the line passing Saudi Arabia from West to East and reaching Yambu Port with its capacity of 5 million barrels. Another line having a lower capacity reaches Ceyhan from Iraq.

When it comes to 2025, 71 % of the petroleum consumed in America, 68% of Western Europe, 73% of China will be supplied out of their own country. This foreign-source dependency occurring in a life-sustaining sector such as energy and increasing gradually explains petroleum war started between Great Powers and petroleum companies in Middle East, Africa and Central Asia and it also explains the Iraq War.

According to calculation of American Economist, global petroleum requirement will increase 120 million barrels from 75 million barrels by increasing at the rate of 1,6 % in each year until 2030. USA has to pay 150 billion Dollars for the petroleum to be imported in 2029. At this date the petroleum requirement of China will increase hundred percent, EU Countries will be importing 92% of the petroleum which they consume. It is perceived as an obligation for USA controlling 40% of the world income although it consists 5% of world population to provide continuance of flow of energy and stabilization and security of the area in which energy sources are placed (Harman, 2003:24-52).



2.5. Growth Amounts of USA and Operations

We have concluded the previous part by saying that it is perceived as an obligation to provide stabilization and security in the area in which energy sources are placed. If we ask how a relationship can be between this obligation and growth amounts, probably the answer will be positive relationship. If we get a graphic from growth amounts especially by taking as reference the period after 1980, we will have shown the direction of the probable relationship.

We have mentioned above that America increased its defense expenditures in the period of Ronald Reagan in 1980 and developed a new strategy under the name of Strategic Defense Initiative. When we analyze the growth amounts after this new period starting with Reagan, we can determine 4 pieces troughs through graphic. When we think whether there is any constitution related to defense occurring at the same times as these periods, we can see first Gulf War in 1990, September 11 Attacks in 2001 and decline as a result of failure experienced after Second Gulf War occurring March of 2003 in 2009.

American Growth Graphic

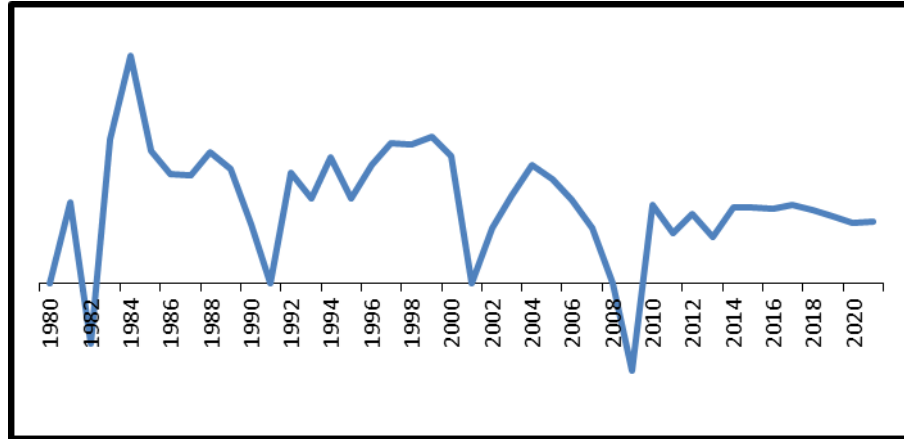


Figure 1. The growth graphic of American economy 1980 – 2020 (The values after 2015 are estimations).⁵

Strategic Defense Initiative also named as New American Century Project is military, politic and geopolitical strategy of America. Strategy constituted to provide America to be controlling power for the reconstruction of nations during the multipolar competition occurring after Cold War has designed to provide American Hegemony in which each items feeds each other.

The reality of that America as a Superpower is losing flesh started to become clearer in 1990s. Also China, Brazil and India trying to be added to New

⁵ The figure is derived from IMF, World Economic Outlook, 2016 April report.



World Order started to become prominent in their own areas. Germany and Japan continued to their economic growth in spite of starits and stopovers.

Accordingly, September 11 Attacks was a cover for America to conduct clearly New American Century Project. Strategies such as this induced growth as well however upon defusing tension and finishing public works investment, growth deflected its way to the back course and we can observe that new operation and revival period connected with this operation followed each of this type of declines shown in the graphic. If we ask whether these revivals are the economic effects of the actions being a part of the war on terrorism otherwise they are financial form of the threats of which scenarios written by policy makers to continue to the growth, they are issues of which answers are only known by applier of strategy and of which explanations we have to believe. Detailed technic economy analysis to be made in this matter may be informative in terms of its results however ultimately economic of which one basic is a social science is open to comments and so while we are analyzing the graphic, if we try to explain mobility as whether fluctuation or accidental otherwise as trend we may obstruct again and the question whether crisis is result of growth otherwise crisis is created in order to grow is a vicious circle.

Rate of increase of defense expenditures and private military companies being a new area recently may give clues because it may be an indicator of leaving this vicious circle. This shows the necessity of doing detailed analysis in this area for future studies.

USA versus World Military Spending Chart

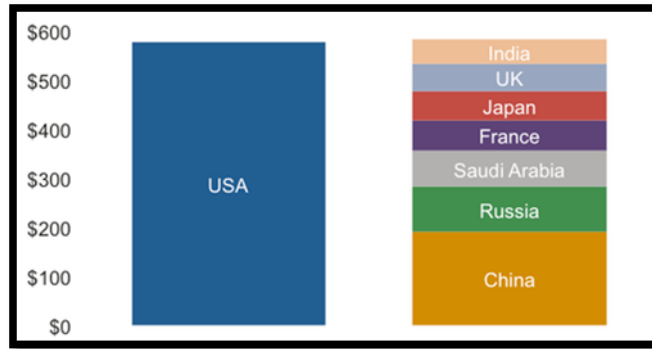


Figure 2. U.S. and World Military Spending, 2014 (in billions of constant 2011 dollars)⁶

As it can be seen from the figure; 50 percent of the world defense expenditures belongs to America, China follows it with 15 percent. Only America is responsible for the half of the defense expenditures and this

⁶ SIPRI National Priorities Project



refers to total 711 billion dollars with secret security budget. When this amount being approximately twofold of GNP of Turkey is perceived as a privatable sector it seems highly fascinating.

Private military firms occurring during Second World War have started to increase rapidly as a result of geopolitical changes, structure changes in armed forces of many countries after Cold War and the highness of expenditures made for defense as above mentioned. Today the numbers of these private firms have reached 200 (Law, 2005:4).

These private firms attracting attention especially during the invasion of Iraq constitute the highest capacity after America with the firms more than 60 employing personnel more than 20.000 according to statistics of 2006. These companies of which costs are very high constitute a different problem because they graft in contracts of which amount is below 50 billion dollars. For instance, price at the amount of 1.8 billion dollars demanded from American army by Halliburton working with surplus expenditures method was rejected because of the lackness of documents. Firms constituting negative burden to economy in that way contain some points which must be researched because of the lackness both in legalization and legislation.

The issue which must be considered is that these companies may cause confusion to get a slice of the cake. Capitalism experiences hard periods and world lives a crisis newly. May overproduction in leading sectors and demand which cannot be created for this surplus oblige capitalist capital to create its own environment?

Conclusion

We must not ignore background because world did not reach 1980s quite easy. Especially the period of Cold War did not bring humanity anything except poverty. Following the war which communism lost against capitalism, America became the leading guardian of capitalist economy system and made everything to develop this system. While world started a new structure in 1980s, why America increased its defense expenditure is a question of which answer only given by America. When we try to forecast the future, it is not very hard to understand the reasons of expansionist policy of America and accordingly complo theories written on its efforts in order to pick wars support this view. Maybe because of this reason even seventy-five percent of American community had difficulty to believe explanations related to September 11 Attacks and they discussed whether terror is a fact existing or created.

As a consequence, when we analyze causes of wars before 1980s, we can see that causes are not different from after 1980. However, there is an important difference between two periods. While crises and collapses are results for the wars before 80, they are among the reasons for ones after 80. Reasons of war after 80s have been some more artificial. They bring to mind the view that



crises are created in order to keep economy alive and not to lose power of dominance. Free market economy; especially capital markets can be evaluated as berth of powers trying to manage the world. Therefore, when we analyze the crises of last century, money markets being indispensable actor may not be so much uncontrolled and liberal.

As long as uncontrolled power expressed as hot money continues to wander in world markets, crises return to weapon of mass destruction having power to wipe out less developed countries while developed countries lose blood or they may be among the most important obstacles of social development as speculation balloon keeping mind of humans busy. Therefore, crises must be studied well, their probable affects must be premeditated and precautions must be taken before crisis does not reach to the country and precautions must be applied when the effects of the crisis are felt.

However, when efforts to private military services under the title of requirement of defense and to create new profitable areas are supported, situations which is extremely inhumane may be occurred. This is an issue which must be considered nowadays when restructuring of capitalism is discussed. Because amounts analyzed related to defense refer to defense industry as leading sector for continuance of growth.

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