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Wars Make Markets, and Vice Versa

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ABSTRACT

Drawing on but moving beyond Charles Tilly's "war made the state, and the state made war," in this brief essay, I outline the logic that explains how and when wars make markets, and how and when markets make wars. The essay contributes to our understanding of state formation by indicating not only the indirect, but also the direct, relations between wars and markets. In that, the essay also contributes to our general understandings of economic developments on the one hand and militarism on the other.

In his 1975 book, *The Formation of National States in Western Europe*, Charles Tilly famously asserted that, "War made the state, and the state made war."¹ Chapter 3 in Tilly's later book, *Coercion, Capital and European States, AD 990-1992*, is entitled, "How War Made States, and Vice Versa."² The logic is convincing: as states in Europe got immersed in violent conflicts, in order to extract resources that would allow rulers to win those conflicts, they had to develop certain capacities and attributes, creating modern states but also conditions for more wars. Michael Mann in *The Sources of Social Power* made a similar argument, stating that successful military competition required infrastructural power – the ability to establish transportation and communication networks, develop standardized currencies and measurements, build educational systems to train officers and bureaucrats, and establish legal systems. This infrastructure was built for military needs, but became the basis for economic modernization and market development.³

One of the state's attributes that Tilly identifies was the concentration of "coercive means" – namely, violence. Tilly argues that almost all European states concentrated coercive means because coercion was the way states regulated their affairs. Violence enabled not only warfare but also managing other political matters as well:

*"Coercive means obviously played a part in warmaking (attacking external rivals), statemaking (attacking internal rivals), and protection (attacking the enemies of the state's clients). Coercive means also came into play in a state's exercise of extraction (drawing the means of state activity from its subject population) and adjudication (settling disputes among members of that population). Only when it came to production and distribution were coercive means not major supports of the state's activity...."*⁴

In other words, coercive means enabled not only the management of foreign affairs but most domestic affairs as well.

But how do states concentrate coercive means? According to Tilly, states had an easier time concentrating coercion to the extent that:

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1. Tilly, Charles. 1975. *The Formation of National States in Western Europe*, p. 42. Princeton: Princeton University Press.
 2. Tilly, Charles. 1990. *Coercion, Capital, and European States, AD 990-1992*. Cambridge, Mass.: Basil Blackwell.
 3. Mann, Michael. 1986. *The Sources of Social Power, Volume 1: A History of Power from the Beginning to AD 1760*. Cambridge: Cambridge University Press.
 4. Tilly, *Coercion*, 54.

"(a) production of weapons involves esoteric knowledge, rare materials, or substantial capital, (b) few groups have the independent capacity to mobilize large numbers of men and (c) few people know the secrets of combining weapons with men."⁵

Tilly finds that "rulers of European states took advantage of all these conditions to move toward monopolies of the larger concentrations of coercive means within their territories: armies, police forces, weapons, prisons, and courts."⁶ For Tilly, the concentration of coercive power is expressed in the disarmament of citizens.

It is in this context that Tilly quotes Max Weber, who defines the state as "a human community which (successfully) claims the monopoly of the legitimate use of physical force within a given territory."⁷ Although Tilly does not quote him, Norbert Elias' work is very much in line with Tilly's own. In *The Civilizing Process*, Elias speaks, just like Tilly, about "the concentration and monopolization of the use of physical violence and its instruments."⁸

Hence, the concentration of weapons in the hands of the state is one of the fundamental links that Tilly identifies between warfare and state-building.

According to Tilly, as already quoted above, "Only when it came to production and distribution were coercive means not major supports of the state's activity."⁹ Relations between the state and the market are unique in that, unlike state warfare and many other engagements, they are not based on violence (as Marx emphasized, that is one of the differentiating features between capitalism and Feudalism). However, relations between the state and the market are also unique in that, just like wars, markets have greatly shaped state formation. (Still, Tilly emphasizes that his contribution is exactly looking at state formation not through the market but through wars). In Tilly's telling, the organizational forms of states depended on whether they were coercion-intensive ("areas of... agricultural predominance, where direct coercion played a major part in production") or capital-intensive ("areas of many cities and commercial predominance, where markets, exchange, and market-oriented production prevailed").¹⁰

Tilly paid less attention to the capital formation process (accumulation and concentration of capital) compared not only to the state-building one,¹¹ but to the accumulation and concentration of coercion. Relatedly, he devoted little attention

5. Tilly, *Coercion*, 54.

6. Tilly, *Coercion*, 54.

7. Weber, Max. 1946 [1919]. "Politics as a Vocation," in *From Max Weber: Essays in Sociology*, edited by H. H. Gerth and C. Wright Mills, pp. 77-128. Oxford University Press.

8. Elias, Norbert. 1994 [1939]. *The Civilizing Process*, p. xiii. Oxford, UK: Blackwell. Emphasis added.

9. Tilly, *Coercion*, 54.

10. Tilly, *Coercion*, 54.

11. van der Linden, Marcel. 2009. "Charles Tilly's Historical Sociology" *IRSH* 54, pp. 237-274, doi:10.1017/S0020859009000662

to the direct, rather than state-mediated, relations between capital and wars – that is, between markets and warfare.¹²

In his disregard to possible links between markets and warfare, Tilly follows (to an extent, creates) the Weberian school of thought, according to which states possess sufficient autonomy to be able to decide whether to wage wars independently of capitalist interests. Capitalist markets are not intrinsically linked to – or dependent on – warfare.

Scholars working in the Marxist tradition, by contrast, position capital accumulation as the chief driver behind inter-state conflict and territorial expansion or control. One of the most influential analyses is Immanuel Wallerstein's, who argued that war is essential for maintaining (inter-state) hierarchical relationships, with military power allowing core states to impose unequal exchange relationships on peripheral regions, extracting raw materials and labor.¹³

Both these approaches might be suffering from causal reductionism, ignoring mutually constitutive elements. Here, meso-level approaches are useful. Consider the literature on militarism as a tool of economic development, which showed that high military spending may generate economic growth by reducing unemployment or by absorbing the excess of capitalist activity.¹⁴ Some went as far as suggesting that it was only by "carrying out developmental policies within the framework of national defense" that the US resolved an otherwise impossible tension between state intervention and *laissez-faire*.¹⁵ In addition to economic development, the military, according to this approach, may also generate technological innovations, as the contribution of the Defense Advanced Research Projects Agency (DARPA), under the US Department of Defense, to the invention of the Global Positioning Systems (GPS) and the Internet has shown.¹⁶

The literature on the Military-Industrial Complex offers a more critical approach. Rather than considering economic impacts as an unintended consequence of military programs, scholars in that tradition identify the existence of a unified coalition between "an immense military establishment" and "a large arms industry"; together, they acquire "unwarranted influence" on the government.¹⁷ As

12. See Tilly, *Coercion*, Figure 1.8.

13. Wallerstein, Immanuel. 1974. *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press.

14. Man, Simeon, A. Naomi Paik, and Melina Pappademos. 2019. "Violent entanglements: Militarism and Capitalism." *Radical History Review*, 133: 1-10.

15. Block, Fred. 2008. "Swimming Against the Current: The Rise of a Hidden Developmental State in the United States." *Politics & Society* 36(2): 169-206; Block, Fred, Matthew R. Keller, and Marian Negoita. 2024. "Revisiting the hidden developmental state." *Politics & Society* 52(2): 208-240.

16. Man et al. "Violent entanglements"; Ball, Kirstie S., and David Murakami Wood. 2013. "Political economies of surveillance." *Surveillance & society* 11(1/2):1-3; Jacobsen, Annie. 2015. *The Pentagon's Brain: An Uncensored History of DARPA, America's Top-secret Military Research Agency*. UK: Hachette.

17. President Dwight D. Eisenhower's Farewell Address, <https://www.archives.gov/milestone-documents/president-dwight-d-eisenhowers-farewell-address> (accessed 02/16/2026)

Nitzan and Bichler explain, substantial military spending not only "hardens the outlook of the security apparatus," but also "boosts the business interests of the large armament corporations." Together, these two groups become "fused in an invisible, yet powerful... complex that gradually comes to dominate policy."¹⁸ Together, they promote aggression abroad as well as economic distortions at home.

Those approaches clearly show the role of the military in economic development and the literature on the military-industrial complex also shows the role of economic interest in defense budgets. The pitfall of both literatures is that they focus on military spending and ignore wars.

In addition, the literature on the military-industrial complex is too instrumentalist, in the sense that it requires military men and economic actors to actively "conspire" for the state to meet their interests. Going back to Tilly, we should consider broader patterns that explain how war made markets, and *vice versa*.

Wars do not necessarily make markets, but under certain conditions, they do. Wars are a strong motivation for states to invest in military research, development, and production. States may finance research and development from other financial sources if they have those; more reasonably, they commercialize their innovations (often, through state-owned companies) – selling them to other militaries to finance future innovations. In this way, a market is created. But there's another way by which wars create markets – when military knowledge spills over to the private market, with investors and entrepreneurs, rather than the state, benefiting from future profits. Such spillover is not structurally necessary but, in practice, difficult to avoid. It occurs (1) when people who acquire certain skills during their military service or through work in state-owned defense companies take their skills with them to the private market; (2) when people who acquire certain skills during their military service or through work in state-owned defense companies take not skills but actual technologies with them to the private market; and (3) when the state-owned defense establishment collaborates with private companies. (It is worth noting that the new generation of weapons relies to a much greater extent than in the past on "off-the-shelf" private technologies, making spillover – especially through the third route – more common.)

States have ways to discourage or encourage the making of war-led markets. To encourage war-led markets, states allow the spillover discussed above, even if regulations should have prevented such a leakage. States may also encourage the making of markets by giving entrepreneurs access to the battlefield – for example, for testing new products. And states can encourage the making of markets by allowing products developed in the market to be exported to other

18. Nitzan, Jonathan and Shimshon Bichler. 2002. *The Global Political Economy of Israel*. Pluto Press.

governments and militaries, again even if regulations could have prevented such exports.

Hence, markets are created not by occupying or in any other way expanding into new territories. They are created by wars increasing demand for weapons produced in the for-profit market. But for the military to rely on markets for weapons, for-profit markets in which weapons are bought and sold had to be first created – and that happened, I argue, by letting innovations that emerged in the course of wars to become commodities. Increased procurement – the foundation of the theory of military Keynesianism – is really only a secondary result of markets being able to learn to produce what the military would buy.

The circular logic becomes apparent once we realize that as soon as military products are part of a for-profit market, market actors must create demand for them. Wars – independently of who wins and of broader economic implications – are profitable for arms producers. The war *itself* is an economic act. For example, much has been said about the potential benefits of the Iraq war in 2003 for American oil companies, but weapons manufacturers, private security contractors, and logistics and reconstruction contractors all enormously benefited from the war.

To create demand, weapons manufacturers also have an interest in turning non-wars into wars, for example, by militarizing non-military agencies, such as police forces, border control forces, and immigration authorities. In the United States, the Immigration and Customs Enforcement (ICE) has been using precision long guns and sniper rifles, military grade tactical gear, as well as items classified in procurement records as "chemical weapons."¹⁹ Militarization also reshapes other agencies and institutions. Think about the security around banks, schools, shopping malls, and entire cities. In these and other ways, weapons manufactures, made by wars, make new wars.

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19. Alexander, Sophie and Rachel Adams-Heard. 2025. "Some companies are security record contracts by outfitting Trump's crackdown." *Bloomberg*, December 11 (<https://www.bloomberg.com/features/2025-military-suppliers-outfitting-ice-immigration/>); Schwenk, Katya. 2026. "Who Are the Shadowy Contractors That are Training ICE's Attack Teams?" *Truthout*, January 17 (<https://truthout.org/articles/who-are-the-shadowy-contractors-that-are-training-ices-attack-teams/>); *VisaVerge*. 2025. "Trump's ICE weapons spending rises 700%, includes missile warheads", October 20 (<https://www.visaverge.com/news/trumps-ice-weapons-spending-rises-700-includes-missile-warheads/>).

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