**Political Science Department**

**Master/ 1styear LMD student**

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**Lesson n4:**

**What Is a War Economy?**

War economy is the organization of a country's production capacity and distribution during a time of conflict. A war economy must make substantial adjustments to its consumer production to accommodate defense production needs. In a war economy, governments must choose how to allocate their country’s resources very carefully in order to achieve military victory while also meeting vital domestic consumer demands.

War economy refers to an economy of a country at war.

Governments in a war economy must decide how to allocate resources to account for their defense needs.

War economies generally use tax dollars for defense spending.

War economies often are responsible for industrial, technological, and medical advancements due to the pressure to create better products at a cheaper cost.

Understanding War Economy

War economy refers to an economy of a country at war. A war economy prioritizes the production of goods and services that support war efforts, while also seeking to strengthen the economy as a whole.

During times of conflict, governments may take measures to prioritize defense and national security expenditures, including rationing, in which the government controls the distribution of goods and services, as well as resource allocation. In times of war, each country approaches the reconfiguration of its economy in a different way and some governments may prioritize particular forms of spending over others.

For a country with a war economy, tax dollars are primarily used on defense. Likewise, if the country is borrowing large amounts of money, those funds may go mostly toward maintaining the military and meeting national security needs. Conversely, in countries without such conflict, tax revenue and borrowed money may be used to improve infrastructure and domestic programs, such as education.

War economies often exist out of necessity when a country feels it needs to make national defense a priority. War economies often demonstrate more industrial, technological, and medical advancements because they are in competition and therefore under pressure to create better defense products at a cheaper cost. However, because of that focus, countries with war economies may also experience a decline in domestic development and production.

**War Economy Example:**

All of the major members of both the Axis and Allied powers had war economies during World War II. These included countries such as the United States, Japan, and Germany. America's economic strength was a vital pillar that allowed the Allies to receive the money and equipment needed to defeat the Axis powers.

The U.S. government transitioned to a war economy after the Japanese attack on Pearl Harbor, raising taxes and issuing war bonds to help fund the war effort. The War Production Board (WPB) was formed to allocate resources to the war effort, including copper, rubber, and oil, award defense contracts to civilian corporate interests, and incentivize military production among civilian business owners. Famously, women around the United States participated in the war economy by taking military production jobs and other positions previously filled by men, many of whom had joined the military.

Because wars can sometimes have the effect of accelerating technological and medical progress, a country’s economy can be greatly strengthened after the war, as was the case with the U.S. after both World War I and World War II. Some economists argue, however, that the wasteful nature of military spending ultimately hinders technological and economic advancement.