# The Dynamics of Interstate War Finance

**Jeff Carter**[1]     **Heather Ondercin**[1]     **Glenn Palmer**[2]

[1]Department of Political Science, The University of Mississippi

[2]Department of Political Science, The Pennsylvania State University

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- The use of a given war finance strategy can vary over the course of a war.

2) Interstate war finance can exhibit strategic dynamics.

- The decision to use a given finance strategy can be conditional on the use of another finance strategy.

# General Assumptions

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- Reducing non-military spending, raising taxes, and inflationary monetary policy are generally less popular than borrowing money.

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The use of finance strategies should increase and then taper off as a war endures.

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State-year data set of all countries from 1950 to 2007.

Dependent Variables

Explanatory Variables

Statistical Model

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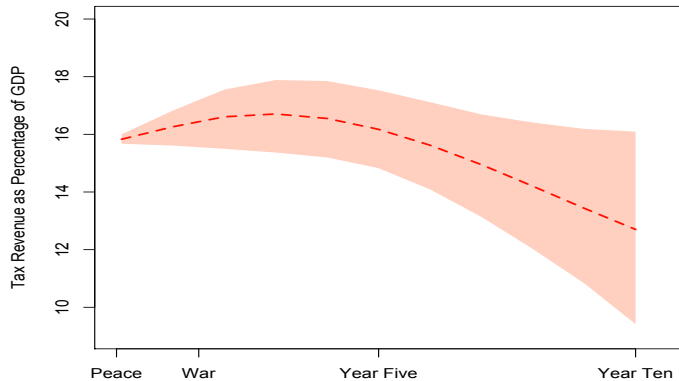- Regime Type (Polity IV), GDP per capita (PWT), CINC (COW), and RPC (Kugler and Domke).

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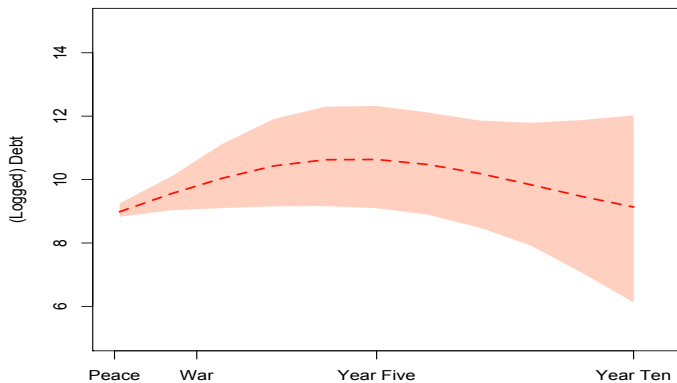- Linear Regression with Fixed Country Effects.

# Non-Military Spending during an Interstate War
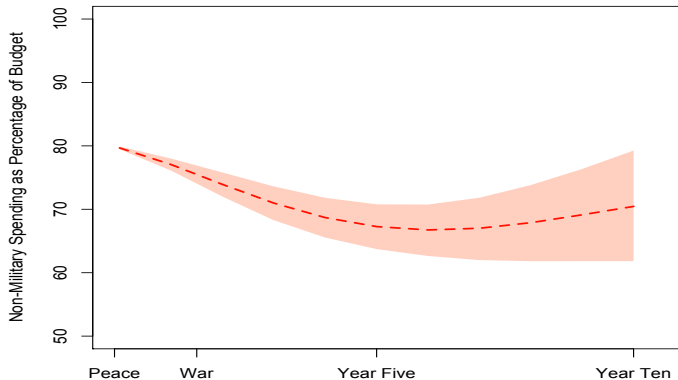
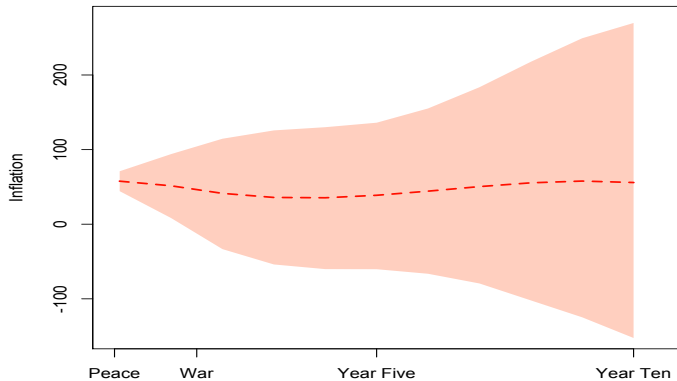# Taxes during an Interstate War

# Debt during an Interstate War

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As a war endures, finance strategies will become more complementary.

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## Moving Window or Rolling Correlations

- ▶ Calculates the average correlation between two series during a specified time period.
- ▶ Not as demanding of the data, but is less precise, has weighting issues, and does not do a good job modeling "abrupt changes" (Lebo and Box-Steffensmeier 2008).
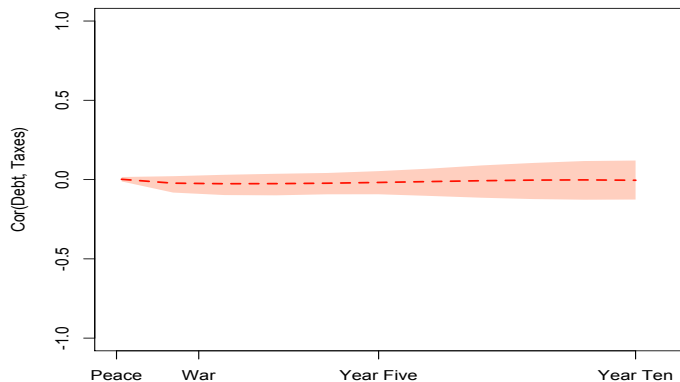
# Debt and Taxes in the U.S.
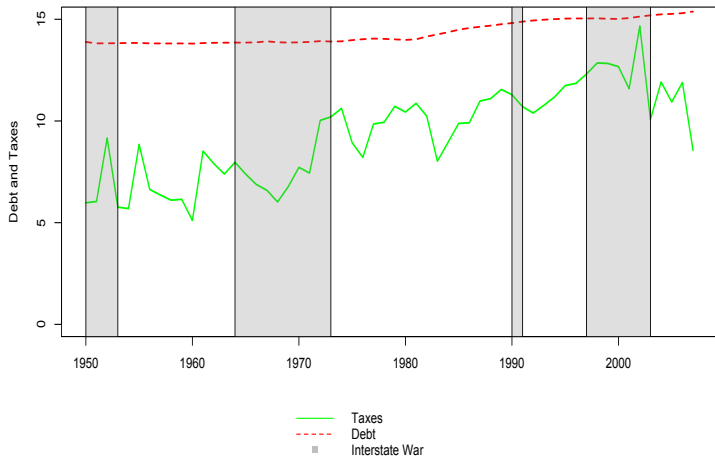
# Rolling Correlation of Debt and Taxes in the U.S.

# Correlation of Debt and Taxes during an Interstate War.

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▶ Possibly due to use of Rolling Correlations instead of Dynamic Conditional Correlations.

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- Analyze variation in war finance across regime type, economic development, and major power status.

Questions?