# Monopoly capital and military spending: lessons in the political economy of the American Military Budget Part 1

## (1) Military spending

In 2023, the United States Government had $1.8 trillion in discretionary funds at its disposal. It spent much more than half, $1.1 trillion, on violence in the form of war, weapons, prisons, policing, detention, and deportation.[1] So-called 'defense' spending totaled $920 billion[2], a sum that was used to fund weapons contracts, war, and the Department of Defense. An itemized receipt reveals, among other things, $31.6 billion spent on nuclear weapons and $29.5 billion spent on foreign military aid. [3] Over the last decade, private 'defense' contractors — corporations such as Raytheon and Lockheed Martin — made out with about half of the ten-year 'defense' budget.[4] The top five wealthiest arms producers in the world in the year 2021 were all U.S. based corporations.[5] The government turns our tax dollars into their profits. As a point of comparison, the average U.S. citizen paid $1,087 to military contractors, and $270 for K-12 education, in 2022.[6]

One trillion is an incomprehensible number. The best that can be done to approximate a trillion is to imagine every l-e-t-t-e-r on this page counting for, roughly, 375 million. But, 375 million is itself difficult to grasp, never mind one billion, two billion... so on and so forth. These magnitudes cannot be translated into words, but they feature in important facts with which we, as American citizens, must contend. For one thing, there are millions of human beings on the other end of the weapons that our billions buy.[7,8] For another, the Department of Defense is the world's largest non-state polluter.[9] 'Defense' spending thus accelerates climate change to a nonnegligible degree. Every dollar spent on 'defense' is a public dollar not spent on, or in the interest of, the public.

The question is this: why does the U.S. spend a trillion dollars on militarism, rather than, say, education or infrastructure? In descending order, the next largest 'defense' budgets are those of China, Russia, (and the eight U.S. allies) India, Saudi Arabia, the United Kingdom, Germany, France, South Korea, Japan, and Ukraine. On the other end of the spectrum, Costa Rica spends virtually nothing on 'defense'. For the most part, these countries get along okay. Yet the U.S. spends more on its military than all of them together, and more per capita (i.e., per person) than every country in the world except for Israel and Qatar, whose combined population is comparable to that of NYC and Chicago, and whose militaries we furnish and finance. Why does the U.S. spend so much on 'defense'?

The answer is bound to be complex, the factors (historical, economic, geopolitical, etc.) being as they are multiple and interconnected. No one theory can provide a complete or wholly satisfying answer. Having internalized propaganda, some believe that a trillion dollar military budget is justified, if not necessary, on the grounds that the world needs the U.S. to police it. But if I had to guess, the majority of us interpret the American Military Budget in terms of the 'Military-Industrial Complex', which is a phrase that we use to express the fact that weapons companies profit off of war and therefore maintain an all too close relationship to the Pentagon. Along these lines a recent poll found that most U.S. adults support military budget cuts. Nearly half go so far as to agree that contracting 'defense' corporations is a waste of public funds. Only twenty-eight percent of Americans maintain that "spending on 'defense' contractors creates jobs and allows for greater specialization. [But,] when asked about specific line-item cuts that they would make to the Pentagon budget, spending on 'defense' contractors was the top choice."[10] Even if we're correct to implicate the Military-Industrial Complex, we cannot stop there. We must strive to understand the system that promotes this network, else the root cause of the American Military Budget will continue to escape our collective grasp.

The purpose of this article is to introduce an economic theory of the American Military Budget, in hopes that it can contribute to our understanding of 'defense' spending. The theory is due to Paul Baran and Paul Sweezy's *Monopoly Capital*[11], which is an important book in its own right. The recapitulations in this article greatly oversimplify it.[12] In addition to this article, or instead of it, read Baran and Sweezy. Even though their theory of military spending is outdated and incomplete, it can be used to sharpen our concept of the American Military Budget and its relation to the Military-Industrial Complex.

## (2) Monopoly capital

With the 1966 publication of *Monopoly Capital*, Paul Baran and Paul Sweezy made a landmark contribution to (Marxian) economics. Their thesis is based on the observation that, under capitalism, industries trend towards untenable oligopolistic conditions. That is, larger companies buy out, or run out of business, smaller ones again and again until a handful of major corporations have cornered a plurality of the market. This is not so much a matter of theory as it is a matter of fact, at least in the United States.[13] Once the state of oligopoly is reached within an industry, price competition ends. That is because under such conditions, if one of a couple of dominant companies lowers its price in an effort to increase its share of the market, the other(s) will follow suit so that their share is not undercut. But the resulting state is a losing one for all: it is one in which every major company maintains its relative share of the market, but earns less on account of the fact that prices have been lowered. In order to avert this race to the bottom, as a matter of course dominant corporations resort to monopoly pricing practices. When an exclusive group of major corporations exercise collective control over a market, they gravitate towards a uniformity in price that maximizes profits across the board, and they continue to buyout and merge with burgeoning competitors. As the dominant corporations gain an even larger market share over time, they increase prices in unison, maximizing profits as would a monopoly (hence the term 'monopoly capital'). But, in the absence of traditional competition between firms, outlets for investment disappear and industry stagnates. That is because, when an industry falls victim to oligopoly, investment concentrates at the top, which puts a strain on the economy since it confers the responsibility of economic growth on precisely the firms that are already the largest.

As a select few corporations rise to the top in a given industry, they become increasingly able to produce more for less. Having amassed resources, they can keep pace with society's technological development. But production is not profitable without consumption, and once their basic needs are met, consumers no longer desire, and cannot any longer afford, to purchase auxiliary products.

When a handful of firms take over an industry, there comes a point when their ability to supply outstrips a plateauing demand. This poses a problem for the leading corporations, since, in order to remain viable, their profits must increase year-over-year. When dominant corporations cannot find buyers for all of the products that they are able to produce, they cannot attract new investment, since prospects for growth lack. What's more, if the major corporate players do not garner new investment, the economy stagnates, and where there is stagnation, recession lurks, corporations, banks, and governments risk bankruptcy and default, and consumers face unemployment, inflation, and a great many other perils. In essence, productive capacities must be realized because there cannot be new investment unless they are, and the health of the economy depends on new investment. So, what happens when oligopolistic, or monopolistic, corporations reach the condition of being able to produce more than can be bought by consumers — how do they continue to grow, in order to attract investors, in the face of an imbalance between productive capacity and demand?

Gains have been achieved through public relations. Corporations engage in advertising campaigns in order to instill in consumers false needs and desires that they wouldn't otherwise have. Gratuitous commodities are thereby able to be produced, packaged, and sold to targeted audiences as symbols of lifestyle and status. It is precisely due to these technical and costly public relations efforts that the major corporations have successfully sold consumers on brand-new versions of overabundant accessaries. Thus, advertising is one way in which major corporations achieve new outlets for the auxiliary products that they are capable of producing and eager to sell.

In the United States, there is another conduit that augments consumption so as to justify expanding production. That is the 'defense' or 'national security' market. With hundreds of billions in taxpayer funds, the Pentagon contracts major corporations for war materials, softwares, and services that these companies could not otherwise have sold, and therefore would not otherwise have produced. By diverting nearly 1 trillion dollars annually from the tax base and funneling it through the Pentagon into the accounts of private contractors, 'defense' spending artificially supplements, or better yet inflates, consumption so that major corporations can realize, and realize again in an endless cycle of expansion, their increasing productive capacities. Put another way, 'defense' spending comprises an artificial market, into which consumer dollars are funneled by way of the 'defense' budget. As such, monopoly capital precipitates the American Military Budget, which serves the purpose of enabling corporate leaders from diverse sectors of the economy to realize their ever increasing capacity to produce, and thus profit of off, wasteful (and in this case deadly) products. This in turn keeps the economy from stagnating and recessing, since it gives investors prospects for continual returns that they otherwise would have lacked under oligopolistic conditions. In sum, monopoly capital requires what 'defense' spending delivers: a superabundant stream of artificial demand.

All of this raises the question of why the government doesn't stimulate the economy in more constructive ways. Couldn't the same effect be achieved if, rather than spending a trillion dollars on 'defense', the government spent a trillion more dollars on social services? According to Baran and Sweezy, given the nature of the economy it couldn't. First of all, war preparation has no upper bound, it is endlessly profitable. With the help of the corporate media, the masses can be persuaded of the need to prepare for one war after another. In contrast, the need for public infrastructure reaches a threshold after which little more is necessary. Moreover, public investment introduces unwelcome economic competition. Private corporations do not want civilian tax dollars to go towards, say, government subsidized low-income housing, since that would undermine their share of the housing market. By comparison, 'defense' spending does not threaten private power. In fact, 'defense' spending is just one part of the equation. Militarism confers further advantages. The U.S. uses its military, and the threat of it, to make the world safe for corporations to globalize their sphere of control. The major firms have much to gain from foreign raw materials, labor power, and markets. Military intervention violently targets any and all movements, leaders, and states that challenge those multinational corporations that (seek to) expropriate resources from them. So, military power forcibly unlocks and safeguards international markets, which motivate an increase in production and thus lead to more investment and accumulation — much like advertising and military spending.[14]

Understood in terms of monopoly capital then, the American Military Budget and the Military-Industrial Complex are endemic to our economic system; they are predictable and intractable byproducts of monopoly capitalism. Insofar as Baran and Sweezy are right about this, their analysis has a practical significance. It entails that the most effective, if not only, way to reduce military spending is to alter the economic system itself.

1 https://web.archive.org/web/20230608122702/https://www.nationalpriorities.org/analysis/2023/warfare-state-how-funding-militarism-compromises-our-welfare/

2 In fact, this figure is probably an underestimate. In 2022, actual U.S. military spending reached $1.537 Trillion — more than twice the acknowledged level: https://web.archive.org/web/20240127181126/https://monthlyreview.org/2023/11/01/actual-u-s-military-spending-reached-1-53-trillion-in-2022-more-than-twice-acknowledged-level-new-estimates-based-on-u-s-national-accounts/

3 https://web.archive.org/web/20230608122702/https://www.nationalpriorities.org/analysis/2023/warfare-state-how-funding-militarism-compromises-our-welfare/

4 https://web.archive.org/web/20231224012500/https://www.nationalpriorities.org/blog/2021/10/28/us-military-contracts-totaled-34-trillion-over-ten-years/

5 https://web.archive.org/web/20231220180532/https://www.sipri.org/media/press-release/2022/arms-sales-sipri-top-100-arms-companies-grow-despite-supply-chain-challenges

6 https://web.archive.org/web/20231106035925/https://www.nationalpriorities.org/pressroom/articles/2023/04/17/average-taxpayer-spent-pentagon-contractors-2022/

7 https://web.archive.org/web/20231219172240/https://watson.brown.edu/costsofwar/figures/2021/WarDeathToll

8 https://web.archive.org/web/20231111170910/https://watson.brown.edu/costsofwar/figures/2023/IndirectDeaths

9 https://web.archive.org/web/20231210020234/https://earth.org/us-military-pollution/

10 https://web.archive.org/web/20231204115424/https://afsc.org/news/most-us-adults-support-pentagon-spending-cuts

11 https://libgen.is/book/index.php?md5=E2D38C935AC65937F4DC7C9F48CC7313

12 This article does not reflect a complete or professional relationship to this work. As all others on this site are, it is intended to be accessible.

13 https://web.archive.org/web/20231025194737/https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/

14 For a more complete picture see Monopoly Finance-Capital: https://web.archive.org/web/20230531000439/https://monthlyreview.org/2006/12/01/monopoly-finance-capital/