

THE IMPACT OF CRISIS-MILITARIST STAGES OF CYCLICAL SOCIETAL DEVELOPMENT ON ECONOMIC INTERESTS

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Abstract: The purpose of this article is to examine economic interests in the context of the influence of crisis-militaristic phases of global cycles on the conditions for their realisation. Economic interests play an important role in cyclical societal development, being one of the main drivers of societal progress and at the same time giving rise to deep interclass and geopolitical contradictions. The intensification of these contradictions leads to crises at the level at which they arise. The periodic intensification of geopolitical contradictions, largely due to the conflict of economic interests of geopolitical actors, leads to the unfolding of crisis-militaristic phases of global cycles. After the completion of these phases of global cycles, a new geopolitical hierarchy is established in the capitalist world system, which means that new conditions are formed for the realisation of the economic interests of states and, as a consequence, for the realisation of the economic interests of their national businesses and populations. The leader of the global geopolitical system receives the main advantages for the realisation of economic interests. During crisis-militaristic phases, states involved in geopolitical struggles shift to some extent towards the militarisation of the economy and a mobilisation-based form of societal life. The militarisation of the economy involves an increase in state military spending, which improves conditions for the economic interests of businesses necessary for the military economy and worsens conditions for non-militaristic businesses and the population. If military spending is increased by redistributing state financial resources in their favour at the expense of social spending, the social quality of life for broad sections of the population deteriorates, which means that conditions for human development deteriorate. Already today, in the process of transition to the crisis-militaristic phase of the current long cycle of world politics, there is a significant slowdown in progress in the field of human development.

Keywords: economic interests, military-economic cycles, crisis-militaristic phases, militarisation, social quality.

1. Introduction

Economic interests play a key role in the system of societal relations, as well as in the process of cyclical civilisational development. At each historical stage of cyclical civilisational development, economic interests have a decisive influence on societal institutions and characterize the level of societal progress, that is, they are the quintessence of the era. The internal reasons for the cyclical nature of societal development are differences in the pace of technical, technological, institutional, and socioeconomic changes, which lead to the formation, intensification, and resolution of internal contradictions through changes in the specific historical forms of society (Podliesna, 2017), and thus to fundamental transformations of the institutional environment and conditions for the realization of economic interests. The grounds for resolving these contradictions are formed in the course of complex crises affecting

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all spheres of societal life. The way out of the crisis is through some form of societal violence (war, revolution, other types of societal aggression), which is primarily due to the inability of societal institutions to ensure peaceful forms of resolving acute contradictions. Social violence leads to a reformatting of the institutional system, which entails a change in the conditions for the realization of economic interests.

There are several levels of economic interest realization: global (civilization-wide), integrative (common interests of integrative associations of geopolitical actors - states, transnational businesses), national (individual states, national businesses), social strata of society, and individual (each individual). The basic conditions that influence the achievement of states' economic interests are the geopolitical situation and the state's place in the geopolitical hierarchy, the state of the global economic situation, the stability and level of development of the state's own political and economic system, and its resource potential. The ability of national businesses and the population of each specific state to realize their economic interests is strongly influenced by the state of its institutional environment, the stability of its political and economic system, its level of socio-economic development, and its civilizational affiliation. The unfolding of crisis-militaristic phases of global military-economic cycles affects the economic and institutional conditions for the realization of economic interests at all levels.

The development of civilization as a whole is shaped by the unity of diverse cyclical societal processes, including military-economic cycles. Military-economic cycles should be understood as a form of global cyclicity generated by the struggle for resources that allows geopolitical actors, the winners in the struggle for economic and military-political leadership, to dominate the world system in the long term and develop successfully. Each historical form of the political-economic system of domination, which was established as a result of war, contained the preconditions for the next war – deep socio-economic, political, and civilizational contradictions. At each stage of historical societal development, a certain form of socio-economic cycles emerged, exerting a decisive influence on cyclical societal dynamics. The emergence and establishment of the dominance of a particular form of cycles corresponds to the level of scientific, technical, and economic development, as well as the characteristics of the institutional architecture of a specific historical form of society (Podliesna, 2017).

Military-economic cycles are one of the most relevant forms of cycles for the cyclical dynamics of capitalist society. Among them, the long cycles of world politics and cycles of hegemony have the greatest impact on the cyclical process of civilization development under capitalism. These are cyclical processes of geopolitical competition for world leadership and the redistribution of resources and spheres of influence, and thus opportunities for the realization of economic interests. The main cycle-forming factor of these cycles is the crisis-militaristic events of civilizational development, unfolding in the form of long-term military confrontation between competing geopolitical blocs, which sometimes intensifies and sometimes weakens, forming crisis-militaristic phases. As a result of these phases of global cycles, a new geopolitical hierarchy is established in the capitalist world system, and thus new conditions for the realization of economic interests that depend on it.

2. Literature review

In the historical retrospective of societal progress, there is a clear connection between changes in the conditions for the realization of economic interests and cyclical socio-economic and institutional development. Economic interests and societal institutions are closely interrelated. One of the founders of the institutional approach in economic theory, T. Veblen, was convinced that economic interest permeates all aspects of human life and influences the culture of human existence (Veblen, 1898). According to A. Schotter (1981), economic agents, in pursuing their own interests, thereby cause the development of institutions capable of satisfying those interests. This article examines the problem of realizing economic interests in the context of the cyclical nature of societal development, primarily its crisis-militaristic phases. To study economic interests in the context of the global cyclical process of civilizational development, in particular its military-economic component, we rely on the works of G. Modelska (Modelska, 1995) and I. Wallerstein (Wallerstein, 1983). In studying the impact of the redistribution of society's resources in favor of achieving military goals on the opportunities for realizing economic interests, we use theoretical and empirical arguments set forth in the works of P. Akçagün, A. Y. Elveren (Akçagün & Elveren, 2021), A. Y. Elveren, S. Hsub (Elveren & Hsub, 2018), I. Hossein-Zadeh (Hossein-Zadeh, 2006, 2007, 2010).

3. Methodology

The study mainly applied logical and historical methods, as well as dialectical ascent from the abstract to the concrete, including general scientific methods of analysis and synthesis, induction and deduction. To achieve the research objectives, data from the Stockholm International Peace Research Institute, the World Bank, and the Organization for Economic Cooperation and Development were used.

4. Results

The economic interests of geopolitical actors form a dynamic system of contradictions and common interests among all participants in the global cyclical geopolitical process, the rhythm of which is set by periodic crisis-militaristic stages in the development of the world system. Periods of greatest destabilization of global or regional geopolitical systems coincide with crisis-militaristic phases of societal development. The wars and revolutions that occur during these phases lead to a critically dangerous loss of stability and crises in the security of civilizational development at the level (local or global) at which they unfold. However, it is precisely during crisis-militaristic phases that the foundations for resolving contradictions in societal development are established. As a result of wars, geopolitical and civilizational contradictions are resolved, regional (if wars are local in nature) geopolitical systems or the global geopolitical system (if the war becomes global in nature) are reformatted, in other words, the institutional and economic conditions for the functioning of geopolitical actors and the achievement of their geopolitical and geoeconomic goals change. As a result of revolutions, contradictions between social classes are partially resolved and the class structure of society is transformed, and thus the conditions for the realization of the economic interests of different social classes.

Often, the response of states or their military-political blocs to security crises arising during crisis-militaristic phases is a transition to a mobilization-based form of societal life. This radically changes the political-ideological orientations and economic interests of the state,

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business, and the population. In order to establish in the societal consciousness the necessity to comply with the requirements of the ideology of a mobilization society, it is necessary to introduce some form of a state of emergency. This inevitably limits the opportunities for economic actors whose activities do not meet the priorities of the mobilization model of the economy to pursue their economic interests, as well as the opportunities for citizens to pursue their economic interests aimed at improving their quality of life.

Measures to combat the spread of COVID-19, which restricted economic activity and societal life in general, as well as the recent intensification of local and global military conflicts, have created the conditions for a shift in the economic policies of many states from improving the welfare of their citizens to militarization. A significant role in the militarization of the capitalist economy is played by the growth of state military spending, which has a negative impact on socially oriented state spending: it either decreases or (under optimal conditions) stops growing. Based on the concept of "redistributive militarism", I. Hossein-Zadeh concluded that the redistribution of resources from non-military to military spending has devastating consequences for societal development. This redistribution of resources from the bottom up leads to increased income inequality; It hinders the achievement of vital national goals and reduces human capital development programs, such as infrastructure projects, the construction of new schools, hospitals, dams, and, in general, all projects aimed at building human and physical capital (Hossein-Zadeh, 2010).

The opportunities for citizens and non-militaristic businesses to pursue their economic interests deteriorate most significantly during large-scale wars, which are a form of crisis-militaristic phases of global cycles (in particular, the long cycles of world politics described by G. Modelska and W. Thompson, the cycles of hegemony by I. Wallerstein). The crisis-militaristic phase of each form of global cycles is a period of extreme exacerbation of contradictions in the system of interactions between competing geopolitical actors, leading to military-political conflict, the outcome of which determines the balance of power in a particular regional or global geopolitical system and creates the basis for overcoming the systemic crisis.

Beginning with the "long 16th century" and continuing to the present day, the crisis-militaristic phases of global cycles unfold in the form of "thirty-year wars". According to Immanuel Wallerstein (1983), in each case of hegemony, it was achieved through a thirty-year world war, a land war involving (not necessarily continuously) almost all the major military powers of the era in large-scale conflicts that were extremely devastating for the land and population. According to the theory of long cycles in world politics, around 2026, a "macro-decision" phase will begin, which in previous cycles unfolded as a 30-year period of global confrontation, leading to world wars (Modelska, 1995).

The conditions for a new crisis-militaristic phase in the cyclical development of the world system have already been established. This trend is evidenced primarily by economic indicators. According to the Stockholm International Peace Research Institute (SIPRI), global military spending increased by 37% between 2015 and 2024 and grew in all five geographical regions (SIPRI, 2025a). Compared to 2002, the total sales of the 100 largest arms manufacturers and military service providers doubled in 2023 (from US\$331 billion to US\$632 billion) (SIPRI, 2025).

As a result of the new crisis-militaristic phase (approximately from 2026), the conditions for the realization of the economic interests of states, their associations, transnational and national businesses will change in the cyclical development of the world system. In particular, in historical retrospect, during the deployment of crisis-militaristic phases of global cycles, foreign trade relations were conducted in accordance with protectionist policies, and after their completion, the capitalist world system entered another wave of free trade (Table 1).

Table 1. The coordination of international trade regimes with military-economic cyclicity

Period	Form of international trade regime dominating the world-system	Phases of long cycles of world politics
mid-19th century – 1914	Free Trade Transitioning into “The Imperialism of Free Trade”	- “Agenda - setting” (1850-1873) <i>of the ninth long cycle of world politics</i> , - “Coalition-building” (1873-1914) <i>of the ninth long cycle of world politics</i>
1914 – mid-XX century	Protectionism	- “ Macrodecision ” (1914-1945) <i>of the ninth long cycle of world politics</i>
mid-XX century – early 2020s	Globalization	- “Execution” (1945-1973) <i>of the ninth long cycle of world politics</i> , - “Agenda - setting” (1973-2000) <i>of the tenth long cycle of world politics</i> , - “Coalition-building” (2000-2026) <i>of the tenth long cycle of world politics</i>
Since 2022 – beginning 2050s -?	Strengthening Protectionism Tendencies	“Macrodecision” (2026-2050) <i>of the tenth long cycle of world politics</i>

Source: Derived from: Modelska, G. (1995). The Evolution of Global Politics. Journal of World-Systems Research, 1.(7), 424-467. <https://doi.org/10.5195/jwsr.1995.38>

The British Empire, being the hegemon of the world system following the "macro-decision" phase of the 7th and 8th long cycles of world politics (1688-1714 and 1792-1815, respectively) (Modelska, 1995) and having achieved unconditional leadership in industrial development in the mid-19th century, replaced its protectionist policy with the introduction of free trade principles on a global scale, which was extremely beneficial to it as a technological leader. In the 20th century, during the crisis-militaristic period of cyclical development of the world system, which included World War I, the Great Depression, and World War II, protectionist policies prevailed in the world system, which was due to the desire of opposing geopolitical blocs for relative autarky. After the end of the "macro-decision" phase of the ninth long cycle of world politics, the political-economic, cultural-ideological dominance and technical-technological leadership of the United States was established in the world system. It was the United States that initiated and became the main driving force behind the new wave of globalization, and thus the liberalization of international trade.

Today marks the beginning of the "macro-decision" phase of the tenth long cycle of world politics, and the global economy is entering a period of protectionism, one of the most important drivers of which is the tariff and sanctions policy of the United States, which has entered the struggle to maintain its status as the world leader. The onset of the global economic crisis in 2008 marked the beginning of the decline of globalization against a backdrop of growing geopolitical tensions. Local and global conflicts, both new (Ukraine) and renewed

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(Syria, Israel-Palestine, India-Pakistan) are components of a hybrid "global war" in which escalating geopolitical contradictions must be resolved and a new geopolitical hierarchy of countries in the world system must be established. After that, based on the historical retrospective of the cyclical alternation of periods of free trade and protectionism, a new period of liberalization of foreign trade relations will begin in a form appropriate to the conditions of the information and network society (Podliesna, 2024).

The economic interests of the leading actors in geopolitics (states, their geopolitical blocs, transnational businesses) dominate over the economic interests of national businesses and citizens. In times of crisis and militarism, the economic policies of states involved in geopolitical struggles, whether through direct participation in military actions or through the organization of proxy wars, take on a militaristic character. Therefore, state support is provided primarily to the military-industrial complex and the economic entities that support its activities. In such conditions, contradictions between big business, which meets the needs of the military economy, and big business in the civilian sectors of the economy are exacerbated. For the former, the period of turbulence generated by the crisis-militaristic phases of military-economic cycles creates opportunities for growth, while for the latter, it disrupts established global and local value chains and threatens collapse. In addition, the growth of citizens' well-being and overall social quality temporarily loses its relevance for governments. To this end, an appropriate ideological justification for the need for society to function in a state of emergency is found and formalized at the legislative level.

Social quality is defined by the authors of the theory of social quality perspective as the extent to which people are able to participate in the dynamics of soci(et)al relationships under conditions that enhance their well-being, capacity and individual potential (Van der Maesen & Walker, 2012; IASQ Board, 2024).

In a historical retrospective of the development of the capitalist world system, the economic policies of states involved in geopolitical competition, aimed at improving social quality in conditions of peaceful existence (in other words, post-war recovery and growth) are cyclically replaced by economic policies of militarization and the introduction of a mobilization form of societal life in the process of deploying crisis-militaristic phases of global military-economic cycles. Militarization generates both positive effects, such as the development of military technologies forms the technical and technological basis for overcoming economic crises and negative effects, such as during periods of militarization, conditions for human development and societal progress deteriorate.

In the current climate of intensifying local and global military conflicts, which are laying the groundwork for the next crisis-militaristic phase in the cyclical development of the world system, the deterioration of human development has already become apparent. According to a new report by the United Nations Development Programme (UNDP), progress in human development has slowed to a record low. The 2025 report, "A matter of choice: People and Possibilities in the Age of Artificial Intelligence", assesses progress in key areas of development, such as health, education, and income levels. Assessments of indicators for 2024 show stagnation in the Human Development Index (HDI) in all regions of the world, as well as growing inequality between rich and poor countries. The gap between countries with low and very high HDI levels has been growing for the fourth consecutive year (UN, 2025).

The temporary refusal of peacetime economic interests in favor of militarization during a crisis-militaristic period of cyclical development of the world system creates a technical and technological basis for overcoming its next systemic crisis (including the economy as well as the institutional environment at the micro, macro, meso, and global levels). Warfare requires the introduction of basic technological innovations, which are subsequently successfully applied and generate profits in non-military sectors of the economy.

Advanced military technologies are eventually adapted for civilian use, leading to increased productivity across the entire economy. Defense research and development spending has led to a host of innovations. Microchips, radar, lasers, satellite communications, mobile phones, GPS, and the Internet are all the result of US Department of Defense funding for basic research at the Massachusetts Institute of Technology, Stanford University, and national laboratories. Breakthroughs were achieved at IBM and Bell Laboratories, and all of them were commercialized by Intel Corp., Motorola Inc., and many other corporations (Hossein-Zadeh, 2006).

The outcome of the crisis-militaristic phases of global cycles is the reformatting of the global economic space based on a new geopolitical hierarchy, for the stability of which the leading actors in geopolitics care not only about the growth of their geopolitical influence, but also about internal stability. This forces them to create conditions for expanding opportunities for businesses and citizens to pursue their economic interests. In other words, states that are competing geopolitical actors in the recovery phase following the crisis-militaristic phase are implementing measures to improve the well-being of their citizens, which means that the social quality and loyalty of citizens towards their governments and, in general, towards the emerging social structure of society are growing.

The cyclical nature of changes in conditions for the realization of citizens' economic interests is determined not only by global military-economic cycles, but also by domestic political cycles. In this sense, the results of a study by Bove, Efthyvoulou, and Navas (2017) on the role of social and military spending in shaping political cycles are particularly relevant. After analyzing data on a group of 22 OECD countries, the researchers obtained empirical evidence for a theoretical model according to which, before elections, incumbent politicians change the structure of spending in favor of social welfare and reduce defense spending, signaling that their preferences are close to those of voters, which in turn shapes the electoral budget cycle. However, governments are less likely to make such compromises in countries affected by conflict, where national security plays an important role in voters' choices. Politicians' spending decisions also depend on their ideological positions: left-wing parties advocate for increased spending on "butter", such as old age, family, etc., and disability benefits, while right-wing parties advocate for increased spending on "guns" (Bove, Efthyvoulou & Navas, 2017).

As for the impact of increased military spending on business interests, there is no consensus in academic discussions on this issue. There are solid research findings showing that military spending has a positive effect on profit margins in both arms-exporting countries and countries that are net arms exporters (in other words, exporting more arms than they import) but this relationship is not as significant in the case of arms-importing countries (Elverena & Hsub, 2018). Militarization is extremely profitable for global financial capital, as it is a major source of profit and an effective tool for self-reproduction. Financial capital has strengthened

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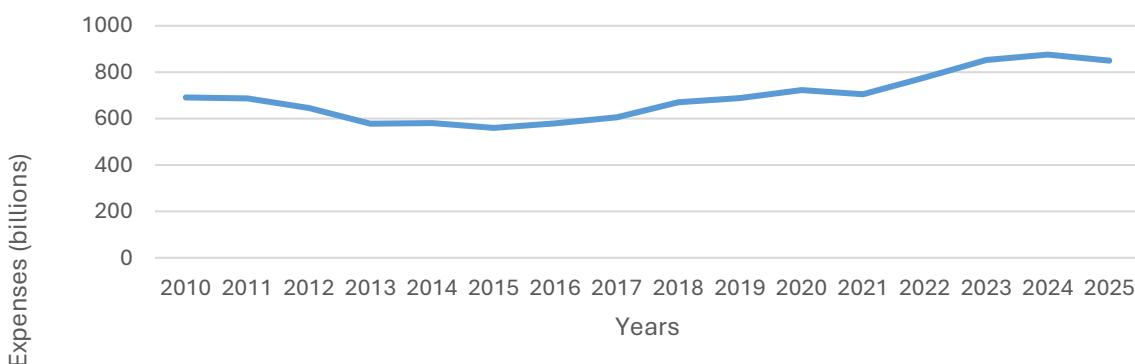
its influence on the military sector by buying up shares in giant arms corporations to become an important component of the military-industrial complex (Akçagün & Elveren, 2021).

Based on their analysis of empirical data, Akçagün and Elveren (2021) found a significant correlation between financialization and militarization in the United States between 1949 and 2019. In the 1950s and 1960s, military spending counteracted the stagnation of monopoly capitalism, in response to which the role of financial capital increased in the late 1970s. The US economy began to rely on the financial sector alongside military spending as two main stimuli to combat slow economic growth and declining profitability in the manufacturing sector.

Financial capital has expanded both nationally and internationally, significantly strengthening its influence on the global geopolitical system.

To pursue its economic interests, the current leader of the capitalist world system (the United States) employs a comprehensive strategy to maintain its dominant position in scientific and technological development, cultural and ideological influence, and economic leadership. Historically, military power has been the decisive factor in the cyclical struggle for world hegemony, and this remains true today. As the capitalist world system develops and its economic structure becomes more complex, the financial sector is becoming increasingly important. Therefore, primacy in this sphere of economic interests is fundamentally important for the current and future leader of the world system, as is the military-technological basis for domination. According to Akçagün and Elveren (2021), the absolute dominance of the dollar has secured the US's global economic leadership, making it the center of global financialization. This economic power allows the US to have an impressive military budget (Fig. 1), which strengthens US political power, thereby ensuring the dominance of the dollar.

Figure 1. *US Department of Defense budget for fiscal years 2010–2025*



Source: Derived from: Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer March 2024. *Defense Budget Overview United States Department of Defense Fiscal Year 2025 Budget Request Revised April 4, 2024.* https://comptroller.war.gov/Portals/45/Documents/defbudget/FY2025/FY2025_Budget_Request_Overview_Book.pdf

The sharp increase in military spending in the early 1950s, early 1980s, and early 2000s occurred in the United States immediately after periods of economic recession. The increase in military spending during World War II brought the US economy out of the prolonged effects of the 1930s depression. The sharp increase in military spending in the early 1950s helped

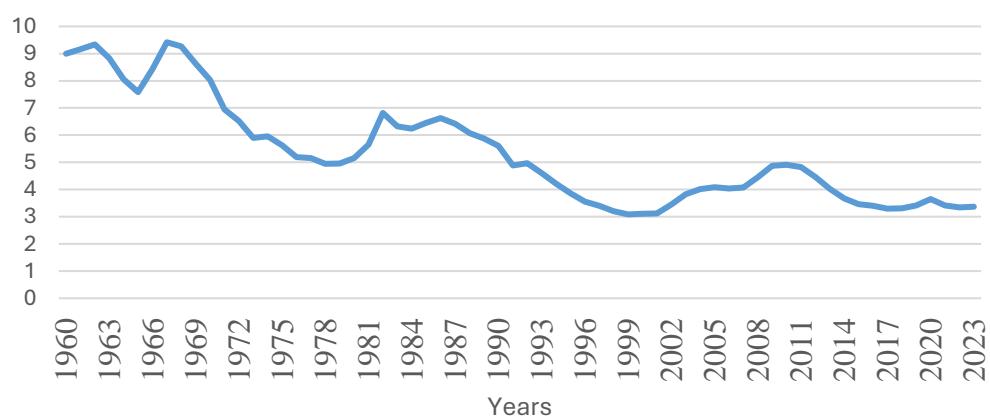
reverse the recession of the late 1940s, and an equally large increase in Pentagon spending in the early 1980s helped end the recession of 1980–1982 (Hosseini-Zadeh, 2006).

According to Keynesian theory, military spending, as a component of the state budget, has a multiplier effect on the economy. Keynesians defend the role of military spending in stimulating aggregate demand during periods of economic recession (Chary & Singh, 2024).

The dynamics of military spending as a percentage of US GDP (Fig. 2) confirms that the increase in the military burden was a response to the crisis in the economy.

During periods of slow growth in military spending in the US, the share of non-military government spending in GDP increased. From the mid-1950s to the mid-1970s, the share of non-military government spending in GDP rose from 9.2% to 14.3%, an increase of 5.1%. During the same period, the share of military spending in GDP fell from 10.1% to 5.8%. In the early 1980s, under Reaganomics, military spending rose sharply and tax rates on higher incomes were cut just as sharply, resulting in a significant increase in income inequality and a large budget deficit. Economic policies aimed at sharply increasing military spending and reducing taxes for the wealthy were somewhat moderated in the 1990s, which helped slow the growth of income inequality. However, in the 2000s, the US resumed increasing military spending and reducing taxes for the wealthy, which exacerbated income inequality (Hosseini-zadeh, 2007) and thus worsened the ability of broad segments of the population to realize their economic interests.

Figure 2. US military spending (% of GDP)



Source: Derived from: World Bank. (2025). <https://databank.worldbank.org/source/world-development-indicators#>

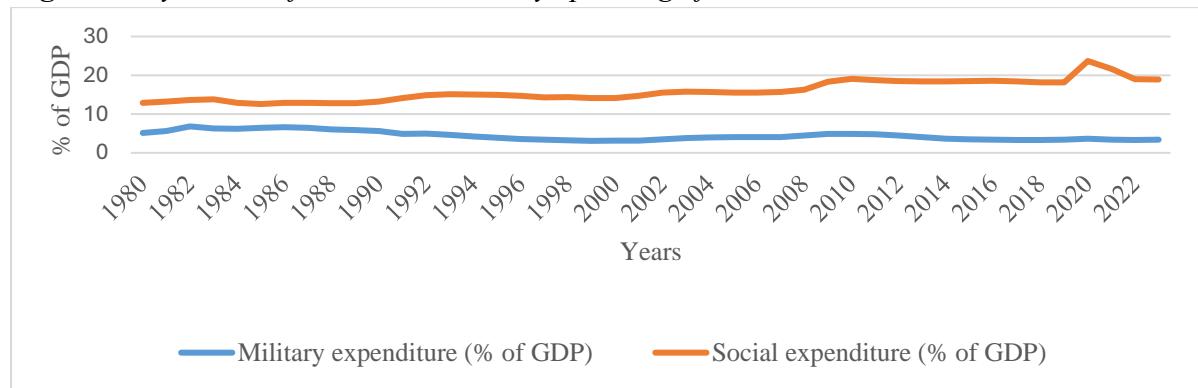
The growth in military spending helped overcome cyclical crises in the US economy - the leader of the global geopolitical system that emerged after the end of the macro-decision phase (1914-1945) of the ninth long cycle of world politics. The economic conditions of the world system's leader largely determine the conditions for the realization of the economic interests of other geopolitical actors.

The ten-year Budget Control Act (BCA), which was in effect until fiscal year 2021, significantly reduced US defense budgets after a decade of growth. The budgets for fiscal years 2023–2025 strengthen US military power today, creating conditions to counter future threats. From 2021 to 2024, the US Department of Defense budget increased from \$705 billion to \$876 billion (Office of the Under Secretary of Defense (Comptroller), 2024).

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The dynamics of US military spending (Fig. 1, Fig. 2) show that after the end of the Cold War, the role of military spending in the US economy declined. After the terrorist attacks of September 11, 2001, military spending increased over the next 10 years, and then declined over the following decade.

Figure 3. Dynamics of social and military spending of USA

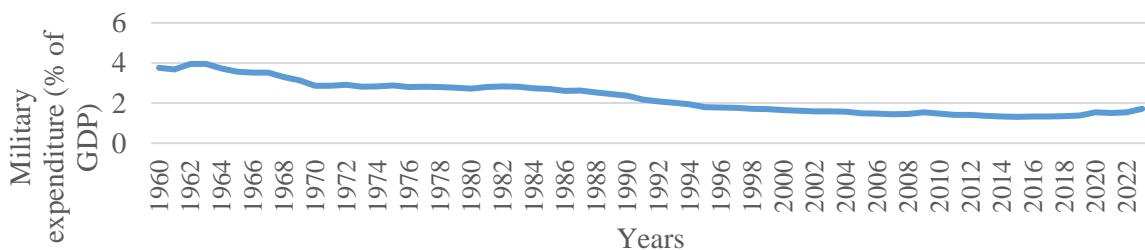


Source: Derived from: World Bank. (2025). <https://databank.worldbank.org/source/world-development-indicators#>, OECD Data Explorer. (2025). Social expenditure aggregates. <https://www.oecd.org/en/data/datasets/social-expenditure-database-soex.html>, <https://data-explorer.oecd.org>

During the Reaganomics period, the share of social spending in US GDP declined. After the end of the Cold War and until the global economic crisis of 2008, this indicator grew moderately but steadily (Fig. 3). In 2009–2010, as well as in 2020, there was a sharp increase in the share of social spending in US GDP (Fig. 3) in response to crisis events – the global economic crisis and the crisis triggered by COVID-19. The world system's entry into a crisis-militaristic phase requires its leader to make corresponding changes to budgetary policy, so we observe a decline in the share of social spending in US GDP in 2023 to 2010 levels, along with a resumption of growth in the US Department of Defense budget (Fig. 1, Fig. 3).

After the end of the Cold War, the EU was able to consistently reduce its defense spending (European Commission, 2025), which reached its lowest level as a share of GDP in 2014–2015 (Fig. 4).

Figure 4. Military expenditure (% of GDP) - European Union



Source: Derived from: World Bank. (2025). <https://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?locations=EU>

However, since 2020, defense spending in the EU has begun to rise. In recent years, Europe has been cooperating more closely within NATO to respond to security threats.

According to NATO, defense spending by EU members of the Alliance reached NATO's target of 2% of GDP in 2024. On average, EU member states still spend less on defense than the US (2.9% of GDP in 2023) or the UK (2.1% in 2022). According to the Stockholm International Peace Research Institute (SIPRI), arms imports by European NATO members more than doubled from 2015–2019 to 2020–24, with the share of imports from the US rising from 52% to 64%. Therefore, the EU needs to strengthen the consolidation of its defense industry and procurement policy in order to reduce its dependence on external suppliers.

To enhance the EU's defense capabilities, a package of measures called "Readiness 2030" was developed, aimed at supporting the European defense industry, deepening the "single defense market", and promoting increased defense spending, including through fiscal flexibility. The European Commission has proposed that Member States coordinate their requests to activate the national exemption clause of the Stability and Growth Pact. This flexibility will allow Member States to temporarily exceed the net expenditure set by the Council to finance increased defense spending. To ensure fiscal sustainability, the Commission has defined the timing and scope of the national exemption clause: flexibility for higher defense spending is limited to 1.5% of GDP compared to the base year and will be available for four years (2025–2028). Expenditures covered by this provision are determined on the basis of the statistical category "defense" in COFOG (Classification of Functions of Government) (European Commission, 2025).

The European Commission has identified security and defense as a key priority for the period 2024–2029, specific manifestations of this new strategy include the publication of the European Rearmament Plan in March 2025 and the preparation of the first White Paper on European defense. The Readiness 2030 Plan (formerly ReArm Europe) is based on five main sources of funding: 1) a new financial instrument called Security Action for Europe (SAFE), which will provide up to €150 billion in loans for joint defense procurement through the joint issuance of debt obligations; 2) strengthening national defense funding by invoking the national exemption clause under the Stability and Growth Pact, which gives member states more fiscal space for defense spending; 3) using existing EU instruments, such as the Cohesion Fund, more flexibly to reallocate resources to defense-related projects; 4) expanding the role and increasing the contributions of the European Investment Bank (EIB) to the financing of security and defense projects; 5) mobilizing private capital by further developing the Savings and Investment Union to create a sustainable financial base for the entire defence sector (Wolfenstein, 2025).

The Readiness 2030 plan implies a sum of €800 billion. This exceeds the €750 billion mobilized in 2020 under the Next Generation EU initiative in response to the COVID-19 pandemic. The redirection of €150 billion in loans allocated under the Next Generation EU program to joint defense projects will be offset by investments in energy and digital transformation. Similarly, the reallocation of cohesion funds will undermine efforts to combat territorial inequality (Duval, 2025).

Many European countries that are members of NATO are better known for their developed social welfare systems than for their military power, but in 2025 they committed to increasing defense spending to an amount equivalent to 5% of annual GDP by 2035. According to a World Bank expert, if this plan is implemented, in ten years' time, a generation that largely

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entered adulthood during a period of relative harmony and enjoyed numerous associated benefits until middle age may soon face a new, uncomfortable reality (Letzing, 2025).

The German Chancellor recently stated that "the welfare state as we know it today can no longer be financed by our economy – and that is why we have to change it". All over Europe, welfare states are already experiencing difficulties due to an aging population and a shrinking workforce, which means rising social spending and declining tax revenues. The growing defense budget also complicates the functioning of the welfare state's economic system (Sappenfield, 2025).

In October 2025, the Council of the EU and the European Parliament reached an agreement on measures to stimulate defense investment in the current EU budget for the implementation of the ReArm Europe plan. This preliminary agreement aims to facilitate faster, more flexible, and coordinated investment in the European Defense Technological and Industrial Base (EDTIB) by amending five EU regulations: the Digital Europe Programme, the European Defence Fund, the Connecting Europe Facility, the Strategic Technologies for Europe Platform (STEP), and Horizon Europe. The European Parliament supported the expansion of EU financial support under the Horizon Europe programme for dual-use companies and the defence sector (Council of the EU, European Council, 2025). This initiative will allow funds from the scientific research support program, funds for the development of depressed regions, and other EU civil programs to be reallocated to military and dual-use projects.

The necessity to choose between increasing military spending and implementing the concept of a welfare state in EU countries is one of the most pressing manifestations of the contradictions in their socio-economic and institutional development today. The entry of the modern world system into a crisis-militaristic phase of global cyclical development forces states actively involved in geopolitical competition with the need to sacrifice the economic interests of non-military businesses and citizens in order to achieve long-term geopolitical and geo-economic goals, including through direct or indirect participation in military conflicts.

5. Discussions

Today, the unfolding of global crisis-militaristic processes is largely determined by the nature of the local-global conflict in Ukraine, the Israeli-Palestinian conflict, and other hybrid conflicts. The outcome of these conflicts will largely determine the balance of power in the global geopolitical system after the end of the current crisis-militaristic phase in the cyclical development of the world system, when a new, relatively stable form of civilizational development will take shape (Podliesna, 2024). This means that new conditions will be formed for the realization of the economic interests of states whose political and economic systems interact to form the world system. The opportunities for the realization of the economic interests of their citizens and businesses will depend on the position of each state in the new global geopolitical system.

In times of crisis and militarism, geopolitical rivals increase their military spending, which affects the prospects for realizing their economic interests: firstly, increased military spending is a tool of military Keynesianism for overcoming cyclical economic crises; secondly, increased spending on strengthening a country's defense capabilities strengthens its geopolitical

position and, therefore, its opportunities to obtain formal and informal preferences in the system of international economic relations.

When assessing the impact of increased military spending on the conditions for achieving economic interests, it should be borne in mind that the sources of funding for this growth have different effects on the realization of the economic interests of the state, business, and the population. The state strengthens its position as an actor in geopolitical competition through increased military spending. However, if military spending is increased by raising taxes on citizens' incomes and the profits of non-military economic entities, this reduces their ability to pursue their economic interests. A similar effect is also created by financing military spending through cuts in social spending and various types of state financial support for the development of non-military businesses.

In order to realize the economic interests of citizens, a certain basis of social quality is necessary, which depends on government spending on healthcare, education, environmental protection, social protection, and security. During periods of crisis and militarization, states involved in geopolitical competition often cut spending on ensuring a decent level of social welfare, refocusing on increasing military spending. The dynamics of Ukraine's state budget spending is a striking example of this (Table 2).

Table 2. The share of defense spending and expenditures aimed at ensuring social quality in all expenditures of the state budget of Ukraine

Years	State budget expenditures of Ukraine (% of all state budget expenditures)				
	defense	environmental protection	health care	education	social protection and welfare
2018	9,84	0,53	2,29	4,50	16,62
2019	9,94	0,59	3,59	4,81	20,38
2020	9,35	0,52	9,70	4,10	25,06
2021	8,56	0,55	11,44	4,28	22,77
2022	42,24	0,17	6,81	2,16	15,75
2023	52,25	0,13	4,47	1,51	11,69
2024	51,36	0,21	4,49	1,44	10,36

Source: Derived from: Ministry of Finance of Ukraine. (2025). State budget web portal for citizens. <https://openbudget.gov.ua/?month=12&year=2024&budgetType=CONSOLIDATED>

The share of government spending that creates conditions for the full realization of citizens' economic interests in all expenditures of the Ukrainian state budget during the years of hostilities on its territory has decreased significantly compared to 2021. On the contrary, the share of government spending on defense in Ukraine's total state budget expenditures has increased sharply since 2022. According to information from the state web portal "Budget for Citizens", defense spending in Ukraine's state budget amounted to 42.24% in 2022, 52.25% in 2023, and 51.36% in 2024. Compared to the same indicator for 2021 (8.56%), the share of defense spending in 2022 increased 4.9 times, in 2023 – 6.1 times, and in 2024 – 6 times (Ministry of Finance of Ukraine, 2025). These changes in the structure of government spending make it impossible to ensure a decent standard of living for the Ukrainian population, and thus to realize its economic interests. The decline in the share of spending on healthcare and education is particularly alarming. The share of healthcare spending in Ukraine's total state

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budget expenditure in 2022 was 6.81%, which is 1.7 times less than in 2021; in 2024, it will be 4.49%, which is 2.5 times less than in 2021.

After the start of the local-global conflict in Ukraine, the share of education spending in the country's state budget fell to 2.16% in 2022, compared to 4.28% in 2021; in 2024, this figure was 1.44%, in other words, a 2.9-fold decrease compared to its value in 2021. Accessible, fundamental, and comprehensive education shapes societal consciousness, which can influence the state, including during electoral cycles, by ensuring that state institutions perform the functions necessary to realize the economic interests of citizens.

The human potential of each particular society depends on the level of development of the education and healthcare systems, as well as their accessibility to the population. Therefore, the trend of reducing government spending in Ukraine on these most important areas of societal life, which to a certain extent can be explained by the conditions of wartime, should not be continued in the post-war recovery phase of the Ukrainian economy.

The main focus of the Ukrainian political and economic system's development during the current crisis and militaristic phase has been the formation of a mobilized society aimed at militarization and survival, rather than expanding opportunities for citizens to pursue their economic interests. As other countries become more deeply involved in the cycle of global economic militarization that is beginning today, the opportunities for their citizens to realize their economic interests will also deteriorate.

6. Conclusions

At the global level, one of the driving forces behind cyclical military-economic processes is competition among geopolitical actors to expand opportunities for realizing economic interests.

Periodically, deepening geopolitical contradictions lead to geopolitical competition taking the form of large-scale military conflicts, during which the stability and security of the world system's development are critically reduced. In other words, a new crisis-militaristic stage of its development begins, characterized by an increase in security crises and requiring an increase in defense spending by geopolitical competitors, which worsens conditions for the realization of the economic interests of the population and non-militaristic businesses.

The militarization of the economy and societal consciousness is a fairly effective tool for implementing a mobilization scenario to overcome deep crises in the capitalist economy, in particular by increasing military spending, which, according to Keynesian theory, leads to an increase in aggregate demand through the multiplier effect, thus contributing to overcoming the crisis and transitioning to economic growth.

At the same time, the redistribution of state financial resources in favor of military spending at the expense of non-military spending, primarily social spending, undermines the ability of broad segments of the population to pursue their economic interests, leads to increased social inequality, and generally worsens conditions for human development.

The militarization of the economy and societal consciousness is an effective way to overcome the crisis in the political and economic system and temporarily stabilize it. Following this, the conditions for achieving the economic interests of the state, business, and citizens temporarily become more balanced and favorable. However, militarization creates the basis for

even deeper socio-economic and geopolitical crises in the long term. The militarization of societal consciousness institutionalizes the need to abandon the improvement of social quality and the full realization of economic interests in favor of the mobilization and militaristic priorities of geopolitical struggle in the context of crisis and militaristic phases of global cycles.

The unfolding of crisis-militaristic phases of global military-economic cycles leads to the transformation of the global geopolitical system, resulting in either the emergence of a new leader of the global geopolitical system or a change in the geopolitical strategy of the old leader who has retained its dominance. The leader of the global geopolitical system determines the direction of the world economy, which creates conditions for the realization of economic interests. The leading state in the global geopolitical system receives the main advantages for the realization of its economic interests. Its partners also achieve a more advantageous position than other countries in the system of international economic relations that is established after each crisis-militaristic period. This creates the basis for future exacerbation of geopolitical contradictions and, consequently, the unfolding of new crisis-militaristic phases.

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