

Military Keynesianism

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The question of internal capital concentration in the European military sector, a sector which unmistakably is being shaped from Brussels via the drive to concentrate economic power deserves serious attention. Here the first point to be noted is that the European military sector since the middle of the 1990s has been transformed. There is now a much more pronounced predominance, hegemony, of only a few corporate giants than existed before. Basically Europe's military sector today is dominated by three large companies, i.e. Britain's corporation BAE Systems; the corporation *Thales* which is headquartered in Paris, France; and the most European of the three corporations, i.e. *EADS*. Each of these three European armament corporations was formed around the turn of the decade from the nineties to the new millennium, BAE Systems in 1999; Thales and EADS in 2000.

Further, among these three giants, Britain's aerospace company BAE Systems undoubtedly is the leading corporation. Its arms sales according to the Stockholm based Peace Research Institute *Sipri*, in the year 2005 amounted to US 23,230 million Dollars, whereas the concomitant sales figures for Thales and EADS were US Dollars 8940 million and US Dollars 9580 million respectively. Further, Thales and EADS when they were formed, reflected internal processes of concentration within the European military sector. Instead, BAE Systems formed in 1999, after acquisition of the British company Marconi, immediately developed transatlantic ambitions. From the very start, it targeted the US market for the purchases of armament systems. Thus, while being a giant among European giants, BAE Systems also has succeeded in establishing a strong foothold in the US military sector. It also maintains intimate relations with the US Ministry of 'Defense', the Pentagon. In view of its dual loyalties, BAE Systems may justifiably be characterized as a 'Trojan Horse' in the European military sector.

Third, the process of capital concentration in the European military sector is not an entirely autonomous process. The various research institutions which have focused the thematic of capital concentration in the given sector, including *Sipri*, have acknowledged, that in fact the drive towards building ever larger armament corporations in Europe has primarily come from the US. Here, internal consolidation of economic power in the military sector was openly promoted by the Clinton administration of the 1990s, wishing to preserve the American military technological base and the military sector's production capacity. The policy officially pronounced by the US government in 1994 first pushed American armament corporations to merge. By the late 1990s only 5 US armament giants remained. The internal capital concentration in the US military sector has subsequently pushed European corporations to do the same; here, BAE Systems' role in leading the European process of capital concentration was strategic.

A further factor which has given direction to the process of capital concentration, both in the US and in Europe, was the US Clinton government's policy orientation officially decided on in 1998. At this time, the formation of transatlantic alliances was put forward as the very most effective

mechanism to help protect the US 'defense' sector against one-sided reliance on orders by the US government. A policy repeatedly re-affirmed in Pentagon reports since, the strategy of transatlantic alliance building has been pursued with considerable success. All the five giants that dominate the US military sector, i.e. Lockheed Martin, Boeing, Northrop Grumman, General Dynamics and Raytheon, since the late 1990s have worked strenuously to either take over European military companies, or join forces with European corporations towards capturing orders issued by the US or by European governments.

Privatization or Liberalization

Here, it is necessary to note the fact that the building of a Europe-wide military sector has been accompanied by privatization or partial privatization of formerly state owned military companies. Contrary to US armament corporations which have always been based in the private sector, many of Europe's most powerful military companies have been, or are still wholly or partly under public ownership. This counts for instance for *Thales*, which is partly owned by the French state. It also counts for *Finmeccanica*, Italy's main military company, and the fourth European giant. Nevertheless, one of the very hall marks of the EU's policy surrounding the European military sector since the nineties, has been to promote privatization as a stepping stone towards integration between military companies across the borders of Europe's nation states.

At the same time, the European Union has also engaged itself in favour of liberalization of the European market in armament purchases. Although not possessing its own budget for the procurement of large armament systems so far, the EU has been strategizing to break walls, to make sure that European states no longer privilege, or exclusively rely on, their own armament corporations when procuring armament systems for their individual armed forces. Here, as with regards to privatization of arms companies, the policy of the European Commission is of course in line with the policy which it has pursued in relation to other economic sectors, such as the telecommunications sector. It plays the role of catalyst, seeking to break the hesitance of state governments against adoption of neo-liberal policy measures. An important institution which has been founded towards the end of liberalization is the European Defense Agency (EDA), which aims at integration of procurement policies

Now, while it is important to recognize the existence of an internal European dynamic in favor of privatization and liberalization, it is nevertheless crucially important to stress that a part of the pressure to restructure Europe's military sector has come from the US. Surely, globalization policies surrounding privatization and liberalization are shared policies between the US and the EU, they could be termed the expression of a 'collective imperialism' shaped jointly by the world's two most powerful economic blocs. Yet the policies pursued by Europe in relation to its military sector also reflect its effort to implement a US-inspired military Keynesianism; it seeks to implement the macroeconomic device adopted and further refined in the US since World War Two. A 'refinement' in American military Keynesianism affecting Europe, in particular took place during the era of the Clinton administration of the 1990s, when export promotion was stimulated via transatlantic alliance building. Thus, Europe has consciously been pushed to adjust to a Keynesianism dynamic,

whereby the procurement of weaponry is undertaken via combines led by US armament corporations.

The two orders which perhaps best illustrate the double dynamic of globalization and US-inspired military Keynesianism in Europe's military sector, are: (1) the recent deal between the Pentagon and the combine of the US's Northrop Grumman and Europe's EADS; and (2) the deal of the British Ministry of Defense with the joint venture between the American Boeing corporation and the European Thales corporation. The first mentioned, i.e. American order targeted the building of 179 refuelling planes, and was estimated to cost a reported 30 to 40 billion US Dollars. The second, i.e. British order, aimed at procurement of army vehicles, and was valued at no less than 86 billion Euros, i.e. a far larger amount than that of the first mentioned order. Unfortunately, European resistance against these two deals involving transatlantic alliances between armament corporations appears to be quite limited. Yet the trend which has been set via these deals, and via the process of transatlantic capital concentration in the military sector, is highly consequential. It is likely to set the whole pattern for Europe's militarization, and of future application of military Keynesianism.

The problem of military Keynesianism was probably first identified by the Polish economist Michal Kalecki. In an essay written in 1935, Kalecki highlighted the relation between deficit spending and the building of an armament economy in Nazi Germany. In his own theory published subsequently, John Maynard Keynes briefly referred to the fact that wars under capitalism historically were frequently financed via governmental borrowings. Yet in his famous theory of the multiplier, Keynes never differentiated between the promotion of aggregate demand via a government's civilian spending and the promotion of society's aggregate demand via a government's military spending. During the post-Second World War period, the term military Keynesianism has primarily been employed to refer to practices of the world's hegemonic economic power. The US government more than once has combined deficit spending with large military allocations in its federal budget. Yet the thematic of military Keynesianism has not been comprehensively theorized.

In order to assess the role which military spending plays in dominant Western economies today, it is necessary to draw two basic distinctions. First, differentiate between 'primary' military Keynesianism, and 'secondary' military Keynesianism. Under both regimes, military allocations comprising arms purchases and other military-related spending affect investments in civilian sectors of the economy. However, whereas in the first mentioned case, that of primary military Keynesianism, the multiplier effect is used by a government as the main leverage to stimulate the business cycle, in case of a 'secondary' form of military Keynesianism military allocations in the government's budget are not utilized as main leverage for regulation of the business cycle. Nevertheless, given the fact that arms purchases and other forms of military spending generally tend to generate multiplier effects, stimulating additional investments both in sectors where means of production, and in sectors where means of consumption are manufactured, the possibility that a government employs a 'secondary' form of military Keynesianism does need to be taken into account.

Yet another basic distinction that is essential to make in order to analyze contemporary policies pursued by the United States and by countries of the European Union, is the distinction between domestic military Keynesianism, and externalized military Keynesianism. Most discussions on the topic of military Keynesianism are restricted to identifying multiplier effects from government spending on domestic military allocations. Here the impression is created that dominant capitalist economies function as 'closed systems'. In fact, however, the role of armament exports and imports too needs to be considered, when addressing the multiplier effects of military spending. Both in the case of the US and in the case of countries of the European Union, armament exports help to generate significant domestic multiplier effects, even though these exports do not figure in the annual budgets of these countries' governments. For here, the costs for construction of armaments are 'externalized'. They are either borne by importing Western governments, or by governments and countries of the global South. Yet domestic multiplier effects for exporting countries there are.

The above-mentioned distinctions are critically important for a discussion on the militarization of the European Union today. The total size of military spending by member countries of the European Union is estimated to be perhaps 300 billion US Dollars, with France, the United Kingdom and Germany bearing responsibility for almost two thirds of the total. Also the governments of the world's dominant economies invariably hide a significant part of their military spending. In the case of the United States for instance, the Bush jr. government's official military expenditures for 2008 comprise a regular budget plus war expenditures, together amounting to well over 700 billion US Dollars. Yet these official figures skip a whole range of military related allocations, amounting to another 300 billion US Dollars. In the case of European annual budgets, -military spending is likely to similarly exceed the mentioned combined figure of 300 billion US Dollars. Yet the multiplier effect on the whole appears to be 'secondary' in kind: macro-economic multiplier effects are being generated, but not to the extent that these constitute the main leverage for business cycle regulation.

Of special importance in the present context a financial crisis and world recession, where the US needs to partly re-orient its macro-economic policies, is the already mentioned distinction between domestic military Keynesianism and externalized military Keynesianism. This policy of transatlantic alliance and European Union as indicated was not designed under a Republican government but under President Clinton's Democratic administration of the 1990s. Even before this decade, armaments exports have been playing an important macro-economic role for the US, serving to replace or support government orders, at moments when the US government had to scale down its levels of military spending. Against this background, the policy of transatlantic alliance building was designed as a policy to, amongst others, help US armament corporations gain better access to military orders by European governments. Behind the US-India nuclear deal, a similar design, namely the US's desire to get access to arms orders of the Indian government, has been discerned. Experience shows that the US government is well aware of the multiplier effects that can be reaped from armament exports. It will be crucial to see whether the coming Barack Obama Presidency will bring any substantial change in this regard. □□□

[This is an abridged version of a draft paper presented by the author at an international workshop, organized by the Rosa Luxemburg Foundation, Berlin, November 21-23, 2008.]