Title: A farewell to arms: the long run developmental effects of Costa Rica's army abolition

Designing policies to achieve enduring peace and economic progress remains a significant task for many societies around the world. In our article we contribute to this discussion by estimating the long-term developmental effects of Costa Rica's constitutional abolition of its army in 1949. Following the end of a civil war in 1948, Costa Rica abolished the country's army in its 1949 Constitution and ever since and up to this day; the country has achieved some of the highest living standards and development indicators in Latin America. To the best of our knowledge, this research is the first effort to provide quantitative evidence that attributes these achievements to the abolishment of the armed forces.

We use a counterfactual approach, the synthetic control method, in tandem with a thorough analysis of Costa Rica's political history of the 1940s and 1950s, which allows us to attribute causality to our results. We find that the abolishment of the army yielded positive long run effects on the country’s development measured as the country’s GDP per capita. In particular, Costa Rica's annual average per capita GDP growth increased an additional percentage point in the 1950-2010 period relative to a counterfactual Costa Rica that did not abolish its army.

The economic and political consequences of armed conflicts, the effect of military expenditure on development, and the economic outcomes of peace (understood as the absence of conflict) have been widely studied. In a way, the literature focuses either on the confrontational use of guns or the trade-off "guns versus butter". This work instead studies the question "guns or no guns?". Our results are robust, and we provide evidence that relinquishing an army can have positive effects on an economy and its sustainable development.