

CHAPTER I

INTRODUCTION

A. Background

Economic development is a multidimensional process that involves fundamental changes in social structure, community attitudes, and national institutions such as accelerating growth, reduction powerlessness, and poverty poverty. The essence of development must be display changes in the social system as a whole according to various basic needs, and efforts to grow individual and group aspirations social system (Todaro, 2011). The success of economic development an area seen from low poverty, income distribution and unemployment. One or three of three things that are not fulfilled later economic development has not been successful, regional economic development the process of managing every resource available by the local government and community as well as partnerships between the private sector and local government in creating new jobs and stimulating economic development the region.

Increase the number of jobs and types of employment opportunities for regional communities are the main goal in every economic development. (Arsyad, 2010:374). Jobs that are smaller than workers, so high unemployment is included in the economic and social problems

Unemployment becomes an economic problem because it consumes resources valuable. Unemployment causes social problems because of the results of misery for unemployed workers who must maintain his welfare with low income. Unemployment rate high means wasting the production of goods and services that are truly capable produced by unemployment (Samuelson And Nordhaus, 2004). Unemployment one wasted resource. Unemployment has the potential to contribute to national income area, but they can not make it. Making lost jobs someone becomes unemployed, someone who lost a meaningful job decreased living standards and psychological pressure. More and more someone who loses a job, then unemployment becomes high. The consequences high unemployment, the burden of life becomes complex (Mankiw, 2012).

Economic growth is one of the most important indicators in assessing economic performance, especially for analysis about the results of economic development that has been carried out by a region. Economic growth shows the development that can be achieved by economic activity generate additional income or community welfare in the period of course. The regional economy is said to be good, if growth the regional economy continues to increase (Amir, 2007),

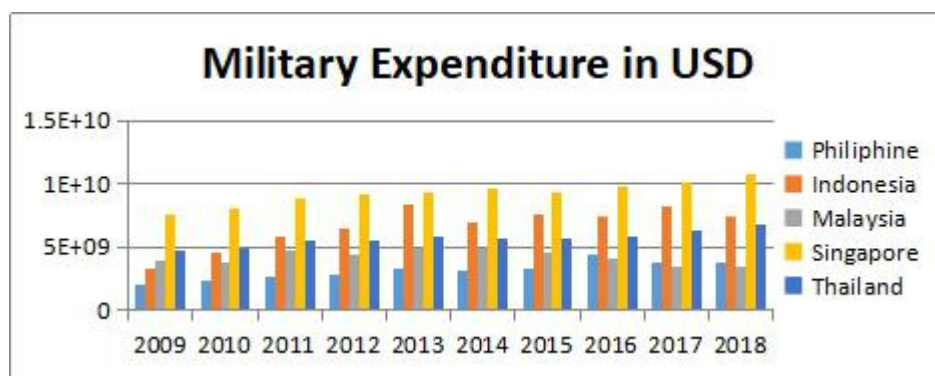
In a free and open economic system throughout the ASEAN region, that investment plays an important role for the continuation of development country. According to Sadono Sukirno (2000) , investment enables the community to continuously improve activities economy, employment

opportunities, national income and level of prosperity public. This role comes from three important functions of investment activities, namely (1) Investment is one component of revocation, so that an increase in investment will increase mutual demand, revenue national and employment opportunities; (2) Increase goods and capital the implications of investment will increase production capacity; (3) Always investing followed by technological developments.

Military costs are one important factor for a sovereignty state, which maintains sovereignty and security from internal and internal threats external. This factor greatly influences economic growth and rates unemployment, with defense costs incurred by the state during fighting to defend state sovereignty and stabilize security country is not small. The addition of the state budget to military costs in countries that are waging a war. Conflict situation or warfare in a state results in economic turmoil in the state, this is due to the minimal level of security, resulting in production manufacturing, economic activity, economic actors stalled, which results the rate of economic growth decreases and adds to the unemployment rate.

Military costs are imposed by each country which is taken from the budget which is separated by country from the national income of each country for provide security against internal and external threats. Expending defense consists of production (or imports from other countries) tools and vehicles used in defense, repair and maintenance costs for equipment and vehicles, costs for restructuring and development (R&D) and civilian staff

working in the defense field. If the country feels threatened, the country reduces investment which will reduce the welfare of the country to increase expenditure defense, the effect of defense spending on economics is one of the topics being discussed at this time. Many countries prioritize defense spending compared to reduced education, health and infrastructure.



Source : World Bank

Graph 1.1 Military Expenditure

Some analysts claim that the Asian military modernization in particular Southeast Asia is a logical consequence of its economic growth. Five the main country in Southeast Asia called the big five, namely Singapore, Thailand, Indonesia, Malaysia and the Philippines are five countries with budgets highest defense in the region. These five countries experienced economic growth as a result of global trade and rising demand from China. In 2011 these countries received more capital flow large and continuing fiscal stimulus measures during the economic crisis global. As a result, during the global economic crisis, Southeast Asia was the area with the least negative

impacts. The results of economic growth this makes the defense budget of Southeast Asian countries increase.

in Islamic view about the military has been tell in Al-Quran surahal Baqarah : 126 where

وَإِذْ قَالَ إِبْرَاهِيمُ رَبِّ اجْعَلْ هَذَا بَلَدًا آمِنًا وَارْزُقْ أَهْلَهُ مِنَ الثَّمَرَاتِ مَنْ آمَنَ مِنْهُمْ بِاللَّهِ وَالْيَوْمِ الْآخِرِ

"And (remember) when Ibrahim Bedo'a: O, Rabbku, make this country a safe state and give rizki of fruit to its inhabitants who believe among themselves to Allah and the days later"

This surah tell about how Ibrahim pray to Allah to make his country make safe from any treat in this era, now a day many country guarantee his safe from threat by make their country ready for military.

From the various problems above, we will try to formulate research for know how to influence economic growth, unemployment and investment in military costs in the Southeast Asian nation structure.

Starting with Adam Smith who has important ideas for the foundation economic basis, and many economics also have thoughts and support a free market economy. Because, free market economy is the best mechanism for ensuring economic growth. Government asked not to interfere in the economy but asked to fulfill some basic tasks one of which is state security. While the government regulates public spending, neither does the government planning spending for developing countries (Mankiw,2013).

Classical thinking holds that spending increases the military might cramp economic growth. This argument based on the conclusions of the classical

mind, that an increase in the budget military spending will result in a decrease in the level of personal investment and domestic savings, and consumption levels will be lower, because lower gathering demand. This can be explained as follows. A budget increase that is higher than military expenditure will causing an increase in the interest rate, which will encourage investment out personal. Keynesians argue that increasing military burdens stimulate demand, increase electricity and increase spending government, and will make a positive external (Narayan and Singh, 2007: 395).

The Southeast Asian region is not free from threats from existing issues. Problems in the area to date still a problem, namely the case of Spratly Island and ethnic conflict Southeast Asia region. A problem that hangs in the area Southeast Asia itself is said to be one of the resulting problems technological advancements such as military modernization in Southeast Asia. Occur military modernization is considered a new threat to the country developed countries which are the basis of economic development in Asia Southeast.

The Spratly Island case is a problem related to the waters of the South China Sea. In this case there were six countries fighting over the ownership of Spratly Island, namely China, Taiwan, Malaysia, Vietnam, Brunei Darussalam and the Philippines. In this case it is explained that this relationship is related to the progress of military modernization from Southeast Asia related to the desire of each country contained in the Southeast Asian region which is the basis for saving in protecting his own country. This is a matter of regional tension, a shift from US military activity

to Asia and an increase in China's presence in the South China Sea. In addition, the ability of Asia itself to modernize its military becomes an effort to increase the national defense budget and the economic supply side, creating a supply center for weapons (Simatupang 2013).

The ability to spend on weapons carried out by countries in Southeast Asia is proof that this need is to protect each country's defense. It is also an effort to build cooperation in the ASEAN region. However, efforts to maintain defense in each country become a problem by themselves because strengthening each country without the communication and consultation of each member triggers an arms race that may be a new threat in the regional (Rachel,2013).

From these problems and cases, it is very important to know and measure how much the national defense budget is in Southeast Asia. The size of military costs is also influenced by other variables such as economic growth, unemployment and investment. So from the various problems that will be examined under the heading "ANALYSIS INFLUENCE OF ECONOMIC GROWTH, UNEMPLOYMENT, INVESTMENT ON MILITARY EXPENDITURE IN 5 ASIAN COUNTRIES PERIOD 2009-2018".

B. Research Limitations

The variables studied are limited to the variables of Military Expenditure, Economic Growth, Unemployment and Investment in 2009-2018.

C. Research Questions

Based on the explanation from the background above, the focus of this research is as follows

1. How does Economic Growth influence Military Expenditure in 5 selected ASEAN countries?
2. How does Unemployment influence Military Expenditure in 5 selected ASEAN countries?
3. How does Investment influence Military Expenditure in 5 selected ASEAN countries?

D. Research Objectives

This study aims to describe and provide empirical evidence regarding:

1. To analyze the effect of Economic Growth on Military Expenditure in 5 selected ASEAN Countries of the 2009-2018 period.
2. To analyze the effect of Unemployment on Military Expenditure in 5 selected ASEAN Countries of the 2009-2018 period.
3. To analyze the effect of Investment on Military Expenditure in 5 selected ASEAN Countries of the 2009-2018 period.

E. The benefit of the research

The benefits expected to be obtained through this research are:

1. For the authors hope that it can be used as a suggestion to train themselves in scientific thinking through scientific disciplines, especially in the national defense budget and to add insights that will be provided in the future.
2. For readers, the results of the study are expected to broaden the horizon and also reference the reader, especially for subsequent studies in order to make scientific contributions in understanding defense budgets, economic growth, and unemployment.

For Macro Economy, many people have a better understanding in the scientific field of economic growth. And can help people see the other side of economic growth and what factors determine it.