

-RESEARCH ARTICLE-

THE IMPACT OF CORRUPTION ON MILITARY SPENDING: THE ROLE OF RULING PARTY IDEOLOGY IN ISRAEL

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—Abstract—

The present study investigates the extent to which the ideological stance of Israel's ruling party, particularly in the context of military expenditure, affects national corruption levels. Employing the Vector Error Correction Model (VECM), the analysis is based on data spanning from 2000 to 2023. The findings reveal a statistically significant and positive association between the Corruption Index (CI) and two key variables: changes in the average value of defence purchases allocated for general government consumption (DGCP), and average wage disbursements within the defence sector, excluding pension-related payments (DGCWP2). Conversely, the analysis identifies no significant correlation between the CI and variations in average government revenue from the sale of defence-related products (DGCR). The study posits that corruption tends to escalate under right-leaning Israeli administrations. Specifically, the increase in corruption is attributed to rising DGCP and DGCWP2. The ideological classification of the Israeli government is represented by a dummy variable (DUMMY).

Keywords: Corruption, Right-Wing Parties, Military Spending, and Political Ideology.

INTRODUCTION

Corruption remains a persistent challenge to effective governance and is widely acknowledged as a significant determinant in shaping the allocation of public resources and the performance of state institutions (Tanzi & Davoodi, 2001). While its consequences across sectors such as education, healthcare, and infrastructure have been extensively studied, the implications of corruption for military expenditure have

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received comparatively limited academic attention. Military expenditure constitutes a critical element of national budgets, often interpreted as indicative of a state's security conditions, foreign policy directions, and internal political agendas (Brauner, 2015; Nordhaus et al., 2012). Analysing how corruption affects such expenditure is particularly relevant in countries like Israel, where geopolitical complexities and public concerns over national security are especially pronounced. Corruption may influence military budgets by facilitating the diversion of funds and the manipulation of expenditure by political elites for personal enrichment or ideological pursuits. This issue is notably pertinent in Israel, where defence policy is strongly linked to ideological convictions, party affiliations, and national identity constructs (Mintz & Ward, 1989). Political parties in Israel express divergent perspectives on security and military budgets, largely reflecting their ideological orientations. Right-wing or conservative parties are frequently associated with a preference for enhanced military investment (Olejnik, 2024).

A considerable body of theoretical literature explores how a government's ideological leaning influences military budget allocations. Right-leaning administrations are typically more inclined to prioritise defence spending, framing it as a core component of national protection strategies. In contrast, left-leaning governments often advocate for reallocation of fiscal resources towards peacebuilding and diplomacy, although military spending remains a concern. In the Israeli context, the relationship between corruption, party ideology, and defence allocations has not been comprehensively examined. Israel's legislative authority, the Knesset, comprises 120 members and holds the power to enact, modify, or revoke laws, monitor executive activities, and assess government performance. Through its parliamentary system, the party or coalition with a legislative majority possesses considerable influence over policy direction and legislative reform, including the ability to modify foundational legal frameworks (Friedman, 2024). Recent electoral cycles have seen a marked shift toward right-wing dominance in Israel's political landscape. The 2022 Knesset elections serve as a prominent example, with right-wing parties obtaining 64 of the 120 available seats, led by the Likud Party, which accounted for half the bloc (Oren, 2023). These parties are typically aligned with nationalist and exclusionary ideologies. Mudde (2002) identifies seven core ideological principles that characterise such parties: nationalism, xenophobia, exclusionism, welfare chauvinism, historical revisionism, strong-state advocacy, and adherence to traditional ethics (De Koster et al., 2013; Mudde, 2002).

This paper investigates the interplay between military expenditure and the ideological stance of the ruling party in Israel. It evaluates the extent to which right-wing parties within the Knesset may obscure corruption in defence budgets, thus creating an environment conducive to unchecked practices. A parliamentary majority enables the ruling party to implement expenditure decisions with limited institutional oversight, as Knesset committees often struggle with enforcement and scrutiny (Friedberg, 2021). Consequently, right-wing administrations may be in a position to mask corrupt practices

associated with military funding (Friedman, 2024). This research integrates political, economic, and military frameworks to assess the influence of ideological power on defence budgeting within Israel. Political science literature commonly suggests that liberal or left-leaning governments seek to translate electoral promises into redistributive and socially inclusive policies (Jensen, 2010). Conversely, right-wing governments are more often characterised as strategically motivated, allocating a larger share of state budgets to defence purposes (Kuokštýtė et al., 2021). Accordingly, ideological positioning plays a significant role in guiding national spending priorities, with right-wing governments often increasing the defence burden (Bel & Elias-Moreno, 2009).

When right-wing parties secure both a representative bloc and executive control, they tend to expand military budgets more significantly than when they lack legislative dominance (Albalate et al., 2012). These dynamics reflect broader parliamentary practices, wherein governing parties must negotiate and secure support from their legislative majority for critical fiscal measures. In such scenarios, increased military spending is pursued not only on ideological grounds but also as a political strategy to solidify internal alliances and electoral support. Studies in political economy and defence policy highlight that ruling parties with parliamentary majorities are more capable of advancing their agendas, particularly in relation to military allocations. This influence is pronounced in systems such as Israel's, where a stable majority allows for expedited legislation, including defence budgets, often bypassing opposition or in-depth scrutiny (Albalate et al., 2012).

Right-wing parties generally prioritise military and nationalist objectives, embedding defence spending within their core agendas. Their parliamentary advantage allows them to shape fiscal policy by controlling key legislative committees and guiding expenditure frameworks. This structural advantage reinforces their ability to institutionalise ideological priorities within defence policy. The strategic significance of legislative majorities further intensifies the relationship between right-wing parties and military spending. A majority in the Knesset legitimises assertive defence policy shifts and enables significant budgetary allocations, typically justified by national security imperatives (Williams, 2015). Such a situation may establish a feedback loop wherein military-related policies reinforce voter support, particularly from security-conscious constituencies. The allocation of defence funds by right-wing coalitions to their legislative base also serves as a mechanism to reinforce political authority and align military budgeting with ideological objectives. In contrast to coalition governments without such a majority, this configuration permits the ruling bloc to minimise accountability and restrict transparency. Thus, a convergence of ideological alignment, legislative dominance, and strategic imperatives results in heightened military expenditure.

Supporters of right-wing parties often show limited concern regarding political

corruption, particularly in contexts involving defence. This indifference may stem from inadequate civic understanding of political accountability or restricted access to factual information (Chang et al., 2010; Weitz-Shapiro & Winters, 2017). As a result, right-wing parties continue to maintain electoral dominance in the Knesset even amidst corruption allegations. Survey findings from the Israeli Democracy Institute highlight this disparity, showing that concern for government corruption is notably lower among right-wing party voters. For instance, such concern is evident among Likud (23%), Shas (40%), and Jewish Home (15%) supporters (Navot & Kubbe, 2019). In contrast, a significantly higher level of concern is found among voters of left-leaning parties, such as Meretz (78%), Joint List (67%), Zionist Union (67%), and Yesh Atid (58%) (Plesner et al., 2018).

One possible explanation for the lack of concern over corruption in military budgets is the sanctified perception of such spending, particularly in relation to national defence. In Israel, the assumption that military expenditure is vital for survival against external threats often legitimises the opacity surrounding it. Consequently, scrutiny is diminished, and opportunities for misuse remain high (Colaresi, 2011). The adoption of Israel's Freedom of Information Law in 1998 marked a step toward greater transparency, with implementation beginning in 1999 (Golumbic, 2008). Nevertheless, the law exempts numerous security-related institutions, including intelligence bodies and agencies involved in foreign affairs. Additional legal provisions allow withholding information deemed harmful to national interests, diplomatic relations, or individual safety (Banisar, 2004). These exclusions significantly hinder transparency in military budgeting and create environments conducive to corruption. Empirical studies suggest that democratic or liberal institutions typically limit the extent to which political actors can divert resources toward military budgets. Research by Kollias et al. (2018) and Fordham and Walker (2005) indicates that democratic regimes are generally associated with lower defence burdens. Similarly, findings by Yildirim and Sezgin (2005) show that political institutions within democratic systems tend to constrain excessive military expenditure. Left-leaning governments, in alignment with their policy frameworks, often direct spending toward sectors such as education and welfare (Potrafke, 2011).

Israel's security-driven political landscape offers an important context for evaluating the intersection of corruption and defence budgeting. Given the prevailing security concerns, examining how ideological affiliations influence defence allocations and enable corrupt practices is essential. This study focuses on the interplay between ideological control and corruption within the context of Israel's military budgeting processes. It employs historical data concerning Israel's defence expenditure, political party ideologies, and corruption metrics to explore this relationship. While corruption's general impact on public expenditure has received ample attention, fewer studies have specifically examined how internal political dynamics, particularly ideological orientation, influence military allocations in Israel. The unique features of Israel's political and security environment offer a valuable framework for this investigation.

This research contributes to the political economy literature by analysing the interaction between ideology, corruption, and military budgeting. Israel's context provides a compelling setting in which ideological influence and corrupt practices converge in the defence sector. Policymakers concerned with ensuring transparent governance while maintaining national security, as well as scholars focusing on defence economics, may benefit from the insights offered by this study. By investigating the extent to which right-wing parties exploit defence spending to avoid scrutiny, this research aims to inform the debate on accountability and transparency in national budgeting processes. The structure of the paper is as follows: the next section presents the literature review, followed by the methodology and model specifications in Section 3. Section 4 outlines the empirical findings, while Section 5 concludes with key observations and policy recommendations.

LITERATURE REVIEW

Empirical research has consistently demonstrated that elevated corruption levels are positively correlated with increased military spending. This association is primarily attributed to the opacity surrounding defence budgets, which can be manipulated for rent-seeking and personal gain. For instance, [Gupta et al. \(2001\)](#) examined how corruption influences the proportion of military expenditure in both gross domestic product (GDP) and total government outlays. Using cross-sectional and panel regressions across a dataset of 120 countries between 1985 and 1998, they found a significant positive correlation between corruption and the military share of GDP as well as total public expenditure. However, no statistically meaningful link was identified between corruption and the ratio of arms imports to GDP or total government spending. These findings imply that rising military expenditure stems from increases in both GDP and public spending, ultimately undermining developmental indicators such as GDP per capita, secondary education enrolment, and demographic indices. In a similar vein, [d'Agostino et al. \(2012\)](#) observed that the interplay between military expenditure and corruption has a detrimental effect on economic performance.

Further evidence was provided by [\(Ali & Solarin, 2020\)](#), who employed the generalised method of moments to analyse 59 countries between 1996 and 2016. The study assessed three metrics of military expenditure: its proportion of GDP, a composite military spending index, and the Global Militarisation Index. Results revealed that military budgets tend to be more substantial in countries with high corruption levels, suggesting a positive causal influence of corruption on defence allocations. [Arif et al. \(2019\)](#) explored how corruption affects military expenditure across different income groups, using a dataset of 97 countries from 1997 to 2015. Through the application of the generalised method of moments, the study uncovered that in high-income nations, corruption significantly increases military allocations. Conversely, in middle- and low-income countries, corruption has a diminishing effect on military budgets. This divergence is explained by the tendency of corrupt officials to channel resources into

sectors with minimal oversight, such as defence, and by the corrupt practices embedded in the arms trade, which inflate military allocations. However, in resource-constrained nations, corruption erodes overall expenditure capacity, particularly in vulnerable sectors, thereby reducing defence budgets and undermining productivity and national income.

The ideological orientation of ruling political parties plays a critical role in shaping public spending priorities, particularly in the division between social and military expenditure. According to Selectorate Theory, authoritarian regimes—characterised by narrow winning coalitions—tend to favour military expenditure as a mechanism for regime preservation (Lopes da Silva, 2023). In contrast, democratic systems reliant on wider voter bases usually prioritise social services to meet public demands. Populist governments, regardless of ideological leanings, may also escalate defence spending to reinforce nationalist sentiment and consolidate political authority. Bove et al. (2017) conducted a comprehensive empirical investigation into the impact of political ideology on fiscal preferences, particularly the distribution between social welfare and military spending. Their analysis covered annual data from 22 OECD countries between 1981 and 2009, measuring military and social expenditures as a share of GDP. The results affirmed that right-leaning administrations are typically associated with higher defence allocations, whereas left-leaning governments tend to prioritise social welfare. These findings underscore the premise that partisan ideology systematically influences budgetary decisions, shaping the degree of state involvement in both social protection and national security. According to Bove et al., left-wing parties generally advocate for increased spending on programmes for the elderly, families, and individuals with disabilities, while right-wing parties tend to direct resources toward the defence sector.

In a related investigation, Olejnik (2025) evaluated the influence of political dynamics on defence spending in 29 EU and NATO member states over the period 1999 to 2022. Drawing on electoral data from 510 constituencies containing military bases, and applying panel data analysis, the study found that governments with strong voter support from military constituencies were more likely to expand defence budgets. Furthermore, ideological positioning influenced how expenditure was allocated: left-wing administrations typically favoured personnel-related spending, whereas right-wing governments prioritised investments in military equipment. Notably, political cycles influenced fiscal patterns, with left-leaning parties increasing personnel budgets during election periods and right-leaning parties boosting armaments spending during similar timeframes. These findings illustrate how electoral incentives shape military policy and expenditure.

Kauder and Potrafke (2016) undertook a rigorous investigation into the relationship between government ideology and military expenditure growth in Germany from 1951 to 2011. Using the Left-Right Scale of the Comparative Electoral Programs Project, their results showed that a rightward shift in government ideology increased defence

spending by approximately 2.4 percentage points. Wang et al., (2023) supported these findings using a panel vector autoregressive (PVAR) framework to examine the interrelationship among democratic governance, defence spending, and economic development across 126 countries from 1990 to 2020. The analysis indicated a negative correlation between democratic institutions and military expenditure, highlighting the complex political determinants of defence budgets. Hessami (2012) assessed the influence of political ideology on public sector corruption using data from 106 countries over the period 1984 to 2008. The study found that corruption levels were approximately 10% higher when right-wing parties held power compared to when centrist or left-wing parties governed.

The dominant narrative within existing literature suggests that right-wing governments are more prone to facilitating corruption within defence budgets. Nevertheless, alternative interpretations challenge this claim, proposing that left-leaning administrations may also exhibit susceptibility to corruption. Di Tella and MacCulloch (2007), for instance, argued that in lower-income countries, rising corruption often precedes increased support for leftist parties, as voters turn to such parties in protest against perceived capitalist elitism. Their findings imply that left-wing parties may be associated with higher levels of corruption under certain socio-political conditions. This argument also suggests that left-wing administrations may initially seek to implement anti-corruption policies, which paradoxically heighten public awareness of corruption and prompt shifts in electoral allegiance toward the right.

Another contentious issue concerns the relationship between government size and corruption. de Haan and Sturm (1994) posited that left-leaning parties, by supporting the expansion of the public sector, inadvertently increase opportunities for corrupt practices. This position is reinforced by Lapalombara (1994), who identified a positive correlation between large government structures and corruption levels. Similarly, La Porta et al. (1999) found that corruption is positively associated with state subsidies and transfer programmes, further complicating the assessment of ideological impact. While the counterarguments linking left-wing governance to corruption rely on theoretical models and statistical associations, they often lack robust empirical grounding. Much of the supporting evidence is based on cross-sectional datasets, which may not adequately capture the dynamic and contextual nature of political interactions over time. In conclusion, the present study contributes a novel perspective to the existing body of literature by advancing the hypothesis that right-leaning political parties may be more conducive to corruption within the domain of military expenditure in Israel. This inquiry offers important insights into the ideological underpinnings of fiscal behaviour in contexts where security concerns and political ideology are tightly interwoven.

METHODOLOGY

This study adopts a quantitative research approach to assess the dataset and evaluate the

proposed hypotheses. It incorporates specific econometric frameworks and statistical techniques to ensure the reliability and rigour of the findings, thereby enabling a comprehensive analysis of the variables under consideration. The VECM, a constrained variation of the Vector Autoregression (VAR) model, is suited for analysing non-stationary time series data that are integrated of order one, denoted as $I(1)$. Its application is valid only under two fundamental conditions: first, the data series must attain stationarity following first differencing; second, a cointegrating relationship must exist among the variables (Lütkepohl, 2005). The VECM is structured for scenarios involving cointegrated non-stationary time series and incorporates an error correction mechanism that accounts for short-term fluctuations while steering the system back towards long-term equilibrium (Engle & Granger, 1987; Kuo, 2016). To verify the model's appropriateness, stationarity is typically assessed using the Augmented Dickey-Fuller (ADF) test, whereas the Johansen cointegration test is employed to confirm the presence of cointegration. If these preconditions are not fulfilled, the use of the VECM may produce misleading or invalid inferences.

Data Sources

This study employs annual data from 2000 to 2023, obtained from the Bank of Israel and the Israel Central Bureau of Statistics. The variables include the CI, reported annually by Transparency International; DGCP; DGCR; and DGCWP2. The political ideology of the Israeli government is captured through a DUMMY, with a value of 1 representing a right-wing administration and 0 otherwise. Political parties are categorised according to the ideological frameworks influencing their policy orientations and, by extension, those of the governing coalition.

Model

The VECM represents a restricted form of the VAR model, designed specifically for non-stationary time series that are integrated of order one. This model incorporates cointegration constraints to regulate the long-term paths of endogenous variables while permitting short-term dynamics. Cointegration functions as an error correction mechanism, where deviations from long-run equilibrium are gradually adjusted through partial short-run modifications. The VECM thus estimates long-run relationships and aligns short-run discrepancies with long-term equilibrium conditions. The process of applying the VECM involves several steps. Initially, unit root tests are conducted to assess the stationarity of the variables, typically using the ADF test. The optimal lag length is then determined through selection criteria, with the Schwarz Information Criterion (SC) considered the most reliable for practical sample sizes (Ivanov & Kilian, 2005). Based on these diagnostics, the VECM is estimated accordingly. This study employs two VECM configurations to analyse CI: the first excludes the DUMMY variable (Model 1), while the second includes it (Model 2) to capture ideological effects. Model 1 serves as a baseline without political differentiation, whereas Model 2

incorporates the ideological orientation of the government. The two models are specified as follows:

$$\begin{aligned} \Delta CI_t = & \alpha_0 + \sum_{i=1}^m \beta_{1i} \Delta CI_{t-1} + \sum_{i=1}^m \beta_{2i} \Delta DGCP_{t-1} + \sum_{i=1}^m \beta_{3i} \Delta DGCR_{t-1} \\ & + \sum_{i=1}^m \beta_{4i} \Delta DGCWP2_{t-1} + \beta_5 ECT_{t-1} \\ & + \varepsilon_t \end{aligned} \quad (1)$$

$$\begin{aligned} \Delta CI_t = & \sigma_0 + \sum_{i=1}^m \vartheta_{1i} \Delta CI_{t-1} + \sum_{i=1}^m \vartheta_{2i} \Delta DGCP_{t-1} + \sum_{i=1}^m \vartheta_{3i} \Delta DGCR_{t-1} \\ & + \sum_{i=1}^m \vartheta_{4i} \Delta DGCWP2_{t-1} + \vartheta_5 ECT_{t-1} + \vartheta DUMMY \\ & + \varnothing_t \end{aligned} \quad (2)$$

Where CI denotes the Corruption Index, DGCP reflects the change in average defence purchases for general government consumption, DGCR represents the change in average government consumption sales of defence products, DGCWP2 indicates the change in average general government consumption related to defence wage payments excluding pensions, and DUMMY refers to the political orientation of the Israeli government, expressed as a dummy variable.

RESULTS AND DISCUSSION

This section presents the analytical results, beginning with unit root tests applied to the variables included in both models described in Section 4.1. Following this, the VECM analysis, as specified in Section 4.2, is conducted. Additionally, diagnostic evaluations are carried out for both model specifications to ensure robustness and validity.

Unit Root Test and Discriminant Criterion

The unit root test is employed to determine whether the variables utilised in the time series analysis exhibit stationarity. Variables that are non-stationary possess time-dependent statistical properties, which compromises the reliability of regression outputs and may result in misleading inferences. The ADF test is conducted to detect the presence of unit roots, serving as indicators of non-stationarity. Under the null hypothesis, the presence of a unit root is assumed, whereas the alternative hypothesis suggests stationarity. The results indicate that the p-values associated with all variables exceed the 0.05 threshold, leading to the failure to reject the null hypothesis. This outcome confirms that all variables are non-stationary in their level form. Since non-stationary data may produce spurious estimations in time series models, the variables were transformed by taking their first differences to induce stationarity and ensure

analytical validity. As shown in [Table 1](#), once the variables were transformed through first differencing, all associated p-values fell below the 0.05 threshold. This result allows for the rejection of the null hypothesis, confirming that the variables no longer exhibit unit roots and are now stationary. Establishing stationarity is a fundamental prerequisite in time series analysis, as it ensures the consistency of relationships among variables over time. This stability is critical for producing valid inferences when applying econometric techniques such as VAR or VECM.

Table 1: The Unit Root Test Results

	ADF			
	Level		First Difference	
	T-Stat	Prob ^b	T-Stat	Prob ^b
CI	-2.40	0.15	-5.63	0.00
DGCP ^a	-4.99	0.00		
DGCR ^a	-3.94	0.00		
DGCWP2 ^a	-3.38	0.02		

a Changes. by [MacKinnon-Haug-Michelis \(1999\)](#) p-values.

Prior to conducting the cointegration analysis, the optimal lag length is established using multiple selection criteria, including Lag, LogL, LR, FPE, AIC, SC, and HQ. Based on the results presented in [Table 2](#), the SC criterion identifies one lag as the most appropriate for model estimation.

Table 2: VAR Lag Order Selection Criteria on the Length of Lags

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-244.87	NA	760.29	20.82	21.07	20.89
1	-203.58	61.94	206.39	19.46	20.94*	19.86
2	-166.75	39.89*	105.50*	18.48	21.18	19.196
3	-133.38	22.24	144.52	17.78*	21.71	18.82*

*Represents the optimal lag order. (AIC) Akaike Information Criterion; (FPE) Final Prediction Error; (LogL) Levin Lin; (LR) Likelihood Ratio; (SC) Schwarz Information Criterion; (HQ) Hannan-Quinn Information Criterion

The detailed outcomes of the Johansen cointegration test are subsequently provided in [Table 3](#). According to the Johansen test results presented in [Table 2](#), two cointegrating vectors are identified among the four variables: CI, DGCP, DGCR, and DGCWP2. This finding suggests the existence of stable long-run equilibrium relationships among these variables. Despite short-term deviations, the variables exhibit a tendency to co-move over time, confirming their long-term interdependence.

Table 3: Johansen Cointegration Test Results

Variable	Model 1			Model 2		
	CI		T-Stat	CI		
	Coefficient	SE ^a		Coefficient	SE ^a	T-Stat
CI (-1)	1.00			1.00		
DGCP (-1)	37.20	8.15	4.56*	-3.43	0.58	-5.89*
DGCR (-1)	16.84	22.26	0.76**	5.14	1.80	2.85*
DGCWP2 (-1)	73.30	18.32	4.00*	-6.88	1.46	-4.70*
DUMMY (-1)				11.03	2.27	4.86*
CoinEq 1	0.01	0.00	2.08*	-0.20	0.05	-4.46*
R ²	0.28			0.70		

Denotes rejection of the hypothesis at the 0.05 level

Vector Error Correction Model

Table 4 presents the estimation outcomes for the two model specifications outlined in Section 3.2, using the VECM framework. In Model 1, CI is treated as the dependent variable, with DGCP, DGCR, and DGCWP2 serving as explanatory variables. Model 2 extends this configuration by incorporating DUMMY to reflect the ideological orientation of the Israeli government. The findings in Table 4 (for both models) highlight the short-run dynamics among the variables. These dynamics represent the immediate responses of the dependent variable, CI, to fluctuations in the independent variables over the short term.

Table 4: Vector Error Correction Estimates for Data Variables from 2000 to 2023

Variables: CI, DGCP, DGCR, and DGCWP2				
Lags Interval (In First Differences): 1 to 1				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob. Critical Value
$r \leq 0^*$	0.73	63.61	47.56	0.00
$r \leq 1^*$	0.63	34.59	29.79	0.01
$r \leq 2$	0.36	12.45	15.49	0.14
$r \leq 3$	0.11	2.48	3.84	0.12

a Standard Error. *Significant. ** Not Significant

The estimation results from Model 1 demonstrate a statistically significant positive association between CI and both DGCP (coefficient: 37.2) and DGCWP2 (coefficient: 73.30). In contrast, DGCR does not exhibit a statistically significant relationship with CI, indicating that changes in the sales of defence products by the government do not substantially influence corruption levels in this model. Upon introducing DUMMY into Model 2 to capture the ideological orientation of Israel's government, the VECM results confirm the presence of a long-run relationship between CI and all included independent variables. Notably, both DGCP and DGCWP2 display statistically significant negative

long-run coefficients (-3.43 and -6.88, respectively), implying that under a right-wing administration, an increase in these defence-related expenditures is linked with higher levels of corruption over time. These findings align with [Gupta et al. \(2001\)](#), who highlighted a strong connection between corruption and arms procurement. Similarly, the long-run relationship between DGCWP2 and CI supports the conclusion of [\(Rijkeghem et al., 1997\)](#), who identified public sector wage structures and bureaucratic quality as key determinants of corruption prevalence.

DGCR, on the other hand, reveals a positive long-run relationship with CI. This outcome suggests that even under right-wing leadership, the expansion of spending on defence product sales is limited, potentially due to constraints in financial oversight. The defence industry, particularly involving arms transfers and international contracts, is frequently characterised by a lack of transparency, complicating accurate assessments of transaction values ([Henriksson, 2007](#)). Interestingly, the findings related to DGCR diverge from those of [\(Perlo-Freeman, 2018\)](#), who observed systemic corruption within the defence procurement sector, including high-profile areas such as submarine acquisitions. Perlo-Freeman also noted that many governments are hesitant to prosecute influential defence firms, often resulting in minimal consequences for those involved, even when evidence of misconduct emerges.

The results in [Table 4](#) clearly demonstrate that the type of governing party exerts a significant influence on the long-run associations between military expenditure variables and CI. The explanatory power of the model, as measured by R^2 , increases markedly in Model 2, rising from 2 percent to 70 percent. This substantial improvement underscores the critical role of political ideology in shaping corruption outcomes linked to defence spending. While the long-run dynamics reflect structural trends and equilibrium tendencies, the short-run dynamics capture temporary deviations. A key parameter in the VECM framework is the adjustment coefficient (CoinEq1), which quantifies the degree to which deviations from the long-run equilibrium are corrected over time. This error correction term indicates how swiftly CI adjusts following a disturbance to restore equilibrium.

According to the results in [Table 4](#), the adjustment coefficients in Models 1 and 2 are approximately 0.01 and -0.20, respectively. This implies that in Model 1, only 1 percent of the disequilibrium is corrected each period, whereas in Model 2, the correction speed increases to 20 percent. Therefore, Model 2 demonstrates a more rapid convergence towards equilibrium, with an estimated full adjustment period of approximately five years. These outcomes suggest that under right-wing governance, certain forms of military expenditure exacerbate corruption, reinforcing the long-term influence of political ideology on public sector integrity. The inclusion of DUMMY in Model 2 strengthens the model's explanatory capability and confirms the moderating role of government type in the corruption–expenditure relationship. Comprehensive diagnostic tests validate the robustness and reliability of both models. These include assessments

for heteroscedasticity (Table 5), serial correlation (Table 6), and the normality of residuals (Figures 1 and 2). Additional tests, such as the cusum and cusum of squares (Figures 3 and 4), and the inverse roots of the AR characteristic polynomial (Figures 5 and 6), further confirm the structural stability of both model specifications. Finally, variance decomposition based on Cholesky factors, adjusted for degrees of freedom, is presented in Figures 7 and 8 to explore the dynamic contributions of each variable.

Table 5: Breusch-Pagan-Godfrey Heteroskedasticity Results

	Model 1	Model 2
F-Statistic	1.13	1.45
Obs*R ²	9.03	12.77
Pro-f	0.40	0.25
Prob Chi ² ^a	0.34	0.24
Scaled Explained SS	6.81	0.46

^aFailure to reject the null hypothesis that the model is homoscedastic at a 5% significance level

Table 5 displays the outcomes of the heteroscedasticity test conducted using the Breusch-Pagan-Godfrey approach. At the 5 percent significance level, the null hypothesis of homoscedasticity cannot be rejected, indicating that both model specifications are free from heteroscedasticity-related statistical distortions. Similarly, Table 6 reports the results of the serial correlation tests. The findings show that, for both models, the null hypothesis of no serial correlation is not rejected at the 5 percent significance level, confirming the absence of autocorrelation in the residuals.

Table 6: Breusch-Godfrey Serial Correlation LM Results

	Model 1	Model 2
F-Statistic	0.25	0.38
Obs*R ²	0.71	1.15
Pro-f	0.79	0.69
Prob Chi ² ^a	0.70	0.56

^a Failure to reject the null hypothesis that the model has no serial correlation at a 5% significance level.

Figures 1 and 2 present the residual normality diagnostics for Models 1 and 2, respectively, illustrating the distributional properties of the residuals. The results confirm that the residuals exhibit a pattern consistent with normal distribution, thereby supporting the assumption of error normality in both models.

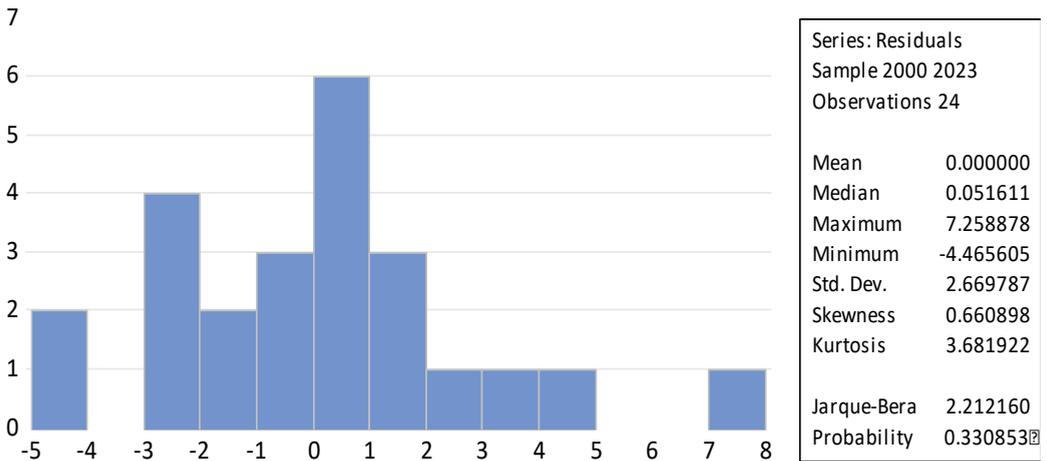


Figure 1: Distribution of Residuals for Model 1

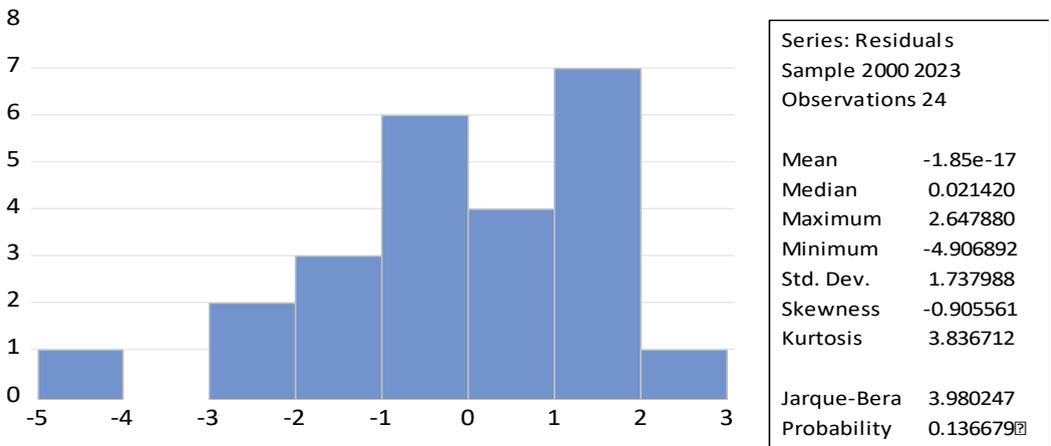


Figure 2: Distribution of Residuals for Model 2

Figures 3 and 4 display the results of the stability assessment conducted using the cusum and cusum of squares techniques.

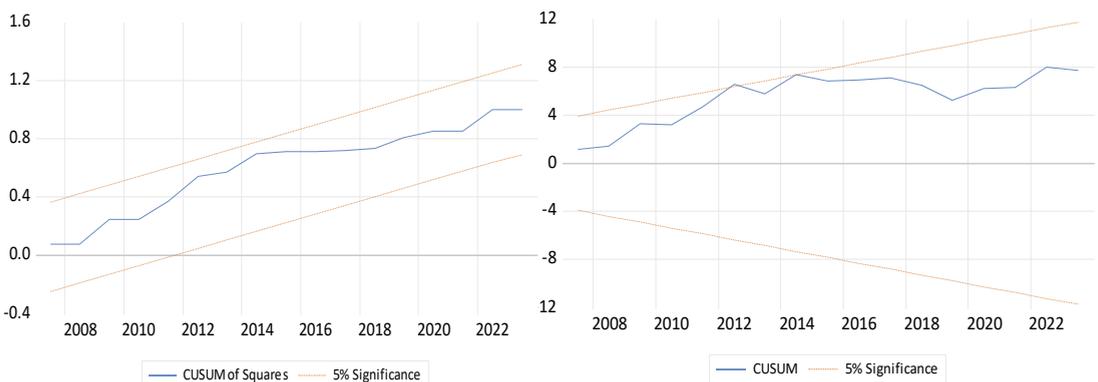


Figure 3: The Cusum and Cusum Squares Test in Model 1

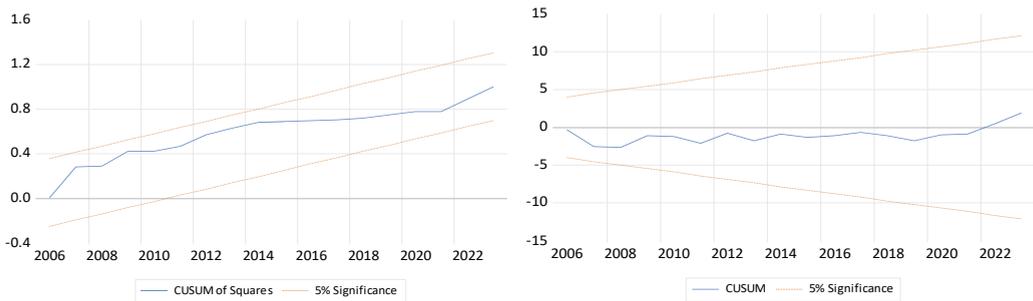


Figure 4: The Cusum and Cusum Squares Test in Model 2

The findings affirm that both models maintain structural stability throughout the estimation period. Figures 5 and 6 present the inverse roots of the AR characteristic polynomial, providing diagnostic evidence regarding the stationarity of the models. The positioning of all roots within the unit circle confirms that both models satisfy the stationarity condition.

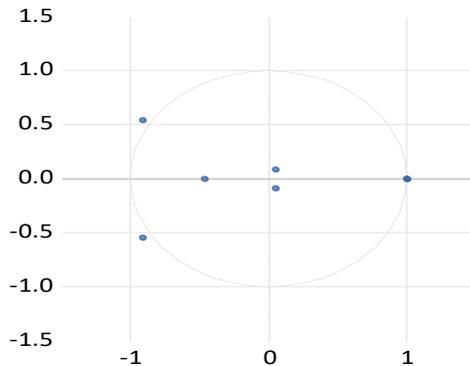


Figure 5: Inverse Roots of AR Characteristic Polynomial in Model 1

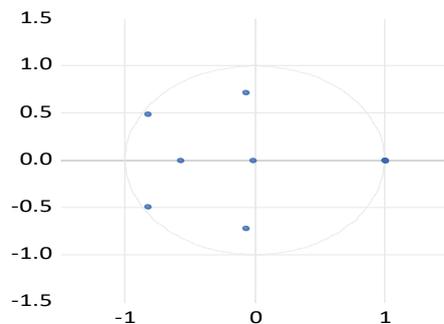


Figure 6: Inverse Roots of AR Characteristic Polynomial in Model 2

The results demonstrate that Model 2 exhibits superior performance compared to Model 1, thereby fulfilling the stability criterion. The inclusion of DUMMY markedly enhances the explanatory capacity of the model, as evidenced by the increase in the adjusted R^2 from 0.28 in Model 1 to 0.69 in Model 2 (see Table 4). Figures 7 and 8

illustrate the variance decomposition based on Cholesky factors, adjusted for degrees of freedom, to capture the dynamic interactions among variables. In both models, CI emerges as the primary contributor to forecast error variance. However, the introduction of DUMMY in Model 2 (Figure 8) underscores the substantial influence of governmental ideology on variations in corruption levels. This study offers empirical support for the proposition that right-wing administrations in Israel are correlated with heightened corruption levels, highlighting the critical role of political orientation and institutional structures in influencing the trajectory of corruption.

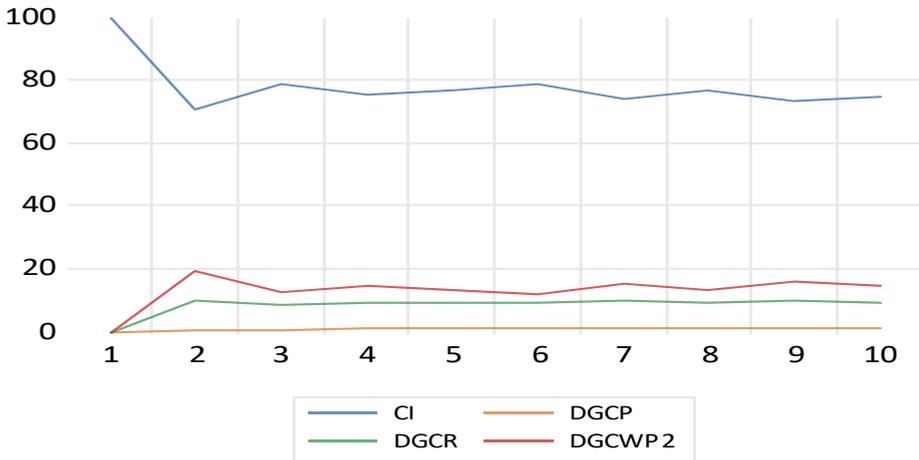


Figure 7: Variance Decomposition Using Cholesky Factors for Model 1

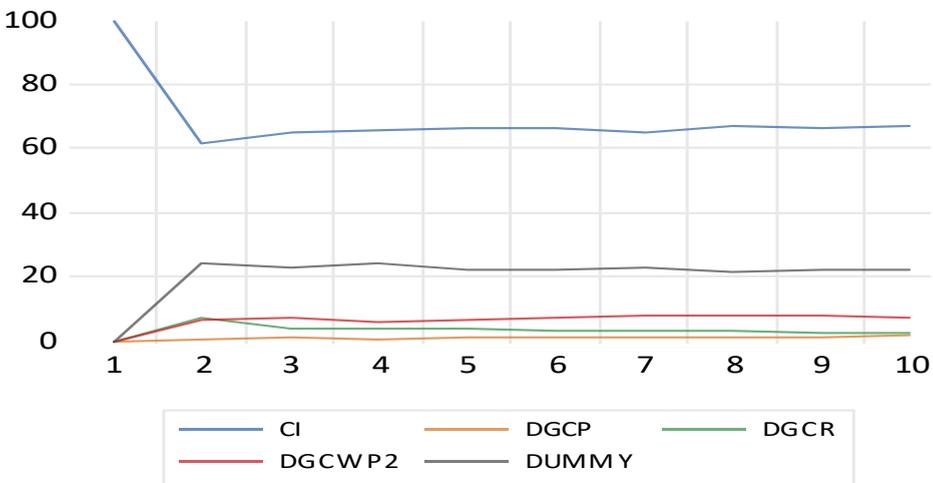


Figure 8: Variance Decomposition Using Cholesky Factors for Model 2

CONCLUSION AND RECOMMENDATIONS

This paper investigates the relationship between corruption, proxied by CI, and a set of defence-related fiscal variables using two models: one excluding and the other

including DUMMY. The explanatory variables comprise DGCP, DGCR, and DGCWP2, with DUMMY capturing the ideological orientation of the Israeli government (1 for right-wing, 0 otherwise). Political classification reflects the ideological stance of parties forming the ruling coalition. The analysis applies VECM to annual data from 2000 to 2023. Model 1 reveals a significant positive association between CI and both DGCP and DGCWP2, while DGCR exhibits no significant link. In contrast, Model 2 demonstrates a long-run relationship between CI and all independent variables, with a 0.2 adjustment coefficient. The inclusion of DUMMY indicates that under right-wing governments, increases in DGCP and DGCWP2 are associated with higher corruption levels.

Several key recommendations emerge from the findings. First, transparent and rule-based systems for managing defence budgets are essential, especially under right-leaning regimes where ideological influence may distort allocations. Strengthening institutional checks can reduce discretion, curtail corruption risks, and enhance accountability. Second, disaggregating defence spending components in budget planning allows for better scrutiny and limits opportunities for rent-seeking. Third, incorporating political variables—such as government ideology—into corruption models is vital for capturing long-run dynamics. Fourth, vigilance is required regarding right-wing entrenchment in military and fiscal domains, where reduced transparency may heighten institutional corruption risks. Safeguarding financial integrity demands robust oversight and inclusive political representation in defence budgeting. Future research should extend this analysis to other political systems to determine whether the observed association between ideology, military expenditure, and corruption is context-specific or globally applicable. Employing advanced econometric frameworks, such as panel data models or structural regressions, and integrating governance indicators would improve insights into how institutional factors mediate the link between defence spending and corruption.

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