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War, finance, and growth: the U.S. accumulation regime driven by militarism and financialization

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Abstract: The article analyzes war as a process of financial accumulation. It argues that military expenditure, in articulation with finance, operates as a central mechanism for compensating insufficient effective demand and the declining rate of profit. The objective is to examine the connection between the financialized accumulation regime and the military-industrial complex over the period 1949-2024. The study mobilizes empirical evidence on the financialization of war through the channels of public debt markets, stock markets, and the control of the defense industry by asset managers and investment funds.

Keywords: Financialization; war; military expenditure; the military-industrial complex; the insufficiency of effective demand; the decline in the rate of profit.
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INTRODUCTION

Capitalism is a mode of production marked by recurrent crises and the expansion of militarization. Roberts (2023) emphasizes that the system faces simultaneous tensions of an economic nature (inflation and recession), environmental challenges (climate change and pandemics), and geopolitical pressures (war and international divisions). These contradictions have led to the expansion of financial wealth, rising military expenditures, increasing government indebtedness, growing social inequality, and deepening climate crises.

The U.S. economy concentrates these complex issues of the contemporary world, which have been intensified since the 1980s due to the processes of globalization and financialization. This period has been characterized by the deterioration of industrial production, wage stagnation, and the intensification of technological competition, particularly with China. At the same time, the post-Cold War geopolitical strategy consolidated U.S. military presence through NATO, aiming to maintain control over Europe and to contain the advances of Russia and China. Additionally, U.S. military involvement in the Middle East expanded for both energy-related and strategic reasons (Padula, 2018). In this context, the increase in defense spending has become central to ensuring permanent military presence and sustained capacity for armed intervention.

The growth regime of the hegemonic nation articulates the military-industrial complex, financial dominance, and a geopolitical strategy aimed at controlling global dynamics. According to Fiori (2020), countries

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under U.S. influence are directly affected by its movements to expand power and financial accumulation. These effects range from lawfare, trade sanctions, financial blockades, and the confiscation of international reserves to direct military interventions. Tensions have intensified with the shift of global economic dynamism toward East Asia and the emergence of a multipolar order under China's leadership. As a result, U.S. military aggressiveness has spread violently, and defense spending has expanded.

Beyond its strategic character, defense spending plays a central economic role. Authors such as Luxemburg (1976), Mandel (1978), and Martins (2018) argue that the expansion of military expenditure functions as a mechanism to sustain aggregate demand, mitigating crises of overproduction. Martins (2018) demonstrates that since the postwar period a new global political economy has emerged, in which the substantial increase in U.S. military spending constitutes an inherent component of the functioning of capitalism. Military Keynesianism guides the expansion of public spending that activates the multiplier effect, thereby ensuring economic growth. Vine (2018) presents a chronology of wars between 1991 and 2018, during which, on average, one war occurred every seven months. Although carried out under the banners of human rights, the defense of freedom, and the protection of the sovereignty of free countries against autocracies and dictatorships, these wars are in fact fought to secure U.S. hegemony and control over global financial accumulation.

The objective of this article is to analyze the connection between the financialized accumulation regime in the United States (Chesnais, 2002) and military spending as an indispensable element in defining the U.S. pattern of accumulation.

The article draws on theoretical contributions from the Keynesian and Marxist traditions, exploring their points of convergence to analyze the relationship among the tendency of the rate of profit to fall, financialization, and militarization. As empirical support, historical time series covering the period from 1949 to 2024 are employed.

. The central hypothesis of this article holds that, during the neoliberal period, the militarization of the hegemonic power, articulated with a financialized accumulation regime, determines the pace of growth of the U.S. economy.

In addition to this introduction, the investigative path is presented in five sections. Section 2 addresses the concept of financialization. Section 3 explores analyses by Keynesian and Marxist authors for whom military spending and financialization are integrated mechanisms used to confront the problem of the falling rate of profit and insufficient demand. Section 4 presents U.S. defense spending. Section 5 analyzes the impact of military spending on financial and non-financial profit variables. It then describes how public debt constitutes the central source of war financing and a mechanism for speculation. This section also addresses the relationship between financial speculation in defense company stocks and the logic of war. Section 6 summarizes the conclusions.

FINANCIALIZATION: A BRIEF OVERVIEW OF THE CONCEPT

Financialization, or financial dominance, emerged from a macroeconomic and structural environment in the West in the late 1970s and early 1980s, marked by broad trade and financial liberalization under the administrations of Ronald Reagan and Bill Clinton. During this phase, there was a persistent decline in the long-term rate of profit of non-financial corporations, making liquidity alternatives more attractive than productive investment. Under these circumstances, resources available for investment were increasingly allocated to financial assets (Bruno, 2017; Bruno e Paulani, 2024; Bruno *et al.*, 2011). Macroeconomic policy, favorable to rentier capital, encouraged the substitution of firms' operating revenues with income derived from gains on financial assets. Profit generation thus increasingly occurs through financial channels rather than through trade and the production of commodities (Krippner, 2005). Firms therefore tend to operate primarily through dividend distribution, capital gains, and share buybacks (Bruno, 2019).

Fine (2013) describes financialization as the mode of existence of contemporary capitalism. Neoliberalism and globalization, historical processes that have unfolded since the 1980s, are realized through financialization. Neoliberalism constitutes the political, historical, and ideological corollary necessary for the development of financialization (Lapavitsas, 2013). At this stage, accumulation takes place within a regime organized

in such a way that the capital of large financial corporations – such as banks, large investment funds, pension funds, mutual funds, and insurance companies – has come to dominate all other fractions of capital.

For Lapavitsas (2013) financialization is viewed as a mechanism to sustain profits in a context of stagnation. It represents a response to the tendency to the fall in the rate of profit identified by Marx ([1894] 1981). As productive capital offers declining returns over time, investors and firms increasingly turn to financial and speculative activities as a means of maintaining or expanding profits. The generation of extraordinary profits therefore shifts from the productive sphere to the financial sphere (Lapavitsas, 2013).

Lapavitsas (2013) identifies the existence of three fundamental tendencies that structure financialization: a) large non-financial corporations gain greater independence and are able to operate without bank intermediation, autonomously generating profits through transactions involving financial assets (stocks, government bonds, derivatives, debentures etc.); 2) the role of traditional banks, facing fewer opportunities to generate profits through lending to non-financial institutions, shifts toward profit-making through speculative financial transactions and loans granted to households and consumers; 3) households and consumers become more indebted than in the past while simultaneously accumulating a larger volume of assets.

There are three main effects of financialization on the domestic economy: a general decline in profitability; a sharp increase in class inequalities; and the deregulation of markets, particularly the financial and labor markets (Lapavitsas, 2013).

The dominance of the financial dimension of capital, or the accumulation regime under financial dominance (Chesnais, 1997), together with the expansion of its sphere of operation on a global scale, has led to the configuration of a new order of financialization, in which defense spending expands dramatically, wars structure power relations in the world economy, and center-periphery relations are reshaped in order to block the possibilities of sovereignty in dominated regions.

MILITARY SPENDING AS A MECHANISM TO ADDRESS ECONOMIC STAGNATION

Marxist and Keynesian thinkers have attributed a central role to military spending in theories of capitalist accumulation, as it constitutes an alternative source of demand. Defense spending tends to absorb surpluses and can counterbalance the tendency of the rate of profit to fall, thereby neutralizing the economic crises inherent to the capitalist system. In general, both approaches point to the idea that the economy can be regulated by varying the level of military expenditure.

The following subsections will discuss the Keynesian and Marxist interpretations of the effects of military spending on the capitalist economy.

The role of military spending according to the Keynesian school

The Keynesian tradition argues that military spending exerts positive effects on economic dynamics (Galbraith, 1967, 1969; Robinson, 1972; Tobin, 1958). Starting from the premise that capitalism suffers from a chronic insufficiency of effective demand, this theoretical approach interprets defense spending as a compensatory mechanism capable of stimulating aggregate demand through fiscal expansion, thereby promoting increases in investment, employment, and income (crowding-in effect). In addition, technology-intensive military production generates positive externalities (spillovers) for the civilian sector. This form of state intervention became known as military Keynesianism, understood as the use of defense spending as a countercyclical instrument.

Within the Keynesian framework, the dynamics of military spending are explained by the theory of the military-industrial complex. For Galbraith (1967, 1969) and Melman (1970), this complex emerges from the articulation among the armed forces, large arms-supplying corporations, and sectors of the legislative and executive branches, forming a coalition that promotes levels of defense spending beyond strictly national requirements. It represents a relatively autonomous structure within the state, sustained by converging interests of business leaders, military officials, trade unions, and politicians, who benefit from high profits, employment, large budgets, and electoral gains (Duncan and Coyne, 2013). This coalition exerts permanent pressure for the expansion of military spending, frequently justified by the existence of external threats.

The experience of Second World War consolidated the perception that military spending was not limited

to the pursuit of political objectives, but also constituted an essential instrument for economic growth and a safeguard against depression – functioning as a kind of automatic stabilizer for the economy.

Military spending has the advantage of facing less resistance from capitalist elites when compared to other forms of government expenditure. This is due to several factors: military spending absorbs surplus without expanding productive capacity; it is preferred over welfare state expenditures, which tend to redistribute income and strengthen labor rights; it generates continuous state demand, since armaments are rapidly used or become obsolete; and it contributes to sustaining the political and economic hegemony of the United States.

Galbraith (1967) assigns a central role to military spending in technological advancement. According to the author, civilian sectors are unable to sustain large-scale investments in research and development due to high costs and risks. The military sector, supported by public financing, enabled decisive innovations such as the development of air transportation, computing, and nuclear energy. Thus, military spending acts as a lever for technical progress, blocking tendencies toward technological stagnation inherent in capitalism. For all these reasons, there exists a symbiotic relationship between large military corporations and the state.

Keynesian thinkers of the 1950s and 1960s influenced the U.S. political environment by arguing that budget deficits were not a problem and that the military-industrial complex was advantageous. In the twenty-first century, the conception that military spending promotes security and economic dynamism remains dominant. The military-industrial complex has consolidated itself as an institution with significant political autonomy, associated with the expansion of public debt and the constitution of a permanent war economy.

U.S. military enterprises have expanded across multiple regions of the planet, reaching approximately 750 military bases spread across more than 80 countries (Vini, 2018, 2022). These bases strategically surround the borders of Russia and China, with hundreds located throughout the Asia-Pacific region.

It can be observed that Keynesian and Marxist arguments converge regarding the centrality of military spending in the functioning of contemporary capitalism, a theme that will be further developed in the next section.

The Role of Military Spending According to the Marxist School

The Marxist school presents a broad and well-established body of literature on the effects of military spending on the dynamics of capitalism. Central contributions can be found in Baran and Sweezy (1966), James O'Connor (1973), Mandel (1982), and Rosa Luxemburgo ([1913] 1976), who, from different analytical perspectives, converge in interpreting militarism as a structural element of capitalist accumulation.

Rosa Luxemburgo ([1913]1976) argues that military spending is a fundamental component of capitalist expansion, as it enables the incorporation of non-capitalist spaces into the circuit of accumulation. Militarism allows for the forced opening of external markets through the destruction of their pre-capitalist social structures and the imposition of trade, thereby ensuring the realization of surplus value and colonial hegemony. In addition, it acts as an instrument of repression of the working class. From an economic standpoint, military spending raises effective demand by absorbing surpluses without expanding civilian productive capacity, while stimulating innovation, and is therefore preferable to social spending from the perspective of capital (Luxemburg, 1899).

Baran and Sweezy (1966), in *Monopoly Capital*, argue that monopoly capitalism tends toward chronic underconsumption. The growing concentration of capital in large corporations raises the rate of exploitation and suppresses wages, generating insufficient demand and a tendency toward stagnation. In this context, militarism fulfills the function of absorbing the economic surplus that does not find adequate channels in private investment or in civilian state expenditure. For Baran and Sweezy (1966), military spending also sustains the international projection of U.S. power and the relations of exploitation between the metropolises and the periphery.

O'Connor (1973) analyzes the role of the state based on its functions of accumulation and legitimation. Part of military spending – such as procurement, research and development, subsidies, and arms exports – falls under the accumulation function, as it reduces costs and expands profit opportunities for monopoly capital. Other components – such as veterans' benefits and the maintenance of non-strategic bases – fulfill a legitimation function by providing a minimum standard of living and sustaining social support for the state (Cypher, 1985).

The theory of the permanent arms economy, formulated by Kidron (1970), argues that militarism stabi-

lizes capitalism by neutralizing overproduction. According to the author, military spending neutralizes the threat of overproduction. Since armaments constitute neither means of production nor consumer goods, their production absorbs surpluses and mitigates the tendency of the rate of profit to fall.

Mandel (1982) reinforces this argument by characterizing military spending as economically unproductive yet functional to the system, as it reduces excess capital and guarantees higher rates of profit – negotiated directly with the state – while remaining relatively immune to fluctuations in demand. Moreover, public financing of military research generates innovations that diffuse into the civilian sector, leading to technological leaps that produce enormous profits (Mandel, 1978).

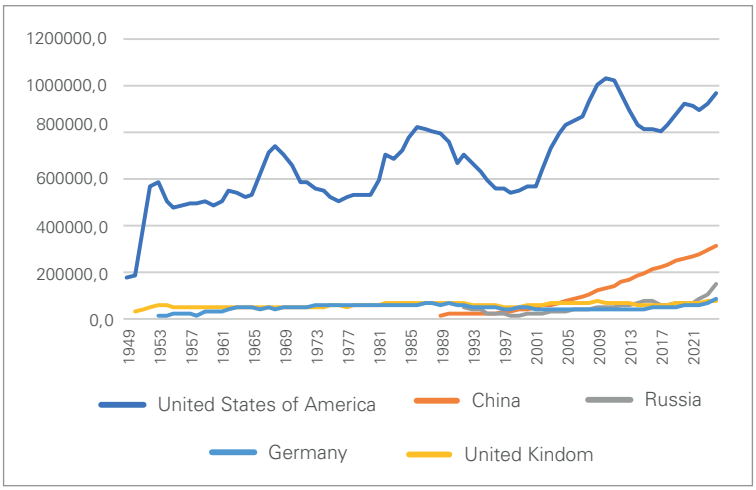
Military research was crucial. It enabled the United States to maintain its technological leadership with products such as the internet, communication satellites and air navigation systems, aircraft, GPS, supercomputers, drones, reinforced glass, digital cameras, microwave ovens, pharmaceuticals, and many others (Kidron, 1970). Military investments in artificial intelligence, robotics, nanotechnology, biotechnology, energy, and materials increased productivity across several sectors of the economy and created many new ones.

In summary, Marxist literature converges on the idea of military spending as a central mechanism sustaining accumulation, technical progress, and geopolitical hegemony. Beyond economic factors, militarism fulfills a strategic function by sustaining the domination of the center over the periphery, protecting the neoliberal order, and imposing the agenda of financialization. Thus, militarization and financialization mutually reinforce one another, constituting structural pillars of contemporary capitalism.

THE GROWTH OF MILITARY SPENDING IN THE UNITED STATES

Conflicts in the twenty-first century have driven successive records in U.S. military spending and arms production. In 2023, U.S. military expenditure reached US$ 916 billion, equivalent to 38% of the global total of US$ 2.4 trillion, rising to US$ 968 billion in 2024 (Stockholm International Peace Research Institute – SIPRI, 2024). This performance is associated with the country's leading role in financing proxy wars, such as the conflicts in Ukraine and the Gaza Strip. A comparative analysis of defense spending from 1949 to 2023-2024 reveals a persistently upward trajectory for the United States, at a level significantly higher than that of other major powers, frequently exceeding by more than three times the spending of the second-largest spender, China (Figure 1). The United States, China, and Russia account for the largest volumes of global military spending, with annual outlays exceeding US$ 100 billion.

Figure 1: Military Expenditure by Country
(In U$$ millions at constant 2023 prices), 1949-2024.



Source: SIPRI. Author's own elaboration. Deflator: CPI – Consumer Price Index.

Elveren (2019) demonstrates that the trajectory of U.S. military spending is closely associated with decisive historical and geopolitical events. Defense expenditure expanded during the Korean War (1950-1953) and rose again significantly throughout the Vietnam War (1959-1975), followed by a period of retrenchment. w

Table 1 shows that in 2024 U.S. defense spending accounted for 3.4% of GDP and 9.1% of total public expenditure. In absolute terms, it exceeds the combined spending of the eight countries with the largest arsenals.

Table 1: Military Spending in Selected Countries – 2024

US$ millions, % of GDP, and % of Government Expenditure			
Countries	US$ millions	% PIB	% Government Expenditure
United States of America	968.381,60	3,42	9,11
China	317.561,00	1,71	5,06
Russia	150.534,00	7,05	18,9
India	83.623,10	2,27	7,63
Saudi Arabia	78.953,60	7,3	22,31
United Kingdom	77.390,00	2,28	5,25
Ukraine	66.784,40	34,48	54,01
Germany	86.301,30	1,89	3,93
France	63.135,00	2,05	3,59
Japan	58.399,30	1,37	3,25
South Korea	48.473,50	2,56	11,32
Italy	37.444,00	1,61	3,18
Australia	33.005,80	1,88	4,96
Israel	45.267,10	8,78	19,99
Canada	29.063,90	1,31	3,08
Brazil	21.693,00	0,97	2,1
Iran	6.646,00	2,01	12,55

Source: Stockholm International Peace Research Institute – SIPRI. Authors' own elaboration.

The dynamics of the U.S. economy are deeply intertwined with the expansion of its war machine, both for strategic reasons linked to the maintenance of its hegemony and due to the competition of its corporations in the division of the world market. The concept of the military-industrial complex, originally formulated by Mills (1956) and popularized by Dwight Eisenhower's farewell address in 1961, has become central to understanding this articulation among the state, the armed forces, and large corporations. Eisenhower warned about the influence of the military-industrial complex, which tended to promote policies that might not be in the country's best interest (such as participation in the nuclear arms race), and feared that its growing influence, if left unchecked, could undermine American democracy (Weber, 2024).

Smith and Smith (1983, *apud* Elveren, 2019) identify four structural factors that explain the expansion of military spending. First, defense needs in the face of external threats. Second, the role of military power in

sustaining the hegemony of the central nation. Third, the use of military force to contain threats to the internal social order. Fourth, the construction of organic ties between central countries and the armed forces of the periphery, through arms sales and military training, making them functional instruments for the diffusion and protection of capitalist ideology. Military coups in Turkey (1980), Chile (1981), Brazil (2016), and several other Latin American countries facilitated the shift toward a radical neoliberal model. Similarly, socialist or Islamic Arab countries that were overthrown underwent forced liberalization in order to privatize public assets as cheaply as possible, open national markets to foreign firms, and export low-priced commodities to Western markets (Elveren, 2019).

EMPIRICAL ANALYSIS OF THE IMPACTS OF MILITARY SPENDING ON THE ECONOMY

There is extensive empirical research, from different theoretical perspectives, on the effects of military spending on capital accumulation that tests these theories. The results are heterogeneous, as they depend on factors such as the mode of financing defense spending – through taxation, cuts in other public expenditures, indebtedness, or monetary expansion – the existence of externalities, and their effectiveness in relation to the threats faced (Dunne *et al.*, 2005, *apud* Elveren, 2019).

Part of the empirical literature focuses on the impacts of military spending on the rate of profit rather than on economic growth, using time-series methods (Dunne et al., 2013; Elveren e Özgür, 2018; Georgiou, 1992; Kollias e Maniatis, 2003) and panel data models (Elveren and Hsu, 2016, 2018). The findings vary significantly depending on the time frame, the economic context, the set of countries analyzed, and whether they are arms-exporting or arms-importing countries, indicating positive effects in some cases and null or negative effects in others.

Elveren (2019) evaluated a set of 30 countries over a period of 64 years (1950-2014), concluding that military spending plays a role in neutralizing the tendency of the rate of profit to fall. The author emphasized, however, that the impacts on the rate of profit are mixed: the responses depend on historically specific structural contexts, and the neutralizing effect of the decline applies to arms-exporting countries, but not to arms-importing ones.

In the following subsection, economic variables that point to the connection among military spending, the rate of profit, and financialization will be investigated for the case of the United States.

Financialization, Military Spending, and the Rate of Profit

It was Arrighi (1994) who categorically stated that financialization and militarization are mutually reinforcing phenomena in the United States since the post-Second World War period.

Baran and Sweezy (1966) argued that stagnation is the normal state of capitalism and that, in order to avoid slow economic growth and declining profit rates, there are two possible paths: on the one hand, the increase of unproductive expenditures, such as military spending; on the other, capital migrates to the financial sector, that is, it shifts toward operations involving fictitious capital. Militarization and financialization thus became responses to the declining profitability of the productive sector, due to chronic insufficiency of aggregate demand, itself caused by overaccumulation.

There are different understandings of financialization as the stage of rapid deregulation and globalization of financial capital during the 1990s (Akçagün and Elveren, 2021). For post-Keynesians, financialization caused stagnation. The expansion of financial investments crowds out real investment. Lower investment leads to higher unemployment, wage compression, and income inequality, resulting in insufficient aggregate demand. From the Marxist perspective, financialization is a consequence - that is, a response (not a cause). Capitalists in the productive sector transfer resources to operations involving fictitious capital in order to address the problem of declining profitability, stemming from a chronic lack of aggregate demand caused, in turn, by underconsumption/overaccumulation. For Marxists, it is low investment in the productive sector,

due to chronic insufficiency of aggregate demand, that led to financialization, and not the other way around (Akçagün and Elveren, 2021).

These authors empirically demonstrated the dialectical relationship between financialization and militarization as integrated responses to stagnation in the case of the United States during the period 1949-2019. They considered financialization variables commonly used in the literature and applied several econometric methods. The conclusion was that the increase in financialization runs parallel to the decline in the rate of profit, which led to a greater rise in total military spending.

The analysis of these results warrants some considerations.

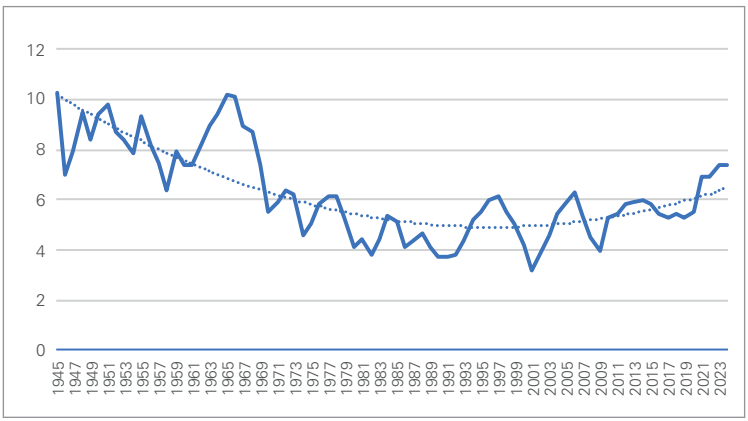
Financialization has contradictory effects, as it can both hinder and boost the rate of profit (Stockhammer, 2009). On the one hand, it generates positive effects that prevent the rate of profit from falling, as it increases the supply of credit to households and firms, thereby sustaining aggregate demand. On the other hand, it has profit-reducing impacts by expanding the financial share of profits and subtracting the portion that would otherwise be allocated to productive investment. With the decline in investment, operating profits in the productive sector are reduced, which tends to keep the rate of profit at a lower level. The final outcome of these two opposing effects depends on exogenous factors such as exports and/or military spending. It is this economic dynamic that tends to influence the advance of militarization in the U.S. economy, where defense budgets assume large proportions.

The findings of Ansari (2018), Dunne *et al.* (2013), and Elveren (2019) show that military spending is positively associated with the general rate of profit in the United States for the periods 1949-2010, 1973-2015, and 1951-2016, respectively. Therefore, the downward pressure on the rate of profit exerted by financialization is neutralized by military spending.

Returning to the results of Akçagün e Elveren (2021), they demonstrate that military spending is positively related to both financial and non-financial profits, that is, military spending raises the general rate of profit. More specifically, they found that military spending has a stronger relationship with financial profits, leading to the conclusion that increasing militarization coexists with the advance of financialization.

Figure 2 illustrates the long-term behavior of the rate of profit of non-financial corporations in the United States over the period 1945-2024. It can be observed that after a propensity toward decline over several decades (1945-1999), the rate of profit begins a mild upward trend from 2001 onward, interrupted by two specific downturns, during the 2008 crisis and the Covid pandemic in 2020. Particularly notable is the sharp rise in the rate of profit following the onset of the war in Ukraine in 2022.

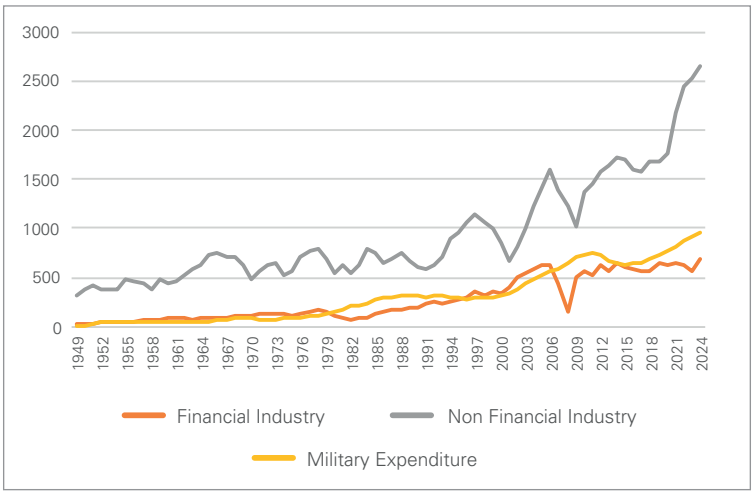
Figure 2: Rate of Profit of Non-Financial Corporations (%) – 1945 to 2024



Source: BEA – U.S. Bureau of Economic Analysis. Author's own elaboration.
Formula: (Nonfinancial Corporate Profit / Nonresidential Private Fixed Assets) *100

Figure 3 presents the profits of the U.S. financial and non-financial industries in comparison with military spending. The three variables are positively correlated. The evolution of financial industry profits shows a strong structural growth trend alongside the expansion of military spending over the period 1982-2024.

Figure 3: United States: Profit and Military Spending – 1949 to 2024
(In U$$ billions at constant 2023 prices)



Sources: For industry profits: BEA; for military spending: SIPRI.
Deflator: CPI – Consumer Price Index. Authors' own elaboration.

Financialization, Public Debt, and Military Spending in the United States

One of the main manifestations of the articulation between financialization and militarization occurs through the channel of U.S. public debt. The strongly upward trajectory of indebtedness simultaneously expresses the deepening of financial speculation with government bonds and the vast capacity of the United States to finance itself and spend on defense.

The centrality of the dollar as the international reserve currency compels other countries to maintain an ever-growing stock of international reserves in their respective central banks, both as a strategy of exchange rate management and to safeguard national import capacity. Without reserves, it is impossible to implement any minimally sustainable growth strategy. This arrangement is imposed not only on states, but also on large economic groups operating internationally. These actors are constrained to accumulate U.S. public debt securities as a strategy to operate and manage risks within a deregulated financial system (Metri, 2023). Thus, the United States has created an almost unlimited demand for U.S. Treasuries, which function as a safe haven in the face of uncertainties in global financial markets.

Public debt securities constitute the main instrument for financing fiscal deficits, external deficits, and military spending. Through the issuance of these assets, the United States imposes an international socialization of the costs of its military structure and its wars. Demand for the safety of U.S. Treasuries generates a massive transfer of income and capital from the rest of the world to the United States (Metri, 2023). Between 2001 and 2024, gross general government debt rose from 53% to 127% of GDP, reaching US$ 35.46 trillion (U.S. Department of the Treasury).

For Fiori (2004), the U.S. Treasury acts as the major demander of the defense industry, turning public debt into a "weapon of war" that articulates political power and military power with the money of speculators and bankers.

Fantacci and Gobb (2018) argue that since the post-Second World War period, military mobilization has been financed by a form of debt that is not intended to be repaid, but rather to circulate indefinitely in inter-

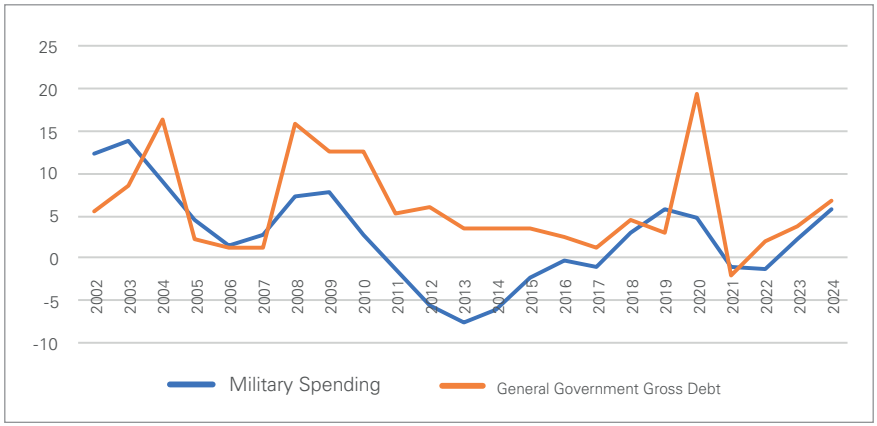
national financial markets. "Mobile capital represents the ultimate form of war finance. The free capital market emerges, on the one hand, as a response to the financial requirements of the Cold War; on the other hand, it contributed to the perpetuation of a condition of constant belligerence on the part of the United States" (Fantacci and Gobb, 2018, p.93).

War financing takes place through the purchase of Treasury securities by the Federal Reserve (Fed), foreign central banks, and the private sector, a process that combines monetary expansion with financial speculation in public debt securities. Banks, firms, and households at the top of the social pyramid increase their financial wealth at the expense of war and the growth of public debt. These are resources that could otherwise be allocated to employment generation policies, health, infrastructure, and the fight against social inequality, but are instead placed at the service of the destruction of workers' lives.

As Hudson (2002) described, capitalists in countries that maintain trade relations with the United States receive dollars for their exports. Part of these resources returns to the United States to be invested in assets such as stocks, real estate, and public debt securities. These dollar inflows offset the trade deficit. It is through this channel that other countries finance armed forces and wars, demonstrating the nexus between U.S. military power and the dollar, and ensuring an apparently unlimited capacity for military spending in pursuit of foreign policy objectives.

Figure 4 shows that the dynamics of U.S. public debt are linked to military spending, revealing the existence of a structural relationship between the two variables, as they display correlation both in levels and in rates of change.

Figure 4: United States - General Government Gross Debt and Military Spending 2001-2024 (% real growth)



Sources: GGGD: *World Economic Outlook*. Military Spending: SIPRI. Deflator: CPI. Authors' own elaboration.

War and Stock Market Speculation

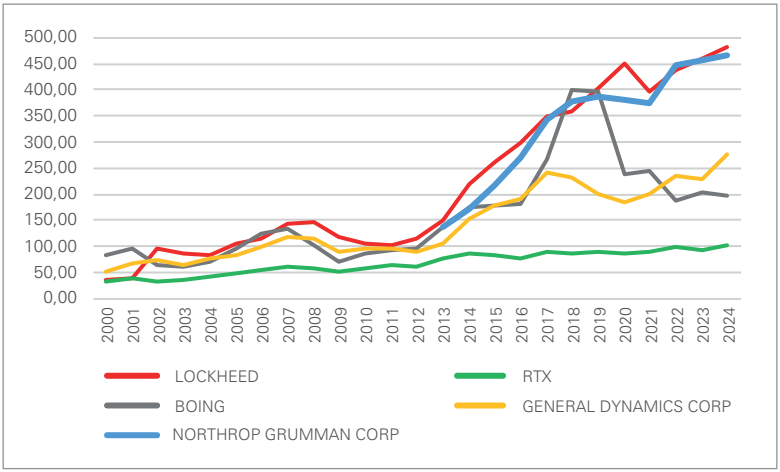
War is a powerful instrument of financial accumulation not only in the U.S. Treasury market, but also in the New York Stock Exchange (NYSE). The relationship between financialization and militarization manifests itself through the channel of speculation in the shares of companies linked to the military-industrial complex.

The five giants of the defense industry – Raytheon (RTX), Lockheed, Northrop Grumman, Boeing, and General Dynamics – have experienced financial appreciation well above the market average, driven by the injection of government funds for the purchase of weapons and equipment, as seen recently in the supply of wars in Ukraine and Gaza. Each authorization of defense appropriations by the U.S. Congress is followed by spikes in the share prices of the sector. This grants these corporations significant bargaining power and

influence over the direction of policy, especially during electoral periods, when they act as major sponsors of political campaigns. Public spending, public debt, and the stock market thus shape an environment highly favorable to the expansion of speculative business, benefiting a parasitic rentier elite that lives off the war machine of the U.S. state. Accordingly, the longer wars last, the greater the demand for weapons, ammunition, and other military materials, and the longer the period of profitability of fictitious capital invested in the stock market.

Figure 5 shows the behavior of share prices of major defense industry corporations over the period 2000-2024. Between 2000 and 2023, Lockheed shares appreciated, in real terms, by approximately 1,143%; Raytheon by 176%; Boeing by 144%; and General Dynamics by 329%.

Figure 5: United States: Share Prices of the Five Giants of the Military-Industrial Complex (In US$ at constant 2024 prices)



Source: New York Stock Exchange – NYSE. Authors' own elaboration.

The defense industry, embedded in the deeply financialized environment of the U.S. economy, operates predominantly under the logic of shareholder value maximization, in which profit appropriation occurs primarily through dividend distribution, capital gains, and share buybacks, to the detriment of the expansion of productive capacity and long-term investments in industrial infrastructure and innovation. This orientation toward financial profitability tends to generate structural constraints on supply, productive scale, and technological responsiveness, creating tensions in the competitiveness of the U.S. military-industrial complex vis-à-vis adversaries such as Russia and China, whose defense systems are largely state-owned and organized according to strategic national security objectives. These limitations became particularly visible in the context of the war in Ukraine, which exposed industrial bottlenecks and difficulties in replenishing stockpiles within the Western military apparatus, in contrast to productive models less subordinated to financial logic.

In this context, the U.S. military-industrial complex is subsumed under the logic of financialization. Large corporations in the sector are controlled by asset managers, investment funds, and major banks. The main shareholders of the "five giants of the U.S. defense sector" are asset managers and large banks (Figure 6): BlackRock, Vanguard, State Street, Fidelity, Capital Group, JPMorgan Chase, Morgan Stanley, Newport Trust Company, Longview Asset Management, Massachusetts Financial Services Company, Bank of America, and others (Gott and Seidman, 2023). The ownership structure reveals the transformation of the military-industrial apparatus into a gear of rentier accumulation, in which war ceases to be merely a geopolitical instrument and becomes a vector for the expansion of financial capital, deepening the parasitic character of the contemporary accumulation regime.

Figure 6: Top five Shareholders

LOCKHEED

Shareholder
State Street
Vanguard
BlackRock
Capital World Investors (Capital Group)
FMR LLC (Fidelity)

RTX

Shareholder
Vanguard
State Street
BlackRock
Capital Research Global Investors (Capital Group)
Capital International Investors (Capital Group)

NORTHROP GRUMMAN

Shareholder
State Street
Capital International Investors (Capital Group)
Vanguard
BlackRock
Wellington

BOEING

Shareholder	Shares
Vanguard	47,253,012
BlackRock	36,819,108
Newport Trust Company	34,565,308
State Street	26,416,857
FMR LLC (Fidelity)	19,689,418

GENERAL DYNAMIC

Shareholder
Longview Asset Management
Vanguard
Newport Trust Company
BlackRock
Wellington

Source: Gott and Seidman, 2023. Authors' own elaboration.

According to Payne (2022), in its attempts to secure unlimited profits, financial capital has penetrated the military sphere, resulting in the financialization of war, as financiers and investors have become deeply connected to the military-industrial complex. Financialization aligns with the strengthening of the armed forces, intertwining banks, hedge fund managers, and a large number of individual financiers who have become shareholders of U.S. military corporations (Payne, 2022). War is an expansive movement of power and, at the same time, of financial accumulation.

BRIEF CONCLUSIONS

This article analyzed the connection between the financialized accumulation regime and defense spending as structural elements sustaining the pace of capitalist accumulation in the United States. Based on theoretical foundations and empirical evidence, it examined whether the tendency of the rate of profit to fall is partially neutralized by processes of financialization and militarization. The results indicate that high levels of military spending play a central role in maintaining effective demand, contributing to the growth of profits in both financial and non-financial industries. Defense spending has the advantage of absorbing surplus workforce and means of production without expanding productive capacity, thereby stimulating private investment. In addition, it promotes economic growth through technological spillover effects from the military-industrial complex to the civilian productive sector.

The empirical analysis corroborated these conclusions by showing that military expenditure and the profits of financial and non-financial corporations exhibit a positive correlation and an upward trajectory over the period 1949-2024. The study also sought to demonstrate the articulation between financialization and militarization, observable both through the public debt channel and through the stock market performance of firms within the military-industrial complex. The accelerated expansion of public debt simultaneously reflects the deepening of financial speculation in Treasury securities and the extensive capacity of the United States to finance itself and sustain high levels of defense spending, facilitated by the dollar's position as the international reserve currency.

Additionally, the appreciation of assets of the main corporations in the defense sector – Raytheon,

Lockheed Martin, Northrop Grumman, Boeing, and General Dynamics – reflects the continuous injection of budgetary resources allocated to war financing, highlighting how militarization provides opportunities for financial gain in the stock market.

Taken together, all these features of the U.S. economy constitute a militarism-financialization-led accumulation regime. The public debt market and the stock exchange outline a horizon of expanding speculative business that endangers the very conditions of human survival. Genocide, nuclear threats, and endless wars are consequences of this logic taken to its limit. Militarization and financialization constitute mutually reinforcing processes through which the hegemonic order reproduces itself by feeding on the very contradictions and crises it generates.

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Conflicts of Interest
The authors have no conflicts of interest to declare.

Data Availability
The entire dataset supporting the findings of this study is published within the article.

Authors' Contributions
Denise Lobato Gentil: Conceptualization; Data curation; Formal analysis; Investigation; Methodology; Writing – original draft; Writing – proofreading.
Miguel Bruno: Formal analysis; Project administration; Supervision; Validation; Writing – original draft;