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Military Spending and Economic Growth: A 2025 Update

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1. Angst

The start of the second millennium brought a growing sense that capitalism was becoming more ‘authoritarian’ and ‘illiberal’, with various indicators suggesting that ‘democracy’ is waning around the globe, that the protection of human and civil rights is in retreat and that the number and intensity of military conflicts is on the rise.²

This angst is now greatly amplified by the domestic and foreign policies of the new Trump administration. Having returned to office in early 2025, Trump promptly launched a highly publicized crusade against his country’s ‘deep state’, with blasé disregard for its laws and constitution; announced his intentions to retreat from his country’s traditional postwar role as leader and protector of the Western world; and embarked on seemingly unhinged acts against friends (Canada, Mexico, Denmark, Panama and, primarily, Ukraine) while cozying up to long-term foes (Russia).

One possible consequence of this growing angst is a global ‘arms race’. Realizing that the U.S. administration is becoming unpredictable, turning inward and no longer committed to its international defence treaties, NATO allies might be tempted if not forced into raising their own military expenditures – as will be smaller, non-NATO Western countries. And once the West starts to rearm, other countries might be compelled to reciprocate with much of the same.

At first sight, this process may seem difficult to kickstart. After all, global military spending is already at record highs, having reached nearly \$2.5 trillion in 2023, according to the Stockholm International Peace Research Institute (SIPRI), and as we write, this spending is at its

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² See for instance, Herre, Rodés-Guirao and Ortiz-Ospina (2022), Herre (2023) and Anonymous (2025).

highest historical level when measured in so-called real terms.³ But as the top panel in Figure 1 shows, these limitations might be more apparent than real (with pun intended).

2. The historical backdrop

Figure 1 indicates that, when measured not *absolutely* – i.e., nominally or in ‘real’ terms – but *relatively*, as a share of GDP, military expenditures are very low lows (note the vertical log scale that visually compresses large variations relative to smaller ones).

At the world level, the share of military spending in GDP is currently two thirds lower than it was in 1960; and in the United States, for which the data series is much longer, this share is 80% below its 1942 peak and lower than during any period since the beginning of the Second World War! In other words, from a relative viewpoint, it seems that the world – including the United States – has plenty of room to raise military expenditures.

The chart also shows a very tight correlation between the respective military spending shares of GDP in the United States and in the world as a whole (+0.98 out of a maximum of 1). This high correlation is partly the consequence of U.S. military spending – the world’s largest – being part of the world total. But it also reflects the arms-race dynamics in which rising/falling spending in some countries tend to trigger similar increases/decreases in others.

Now, an arms race – should it develop – would have multiple ramifications, and the one we focus on here is *GDP growth*.⁴ The bottom panel of Figure 1 compares the annual GDP growth rates of the United States with those of the world, both smoothed as 10-year trailing averages to weed out large year-on-year jumps and contractions.

The bottom panel demonstrates three similarities between the GDP growth series on the one hand and those for the military spending shares of GDP on the other. First, the two growth series – for the world and for the United States – have trended downward since 1970 (and in the U.S. case, for nearly a century). Second, current growth rates are at or near record lows (in the U.S. they are now lower than at any time since the onset of the Second World War). And third, world and U.S. growth rates are positively correlated with each other – again, partly because the United States is a large component of the world total, but also because globalizing production makes country growth rates increasingly intertwined.

³ In our view, ‘real’ measures of economic aggregates are deeply problematic in general – and doubly so when applied to military equipment and services. The difficulty is that such measures purport to quantify *qualitatively different* items in *universal* units of consumption or production (like utility or standardized labour time) – but then, how do you bring the ‘destructive’ and/or ‘defensive’ power of different military hardware, software and soldiers into a common denominator, let alone adjust them for temporal ‘quality changes’? For more on this thorny subject, see Nitzan (1992: Ch. 5), Nitzan and Bichler (2009: Ch. 8), Fix (2019) and Fix, Bichler and Nitzan (2019).

⁴ Since GDP growth measures the rate of change of ‘real’ GDP, we are deeply critical of their estimation and meaning (see Footnote 3). However, given that GDP growth is commonly accepted and used, often uncritically, by liberals and Marxists (as well as policymakers and general commentators), we use it here ‘as is’ for illustration purposes.

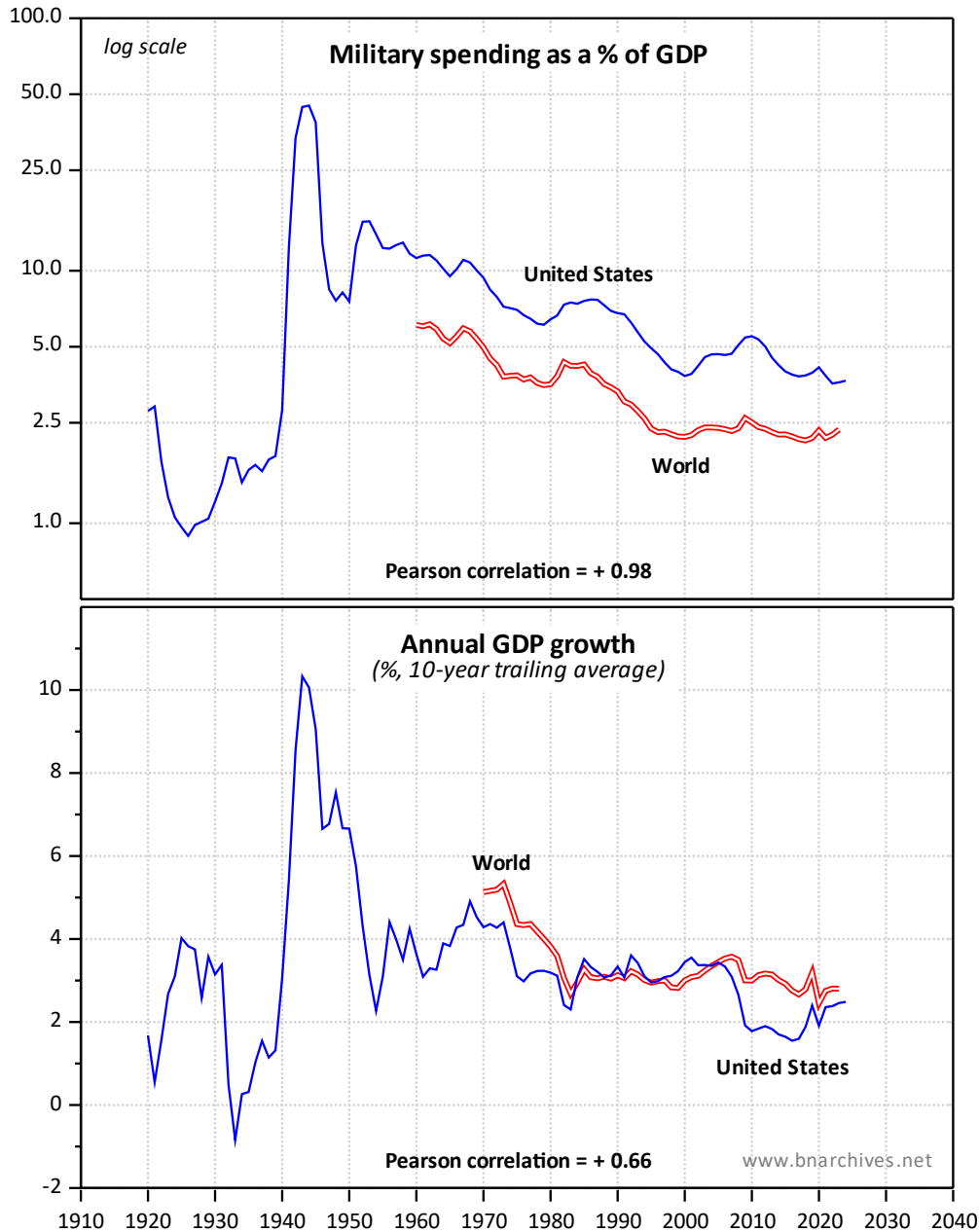


Figure 1. Military spending and GDP growth in the world and in the United States, 1920-2024

NOTES: Annual data. The last data points are 2023 for world series and 2024 for U.S. series.

SOURCES: World military spending as a % of GDP is from World Development Indicators (mnemonic: MS.MIL.XPND.GD.ZS); U.S. military spending is from *corrolatesofwar.org*, National Material Capabilities (1914-1928), spliced with BEA data through DataInsight thereafter (mnemonic: GFML). U.S. GDP is from Global Financial Data for 1920-1928 (mnemonic: GDPUSA_Close), spliced with BEA data through DataInsight thereafter (mnemonic: GDP). World annual GDP growth is from World Development Indicators (mnemonic: NY.GDP.MKTP.KD.ZG); U.S. GDP in constant prices is from Global Financial Data for 1920-1928 (mnemonic: GDPCUSA_Close), spliced with data from BEA through DataInsight (mnemonic: GDPR).

3. Militarized production

Figure 2 focuses on the connection between militarized production and GDP growth at the world level (top panel) and in the United States (bottom panel). In each panel, the two series are shown as 10-year trailing averages to smooth out short-term variations. In both cases, we see a tight long-term correlation between growth and the military expenditure share of GDP: +0.77 at the world level during the 1970-2023 period, and +0.66 in the United States in the much longer period of 1923-2024. The latter correlation is particularly meaningful since it covers the very large gyrations of the early part of the 20th century as well as the postwar downtrends.⁵

Based on these results, it seems reasonable to expect that, over the longer haul, a prolonged arms race will end up boosting growth rates in the United States and the world more generally – both directly and through the so-called ‘multiplier effect’, in which an initial bout of military expenditures generates additional income that in turn leads to more spending across society, more income, more spending, and so on.⁶

4. Cheap wars

Clearly, a panning out of such militarized growth would be rather ironic, given that the dominant creed in the United States and most other countries sees growth as best served not by ‘big government’ but by ‘free market forces’ (read dominant capital).

But there is a big ‘but’ here. Before we can indulge in irony, this militarized growth must materialize; in order for it to happen, the world’s ruling classes and their political minions must first raise military spending *significantly*; and in our view, there is good reason to suspect that large increases of this type will be rather difficult to achieve.

The reason is prosaic. As theorists of monopoly capital have long argued, unlike civilian government expenditures – for example, on health, infrastructure, education and utilities – whose benefits to the underlying population are relatively straightforward and easy to justify, rising military spending, particularly on a large enough scale, is harder to rationalize, especially in peacetime.⁷

And here there arises a contemporary problem – if ‘problem’ is the right term to use here – namely, that military force, conventional and otherwise, is not only enormously destructive but also grows *progressively cheaper* (per ‘unit of damage’). And if modern technologies continue to lower the cost of death and destruction, rulers’ attempts to allocate a *greater* share of GDP to their military will prove difficult to justify (provided, of course, that those rulers do not start unleashing their armed forces on each other in earnest).

⁵ Moreover, the correlation tightened in recent years: in a previous iteration of the chart, covering the period of 1923-2018, the U.S. coefficient was only +0.59 (Bichler and Nitzan 2019).

⁶ Note that our broad-brush claim here abstracts from the mediating – and possibly substantial – effects on growth of income distribution and temporal changes in the labour intensity of military spending.

⁷ For instance, Kalecki (1943), Tsuru (1956) and Baran and Sweezy (1966).

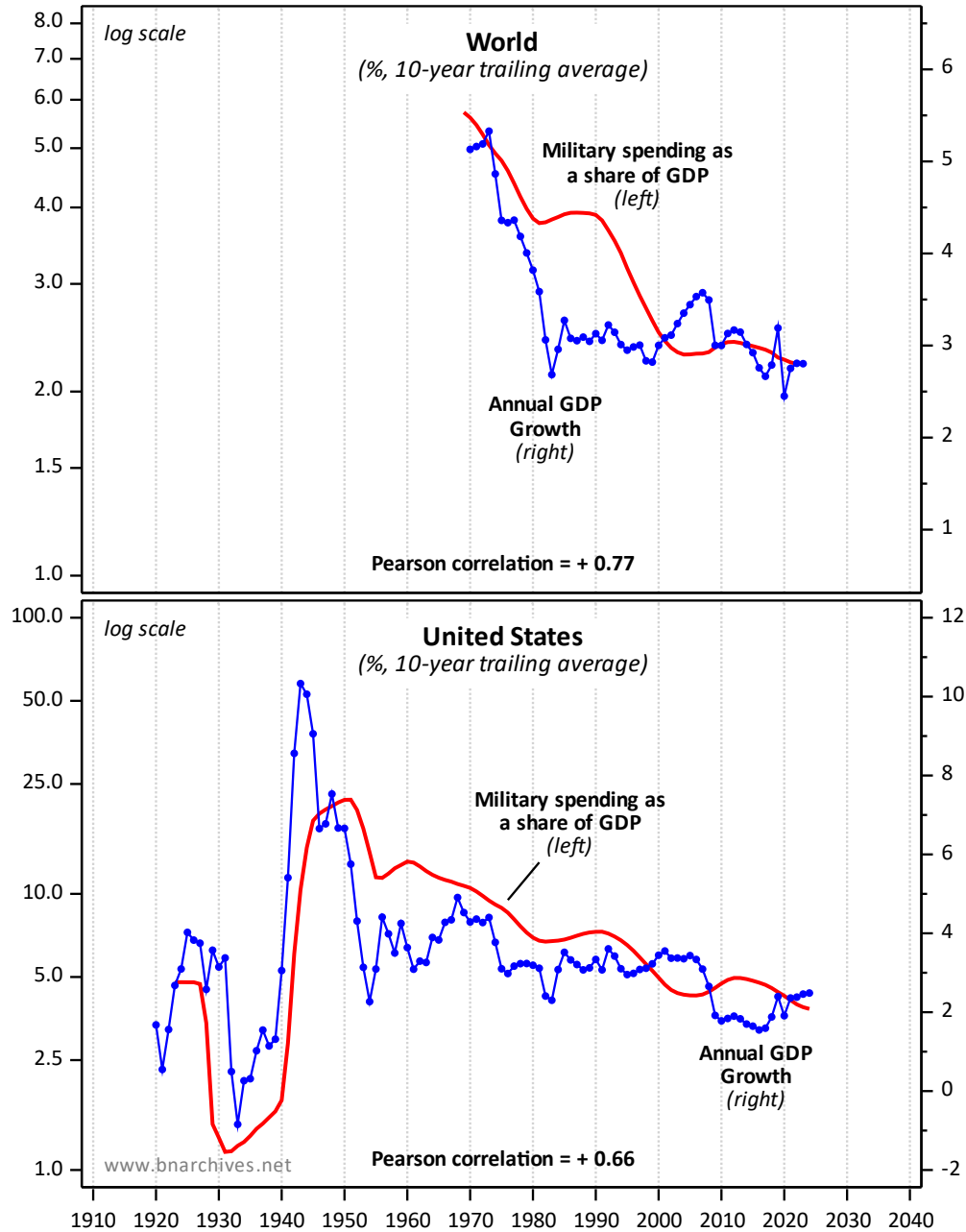


Figure 2. The relation between the military spending share of GDP and GDP growth in the World and in the United States, 1920-2024

NOTES: Annual data. The last data points are 2023 for world series and 2024 for U.S. series.

SOURCES: World military spending as a % of GDP is from World Development Indicators (mnemonic: MS.MIL.XPND.GD.ZS); U.S. military spending is from *corrolatesofwar.org*, National Material Capabilities (1914-1928), spliced with BEA data through DataInsight thereafter (mnemonic: GFML). U.S. GDP is from Global Financial Data for 1920-1928 (mnemonic: GDPUSA_Close), spliced with BEA data through DataInsight thereafter (mnemonic: GDP). World annual GDP growth is from World Development Indicators (mnemonic: NY.GDP.MKTP.KD.ZG); U.S. GDP in constant prices is from Global Financial Data for 1920-1928 (mnemonic: GDPCUSA_Close), spliced with data from BEA through DataInsight (mnemonic: GDPR).

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