

# **The political economy of war.**

*Summer school on "War, peace, and the world order"*

Discussion

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# Overview

- Identification of the military sector using industry-level data
- Multiplier effects of military vs. civilian expenditures
- Militarization and deindustrialization: Two European trajectories

# Manufacturing sectors involved in military production

Sectors	Military equipment and infrastructures (US BEA, 2023)	Aerospace and Defense Ecosystem (European Commission, 2021)
Fabricated metal products, except machinery and equipment (C25)		X
Computer, electronic and optical products (C26)	X	X
Electrical equipment (C27)		X
Machinery and equipment (C28)		X
Motor vehicles, trailers and semi-trailers (C29)	X	
Other transport equipment (C30)	X	X
Repair and installation of machinery and equipment (C33)		X

# Multiplier effects of military vs. civilian expenditures

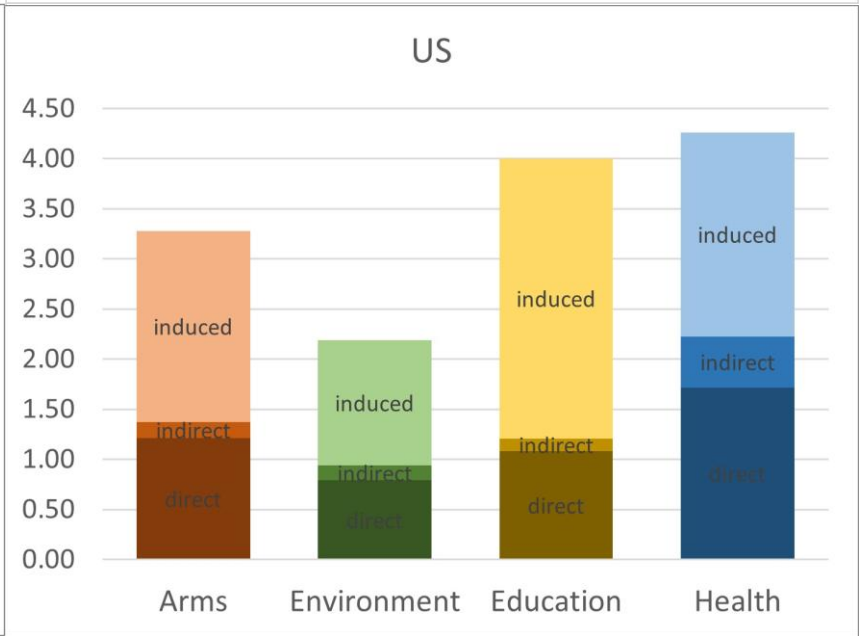
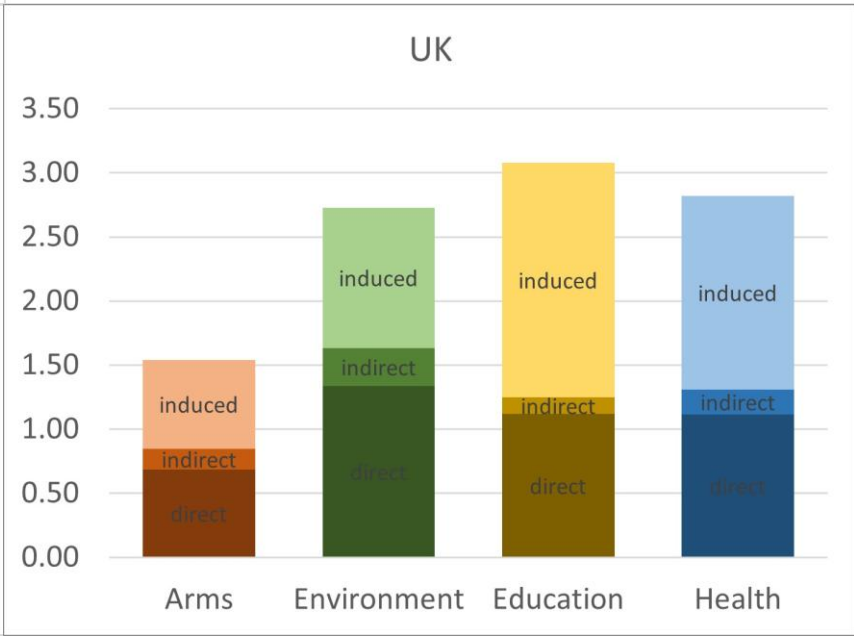
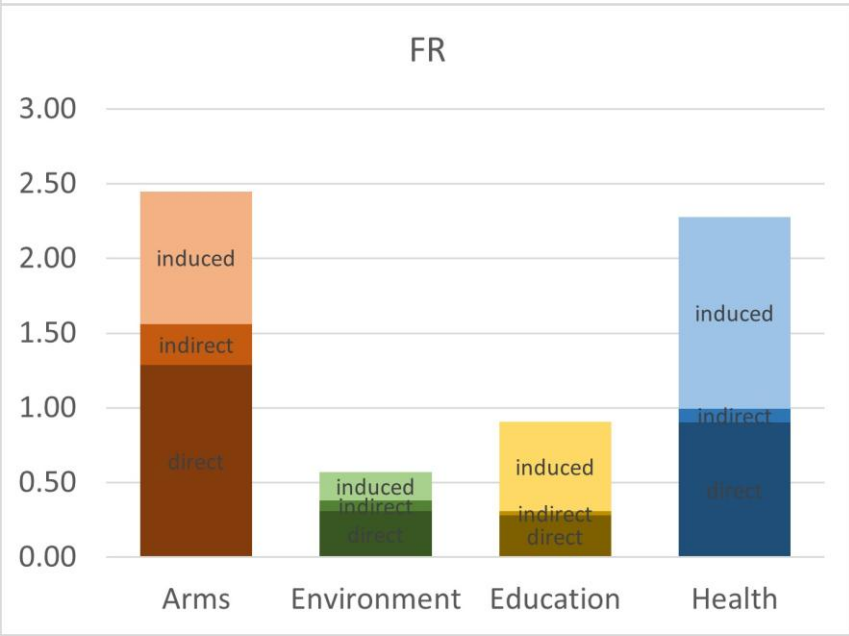
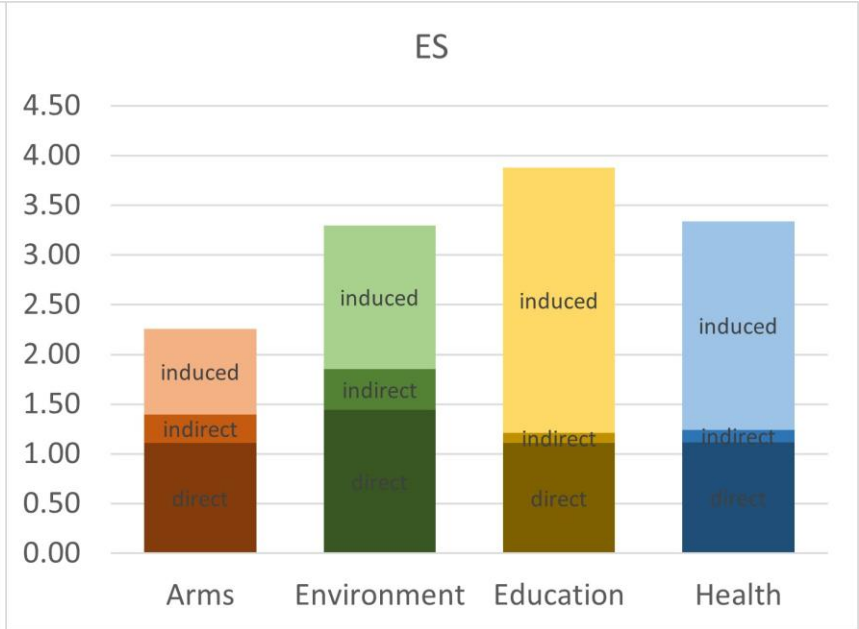
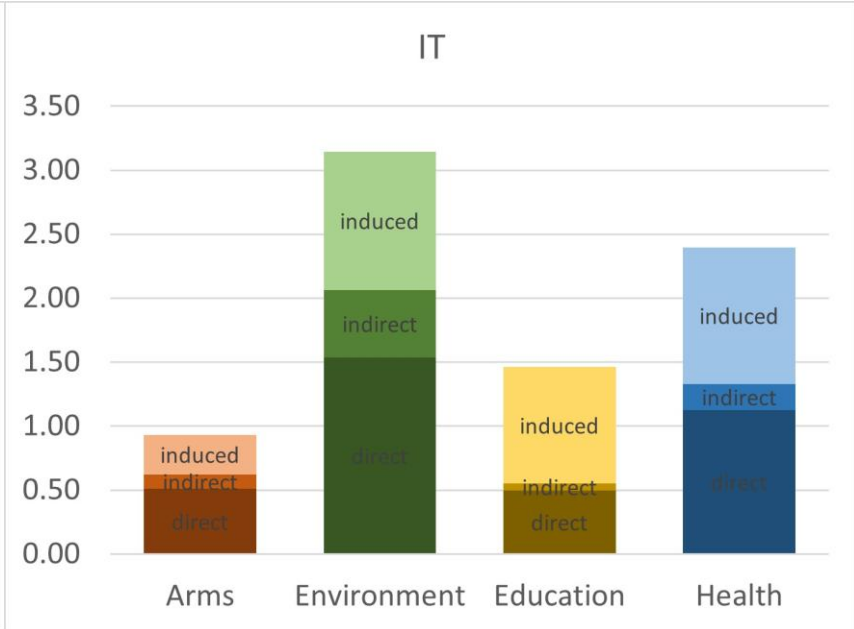
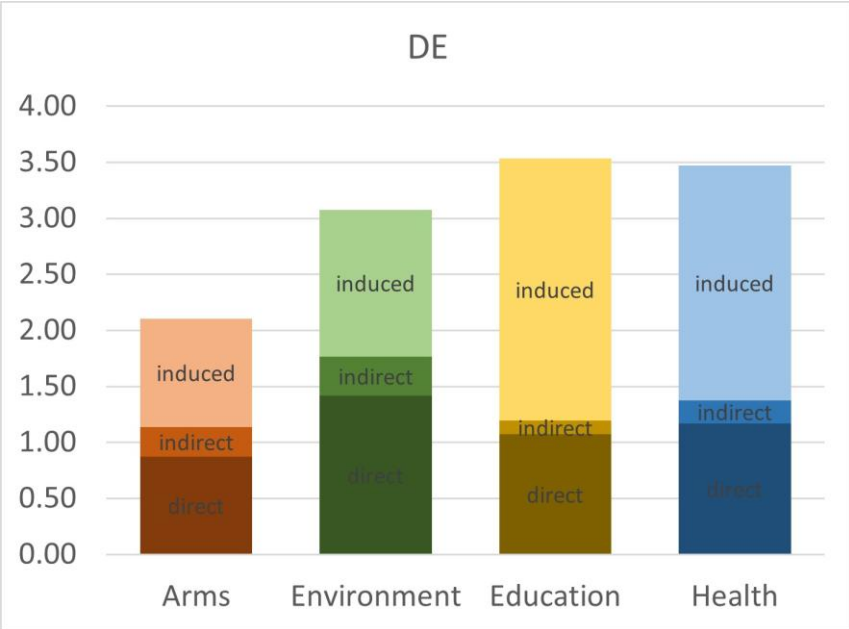
## Effects:

- Direct: output and jobs created in the sector receiving the spending (e.g., arms industry, healthcare services)
- Indirect: output and jobs created in supplier sectors providing inputs (e.g., steel for arms, pharmaceuticals for hospitals)
- Induced: output and jobs created when workers spend their wages

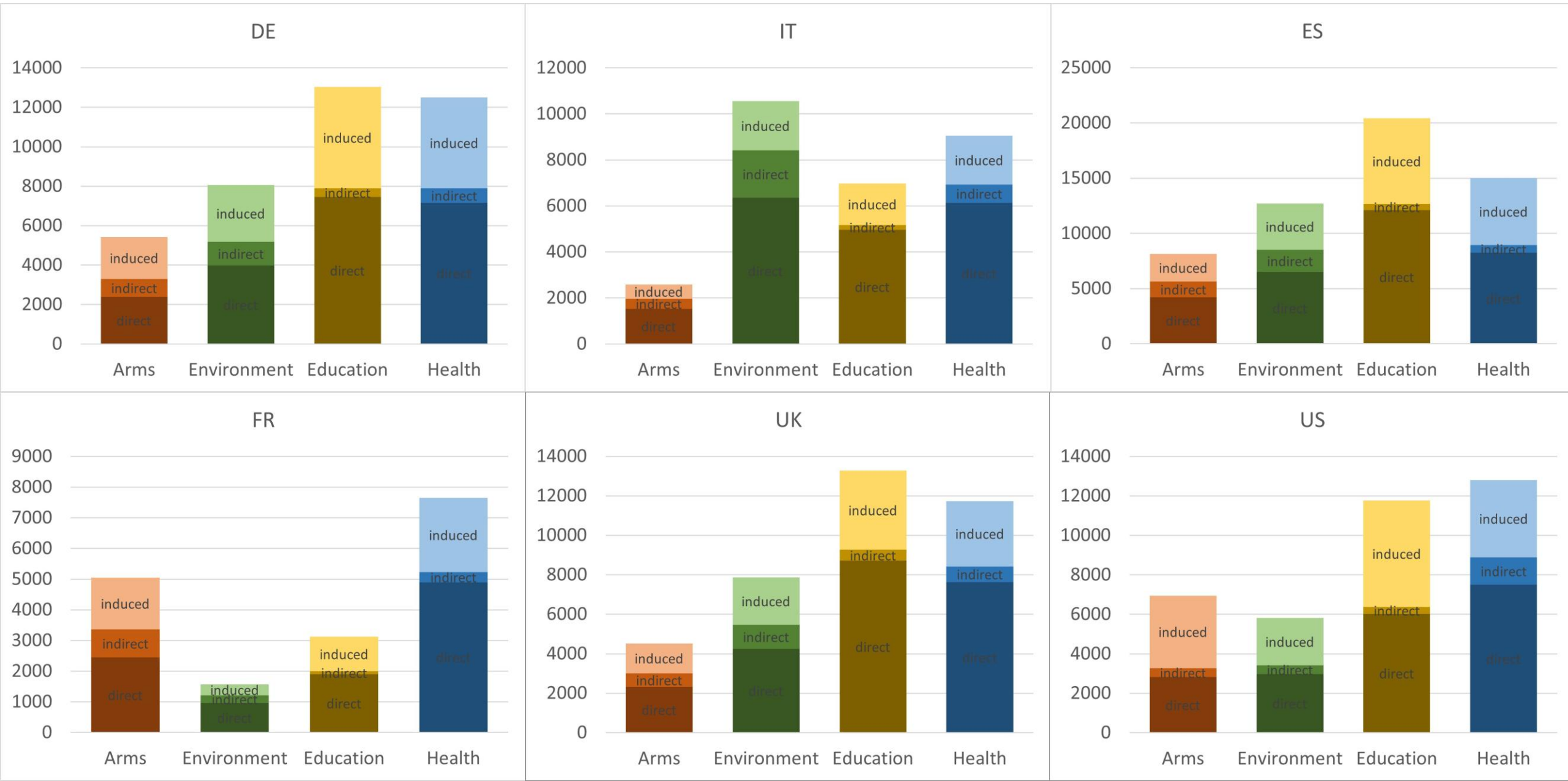
**Methodology:** Input-output analysis (Eurostat FIGARO, 2025; OECD STAN, 2025)

**Based on:** Stamegna, M., Bonaiuti, C., Maranzano, P., Pianta, M. (2024), *The economic impact of arms spending in Germany, Italy, and Spain*

# Domestic production effects of €1 bn spending



# Domestic employment effects of €1 bn spending



# Multiplier effects of military vs. civilian expenditures

Smaller impact of military spending due to:

- **Higher import dependency** (e.g., in Italy, 60% of arms and 45% of inputs for arms production)
- **Lower labour intensity**: fewer jobs created per euro of direct output (e.g., in Italy, 3 jobs per €1 mln in arms vs. 11 jobs in education)

# Militarization and deindustrialization: Two European trajectories

**Post-Cold War European trends:** decline in manufacturing share (in value added and employment), rise of services, slower labour productivity growth

**Key question:** What has been the relationship between military expenditure/production and deindustrialization?

## **Two European trajectories:**

- UK & France (UKFR): high military spending, specialization in arms production, faster deindustrialization
- Germany, Italy & Spain (GIS): lower military spending, specialization in civilian production, slower deindustrialization

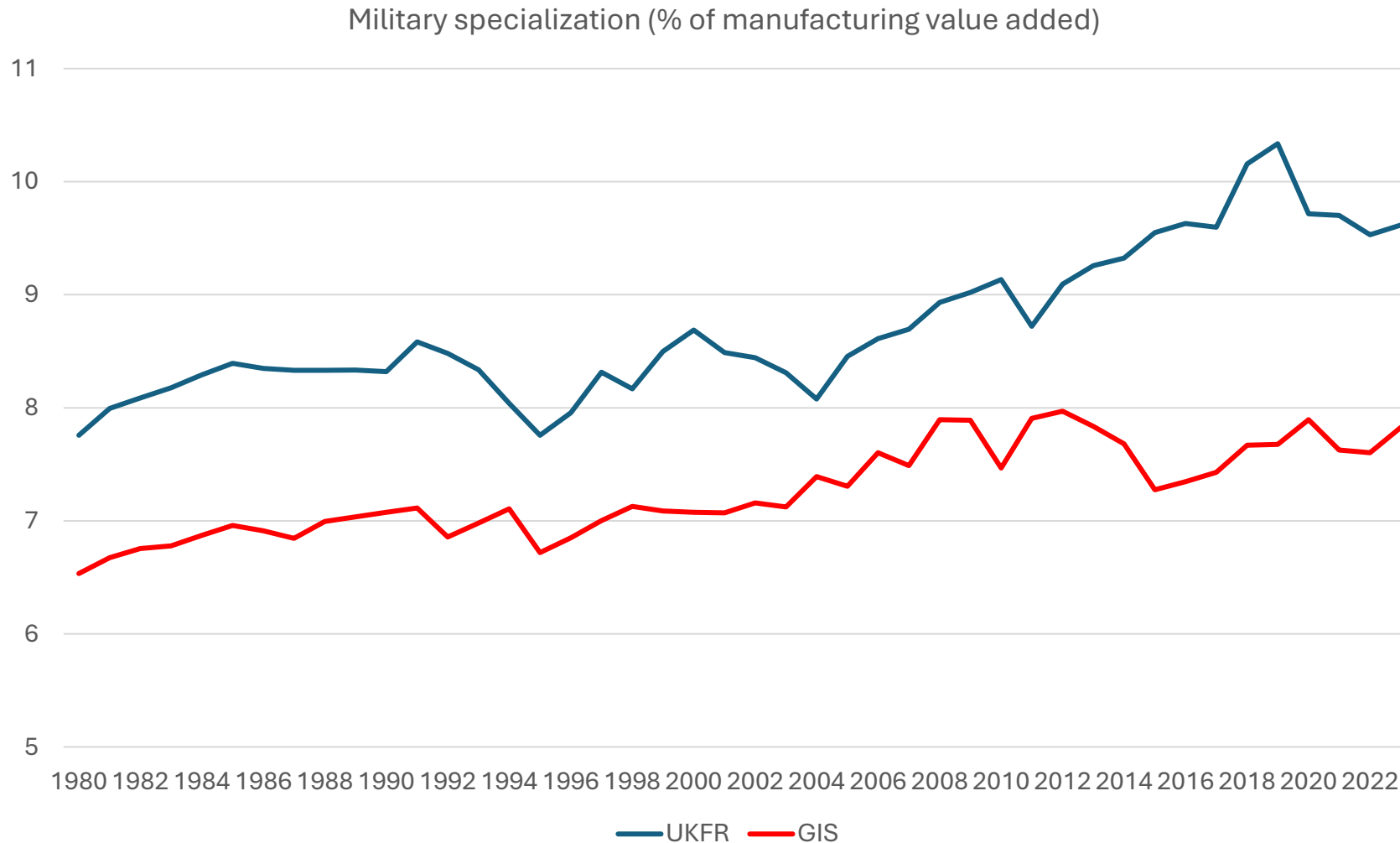
**Reference:** Maranzano, P., Mombelli, S., Pianta, M., Stamegna, M. (in progress), *Europe's two models: military deindustrialisation vs civilian competitiveness*



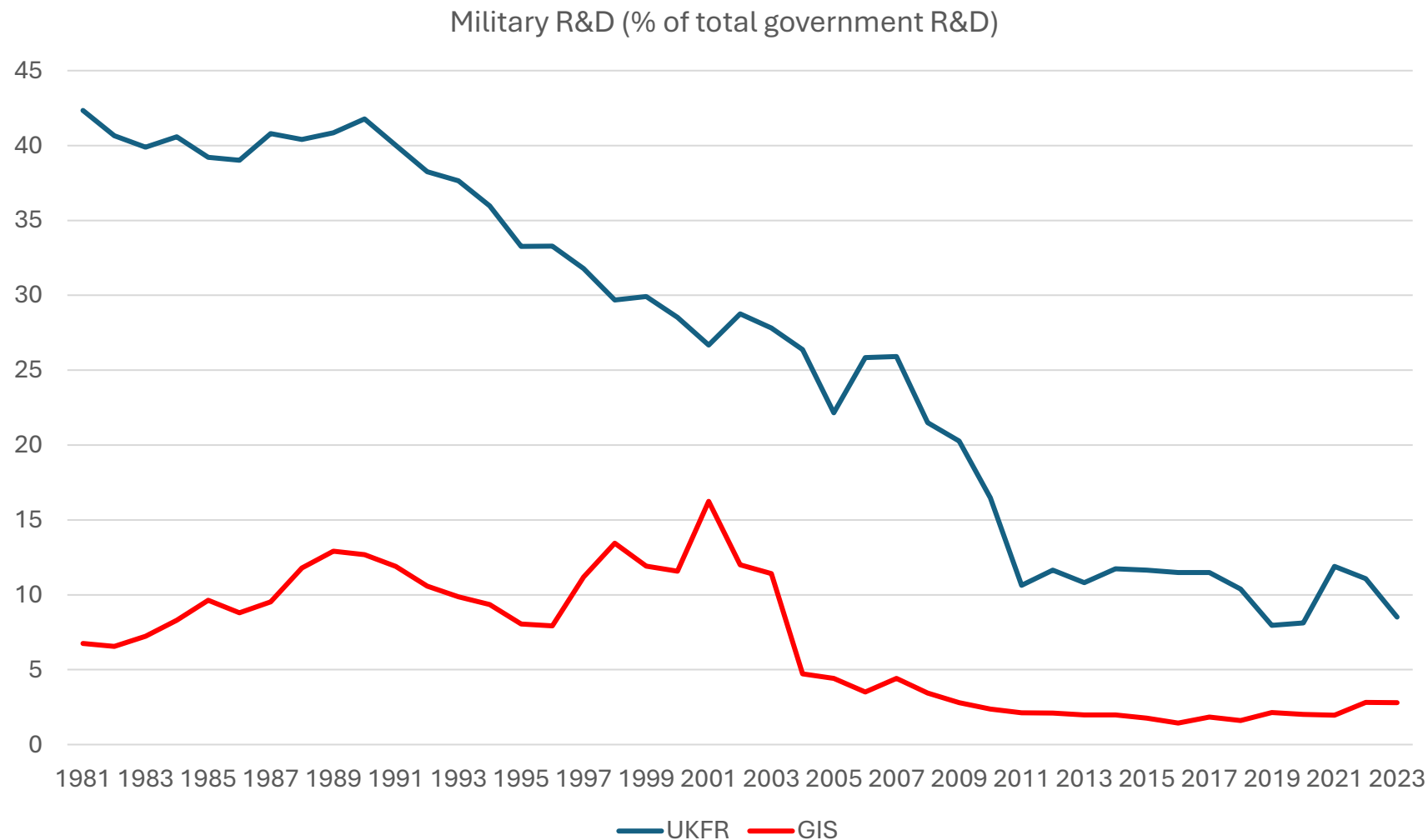
# Military spending in Europe (1980-2023)



# Military production in Europe (1980-2023)



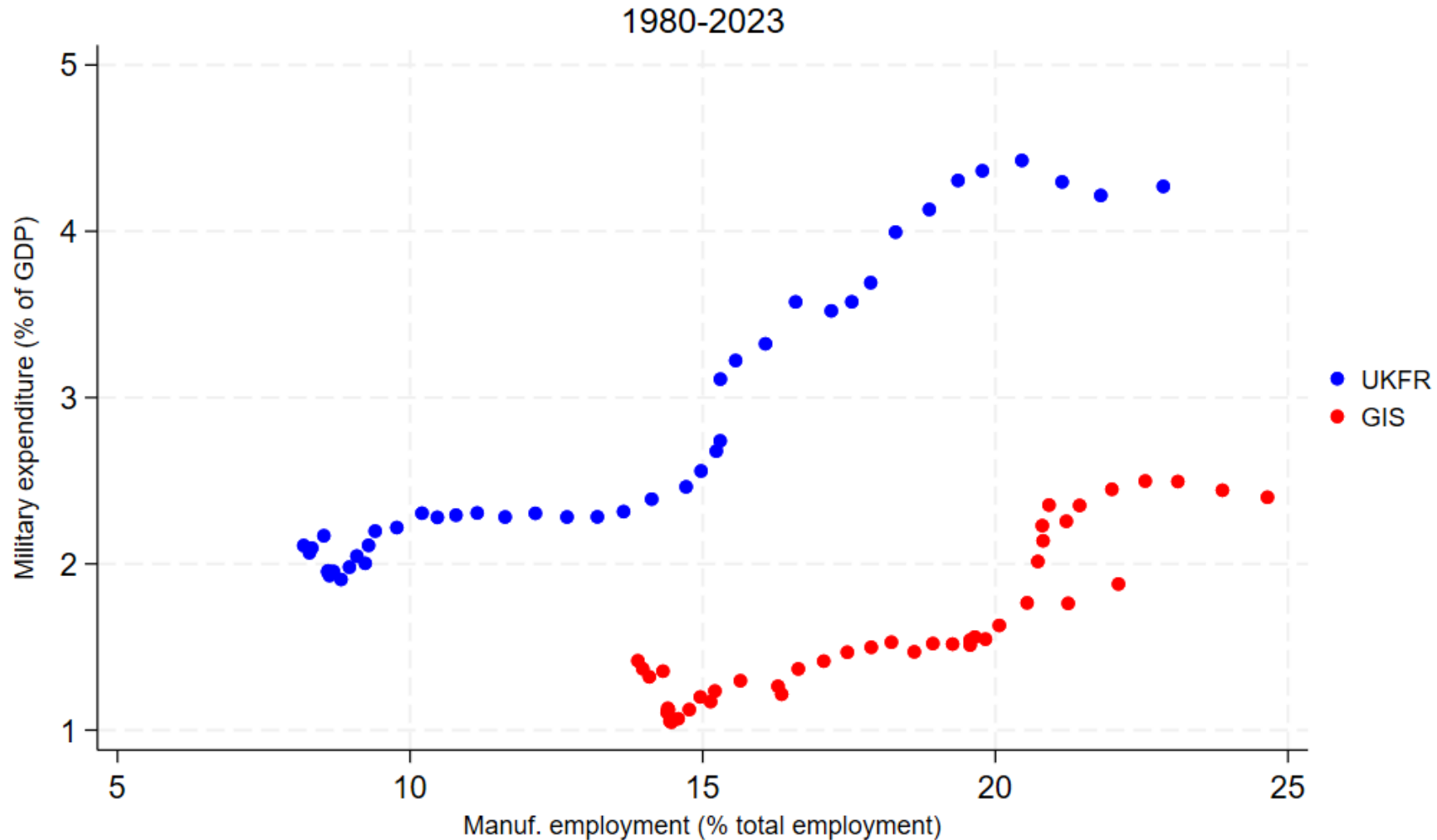
# Military R&D in Europe (1981-2023)



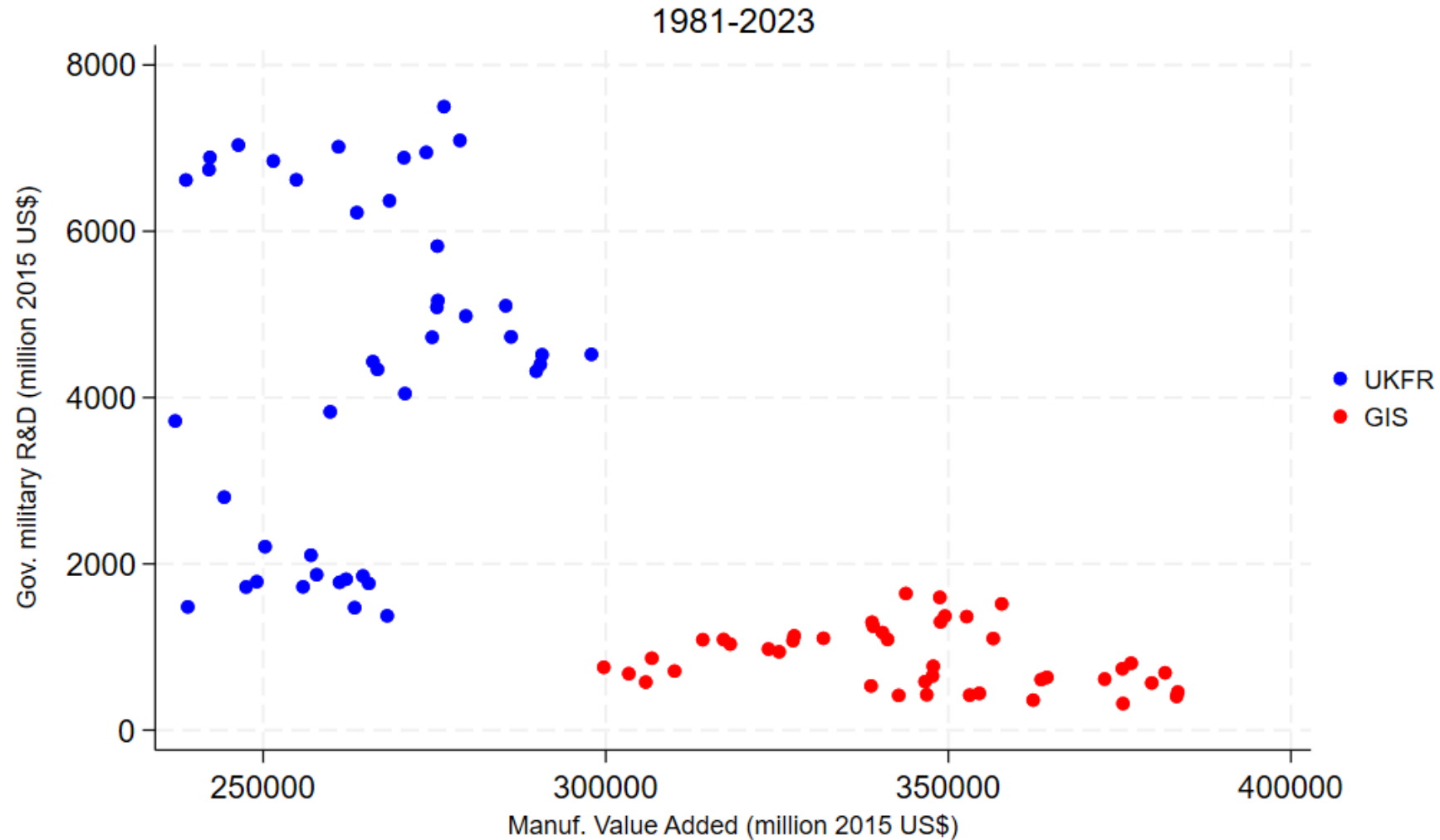
# Military production and deindustrialization



# Military spending and deindustrialization



# Military R&D and deindustrialization



# Contributions

- These results call into question Europe's recent race towards militarization
- Investing in arms is a "bad deal" even in purely economic terms: higher military spending means lower economic prosperity and less job creation
- Is the current rearm accelerating deindustrialization, pushing Europe onto the UKFR trajectory?