

THE ORGANISATION OF HEGEMONY: CAPITAL CONCENTRATION IN THE US MILITARY SECTOR TODAY

One of the themes which needs to be highlighted, in order to facilitate a better understanding of the US's drive towards wars in the Middle East and elsewhere, is that of the promotion of *capital concentration* in, and capital concentration surrounding, the American military sector. This is essential, since the concentration of economic power in the US military sector, and increasingly also in the international armaments' economy, is undermining the very scope for peace activists, and for progressive politicians in the North, to question the US's drive towards wars. As the world economy is being militarised, as capital concentration between armament corporations in the US and elsewhere is steadily weakening the resolve of politicians outside the US to question the US's drive to expand its wars, - the scope for the peace movement to oppose the US's war policies, too is being constrained. Hence the need to analyse the process of capital concentration in the US military sector and its international dimensions.

An excellent starting point for a discussion on this theme is the US's 2007 *Annual Industrial Capabilities Report (A.I.C.R.)*. The A.I.C.R's are documents which are annually submitted by the US defence ministry, the Pentagon, to the US Congress. They are drafted in order to facilitate an assessment, by Members of the US Congress, of the capacity possessed by US corporations and companies, to supply the US army with whatever armaments and other goods it requires to kill and destroy. Although antiwar activists do not usually study the contents of these Pentagon reports, - they do deserve to be scrutinized very carefully. For the *economic* strategy underpinning the US's attempts to maintain global hegemony and wage wars can well be surmised from these reports. Moreover, by reading and analysing these reports, we do obtain insights into the *political* strategy pursued by the US towards maintaining global hegemony. Hence my proposition that as peace activists we need to be aware of, and seriously analyse the Pentagon's industrial capability reports.

Last year's report cites concrete data on the degree to which the Pentagon's orders for individual armament systems are concentrated in the hands of the topmost corporations in the US military sector. These data are revealing indeed. Thus, under the report's summary devoted to US missile production, the Pentagon admits that merely **two** armament corporations receive as much as **80 %** of the Department's missile procurement funding, meaning that competition in the missile production sector is limited to merely two contractors. Again, the summary relating to the construction of US war ships reveals that **nearly all** of the US navy's warships today are built in only **six** shipyards, which shipyards are owned by only **two** corporations, being Northrop Grumman and General Dynamics. The manufacturing of arms and other hardware towards the US's aim of militarising outer space is concentrated in a few hands as well. According to the 2007 A.I.C.R., - the **entire** production of these military means is held by just **three** prime contractors!

However, the story regarding the concentrated allocation of Pentagon orders does not end here, for a careful reading of the 2007 report also reveals the degree to which *horizontal integration* exists in the US military sector. Ever since the beginning of the monopoly capitalist era, in the later part of the 19th century, horizontal integration - a situation whereby one single corporation or company controls the production of a great diversity of commodities - has been characteristic of companies based in the military sector of central capitalist

economies. Such indeed has been as striking for company located in the military sector as it has been for companies dominating civilian sectors of Northern economies. The Pentagon's 2007 'capabilities'-report provides striking illustrations for the existence of this phenomenon in the US military sector today. Here, the point is to put together the disjointed data on the corporation Northrop Grumman contained in the report. This corporation belongs to a selected group of 9 corporations which supply the bulk of the Pentagon's *information technology*. Yet Northrop-Grumman also controls 4 out of 6 shipyards that build most of the US's *warships*, and it also is one out of three monopolistic producers of '*space defence*' equipment.

Now, it may be argued that capital concentration is the outcome of spontaneous market processes, and that there is little need to focus on the role of the Pentagon in this. Did not Marx in his admirable analysis of the laissez faire period of Britain's 19th century capitalism already pinpoint the process of capital concentration? Did not the father of critical economic science himself prove beyond doubt that capital's tendency towards concentration is an inescapable consequence of capital's very drive to accumulate? Why do we need to hold the US's official policymakers responsible for this? Why bother at all about such an inevitable side-effect of capital's inherent, and quite elementary inclination to accumulate?

It is true, as was already stated by Daniel Guerin and Ernest Mandel in their crucial study of US capital concentration published in the middle of the 20th century, - that the development of monopoly power in the US economy started way back, long before the World War Two period, and long before the US government started interfering actively in the country's business cycle via the allocation of orders for weapon systems. Indeed, these processes of concentration predate the start of the permanent militarisation of the US economy heralded by World War Two. Yet since we easily tend to forget it, it is worth recalling the effects of WW-II interference by the Pentagon in the US economy. For capital concentration during World War Two was greatly accentuated by the manner in which the Pentagon's huge wartime orders were allocated. According to figures for 1940-1944 of the government's then War Production Board, - the top **thirty three** armament corporations received more than **half** of all the Pentagon's extraordinarily lavish orders issued during the war period. The top **ten** corporations, amongst the Pentagon's contract holders, received as much as a **30 percent** of all contracts in value terms!

It thus is evident that the Pentagon - via the granting of orders to a very selected number of armament corporations - has played a historic role in promoting the concentration of capital in the US military sector. However, since the Reagan era of the 1980s, the US government and the Pentagon have moved beyond promotion of capital concentration via selective allocation of government military orders. In recent decades, the Pentagon have not just been enhancing this process of capital concentration *implicitly* - by allocating its own orders to a very small number of giant armament corporations -, but has been engaged in promoting the same process *explicitly*, by advising armament corporations to merge into single, larger wholes. Such has, for instance, been recorded by Helen Caldicott in her book on the US military industrial complex (*The New Nuclear Danger*, 2002). Caldicott noted how the US Secretary of Defence, William Perry, in 1993 addressed a dinner attended by a host of 'defence' industry executives, and how in his speech Perry openly encouraged consolidation in the military sector.

The 1993 dinner, among executives of US armament corporations, reportedly got

to be known as the *'last supper'*, which term here was used abusively. Yet the diner and Perry's pronunciations had a profound impact on policymaking by US armament corporations. For during the years from 1993 til 1998 a thorough transformation took place in the US's military sector, leading to a significant *reduction* in the number of giant corporations receiving Pentagon orders. As a chart published by *The Economist* in 2002 graphically illustrates: **four** corporations merged into one single corporation now named Lockheed Martin, **six** companies combined to constitute Northrop Grumman, Boeing swallowed no less than **four** other giant corporations, and Raytheon took over another **two** prominent suppliers of Pentagon orders. Thus, under government pressure, the total number of giant suppliers of the Pentagon shrank from 15 to a list of **just 5** armament corporations, which five henceforth included only **one** civilian corporation, the mammoth aircraft constructor Boeing. Clearly, the Clinton administration's merger policy has deeply affected the power structure in the US military sector.

What *reasons* led the Clinton administration of the 1990s to promote such a dramatic monopolisation of military corporate power? Why was it necessary to add patronisation of capital concentration to the tested policy of orders to selected companies? The new policy was largely related to the 1990s shift in official policymaking relating to the US business cycle. Whereas all through the 1980s, the Republic government under Reagan had openly and unhesitatingly relied on arms' procurement, and more generally on military allocations, as leverages for regulation of the business cycle – continuation of this method of economic regulation had become untenable by the turn of the decade from the 1980s to the 1990s. This in view of the fact that reliance on the military sector had been one of the *causes* of the periodic crisis which erupted at the time. As the American government was compelled to (temporarily) downsize its arms' budget, - it clearly could not continue to offer the same guarantees towards manufacturers of armament systems, as it had done previously. Hence, the merger movement from 1993 til 1998 was rooted in the need for a *reduced* reliance on armament orders as method to stimulate the US's aggregate demand.

Lastly, although the US government's policy orientation with regard to capital concentration has once again shifted dramatically since the late 1990s, - the effects deriving from allocation of orders towards a selected group of armament corporations have remained. In the later part of the 1990s, the Clinton government devised a new policy aimed at further integration of the production of armament systems: that of *transatlantic alliance building*, a policy which needs to be assessed in a separate essay. Yet the process of ever large concentration of economic power in the US military sector has continued unabatedly, as data published by the Pentagon, by the Swedish *Sipri*, and by other research institutions confirm. Unfortunately, few policymakers or activists seem to be paying attention to this theme. Neither peace activists nor parliamentarians opposed to the US's wars in the Middle East, seem to realize that the question of capital concentration in the US's military sector and beyond, itself is affecting our chances to question the US's wars.

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