



# The Economic Benefit of Conflict: A Thriving Armaments Sector

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## Introduction

The concept of an economic beneficiary of war may sound unconscionable given the scale of destruction, death and grief that conflicts often result in. However, even in the darkest of times someone, somewhere will benefit. These beneficiaries can include the black-market merchants who provide food and other much needed supplies, whose normal channels of distribution are disrupted. It can also include mercenaries who sell their services to whichever side in a conflict is willing to pay the 'market' rate, and above. But the beneficiaries are not confined to those acting in a nefarious capacity. The most obvious beneficiaries are the arms manufacturers.

The assertion that arms manufacturers benefit from war is neither novel nor new. It would be counterintuitive in the extreme if we didn't expect arms sales to increase during periods of conflict. The main purpose of this note is simply to present some data which might offer support to the argument. A secondary objective is to contrast the fortunes of the arms manufacturers with those of the non-arms manufacturers, and in this endeavor General Motors is considered as the representative non-arms manufacturer.

### The Arms Trade

Tables 1 and 2 below show the top five arms exporting and top five arms importing countries, respectively.

**Table 1 – Top 5 Arms Exporting Countries, 2019-2023 (million TIV)**

Country	Arms Exports
USA	58,393
France	15,283
Russia	14,760
China	8,117
Germany	7,982

Source: SIPRI Arms Transfers Database

What is TIV? Trend Indicator Value (TIV) is a volume measure which quantifies the transfer of military resources from one country to another. The Stockholm International Peace Research Institute (SIPRI), an independent institute dedicated to research into conflict, prefers this to a value measure because calculating the latter requires the use of data provided by governments and industry bodies. SIPRI argues that there are serious limitations on such government data. Specifically, there is no internationally agreed definition of what constitutes weapons and there is no standardized methodology concerning how to collect and report such data<sup>1</sup>.

Table 1 offers no surprises. Such is the volume of US military exports that during the period 2019-2023, it exported more than the total of the next four largest exporters, which includes Russia and China.

In Table 2, two countries are worth commenting on. India is shown to be the leading importer of weapons for the period 2019-2023. Given that India's domestic arms industry is relatively underdeveloped, this is not surprising. However, its dependence on imports is likely to lessen as Prime Minister Modi continues with the implementation of his 2016 Defense Procurement Policy. Regarding Ukraine, prior to the current war it ranked significantly lower than the fourth place shown in the table. Between 2019 and 2021, its arms imports averaged only 31.33 TIV but in 2022 this increased to 2,789 and in 2023 it reached 4,012. It is likely that the 2024 number will exceed this.

**Table 2—Top 5 Arms Importing Countries, 2019-2023 (million TIV)**

Country	Value
1. India	13,754
2. Saudi Arabia	11,715
3. Qatar	10,668
4. Ukraine	6,896
5. Pakistan	6,053

Source: SIPRI Arms Transfers Database

### The Arms Manufacturers

Table 3 below gives a snapshot of the total revenue and market capitalisation of the top five arms manufacturers, all American. The table includes General Motors (GM) for comparison purposes. Although GM is no longer the behemoth it once was, it is still a significant manufacturing company. In 1953, Eisenhower nominated Charles Wilson, then president of GM, to the post of Secretary of

Defense. At the confirmation hearings, Wilson was asked about the possibility of a conflict of allegiance between GM and the US government. Wilson responded as follows:

“I cannot conceive of one because for years I thought what was good for our country was good for General Motors, and vice versa. The difference did not exist. *Our company is too big. It goes with the welfare of the country. Our contribution to the Nation is quite considerable.*” (my italics)

In the September 21, 2010, issue of *24/7 Wall St*, Douglas McIntyre pointed out that in 1955 GM employed 576,667 staff and accounted for 50% of the American car market. Recent data show that by the end of 2023 the number of employees had fallen to 163,000 and its market share was only 16.9%. However, GM is still the largest US car manufacturer and is thus a good benchmark for comparing the performance of the US arms manufacturers.

**Table 3—Top 5 Arms Manufacturers and General Motors: Total Revenue, 2023 and Market Capitalisation, 2024 (USD billion)**

Company	Total Revenue	% of Revenue from Weapons	Market Capitalisation
Lockheed Martin (US)	67.57	90.0	115.90
RTX Corporation (US)	68.92	59.0	155.34
Northrop Grumman (US)	39.29	90.5	68.67
Boeing (US)	77.79	40.0	135.21
General Dynamics (US)	42.27	71.4	73.18
General Motors (US)	171.84	-	59.68

Sources: SIPRI *Top 100 Arms-Producing Military Services Companies in the World, 2023*, companiesmarketcap.com. Note that the RTX Corporation includes Raytheon.

### Arms Manufacturers, Conflict, and the Economy

Table 4 below presents employment numbers for Lockheed Martin (LMT) and Northrup Grumman (NOC) as well as for GM. The choice of Lockheed and Northrup is based primarily on their overwhelming reliance on arms sales (see Table 3 above).

Whereas manufacturers such as GM have experienced long-term decline, as expressed by several metrics, including the number of staff employed, arms manufacturers have been increasing their headcount and revenue thanks to a thriving demand for their products. And this is reflected in the response of investors. As Wayne Duggan wrote in *US News* in 2024:

“Not surprisingly, leading defense stocks have performed relatively well in recent months. Shares of unmanned aerial vehicle company AeroVironment Inc.

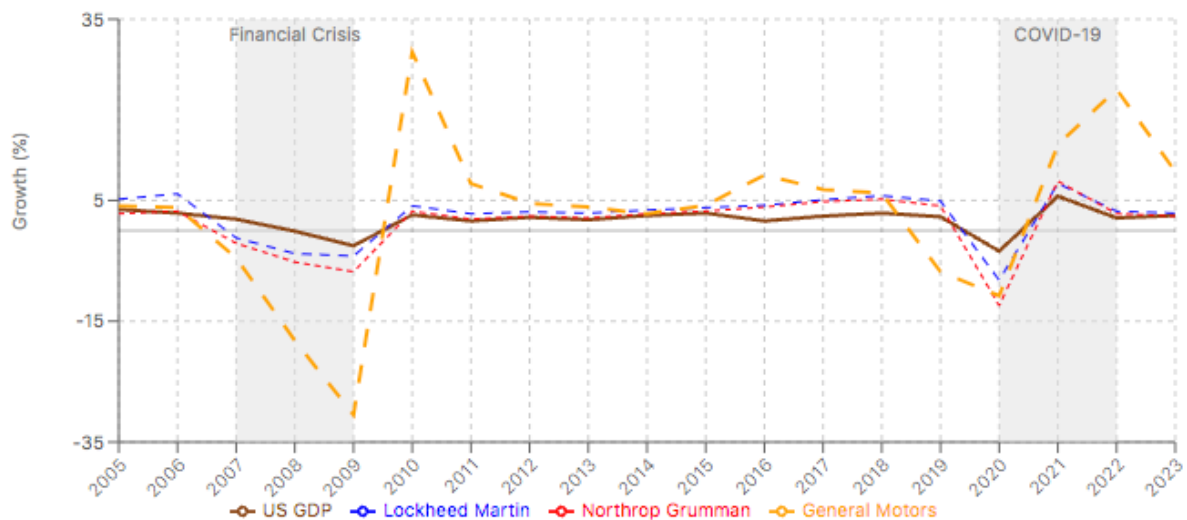
**Table 4 – Total Employment at Lockheed, Northrup and General Motors, 2017--2023**

Year	LMT	Growth %	NOC	Growth %	GM	Growth %
2023	122,000	5.17	101,000	6.32	163,000	-2.40
2022	116,000	1.78	95,000	7.95	167,000	6.37
2021	114,000	0.0	88,000	-9.28	157,000	1.29
2020	114,000	3.64	97,000	7.78	155,000	-5.49
2019	110,000	4.76	90,000	5.88	164,000	-5.20
2018	105,000	5.00	85,000	21.43	173,000	-3.89
2017	100,000	3.09	70,000	4.48	180,000	-20.00

Sources: Macrotrends, Stock Analysis

are up nearly 30% in the past six months. Military aircraft part-maker TransDigm Group Inc. shares have traded higher by 32% since Hamas attacked Israel. Through January 29 this year, the stock prices of defense giants RTX Corp. and Textron Inc. are up more than 7% each, while the S&P 500 is up just 3.3% (“How Do Conflicts and War Affect Stocks?”, January 30).

**Chart 1-US GDP growth and revenue growth for LMT, NOC and GM, 2005-2023**



Sources: Bureau of Economic Analysis (GDP data), company annual reports (revenue data)

Chart 1 shows the revenue growth of Lockheed, Northrop, and GM set against US GDP growth for the period 2005 - 2023. There were two significant events which impacted GDP growth - the financial crisis of 2007-2009 and the Covid pandemic in 2020. During the financial crisis, US GDP growth was either stagnant (0.21% in 2008) or declined (-2.6% in 2009). Although there was some impact on the defence sector, car manufacturing recorded sharp falls in output, revenues, and employment. As Bill Dupor at the Federal Reserve Bank of St Louis wrote in 2019:

“One of the hardest-hit sectors during the most recent recession was autos...New vehicle sales fell nearly 40 percent. Motor vehicle industry employment fell over 45 percent. Faced with bankruptcy, Chrysler and General Motors were bailed out by the U.S. government using TARP funds. At one point, the federal government owned 61 percent of General Motors” (5 July 2019).

During the Covid pandemic in 2020, GDP in the US declined by 2.77%. Again, the impact on the defence sector was far less significant than on the car sector. Indeed, Lockheed’s and Northrop’s revenues in 2020 increased by 9.34% and 8.74%, respectively, whereas GM’s revenues fell by 10.75%.

Looking more generally at the entire period depicted in the chart, GM<sup>ii</sup> has shown far more volatility than LMT and NOC. The armaments sector, as represented by LMT and NOC, seems to be more stable and resilient than the car sector. This should not be surprising given the nature of the products sold by arms manufacturers and the markets in which they operate. The US does not just provide arms to its client states when they are at war, it also arms them in preparation for the next potential proxy conflict. The list of recipients/purchasers of US weapons is long--Israel, Taiwan, Turkey, the Philippines, the Gulf States, Egypt, South Korea, Australia, etc.--and the military hardware (and software) is abundant<sup>iii</sup>.

## Conclusion

In his 1970 classic chart-topping hit, *War*, Edwin Starr sang:

*War, huh, yeah / What is it good for? / Absolutely nothing*

If only. The song's anti-war lyrics, written by Barrett Strong and Norman Whitfield, contrast sharply with the reality of the military-industrial complex (MIC) that views war as a financial opportunity. Eisenhower's original 1961 framing of the MIC, and its potential to circumvent and distort the agenda of democratically elected governments, was drafted with the Korean war behind him but with Vietnam, Iraq, Afghanistan, Serbia, Libya, Yemen, Ukraine, Palestine, and other arenas of conflict, yet to come.

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<sup>i</sup> For many years, the US State Department published an annual report on *Military Expenditure and Arms Transfers* (WMEAT). All data were in value terms. Following the repeal of the 1994 statutory provision requiring the publication of WMEAT, the State Department ceased publishing it in 2021.

<sup>ii</sup> Plotting revenue growth for Ford shows the same pattern as GM

<sup>iii</sup> See, for example, the BBC report "The US is quietly arming Taiwan to the teeth", 6 November 2023