

The Political Economy of U.S. Systemic Militarism

James M. Cypher

After what seems a couple of decades of near quietude, Dwight Eisenhower's *bête noire*, the military-industrial complex, is again fashionable. We see it in the 2021 outpouring of articles and books, a (now rare) U.S. Senate hearing, and even an extended encyclopaedia entry.¹ A more accurate and meaningful term, which could lead the inquisitive to the structural roots of U.S. militarism, would be the industrial-military-congressional complex. Nonetheless, it must come as some relief to those who leverage the Pentagon, and did so with the better-named U.S. Department of War (1789–1947), that the focus is on the military in the first instance and not on the industrial interests that usually determine (or steer) the larger dynamics of procurement, geostrategic diplomacy, and military strategy.² An adequate encapsulation is the iron triangle, with (1) military contractor corporations forming one side (the base) of the equilateral triangle; (2) the military forces, intelligence agencies, expedition-ready National Guard units, mercenary private security companies, and veteran organisations forming another side; and (3) the civilian national security state (headed by the chief executive, the secretary of state, the National Security Council, congressional members of key arms and security committees, NASA, and military-/contractor-funded but seemingly independent Washington DC think tanks) on the



["U.S. Weapons Sale."](#) Cartoon by Cai Meng, China Daily, March 7, 2022.

¹ ↪ John Alic, "[The U.S. Politico–Military–Industrial Complex](#)," in *Oxford Research Encyclopedia of Politics*, ed. William R. Thompson (Oxford: Oxford University Press, 2021); Andrew Cockburn, *The Spoils of War: Power, Profit and the American War Machine* (London: Verso, 2021); William Hartung, "Profits of War: Corporate Beneficiaries of the Post-9/11 Pentagon Spending Surge," Watson Institute of International Affairs, Brown University, September 13, 2021; Enrico Moretti, Claudia Steinwender, and John Van Reenen, "[The Intellectual Spoils of War? Defense R&D, Productivity and International Spillovers](#)," Econometrics Laboratory, University of California, Berkeley, July 2021; Alex Rowland, *Delta of Power: The Military-Industrial Complex* (Baltimore, MD: Johns Hopkins Press, 2021); Adam Tooze, "The New Age of American Power," *New Statesman* (2021): 24–31; "[Waste, Fraud, Cost Overruns, and Auditing at the Pentagon](#)," Senate Hearing 117-46, Before the Comm. on the Budget, 117th Cong. 1 (2021).

² ↪ James Cypher, "Military Spending in the Swamp," *Dollars & Sense* (2017): 25–30.

remaining side. The complex interdependent dynamics of the iron triangle take form as strategy, political-economy factors, and international affairs shift and drift—with constant, but varying, pressure (particularly from its base and both sides) to expand the resources it commands.³

Certainly, the U.S. withdrawal from Afghanistan has provoked a bit of reflection that sometimes leads to reprising the

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structural interests and embedded powers that keep military expenditures rising, or never falling much for long. But normally a bit of dismaying information regarding Pentagon “waste, fraud, and abuse” is as far (and as deep) as critics care to go. Lodged in U.S. historical memory, the military-industrial complex at best provides a hazy, often misleading, construct. As U.S. military spending in the fiscal year 2022 reaches \$1.6 trillion for the broadly defined military sector,

there is more—much more—to consider.⁴

Three Configurations of Militarism

Historians often insist that, if there were anything that could reasonably be termed militarism in the United States, it would require a virtual repeat of swaggering German generals in full regalia. Failing the appearance of a carbon copy of Wilhelmine Germany, it seems that historians are asserting it would certainly not be acceptable to make any use of the term. But there is more to life, thankfully, than pleasing rearview-mirror historians. In the United States, the mark of militarism is omnipresence in the deference paid to all things military. “Militarism constitutes a socially constructed institutionalised structure, including habits of thought and patterns of reflexive action (e.g., ‘patriotism’) as well as tangible entities such as military forces and arms contractors. Militarism finds its expression both as ideology and as national policy exercised through state apparatuses—these two manifestations of militarism are not separable but continually interactive.”⁵

From the Second World War on, the populace fell into line embracing what C. Wright Mills called the “American

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celebration.”⁶ Acceding to the “military definition of reality,” the public at large vicariously celebrates unipolar might at every turn—yet this now falters too, in the context of people’s dwindling level of internal morale as the ravages of neoliberalism have mercilessly widened the distribution of income.

Real median hourly wages grew at the minuscule annual rate of 0.34 percent from 1979 to 2019, while hourly worker

³ ↪ Of the twenty-five most-cited U.S. think tanks, twelve receive “big money from weapons manufacturers,” including the International Institute for Strategic Studies, Brookings Institution, Center for Strategic and International Studies, and Arab Gulf States Institute. Shana Marshall, “The Defense Industry’s Role in Militarizing US Foreign Policy,” *Middle*

⁴ ↪ We have adjusted the \$1.268.1 trillion estimate of military-related spending provided by Mandy Smithberger and William Hartung to include: the \$24.8 billion NASA budget (long devoted to space weapons development); the transfer of \$62.5 billion from the U.S. Treasury to pay for military retirement; the doubling of debt payment (to 40 percent) attributable to past military spending (to correct underestimates); and the \$155 billion in commercial, Pentagon-approved, foreign military sales. Mandy Smithberger and William Hartung, “What Price ‘Defense’?,” Project on Government Oversight, June 29, 2021.

⁵ ↪ James Cypher, “US Militarism, US Hegemonic Power,” in *The Palgrave Encyclopedia of Imperialism and Anti-Imperialism*, 2nd ed., ed. Immanuel Ness & Zac Cope (Cham, Switzerland: Springer, 2021), 2826.

⁶ ↪ Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956) 25.

productivity rose 1.33 percent per year.⁷ Nevertheless, led by today's "crackpot realists" (namely, the "defence intellectuals") fired by the "military metaphysic"—as Mills again put it—the drums now beat for U.S. military encirclement and policies to constrain China.⁸ Flexing its seapower and flaunting its dominance in space ("integrated deterrence"), the U.S. national security state is once again using "threat inflation" to ensure that people readily fall into line. From the Second World War to the present, we can identify three defining, overlapping configurations of U.S. militarism.

Military Keynesianism encapsulates the unique set of institutional U.S. conditions and historical conjunctures formed directly after the Second World War. Unlike other advanced industrial nations devastated by the First and Second World Wars, the United States essentially benefited from the wars' promotion of U.S. capital formation and growth. The New Deal era largely stabilised the entropic effects fully unleashed in 1929, but the Great Depression lingered until war orders from Europe and Asia provided an exogenous lift. Thereafter, military spending exploded, first rising 600 percent in one year from June 1940 to 1941, and then reaching 42 percent of GDP in 1943–44. Even though fifteen million workers entered the military, the economy expanded at its highest rate ever: real GDP jumped 54 percent from 1939 to 1944, when unemployment reached a historical low of 1.2 percent. This conjuncture was marked by both "guns and butter," and the quick application of at least twenty major technological innovations. Far from being a "burden," as neoclassical economists insist, the roots of what became known as military Keynesianism were established in this unique historical context—seeing a large military budget that created capital formation, employment, and technological dynamism.

The historical context illuminates a distinctive U.S. institutional configuration. Through the 1950s and '60s, military expenditures were viewed through the Keynesian secular stagnationist perspective of Alvin Hansen, whose analysis portrayed the endogenous drivers of U.S. economic growth as exhausted. In the postwar context haunted by the spectre of stagnation, powerful New Deal-style economic policymakers such as Leon Keyserling advocated social Keynesianism—massive social spending programs to boost employment investment and consumption—while the economics establishment at large advocated small-ball monetary policy to counter the threat of a downturn. The debate over stagnation versus automatically equilibrating unassisted market forces unfolded along with dramatic changes in

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perceived threatening military conditions—particularly those projected onto the USSR. The upshot of profound debate regarding the applicability of discretionary fiscal policy and social Keynesianism was resolved by the implementation of a sweeping secret national security program outlined in 1950 in NSC-68, which pushed the guns-and-butter approach. Keyserling ended up downplaying

the social elements of Keynesianism, understanding that his priorities could only be met by cohering with the system via the anti-cyclical, stagnation-suppressing effects of massive ongoing structural military spending. Conjoining civilian economic objectives through vast military programs was the only way forward: new contracts signed by the Pentagon

⁷ ↪ Elise Gould, *State of Working America Wages 2019* (Washington DC: Economic Policy Institute, 2020).

⁸ ↪ Wright Mills, *The Causes of World War III* (New York: Simon and Schuster, 1958), 54, 172; John Bellamy Foster, "The New Cold War on China," *Monthly Review* 73 no. 3 (July–August 2021): 1–20.

rose from \$14.8 billion in the fiscal year 1950 to \$51.1 billion in the fiscal year 1951; now 15.1 percent of GDP was directly attributable to Pentagon programs and a new configuration of accumulation commenced.⁹

Keynesians had no theory of technological innovation—somehow it was “exogenous” to the system. It just “showed up,” or not. The generally constant growth in both military spending and GDP until the early 1970s was marked by a surge in government-funded, often “blue-sky” military research and development that brought major change across the production structure—most notably thereafter, via the transition to the military-fuelled digital high-tech Silicon Valley growth sector in the late 1970s and early ’80s. Nonetheless, in high policy circles, the influence of the Keynesian

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coalition waned in the turbulent 1970s, while neoliberalism gained intellectual hegemony. Full employment and policies supportive of organised labor were abandoned—the labor market was left to “seek its own level.” Yet, even in the very midst of its official abandonment, during the Reagan period, the United States in reality continued to deploy military

Keynesianism. After the dot-com bubble initiated a recession in early 2001, September 11 opened the door to yet another episode of military Keynesianism.

This configuration of postwar militarism was grounded in the idea that increases in military spending would have more than proportionate effects on employment consumption, investment, and GDP—the famous Keynesian multiplier effect. Long controversial, in 2019, the National Bureau of Economics Research issued a carefully researched analysis showing that defence contracts did not “crowd out” other economic activity between 1990 and 2015, but did provoke strong multiplier effects, finding that \$1 billion spent raised the economy by \$1.5 billion.¹⁰ These results are all the opposite of what mainstream economists anticipated. This suggests that the overall military spending of \$1.614 trillion in 2022 (now including multiplier and related effects) could well produce more than 10.5 percent of U.S. GDP—or about 2.8 times more than the universally cited conventional Department of Defense-to-GDP ratio.

Nevertheless, it would be a mistake to assume that military Keynesianism was ever defined as a jobs program per se.

Global neoliberal militarism emerged as the defining institutional-ideological configuration of U.S. militarism.

Extraordinary contractor profits, technological dynamism, and employment creation with decent pay and benefits, along with geostrategic priorities designed to advance U.S. hegemony, all cohered with military Keynesianism, at varying times and in varying

proportions.

Global neoliberal militarism emerged as the defining institutional-ideological configuration of U.S. militarism, with the rise to power of a neoconservative coalition centred on the privatisation of all possible military functions (including funding mercenary forces), while expressing an inordinate affection and affliction for military intervention embodying the worst illusions of the pre-First World War Prussian militarist.

⁹ ↪ These two paragraphs are summarised from material in James Cypher, “The Origins and Evolution of Military Keynesianism in the United States,” *Journal of Post Keynesian Economics* 38, no. 3 (2015): 449–76.

¹⁰ ↪ Local multipliers were computed, but the authors suggested that the analysis could be generalised across the United States: Alan J. Auerbach, Yuriy Gorodnichenko, and Daniel Murphy, “Local Fiscal Multipliers and Fiscal Spillovers in the United States” (National Bureau of Economic Research Working Paper Series No. 25457, January 2019), 4, 14.

The shock and awe unleashed on Iraq in 2003 was to restore U.S. militarism as the premier ideological construct. Behind this construct U.S. power could fluidly unfold, as the world's only superpower demonstrated that no form of nationalist defiance would go unpunished. A new era of neoliberal militarism was consolidating, according to the architects of the new model—Paul Wolfowitz, Richard Pearle, Douglas Feith, Dick Cheney, and Donald Rumsfeld (among others).... Long before 9/11, as we now know, the architects of neoliberal militarism were intent upon making Iraq a showcase of their resolve. Preemption of any form of defiance would yield long-term benefits as other nations curbed their nationalist impulses lest they suffer the consequences of U.S. destabilisation or invasion.... Even in the Keynesian era many operations and maintenance activities were spun-off to private contractors, but in the new era the search for possible privatisations has reached new heights.... A vast constellation of contractors employing a shadow military with a vested interest in higher levels of military spending, particularly in the high-profit intervention/reconstruction business—has been created.... Washington has now embarked on a form of global militarism that stretches beyond the precedents established in the postwar era.... Rather than constituting something entirely new, the current neoconservative thrust of U.S. grand strategy has tragically accelerated dangerous belligerent tendencies built into the structure of the U.S. political economy.¹¹

Corporate militarism—the avid acquisition of windfall and structural profits, technological spinoffs, patent-rights

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transfers, and subsidised plant and equipment—was initiated during the Second World War. New production plants, overwhelmingly government-financed, directly or indirectly, through unprecedented five-year depreciation schemes, increased the entire U.S. capital stock by 65 percent. When the

war ended, about 77 percent of the total value of this ultra-modern plant and equipment was turned over to the largest U.S. corporations (after they had been leased and profitably operated throughout the war) for very little, or nothing. In one important instance, government assets valued at \$1.3 billion (or \$20.8 billion in 2021)—consisting of twenty-two government-owned plants, including eight aluminum smelters, ten aluminum fabricating plants, two alumina refineries, and two processing plants for low-grade bauxite—were simply “given away” to the Alcoa Corporation in 1943.¹² Since the Second World War, corporate militarism has been ever-present, working in tandem with military Keynesianism, when operable, or with global neoliberal militarism. In the latter configuration, between 2017 and 2021, the primary focus was on bolstering military contractors while U.S. leaders sought legitimation by raising salaries for military personnel. This process was engineered by a coterie of industrial titans controlling the commanding heights of the Pentagon.¹³

From 9/11 Onward

Public assent for U.S. militarism was constantly on display from 2001 to 2016. These years saw the rise of George W. Bush's neoconservative war cabinet (including number two at the Pentagon, unilateralist Paul Wolfowitz, whose “doctrine” demanded maintenance of global U.S. hegemony through military dominance and intervention).

¹¹ ↪ James Cypher, “From Military Keynesianism to Global-Neoliberal Militarism,” *Monthly Review* 59, no. 2 (June 2007): 38–40, 44, 54.

¹² ↪ S. Senate, “Report of the Smaller War Plants Corporation,” in *The Military-Industrial Complex*, ed. Carroll Pursell (New York: Harper & Row, 1972), 160; John McCormac, “Warns U.S. on Sale of Its War Plants,” *New York Times*, May 21, 1943, 40.

¹³ ↪ Lee Fang, “Donald Trump Is Filling Top Pentagon and Homeland Security Positions with Defense Contractors,” *Intercept*, March 21, 2017.

Following 9/11, defence spending increased substantially as the conflicts in Afghanistan and Iraq began and endured. Over several years, the active Army grew from 470,000 to 548,000 and the Marine Corps expanded from 158,000 to 202,000, while Air Force and Navy end strengths remained static or declined slightly. In keeping with Secretary of Defense Donald Rumsfeld's "transformation" initiatives, significant investments were made in command, control, communications, computers, intelligence, surveillance, and reconnaissance systems and in precision munitions, as well as in force protection enhancements such as up-armoured wheeled vehicles. Nevertheless, legacy combat systems—planes, tanks, and ships—first delivered in the 1970s and early 1980s remained the backbone of the military services (as they do today), while many next-generation programs were canceled or downsized.¹⁴

The eight-year Barack Obama presidency ceaselessly celebrated U.S. exceptionalism with the recurring use of power projection technologies. Obama steadily relied on his neoconservative, militarist secretary of state to help topple

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progressive governments in the Global South (such as Honduras and Brazil) and to exert the military might and menace of "the indispensable nation." Thereafter, the new commander in chief stressed the meaninglessness of the "endless wars" haplessly pursued by his two immediate predecessors—while raising the taboo topic of the trillions

of dollars squandered in the Afghanistan and Iraq wars. Though that gambit opened the door slightly to a critical perspective, Donald Trump nevertheless proceeded to shovel largess from his side of the Potomac to the Pentagon swamplands, and from there to the heartlands of the "homeland."¹⁵

Realigning Policy: The Big-Time Contractor Bonanza

The turning point, leaving behind the tropes of small war, nation-building, and humanitarian intervention, did not arrive

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in 2021, but in 2011 as the State Department announced that military policy would center on a containment strategy aimed at China (including dominance of sea "choke points" and advanced placement of rapid deployment weaponry in territories under U.S. suzerainty). By 2012, for Powertown (Washington DC), the fashionable topic became the "third offset"—Pentagonese for a very major strategic shift in procurement, deployment, and adaptation to technology-heavy military artefacts, incorporating new applications of artificial intelligence, the development of a new array of

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¹⁴ ↪ D. Hooker, *The Grand Strategy of the United States* (Washington DC: National Defense University Press, 2014), 12–13.

¹⁵ ↪ Cypher, "Military Spending in the Swamp."

manner of space weaponry and surveillance equipment.¹⁶ This was formalised in the 2018 Department of Defense National Defense Strategy Statement. Conspicuous in the new measures proposed was the tremendous overlap between what U.S. military strategists regarded as conceivable breakthrough technologies and those rooted in long-established specialties of the Silicon Valley behemoths.

Stuart Leslie demystified the self-serving folklore that the California high-tech boom, including the Internet, was due to “entrepreneurial,” frequently libertarian, companies—the lauded “start-up” culture was in fact the same old military-contractor culture that had milked Powertown since the early 1940s. “At a time when six-figure venture capital investments were still considered risky by West Coast standards, a start-up company like Varian Associates could...attract million-dollar-plus contracts from the U.S. Air Force or Navy.... Defense contracts generally meant a production contract along with an R&D contract, and so a guaranteed market. Add in...cost-plus contracts...and it is not hard to understand why so few start-ups [needed] to pursue venture capital.”¹⁷

As to Varian (which celebrated its fiftieth anniversary in 1998, then employing seven thousand people in nine nations), it

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later extended into health care systems and capital goods for the semiconductor industry. It has been exalted for its prowess in patent activities, with ten thousand registered. Almost never does the Department of Defense claim such patents; instead, using taxpayer funds, it provides for contractor privatisations of public-funded research, via patents for such knowledge capital lasting up

to twenty-one years—thereby generating a long, fat tail of windfall economic rents. By 2020, Varian’s sales were above \$3 billion.

As R. D. Hooker has noted, the shift to small wars in the Middle East left the U.S. Navy mostly high and dry, but no more. Controlling the Indo-Pacific will mean that production of more and more high-profit warships will become de rigour. Current plans provide a build up to 377 “manned” ships over a span of twenty to thirty years, up from 271 in 2015. In addition, the Navy seeks, at some point yet to be defined, up to 140 unmanned surface and undersea vehicles—meaning ships and submarines of sometimes substantial size, which would be “lightly” manned and loaded with missiles to attack both ships and on-land targets from a distance of up to 300 nautical miles.¹⁸ This colossal undertaking presents a trail of gold seldom to be found, requiring the Navy to jump its annual budget by 50 percent—from approximately \$200 billion per year to \$300 billion (in constant 2021 dollars). For the moment, \$434 million has been requested in the 2022 budget’s research and development outlays for the unmanned surface and undersea vehicles project. This indicates that the project, which could involve hundreds of billions of dollars when the production stage is reached—is far from serious implementation. In addition to these research and development activities, Boeing was given \$275 million to build five underwater unmanned vehicles (or fifty-foot “robot subs”) in the fiscal year 2019.

¹⁶ ↪ “Offset” refers to the entirety of new weapons and related artefacts that would putatively offset (or checkmate, or “deter”) a military opponent *and* deliver military superiority in all “domains” (land, air, sea, cyberspace, and space). The first offset occurred during the Eisenhower era when the United States substituted nuclear missile systems for armour forces, thereby offsetting Soviet and Warsaw Pact capabilities. The second offset began around 1973, later known as the “Revolution in Military Affairs”—emphasising laser-guided munitions, stealth technologies, and an array of new digital systems enhancing communications and command structures, as well as heightening intelligence, surveillance, and reconnaissance capacities—was eventually deployed in the Persian Gulf War (1991), Kosovo Air War (1999), Afghanistan War (2001), and Iraq War (2003).

¹⁷ ↪ Stuart Leslie, “The Biggest Angel of Them All: The Military and the Making of Silicon Valley,” in *Understanding Silicon Valley*, ed. Martin Kenney (Stanford: Stanford University Press, 2000), 50.

¹⁸ ↪ Ronald O’Rourke, *Navy Large Unmanned Surface and Undersea Vehicles* (Washington DC: Congressional Research Service, 2021); Ronald O’Rourke, *Navy Force Structure and Shipbuilding Plans* (Washington DC: Congressional Research Service, 2021).

Titanic Architectures

The unmanned surface and undersea vehicles project is just part of what is termed a new fleet architecture, costing (if we accept the base estimates that are always ridiculously low) some \$327 billion (in constant 2021 dollars) in the first decade of what could be a three-decade spending spree. Most of the funding will be directed at a broad array of fully crewed ships, including at least two \$12 to 13 billion replacement aircraft carriers now under construction. On paper, at least, this project could be spread over thirty years, suggesting a base estimate cost in constant 2021 dollars of nearly \$1 trillion. If this project were allowed to run as planned, with inevitable cost overruns as institutionalized in the contractor production process, the Navy redesign would likely cost around \$2 to 3 trillion (in 2021 constant dollars). Based on past practices, it would likely result in fewer ships than planned, with lower technological capabilities. Standard operating procedure actually means higher than programmed costs, providing fewer, deficient-quality, late-delivery weapons than calculated—as was the case with the thirty-two littoral combat ships that were revealed to have cost 2.98 times their program price in 2016.¹⁹ These outlays provided profits for prime contractors Lockheed Martin and General Dynamics. General Dynamics used its own subsidiaries, including Bath Iron Works (Bath, Maine); General Dynamics Armament and Technical Products (Burlington, Vermont); General Dynamics Electric Boat (Gorton, Connecticut); General Dynamics Advanced Information Systems (Washington DC); its then joint-owned shipyard Austal USA (Mobile, Alabama); and, as first-tier subcontractors, several Powertown companies: AE Systems (Rockville, Maryland); Maritime Applied Physics Corporation (Baltimore, Maryland); CAE Marine Systems (Leesburg, Virginia); and Northrop Grumman Electronic Systems (Baltimore, Maryland).

By 2020, the Navy had decommissioned the first four delivered littoral combat ships because they were “less capable” (meaning water leakages, power system failures, and so on). It was then announced that they would scrap several more. By 2021, eight of the twenty ships commissioned had been discarded—some with less than four years at sea (or left

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docked) compared to the expected thirty to forty years.²⁰ As far as Keynes was concerned, “failing something better” (like building houses), military spending would at least raise the level of economic activity when needed.²¹ The long tail of the 2007–09 financial crisis continued to sting as stagnation haunted the United

States, yet the littoral combat ships were there to help cushion the blow. The first one reached the full production stage in 2007, when excess capacity in shipbuilding was high and Congress sought relief, with the staged deliveries of thirty-two to thirty-five (apparently useless) ships more or less coinciding with the crisis recovery period, mid–2009 to around mid–2015. If nothing else, the experience of the littoral combat ships (and the somewhat similar one of the now discontinued DDG-1000 Zumwalt-class thirty-two-ship stealth destroyer program, ultimately costing \$22 billion for three “titanium tin cans” despite being described by the Navy as “the largest and most technologically advanced surface combatant in the world”) illustrates modern day military Keynesianism in action.

¹⁹ ↪ Mandy Smithberger and Pierre Sprey, “[Overhaul of Littoral Combat Ship Program Likely to Increase Risks and Costs](#),” Project on Government Oversight, December 16, 2016.

²⁰ ↪ David Axe, “The U.S. Navy Wasted a Whole Decade Building Bad Ships,” *Forbes*, January 5, 2021; Gina Harkin, “Navy’s 1st 4 Littoral Combat Ships Head to Retirement as Shipbuilding Budget Drops,” *Military.com*, February 10, 2020; Thomas Newdick, “This Is the Navy’s Timeline for Ridding Itself of Four More Littoral Combat Ships,” *The War Zone*, July 12, 2021; “US Navy’s Next-Gen Naval Warfighter Is a Multibillion-Dollar Failure,” *TRT World*, April 14, 2021.

²¹ ↪ John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York: Harcourt, Brace & World, 1936), 128–30.

Military Keynesianism for the Twenty-First Century?

The wastefulness of the littoral combat ships greatly exceeds the bloated cost of the eight scrapped ships, because many additional items were purchased as well—including helicopters for the shipboard landing pads and armaments/ordnance, control and communications systems, training of personnel, and more. These related items, termed mission packages, added another \$7.6 billion (36 percent) to the contract's price according to a U.S. General Accounting Office report. Then, there is the average annual operating cost per vessel of \$70 million, partly so high because profit-grabbing private contractors are assigned to handle routine maintenance, having twenty-one days to do so—a maintenance time frame equivalent to that of a Destroyer ship almost three times its size. All in all, even ignoring the hardware and software of the mission packages and operating costs, the jettisoning of the eight ships (at \$3.4 billion) is the equivalent, in 2020 prices, of blowing up 232 brand new U.S. elementary schools. It is worth recalling that the hype around the creation of the littoral combat ships was as high as it could be—these ships were claimed to be the embodiment of the Revolution in Military Affairs. The program actually began without any strategic vision during the procurement bonanza following the histrionics of 9/11—and now they are clearly of little use in the great power rivalry scenario marking 2021 and 2022.

Currently, with limited new shipbuilding underway, the Navy “monitors and tracks approximately 22,000 critical contractors who are most important to modernisation and readiness”—but these are only a small portion of the total number of contractors focused on Pentagon largess.²² The seven U.S. shipyards have current production capacity far below that needed to implement the thirty-year new architecture project for 377 manned ships, plus an array of unmanned surface and undersea vehicles. Expanding shipyard capacity will jump costs, including particularly for new yard workers who will require training to achieve necessary high productivity levels only after several years of experience. Thus, there are structural production considerations that will raise unit costs, as well as anticipated contractor “gold plating,” possibly ongoing through 2050. Gold plating comes in several guises, especially “profit pyramiding”: Imagine the prime contractor adds a “suitable” profit markup to whatever the company has produced, to that of the production of the subsidiary firms owned by the prime and that of the prime’s subcontractors. Imagine a contract of \$1 billion, where the prime contractor charges the \$1 billion to the Pentagon, with 8 percent labeled “profit”—or \$80 million. Putatively, the cost is \$920 million. However, the first-tier subcontractor charged \$500 million as a cost (with \$40 million in profit) and the second-tier company charged \$300 million as a cost (with \$24 million profit). Total profit on the \$1 billion means \$80 + \$40 + \$24 million = \$144 million, or 14.4 percent on the sale. But the record would normally show only the “reasonable” markup of 8 percent, not the overall 14.4 percent armaments profiteering rate here noted (which included estimated “pass-through charges” of the subsidiary and the first-tier contractor). This pyramiding is “business as usual,” heaping profits upon profits upon profits, with the record showing only the last margin taken by the “prime contractor,” with all the lower-tier profits hidden away.

These days, the Department of Defense uses the word profit only to describe what a contractor might extract from a fixed-price contract—while a cost-plus contract, such as the example above, is now officially “profitless,” defined as a cost-plus-fixed-fee contract, and voilà, the anodyne word fee conjures out of existence profit. Even in the case of the fixed-price contract, the price is not fixed—contractors can angle for, and get, fixed-price contracts with economic price adjustment providing all the elasticity desired. Currently, a contractor might also find it more beneficial to orchestrate a fixed-price incentive contract that provides for adjusting profit and establishing the final contract price by a formula based on the relationship of final negotiated total cost to total target cost. Even more porous is the cost-plus-award-fee

²² ↪ O’Rourke, Navy Force Structure and Shipbuilding Plans, 27.

contract that provides for a fee consisting of (1) a base amount fixed at inception of the contract and (2) an award amount, based on a judgmental evaluation by the Department of Defense. In any case, while contractors often portray military contracting as a losing proposition, they avidly seek contracts, and then follow-on contracts and follow-ons to the follow-ons. A quick glance at the General Dynamics corporate report shows that hefty 2020 profits reached near 10 percent of its \$40 billion in sales revenues, with roughly 70 percent coming from U.S. military sales (much of the rest being foreign military sales). While the “war profiteering” debate has been on boil for a century and will continue, the empirical record shows that current aggregate net profit rates for prime contractors averaged 14.3 percent—based on 113 contracts from 2000 to 2015—

These are much higher net profit numbers (roughly double) than those for average civilian manufacturing.

while subcontractors achieved around 14.6 percent.²³ These are much higher net profit numbers (roughly double) than those for average civilian manufacturing and serve as a proxy for the preferred, but unavailable, return on capital measure (instead of on contracts or sales as presented here).

All Roads Lead to China

The U.S. economy has long been fuelled by public research and development programs and related efforts (along with

The Pentagon and its many related apparatuses (including the eighteen intelligence agencies, NASA, and the Department of Energy’s nuclear programs) have been and remain firmly in the lead.

their spinoff effects).²⁴ The Pentagon and its many related apparatuses (including the eighteen intelligence agencies, NASA, and the Department of Energy’s nuclear programs) have been and remain firmly in the lead. Nevertheless, today, the relative weight of, but not the legacy effect of,

publicly funded technology creation and innovation projects has declined. There are more, proportionately, private-sector technology related efforts. Once, this was a process unfolding almost completely in the United States—all other nations watched from the sidelines, particularly when Silicon Valley technologies drove the economy in the new digital age from the 1980s onward. Yet, qualitatively, U.S.-military inspired technologies dominate.

Now, times have changed, and very quickly so. The United States has long used military spending as its sub rosa

According to prevailing neoliberal economic mythology, the market knows best. The market is efficient and all non-market activities must be reduced to a minimum. Of course, “defence” is excluded; it is the “black box” mainstream neoclassical and neoliberal economists generally ignore.

industrial policy, while decrying all notions that embrace or consider industrial policies worldwide. According to prevailing neoliberal economic mythology, the market knows best. The market is efficient and all non-market activities must be reduced to a minimum. Of course, “defence” is excluded; it is the “black box” mainstream neoclassical and neoliberal economists generally ignore. Arguments against industrial policy by neoliberal economists (including Milton Friedman) were presented in China in the 1980s as its leaders

pondered market-led possibilities.²⁵ But, no more, and not for a long time. China has refined, again and again, its industrial policies in recent decades, shovelling funds into strategic sectors that have mostly leaped ahead. Given ideological blinders, neoliberal policymakers in Powertown frequently made little of China’s state-owned sector and its role in achieving industrial policy goals. Only very recently, particularly with the explosion of China’s 5-G program,

²³ ↪ Aron Rhea, *Comparison of Profit Margin Percentages between Prime Contractors and Subcontractors* (Fort Belvoir, VA: Defense Technical Information Center, 2017), 30–31, 38; Undersecretary of Defense, *Performance of the Defense Acquisition System: 2015 Annual Report* (Washington DC: USGPO, 2015).

²⁴ ↪ James Cypher, “Military Expenditures, Technical Change and Economic Growth: A Disguised Form of Industrial Policy?,” *Journal of Economic Issues* 21, no. 1 (1987): 33–59.

²⁵ ↪ Isabella Weber, *How China Escaped Shock Therapy* (New York: Routledge, 2021).

have “defence intellectuals” and military strategic analysts grasped China’s burgeoning technological capabilities. (The 2025 estimates of 5-G consumption predict a 60 percent global share for China. The United States had 30 to 40 million subscribers in December 2020, while China reportedly added 300 million in 2020.) While China avidly explores the foreign market for 5-G, the United States uses all the leverage it can through its national security state to block this process—in 2020 the United States forced the United Kingdom to drop its contract with Huawei and imposed sanctions on the company to block its use of sourced components and access to advanced U.S. microchip technologies.

Telecommunications and advanced digital electronics constitute the vital sinews for U.S. military “power projection,” an area long dominated by U.S. corporations. With the assistance provided by the Defense Advanced Research Projects Administration from 1958 on, the United States has maintained its technological edge.²⁶ Unquestionably, the United States has a national innovation system and Pentagon program funding at its epicentre, accounting for an average of over 50 percent of all public research and development spending. Rather than “crowding out” private research and development, as is often claimed, \$3 billion of military research and development induced \$2 billion in private-sector

Strategic planners at the National Security Council and the Pentagon are committed to forestalling head-to-head manufacturing competition with China, using amorphous terminology such as “maintaining U.S. vital interests” as the point of the lance as they manoeuvre to anticipate and hinder, by any means, China’s search for technological capacity and autonomy.

military-related research and development.²⁷ What has come as a thunderbolt is the existence and success of China’s consolidating national innovation system. Of note is Made in China 2025, a program designed to vault China into a technological powerhouse, focusing on the rapid ascendance of ten key sectors including at least two that the United States views as threatening to its core dominance, exerted through global military hegemony—next-generation information technologies, and aerospace and aviation

technologies. China contends it will become the world’s leading power in manufacturing, stressing high national content and industrial innovation capacity. Strategic planners at the National Security Council and the Pentagon are committed to forestalling head-to-head manufacturing competition with China, using amorphous terminology such as “maintaining U.S. vital interests” as the point of the lance as they manoeuvre to anticipate and hinder, by any means, China’s search for technological capacity and autonomy. As was the case with the USSR—when the United States promoted the idea of “gaps” (bomber gap, missile gap, spending gap, and so on) that never materialised—strategic analysts are now flogging the idea of a ship gap, claiming that China is “the pacing threat.” According to this trope, the United States is being “forced” to try to catch up with China’s navy, which they claim “is the world’s biggest by number.” The United States, using tried-and-true sleight-of-hand counting, claims that China has a “total battle force” of 360 ships, dwarfing the U.S. tally of 297.²⁸

However, a standard metric is ignored in this calculation—the United States has a plenitude of very large combat-ready ships, China has a plethora of small, capability-limited Coast Guard-type ships. The standard comparative metric is the “surface warship fleet” count, with the United States having 162 ships plus 68 submarines, including the most lethal of all weapons—14 SSN ballistic missile submarines, which can carry 20 multiple independently targeted reentry vehicles nuclear missiles, meaning that each submarine could potentially incinerate up to 240 independent targeted sites with

²⁶ ↪ Fred Block, “Innovation and the Invisible Hand of Government,” in *State of Innovation*, ed. Fred Block and Matthew R. Keller (London: Paradigm, 2011), 8–14; Eugene Gholz and Harvey Saplosky, “The Defense Innovation Machine: Why the U.S. Will Remain on the Cutting Edge,” *Journal of Strategic Studies* 44, no. 3 (2021): 1–19.

²⁷ ↪ Moretti, Steinwender, and Reenen, “The Intellectual Spoils of War?,” 3–4.

²⁸ ↪ Chris Buckley, “After Australian Submarine Deal Asia Begins to Adjust Its Military Thinking,” *New York Times*, September 23, 2021, A10; Benjamin Maindari, “Yes, China Has the World’s Largest Navy. That Matters Less Than You Might Think,” *Diplomat*, April 7, 2021.

nuclear bombs, each at least six times larger than the Hiroshima bomb. Meanwhile China's "surface warship fleet"

While the United States shows massive military superiority over China, it nonetheless feared sharing any degree of strategic military hegemonic power with France in the Indo-Pacific.

consists of 121 vessels plus 56 submarines, including 6 ballistic missile subs each carrying up to 12 non-multiple independently targeted reentry vehicles nuclear projectiles. On the vital ballistic sub missile count, if current assessments are accurate, the United States could deliver several thousand

targeted nuclear bombs (including currently non-deployed or "stockpiled" nuclear weapons) versus China's 72 (or slightly more).

While the United States shows massive military superiority over China, it nonetheless feared sharing any degree of strategic military hegemonic power with France in the Indo-Pacific. France is a nation with a long legacy of military and

This was the context when Hillary Clinton's neoconservative allies in brinkmanship orchestrated a behind-the-scenes power play to scuttle Australian diesel-powered nuclear sub deal in favor of building a smaller number of more menacing nuclear-powered subs using U.S. technology.

diplomatic capability in the region. President Emmanuel Macron proclaimed France an Indo-Pacific power, with facilities stretching from Djibouti to Polynesia, "backed by a world-class military industry," controlling a number of territories in the region and selling fighter jets to India while building 12 attack subs for Australia. France maintains its Indo-Pacific military capabilities with 15

warships, 7,000 troops, 38 military aircrafts, permanent military bases, and the ability to project power from France itself via aircraft, subs, missiles, and aircraft carriers. France expressed the ambition of being the balancing power in the region—advocating "a China strategy less muscular than what the [United States has]...come to espouse."²⁹

This was the context in September 2021, when Hillary Clinton's neoconservative allies in brinkmanship—secretary of

France's pretensions of "balancing power" in Asia aside, the United States is quickly exercising unilateral power—using its seapower and a string of multilateral accords to consolidate the Washington-London-Canberra axis.

state Antony Blinken, national security advisor Jake Sullivan, and the aggressive National Security Council coordinator for Indo-Pacific Affairs Kurt Campbell—orchestrated a behind-the-scenes power play to scuttle France's \$66 billion Australian diesel-powered nuclear sub deal in favor of building a smaller number of more menacing nuclear-

powered subs using U.S. technology. This will likely bring a steady flow of profits for General Dynamics' electric boat division and the U.S. defence industrial base.

France's pretensions of "balancing power" in Asia aside, the United States is quickly exercising unilateral power—using its seapower and a string of multilateral accords to consolidate the Washington-London-Canberra axis—via: (1) the 2021 AUKUS security partnership sub switcheroo, (2) the 2017 (Australia, India, Japan, United States) Quad security pact, and (3) the Five Eyes (Australia, Canada, New Zealand, United Kingdom, United States) intelligence-sharing group, which Japan seeks to join. At a Stanford University institute in May (where current undersecretary of defence for policy Colin H. Kahl has been based), Laura Rosenberger, senior director for China at the National Security Council, outlined the new parameters of policy as "countering China where we need to and cooperating...where it is in our interest" while Campbell stressed the need to "enhance deterrence" and reconstitute elements of U.S. power in the Indo-Pacific.³⁰ A few

²⁹ ↪ Norimitsu Onishi, "Uncomfortable Questions for France," *New York Times*, September 24, 2021, A6.

³⁰ ↪ Noa Ronkin, "White House Top Asia Policy Officials Discuss U.S. China Strategy at APARC's Oksenberg Conference," Freeman Spogli Institute for International Studies, Stanford University, May 27, 2021. Emphasis added.

The rapidly evolving U.S. unilateral power play in the Indo-Pacific region opens the door wide for dominant weapon makers to leverage the enduring state structure in their favor (the iron triangle)... while forcing China to divert resources from surging technologically intensive manufacturing, thereby disrupting its bid to be the global industrial and manufacturing power.

months later, the chairman of the military's Joint Chiefs of Staff reacted with deep alarm to a failed Chinese rocket test, pronouncing it as "not quite a Sputnik moment, but...very close to that." He opined a week after that the Chinese were the "number one" military challenge to the United States, just as the Pentagon released a report anticipating that China "could have" one thousand deliverable nuclear

warheads by 2030 (a small fraction of current U.S. capabilities).³¹

The rapidly evolving U.S. unilateral power play in the Indo-Pacific region opens the door wide for dominant weapon makers to leverage the enduring state structure in their favor (the iron triangle) as Campbell promotes a buildup of missile-loaded subs, cruise missiles, and unmanned carrier-based strike aircrafts. Organisations such as the National Defense Industry Association, with 1,570 members, the Council of Defense and Space Industry Associations (which counts the extremely powerful 300-corporate-strong Aerospace Industry Association as a member) form, shape, and reproduce the weapon-acquisition process as administered by a deferential Pentagon. Now the contractors are poised—particularly those producing artefacts of seapower—to participate in one of the largest "defence" boondoggles of all time. The funds appropriated by the military contracting corporations via the Titanic littoral combat ships and the Zumwalt stealth destroyer programs are but a small prelude to a massive new round of military Keynesianism designed to leapfrog U.S. high-technology industries and boost profits across the defence industrial base while forcing China to divert resources from surging technologically intensive manufacturing, thereby disrupting its bid to be the global industrial and manufacturing power.

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³¹ ↩ Helene Cooper, "China, Testing New Weapon, Jolts Pentagon," *New York Times*, October 28, 2021, A1; Helene Cooper, "China Could Have 1,000 Nuclear Warheads," *New York Times*, November

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❖ **About the author: James M. Cypher** is emeritus professor at the doctoral program in Development Studies, Universidad Autónoma de Zacatecas, Mexico.



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