

Finance and Militarism from Vietnam to Iraq: Crisis, Transformation, and the Rise of Neoliberal War-Making

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The social, fiscal, and profitability crises of the late-1960s/early-1970s sparked a transformation of the world economy, as capital flowed into finance to restore profits (Arrighi 2010) and as elites embarked on a neoliberal project “to disembed capital from [a web of social and political] constraints” that had developed in the mid-twentieth century (Harvey 2005, 9). At the same time, the U.S. war-making apparatus underwent a significant restructuring in response to the *military crisis* yielded by defeat in the Vietnam War, as elites attempted to change course via the end of the draft (Lachmann 2013), the acceleration of widespread privatization (Singer 2008), the geographical transformation of military supply chains (Markusen et al. 1991; Major 2009), a revolution in military logistics (Beasley 2019; Bury 2020; Cowen 2014), and dramatic technological advances in destructive power (Lachmann 2020).

This paper examines the relationship between these two phenomena—the neoliberal political-economic restructuring and the transformation of the U.S. war-making apparatus—that occurred in response to these crises. After first demonstrating that the social, fiscal, and profitability crises of the late-1960s/early-1970s in the United States were deeply intertwined with the geopolitical and military crisis that was defeat in Vietnam, this paper then argues that: (1) In contrast to the literature on post-1970s political-economic restructuring that excludes war-making and the literature on the post-1970s military restructuring that excludes financialization, *these transformations were carried out in parallel and deeply influenced one another*. (2) This influence resulted in an ever-greater intertwining of finance, armaments production, and the military, yielding entrenched patterns of interlocking dependency in which *militarism and financialization mutually reinforced one another*. (3) The result of these mutually reinforcing trends was, at first, a “belle epoque” of U.S. power in the 1990s, followed by *a spiral into ‘endless’ war* at the turn of the twenty-first century.

In sum, using mixed archival materials—including company reports, newspaper articles, and documents from several state archives—this paper demonstrates how political and military elites’ desire to expand their own freedom of movement in the immediate wake of the Vietnam defeat was the spark that set the transformation of war-making in motion. The paper then demonstrates how the increasing financialization of the world-economy set the direction of such transformations by shifting the interests of capitalists in the armaments industry and by escalating

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interstate rivalries. Such transformations ultimately contributed to the United States' 'endless' wars in the twenty-first century.²

Crisis and Parallel Transformations

Military crisis went hand-in-hand with fiscal and profitability crises. For O'Connor (1973, 151), the mid-twentieth century United States was a "warfare-welfare state." The "warfare" part functioned to "[keep] foreign rivals at bay and [inhibit] the development of world revolution" while also "stav[ing] off domestic economic stagnation," and the "welfare" part stimulated markets while "controlling" working people "politically" who would otherwise face the harshest consequences of mid-twentieth century capitalist growth. Others similarly noted that a "military Keynesianism" was a near-constant stimulus for the U.S. economy (Cypher 2015), allowing for the spectacular growth of the mid-twentieth century, in which the United States could afford to pay for both "guns and butter" (Wehrle 2004). Unprecedented military might and rising standards of living for a large segment of the U.S. working class went hand in hand, both key pillars of the new world order that the United States aimed to create in the wake of the world wars (see Arrighi and Silver 1999).

Many have argued that the costs of these arrangements proved too much to bear for capitalists and the state—especially in the face of an expensive war in Vietnam—and a fiscal and profitability crisis ensued in the late-1960s/early-1970s (Arrighi 2010; O'Connor 1973; Silver 2019). Gilmore (2007, 79) notes that these crises marked the end of the "peculiar welfare-warfare, or military Keynesian, state form" as elites began a process of political-economic restructuring to overcome these crises. A neoliberal project ensued, aiming "to disembed capital from [a web of social and political] constraints" that had developed in the mid-twentieth century" (Harvey 2005, 9). Production left its traditional centers for cheaper locales across borders; financialization transformed the organization of capitalist firms; Fordism was replaced with just-in-time production; austerity wreaked havoc on welfare systems.

Parallel transformations occurred in the war-making apparatus itself, many also in response to the Vietnam War and its concurrent crises. Many features of restructuring—such as the outsourcing of military activities to private contractors, the increasing centralization of command (i.e., "jointness"), and the growing importance of networks and logistics—are widely acknowledged to have mirrored the industrial transformations of the same period, yielding a "post-Fordist" or "post-modern" military and "just-in-time warfare" (Booth, Kestnbaum, and Segal 2001; Bury 2020; King 2006; Moskos, Williams, and Segal 2000). As in other sectors, the armaments industry underwent a dramatic geographical transformation: Markusen and her colleagues trace the "rise of the gunbelt," as geopolitical dynamics, technological advancements, and military changes drove a shift in military production from the industrial heartlands of the Midwest and Northeast towards the South and the Coasts. Starting after World War II, this shift

² To borrow a turn of phrase from Giovanni Arrighi's (2005, 85) discussion of capital accumulation, United States' warfare since 2001 has been 'endless' in that it "allegedly 'never ends' and is at the same time an 'end in itself,' whether it actually ends or not." The use of 'endless' (in quotation marks) is meant to emphasize this double meaning.

created a “gunbelt” of defense-rich states around the perimeter of the country, stretching “from the state of Washington through California to the desert states of the Southwest, on through Texas and the Great Plains, across to Florida, and discontinuously up the East Coast to New England” (Markusen et al., 1991: 3; cf. Hooks, 1994). Major (2009, 349–51) finds a “narrowing of the gunbelt” away from the Northeast and West Coasts towards the South and Southwest in the 1990s in response to post-Cold War disarmament and technological changes. Such advances merged with the ongoing flexibilization of the armed forces in the 1990s to raise the specter of a “revolution in military affairs” (Bitzinger 2008; Krepinevich 1992; Major 2009; Murray and Knox 2001).

These parallel transformations in the military-industrial complex and in the broader world-economy responded to similar crises and mutually reinforced one another as they proceeded.

Mutually Reinforcing Militarism and Financialization

After reviewing the intertwined nature of the fiscal, profitability, and military crises of the 1970s, this paper then argues that the immediate response to these crises, such as the end of conscription, was the spark that set the transformation of war-making in motion—but it was the increasing interaction with financialization that dictated the nature and direction of the transformation. This section thus reviews the causes and contours of key changes in war-making that occurred between the 1970s and 1990s, especially noting how each interacted with (i.e., was caused by and fed back into) financialization: (1) the widespread privatization of military activities and the logistics revolution, (2) the rise of small-batch, high-tech weapons systems as a replacement for mass-produced conventional arms, and (3) the geographical and organizational restructuring of armaments firms.

Privatization and Logistics Revolution

Perhaps the most notable transformation in war-making in the past half century has been the dramatic outsourcing of military activities to private contractors. While much ink has been spilled on the privatization of armed and security activities (e.g., Singer 2008), the brunt of such privatization has been in the realm of logistics and other support services. The Vietnam War served as a spark for this outsourcing, both as the military grappled with how to effectively deliver materials to the front (e.g., Cowen 2014) and, in the aftermath, with how to conduct support activities without draftees. The dramatic expansion of such privatization was guided by neoliberal logics of free markets and the financializing force turning all activities into profit-making opportunities. The main consequence of this interaction was that the number of firms whose profits came from military activities skyrocketed, as militarism remained an uninterrupted source of public funds even as other state activities were slashed in the era of austerity.

High-Tech Weapons Systems

While the United States military has long invested in advanced weapons systems to complement conventional forces, the 1980s and 1990s saw spectacular investments in advanced weapons systems—from ‘Star Wars’, ICBMs, and the B-1 bomber to networks and robotics. These technological advancements were not made solely (or even primarily) because of any military

necessity, but rather because they offered the highest rate of return to investors, the highest profits to armaments firms, and the best opportunities for career advancement to military officials (cf. Lachmann 2020). While profits have long dictated military procurement, the rise of shareholder value as the guiding light of company decision making processes hastened this tendency in the period of financial expansion. The result, as this paper shows, is an over-investment in high-tech weapons systems designed for ‘great power’ conflict and an under-investment in conventional weapons systems useful in counterinsurgency wars. In the twenty-first century, the ubiquity of high-tech weapons (such as drones) makes their use more likely, which ultimately makes such weaponry safer investments for financiers, which, in turn, advances their ubiquity.

Restructuring of Firms

All of these changes (and others, such as those involving labor at the point of production e.g., Payne 2020) resulted in a restructuring of armaments firms to respond to financialization and the neoliberal project. The nature of these transformations, in turn, deepen the interconnection between finance and militarism. Perhaps the starkest example can be found in the merger boom of defense firms in the 1980s and 1990s—firms began to accelerate the rate of mergers and acquisitions in this period at the behest of military officials and in response to the availability of cheap credit. In issuing this debt to armaments firms, bankers became invested in the continued profitability of war-making. The ultimate consequence of this was to tie banks and armaments producers closer together, thus dramatically expanding the base of elites who profited from war.

From Belle Epoque to ‘Endless’ Wars

After reviewing the relationship between financialization and these transformations, the paper then turns to the consequences of the changes. In the 1990s, the new structure and relations of war-making were viewed by many elites as a success—constraints on their freedom of movement had been removed, profitability had been restored, and the ‘Vietnam Syndrome’ had seemingly been vanquished after the collapse of the Soviet Union and the demonstration of U.S. military might in first Gulf War. But underlying such success was a vicious circle of finance and militarism. Abroad, this vicious circle spun into escalating interstate competition and the emergence of a U.S. protection racket (Payne and Silver, forthcoming). And, at home, this vicious circle continually widened the elite base of support for militarism—both by intertwining bankers and financiers in arms production and by expanding the number of military activities conducted with a profit motive.

The consequences of the vicious circle of finance and militarism sparked by the crisis of the late-1960s/early-1970s thus came to a head in the twenty-first century, shaping both geopolitical challenges and the elite response to them—yielding war without end(s).

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