

**Budgeted Signaling: *Rethinking Post-Cold War EU Member States' Defense Spending and Militarization***

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## ABSTRACT

What explains European states' defense spending behavior? This paper seeks to answer this question by first examining the current debates around this topic. While each of these debates has its own merit, it is far from offering comprehensive explanations. Therefore, I developed three hypotheses to evaluate which one holds the most explanatory power. Through testing four different models with controls and country-fixed effects, I find European states want to signal their credibility as security actors through defense spending. This has important implications for what militarization is and how the process of militarization goes beyond security purposes.

## 1 INTRODUCTION

“Europe is ready to assume its responsibilities... And we are ready to step up,” the President of the European Commission Ursula von der Leyen said in a press statement on March 3<sup>rd</sup>, 2025, when she announced the ReArm Europe plan. According to the press statement, the European Union is ready to relax its fiscal rules without its member states risking deficits by allowing them to enact the national clause of the Growth and Stability Pact, which would free up to €800 billion (von der Leyen 2025). The statement is a clear signal that European states are willing to boost their defense.<sup>1</sup> However, this is not the first time that European states attempted to create a security community. It was in the early 1950s when European leaders discussed the possibility of the European Defense Community (EDC), and EDC failed to exist because the French National Assembly failed to ratify it (Centre virtuel de la connaissance sur l'Europe, n.d.-b). Arguably, the attempt to establish EDC was because both European and American leaders understood that, at the time, it was not viable, both politically and economically, to keep U.S. troops permanently in Europe (Evera 1990; Zimmermann 2009; McAllister 2018).

Despite the lack of desire to permanently station troops in Europe after 1945, the United States, through the Marshall Plan, provided an astronomical amount of resources to rebuild Europe. Given the post-war instability in the continent and the potential for Soviet influence, 12 countries (including the United States) under U.S. leadership formed the North Atlantic Treaty Organization (NATO) to deter Soviet aggression in 1949 (Office of the Historian, -a). In return,

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<sup>1</sup> By European states, I mean the current 27 European Union Member states. I am also saying that the European states are willing to boost their defense, not the European Union, because the Common Foreign & Security Policy remains intergovernmental after the Lisbon Treaty.

the Soviet Union and its allies created the Warsaw Treaty Organization, as the counterpart for NATO in 1955, with its goal of becoming a hegemon in Europe (Office of the Historian, -b; Johnson 2022).<sup>2</sup> Much of the rivalry between the United States and the Soviet Union during the Cold War can be and has been well-explained by the realist theories: under the anarchic international system, states create military/security alliances to balance a potential threat (Waltz 1979; Walt 1985; Mearsheimer 2003; Ikenberry 2001). The essential component of the realist school is that the use of the military is *purely* for security reasons. However, throughout the Cold War, with globalization, especially the growth of international and regional institutions such as the United Nations and the European Union, the use of military forces has become increasingly diverse (Nye 1990; Davis 1994; Edmunds 2006). This suggests that the post-Cold War use of military is not *just* about security anymore.

In contemporary international politics, the military fulfills its traditional responsibility of maintaining national, regional, and international security as well as being part of humanitarian aid, disaster relief, peacekeeping operations, and so on (Hambarzumyan 2020; Vennesson et al. 2009; Raitasalo 2014; Yost 2010). The post-Cold War global security landscape is constantly changing, and the growing number of non-state actors (e.g. terrorist groups) requires states to adopt more versatile military forces (Wood 2005; Yaniz 2020). Although the global security landscape is always shifting, European states, with the guidance of the European Union, have emerged as effective in resolving and preventing conflicts/crises through the comprehensive integration of their military, diplomatic, and developmental tools (Balta et al. 2015). Such integration points to European states' pursuit of soft power, a form of power based on attraction (Nye 1990; 2004; 2021). This casts doubt on the realist theory account for European defense: the balance-of-power logic may not be the reason for European defense spending. Therefore, I seek to answer: what explains the European states' defense spending in the post-Cold War international system? As I will show, the answer to this question is widely debated among scholars and policymakers alike. Therefore, to answer this research question, I will elaborate on what the current debates are and offer three hypotheses. I will evaluate which hypothesis (or hypotheses) holds more explanatory power. For the purpose of this research, European states refer to the current 27 member states of the European Union.

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<sup>2</sup> The Warsaw Treaty Organization is Commonly known as the Warsaw Pact.

There are multiple contributions from this research to existing literature. First, this paper will give us some idea on what potential reasons exist for states in general, not just European states, to militarize. This has both theoretical and practical implications. It is important to note that I am only focusing on state actors in this research, and a state is defined as a human institution that has the monopoly on the legitimate use of physical force in a given territory (Weber 1919). Second, this research contributes to methodological innovation by using a different metric for defense spending, which deviates from existing quantitative studies on European defense and NATO burden-sharing. Third, I constructed an original database because of the shortcoming in the current literature. Lastly, the empirical results of the hypothesis testing have implications on how to conceptualize modern militaries' roles in international politics as well as what it means to say a state has embraced militarization.

The research is organized as the following sections. Given the research question, I will assess three existing debates on why European states spend on defense: 1) U.S. commitment problem, 2) intra-alliance competition, and 3) Russian aggression. While each of these three debates has merit, none of them offers a comprehensive explanation for the defense spending behavior of European states. As a result, I will develop and empirically evaluate three hypotheses that could offer better explanations for European defense spending: 1) being militarily credible, 2) being normative actors, and 3) being politically influential over former European states' colonies.<sup>3</sup> Next, I will elaborate on my construction of an original dataset, which I call the European Defense Dataset, and why this was necessary by highlighting the shortcomings in current quantitative analyses on European defense spending. I will test each hypothesis using a subset of the dataset with a set of control variables and discuss the results. After the discussion, I will address alternative explanation(s) and the implications of this research. Lastly, I will conclude this research with key takeaways, limitations, and future directions on this topic.

## **2 CURRENT DEBATE**

There are three debates around European defense spending. The first debate is that European states need to spend more on defense because the United States has become an unreliable ally, especially under Trump. The second debate is whether European states have developed a

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<sup>3</sup> Given that the European states refer to the current 27 member states of the European Union, former colonies of the United Kingdom would be excluded from this research.

collective security identity. While the European Union (mostly the Commission), throughout the European integration process, has created a supranational governance structure for almost every issue after the Treaty of Lisbon in 2007, issues of Common Foreign and Security Policy (CFSP), such as national defense, has remained intergovernmental. Because of the lack of supranational governance on CFSP, the member states face intra-alliance security competition and the security dilemma. The third, and the oldest debate is whether European defense spending is because of Russian aggression towards the former Soviet bloc after the Cold War. I examine each of these debates more closely in this section.

### *2.1 U.S. Commitment: NATO, Trump, and Credibility*

It is impossible to discuss European defense without bringing NATO into the discussion, given the fact that 23 out of the 27 European states, the focus of this research, have become NATO members through enlargement. Since the end of World War II, the United States has provided the security umbrella in Europe to deter the Soviet Union and to contain the spread of communism. For this purpose, former U.S. President Harry S. Truman formed the NATO alliance. Under Truman and the Truman Doctrine, Article 5 of NATO's founding treaty provided NATO members with collective defense in case of Soviet aggression (NATO 2023; Office of the Historian, -a). While Article 5 has been essential for the alliance, it has been only enacted once since the end of the Cold War, and that was after the 9/11 attack in 2001 (NATO 2023). Although NATO operations occurred before 2001 (e.g. Bosnia in 1993, Kosovo in 1999), those operations were not under collective defense. The enactment of Article 5 in 2001 was largely symbolic, and it did not have practical value (Riedenstein 2024; Rühle 2013; Rynning 2024). Despite the symbolic gesture, the U.S. commitment to find bin Laden was real.

After the attack, former U.S. President George W. Bush declared War on Terrorism and deployed troops in Afghanistan to hunt down bin Laden and key members of al-Qaeda (Ayub and Kouvo 2008; NATO 2022; Connah 2021; Williams 2022). NATO began its military intervention in Afghanistan under a UN mandate, which allowed NATO to lead the International Security Assistance Force (ISAF) (NATO 2022). As NATO operations continued to grow in Afghanistan, in 2006, Bush pushed NATO allies to spend more on their defense, which was 2% of their gross domestic product (GDP) (NATO 2025a; Youssef and Gordon 2018). The two percent goal set by the Bush Administration at the time was more of a guideline. In 2014, the goal was

institutionalized in the Wales Declaration, as a response to the Russian Annexation of Crimea. (NATO 2025a; J. Becker, Poast, et al. 2024).

As U.S. President Donald J. Trump took office in 2016, during his first term, he consistently complained of the burden U.S. the shares as a NATO ally and shamed European States on not spending enough on their defense, but European states were constrained by European Union's fiscal rules (Youssef and Gordon 2018; J. M. Becker 2019; J. Becker, Kreps, et al. 2024). In his second term, Trump displayed a preference for isolationism, and he has displayed hostility to European allies (Erlanger 2025). More and more European states and citizens see Trump as an enemy rather than an ally, and Trump's authoritarian tendencies and friendliness towards Putin are certainly against European states' interests in peace, democracy, and human rights (Everts 2025; Körömi 2025; Pugnet 2025). European states no longer see the United States as a credible and reliable ally.

Therefore, while it makes sense why European states would spend more on defense without U.S. commitment intuitively, European defense spending actually has little or no association with alliance agreement (e.g. the Wales Pledge) or U.S. commitment (DiGiuseppe and Shea 2021). There are three reasons for this. First, even when the spending target was institutionalized in the Wales Pledge for Defense Investment in 2014, European states had different attitudes on implementing the pledge (J. Becker, Poast, et al. 2024). Second, European allies could afford to spend more on defense, but they were constrained by the European Union's fiscal rules (J. M. Becker 2019). Third, the U.S. pressure on European allies has resulted in the opposite of the desired outcome, i.e. European allies would spend less on defense if the U.S. was being to belligerent (Snyder 1984; J. Becker, Kreps, et al. 2024). Hence, the potential absence of U.S. commitment does not and cannot explain European defense spending.

## *2.2 European Integration, Intra-Alliance Competition, and Security Dilemma*

Another debate on European defense spending is intra-alliance competition, which leads to the security dilemma. To understand this, we have to examine the European integration process. Although there are different theories of European integration, scholars generally agree that the European Union is an economic and political alliance, in which both EU institutions and state governments have important governance roles and responsibilities (Haas 1958; Monnet 1963; Hoffmann 1964; Moravcsik 1993; Verdun 2020). The beginning of European integration was the

creation of the European Coal and Steel Community, whose purpose was to keep Germany in check while reconstructing Europe by pooling strategic resources. Therefore, the European integration was based on the balance-of-power logic, and this internal balancing was present throughout the Cold War period (Waltz 1979; Snyder 1990; Ikenberry 2001; Müller and Albert 2021).

Throughout the integration process, the competition among European states never stopped. The integration process is largely driven by national interests rather than the collective good (Franco 2021a). France is a prominent example of this. In the early years of European integration, former French Prime Minister, Charles De Gaulle, wanted to establish Europe as the “Third Pole” and have France become the power of the pole (Centre virtuel de la connaissance sur l’Europe, n.d.-a). Beginning in the 1990s, France frequently intervened in civil conflicts to demonstrate state capacity and capabilities (Gegout 2005; Haesebrouck 2016; Thaqi and Rexhaj 2022). As the EU enlarged, the intra-alliance split became more obvious, given that member states had competing interests. The foreign policy priorities of the EU’s eastern neighbors include joining the Euro zone, freedom of labors within other EU countries, etc., whereas regarding the southern neighbors, some member states (France, Spain, Portugal, Italy, Malta, Cyprus, and Greece) become concerned about conflicts in African regions and the Middle East, as well as the influx of post-conflict illegal immigration into Europe from those regions (Popescu 2010).

The competing interests among European states are also reflected in their voting behavior regarding issues in the Common Foreign and Security Policy (CFSP). For European states to adopt a common policy related to security, the voting has to be unanimous, and states have the power to veto any proposal (Hix and Høyland 2022). Therefore, a member state can easily use its veto power to fail a policy proposal. In 2019, Hungary blocked a joint statement between the EU and the Arab League over migration issues, and during the Venezuelan crisis, Italy vetoed the EU’s plan to recognize Juan Guaidó as the interim president (Blazquez 2020). The intergovernmental nature of CFSP enables member states to prioritize their national interests over the European interests, which inhibits European states from acting collectively in the pursuit of common security policies. Furthermore, the CFSP framework from the Treaty of Lisbon does not provide an obligation for member states to adopt a single foreign policy position (Franco

2021b). Hence, the competition over policy preferences and economics have been fierce since the beginning of the integration project (Hix and Høyland 2022).

In the post-Cold War environment, with rapid globalization, dimensions of security have become more multifaceted (Nye 1990). Therefore, intra-alliance competition over economics or policy preferences may very well become security competitions, which lead to intra-alliance security dilemma. The European security dilemma is mostly due to the growing nationalization of security policies. While there is national preference for a common security and defense policy, there is no consensus on a common European security identity, and there is no coordination among member states to form a more collective security policy at the European level (Wendt 1992; Copsey 2015; Chihaiia 2024; Rynning 2024; Eurobarometer 2025). Furthermore, the promotion of common security is often against the national interests of European states, threatening their national identity (Wendt 1992; 1999; Sala 2020). Therefore, if the European Union promotes a common security by encouraging spending more on national defense without any coordination, such promotion may be against a EU member's national interests and create negative externalities (Chihaiia 2024; DiGiuseppe and Shea 2021; Hix and Høyland 2022). Therefore, European defense spending is due to the desire to maintain national interests and preferences rather than the security dilemma or competition.

### *2.3 All about Russia?*

The third debate about post-Cold War European defense spending is the role of Russia. One line of research highlights the association of the number of bordering states with their involvement in conflicts (Richardson 1960; Starr and Most 1976). Another line of research shows there is a highly positive and significant correlation between geographical proximity and the likelihood of conflicts (Gleditsch and Singer 1975; Bremer 1992). In other words, whether two states share a border is the greatest predictor of why wars happen. This is because access through land allows effective mobilization of military forces, and bodies of water have stopping power for advancing troops (Mearsheimer 2003). Therefore, it is intuitive to consider Russia and Russia's aggression as the reason for European defense spending.

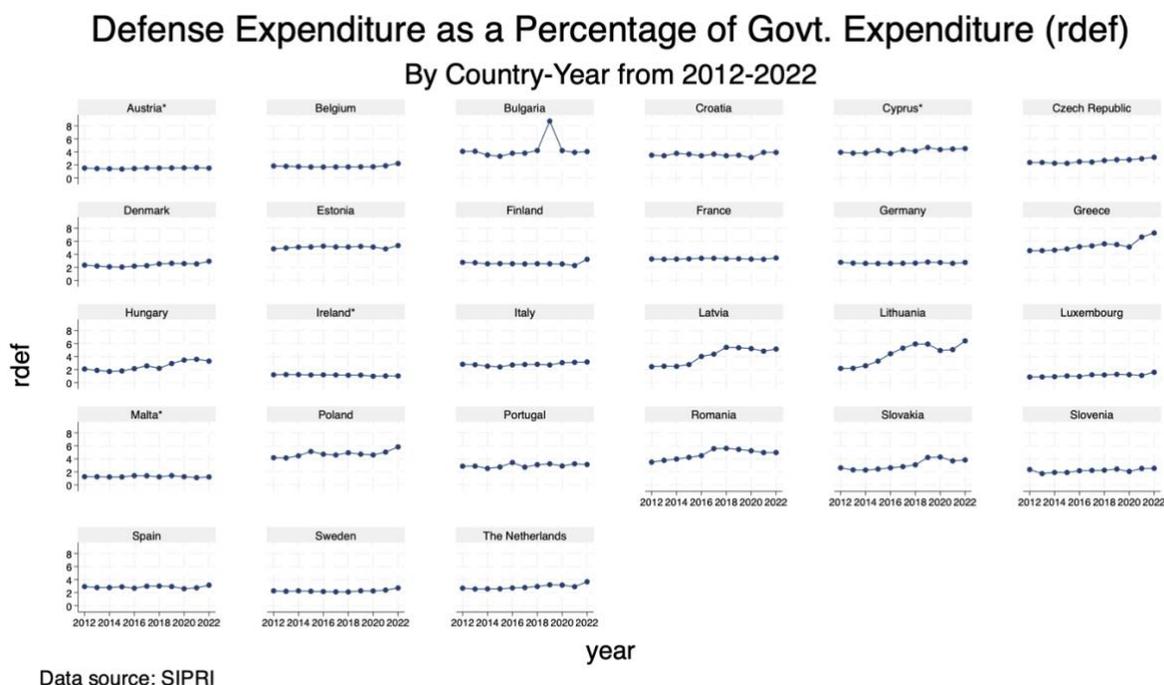


Figure 1. RDef by Country-Year from 2012-2022

However, this intuition is not manifested in numbers. To account for Russian aggression in the past decade, Figure 1 shows the defense expenditure as a percentage of government expenditure for European states from 2012 to 2022.<sup>4</sup> As Figure 1 shows, for most of the European states, there is not much change in defense spending from 2013 to 2014 and from 2021 to 2022 (European Defence Agency 2016; Stockholm International Peace Research Institute 2023). Even bordering states like Latvia and Lithuania did not show a dramatic increase in their relative resources devoted to defense spending after the Annexation of Crimea in 2014 and Russian Invasion in Ukraine in 2022. The average military strength of European states was at an all-time low since 1993 (Bonn International Center for Conflict Studies, n.d.; von Boemcken et al. 2023). If Russia was the main reason for the increase in defense spending, there would have been a significant increase in *RDef*, not the flat trend for each country in Figure 1.

More importantly, the overall defense spending of 23 European states in both NATO and EU decreased from 2010 to 2020, despite the Wales Pledge in 2014 to increase their weapons procurement investment, which signaled to Russia that there would not be a united front to

<sup>4</sup> RDef measures the relative amount of economic resource devoted to defense spending (Stockholm International Peace Research Institute 2023).

prevent Russia from invading in Ukraine (George and Sandler 2022; DiGiuseppe and Shea 2021). There are a few implications from this. First, European states depended on Russia's supply of oil and gas (George and Sandler 2022; Blenkinsop 2022; Marsh and Chambers 2022). Second, European states' defense spending is more about procurement of equipment and investing in new technologies (European Defence Agency 2023; Fiott and Lindstrom 2021). Third, related to the second point, a long-time goal of European states is to create a strong military industrial complex, and the defense spending is for economic purposes rather than security ones (Blum 2019; Sédou et al. 2020; Binnendijk et al. 2020). These implications demonstrate that Russia's aggression on the European continent does not offer a sufficient explanation for European states' defense spending.

### **3 HYPOTHESES**

If none of the current debates yield an unambiguous answer to the question of why European states spend on defense, then it is necessary to explore other reasons. I developed three hypotheses to evaluate. There are three main lines of literature that reflect each of the hypotheses. First, European states want to signal their credibility through defense spending (H1). Recently, NATO allies met in the Netherlands and increased their spending commitment from the previous 2% to 3.5 % (NATO 2025b). Second, European states are known to enforce human rights, and they need a strong military to do so (Manners 2002; 2008; Nye 2021). This is due to the normative nature of one of the EU's foundational documents (i.e. the legally binding Charter of Fundamental Rights of the European Union) and the Treaty of European Union (TEU) (European Union 2022; 2007). By enforcing human rights, European states can project some power in international politics. Lastly, from the critical perspective, European states continue to maintain colonial ties with their former colonies, especially former African colonies, through military assistance or conflict management. For instance, multiple datasets show that France has frequent involvement over its former colonies (Meier 2021; Meier et al. 2023; Nilsson and Mihai Croicu 2013). These hypotheses deviate from the realist school of thought on states' defense; realists would argue that states increase their defense spending and capabilities to balance or deter potential security threats (Art 1980; Waltz 1979; Walt 1985; Snyder 1990; Glaser 1994; Ikenberry 2001; Mearsheimer 2003). This is exactly why the realists do not offer comprehensive explanations of European states defense spending in the post-Cold War period.

*H1: European states spend more on defense to signal their willingness and capability to improve their defense as well as credibility as a security actor.*

H1 is the Signaling Model. European states have signaled their credibility as economic and political actors throughout their integration process. From the economic perspective, European states came together after World War II primarily for economic reasons, with considerations of preventing Germany from dominating the region. From the establishment of the European Coal and Steel Community, when European leaders decided to pool the continent's economic resources together, to the Rome Treaty in 1957, European states came together and formed the European Economic Community. While the integration of the European economy came to a halt in the 1960s, and '70s, former President of the European Commission, Jacques Delors, wrote the White Paper on the Single Market in 1985, which led to the Maastricht Treaty, officially founding the European Union in 1993. From a historical perspective, European states focused on formalizing this economic alliance. Non-EU states were attracted to the Single Market because of its credibility for returning economic benefits (Goldthau and Sitter 2015; Hoekman 2017; Hix and Høyland 2022).

With the collapse of the Soviet Union, European states faced other political decisions such as enlargement, European constitution, shared security concerns, an external border (i.e. Schengen Area), etc. after Maastricht. In 1993, as a part of the Maastricht Treaty, European states developed of the Copenhagen Criteria. The Copenhagen Criteria require candidate states to meet political, economic, and institutional standards of existing members. Candidate states must demonstrate their political commitment to maintain democracy, human rights, rule of law, and minority rights; they must have well-established market economy and the ability to mitigate potential market failures; they must have implemented the *acquis*, even if that meant massive reforms in their domestic political institutions (Hix and Høyland 2022; European Commission, - a).<sup>5</sup> The conditionalities within the Copenhagen Criteria allow European states to promote and institutionalize political, cultural, economic, and institutional practices on the basis of a strong economy. The Criteria is the key for European states' political credibility because the credibility is dependent upon whether European states would deliver EU membership to candidate countries if they met the Criteria (Baysan 2018). As a result, the enlargement in 2004, when many former

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<sup>5</sup> The *acquis* refers to all of existing, legally binding laws, legislations, regulations, treaties, agreements, etc. adopted by the European Union institutions (European Commission, -b).

Soviet states became members of the European Union when they have met the Copenhagen Criteria, European states gave them EU membership, demonstrating their credibility on political issues.

For other political issues such as common security and defense, studies have shown that European states want to become more credible as security actors, and some European states have signaled such desires in military interventions in Africa (Gegout 2018; DiGiuseppe and Shea 2021). European states know that if they can signal they are credible security actors, then they can expand and attract more potential allies (Crescenzi et al. 2012; Smolnikov 2018; Spindel 2023). While these theoretical and qualitative studies provide valuable contexts, they lack quantitative, empirical tests to evaluate them. Additionally, the quantitative evaluation of this hypothesis offers a more comprehensive examination for all European states rather than focusing on some European states.

*H2: European states increase their defense spending to project power by enforcing human rights norms in international politics.*

H2 represents the Norms Model. European states are known to be normative actors, and they do devote their military resources to maintain international norms (Manners 2002; 2008; Kubicek 2003; Nye 2021; Muller and Lopatka 2022; The European Commission 2022; United Nations, n.d.). Additionally, European states are among the top donors to United Nations agencies by providing humanitarian aid to various countries (European Commission, n.d.-a; n.d.-c; Organization for Economic Cooperation and Development, n.d.). European states want to enforce human rights because it is one of the ways from them to project power, especially their normative power (Nye 2021).

Throughout the economic integration process, European states have used association agreements (AAs) and conditionalities within the agreements beginning in the 1990s to enforce human rights norms. The purpose is to prepare countries that have association agreements with the European Union for future accession into the Union (European Commission, -c). This means that AAs help potential candidate states condition themselves in accordance with existing European norms and regulations (Grabar-Kitarovic 2007). In 2004, European leaders developed the European Neighborhood Policy (ENP), which aims to promote peace, democracy, and free trade in areas surrounding European states, but the ENP was considered as a failure (Kubicek

2003; Lloyd 2010; Johansson-Nogués 2017; Hoekman 2017). In 2010s, European states initiated the Deep and Comprehensive Free Trade Agreements (DCFTAs). The DCFTAs are used by European states to export European values through free trade with neighboring countries and to force states with a DCFTA to implement part of the *acquis*, which are conditionalities for states want to enjoy the benefits of the Single Market (Hoekman 2017; Casier 2018). Through the various agreements, European states built, maintained, and enforced their norms through various agreements. These agreements are attractive for non-EU states because they create a balance of power, and other states have opportunities to survive, and even potentially thrive (Glaser 1994; Ikenberry 2001; Koremenos et al. 2001; Mukherjee 2022). However, much of existing reports and literature does not establish a direct correlation between European defense expenditure and norms maintenance. This is surprising given that Europeans militaries have been used to intervene on humanitarian basis, such as in Bosnia and Kosovo in the 1990s. Therefore, further investigation of whether European defense spending has correlations with maintain norms is necessary.

*H3: European states' defense spending is positively correlated to their efforts of preserving political influence over their former colonies.*

H3 serves as the Colonial Ties Model. This hypothesis is based on current research on the preferential treatment in international aid. Several studies show that European states give preferential treatment in international aid to former colonies, especially former colonies have similar political/legal systems or shared languages (Broberg 2011; Féron and Rosoux 2014; Foa 2017; Ziltener et al. 2017; Chacha and Stojek 2019; B. Becker 2020). Furthermore, datasets show that even European states who did not have colonies also intervene or manage political affairs in former colonies (Nilsson and Mihai Croicu 2013; Gromes and Dembinski 2019; Meier 2021; Meier et al. 2023).

There are three reasons for why colonial ties should be considered as a potential explanation for European defense spending. First, former European colonies, especially those in Africa, are important trading partners of European states as well as the European Union. Due to colonization, many African countries spoke a European language such as French, and countries who have shared languages tend to trade more than those who do not (Rose and van Wincoop 2001; Nece 2022). Second, the colonization and decolonization processes were important for

forming the European identity. When European states were empires, they developed, recognized, and socialized with each other based on the status of being an empire. After World War II, certain norms such as democracy, human rights, and the rule of law were institutionalized by European states accompanied by decolonization movements (Ikenberry 2001; Hansen 2002). In a declaration in 2000, Pascal Fontaine wrote that Europe has held its place in the world and become a beacon of hope for people who want peace and human rights (Fontaine 2000). Third, even though these studies highlighted the use of European economic resources, they did not establish a link between European defense spending and European states' reputation for upholding their political influence over former colonies. This is important to note because a part of the European economic power is represented by European states' ability to spend on defense for security purposes and beyond (von der Leyen 2025; Gannon 2024; Binnendijk et al. 2020; Demetriou 2016; George and Sandler 2022).

#### **4 The European Defense Expenditure Dataset**

For this research, I constructed an original dataset, the European Defense Expenditure Dataset (EDED). This dataset used in this research consists of the current 27 European Union member states between 1993 and 2022. The data set uses country-year level data, and it is collected from a few sources. [Table 1](#) below provides a summary of the variables. Specific datasets such as Stockholm International Peace Research Institute (SIPRI) and Varieties of Democracy (V-Dem) are selected because of their reliability and usefulness, despite some missing data (Smith and Dunne 2018; Boese 2019). The EDED's data are cleaned and disaggregated from the raw data in these sources.

The dependent variable for each of the model is *RDef*, which is the national defense expenditure as a percentage of the overall government expenditure in a given year. I selected this variable because it shows how much relative amount of economic resources a state dedicates to its national defense. The logic is that if Country A and Country B both spend \$100 billion on their defense, but that \$100 billion is 20% of A's overall government expenditure while the same amount of money is only 10% of B's overall government spending, then A clearly spent more on their defense in the *relative* term, despite both countries spending the same *nominal* amount on their defense. Because I am making comparisons among states, the relative measure of defense

spending is more useful. For the Signaling Model, the independent variables (IVs) are chosen because each of the variable can be considered as a way for a state to signal and demonstrate its credibility of increasing its defense (Montgomery 2020). The IVs in the Norms Model represents European state's political (*refugees*, *UNSCRes*), human (*UNPK*), and financial to maintain international norms (United Nations, n.d.; United Nations Security Council, n.d.; OECD 2022). Lastly, the IVs in the Colonial Ties Model do not necessarily capture the direct colonial contiguity but they do capture how European states react to conflicts and investments in their former colonies (Chacha and Stojek 2019; Meier et al. 2023; Pettersson 2024).

For the control variables, *EU* and *NATO* are selected to see what the effects of membership of a primarily economic and political international organization on European states' defense spending behavior. *USPres* captures the effects of U.S. presidency on European defense spending. *FRI* measures how much impact the European fiscal rule can have on European states' defense spending. *Dem* is included because many scholars find democracies tend to spend less on defense than non-democracies (Russett et al. 1993; Goldsmith 2003; Fordham and Walker 2005; Nordhaus et al. 2012; Diguseppe and Poast 2018; Blum 2021). Lastly, *intrastcon* whether European states defense expenditure react to the number of conflicts.<sup>6</sup>

Table 1. Independent & Control Variables of the European Defense Expenditure Dataset

Model	Independent variables	Sources & explanation
Dependent Variable	<i>RDef</i>	Annual national defense expenditure as a percentage of the overall government expenditure (Stockholm International Peace Research Institute 2023)
The Signaling Model (H1)	<i>armsimp</i>	Annual national arms imports (in millions of USD) (Stockholm International Peace Research Institute, n.d.)
	<i>armsexp</i>	Annual national arms exports (in millions of USD) (Stockholm International Peace Research Institute, n.d.)
	<i>personnel</i>	The ratio of military and paramilitary under government control to the population by country-year (von Boemcken et al. 2023)

<sup>6</sup> I am using intrastate conflicts because after the Cold War, almost all armed conflicts are intrastate (Gleditsch et al. 2002; Pettersson 2024).

	<i>weapons</i>	The ratio of heavy weapons to the population by country-year (von Boemcken et al. 2023)
The Norms Model (H2)	<i>refugees</i>	Log transformation on the number of refugees in member states by year (United Nations High Commissioner for Refugees, n.d.)
	<i>UNPK</i>	The number of UN Peacekeepers by country-year (United Nations, n.d.)
	<i>bi_oda</i>	Log transformation of bilateral commitment to bilateral official development assistance (in billions of USD) by country-year (Organization for Economic Cooperation and Development, n.d.)
	<i>UNSCRes</i>	The number of UN Security Council Resolutions (United Nations Security Council, n.d.)
The Colonial Ties Model (H3)	<i>involvement</i>	The frequency of EU 27's involvement in conflicts in former European colonies by country-year (B. Becker 2023; Meier et al. 2023; Nilsson and Mihai Croicu 2013)
	<i>colconflict</i>	The number of conflicts in former European colonies
	<i>FDI</i>	Annual net foreign direct investment inflows as a percentage of GDP in former European colonies by country (B. Becker 2023; World Bank, n.d.)
Control Variables	<i>EU</i>	Whether the country is an EU member state or not, binary in a given year, coded as 1 and 0, taking EU enlargement into account
	<i>NATO</i>	Coded as 1 if a country is a full member in the given year, 0.5 if engaged in accession talks, 0 if no affiliation
	<i>USPres</i>	Coded as 0 if Democrat, 1 if Republican in the given year
	<i>FRI</i>	Annual Fiscal Rule Index (European Commission, n.d.-b)
	<i>dem</i>	Annual Liberal Democracy Index from Varieties of Democracy (Lindenberg et al. 2014; Boese 2019; Coppedge et al. 2025)
	<i>intrastcon</i>	The number of intrastate conflict in a given year from UCDP/PRIO Armed Conflict dataset (Pettersson 2024; Gleditsch et al. 2002; Davies et al. 2024)

This original dataset is significant for a few reasons. First, existing quantitative studies use nominal defense spending or national GDP as a way to measure defense spending (J. M. Becker 2019; J. Becker, Poast, et al. 2024). While this could be useful, these studies do not examine the factors that a state's *relative* economic resources devoted defense in a given year. Therefore, the dependent variable I use to measure defense spending, *RDef*, represents a state's annual national defense spending as a percentage of the overall government spending, the relative economic resources spent on defense. Second, current research on European states' defense or defense spending overemphasizes burden-sharing within the NATO alliance (Dorussen et al. 2009; J. M. Becker 2019; J. Becker, Kreps, et al. 2024). While the burden-sharing literature is useful, it does not look into the national context of European states and centers around the effects of transatlantic relationship with the United States on European defense instead. As argued above, U.S. commitment has little or no association with European states' defense spending behavior. Therefore, the EDED specifically focuses on the national context and controls for the U.S. president's political affiliation. Lastly, existing research on European security or defense heavily focus on the European Union (Simón 2017; Bergmann and Müller 2021; Brøgger 2024; Piechowicz 2024). This is problematic because even after the ratification of the Treaty of Lisbon in 2007, European states are still the main decision-maker in issues under Common Foreign and Security Policy, not EU institutions. Analyzing European defense from at the European level is an inappropriate level of analysis. Therefore, the return to country-year level of analysis from my data overcomes this issue in current literature and provides more useful analysis (Singer 1961).

## 5 Results and Discussion

Each hypothesis is evaluated four times, and the equations for the evaluations can be found in [Appendix I](#). Each hypothesis is first evaluated ([Table 2](#)) with corresponding explanatory variables listed in [Table 1](#). The second evaluation ([Table 3](#)) builds on the first evaluation by adding country-fixed effects data. The third evaluation ([Table 4](#)) is conducted with explanatory variables and control variables. The fourth evaluation ([Table 5](#)) adds country-fixed effects to the third explanations. This is to avoid garbage-can regression analysis as well as avoid the

inappropriate level of analysis (i.e. the European level) on an issue that is decided on states (Singer 1961; Achen 2005).

Table 2. Results without Controls and without Country-Fixed Effects

	<i>Dependent variable:</i>			
	RDef			
	Signaling (1)	Norms (2)	Colonial Ties (3)	Full (4)
Annual national arms imports (in millions of USD)	0.006** (0.003)			0.013*** (0.002)
Annual national arms exports (in millions of USD)	0.001 (0.001)			0.005*** (0.001)
Annual ratio of military and paramilitary under government control to the population	2.094*** (0.253)			0.950*** (0.268)
Annual Ratio of heavy weapons to the population	0.512*** (0.167)			0.571*** (0.161)
Number of refugees (log 10)		-0.120* (0.072)		-0.324*** (0.085)
Number of peacekeepers by country		-0.027 (0.067)		-0.454*** (0.076)
Bilateral official development assistance (in billions of USD; log 10)		0.008 (0.014)		0.016 (0.013)
Number of UN Security Council Resolutions		-0.001 (0.002)		-0.002 (0.002)
Frequency of EU 27's involvement in conflicts in former European colonies			0.002 (0.039)	-0.002 (0.024)
Number of conflicts in former European colonies			0.020 (0.019)	0.048*** (0.011)

Net foreign direct investment inflows in former European colonies (as % of GDP)			-0.055***	-0.006
			(0.009)	(0.006)
Constant	1.148***	3.676***	4.405***	3.169***
	(0.234)	(0.307)	(0.265)	(0.469)
Observations	443	541	777	358
R <sup>2</sup>	0.376	0.008	0.059	0.420
Adjusted R <sup>2</sup>	0.371	0.001	0.055	0.401
F Statistic	66.055*** (df = 4; 438)	1.095 (df = 4; 536)	16.044*** (df = 3; 773)	22.739*** (df = 11; 346)

Note:

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

Based on the first evaluation, all variables in the Signaling Model are significant at the 0.05 level except for *armsexp*. This means that European states' defense spending is positively correlated with national imports of arms (*armsimp*), military personnel (*personnel*), and heavy weapons (*weapons*). Among these three predictors, military personnel have the largest effects on European states' defense spending, not weapons or arms imports. This implies that when we examine the defense spending behavior of all European states, the collective preference is to spend on cultivating military personnel rather than purchasing weapons. The Norms Model seems to have the least explanatory power, given that only one predictor, the log transformation of number of refugees in a given country (*refugees*), is significant and that the significance is at the 0.1 level. However, the Norms Model does show that the independent variables, *refugees*, is negatively correlated with European states' defense spending. This implies that European's states defense is not about militarizing the shared border, unlike some literature suggest (Asderaki and Markozani 2016; Akkerman 2018; Zorko et al. 2023). The Colonial Ties Model shows a negative and significant (at the 0.01 level) correlation between foreign direct investment (FDI) into former colonies of European states and defense spending. This suggests that European states may intervene less for security reasons in their former colonies if such colonies receive heavy investments from former colonizers.

In the full model (column 4), *personnel* continue to be significant and have the most positive effects on European defense spending. It is worth mentioning that all the predictors in the Signaling Model are significant at the 0.01 level. The number of refugees (*refugees*) and UN Peacekeepers (*UNPK*) become more significant but have negative correlations with *RDef*. This

could mean that when European states act on normative basis, they are less likely to spend more on defense, following the norms of no armistice and no escalation after the Cold War (Gaddis 2006). The full model also shows a significant and positive relationship between the number of conflicts in former colonies and defense spending, suggesting that European states do (militarily) intervene in the affairs of former colonies (Nilsson and Mihai Croicu 2013; Gegout 2018). In summary, the first evaluation demonstrates the Signaling Model, and its predictors have more explanatory power than other models and predictors.

Table 3. Results without Controls but with Country-Fixed Effects

	<i>Dependent variable:</i>			
	Signaling (1)	Norms (2)	RDef Colonial Ties (3)	Full (4)
Annual national arms imports (in millions of USD)	0.002 (0.002)			0.003* (0.001)
Annual national arms exports (in millions of USD)	-0.001 (0.001)			-0.002* (0.001)
Annual ratio of military and paramilitary under government control to the population	0.827*** (0.189)			-0.196 (0.259)
Annual Ratio of heavy weapons to the population	1.026*** (0.133)			0.437*** (0.168)
Number of refugees (log 10)		-0.029 (0.055)		-0.004 (0.076)
Number of peacekeepers by country		0.061 (0.050)		0.027 (0.052)
Bilateral official development assistance (in billions of USD; log 10)		-0.017* (0.010)		0.009 (0.009)
Number of UN Security Council Resolutions		-0.001 (0.001)		-0.001 (0.001)

Frequency of EU 27's involvement in conflicts in former European colonies			0.038 (0.034)	-0.028** (0.014)
Number of conflicts in former European colonies			0.021 (0.014)	0.007 (0.007)
Net foreign direct investment inflows in former European colonies (as % of GDP)			-0.059*** (0.007)	-0.016*** (0.004)
Observations	443	541	777	358
R <sup>2</sup>	0.350	0.012	0.108	0.293
Adjusted R <sup>2</sup>	0.306	-0.046	0.074	0.221
F Statistic	55.630*** (df = 4; 414)	1.504 (df = 4; 510)	30.271*** (df = 3; 747)	12.230*** (df = 11; 324)

Note:

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

Adding country-fixed effects to each model, the results are interesting. First, at the country-level, *personnel* and *weapons* from the Signaling Model are both significant ( $p < 0.01$ ) and positively correlated with *RDef*. Compared to the first evaluation, the variable, *weapons*, has more effects on *RDef* in the second one. While this could be consistent with existing literature that European states' defense spending is about procurement of equipment and weapons, such literature does not consider beyond procurement; this is problematic because in both evaluations, military personnel and heavy weapons share the same level of significance ( $p < 0.01$ ) as well as positive correlations with European states' defense spending (J. M. Becker 2019; J. Becker, Benson, et al. 2024; J. Becker, Poast, et al. 2024). Similar to the first evaluation, the Norms Model did not offer much, and FDI has the same significance and relationship from the Colonial Ties Model. *Weapons* also has the most significant and largest effects on *RDef* in the Full Model. This could mean that individual European states care more about weapons, whereas collectively, European states care more about personnel. Therefore, the comparison highlights the potential difference between whether a European state prioritizes national interest or European interest on the issue of collective security. Furthermore, it is a bit surprising to find that the frequency of European states' involvement in conflicts that happen in former European colonies is negatively correlated with *RDef* and significant ( $p < 0.05$ ). Intuitively, the beta value for *involvement* should

be positive, but the negative beta value could mean that European states are effective conflict managers, and therefore, there is no need to spend more on defense in case of renewed conflicts (Collier and Hoeffler 2006; Whitman and Stefan 2012). Lastly, the relationship between *FDI* and *RDef* is consistent across different models.

Table 4. Results with Controls but without Country-Fixed Effects

	<i>Dependent variable:</i>			
	Signaling (1)	Norms (2)	Colonial Ties (3)	Full (4)
Annual national arms imports (in millions of USD)	0.010*** (0.002)			0.009*** (0.002)
Annual national arms exports (in millions of USD)	0.002*** (0.001)			0.002* (0.001)
Annual ratio of military and paramilitary under government control to the population	1.110*** (0.197)			0.720*** (0.208)
Annual Ratio of heavy weapons to the population	1.025*** (0.119)			1.084*** (0.121)
Number of refugees (log 10)		-0.010 (0.068)		-0.080 (0.065)
Number of peacekeepers by country		0.119* (0.063)		-0.118** (0.059)
Bilateral official development assistance (in billions of USD; log 10)		-0.027** (0.013)		0.008 (0.010)
Number of UN Security Council Resolutions		-0.004* (0.002)		-0.001 (0.002)
Frequency of EU 27's involvement in conflicts in former European colonies			0.083**	0.022

			(0.035)	(0.018)
Number of conflicts in former European colonies			-0.036*	0.014
			(0.022)	(0.012)
Net foreign direct investment inflows in former European colonies (as % of GDP)			-0.039***	0.002
			(0.010)	(0.006)
EU membership (binary)	-1.129***	-0.493	-1.043***	0.156
	(0.152)	(0.319)	(0.223)	(0.285)
EU Fiscal Rule Index	0.077	-0.006	0.179*	-0.013
	(0.048)	(0.057)	(0.104)	(0.062)
V-Dem Liberal Democracy Index	-5.979***	-2.538***	-9.653***	-4.694***
	(0.432)	(0.561)	(0.624)	(0.493)
NATO membership	1.081***	1.367***	0.618***	1.358***
	(0.101)	(0.129)	(0.163)	(0.104)
Number of intrastate conflicts	-0.001	0.036***	0.057***	0.003
	(0.010)	(0.013)	(0.021)	(0.012)
US president's political affiliation (binary)	-0.005	0.206*	-0.274*	0.067
	(0.083)	(0.108)	(0.153)	(0.090)
Constant	5.647***	3.446***	10.788***	3.441***
	(0.477)	(0.669)	(0.899)	(0.699)
Observations	443	541	777	358
R <sup>2</sup>	0.713	0.230	0.366	0.708
Adjusted R <sup>2</sup>	0.707	0.215	0.359	0.693
F Statistic	107.465*** (df = 10; 432)	15.806*** (df = 10; 530)	49.269*** (df = 9; 767)	48.391*** (df = 17; 340)

Note:

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

The results listed in [Table 4](#) are from models with the set of control variables listed in [Table 1](#). When adding controls but not country-fixed effects, I find that across different models, *dem* is significant and negatively correlated with *RDef*. This is consistent with the literature that democracies are less likely to spend more on defense, at least for European states between 1993 and 2022. Being a member of NATO has significant and positive effects on *RDef*, meaning that European states in NATO are following through their commitment on increasing defense through

spending. Lastly, the political affiliation of U.S. presidents has little or no significant effects on European defense spending. Additionally, based on my data, I find no evidence that EU fiscal rule (*FRI*) has significant influence and consistent effects on European defense spending behavior, which overturns Becker (2019)'s finding on *FRI* being an extremely restrictive factor on why European states cannot spend more on defense.

For the individual models, all the predictors in the Signaling Model are significant at the 0.01 level and positively correlated to *RDef*, and being in the EU has significant ( $p < 0.01$ ) and negative effects on *RDef*. This means that not overspend on defense is a norm for European states, especially given the correlation between levels of democracy and defense spending in the European context. Similar to previous evaluations, the Norms Model did not yield much result. However, the number of intrastate conflicts (*intrastcon*) has significant and positive effects on *RDef* in both Norms and Colonial Ties Models. This is not surprising given that European states had joint operations with NATO and managed or intervened in other conflicts, especially conflicts in former colonies. (Nilsson and Mihai Croicu 2013; Meier et al. 2023; Chacha and Stojek 2019). For the Colonial Ties Model, *FDI*'s correlation with *RDef* remains the same as the previous evaluations. When it comes to the full model, the predictors from the Signaling Model have more significant effects on *RDef* than any other predictors.

Table 5. Results with Controls & Country-Fixed Effects

	<i>Dependent variable:</i>			
	RDef			
	Signaling (1)	Norms (2)	Colonial Ties (3)	Full (4)
Annual national arms imports (in millions of USD)	0.005*** (0.002)			0.003** (0.001)
Annual national arms exports (in millions of USD)	-0.002 (0.001)			-0.002* (0.001)
Annual ratio of military and paramilitary under government control to the population	0.361* (0.219)			-0.726** (0.310)

Annual Ratio of heavy weapons to the population	0.957*** (0.131)			0.300* (0.169)
Number of refugees (log 10)		0.085 (0.058)		-0.026 (0.076)
Number of peacekeepers by country		-0.014 (0.046)		-0.006 (0.052)
Bilateral official development assistance (in billions of USD; log 10)		0.001 (0.009)		0.009 (0.009)
Number of UN Security Council Resolutions		-0.004*** (0.001)		-0.002** (0.001)
Frequency of EU 27's involvement in conflicts in former European colonies			0.090*** (0.029)	-0.026* (0.014)
Number of conflicts in former European colonies			-0.032* (0.018)	-0.012 (0.010)
Net foreign direct investment inflows in former European colonies (as % of GDP)			-0.033*** (0.008)	-0.015*** (0.005)
EU membership (binary)	-0.263* (0.134)	-0.139 (0.195)	-0.895*** (0.233)	-0.105 (0.200)
EU Fiscal Rule Index	-0.015 (0.044)	-0.174*** (0.034)	0.004 (0.105)	0.012 (0.057)
V-Dem Liberal Democracy Index	-3.841*** (0.519)	-2.392*** (0.601)	-14.403*** (0.832)	-1.427** (0.640)
NATO membership	-0.416** (0.177)	0.305 (0.278)	0.840*** (0.286)	0.913 (0.648)
Number of intrastate conflicts	0.012* (0.007)	0.044*** (0.006)	0.046*** (0.016)	0.033*** (0.009)
US president's political affiliation (binary)	0.066 (0.056)	0.202*** (0.047)	-0.195* (0.117)	-0.002 (0.063)

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Observations	443	541	777	358
R <sup>2</sup>	0.466	0.226	0.386	0.341
Adjusted R <sup>2</sup>	0.421	0.171	0.357	0.260
F Statistic	35.585*** (df = 10; 408)	14.701*** (df = 10; 504)	51.676*** (df = 9; 741)	9.664*** (df = 17; 318)

Note:

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

With control variables and country-fixed effects, we see *dem* and *FDI*'s correlations with *RDef* remains the same as they did in previous evaluations. The effects of EU and NATO membership become inconsistent when country-fixed effects are introduced. This reflects the reality that European states have different attitudes towards these institutions, especially on the issues of national defense (Hix and Høyland 2022; Rynning 2024). The Signaling Model shows the beta values for *armsimp* and *weapons* are significant and positive, and the significance of *personnel* decreased. However, *weapons* still has the largest effect on *RDef*. This indicates that individual European states care more about procurement of weapons through national production and import than cultivating military personnels. The Norms Models produced one significant ( $p < 0.01$ ) predictor: *UNSCRes*. *UNSCRes* has a negative correlation with *RDef*. This is not shocking because some UN Security Council Resolutions authorize the deployment of Peacekeeper, which mitigates some concerns of European states, militarily speaking. The Colonial Ties Model indicates that managing or intervening in conflicts (*involvement*) has positive and significant effects on European defense spending, which is a very straightforward finding. The Full Model shows the same relationship between *RDef* and *armsimp* & *weapons* as the one in the Signaling Model. It is interesting that the coefficient for *intrastcon* is significant and positive in the Full Model. This implies that individual European states are not particularly concerned with conflicts in former colonies, but they are concerned with the presence and frequency of intrastate conflicts.

## 6 Implications

Based on the findings, there are two important implications of this research.

First, this research helps us understand militarization from new perspectives. *RDef* is not just a measurement of defense spending; it is also a proxy for measuring militarization. Militarization has been seen as a multidimensional process, in which there is material, political, and societal

militarization *and* almost everything within a given society has been centralized to military power and influenced by war (Bayer et al. 2023; Kohn 2009; Bowman 2002). Material militarization refers to the amount of political, and economic, and social resources in the hands of the military, political militarization occurs when the military and/or the leadership of the military had tremendous amount of influences over the political actions of the leaders of the government, and social militarization is when the military expands its role in a civil society such as conscription (Bayer et al. 2023; Kuehn and Levy 2020). Although Bayer et al. (2023) claim to have a nuanced and comprehensive way of constructing a dataset by considering militarization as a multidimensional process, they are not the first ones to do so. During the Cold War, militarization was defined as the increase in armaments, armed personnel, destructive power of weapons, and military expenditure (Thee 1980). Given the context of the armistice between the American and Soviet spheres of influence, this conceptualization is straightforward. In 1990, a study about Third World countries conceptualized societal militarization, which is defined as the ratio of the size of the military to the total population (Bullock and Firebaugh 1990). Beginning in the early 2000s, Bowman (2002) proposed the three dimensions of militarization. A subsequent study on Japanese security demonstrated military capacity is positively linked to militarization (Lind 2004).

Therefore, I broadly define militarization as a process through which a state increases its defense and offense capabilities and capacities. Given this definition, *RDef* measures the economic and political process through which a state acquires and improves its defensive capabilities. That is why I think *RDef* can be a proxy measurement for militarization. As Tables 2-5 show, there are many reasons other than *pure* security for a state to increase their defense spending. Following this logic, if *RDef* is a proxy for militarization, then based on this research, we can see there are many predictors that affect a state's militarization. In the case of European states, there are economic and normative factors that significantly influence the economic process to militarize. In the post-Cold War international system, it is necessary to analyze militarization from beyond *pure* security perspectives.

Second, related to the first implication, militarization is about signaling credibility by increasing military capabilities. As argues above, credibility can attract future allies. This suggests that signaling credibility could potentially generate soft power for European states. In the context of international politics, soft power (or co-optive power) is defined as the ability of

one state to make other states want what it wants (Nye 1990; 1991). Soft power is “soft” because it does not rely on material resources (i.e. hard power) to force others to comply; soft power works through attraction (or co-option) rather than coercion (Nye 1990; Mattern 2005; Winger 2017). Despite this, much of the literature on European soft power overtly focus on the economic resources, even though Nye (2004) noted that economic *and* military resources can produce soft power for states. In theory, European states can signal their credibility as security actors by making commitments or via alliance agreements to spend on defense (like they did at the 2025 NATO Hague Summit) to generate soft power.

## 7 Conclusion

Given recent events and the announcement from von der Leyen, I posed the question of why European states spend on defense. To answer this question, I first reviewed three relevant debates on this issue: 1) U.S. commitment, 2) intra-alliance security dilemma, and 3) Russian aggression, and concluded that none of which offers a satisfying explanation for European defense spending. Recognizing that none of the debates yields fruitful conclusions, I developed three hypotheses and their corresponding models for empirical evaluation: 1) the Signaling Model, 2) the Norms Model, and 3) the Colonial Ties Model. Each model is then evaluated four times using an original country-year level database with panel data regression analysis to highlight the effects of control variables on these models as well as country-fixed effects. Based on the results from Tables 2 – 5, the Signaling Model offers the best explanations for European defense spending (i.e. H1 stands). First, most of the predictors (specifically *armsimp*, *weapons & personnel*) in the Signaling Model have significant and positive correlations with *RDef*. Second, across different evaluations and different models, the independent variable, *weapons*, has the largest effects on *RDef*. Therefore, given the empirical analysis and evidence, European states spend more on defense because they want to pursue the reputation of being credible. In other words, H1 stands.

While this research offers comprehensive evaluations on European defense spending, there are a few limitations. First, the dataset only covers the current European Union member states. Countries such as United Kingdom, Belarus, Moldova, Georgia, Ukraine, etc. are not included in the dataset. Future research should include other non-EU countries to see if the findings still hold. Second, the beginning year of the dataset is 1993. I selected the date because that is the first year when the data is available to collect. However, crises like Rwanda are not

considered, and I acknowledge the potential political bias because of this. Lastly, I only focused on one type of soft power, reputation, and three types of reputation of European states. There are other types of soft power and reputation European states pursue, which should be considered for future research or potential extensions of this research.

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## Appendix I

Each model corresponds to a hypothesis, and each hypothesis is tested using a subset of the EDED. This is because a regression model with all the variables do not yield the best analyses, and therefore, the full data should be separated into subsets with control variables (Achen 2005). I use panel data regression analysis for each hypothesis given the dataset uses country-year level data.

For the Signaling Model:

$$RDef = \beta + \beta_1 armsimp + \beta_2 armsexp + \beta_3 personnel + \beta_4 weapons + \varepsilon \quad (1)$$

For the Norms Model:

$$Rdef = \beta + \beta_1 refugees + \beta_2 UNPK + \beta_3 BiOda + \beta_4 UNSCRes + \varepsilon \quad (2)$$

For the Colonial Ties Model:

$$RDef = \beta + \beta_1 involvement + \beta_2 colconflict + \beta_3 FDI + \varepsilon \quad (3)$$

Following Achen (2005)'s instruction on constructing regression models, I conduct the second set of evaluation using the above models with the set of control variables. In the second evaluation, I use the equations below to evaluate the full models with panel data regression. In the analysis section, I will also compare the results from these regression equations to the results with country-fixed effects using the same equations.

For the Full Signaling Model:

$$Rdef = \beta + \beta_1 armsimp + \beta_2 armsexp + \beta_3 personnel + \beta_4 weapons + \beta_5 EU + \beta_6 NATO + \beta_7 USPres + \beta_8 FRI + \beta_9 dem + \beta_{10} intrastcon + \varepsilon \quad (4)$$

For the Full Norms Model:

$$Rdef = \beta + \beta_1 refugees + \beta_2 UNPK + \beta_3 BiOda + \beta_4 UNSCRes + \beta_5 EU + \beta_6 NATO + \beta_7 USPres + \beta_8 FRI + \beta_9 dem + \beta_{10} intrastcon + \varepsilon \quad (5)$$

For the Full Colonial Ties Model:

$$Rdef = \beta + \beta_1 involvement + \beta_2 colconflict + \beta_3 FDI + \beta_4 EU + \beta_5 NATO + \beta_6 USPres + \beta_7 FRI + \beta_8 dem + \beta_9 intrastcon + \varepsilon \quad (6)$$